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**The Role of Non-indemnity Insurance Products in Poverty Alleviation in Kenyan Urban Households: An Explanatory Literature Review Approach**

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**Abstract**

Urban poverty in Kenya remains a persistent development concern despite the expansion of financial inclusion, growth in mobile money, and ongoing reforms in social protection and health financing. Urban households are exposed to frequent financial shocks arising from illness, accidental injury, death of a breadwinner, disability, informal employment, debt obligations, inflation, and high costs of housing, food, transport and education. This article reviews the role of selected non-indemnity insurance products in poverty alleviation among Kenyan urban households. For purposes of analytical precision, the discussion is confined to Personal Accident policies and Life Assurance policies, specifically Ordinary Life, Endowment, Whole Life and Unit-Linked policies. The study is anchored on Social Protection Theory, supported by Risk Management Theory and Financial Inclusion Theory. It argues that non-indemnity insurance products can reduce poverty vulnerability by offering predetermined benefits that stabilize household consumption, protect dependants, support education continuity, preserve household assets, improve resilience aftershocks and encourage long-term savings. The article further develops rich conceptual literature on each policy, including its structure, suitability, poverty-reduction relevance, advantages and limitations in the Kenyan urban context. The review shows that while these products can contribute to poverty alleviation, their impact is constrained by low insurance literacy, affordability barriers, irregular incomes, mistrust of insurers, policy lapses, inflationary erosion of benefits and weak product customization. The article recommends simplified product design, flexible premium payment, consumer education, digital distribution, stronger market conduct supervision, faster claims settlement and deliberate integration of insurance into urban poverty-reduction strategies.

**Keywords:** life assurance, non-indemnity, insurance, personal accident, poverty alleviation, urban households

**1. Introduction**

*1.1 Introduction*

Poverty in Kenyan urban households has increasingly become a question of vulnerability rather than income alone. Urban centres such as Nairobi, Kisumu, Mombasa, Nakuru and Eldoret, amongst others, offer employment, trade, transport and service-sector opportunities, yet many households live below the poverty line and are unable to absorb unexpected shocks. Kenya's recent poverty evidence confirms that poverty remains a significant national challenge, while the World Bank's poverty assessment indicates that urban poverty fell over the long term but remains substantial and unevenly distributed (Kenya National Bureau of Statistics [KNBS], 2024; World Bank, 2023). For many urban households, income is unstable, work is informal, rent is paid monthly, food is bought daily, and medical expenses can emerge without warning. These realities make insurance a potentially important poverty-alleviation instrument. The urban poor and near-poor frequently rely on informal coping mechanisms such as family support, harambee contributions mainly through WhatsApp appeals, rotating savings groups (Merry-go-rounds), church welfare groups and emergency borrowing. These mechanisms are socially valuable, but they may be inadequate where shocks are large, repeated or catastrophic in nature (Devereux & Sabates-Wheeler, 2004). A household that loses a breadwinner may receive funeral support, but this rarely replaces future income, protects children's education or stabilizes long-term consumption. Similarly, a casual worker injured in a road accident may receive sympathy and small contributions, but the household may still face rent arrears, school fee disruption and business collapse. Non-indemnity insurance products can complement such informal systems by providing contractually guaranteed benefits when specified events occur. Non-indemnity insurance refers to policies that pay a fixed or predetermined amount on the occurrence of an insured event, rather than reimbursing the exact value of a proven loss. This makes the products particularly relevant where loss valuation is difficult, documentation is limited, or rapid liquidity is more important than exact indemnification (Mehr & Hedges, 1963). In this article, the relevant non-indemnity products are confined to Personal Accident policies and selected Life Assurance products, namely Ordinary Life, Endowment, Whole Life and Unit-Linked policies. Although these products are not designed to restore the insured to the precise pre-loss financial position, they offer a specified benefit that can cushion a household against financial deterioration.

## **2. Urban Poverty Context in Kenya and Non-Indemnity insurance products**

Urban poverty in Kenya has become increasingly multidimensional and vulnerability-driven. According to the Kenya National Bureau of Statistics (2024), many urban households remain highly exposed to financial shocks despite improvements in financial inclusion and digital finance. Rapid urbanization, rising informal employment, inflationary pressures, and housing insecurity have intensified household vulnerability in Kenya's urban centers such as Nairobi, Kisumu, Mombasa, Nakuru, and Eldoret. The World Bank (2024) estimates that a significant proportion of urban residents operate within the informal economy where income streams are unstable and social protection coverage remains weak. Female-headed households, youth households, and residents of informal settlements face heightened exposure to economic shocks arising from illness, accidents, loss of employment, and death of sole bread winners. Urban poverty therefore extends beyond low income and increasingly reflects limited resilience to financial disruptions. Non-indemnity insurance departs from the strict compensation logic by paying an agreed benefit upon occurrence of the insured event. Life assurance, usually described

as a benefit contract, is the most familiar example of a non-indemnity contract of insurance since the monetary value of human life cannot be precisely indemnified. Personal Accident insurance also frequently operates through benefit scales, where a fixed amount is payable for death, permanent total disability, permanent partial disability or temporary disability. In poverty-alleviation discourse, the significance of non-indemnity insurance lies in liquidity, predictability and protection against downward mobility. Poverty is often intensified when households respond to shocks through negative coping strategies such as selling productive assets, withdrawing children from school, borrowing from expensive lenders, reducing food consumption, delaying medical care or relocating to poorer housing. A fixed insurance benefit can interrupt this downward spiral by reducing the severity and duration of hardship even where the benefit is not sufficient to eliminate poverty. Kenyan urban households experience distinctive risk patterns such as road and workplace accidents which affect workers in transport, construction, security, manufacturing and informal trade sectors. Premature death of a breadwinner affects households that rely on one main income source thereby exposing aging parents and guardians to long-term educational obligations in terms of school fees, uniforms, transport and tertiary education. Inflation erodes savings and raises the cost of food, housing and healthcare thus making Personal Accident and Life Assurance products directly relevant to household resilience (Swiss Re Institute, 2024; World Bank, 2024). Although the non-indemnity character of these policies makes them also administratively useful, there is need for adequate consumer education to avoid any resultant conflicts or misunderstandings arising out of possible unclear product terms (OECD, 2024).

### **3. Theoretical Framework**

#### *3.1 Social Protection Theory*

This article is anchored on Social Protection Theory whose intellectual roots are linked to Amartya Sen's entitlement approach in Poverty and Famines, where vulnerability was explained not simply as lack of aggregate resources but as failure of access to entitlements. Later, Devereux and Sabates-Wheeler (2004) broadened social protection into a transformative framework involving protective, preventive, promotive and transformative interventions. In this perspective, social protection is not limited to relief for the poor but rather, it includes instruments that prevent households from falling into poverty, promote livelihood opportunities and transform social conditions that reproduce vulnerability. Social Protection Theory is appropriate as the anchor theory because insurance products operate as preventive and protective mechanisms. For instance, Personal Accident policies protect households from the financial consequences of accidental injury, disability and death, Ordinary Life, Whole Life and Endowment policies protect dependants from economic insecurity after death of a breadwinner, while Endowment and Unit-Linked policies can also promote savings and asset formation. These products therefore align with the preventive function of social protection by reducing exposure to future deprivation and with the protective function by providing cash benefits during crisis. The theory is especially useful in the Kenyan urban context because poverty is strongly associated with vulnerability to shocks. Many households are not permanently poor but are at risk of becoming poor when exposed to illness, death, accident or income interruption. Social Protection Theory therefore

shifts the analysis from income level to risk exposure and coping capacity. The Social Protection Theory helps in explaining why a household earning a modest but regular income may still be poverty-vulnerable if it lacks insurance, savings or social support.

A critical analysis of Social Protection Theory reveals both strengths and limitations. Its strength lies in the recognition that poverty reduction requires more than employment and economic growth; it requires mechanisms that protect households from predictable and unpredictable shocks. For instance, over taxation of salaried individuals in Kenya is a real threat in poverty alleviation strategies for most Kenyan urban households. However, the theory is often state-centered, while the insurance products reviewed in this article are mostly market-based. This creates a tension between welfare objectives and commercial insurance principles. If premiums are unaffordable, policy terms are complex, or claims are delayed, insurance may fail to serve as effective social protection. For insurance to contribute meaningfully to poverty alleviation, it must be inclusive, transparent and supported by appropriate regulation. Suffice it to say, the Kenyan insurance industry has one of the best regulatory frameworks globally. Key developments in Social Protection Theory have moved from narrow safety nets to integrated social risk management. Contemporary social protection includes health financing- an example here is the newly introduced SHIF (Social Health Insurance Fund managed by the SHA in Kenya, pensions, cash transfers, disaster-risk financing, unemployment support and inclusive insurance. The Social Protection Theory argument expands the relevance of insurance as part of social policy by framing Personal Accident and Life Assurance policies not merely as commercial products but as instruments that can reduce vulnerability, protect welfare and support inclusive urban development.

### *3.2 Risk Management Theory*

The first supporting theory is the Risk Management Theory whose foundations are commonly linked to Frank H. Knight's distinction between risk and uncertainty in Risk, Uncertainty and Profit (Knight, 1921). Knight explained that risk involves measurable uncertainty, while uncertainty is less easily quantifiable. Later insurance and business scholars such as Mehr and Hedges (1963) developed risk management as a systematic process involving risk identification, risk evaluation, risk control, risk retention and risk transfer. Risk Management Theory is relevant because households, like firms, face risks that can damage their financial stability. Urban households identify risks through lived experience, even when they do not use technical insurance language. They know that accidents can stop income, death can leave dependants unprotected, medical expenses can exhaust savings, and old age can bring financial insecurity. Insurance allows such households to transfer part of these risks to an insurer in exchange for premiums (Mehr & Hedges, 1963). Non-indemnity policies are particularly suitable where the risk event can be clearly defined and the benefit predetermined. In relation to poverty alleviation, Risk Management Theory explains the mechanism through which insurance reduces vulnerability. A small predictable premium can replace a large uncertain loss with a contractual benefit. For example, a Personal Accident policy can provide a disability benefit to a construction worker injured at work; an Ordinary Life policy can provide a death benefit to dependants; an Endowment policy can deliver a maturity benefit that supports school fees or a

small business; and a Unit-Linked policy can support long-term wealth accumulation. In each case, insurance converts uncertainty into a more manageable financial arrangement. The theory must nevertheless be applied critically. Classical risk management assumes that decision-makers have adequate information, understand probabilities and behave rationally. This assumption is weak in low-income urban contexts where insurance literacy may be limited, incomes are irregular and households prioritize immediate needs. A household may understand the value of insurance but still fail to pay premiums because food, rent and school fees are more urgent. Risk Management Theory therefore needs to be complemented by Financial Inclusion Theory, which considers access, affordability and product suitability. The major development in risk management literature is the shift from compensation to resilience. Modern risk management is not only concerned with payment after loss but also with continuity, preparedness and recovery. This development is important for the article because poverty alleviation requires more than one-off compensation. It requires protecting households from long-term decline. The contribution of Risk Management Theory is that it explains insurance as a structured household tool for reducing exposure to shocks and preventing negative coping mechanisms.

### *3.3 Financial Inclusion Theory*

The second supporting theory is Financial Inclusion Theory whose development is associated with scholarship on financial services for low-income households, including Morduch's (1995) work on income and consumption smoothing and the later global financial inclusion measurement work of Demirguc-Kunt and Klapper (2012). The theory argues that access to appropriate, affordable and responsible financial services enables households to save, borrow, insure, transfer money, invest and manage shocks. Financial Inclusion Theory is important because insurance inclusion remains weaker than payment inclusion in Kenya. Mobile money has transformed financial access, but many households that can send and receive money through digital platforms still lack adequate insurance protection. A household may be digitally connected but uninsured (Demirguc-Kunt & Klapper, 2012). This distinction is crucial because payments facilitate transactions, while insurance protects households against severe shocks. Non-indemnity policies can therefore deepen financial inclusion by expanding access to risk protection. The Financial Inclusion theory contributes to understanding how insurance can alleviate poverty through access, usage and welfare impact. In this context, access means households can obtain suitable policies, usage means they maintain premiums and understand how to claim and welfare impact means the policy improves resilience, reduces distress borrowing or protects dependants. A policy that is technically available but not understood or not claimed does not achieve meaningful inclusion. Therefore, Financial Inclusion Theory emphasizes the quality and suitability of insurance, not merely the number of policies sold. A critical analysis of the theory reveals the danger of superficial inclusion. Urban households may be sold policies through mobile platforms or group arrangements without full understanding of exclusions, waiting periods, surrender values or investment risks. This may create formal inclusion without real protection. Responsible inclusion requires transparency, affordability, consumer education and fair claims settlement. The theory has evolved from access-based inclusion to responsible and resilience-based inclusion, which is consistent with current international regulatory emphasis on policyholder protection and market conduct (IAIS, 2024).

The contribution of Financial Inclusion Theory to this article is that it explains how Personal Accident and Life Assurance products can reach urban households through mobile money, SACCOs, employers, welfare groups, churches, transport associations and microfinance institutions. It also shows that poverty alleviation depends on inclusive design with products that fit the cash-flow patterns, literacy levels and risk attitudes of Kenyan urban households.

#### **4. Methodology**

This study adopted an explanatory literature review approach to critically examine the contribution of selected non-indemnity insurance products toward poverty alleviation among Kenyan urban households. The explanatory review design was selected because the study sought not only to summarize literature but also to explain causal pathways through which insurance products influence household resilience, consumption smoothing, asset protection, and vulnerability reduction. The review relied on peer-reviewed journal articles, policy reports, insurance industry publications, and institutional datasets published between 2010 and 2025. Literature was sourced from Google Scholar, Scopus, JSTOR, ScienceDirect, SpringerLink, World Bank databases, FSD Kenya reports, Insurance Regulatory Authority reports, and Kenya National Bureau of Statistics publications. Inclusion criteria focused on studies discussing life assurance, personal accident insurance, financial inclusion, social protection, household resilience, and poverty reduction in developing economies, especially Kenya and Sub-Saharan Africa. Studies that lacked relevance to insurance or poverty vulnerability were excluded. The analytical process involved thematic synthesis where studies were grouped into themes including household vulnerability, insurance accessibility, claims settlement efficiency, financial inclusion, insurance literacy, and poverty outcomes. This approach enabled the study to identify recurring patterns, conceptual relationships, and contextual gaps within existing literature.

#### **5. Analysis of Non-Indemnity Insurance Products**

##### *5.1 Personal Accident Policies*

Personal Accident insurance is a non-indemnity product that provides predetermined benefits when the insured suffers injury, disability or death caused by an accident. The policy commonly covers accidental death, permanent total disability, permanent partial disability, temporary total disability and sometimes medical expenses related to an accident. The benefit is usually defined in the policy schedule, often as a lump sum or a percentage of the sum assured depending on the severity of injury. Unlike ordinary medical insurance, the core purpose is not to reimburse exact treatment cost but to provide financial support following accidental harm. The relevance of Personal Accident insurance in Kenyan urban households is substantial. Urban livelihoods expose many workers to accident risks through road transport, construction, informal manufacturing, security work, domestic work, small trading and manual labour. Boda-boda riders, matatu crew, mechanics, delivery riders, market porters and construction workers are examples of groups whose income depends on physical ability. An accident can therefore produce immediate income loss, medical expenditure, disability and long-term dependency. For such households, a Personal Accident benefit can protect consumption and prevent a temporary shock from becoming chronic poverty. The poverty-alleviation role of Personal Accident

insurance is clearest in households whose breadwinner earns daily or weekly income. If an accident causes temporary disability, the household may lose income instantly while still facing rent, food and school-fee obligations. A policy that pays a weekly temporary disability benefit or lump-sum disability benefit can help bridge the income gap. Where death occurs, the accidental death benefit may assist dependants to meet funeral expenses, repay urgent debts and stabilize immediate consumption. The main advantage of Personal Accident insurance is affordability relative to the potential benefit. Because it covers specific accidental events rather than all causes of illness or death, premiums can be lower than broader covers. The product is also relatively simple to explain if policy wording is clear. It is useful for informal-sector workers who lack employer-provided benefits. It can be distributed through occupational groups such as boda-boda associations, matatu SACCOs, market trader associations and construction-worker welfare groups. The product also supports dignity by reducing over-reliance on emergency fundraising after accidents. However, Personal Accident insurance has limitations. It does not cover death or disability caused by illness unless specifically extended. This may disappoint policyholders who assume that all forms of incapacity are covered. Exclusions such as intoxication, criminal activity, self-inflicted injury or hazardous activities may create claim disputes. Benefits may also be inadequate where disability causes permanent loss of livelihood. The poverty-reduction effect of Personal Accident insurance therefore depends on adequate benefit levels, clear exclusions, flexible premiums and rapid claims settlement.

### *5.2 Ordinary Life Assurance Policies*

Ordinary Life Assurance, often understood as term or protection-oriented life cover depending on product structure, provides a predetermined benefit to beneficiaries upon the death of the insured within the policy period. Its principal objective is family protection. Unlike Endowment policies, a pure Ordinary Life policy may not provide a maturity benefit if the insured survives the policy term. Its value lies in protecting dependants against the economic consequences of premature death. Ordinary Life Assurance is directly relevant to poverty alleviation because the death of a breadwinner is one of the most severe household shocks. In many Kenyan urban families, one income earner supports children, spouse, elderly parents and extended relatives. If that income earner dies, the household may experience rent arrears, school dropout, food insecurity, debt pressure and relocation to poorer living conditions. A life assurance benefit can provide liquidity that helps the household reorganize its finances and maintain essential consumption. The literature on household vulnerability emphasizes that mortality shocks can create intergenerational poverty and escalate the circle of poverty in general. Children may leave school, widows may enter precarious work, and families may sell productive assets. Ordinary Life Assurance can reduce these outcomes by providing a predetermined death benefit. In urban Kenya, where households depend heavily on cash income, such a benefit may be used to pay school fees, settle loans, support rent, start a micro-enterprise or finance relocation. The product therefore protects both current welfare and future human capital. The advantages of Ordinary Life Assurance include simplicity, relatively affordable premiums and strong protection value. Because the policy focuses mainly on death risk, it can provide a higher sum assured for a lower premium than savings-linked policies. This makes it suitable for young parents, salaried employees, small traders and urban workers who want family protection but cannot afford high

premiums. The product also supports financial planning because beneficiaries are known in advance and the benefit is contractually defined. The disadvantages arise mainly from perceived lack of immediate value. Many low-income households prefer products that provide a visible return if no death occurs. A pure protection policy may be viewed as money lost if the insured survives. This perception reduces uptake despite the product's strong risk-protection value. Policy lapse is also a problem where premiums are not paid consistently. In addition, low insurance literacy may cause misunderstanding about exclusions, suicide clauses, waiting periods or beneficiary nomination. For Ordinary Life Assurance to support poverty alleviation, insurers must explain its protection logic clearly and design affordable premium modes.

### *5.3 Endowment Policies*

Endowment Assurance combines life protection with savings. Under an Endowment policy, the insurer pays the sum assured either on death during the policy term or on survival to maturity. The product therefore has a dual function: it protects dependants if the insured dies prematurely and provides a maturity benefit if the insured survives. In Kenya, Endowment policies are commonly marketed for education planning, medium-term savings, retirement preparation and family financial security. Most of these policies go by very fancy names such as Britam Akiba Policy, Sanlam Super Endowment, ABSA Life Endowment Plan, ICEA Lion Anticipated Endowment plan, Elimu Policy and many others. Endowment policies are relevant to poverty alleviation because they address both risk and planned future expenditure. Urban households face predictable financial needs such as school fees, tertiary education costs, business capital requirements, house deposits and retirement needs. At the same time, they face unpredictable events such as premature death. An Endowment policy allows a household to build disciplined savings while maintaining life cover. This is particularly useful where households struggle to save voluntarily because of competing consumption pressures. The poverty-reduction mechanism of Endowment policies operates through asset formation and human capital protection. For example, a parent in an urban household may purchase an education Endowment policy to ensure that a child's secondary or university education is funded at a future date. If the parent survives, the maturity benefit supports education. If the parent dies during the term, the death benefit protects the child's education prospects. In this way, the product reduces the likelihood that children will drop out of school because of household shocks. The advantages of Endowment policies include disciplined savings, guaranteed maturity value, combined protection and savings, and usefulness for medium- to long-term goals. The product is psychologically attractive because it offers a benefit whether the insured dies or survives. It can reduce financial indiscipline by locking savings into a structured plan. It also supports poverty alleviation by helping households accumulate lump sums that may be used for education, housing, business start-up or retirement support. The disadvantages are equally important. Endowment policies are more expensive than pure Ordinary Life Assurance because premiums fund both risk cover and savings. This can make them less accessible to low-income urban households. The returns may be eroded by inflation, especially where policy terms are long and bonuses are modest. Liquidity is limited because surrendering early may produce low surrender values. Policyholders may also misunderstand projected benefits if sales illustrations are not clear. Therefore, Endowment

policies are most poverty-relevant when sold responsibly, priced affordably and aligned with realistic household goals.

#### *5.4 Whole Life Policies*

Whole Life Assurance provides life cover for the entire lifetime of the insured, provided premiums are paid as required. Unlike term assurance, which covers a specified period, Whole Life Assurance guarantees that a death benefit will be paid whenever death occurs. Some Whole Life products also accumulate cash value over time, depending on the product design. The product is therefore a long-term protection and estate-planning instrument. In the Kenyan urban household context, Whole Life policies can contribute to poverty alleviation by offering permanent family protection. They are particularly relevant for individuals who want to ensure that dependants receive a benefit regardless of when death occurs. This may include parents with lifelong responsibilities, individuals supporting disabled dependants, business owners who want continuity planning, and households concerned about funeral costs and inheritance security. The policy provides certainty that death will trigger a benefit at some point, unlike term assurance, which may expire without payment if the insured survives the term. Whole Life policies support intergenerational financial protection. In urban households where assets are limited and dependants rely on one income earner; a guaranteed death benefit can create a financial legacy. It can help surviving family members settle debts, meet funeral expenses, preserve housing stability or invest in education and small business. Where a policy accumulates cash value, it may also provide a long-term financial asset. The main advantage of Whole Life Assurance is lifetime coverage. The policy provides certainty and can be used for estate planning, family protection and wealth transfer. It is also useful where households want permanent cover rather than temporary protection. Because death is certain, the product can be perceived as more valuable than term assurance. It can also promote disciplined long-term financial commitment. The disadvantages are significant in poverty-focused analysis. Whole Life policies usually have higher premiums than term life products. This can limit affordability among low-income urban households. The product may also be complex, especially where cash values, bonuses or loan features are included. Long-term premium obligations may be difficult for households with irregular income. Inflation may reduce the real value of the death benefit if sums assured are not reviewed. Whole Life policies may be more suitable for stable middle-income urban households than the poorest households unless simplified and affordable versions are developed.

#### *5.5 Unit-Linked Life Assurance Policies*

Unit-Linked policies combine life assurance with investment in selected funds. Premiums are allocated partly to life cover and partly to investment units in funds such as balanced funds, equity funds, money market funds or managed funds, depending on the insurer's product design. The policy value fluctuates according to investment performance. Unlike traditional Endowment policies with more predictable benefits, Unit-Linked policies expose the policyholder to investment risk and potential investment reward. The relevance of Unit-Linked policies to poverty alleviation is found in long-term wealth accumulation and inflation-sensitive financial planning. Urban households that have moved beyond immediate survival needs may require

products that grow value over time. Inflation can reduce the real value of fixed benefits, making investment-linked products attractive where policyholders seek higher returns. For middle-income urban households, Unit-Linked policies can support education planning, retirement savings, mortgage deposits and family wealth creation while retaining life cover. Unit-Linked policies can contribute to poverty prevention by helping households accumulate financial assets. Asset ownership is a major factor in resilience because households with assets can withstand shocks better than households living entirely from current income. If well understood and maintained, Unit-Linked policies may help policyholders participate indirectly in capital markets through professionally managed funds. This can deepen financial inclusion beyond simple savings. The advantages of Unit-Linked policies include investment flexibility, potential for higher long-term returns, transparency of unit values, and ability to combine protection with wealth accumulation. Policyholders may choose funds according to risk appetite, and some products allow switching between funds. In inflationary environments, the investment component may provide better value preservation than fixed-benefit policies, although this is not guaranteed. For financially literate households, the product can be a sophisticated planning tool. Although Unit-Linked policies offer opportunities for long-term investment growth and inflation-sensitive wealth accumulation, their suitability for low-income urban households remains questionable. These products are associated with investment volatility, fund management charges, allocation fees, and surrender penalties which may erode expected returns. Low-income households with irregular income streams may struggle to maintain long-term contributions, increasing the risk of policy lapse. Furthermore, many consumers may not fully understand investment risk or fluctuating fund values, exposing them to unrealistic expectations and potential dissatisfaction. Consequently, Unit-Linked products may be more appropriate for financially literate middle-income households than for highly vulnerable urban populations.

## **6. Poverty Reduction Mechanisms, Challenges and Constraints**

The selected products differ in purpose, affordability, risk exposure and poverty-reduction pathway. Personal Accident policies are most suitable for accident-related income protection among informal and occupationally exposed workers. Ordinary Life Assurance is most effective for affordable family protection against premature death. Endowment policies are suitable for households that want both savings and protection for planned goals. Whole Life policies provide permanent protection and intergenerational security but may be expensive. Unit-Linked policies offer investment growth potential but require financial literacy and risk tolerance. From a poverty-alleviation perspective, no single product is universally superior. The appropriate product depends on household income, risk exposure, financial goals, age, dependants and capacity to maintain premiums. For instance, a boda-boda rider with daily income may need Personal Accident cover first, a young parent may prioritize Ordinary Life Assurance while a salaried urban worker planning for school fees may choose an Endowment policy. On the other hand, a middle-income household interested in estate planning may consider Whole Life Assurance, while a financially literate professional seeking investment-linked protection may select a Unit-Linked policy. The major policy implication is that poverty-sensitive insurance must be segmented since Urban households are not homogeneous. Product design must recognize the difference between the extremely poor, the working poor, the vulnerable non-poor

and the middle class. For the poorest urban households, premium subsidies or group-based schemes may be necessary. For the working poor, simple low-premium Personal Accident and life covers may be most appropriate. For middle-income households, Endowment, Whole Life and Unit-Linked products can support longer-term wealth creation. Low insurance literacy remains one of the greatest barriers since most households do not clearly understand the difference between Personal Accident, Health insurance, Life assurance and investment unit-linked insurance. They may also misunderstand exclusions, waiting periods, premium lapse rules, surrender values and claim documentation. This weakens trust and may result in poor product choices (OECD, 2024; IRA, 2024). Affordability is another major challenge. Whereas most urban households face immediate demands such as rent, food, transport, school fees and healthcare, insurance premiums compete with urgent consumption needs. Even when premiums are modest, irregular income can make consistent payment difficult. Flexible premium schedules and mobile micro-payments can partly address this problem. Trust deficits also limit uptake. Some consumers believe insurers avoid paying claims or use complex policy wording to reject claims. Whether based on personal experience or public perception, mistrust reduces willingness to purchase insurance. Fast claims settlement, transparent communication and fair market conduct are essential for rebuilding confidence. Inflation reduces the value of fixed benefits. A sum assured that appears adequate at policy inception may become insufficient after several years of rising prices. This is especially problematic for Ordinary Life, Whole Life and Endowment policies with fixed benefits. Periodic benefit review and inflation-linked options can improve relevance. Finally, product complexity can undermine poverty alleviation. Unit-Linked policies and some Whole Life products may involve charges and investment risks that are difficult for ordinary consumers to understand. Responsible selling is therefore critical. Products should be matched with the financial literacy and risk tolerance of the household. Empirical evidence increasingly shows that insurance contributes to household resilience when supported by effective claims settlement and consumer understanding. IRA (2024) reports indicate that insurance penetration in Kenya remains below 3%, despite expansion in mobile financial services and digital premium collection. FSD Kenya (2023) observed that many low-income households rely heavily on informal coping mechanisms such as welfare groups and emergency borrowing because formal insurance uptake remains limited. Studies conducted in Kenya and other African countries demonstrate that life assurance and accident insurance reduce financial distress associated with death, disability, and loss of income. For example, urban households with some form of insurance coverage are less likely to liquidate productive assets or withdraw children from school following household shocks. However, empirical studies also reveal persistent barriers including mistrust of insurers, delayed claims settlement, policy lapses, and low insurance literacy.

## **7. Policy Recommendations**

Claims settlement efficiency significantly influences public confidence in insurance markets. In Kenya, for instance, delayed claims, unclear exclusions, and poor communication have historically undermined insurance culture among low-income households. Consumer protection therefore remains central to poverty-sensitive insurance. The Insurance Regulatory Authority has intensified market conduct supervision and public awareness initiatives aimed at improving

transparency and claims settlement practices. Nevertheless, disputes over exclusions, documentation requirements, and policy interpretation continue to discourage uptake among vulnerable households. For insurance to meaningfully support poverty alleviation, claims settlement processes must become simpler, faster, and more consumer-centered. Insurers should simplify product wording and provide clear explanations of benefits, exclusions, waiting periods, lapse rules and claim procedures. Consumer understanding should be treated as a core component of product value. Policies designed for urban low-income households should be available in simple English and Kiswahili, with examples drawn from everyday Kenyan life. Premium flexibility should be improved. Since many urban households earn daily, weekly or irregular income, insurers should allow mobile-based micro-premiums, grace periods and group deduction arrangements. Partnerships with SACCOs, welfare groups, employers, transport associations, churches and market associations can improve continuity of premium payment. Regulators should strengthen market conduct supervision and claims-settlement monitoring. The Insurance Regulatory Authority should continue carrying out awareness creation clinics, promoting consumer protection and responsible innovation. Public confidence will improve when policyholders experience fair treatment and timely claims payment (IAIS, 2024; IRA, 2024). Insurance education should be integrated into financial literacy programs. Urban households need practical knowledge on how Personal Accident and Life Assurance products work, how to choose sums assured, how to nominate beneficiaries, how to maintain policies and how to claim. Insurance industry stakeholders can support consumer education through deliberate collaboration with schools, churches, county government programs, radio stations, digital platforms and community-based organizations. To improve both uptake and welfare impact, Kenyan insurers need to develop affordable innovative segment-specific product bundles suitable for different household segments. For instance, a low-income worker may need a bundle combining Personal Accident and basic Ordinary Life cover, a middle-income family may require Endowment education planning, while a financially literate professional may need Unit-Linked or Whole Life options.

## **8. Conclusion**

This article has examined the role of selected non-indemnity insurance products in poverty alleviation among Kenyan urban households. It has confined the analysis to Personal Accident policies and Life Assurance policies, namely Ordinary Life, Endowment, Whole Life and Unit-Linked policies. The article has argued that these products can reduce poverty vulnerability by providing predetermined benefits that protect households against accident, death, disability and long-term financial insecurity. The theoretical framework shows that these products are best understood through Social Protection Theory, supported by Risk Management Theory and Financial Inclusion Theory. Social Protection Theory frames insurance as a preventive and protective instrument. Risk Management Theory explains how households transfer uncertain shocks into manageable premiums and defined benefits. Financial Inclusion Theory explains how access to suitable insurance expands resilience among underserved urban households. The review has shown that Personal Accident policies are particularly useful for occupational and transport-related risks; Ordinary Life Assurance provides affordable family protection; Endowment policies combine savings and protection for planned goals; Whole Life policies offer

permanent family security; and Unit-Linked policies provide investment-linked protection for households with greater financial literacy and risk tolerance. Each product has strengths and weaknesses, and each must be matched carefully to household needs. For non-indemnity insurance to contribute effectively to poverty alleviation, Kenya must address barriers of affordability, low insurance literacy, mistrust, inflation, product complexity and irregular incomes. Strengthened consumer education, flexible premium payment, transparent claims settlement, responsible product design and regulatory oversight will be essential. When properly designed and implemented, non-indemnity insurance can become a significant pillar of urban household resilience and poverty reduction in Kenya (UNDP, 2025; World Bank, 2024). This analysis demonstrates that non-indemnity insurance products can contribute meaningfully to poverty alleviation when designed within inclusive, transparent, and consumer-sensitive frameworks. However, insurance alone cannot eliminate poverty. Its effectiveness depends on affordability, claims efficiency, benefit adequacy, insurance literacy, regulatory oversight, and broader socio-economic conditions. Personal Accident and Ordinary Life products appear more suitable for low-income and informal-sector households due to affordability and direct protection value, while Endowment and Unit-Linked products are more suitable for middle-income households seeking savings and wealth accumulation. The study therefore recommends segmented insurance strategies aligned with household vulnerability profiles within Kenya's urban economy.

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