FACTORS AFFECTING UPTAKE OF LIFE INSURANCE IN KENYA

BY

JULIUS ODEMBA

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

NOVEMBER, 2013

DECLARATION

I declare that this research project is my original work and to the best of my knowledge has never been presented for an award of degree or other certificate to any University or examining body.

Signature____________________________ Date ___________________________

Julius O. Odemba

Reg: D61/8487/2006

The research project has been submitted for examination with my approval as the student's supervisor

Signature ____________________________ Date ___________________________

Mr. J. Kagwe

Lecturer, University of Nairobi.

ACKNOWLEDGEMENT

I would like to express my gratitude to my supervisor Mr J. Kagwe for guidance and support that he gave in the successful completion of this thesis. I recognize and appreciate his endurance in reading through my drafts and his suggestions on improvements and corrections.

I would like like to thank my wife, Bwiza, our son Tafarah for the love, encouragement and support they have accorded me as I worked on the project. My appreciation also goes to my friends, Omwenga, Gladys for their moral support and in getting the right materials to write the project. I would like to appreciate my mother for her love and my big brother Muga for his encouragement.

DEDICATION

This project is dedicated to my wife, Bwiza Wameyo Odemba and son Tafarah Ateko Odemba for their love, support and encouragement.

ABSTRACT

Life insurance is an important aspect of the social-economoic development of the society. It helps to safeguard the future while also ensure some savings that can be used in a later date. Despite its importance, the penetration of life insurance is currently only at 1.3% in Kenya. This is very low compared to the developed countries where life insurance penetration is quite high.

Life insurance in Kenya is regulated by Insurance Regulatory Authority. This is a statutory government agency established under the Insurance Act (Amendment) 2006, CAP 487 of the Laws of Kenya to regulate, supervise and develop the insurance industry. In terms of ethical and prudent business practices in the industry, this is largely overseen by the Association of Kenya Insurers (AKI). AKI is an umbrella body bringing all insurance companies in Kenya together. These two bodies have worked tirelessly in conjunction with life insurance companies to increase the penetration of life insurance in Kenya. Despite their efforts, the penetration remains dismally low.

This study therefore sought to establish the factors that affect the uptake of life insurance in Kenya. The population constituted all registered 13 life insurance companies in Kenya. From each company, there were three different types of respondents; customers, sales agents and customer service staff. In all these respondents, only those who had been with the respective companies for more than three years were considered because they have a good understanding of life insurance.

The study adopted a descriptive and cross-sectional survey research design as the most appropriate for this study. From all respondent groups, the study revealed that most customers prefer life insurance products with both risk and saving components. From the customer service staff respondents, the study revealed that most life insurance companies live in urban areas and not rural areas. From the agents respondent group, the study revealed that most customers prefer to pay their premiums through mobile money, especially mpesa because of the convenience that comes with mobile money. From the customers’ respondent group, the study revealed that most customers with life insurance policies were living way above the poverty line with monthly net incomes of above Ksh 35,000. They also indicated that they preferred paying their premiums via mobile money and were referred by a friend to the company.

From all respondent groups, the study revealed that high cost of premiums and inefficiency in claims settlement are the major factors hindering the penetration of life insurance in Kenya. Other major factors affecting penetration of life insurance include poor customer service, the complicated nature of life insurance products, poor sales agents integrity and lack of disposable income for most Kenyans.

The study recommends that insurance companies should push and market policies that provide for both risk coverage and savings component because that what the customers prefer. The insurance companies should also consider lowering the cost of premiums, have efficient claims settlement processes, improve on agents integrity, improve on customer service, develop new product varieties and increase their presence have country wide presence to improve uptake in rural Kenya.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Life Insurance provides the dual benefits of savings and security. Mark (2002) termed life insurance as a key sector whose contribution to the development of Kenya's economy cannot be over-emphasized. Apart from giving security to the insured against exposure to risk, life insurance is a mobilizer of domestic savings, inculcates the culture of thrift, and helps to increase income and create wealth.

The penetration of life insurance in Kenya is only at 1.3% (AKI, 2012). This is quite low given that the population of Kenya now stands at over 40million. There are several factors that affect the penetration of life insurance in Kenya. Yaari, (2009) attributes the low penetration of insurance in third world countries like Kenya to lack of disposable income. In a country where many people live below poverty line, it is difficult for people to think about future security. For many, life is simply about basic needs; food, shelter, clothing and basic education.

Many people argue that the future will take care of itself. Rejda, (2004) notes that insurance companies are slow in settling claims. When an insured event occurs, Insurance companies have been slow in processing claims. This has eroded the confidence customers have on insurance leading to slow growth of the industry. General customer service has been poor in the industry. Management of customer complaints and requests is a key part for growth of any industry, life insurance included (AKI, 2011) industry report.

Life insurance industry in Kenya is regulated by the Insurance Regulatory Authority (IRA). This is a statutory government agency established under the Insurance Act (Amendment) 2006, CAP

487 of the Laws of Kenya to regulate, supervise and develop the insurance industry. In terms of ethical and prudent business practices in the industry, this is largely overseen by the Association of Kenya Insurers (AKI). AKI is an umbrella body bringing all insurance companies in Kenya together. There are 13 players in Kenya's life insurance industry. According to IRA (2012) life insurance report, the total premium income and contributions from all the classes of life insurance business was Kshs 30.93 billion in the year 2011 compared to Kshs 26.71 billion in 2010, representing a growth of 15.8%. The contribution of life insurance sector to Kenya's GDP dropped to 1.02% in 2011 compared 1.05% in 2010. This means that other sectors of the economy grew faster than life insurance. Compared to the other sectors, life insurance contribution to the economy is almost negligible (AKI Insurance Industry Annual Report, 2011). CfC Life, formerly ALICO, is Kenya's third largest life assurer after Britam and Panafrica Life. Despite the efforts by AKI and IRA to improve uptake of life insurance in Kenya, the penetration remains critically low. This study sought to find the factors that contribute to this low uptake of life insurance in a country where the financial sector is very vibrant.

1.1.1 Concept of Life Insurance

Life insurance is a contract between an insured (insurance policy holder) and an insurer (insurance company), where the insurer promises to pay a designated beneficiary a sum of money (the "benefits") upon the death of the insured person (Mark, 2002). Depending on the contract, other events such as terminal illness or critical illness may also trigger payment. The policy holder typically pays a premium, either regularly or as a lump sum. Other expenses (such as funeral expenses) are also sometimes included in the benefits.

The uptake of life insurance is the ratio of Gross Direct Premiums to Gross Domestic Product (GDP). This currently stands at just about 1.3% in Kenya, which is very low.

Improvements in uptake of life insurance would be of great benefit to the industry and economy in general. According to (AKI, 2010), life insurance is one of the major employment sectors in Kenya. There are five companies offering life insurance listed in the Nairobi Securities Exchange. Today, life insurance industry in Kenya employs thousands of Kenyans and contributes about 1% of Kenya's GDP. While this is much lower than the banking sector, it is quite significant given that over 10,000 Kenyans are employed in this sector. Improved uptake of life insurance would improve GDP and create employment for more Kenyans (Oden, 2002).

Life insurance also plays a major role in the real estate growth. Without life insurance, lenders would either be unwilling to finance homes or the cost would be much higher because the risk of losing their investment would be much higher. Far fewer people would be able to afford housing without financing. This makes life insurance an important player in the economic growth of any country (Bull, 2009).

For economic development, investments are necessary. Investments are made out of saving. A life insurance company is a major instrument for the mobilization of saving of the people, particularly from the middle and lower income groups. These savings are channeled into investments for economic growth. The insurance act has strict provisions to insure that insurance funds are invested in safe avenues, like government bonds, companies with record of profits and so on. Life insurance companies therefore plays a major role in the capital markets stability. The growth of life insurance would bring more confidence to the industry which is currently low.

This would lead to the growth the industry because insurers would be able to lower the premiums due to economies of scale. Today, many Kenyans cannot afford life insurance because premiums are relatively high as insurance companies try to cover the risk of business loss. The AKI report also says that growth in life insurance acts a catalyst to growth of other industries. If life insurance grows, its means there is more disposable income. This breeds investor confidence and sparks growth in other sectors of the economy. Life insurance also has tax benefits which are used to invest in other sectors of the economy.

1.1.2 Factors that influence Insurance uptake

The uptake of life insurance is generally very low in the third world countries compared to the developed countries. In Africa, only South Africa has a reasonable penetration of life insurance at 15%. According to (LIMRA, 2011) report, two factors explain the low penetration of life insurance in the developing countries.

Life insurance is largely distributed through the agency model. This means that insurance agents have been the sole customer touch point. The structure of this distribution model has led to erosion of customer confidence. Many agents have from time to time miss-advised customers on the products and even expected projections of their policies at maturity. Agents have also at times misappropriated customers funds; instead of using to pay premiums, they divert to personal use. Customers are therefore very skeptical in dealing with insurance agents and business has been lost leading to poor penetration of life insurance.

When an insured event occurs, insurance companies have been slow in processing claims. This is largely because of the bureaucratic nature of the claims management process. Usually, by the time claims are processed, the insured has already waiting too long. The long wait means insurance companies lose referral value as they are perceived not to be willing to pay claims. Referral value is the most important value a customer can bring to any business. According to (LIMRA, 2011), it is lacking in most developing countries leading to low penetration.

Life insurance is not a basic need for many families in the developing countries (Kaguma, 2011). In a country like Kenya where more than 40% live on below one dollar a day, life insurance is considered luxurious and does not form part of most families' budgets. This is the case in most African countries; insurance is seen as a rich man's product. Many people do not have enough disposable income to take life insurance.

According to (Kaguma, 2011), general customer service has been poor in the industry. By nature of the products, life insurance is a long term relationship between the insured and the life insurance company. This means the company and the insured expects good customer service so as to continue in the relationship. Unfortunately, insurance companies have been slow in embracing the use of the internet, mobile phone, social media and contact centres to improve service. This has led to customer dissatisfaction leading to poor penetration of life insurance.

Insurance has been slow in using technology to break down organization silos and improve efficiency. In many insurance companies in developing countries, there is a lot of paperwork resulting to inefficiencies. Most companies have not digitalized their filing processes making work slow and cumbersome. In Kenya for instance, the increased growth in banking is largely due to automation (Wairegi, 2003).

The culture in many African countries has also been a challenge. Many life insurance policies pay at death yet this is a topic that many people do not want to talk about. Many people want to buy investment related products leaving out pure risk insurance products because of fear of death. Because of this, it's difficult selling pure insurance risk products in mot African markets, hence low penetration (Wairegi, 2003)

1.1.3 Life Insurance Industry in Kenya

Kenya has 13 companies selling various Group Life, Group Creditor annuities, and Individual Life policies. These studies concentrate on penetration of individual life insurance in Kenya.

Kenya's life insurance sector is relatively small in terms of absolute premiums written. Just like most sub-Saharan countries except South Africa, density (i.e. premiums per capita) is very low. A survey commissioned by (AKI, 2008) reported that there were only 362,059 individual life policies at the end of 2007 in a working population of 8.74 million (about 4% coverage). Indeed the majority of ordinary life policy holders are persons on permanent terms of employment such as civil servants and teachers, mainly on check-off system of premium payment. Very few self-employed or informal sector workers hold any form of insurance and there exists a need to target these persons who form the bulk of our population in order to increase the level of spread for life insurance, (Donaldson, 1999).

Nevertheless, the rapid growth in density, and the fact that the segment accounts for a significant portion (approximately a third) of all activity in the insurance sector, is very encouraging (AKI, 2011).While about 3% of Kenyans have general insurance, only about 1.3% have Life Insurance. General insurance like car insurance, fire insurance has a better uptake because it's a legal requirement to take up such insurance. Life Insurance is largely voluntary and is largely dependent on the Agency model of distribution. According to Association of Kenya Insurers, it is approximated that only around Ksh 48 billion will be collected as premiums in the Life Insurance industry in Kenya by end of year 2012.

According to (AKI, 2011), ordinary life insurance recorded a gross premium income of Kshs. 10.51 billion compared to 8.56 billion in the year 2010. The composition comprised endowment policies accounting for Kshs. 9.00 billion, term assurance policies Kshs. 1.27 billion, whole life policies Kshs. 0.13 billion and annuity policies accounting for Kshs. 0.11 billion. Endowment policies are therefore the most dominant policies in the Kenyan markert. In terms of market share, the report breaks the top life insurance companies as in the table below;

Table 1. 1 Combined Life Insurance Statistics for the top Life Insurance Companies in Kenya

	Ordinary Life	Group Life	Pensions		
INSURANCE COMPANY	**AMOUNT IN KSHS '000**			**TOTAL KSH**	**Percentage**
Britam	2,563,333	908,854	977,139	4,449,326	20.67
CfC Life	1,127,023	205,666	1,576,505	2,909,194	13.52
ICEA Lion	917,909	568,487	2,514,521	4,000,917	18.59
Jubilee	949,236	803,644	2,753,399	4,506,279	20.94
Pan Africa Life	2,028,823	1,619,669	207,132	3,855,624	17.92
Kenindia	373,943	96,583	1,329,351	1,799,877	8.36
				21,521,217	**100**

Source: AKI 2011 Industry report.

As above, Jubilee and Britam are the largest life insurance companies in Kenya.

1.2 Research Problem

AKI's insurance industry report (2011) shows that the level of uptake of life insurance in Kenya is 1.03% against a population of 33.4 million. This is very low compared to a country like South Africa which has the highest penetration level in Africa at 14% against a population of 44 million. With so many life insurance products available, it is worth finding out why the majority of Kenyan population does not have any life policy. This study therefore seeks to establish the factors affecting the penetration of life insurance industry in Kenya.

Life insurance industry in Kenya has 13 players. The gross annual premium is just above Kshs. 10 billion, meaning some life insurance companies have less than Kshs. 1 billion in gross premium. The growth of life insurance industry in Kenya is lower than the country's average economic growth. This means that other sectors of the economy are growing faster than life insurance. Insurance players in Kenya claim that there is a disconnect between the industry players and the general public (IRA, 2011). It is therefore worth finding out what ails the insurance industry in Kenya. Various life insurance companies have invested heavily in marketing to increase awareness and market share. But despite these efforts, life insurance penetration remains extremely low in Kenya. This study therefore also seeks to find out why life insurance uptake is low while the other financial sectors are vibrant in Kenya.

While various studies have been done on insurance in Kenya, there is very little industry wide study that has been done to look at the reasons why the penetration of life insurance is low. Kaguma (2011) study focused on the quality of customer service in life insurance companies. The study concentrates on the elements of service that customers consider to be quality service in life insurance. Wairegi (2003) study focused on the nature of competition within life insurance companies in Kenya. IRA (2011) study looks at the growth opportunities for the industry while (KPMG, 2011) study dwells on the economic importance of life insurance. The studies that have been done in the industry generally address the status of the industry and competition but do not address the slow growth in the industry. This is the gap that the current study sought to fill. The present study therefore sought to provide answers to the question; factors affecting the successful uptake of life insurance?

1.3 Objective of the Study

The objective of this study was to establish factors affecting the successful uptake of life insurance in Kenya.

1.4 Value of Study

As to the organization (the CFC Life Assurance Company Ltd), its stakeholders, customers, investors and the public will benefit from the study by understanding the factors that influence customers' decision in selecting life insurance products offered through various life insurance companies. Indeed the top management of CfC Life Assurance Company Ltd are likely to use the findings to understand the factors that underlie a consumers perception towards investment in life insurance.

The findings of the study will also be of immense benefit to the government, especially the ministry of finance, and the commissioner of insurance who will use it to formulate policies that will improve the uptake of insurance in Kenya. Kenya government has encouraged members of the public to buy life insurance policies by waiving tax on the premium paid to a life insurance policy. Therefore, the findings of the study will help the government to make appropriate policies towards promoting and regulating life insurance policies.

The research will form a basis for further research in this area among academics, whereby other researchers in this field who may use this report as a basis for further studies and lastly, the study will form a reference in the field of marketing and strategic management within its core concepts of strategic responses to customer's satisfaction.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature review, specifically the literature review focuses on the variables of the study, and the discussion includes life insurance influencing factors, theories, market reviews, and determinant factors. The review of literature focuses on the investigate factors influencing choice of life insurance cover policy on the lives of people.

2.2 Theoretical Foundations

The slow growth in life insurance can be explained by the customer perceived value theory. Customer perceived value is the difference between the prospective customer's evaluation of all benefits and all the costs of an offering and the perceived alternatives. CPV = what customer gets (benefits) – what he gives (costs). Total customer benefit is the perceived monetary value of the bundle of economic, functional and psychological benefits customers expect from a given market offering because of the products, services, personnel, and image involved. Total customer cost is the perceived bundle of costs customers expect to incur in evaluating, obtaining, using, and disposing of the given market offering, including monetary, time, energy, and psychological costs (Kotler and Armstrong, 2010, p.161). The authors explain that creating loyal customers is at the heart of every business because the only value that an organization will ever create is the value that comes from present and future customers. They propose an adoption of the modern customer oriented organization chart as opposed to the tradition organization chart.

(Kotler and Armstrong, 2010) explain that the traditional organization chart is a pyramid with the president at the top, management at the middle, frontline people and customers at the bottom while the modern customer oriented organization chart is inverted placing customers at the top, followed by frontline people who meet customers then middle managers who support the front line people and at the base is the top management whose job is to hire and support middle managers. This can be illustrated in figure 2;

Figure 2. 1 Model of Customer Perceived Value

Source (Kotler and Armstrong, 2010: Principles of Marketing (13th ed.) Pearson).

Life insurance companies have largely operated the traditional organization chart. This means that customer perceived value has remained very low hence affecting the growth of life insurance both in Kenya and other African countries, Kaguma (2011). Creating loyal customers is at the heart of every business. Businesses succeed by getting, keeping and growing customers. Customers are more educated and informed than ever and they need to feel they are getting value for their investment, (Kotler and Armstrong, 2010) .

2.3 Insurance and Life Insurance

Insurance is a contract between the policy owner and the insurer, where the insurer agrees to pay a sum of money upon the occurrence of the insured individual. Life insurance therefore is a contract between an insured (insurance policy holder) and an insurer (insurance company), where the insurer promises to pay a designated beneficiary a sum of money (the "benefits") upon the death of the insured person.

Depending on the contract, other events such as terminal illness or critical illness may also trigger payment. In return, the policy owner agrees to pay a stipulated amount called a premium at regular intervals or in lump sums, (KPMG Kenya Limited, 2004). There may be designs in some countries where bills and death expenses plus catering for after funeral expenses should be included in Policy Premium. As with most insurance policies, life insurance is a contract between the insurer and the policy owner whereby a benefit is paid to the designated beneficiaries if an insured event occurs which is covered by the policy.The value for the policy holder is derived, not from an actual claim event, rather it is the value derived from the 'peace of mind' experienced by the policyholder, due to the negating of adverse financial consequences caused by the death of the life assured (Yaari, 2009).

2.4 Uptake of Life insurance

Uptake of life insurance is the ratio of Gross Direct Premiums to Gross Domestic Product (GDP). This currently stands at just about 1.3% in Kenya, which is very low. Currently, work is being done by insurance companies in the area of micro insurance. Life insurance providers can build customer involvement and loyalty; establish competitive differentiation; and increase referral value by applying various initiatives, (Business Daily, 21st January 2013).

Insurers have under-invested in technologies at a time when customer expectations regarding service and delivery are higher than ever. There are numerous opportunities for insurers to collect and analyze customer information to improve the range and quality of products offered; to refine pricing strategies; and to develop an effective array of distribution channels. Technologies including business intelligence, descriptive and predictive analytics, and data mining can help life insurers improve both their decisions regarding new products and their levels of customer service. At the next level, analytics can help life insurers identify customers who are in danger of making a full or partial switch to another insurer, and can identify appropriate actions to head off such decisions.

The widespread use of social media provides another opportunity for life insurers to increase their understanding of what customers want. Ultimately, life insurance providers must develop social media strategies and policies that coordinate brand positioning, product offerings and distribution channels to capitalize on social media's power to reach and engage both existing and prospective customers.

Adoption of loyalty programs is lower in life insurance than other financial industry players. Players in the retail industry among others have demonstrated that loyalty programs may be a worthwhile area for life insurance providers to explore to improve customer retention. Life insurers could provide discounts for a customer who buys long-term care, an annuity and a life insurance policy from the same company.

Life insurers have not perfected their ability to approach the right customer with the right product offering. For instance, younger customers (say in the 35 to 45 age bracket) are often interested in single-premium insurance products that build cash value quickly if the principal is not touched for 10 to 20 years. Other customers may want to purchase only the simplest and cheapest of term life policies. Older customers with substantial assets may have complex needs involving estate planning or the provision of long-term care.

Many insurers, lack the customer profiling capabilities necessary to quickly match products with high-potential customers. Agents and customers both waste time because the first face-to-face meeting is devoted to establishing the customer's needs, when a simple interactive "app" designed for a tablet computer or smart phone could ask the same 20 or so questions that the agent might otherwise ask in the first meeting, which should be devoted to addressing the customer's real needs.

Life insurers are highly reliant upon their product development and policy administration systems, but many of these are unable to support the demands of an aggressive program of product segmentation, new product development and robust distribution channels. In terms of systems, few life insurers have in place what they will need to build customer loyalty and grow sales. They need an integrated architecture that encompasses policy administration and claims, but that also supports multi-channel distribution through social media monitoring, customer relationship management, data collection and advanced analytics.

2.5 Factors Influencing Successful Uptake Of Life Insurance

KPMG (2004) report, contends that several variables that influence the successful Uptake of Life insurance. These variables are largely divided into independent variables and dependent variable and independent variable is typically the variable representing the value being manipulated or changed and the dependent variable is the observed result of the independent variable being manipulated.

First, the sales force serves as a critical link between a company and its customers. In many cases it serves both the seller and the buyer. First the sales force presents the company to the potential customers. They find and develop new customers and communicate information about their company's products and services. They sell these products by approaching prospects, presenting their products, tackling objections, negotiating prices and policy terms and then closing the sale. In addition, sales people provide customer service and carry out informal market intelligence research. Sales people represent customers to the company acting as 'champions' of the customers' interests and managing the buyer- seller relationship (Kotler, 2000).

The sales force can be structured along several lines. The Territorial sales force structure shows each sales person assigned to an exclusive geographical area and selling the company's full line of products or services to all customers in that territory. This responsibility is given to super sales people who have intrinsic motivation, disciplined working style, ability to close a sale and ability to build relationships with customers. Under the Product sales structure, sales people sell along product lines, with different teams selling different products. Customer sales force structure comprises of a sales force organization under which sales people specialize in selling only to certain customers or industries. The Complex sales force structure is used when a company sells a wide variety of products to many types of customers over a broad geographical area. It often comprises of several types of sales force Structures. A good sales structure can mean the difference between success and failure (Hawes, 1993).

At the heart of any successful sales force operation is the recruitment and selection of a good sales people. In a typical sales force, the top 20 percent of the salespeople might bring in 80 percent of the total sales. Most insurance companies will prefer recruiting married sales people aged above 30 years with at least a mean grade of C in KSCE (AKI, 2008). Married sales people are believed to have family responsibilities which will make them work hard while salespeople of 30 years and above are said to be more focused in their work. Training the sales people is very costly and every insurance company will try to retain their workforce. Most companies provide continuing sales training via seminars, sales meeting and the web throughout the sales person's career (Jobber, 2000).

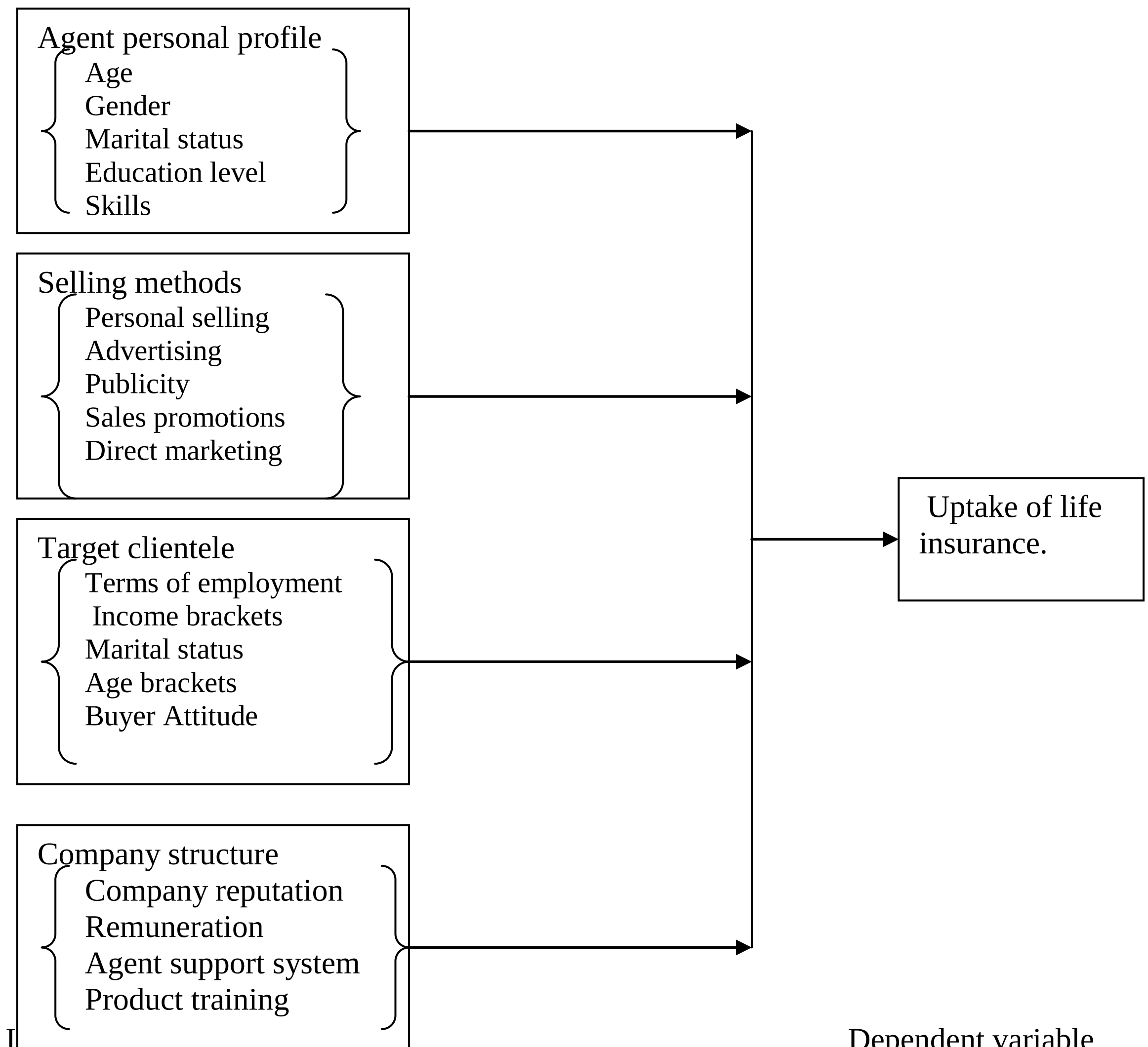
Secondly, the product itself can be defined as a bundle of physical and psychological attributes capable of providing buyer satisfaction. These attributes can be reinforced and differentiated by sales people to create and sustain a competitive advantage. It followers that product knowledge, benefits, usage and performance is essential to a salesperson. Detailed product knowledge is a necessary prerequisite and a major factor in effective selling (Donaldson, 2009).

Third and equally important is the ability to develop and maintain customer relationship. (Green, 1976), maintains that the role of the sales person has moved away from the traditional aggressive and persuasive selling to a new role of relationship managers. The specific tasks may vary but can include providing technical information, delivery of information, handling complains and providing other aspects as appropriate (Kohli, 1993). Skills are a combination of factors (personality and knowledge) which can be used to practice the job more effectively. Sales people need combination of communication skills, matching skills and persuasive skills. The selling characteristics and skills required will be those which best match the role to be performed and the tasks which must be undertaken (Kohli, 1993). Understanding the communication process and the ability to appreciate the importance matching the benefits of sellers to the needs of buyers are necessary skills.

2.6 Conceptual Frame Work

The Figure 2.1 below summarizes the variables of the study. It shows the conceptualization of the relationship between the dependant and independent variables.

Figure 2. 2 Conceptual Framework



Source (Kotler and Armstrong, 2010: Principles of Marketing (13th ed.) Pearson).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter details how the proposed study was carried out. It covers the design to be adopted to conduct the study, how data was collected and eventual analysis of the data in order to generate research findings for reporting.

3.2 Research Design

The study adopted a descriptive and cross-sectional survey research design. Cooper and Schindler (2003), define descriptive survey as being concerned with finding out who, what, where, when and how variables. Cross-sectional studies form a class of research methods that involve observation of all of a population, or a representative subset, at one specific point in time. This study established the factors affecting the successful uptake of life insurance by surveying a sample of selected insurances offering life insurance policy.

3.3 Population of the study

The population of the study consisted of all the 13 life insurance companies in Kenya. In each company, the population included three different groups. The study also tried to find out the attitude and opinion in relation to life assurance policies and reasons people are not taking life insurance policies despite the economic importance. The study also highlighted the advantages of life covers and sought to contribute to factors that improved the consumption of life assurance covers.

3.4 Data Collection

The data collection instrument that was employed was the questionnaire because of the advantages it has for the study including, time savings, upholding of confidentiality and for being the best source of primary data.

The researcher prepared both closed and open ended questionnaire. Closed questionnaire were expected to offer uniformity in answering the questions while open ended questionnaire gave objectivity to respondents by allowing them to provide their personal and unbiased views. There were three types of respondents in this study. These were customer service staffs who serve customers at the front office of the various companies. Customer service staff are usually the ones who deal with customers who are surrendering policies and therefore have a good insight that is relevant to this study. The information from this respondent group was collected at their service desks during off peak hours in all the 13 life assurance companies in Kenya.

The other group of respondents were agents. Life insurance in Kenya is predominantly distributed by agents; they are in direct contact with customers, the potential insuring public and interact virtually with all prospects. Their views represented the views of those who have declined to take life assurance and those customers with life assurance policies but have expressed dissatisfaction on the product. The information from this respondent group was collected from their sales offices in all the 13 life assurance companies in Kenya.

The last group was clients who have life assurance policies. This population, based on their experiences with life assurance companies gave insight on factors affecting penetration of life insurance. This group was expected to give their frustrations and dissatisfaction with life insurance and hence explain why some of their friends are not taking life insurance. The information from this respondent group was collected as they come for service in the 13 life assurance companies. In each of the respondent group, 5 questionnaires were issued per company. This made a total of 195 questionnaires for the research.

The researcher sought an appointment with the management of the 13 life insurance companies. During these meetings, the researcher explained the objective of the intended research. This was to reduce resistance from the respondents and also build confidence in the researcher. The questionnaires were distributed to each company for data collection. For the first respondent group, the two questionnaires were given to the Customer Service Manager who gave them to any two staff in the Customer Service depart who interacted directly with customers. These staff had been in the industry for at least three years.

For the second respondent group, the five questionnaires were given to agency manager who distributed them to five agents who have been in the industry for at least 3 years. For the last respondent group, the customers, the five questionnaires were also be given to the Customer Service manager who distribute to any five customers who had had life insurance policies for at least three years. The manager coordinating the questionnaires kept them and the researcher picked them after one week.

3.5 Data Analysis

The collected data was summarized and analyzed using the Microsoft Excel program. Tables, charts, graphs and other measures of central tendency were used to present qualitative data while grids and tables were used to present quantitative data. These presentation methods are preferred because they are easy to understand and summarize. They also make the analysis work easier. These methods were used to analyze the collected data depending on the type of questions answered. Both the primary and secondary data was qualitative in nature. Given this fact, content analysis was used to analyze the data. The data obtained was compared with existing literature in order to establish areas of agreement and disagreement.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter discusses the interpretation and presentation of the findings obtained from the field. The chapter presents the background information of the respondents, findings of the analysis based on the objectives of the study.

4.2 Data Analysis

Descriptive and inferential statistics were used to discuss the findings of the study. Frequencies and means were used in explaining the findings. The study targeted two kinds of respondents, customer service staff and insurance agents in the insurance companies. The study targeted customer service staff to get their responses on factors affecting the successful uptake of life insurance. The following section discusses their responses.

4.2.1 Customer Service Staff

The study targeted a sample size of 43 customer service staff respondents from which 40 filled in and returned the questionnaires making a response rate of 93%. This response rate was satisfactory to make conclusions for the study. The response rate was representative. According to (Mugenda, 1999), a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. Based on the assertion, the response rate was considered to be excellent.

Table 4. 1 Response rate

Customer service staff	Frequency	Percent
Responded	40	93%
Non-respondents	3	7%
Total	43	100%

Source: Author (September 2013)

4.2.2 Insurance Agents Respondents

The study targeted insurance agents to get their responses on factors affecting the uptake of life insurance. The study targeted a sample size of 39 agent respondents from which 36 filled in and returned the questionnaires making a response rate of 92.3%. This response rate was satisfactory to make conclusions for the study. The response rate was representative. According to (Mugenda, 1999), a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. Based on the assertion, the response rate was considered to excellent.

Table 4. 2 Response rate

Insurance Agents	Frequency	Percent
Responded	36	92.3%
Non-respondents	3	7.7%
Total	39	100%

Source: Author (September 2013)

4.2.3 Insurance Customer Responses

The study targeted insurance customers to get their responses on factors affecting the uptake of life insurance. The study targeted a sample size of 39 agent respondents from which 36 filled in and returned the questionnaires making a response rate of 92.3%. This response rate was satisfactory to make conclusions for the study. The response rate was representative. According to Mugenda and Mugenda (1999), a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. Based on the assertion, the response rate was considered to excellent.

Table 4. 3 Response rate

Insurance customers	Frequency	Percent
Responded	36	92.3%
Non-respondents	3	7.7%
Total	39	100%

Source: Author (September 2013)

4.3 Findings of the study

The study targeted customer service staff as the first respondent group, the following sections discusses their responses.

4.3.1 Number of Years in the Organisation

The study sought to find out the number of years that the customer service staff had been in the organization. The results are shown in Table 4.4.

Table 4. 4 Number of Years in the Organisation

Number of Years	Frequency	Percent
1 - 10	29	72.5
10 – 15	5	12.5
16 – 20	3	7.5
21 – 25	2	5.0
31 – 35	1	2.5
Total	40	100.0

Source: Author (September 2013)

The findings indicate that most of the customer service staff (72.5%) had been in the organization for 1 to 10 years, 12.5% had been for 10-15 years, 7.5% for 16-20 years, 5% for 21-25 years and 2.5% for 31-35 years. This indicates that most of the respondents had been with the organization long enough to understand its operations.

4.3.2 Position Held in the Organization

The study sought to find out the position of customer service staff had been in the organization. The results are shown in Table 4.5.

Table 4. 5 Position Held in the Organization

Position	Frequency	Percent
Top Manager	8	20.0
Line Manager	21	52.5
Supervisor	11	27.5
Total	40	100.0

Source: Author (September 2013)

The findings indicate that most of the respondents (52.5%) were line managers, 27.5% were supervisors while 20% of them were top managers. This indicates that most of the customer service staff were in a position to control to an extent the operations of the organization.

4.3.4 Organisations Policies

The study sought to find out the policies that the organization provided from the customer service staff. The results are shown in Table 4.6.

Table 4. 6 Organizations Policies

Type of policy	Frequency	Percent
Policies providing risk coverage only	18	45.0
Policies providing both risk coverage and a savings component	18	45.0
Policies serving primarily as saving vehicles	4	10.0
Total	40	100.0

Source: Author (September 2013)

The findings indicate that most of the respondents (45%) indicated that the firm provided risk coverage policies only, another 45% indicated policies providing both risk coverage and a savings component while 10% indicated policies serving primarily for saving vehicles. This indicates that most of the insurance companies provided risk coverage policies only and policies covering both risk coverage and saving components while a few covered primarily vehicles.

4.3.5 Customer Preferred Policies

The study sought to find out the policies that most customers preffered from the customer service staff. The results are shown in Table 4.7.

Table 4. 7 Customer Preferred Policies

Type of policy	Frequency	Percent
Policies providing risk coverage only	13	32.5
Policies providing both risk coverage and a savings component	24	60.0
Policies serving primarily as saving vehicles	3	7.5
Total	40	100.0

Source: Author (September 2013)

The findings indicate that most of the respondents indicated that their customers prefer policies providing both risk coverage and a savings component as shown by 60% of the respondents, 32.5% indicated policies providing risk coverage only while 7.5% indicated policies serving primarily as saving vehicles. This indicated that most customer preferred policies providing both risk coverage and a savings component closely followed by policies providing risk coverage only with a few preferring policies serving primarily as saving vehicles.

4.3.6 Customers Residence

The study sought to find out the areas of residence of the customers from the customer service staff. The results are shown in Table 4.8.

Table 4. 8 Customers Residence

Residence	Frequency	Percent
Urban	28	70.0
Rural	10	25.0
Other	2	5.0
Total	40	100.0

Source: Author (September 2013)

The findings indicate that most of the respondents (70%) indicated that their customers lived in urban areas, 25% lived in rural areas while 5% lived in other areas. This indicates that the majority of customers lived in urban areas with a few living in rural areas. This is in agreement with (Olsberg, 2004) who found that in Kenya, life insurance is largely consumed in urban areas.

4.3.7 Policies Distribution Channel

The study sought to find out the preferred distribution channels for life insurance in Kenya from the customer service staff. The results are shown in Table 4.9.

Table 4. 9 Policies Distribution Channel

Distribution Channel	Frequency	Percent
Agents	27	67.5
Brokers	13	32.5
Total	40	100.0

Source: Author (September 2013)

The findings indicate that most of the respondents (67.5%) indicated that policies were distributed through agents while 32.5% indicated they were distributed by brokers. This indicates that most of the policies were distributed by agents. Roth et al., (2007) also observed that insurers are often constrained by lack of low cost distribution channels that can reach low-income earners' target market.

4.3.8 Factors Affecting Penetration of Life Insurance

The study sought to find out the factors affecting the penetration of life insurance from the customer service staff. The results are shown in Table 4.10.

Table 4. 10 Factors Affecting Penetration of Life Insurance

Factors affecting penetration of life insurance	Mean	Standard deviation
High cost of premiums affects penetration of life insurance	1.7500	.63043
Poor Agents integrity has led to low penetration of life insurance	3.0250	.80024
Lack of efficiency in claims settlement has led to low penetration of life insurance	2.4000	.63246
Poor customer service in life insurance companies is one of the major reasons for low penetration.	3.0000	.75107
Most Kenyans do not have enough disposable incomes to buy life insurance	2.6250	.77418
Lack of product variety has led to low penetration of life insurance	3.1250	.75744
The complicated nature of life insurance products has led to low penetration	3.0250	.76753
Lack of country-wide presence has led to low penetration of life insurance	2.8250	.90263
Life insurance companies should exploit other distribution channels for the penetration to increase	2.9750	.69752

Source: Author (September 2013)

The findings indicate that most respondents consider high cost of premiums as the major factor affecting penetration of life insurance in Kenya followed by inefficiency in claims settlement by means of 1.7500 and 2.4000 respectively. Other factors include lack of disposable income, distribution channels and poor customer service.

4.3.9 Number of Years in the Organisation

The study sought to find out the number of years that the insurance agents had been in the organization. The results are shown in Table 4.11.

Table 4. 11 Number of Years in the Organisation

Years	Frequency	Percent
1 - 3	12	33.3
3 – 5	6	16.7
7 – 10	9	25.0
Over 10 Years	9	25.0
Total	36	100.0

Source: Author (September 2013)

The findings indicate that 33.3% of the respondents had been in the organisation for 1 to 3 years, 25% had been in the organisation for 7 to 10 years, another 25% had been in the organisation for over 10 years while 16.7% had been in the organisation for 3 to 5 years. This indicates that most of the agents had been in the organisation for a varied number of years.

4.3.10 Easy To Sell Policies

The study sought to find from the agents the easy to sell policies. The findings are shown in Table 4.12.

Table 4. 12 Easy To Sell Policies

Types of policies	Frequency	Percent
Policies providing risk coverage only	4	11.1
Policies providing both risk coverage and a savings component	18	50.0
Policies serving primarily as saving vehicles	14	38.9
Total	36	100.0

Source: Author (September 2013)

Most of the agents (50%) indicated that the easiest policies to sell were those providing both risk coverage and a savings component while the hardest to sell were are pure risk policies at 11.1%.

4.3.11 Preferred Mode of Premium Payments for Customers

The study sought to find out the preferred mode of premium payment by customers according to the agents. The findings are shown in Table 4.13.

Table 4. 13 Preferred Mode of Premium Payments for Customers

Mode of premium payment	Frequency	Percent
Cheques	1	2.8
Cash	10	27.8
Mobile Money e.g. MPESA	17	47.2
Direct Debits	4	11.1
Standing Orders	4	11.1
Total	36	100.0

Source: Author (September 2013)

The findings indicate that most of the respondents, 47.2% prefer Mobile Money in paying premiums followed by cash at 27.8%.

4.3.12 Factors Affecting Penetration of Life Insurance in Kenya

The study sought to find out the factors affecting the penetration of life insurance in Kenya from the agents. The results are shown in Table 4.14.

Table 4. 14 Factors Affecting Penetration of Life Insurance in Kenya

Factors affecting penetration of life insurance	Mean	Standard deviation
High cost of premiums affects penetration of life insurance	1.0000	.00000
Poor Agents integrity has led to low penetration of life insurance	1.9167	.28031
Lack of efficiency in claims settlement has led to low penetration of life insurance	2.5278	.60880
Poor customer service in life insurance companies is one of the major reasons for low penetration.	2.5000	.87831
Most Kenyans do not have enough disposable incomes to buy life insurance	2.7500	1.13074
Lack of product variety has led to low penetration of life insurance	2.8056	.95077
The complicated nature of life insurance products has led to low penetration	2.5833	1.36015
Lack of country-wide presence has led to low penetration of life insurance	2.6667	1.14642
Life insurance companies should exploit other distribution channels for the penetration to increase	2.5278	1.20679

Source: Author (September 2013)

The findings indicate that agents consider high cost of premiums as the major factor affecting penetration of life insurance as shown by a mean of 1.0000. This is followed by poor agents integrity. Other factors are as indicated in the table 4.13 above.

4.3.13 Customers Age

The study sought to determine the respondents customers age; results are shown in Table 4. 15.

Table 4. 15 Age

Age	Frequency	Percent
18-27	7	26.9
28-37	4	15.4
38-47	6	23.1
48-57	5	19.2
Above 58	4	15.4
Total	26	100.0

Source: Author (September 2013)

The findings indicate that 26.9% of the insurance customers indicated that they were 18-27 years old, 23.1% indicated that they were aged 38 to 47, 19.2% of the customers indicated they were aged 48 to 57 years, 15.4% indicated they were aged 28-37 while a further 15.4% indicated they were aged above 58 years old. This indicates that the insurance customers were varied in age.

4.3.14 Number of Years With a Policy With the Current Insurance Company

The study sought to determine the number of years the customers had had their policies with the insurance company. The results are shown in Table 4. 16.

Table 4. 16 Number of Years With a Policy With the Current Insurance Company

Years	Frequency	Percent
1 - 3	2	7.7
3 – 5	16	61.5
5 – 7	4	15.4
7 – 10	4	15.4
Total	26	100.0

Source: Author (September 2013)

The results indicate that most of the customers (61.5%) had had their policies with the company for 3 to 5 years, 15.4% had had it for 5-7 years, 15.4% had 7-10 years while 7.7% had had theirs for 1 to 3 years. This indicates that most of the respondents has had their policies with the company for 3 to 5 years.

4.3.15 Type of Respondents Policy

The study sought to find out the type of policy that the respondent had. The results are shown in Table 4.17.

Table 4. 17 Type of Respondents Policy

Type of policy	Frequency	Percent
Policies providing risk coverage only	6	23.1
Policies providing both risk coverage and a savings component	16	61.5
Policies serving primarily as saving vehicles	4	15.4
Total	26	100.0

Source: Author (September 2013)

The findings indicate that most of the respondents (61.5%) had policies that provide both risk coverage and a savings component, 23.1% had policies providing risk coverage only while 15.4% had policies serving primarily as saving vehicles. This indicates that most of the customer has had policies that provided both risk coverage and a savings component.

4.3.16 Number of Life Insurance Policies Respondent Has With Insurance Company

The study sought to find out the number of life insurance policies the customer has with the insurance company. The results are shown in Table 4.18.

Table 4. 18 Number of Life Insurance Policies Respondent Has With Insurance Company

Number of policies	Frequency	Percent
Only one	10	38.5
2 – 3	11	42.3
More than 3	5	19.2
Total	26	100.0

Source: Author (September 2013)

The findings indicate that most of the respondents (42.3%) had between 2 and 3 policies with the insurance company, 38.5% has only one while 19.2% had more than 3 policies with the insurance company. This indicates that most of the customers had 2 to 3 policies with the insurance company.

4.3.17 Number of Life Insurance Policies Respondent Has With Other Insurance Companies

The study sought to find out the number of life insurance policies the customers had with more than one insurance company. The results are shown in Table 4.19.

Table 4. 19 Number of Life Insurance Policies Respondent Has With Other Insurance Companies

Number of policies	Frequency	Percent
Only one	18	69.2
2 – 3	4	15.4
More than 3	4	15.4
Total	26	100.0

Source: Author (September 2013)

The findings indicate that most of the customers (69.2%) had only one other policies with another insurance company, 15.4% had 2 to 3 other policies while 15.4% had more than 3 policies with one other insurance company. This indicates that most of the customers had only one another insurance company.

4.3.18 Respondents Net Monthly Income

The study sought to find out the respondents net monthly income. The results are shown in Table 4.20.

Table 4. 20 Respondents Net Monthly Income

Net Monthly Income	Frequency	Percent
Below Kshs 15,000	2	7.7
Kshs 25,000 – 35,000	3	11.5
Kshs 35,000 – 50,000	9	34.6
Over Kshs 50,000	12	46.2
Total	26	100.0

Source: Author (September 2013)

The findings indicate that most of the respondents (46.2%) had over Kshs 50,000 net monthly income, 34.6% had Kshs 35,000 – 50,000, 11.5% had Kshs 25,000 – 35,000 while 7.7% had Below Kshs 15,000 net monthly income. This indicates that most of the customer had net monthly income had between Kshs 35,000 – 50,000 and over Kshs 50,000. This is beyond what most Kenyans earn.

4.3.19 Customer Way of Paying Premiums

The study sought to find out the respondents way of paying premiums. The results are shown in Table 4.21.

Table 4. 21 Customer Way of Paying Premiums

Mode of premium payment	Frequency	Percent
Cheques	4	15.4
Cash	4	15.4
Mobile Money e.g. MPESA	6	23.1
Direct Debits	3	11.5
Standing Orders	2	7.7
EFT	4	15.4
Check - offs	3	11.5
Total	26	100.0

Source: Author (September 2013)

The findings indicate that 23.1% were paying premiums by mobile money e.g. Mpesa, 15.4% had cheques, 15.4% paid by cash, 15.4% paid by EFT, 11.5% paid by check-offs while 11.5% paid by direct debits while 7.7% paid by standing orders. This indicates that most of the customer paid by mobile money.

4.3.20 Knowledge of the Insurance Company to the Customer

The study sought to find out how the customer came to know the company that they are currently insured with. The results are shown in Table 4.22.

Table 4. 22 Knowledge of the Insurance Company to the Customer

Media of knowing company	Frequency	Percent
Media advertisement	3	11.5
Posters	6	23.1
Referral by a friend	13	50.0
Visit by life insurance sales agent	3	11.5
Through trade fairs	1	3.8
Total	26	100.0

Source: Author (September 2013)

The findings indicate that most of the respondents (50%) were referred to the insurance company through referrals by a friend, 23.1% by posters, 11.5% by media advertisement, 11.5% by visiting by life insurance sales agent while 3.8% through trade fairs. This indicates that most of the respondents were referred to the insurance company through referrals by a friend.

4.3.21 Factors Affecting Penetration of Life Insurance in Kenya

The study sought to find out the factors affecting the penetration of life insurance in Kenya from the customers. The results are shown in Table 4.23.

Table 4. 23 Factors Affecting Penetration of Life Insurance in Kenya

Factors affecting penetration of life insurance	Mean	Standard deviation
High cost of premiums affects penetration of life insurance	1.4231	1.96312
Poor Agents integrity has led to low penetration of life insurance	1.6154	.49614
Lack of efficiency in claims settlement has led to low penetration of life insurance	1.6923	.97033
Poor customer service in life insurance companies is one of the major reasons for low penetration.	1.5769	.57779
Most Kenyans do not have enough disposable incomes to buy life insurance	1.3462	.62880
Lack of product variety has led to low penetration of life insurance	1.5769	.57779
The complicated nature of life insurance products has led to low penetration	1.4615	.64689
Lack of country-wide presence has led to low penetration of life insurance	1.5000	.64807
Life insurance companies should exploit other distribution channels for the penetration to increase	1.4231	.80861

Source: Author (September 2013)

The findings indicate that most Kenyans do not have enough disposable incomes to buy life insurance. Many customers also find that the cost of premiums is too high thus making life insurance out of reach for many. Equally of concern is the inadequacy of the distribution channels for life insurance. The other factors are as shown on the table 4.23 above.

4.4 Discussion

The study found out that most of the insurance customer service respondents had been with the organization long enough and had a good understanding of life insurance. This means that the respondents have adequate working experience with the organisations and therefore possess the necessary knowledge and information which was considered useful for this study. The insurance customer service respondents indicated that most customers prefer life insurance products with both risk and saving components. This is closely followed by policies providing risk coverage only with a few preferring policies serving primarily as saving vehicles. This indicates that the customers prefer saving as a component of life insurance. In addition the majority of customers lived in urban areas with a few living in rural areas. The study also found out that most of the policies were distributed by agents. This is the most popular distribution mechanism by the insurance companies (AKI, 2008).

The study also found out from the insurance customer service respondents that that high cost of premiums and the lack of efficiency in claims settlement has led to low penetration of life insurance. PWC (2011) also indicates that a perceived credibility crisis of the industry in the eyes of the public particularly with regard to settlement of claims is one of the factors leading to low penetration of life insurance in Kenya. Other major factors affecting penetration of life insurance include poor agent’s integrity, poor customer service, lack of disposable income, lack of product variety and the complicated nature of life insurance products.

The study found out that the insurance agent respondents had been in the organization for a varied number of years and they indicated that the easiest policy to sell were those policies providing both risk coverage and a savings component followed by policies serving primarily as saving vehicles while a few indicated policies providing risk coverage only. The study also found out that most customers preferred to pay by mobile money, especially mpesa. In addition the study found out from the insurance agent respondents that the high cost of premiums is the major factor hindering penetration of life insurance. This is followed by poor agents integrity, poor customer service. Other factors include inefficiency in claims settlement, lack of enough disposable incomes to buy life insurance, lack of product variety, the complicated nature of life insurance products and lack of country-wide presence.

From the insurance customers, the study found out that they were varied in age and most of them have had their policies with the company for 3 to 5 years and those policies provided both risk coverage and a savings component. In addition most of the customers had 2 to 3 policies with the insurance company but only one other insurance company.

The study also found out that most of the customers had net monthly income between Kshs 35,000 – 50,000 and over Kshs 50,000, preferred to pay their premiums by mobile money and were introduced to the company a friend. The study also established from the customers that the high cost of premiums is the major hindrance to penetration of life insurance. This was followed by the fact that most Kenyans do not have enough disposable incomes to buy life insurance. Other factors that hinder penetration of life insurance according to customers include the complicated nature of life insurance products, lack of country-wide presence, poor distribution channels, poor agents integrity, inefficiency in claims settlement and poor customer service.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

From the analysis and data collected, the following discussions, conclusion and recommendations were made. The responses were based on the objective of the study which sought to determine the factors which affect the penetration of life insurance in Kenya.

5.2 Summary of Findings

The study found out that most of the insurance customer service respondents had been with the organization long enough and had a good understanding of life insurance. The insurance customer service respondents indicated that most customers prefer life insurance products with both risk and saving components. This is closely followed by policies providing risk coverage only with a few preferring policies serving primarily as saving vehicles. In addition the majority of customers lived in urban areas with a few living in rural areas. The study also found out that most of the policies were distributed by agents.

The study also found out from the insurance customer service respondents that that high cost of premiums and the lack of efficiency in claims settlement has led to low penetration of life insurance. Other major factors affecting penetration of life insurance include poor agents integrity, poor customer service, lack of disposable income, lack of product variety and the complicated nature of life insurance products.

The study found out that the insurance agent respondents had been in the organization for a varied number of years and they indicated that the easiest policy to sell were those policies providing both risk coverage and a savings component followed by policies serving primarily as saving vehicles while a few indicated policies providing risk coverage only. The study also found out that most customers preferred to pay by mobile money, especially mpesa. In addition the study found out from the insurance agent respondents that the high cost of premiums is the major factor hindering penetration of life insurance. This is followed by poor agents integrity, poor customer service. Other factors include inefficiency in claims settlement, lack of enough disposable incomes to buy life insurance, lack of product variety, the complicated nature of life insurance products and lack of country-wide presence.

From the insurance customers, the study found out that they were varied in age and most of them have had their policies with the company for 3 to 5 years and those policies provided both risk coverage and a savings component. In addition most of the customers had 2 to 3 policies with the insurance company but only one other insurance company.

The study also found out that most of the customers had net monthly income between Kshs 35,000 – 50,000 and over Kshs 50,000, preferred to pay their premiums by mobile money and were introduced to the company a friend. The study also established from the customers that the high cost of premiums is the major hindrance to penetration of life insurance. This was followed by the fact that most Kenyans do not have enough disposable incomes to buy life insurance. Other factors that hinder penetration of life insurance according to customers include the complicated nature of life insurance products, lack of country-wide presence, poor distribution channels, poor agents integrity, inefficiency in claims settlement and poor customer service.

5.3 Conclusion

The study concludes that most customers in Kenya prefer policies providing both risk coverage and a savings component closely followed by policies providing risk coverage only with a few preferring policies serving primarily as saving vehicles. In addition the majority of customers live in urban areas with a few living in rural areas.

The study also noted that the high cost of premiums and inefficiency in claims settlement are the major factors hindering the penetration of life insurance in Kenya. Other major factors hindering the penetration of life insurance include poor agents integrity, poor customer, lack of disposable incomes to buy life insurance, lack of product variety, the complicated nature of life insurance products, lack of country-wide presence and poor distribution channels.

The study findings that the low insurance penetration in Kenya can be explained by cost of insurance services are supported by a number of authors. (Dowd, 2007) and (Tenkorang, 2001) noted that there is need for life insurers to change their underwriting to lower the cost of premiums. The study also recommends the need for flexibility in modes of premium payments to attract insurance customers.

With regard to contribution of income levels to insurance penetration the study findings are in agreement with (Betts, 2004) who found that families with higher income level can have a higher chance of taking up insurance covers than persons drawn from poor backgrounds.

5.4 Recommendations for Policy and Practice

The study recommends that insurance companies should push and market policies that provide for both risk coverage and savings component because that what the customers prefer. The insurance companies should also lower the cost of premiums, have efficient claims settlement, improve on agents integrity, improve on customer service, have product variety, have country wide presence to improve the penetration of insurance in Kenya.

5.5 Recommendations for Further Study

The aim of the study was to at investigate the factors affecting uptake of life insurance in Kenya. The study found out that high cost of premiums, inefficiency in claims settlement, poor agents integrity, poor customer service in life insurance, most Kenyans not having enough disposable incomes to buy life insurance, lack of product variety, the complicated nature of life insurance products, lack of country-wide presence and life distribution channels has led to low penetration of life insurance in Kenya. There are many other factors that affect the uptake of life insurance in this study, due to its limited scope, the impact of e-insurance was not critically dealt with, the issue of public perception of insurance and its effect to the industry was also not dealt with and also further research should be taken to understand the impact of multinational insurance firms on the local firms. Future studies should put this into consideration.

5.6 Limitations of the study

Time was a limiting factor because the researcher is both a student and an employee thus having limited time to commit to the study. Also, not all respondents were committal to the questions asked especially on some sensitive issues which for one reason or another they were not willing to disclose some information. The other limitation was the fact that the respondents were drawn from Nairobi thus the findings may not be a true representation of all life insurance customers.

REFERENCES

Association of Kenya Insurers, (2012), *AKI Agents of the year Award Journal* Vol. 1, 33-38.

Association of Kenya Insurers. (2011), *Insurance Industry Statistics Report for the year 2010*, Vol. 22 No.3, 491-517.

Association of Kenya Insurers (2010), *Insurance Industry Statistics Report for the year 2009*, Vol. 22 No.3, 350-356.

Bill, G. (2009), *Management, theory and practice*. New York, Palgrave, 2nd edition

Boyle, B. (1997), *A Multi-Dimensional Perspective on Sales Persons Commitment Journal of Business and Industrial Marketing*, 10(4), 57-70.

Bull, V. (2009), *Sales Management theory and practice of insurance*. New York, Palgrave, 4th Edition.

Churchill, C. (1976), Organizational Climate and Job Satisfaction in the sales force. *Journal of Marketing Research*, Vol. 6, 43-50.

Donaldson, L. (1999), *Recruiting graduates into sales; preparing marketing for the new millennium*. Harvard University Press.

Green, (1976), Predicting Sales Success. *Myths and reality personal Journal,* Vol. 61 No.4, 635-55.

Hawes, K. (1993), Retail sales person attributes and the role of dependability in the selection of durable goods. *Journal of personal selling and sales management*. Vol.1. 40-48.

Insurance Regulatory Authority, (2011), *Life Insurance Industry Statistics Report for the year 2012*, Vol. 20 No.3, 201-214.

Insurance Industry and Ministry of finance, (2006), Mobilization through the Medium of Insurance. *Taskforce Report*, Vol. 61 No.4, 35-55

Jobber, G. (2000), *Selling and Sales Management.* Financial times. Prentice Hall. *5th Ed*.

Kaguma, G. (2011), *Customers perceptions of service quality offered by life insurance companies in Kenya*. (MBA Research Project). Retrieved from University of Nairobi Library.

Kohli, D. (1993), Market Orientation Antecedents and Consequences. *Journal of Marketing*, 57, 36-38.

Kotler, G. (1999), *Principle of Marketing.* Prentice Hall. India, 8th Ed.

Kotler, G. (1999), *Marketing Management-Analysis, Planning, Implementation and Control* Ed. Upper Saddle River , New Jersey, Prentice Hall 9th Ed. Vol. 61 No.4, pp.635-55

Kolter, G. (2000), *Marketing Management*. International Edition eleventh Ed. Upper Saddler River, New Jersey, Prentice –Hall India.

KPMG Kenya Limited, (2004), Kenya Insurance Survey. *Paradigm shift.*

Life Insurance Marketing and Research Association, (2011), Choices of distribution channels. *Life insurance survey*.

Makove, S. (2013, January 21), Considerations when taking life insurance. *Business Daily*, pp 34-35.

Mark, D. (2003), *Insurance Principles for sales force*. Prentice Hall. India, 8th Ed.

Nachmias, N. (1996), *Research Methodology and data analysis*. New Delhi: Himalaya Publishing House, New Delhi. 2nd Ed.

Oden, M. (2002), *Insurance in macro-economic environment*. Press California 2nd Ed.

Reid, L. (1982), *Modern Applied Selling*. McGraw Hill CO. NY. USA.

Rejda, E. (2004), *Principles of risk management and insurance.* (9th ed.). New Jersey: Pearson Education.

Richins, G. (1983), Negative word of mouth by dissatisfied customers; a pilot study. *Journal of Marketing*, 17(2), 84-106.

Robbins, F. (2000), *Organisational Behaviour*. New Jersey Prentice Hall.

Wairegi, G. (2011), *The Strategic response by life insurance companies in Kenya to changes in their environment.* (MBA Research Project). Retrieved from University of Nairobi Library.

Weits B. (2009), Relationship between sales persons performance and understanding of customer decision making. *Journal of Marketing Research*, 11, 60-71.

Yaari, M. (2009), Uncertain Lifetime, Life Insurance, and the Theory of the Consumer. *Review of Economic Studies*, Vol. 32; 137-150.

APPENDICES

APPENDIX I: Questionnaire

JULIUS ODEMBA,

University of Nairobi,

P.O BOX, 30197

Nairobi.

July 2013

Dear Sir/Madam,

RE: DATA COLLECTION

I am a postgraduate student at University of Nairobi undertaking a Master of Business Administration degree Program majoring in Strategic Management. One of my academic outputs before graduating is a thesis and for this I have chosen the research topic "establish factors affecting the uptake of life insurance by surveying a sample of selected insurances offering life insurance policy".

You have been selected to form part of the study. This is to kindly request you to assist me collect the data by responding to the interview guide. The information you provide will be used strictly for academic purposes and will be treated with utmost confidence. A copy of the final report was available to you upon request. Your assistance will be highly appreciated.

Yours Sincerely,

JULIUS ODEMBA

Appendix II: Life Insurance Companies in Kenya as at June 2012

1. British American Life
2. CfC Life Assurance Ltd
3. Apollo Life Assurance Ltd
4. CIC Life Assurance
5. ICEA LION Life Assurance Company Limited
6. Metropolitan Life Insurance Kenya Limited
7. Old Mutual Life Assurance Company Limited
8. Pan Africa Life Assurance Limited
9. Jubilee Insurance Company of Kenya Limited
10. UAP Life Assurance Limited
11. Madison Insurance Company Kenya Limited
12. Kenindia Assurance Company Limited
13. Pioneer Assurance Company Limited

Source: (AKI, 2012)

Appendix III: Questionnaire for customer service staff

PART A

1. Number of Years in the organization

   1 - 10 [ ]
   10 – 15 [ ]
   16 – 20 [ ]
   21 – 25 [ ]
   26 – 30 [ ]
   31 – 35 [ ]
   Above 36 [ ]

2. Position held in the organization

   Top Manager [ ]
   Line Manager [ ]
   Supervisor [ ]
   Service Officer [ ]

PART B: Factors influencing uptake of life insurance

3. What kind of life policies does your company provide?
   i. Policies providing risk coverage only [ ]
   ii. Policies providing both risk coverage and a savings component [ ]
   iii. Policies serving primarily as saving vehicles [ ]

4. In your view, which kind of policies do your customers prefer?

   i. Policies providing risk coverage only [ ]
   ii. Policies providing both risk coverage and a savings component [ ]
   iii. Policies serving primarily as saving vehicles [ ]

5. From what areas does your greatest number of consumers come?
   i. Urban [ ]
   ii. Rural [ ]
   iii. Other [ ]

6. What is the distribution channel for your policies?
   i. Agents
   ii. Brokers

7. Factors affecting penetration of life insurance

a. In your own view and given your interaction with customers, please indicate how much you agree with the following statements in relation to the factors that affect penetration of life insurance in Kenya (1=strongly agree, 2=agree, 3= neutral, 4=disagree, 5=strongly disagree.

	1	2	3	4	5
High cost of premiums affects penetration of life insurance					
Poor Agents integrity has led to low penetration of life insurance					
Lack of efficiency in claims settlement has led to low penetration of life insurance					
Poor customer service in life insurance companies is one of the major reasons for low penetration.					
Most Kenyans do not have enough disposable incomes to buy life insurance					
Lack of product variety has led to low penetration of life insurance					
The complicated nature of life insurance products has led to low penetration					
Lack of country-wide presence has led to low penetration of life insurance					
Life insurance companies should exploit other distribution channels for the penetration to increase					

b. In your own view, what do you think the regulator should do to improve penetration of life insurance in Kenya.

....

....

....

c. In your own view, what do you think your company and other life insurance companies should do to improve penetration of life insurance in Kenya.

....

....

....

Appendix IV: Questionnaire For Customers

PART A

1. Age;
    - 18-27 [ ]
    - 28-37 [ ]
    - 38-47 [ ]
    - 48-57 [ ]
    - Above 58 [ ]

2. Number of Years you have had a policy with the current organization
    - 1 - 3 [ ]
    - 3 – 5 [ ]
    - 5 – 7 [ ]
    - 7 – 10 [ ]
    - Over 10 Years [ ]

3. Type of Policy you have
    - i. Policies providing risk coverage only [ ]
    - ii. Policies providing both risk coverage and a savings component [ ]
    - iii. Policies serving primarily as saving vehicles [ ]

4. Number of life insurance policies you have with this organization
    - Only one [ ]
    - 2 – 3 [ ]
    - More than 3 [ ]

5. Number of life insurance policies you have with other organizations
    - Only one [ ]
    - 2 – 3 [ ]
    - More than 3 [ ]

6. Net Monthly income
    - Below Kshs 15,000 [ ]
    - Kshs 15,000 – 25,000 [ ]
    - Kshs 25,000 – 35,000 [ ]
    - Kshs 35,000 – 50,000 [ ]
    - Over Kshs 50,000 [ ]

7. What is your preferred way of paying premiums
    - Cheques [ ]
    - Cash [ ]
    - Mobile Money e.g. MPESA [ ]
    - Direct Debits [ ]

Standing Orders [ ]
EFT [ ]
Check - offs [ ]

8. How did you come to know the insurance company that you are currently insured with?
   Media advertisement [ ]
   Posters [ ]
   Referral by a friend [ ]
   Visit by life insurance sales agent [ ]
   Through trade fairs [ ]
   Any other (please specify)

……………………………………………………………………………………………………
………………………………………………………………………………………

9. Factors affecting Penetration of Life Insurance in Kenya
   a. In your own view, please indicate how much you agree with the following statements in relation to the factors that affect penetration of life insurance in Kenya (1=strongly agree, 2=agree, 3= neutral, 4=disagree, 5=strongly disagree.

	1	2	3	4	5
High cost of premiums affects penetration of life insurance					
Poor Agents integrity has led to low penetration of life insurance					
Lack of efficiency in claims settlement has led to low penetration of life insurance					
Poor customer service in life insurance companies is one of the major reasons for low penetration.					
Most Kenyans do not have enough disposable incomes to buy life insurance					
Lack of product variety has led to low penetration of life insurance					
The complicated nature of life insurance products has led to low penetration					
Lack of country-wide presence has led to low penetration of life insurance					
Life insurance companies should exploit other distribution channels for the penetration to increase					

10. In your own view, what do you think life insurance companies should do to improve penetration of life insurance in Kenya.

....
....
....

11. Any other recommendations

……………………………………………………………………………………………………
……………………………………………………………………………………………………
………………………………………………………………………………

Appendix V: Questionnaires For Agents

PART A

1. Number of Years you have been with the current organization

   1 - 3 [ ]
   3 – 5 [ ]
   5 – 7 [ ]
   7 – 10 [ ]
   Over 10 Years [ ]

2. From your experience, which type of policies are easy to sell?

   Policies providing risk coverage only [ ]
   Policies providing both risk coverage and a savings component [ ]
   Policies serving primarily as saving vehicles [ ]

3. From your experience, what is the most preferred mode of premium payments for customers

   Cheques [ ]
   Cash [ ]
   Mobile Money e.g. MPESA [ ]
   Direct Debits [ ]
   Standing Orders [ ]
   EFT [ ]
   Check - offs [ ]

4. Factors affecting Penetration of Life Insurance in Kenya

   In your own view, please indicate how much you agree with the following statements in relation to the factors that affect penetration of life insurance in Kenya (1=strongly agree, 2=agree, 3= neutral, 4=disagree, 5=strongly disagree.

	1	2	3	4	5
High cost of premiums affects penetration of life insurance					
Poor Agents integrity has led to low penetration of life insurance					
Lack of efficiency in claims settlement has led to low penetration of life insurance					
Poor customer service in life insurance companies is one of the major reasons for low penetration.					
Most Kenyans do not have enough disposable incomes to buy life insurance					
Lack of product variety has led to low penetration of life insurance					
The complicated nature of life insurance products has led to low penetration					
Lack of country-wide presence has led to low penetration of life insurance					
Life insurance companies should exploit other distribution channels for the penetration to increase					

5. Please give any other recommendations that you think if implemented would enhance the penetration of life insurance in Kenya.

....
....
....
....
....
....