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THIS EDITION

+COVER STORY

How SME Clusters can Leverage Cell Captives for Financial Security

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CELL INSURANCE



HOW SME CLUSTERS CAN LEVERAGE CELL CAPTIVES FOR FINANCIAL SECURITY

Small and Medium Enterprises (SMEs) frequently face a tough reality when dealing with traditional insurance. This is because individual small businesses have lower premium volumes and lack historical risk data and therefore traditional underwriters often view them as high-risk, leading to restrictive terms, generic policies, or prohibitively high pricing.

However, when SMEs band together into structured industry clusters such as agricultural cooperatives, manufacturing hubs, transport associations, microfinance networks and retail syndicates, they unlock the collective financial scale needed to access advanced risk-financing mechanisms.

One of the most effective tools to achieve this, is through the Cell Captive option where the cluster will operate their own cell under the Cell Insurance license. This alternative risk transfer (ART) mechanism enables the cluster to retain and finance its own risks without assuming the substantial legal, capital, and regulatory burden of establishing an independent insurance company.

When SME clusters graduate from purchasing standard insurance to owning a segregated cell captive, they fundamentally alter their financial architecture. To fully understand the operational, capital, and financial mechanics of this alternative risk transfer (ART) strategy, we can break down how clusters extract tangible security from the cell, where the money moves, and how it protects the broader value chain.

How the Mechanism Works: The Hub-and-Spoke Model

A cell captive operates on a "hub-and-spoke" structure managed by a fully licensed, mainstream insurance company (the Sponsor or Promoter).

- **The Core (Hub):** The sponsor provides the overarching legal personality, insurance license, regulatory compliance,infra-structure and primary access to global reinsurance markets.
- **The Cell (Spoke):** The SME cluster then open a segregated, ring-fenced cell exclusively for their cluster with the sponsor.

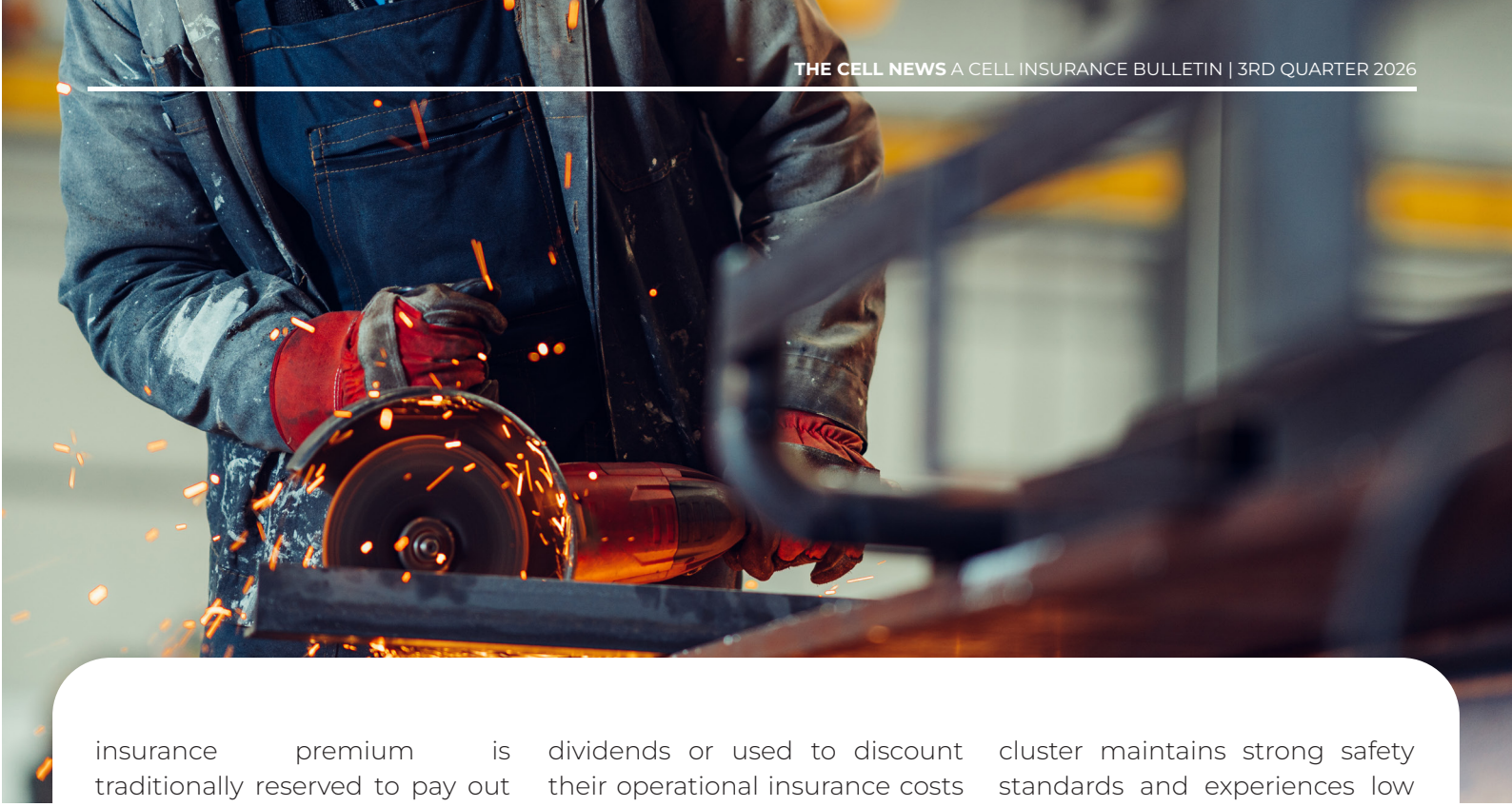
Inside this cell, the cluster pools its members' premiums, underwrites its own distinct risks, and retains its own financial assets and liabilities, completely insulated from the financial performance or losses of any other cells in the sponsor's portfolio.

The Financial Engine: Turning Premiums into Capital Assets

In standard commercial insurance, 100% of unspent premiums (the underwriting profit) belongs to the insurance carrier. A cell captive flips this script completely.

The financial structure inside a cluster's cell relies on three core economic components:

(i) Underwriting Profit Retention: Around 60–65% of an



insurance premium is traditionally reserved to pay out anticipated claims, while the remainder covers administration and carrier profits. If an SME cluster invests heavily in safety—such as tracking systems for a transport hub or strict fire suppression for a manufacturing zone—and keeps claims low, the unused claims portion remains securely ring-fenced inside the cell as underwriting profit.

(ii) Investment Income Generation: Premium funds do not sit idle. While waiting to pay out potential claims, the cash reserves inside the cell are invested in low-risk, income-generating liquid assets (like money market funds or short-term treasury bills). The investment yield compounds directly inside the cell, expanding the cluster's capital base

(iii) The Dividend Cycle: Once regulatory capital requirements are satisfied and open-claim liabilities are cleared, the accumulated surplus can be legally distributed back to the SME cluster members as dividends or used to discount their operational insurance costs the following year.

Strategic Pathways for SME Clusters to Build Financial Security

SME clusters can leverage this structure through three primary approaches, tailored to whether they want to protect their own assets, generate new revenue, or cover highly specialized operational.

First-Party Risk Retention (Self-Insuring Shared Assets)

Instead of paying non-refundable premiums to a traditional insurer, the cluster uses a First-Party Cell to underwrite its members' core operational risks (e.g., property damage, motor fleet, or business interruption).

- **How it builds security:** The cluster pays premiums into its own cell to cover highly predictable, high-frequency but low-severity losses. For catastrophic, low-probability risks, the cell purchases reinsurance cover through the sponsor's institutional network.
- **The Financial Reward:** If the cluster maintains strong safety standards and experiences low claims throughout the year, the unused premiums do not vanish. The underwriting profits and investment returns accumulate directly within the cell. This surplus can be paid out to the SME members as dividends or retained to significantly lower premium costs in subsequent years.

Third-Party Affinity Products (Unlocking New Revenue Streams)

If the SME cluster has a large customer base or a highly integrated member network, it can launch a Third-Party Affinity Cell to issue white-labelled, branded insurance products directly to the public or its broader value chain.

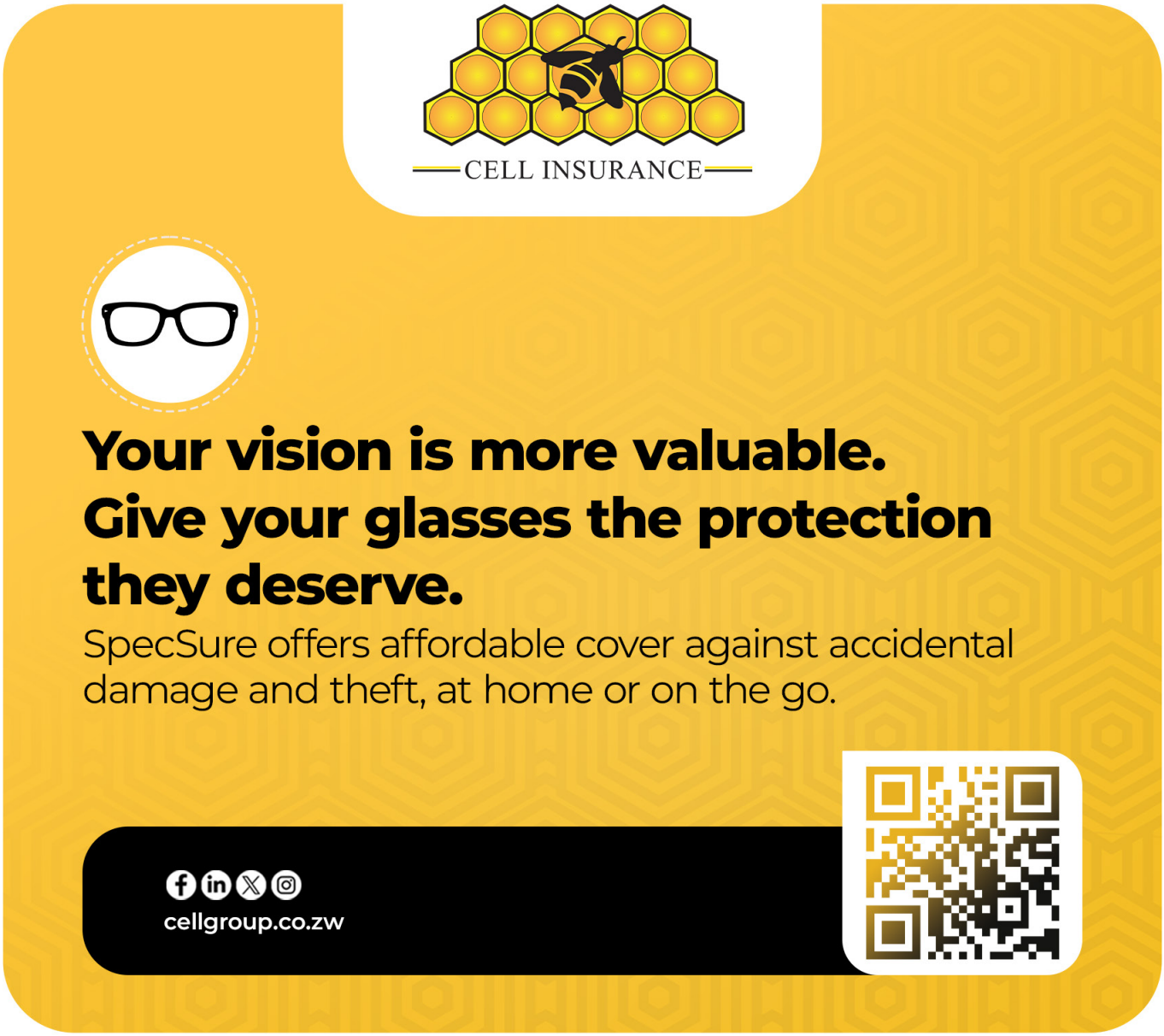
- **How it builds security:** A transport operators' cluster could offer localized passenger liability or commuter cover; a retail association could issue gadget insurance or hospital cash plans.
- **The Financial Reward:** By utilizing the sponsor's licensing infrastructure to run a consumer-facing insurance line, the cluster

captures a highly lucrative, non-correlated revenue stream via underwriting margins and administrative fees, diversifying the group's income away from pure operational dependency.

Parametric and Bespoke Underwriting (Covering "Uninsurable" Gaps)

Traditional insurance often completely rejects or overprices emerging, highly volatile, or localized risks like climate-driven agricultural yields or sudden credit defaults.

- **How it works for Outgrower Schemes & Agricultural Cooperatives:** The cooperative structures a cell to provide parametric weather insurance for its smallholder farmers. A portion of each farmer's delivery payout is channelled into the cell as a premium. Payouts are automatically triggered based on objective data (like satellite images showing a lack of rainfall during a critical germination window), bypassing slow, bureaucratic claims-adjusting processes.
- **How it works for Microfinance Networks:** When an SME borrower suffers a catastrophic event (e.g., a market fire destroying inventory), they default on their loan, threatening the cooperative's liquidity. The cell issues a low-cost credit life and asset policy tied to every loan distributed. If a borrower experiences a verified tragedy, the cell steps in to settle the remaining loan balance.



Meet Garikai Jambaya: Leading Growth Through Insurance Expertise



The strength of Cell Insurance lies in the expertise and dedication of its people. This edition features Garikai Jambaya, popularly known as Gari, Team Leader for SMEs and Personal Lines, whose career reflects a commitment to business development, sound underwriting and lasting client relationships.

With over a decade of experience in short-term insurance, Gari began his career at Champions Insurance in 2011 before joining Cell Insurance in 2012. He progressed through the SMEs and Personal Lines and Corporate Business underwriting teams, gaining extensive experience in risk assessment, pricing, reinsurance and client relationship management. His academic background includes a Master's in Business Leadership from Bindura University of Science Education and a Bachelor of Commerce Honours degree in Risk Management and Insurance from NUST. He also holds several professional qualifications in insurance, risk management and retirement fund trusteeship.

In his current role, Gari leads the SMEs and Personal Lines team, focusing on business growth, portfolio retention and underwriting quality. He works closely with underwriters, brokers and clients to identify new business opportunities, develop effective market strategies and strengthen existing relationships. By balancing portfolio growth with sound risk management and operational efficiency, he contributes to premium revenue, improved retention and the company's overall financial performance. His leadership also involves mentoring team members and ensuring that service delivery remains responsive to client needs.

Gari enjoys business development and engaging new clients, particularly sharing his insurance knowledge and helping them understand the value of insurance in protecting their interests. He believes lasting client relationships are built on understanding their needs and providing suitable solutions.

Beyond work, Gari enjoys playing volleyball and following football, supporting Caps United locally and Manchester United internationally. He also serves as a church elder at ZAOGA FIF International Church, where he supports pastoral care, ministry activities and community initiatives. A fan of rice and fish, he draws inspiration from Ecclesiastes 9:11, which reminds him that success depends not only on speed or strength, but also on time and opportunity.

His guiding principle is to do his work as unto the Lord, remaining diligent and faithful to the responsibilities entrusted to him while trusting God with the outcome.