FACTORS INFLUENCING UPTAKE OF INSURANCE SERVICES IN KENYA: A CASE OF LIFE INSURANCE SERVICE AT BRITAM-MOMBASA BRANCH

BY

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DECLARATION

This research project report is my own original work and it has not been presented for an award of degree in any other university or education institution.

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DEDICATION

To my wife Rose Masese, my daughter Celine Mokeira, and my sons, Alvin Nyambane and Elvis Osoro, this is for you. Thank you for your understanding during my long leave of absence, for your prayers and standing with me throughout.

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TABLE OF CONTENTS

LIST OF TABLES

ABBREVIATIONS AND ACRONYMS

GDP- Gross Domestic Product

USD- United States Dollars

AKI- Association of Kenya Insurers

MIPs- Medical Insurance Providers

UNESCO-United Nations Education and Scientific Council Organisation

OECD- Organization of Economic Cooperation and Development

IRA- Insurance Regulatory Authority

BC- Before Christ

AD- After Christ

UNCTAD- United Nations Conference on Trade and Development

IMF- International Monetary Fund

GNP- Gross National Product

GER- Gross Enrollment Ratio

ABSTRACT

The research study was to investigate the factors influencing the uptake of life insurance services in Kenya. The research looked at the various factors often cited by the insurance industry players. The study was guided by the following research objectives: to establish whether level of awareness influenced uptake of life insurance service, to determine whether perceptions towards insurance held by the people influence uptake of life insurance services, to establish whether level of income of the people influence uptake of life insurance, to determine whether price of life insurances products influence uptake of life insurance, and to investigate to find whether religious beliefs held by the people influence uptake of life insurance. The research adopted descriptive survey design to collect quantitative and qualitative data. This was preferred as it could enable the researcher to obtain complete and possible accurate information. A sample of 103 Financial advisors from Mombasa branch of Britam insurance were used to collect data by use of questionnaires. The data collected was then analysed by use of SPSS to enable testing of the hypotheses and show correlations. The presentation of data was by tables. The findings were analysed using Chi-squared correlation statistic. The findings showed that there is correlation between the factors under investigation and uptake of life insurance. Discussions used the findings of similar research done in other parts of the world and the findings of the research study. The discussions and findings showed similarities of the research findings with other research findings done elsewhere. The report is organized into five chapters. Chapter one presents the introduction of the study, chapter two review the literature for similar study, chapter three describes how the study was conducted, chapter four shows the research study findings and chapter five gives the discussions and conclusion for the study. The research study gives 5 recommendations and suggests two further research areas.

CHAPTER ONE
INTRODUCTION

1.1 Background of Study

Man has organized himself to control three main hazards, which confront him: dying too soon, living too long and becoming challenged (disabled). Man developed ways to reduce the impact of these hazards by grouping together with others and thus sharing the risk. There is evidence of many practices resembling insurance in the ancient world. Life insurance records date as far back as 2500BC, when stonemasons in Lower Egypt formed funeral cooperatives to provide support in case of the death of a member. These benevolent societies or burial clubs, as they were called, were also common in India around 1000 BC and in ancient Rome, Swiss Re-Sigma 1/2012.

As early as 3000 BC, Chinese merchants utilized the technique of sharing risks. About 500 years later, the famous great code of Hammurabi, provided for the transfer of the risks of loss from merchants to moneylenders. Under the provision of the code, a trader whose goods were lost to the bandits was relieved of the debt to the moneylender who had loaned the money to buy the goods. The Greeks and the Romans introduced the origins of health and life insurance around 600AD when they organized guilds called 'benevolent societies' which cared for the families. Therefore, the origin of the modern insurance is buried in the earliest dawn of antiquity.

1.1.1 Insurance

Insurance is a process of transferring risks from one individual called insured to another called the insurer. The insurer pays the insured financial losses incurred because of an occurrence of unexpected insurable event. For this service, the insured pays the insurer a premium. Insurance is the most superior method of handling risks. This is because it transfers risks to those with the financial ability and technical knowledge to handle them, Muriithi and Onuong'a (2011).

The earliest life assurance policy on record is dated 1583 when Richard Martins effected a life assurance policy on the life of one William Gibbons in London. The policy was a one-year term assurance for a sum assured of 400 pounds. It is noteworthy that Gibbons died within the year and the assurers settled the claim.

Originally, life insurance's main value proposition was death protection. Today, life insurers offer products that cover many risks, such as the risk of losing the physical/capacity to earn one's living (disability insurance), critical illness, healthcare and long term care cost(medical and LTC insurance) . The life insurance industry is also active in helping individuals finance retirement (pension, annuity and saving products) and contribute to economic welfare and stability by pooling and offering protection against the financial consequences of individuals' life risks.

1.1.2 The Economic and Social Role of Insurance

Insurance plays a key role in a modern economy and contributes to its uptake and development through various channels:

Promoting financial stability and security at both the national and personal levels, encouraging productive investments and innovation through the mitigation of the consequences of financial misfortune, mobilizing savings, contributing to an efficient use of capital based on insurers' role as significant institutional investors, facilitating firms' access to capital (as institutional investors), reducing the capital firms need to operate, promoting sensible risk management through the price mechanism, fostering stable consumption throughout the customer's life, and insurers are important employers.

Today, insurance is sub-divided into two major classes namely: Life insurance and Non Life insurance. Life insurance protects one against risks facing ones' life. Non-life protects risks facing ones' valuable property. In each of these broad branches, there is further subdivision into various classes of insurance focusing on a particular peril.

1.1.3 Benefits of Life Assurance

A research done in the UK market to determine the relationship of the life insurance and the economic uptake came up with the following findings: The importance of insurance in economic activities has been recognized for many years. The impact of insurance on economy even was mentioned in the first conference of UNCTAD in 1964 where acknowledged, "A sound national insurance and reinsurance market is an essential characteristic of economic uptake."

It seems Insurance not only facilitates economic transactions through risk transfer and indemnification but is also seen to promote financial intermediation (Ward and Zurbruegg, 2000). More specifically, insurance can have effects such as promote financial stability, mobilize savings, facilitate trade and commerce, enable risk to be managed more efficiently, encourage loss mitigation, foster efficient capital allocation and also can be a substitute for and complement government security programs (Skipper,2001).

In view of importance of insurance in the economic literature, one might have expected several researches on relationship between insurance market size, which is the most accepted measure for insurance activities and defined as gross direct premium written (Skipper, 1998), and economic uptake. But based on literature reviews, there has been nothing done except few studies which focused on this relationship by considering property liability insurance premium (for example Beenstock, Dickinson and Khajuria (1988) and Outreville(1990)) or total insurance premium (Ward and Zurbruegg, 2000) as insurance activities indicator.

Today, life assurance market in the UK accounts for over 80% of the total UK gross insurance premium. The UK insurance market is the third largest in the world after that of the US and Japan.

Another research done by the World Economic Review, (Thorsten and Ian 2003) showed that even though life insurance has become an increasingly important part of the financial sector over the past 40 years, providing a range of financial services for consumers and becoming a major source of investment in the capital market, what drives the large variation of life insurance consumption across countries remains unclear.

Insurance is one of the rare mechanisms that allow for the spreading of risk over time. This risk spreading over time can involve very long periods and works even from one generation to the next. Very few other industries have such long time horizon as the insurance industry. Who would think more than 50 years ahead?

Perhaps the builders of a nuclear power plant, but few others. Moreover, insurance has to consider periods of up to a century.

The uptake in insurance in the market is measured by use of Insurance penetration ratios and insurance density. Each country has an organization that monitors the uptake of the insurance industry and to compare it over time or with other countries. Swiss Re is the international

Association of insurers based in Geneva to collate statistics of insurance uptake in the whole world.

1.1.4 Insurance Penetration

Insurance penetration (premiums as a share of GDP) varies greatly, reflecting different stages of economic development and institutional factors (e.g. the absence of government-sponsored retirement schemes).

The penetration ratio is used to: compare with the previous ratios in the same country to check the movement in the insurance sector's contribution to the overall economy, to establish insurance industry trends, to guide an investor in assessing the viability of investing in the country as compared with other countries, and to policy makers in comparing the country's industry performance with other countries in the world and come up with appropriate policies to regulate the industry.

1.1.5 Life insurance in Africa and uptake of insurance

The concept of life assurance is not entirely new in Africa. The African communities have always had traditional forms of managing some of the risks, which would today be perceived as falling within life assurance. For instance, if any calamity befell a breadwinner, the dependants would be taken care of by the family and clan members. In addition, funerals were organized by clan members. Even the now infamous cultural practice of "wife inheritance' had its merits as the 'new husband' was expected to provide material support to the widow and the children.

Some of these traditional systems were more defined such as 'Edir' in Ethiopia, which is still practiced today. Under this agreement, a group of people, usually with common interest or background, agrees to pay a certain sum of money to a fund used for helping out members of the group when faced with emergency needs such a provision of funeral expenses. These traditional forms of insurance , however, is dying out fast in developing countries, Africa included.

This is brought about by the rapid economic and social developments resulting to new order. Colonialism and development, and breakdown of traditional ties have caused the shift. The extended family system has tended to grow weaker and weaker over time. Urbanization also has weakened the traditional ties. Increased societal atomization has broken the strong, cohesive family unit. The clan can no longer help meet the escalating crisis in the families. The responsibility of providing for oneself family continues to rest squarely on one's shoulders.

1.1.6 Insurance today

Insuring risks in a modern economy is a multi-dimensional undertaking. It is a complex business which interact with many aspects of our lives. The importance of the insurance industry in an economy can only in part be measured by the sheer size of its business, the number of its employees in a given country, the assets under management, or its contribution to the national GDP. It actually plays a more fundamental role in the workings of a modern society, being a necessary precondition for many activities that would not take place were it not for insurance.

1.1.7 Insurance performance in Africa and uptake of life insurance

Life Insurance premiums in Africa stood at USD 47 Billion in 2010, South Africa being the dominant market, accounting for more than 90% of the regional life premium volume. Non-life premiums in Africa stood at USD 19 billion in the same period. South Africa accounted for half of the regional non-life premium volume.

1.1.8 Kenyan insurance sector

In Kenya there were 46 licensed insurance companies at the end of 2010, 22 companies wrote non-life insurance business only, 9 wrote life insurance business only while 14 were composite (both life and non-life). There were 163 licensed insurance brokers, 23 medical insurance providers (MIPs) and 4223 insurance agents. Other licensed players included 120 investigators, 80 motor assessors, and 21 loss adjusters, 2 claims settling agents, 10 risk managers and 26 insurance surveyors. (AKI 2010 Annual report).

The penetration of insurance in Kenya is low compared to leading countries in Africa and Asia. As the table above shows, life insurance penetration continues to be measly, below 1% and is half of the non-life statistics.

According to a research report by SBO research for Association of Kenya Insurers (AKI) in May2008, the Association was concerned with the low market penetration of insurance in Kenya and the poor public perception of insurance by the general public. The research finding was that the low income and informal sector market has little access to formal financial services for the management of risks. The poor engage in various types of risk pooling and informal insurance schemes to mitigate risks. There were only 367,059 individual life policies at the end of 2006 in a working population of 8.74 million (about 4% coverage).

The penetration of the Kenyan insurance industry stands at 2.63% of the GDP. This is considered to be very low compared to other countries in Africa such as South Africa, which has a penetration of 9.94%. The penetration of insurance among the Kenyan population is also low as compared to other countries. A good example is Malaysia, which has an estimated 41% of the population covered by some form of life insurance in comparison to Kenya that has less than 1% of the population insured. (SBO research report 2010).

Studies show that, countries with higher insurance penetration ratios, life insurance leads the non life insurance. A person who takes life insurance will find it easy to purchase a non-life insurance. Where non life insurance ratio is higher than life, the insurance penetration ratio is also low. This means those that take non life insurance that could be compulsory in the country or company they work for may not be willing to take life insurance. According to a prospectus report of British American insurance,2011(British American insurance lead the market with 25.2% market by 2009), historical limited uptake in informal employment, low disposable income levels and a weak savings culture have impeded uptake in Kenya's life insurance industry, with life assurance penetration remaining below 1%. The report further highlights some challenges of the insurance industry in Kenya as:

1. Poor industry image. This is due to the collapse or placement under statutory management of not less than seven insurance companies and the defining of risk scope in legal terms that are considered complex and unfriendly to customers. Education of the public with regard to the use of insurance products is virtually nonexistent thereby contributing to underutilization and low uptake by ordinary Kenyans and SMEs.

2. Access to distribution channels. Distribution channels are vital for any business. In the insurance industry, the choice is to systematically build a tied agency network and/or use the licensed intermediaries of the industry. The intermediaries have a very strong position concerning access to the customers and timely onward payment of premium to the insurance companies. The report also states that higher income levels should translate to stronger demand for life protection and wealth preservation. The insurance industry in Kenya has acknowledged that micro-insurance has tremendous potential for increasing insurance penetration in the country. Given the demographics which include an economically productive population of 10.5 million including 3 million in the formal sector it is believed that the insurance penetration levels

can increase from the current 0.94% for life insurance to 1.2% and from 1.9% to 2.2% for General insurance within the next five years.

1.1.8 British American Insurance

British American insurance has been the life insurance market leader for 5 consecutive years by 2012. In 2011 it was controlling 25.2% of life insurance market, it was 5th largest in group life with 10% market, British American IPO Prospectus (2011). With this market share, it is an ideal company to provide useful information about the market of life insurance performance. The company has 15 Branches in Kenya with over 1000 life insurance agents. The research will focus on the Mombasa branch, which has 100 agents and 6 managers.

1.2 Statement of the Problem

Insurance penetration figures of the past 5 year show that ife insurance in Kenya is characterized with low penetration ratios below 1% and it is only in the year 2010 for the first time it recorded 1.05%. This compared to Taiwan at 14.5%, South Africa, 12%, Namibia, 5%, and the World, 3.2% is very low, Malaysia, 41%. Whereas, the Economic uptake in Kenya has been growing, 2005(5.8%), 2006(6.4%), 2007(7%) the penetration ratio for life insurance during the period was 2005(0.78%), 2006(0.76%), 2007(0.83%), life insurance market is characterized by low levels of penetration despite gradual uptake of the economy and the many benefits of life insurance.

According to the AKI report of 2009, the Kenyan's uptake of insurance cover both corporate and personal level, remains predominantly in the motor which is compulsory in Kenya, fire, industrial and personal accident(mainly group medical cover) classes. Swiss RE economic survey report of 2010, show that Kenya life insurance penetration is very low. A large segment of the populace is currently uninsured. The level of penetration is about 1.1 % of the total population for life insurance. The insurance industry currently contributes 2.5% to Gross Domestic Product. This is the case despite the rapid uptake in the number of intermediaries. According to AKI reports the number of intermediaries has almost doubled since 2007(2665), 2008(3356), 2009(3076) 2010(4223). With increase in the number of intermediaries in the market, it would be expected to double the penetration levels. It means more people are being reached but few are taking up life insurance. What exactly is the factors influencing uptake of life insurance in Kenya?

Among the most talked about topics in the insurance industry is the low penetration and spread of the business. The three pillars of business — man, material and money — all are strengthened and reinforced by insurance. So why is it that when the individual, the society, the government and industry all have a desperate need of insurance, it forms such a small part of the economy?

1.3 The Purpose of the Study

The purpose of the study was to establish the factors influencing uptake of life insurance services in Kenya.

1.4 Objectives of the Study

The study was guided by the following research objectives:

1. To establish whether level of awareness of insurance service influence uptake of life insurance service.
2. To determine whether perceptions towards insurance held by the people influence uptake of life insurance service.
3. To investigate how levels of income of the people influence uptake of life insurance.
4. To establish whether accessibility of insurance services influence uptake of life insurance.
5. To establish whether the price of life insurance premiums influence uptake of life insurance.
6. To determine whether religious beliefs held by the people influence uptake of life insurance.

1.5 Research Questions

The research study was guided by the following research questions;

1. How does level of awareness influence uptake of life insurance?

2. How does perception towards insurance held by the people influence uptake of life insurance?

3. How does the level of income of the people influence uptake of life insurance?

4. How does the accessibility of life insurance services influence uptake of life insurance?

5. In what ways does the religious beliefs held by the people influence uptake of life insurance in Kenya?

6. To what extent the price of life insurance premiums influence uptake of life insurance in Kenya?

1.6 Research Hypothesis

The study tested the following Hypothesis:

1. $\mathbf{H_{0}}$: There is no relationship between Level of awareness and the uptake of insurance industry.

   $\mathbf{H_{1}}$: There is a relationship between level of awareness and uptake of life insurance

2. $\mathbf{H_{0}}$:There is no relationship between the level of perceptions held by the people and the uptake of life insurance

   $\mathbf{H_{1}}$: There is a relationship between the level of perceptions held by the people and uptake of life insurance

3. $\mathbf{H_{0}}$:There is no relationship between the level of income and the uptake of life insurance

   $\mathbf{H_{1}}$: There is a relationship between the level of income and the uptake of life insurance

4. $\mathbf{H_{0}}$:There is no relationship between accessibility of life insurance services and the uptake of the life insurance

   $\mathbf{H_{1}}$: There is a relationship between the accessibility of life insurance services and the uptake of life insurance in Kenya

5. $\mathbf{H_{0}}$:There is no relationship between the price of life insurance premiums and the uptake of life insurance in Kenya

   $\mathbf{H_{1}}$: There is a relationship between the accessibility of life insurance services and the uptake of life insurance

6. $\mathbf{H_{0}}$:There is no relationship between religious beliefs and the uptake of life insurance

   $\mathbf{H_{1}}$: There is a relationship between the religious belief and the uptake of life insurance

1.7 Basic Assumptions of the Study

The study was based on the following assumptions.

1. Insurance agents are good in understanding the insurance market and will be the right population.
2. The respondents will be truthful and cooperative.
3. British American insurance is a good market representation of life insurance industry in Kenya.

1.8 Significance of the Study

The research findings will be very significant to the following:

1. To policy makers like the Insurance Regulatory Authority in formulating mitigating policies.
2. To 4223 insurance agents employed to market the insurance services as it will help them to understand the market.
3. To 46 licensed insurance Companies, as it will inform their marketing strategy teams.
4. To163 licensed insurance brokers in Kenya.
5. To Government of Kenya to be able to come up with better policies to address the challenges of uptake of life insurance in the country.

1.9 Delimitation of the Study

The research focused on the factors influencing uptake of life insurance services in Kenya based on the results of the study in Mombasa branch of British American insurance. British American insurance was the leading company in life insurance in Kenya and Mombasa branch was a good choice for the study. Mombasa County is a cosmopolitan town with people of all lifestyles and with multiple social/ cultural, economic and religious societies. The town has a high percentage of the population being of the Islamic religion, which gave a good study.

The research focused on the life insurance agents who were involved in prospecting and advising the residents of Mombasa County to purchase life insurance. They understand the market of Mombasa better.

1. 10 Limitation of the Study

The main limitation was due to the area of study. Only Mombasa branch of British American insurance was used out of the 15 branches in Kenya. It would have been better to study all the branches but funds and time was limiting the research.

1.11 Definition of Significant Terms

Insurance Penetration- this refers to the ratio of total premiums from insurance products to the GDP of the country. It was used to measure the uptake of the insurance industry. The focus of the government and the industry players was to have a higher uptake.

Life insurance premium- this referred to the money paid for the purchase of insurance service.

Life insurance- this referred to risk of loss of one's the life, limbs, or ability to work. It is the uncertainty of the future, which makes one, disturbs the peace and cause fear.

Non life insurance- refers to risk of loss of one's property due to unforeseen circumstances.

1.12 Organization of the study

This report is organized into five chapters. Chapter one is the introduction to the study. It presents the background of the study, statement of the problem, purpose of the study, the objectives of the study, research questions, research hypothesis, and significance of the study the study, delimitations of the study, basic assumptions and the definition of significant terms as used in the study. Chapter two presents the literature review which looks at the factors influencing uptake of life insurance services in Kenya. This chapter also presents the conceptual framework of the study. Chapter three outlines the study design, the target population, methods of data collection, validity and reliability of the research instruments and data collection procedures. The chapter also includes the ethical considerations of the study, data analysis and presentation, and the operationalization of variables. Chapter four contains the response rate of the study, the demographic characteristics of the respondents and factors influencing effectiveness of results based programs. Chapter five presents a summary of the key findings, conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This is a review of literature on the factors influencing uptake of life insurance. The literature review looks at all the possible factors considered worldwide in different countries and over time. It looks at the scenarios in developed countries, emerging economies and the developing economies. It gives the reports of leading insurance industry players and also research findings of other researchers in this area. The literature review discusses how other researchers conducted their studies and their findings, gaps/critiques and gives a clear understanding of what drives the uptake of life insurance products.

2.2 Factors that influencing life insurances consumption across countries

A variety of factors affects the supply of insurance, which would be expected to affect national consumption. These include, but are not limited to, governmental regulations regarding solvency, trade barriers, the availability of capital, technical expertise, and an infrastructure that allows for the marketing and servicing of life insurance policies. As more data become available, an analysis of insurance consumption in a wider sample of countries would likely lead to a greater understanding of insurance demand. Further, a time series study of demand could potentially lead to a greater knowledge of the uptake and maturation of insurance markets. (Mark B &Kihong, K (1993).

Table 2.1 Real Premium Uptakes

	Life	Non-Life	Average uptake
Industrialised countries	1.8%	1.0%	1.4%
Emerging markets	13%	8.5%	11%
World	3.2%	2.1%	2.7%

Source: Swiss Re-Sigma 2/2011

As can be seen from table 2.1 life insurance uptake leads that of non-life insurance. Emerging markets register higher uptake of life insurance at 13% than industrialized countries at a meager 1.8%.

According to the research findings by SBO research on behalf of Association of Kenya Insurers, the main reasons for lack of insurance cover in Kenya are: Lack of awareness on products, Low income levels, Perceived low rate of returns for life policies, Cumbersome claim settlement procedures, Lack of trust in the insurance industry, and Expensive premiums(SBO Research 2010).

While the worldwide insurance market, especially the life insurance market, has grown rapidly and the internationalization of the insurance business is becoming more widespread, these areas have not been greatly researched. Mark J.B, Kihong K (1993).

Table 2.2 Summary of life insurance performance in selected countries in Africa in 2010

	USD Millions	Penetration -Life
Kenya	334	1.05%
Algeria	87	0.1%
Egypt	647	0.3%
Morocco	827	0.9%
Nigeria	188	0.1%
Tunisia	102	0.2%
Namibia	610	5.0%
South Africa	43,186	12.0%

Source: World Insurance Report 2010

Table 2.3 Insurance penetrations in Kenya market

YEAR	2006	2007	2008	2009	2010
GDP	1623	1834	2111	2365	2551
LIFE PREMIUM	12.48	15.14	18.30	21.36	26.71
LIFE PENETRATION	0.76%	0.83%	0.87%	0.94%	1.05%
NON LIFE PREMIUM	29.20	36.89	36.89	43.11	52.35
NON LIFE	1.78%	1.76%	1.76%	1.90%	2.05%
OVERALL	2.54%	2.63%	2.63%	2.84%	3.01%

Source: AKI Annual report (2010).

Table 2.2 and table 2.3 show that the uptake of life insurance in Kenya is very low compared to Namibia, South Africa or the emerging markets. It is also lower that non life insurance over the years.

Bernheim (1991) demonstrates that bequest represents a powerful motive for saving among U.S. households. Campbell (1980) emphasizes that bequest motives and risk aversion should not be confounded although they may have similar effects. To clarify the issue, Lewis (1989) analyzes the problem from the perspective of the insurance beneficiaries rather the perspective of the wage earner, on whose life the insurance contract is written.

Many issues can affect individual demand. Burnett and Palmer (1984) examine psychographic and demographic factors and find that work ethic and religion as well as education and income, among other characteristics, are significant factors of life insurance ownership.

Financial market conditions play a significant role in short-term demand, as does the performance of alternative investments. Using a cost index developed in Babbel and Staking (1983), Babbel (1985) demonstrates that the price has a negative influence on insurance demand.

Considering that life insurance products are typically packaged as investment products offering life insurance benefits, Fortune (1973) argues that life insurance is a substitute for traditional financial assets such as equities and bonds. Headen and Lee (1974) documents that short-term demand for life insurance is influenced by consumer sentiment, interest rates, and savings rates.

Using a set of 10 developed economies, Beenstock, Dickinson, and Khajuria (1986) show that dependency ratio, life expectancy, and disposable income have a positive influence, whereas social security expenses decrease insurance demand.

In Browne and Kim's (1993) survey of a larger set of developed and developing Countries, dependency ratio, national income, social spending, and anticipated inflation rate are found to influence the country's average life insurance consumption.

In another cross-country analysis, Outreville (1996) underlines the importance of market structures and finds that monopolistic market conditions appear to prevent the uptake of life insurance. Consistent with previous findings, households' disposable income and the country's level of financial development and inflation rate are positively associated with life insurance consumption. Beck and Webb (2003) confirm the positive influence of income and dependency.

2.2.1 Economic development and uptake of life insurance

Although the relationship between economic development and insurance market development varies across countries (Tienyu and Brian, 2005), there is a link (Outreville, 1996; Ward and Zurbruegg, 2000). Their studies in China territories revealed that the increase in income levels accompanied by rapid economic uptake could be the dominant reason for the growing demand for economic security. Since 1997, Hong Kong and Taiwan have been reclassified as "advanced economies" whereas they were traditionally known as "industrial countries." This reclassification reflects their rapid economic development, and they now share a number of important characteristics with the highly developed countries, including relatively high-income levels, well-developed financial markets, and high degrees of financial intermediation and diversified economic structures with rapidly growing service sectors (International Monetary Fund, 1997).

The level of economic development is taken to be positively related to life insurance consumption in the area. The results of the study in China, Taiwan and Hong Kong show that the increase in income levels accompanied by a change in social structure, and an increase in the level of education has fed a need for economic security in mainland China, Hong Kong, and Taiwan. The difference in the level of economic development leads to variation in life insurance consumption across the territories. Advanced economies such as Hong Kong and Taiwan have more premium expenditure.

Furthermore, although these three Chinese territories show a uptake trend in life insurance in general, the different stages of their markets correspond to the different levels of life insurance consumption. This study finds differences in income elasticity of the demand for life insurance across the territories, in that mainland China, a low-income country, has the strongest income elasticity relative to Taiwan and Hong Kong.

2.2.2Religious beliefs and uptake of life insurance

The demand for life insurance in a country may be affected by the unique culture of the country to the extent that it affects the population's risk aversion (Douglas and Wildavsky, 1982). Henderson and Milhouse (1987) argued that an individual's religion can provide insight into the individual's behavior; understanding religion is an important component of understanding a nation's unique culture.

Zelizer (1979) notes that religion historically has provided a strong source of cultural opposition to life insurance; many religious people believe that a reliance on life insurance results from distrust of God protecting care.

Until the nineteenth century, European nations condemned and banned life insurance on religious grounds. Zelizer also states that religious antagonism to life insurance still remains in several Islamic countries.

Wasaw (1986) tested the effect of Islam on life insurance consumption using an international data set. The results of his study indicated that, ceteris paribus, consumers in Islamic nations purchase less life insurance than those in non- Islamic nations. Therefore, it is hypothesized in the study that life insurance consumption is less in predominantly Islamic countries than in countries that are not predominantly Islamic. For the purposes of this study, a country is considered predominantly Islamic if more than half of the population follows Islam. Islamic nations included in the sample percent of population that is muslim Egypt 94%, Iran 98%, Morocco 99%, Pakistan 97%, Tunisia 99.5%, Turkey 99%.

A study done in China on the major religious beliefs like Buddhism, Taoism, FengShui and superstitions showed that these religions did discourage the purchase of life insurance.

2.2.3 Level of income and uptake of life insurance

Lewis (1989), Hakansson (1969), Fischer (1973), Fortune (1973), and Campbell (1980) have shown that the demand for life insurance is positively correlated with income. As income increases, life insurance becomes more affordable.

In addition, the need for life insurance increases with income as it protects dependents against the loss of expected future income due to premature death of the wage earner. Using aggregated national data, Fortune (1973), Beenstock, Dickinson, and Khajuria (1986), and Truett and Truett (1990) have demonstrated that life insurance premium expenditures and national income are positively correlated. Previous international studies of life insurance consumption have used gross national product (GNP) and gross domestic product (GDP) as measures of income.

In the research on OECD Countries by Donghui, Fariborz and Pascal (2007), Disposable Income is a central variable in insurance demand models that positively affects life insurance consumption (Fortune, 1973; Campbell, 1980; Lewis, 1989). In addition to increasing the affordability of life insurance products, a large income results in a greater loss of expected utility for the dependents in the event of the income earner’s death. This effect increases the value of life insurance coverage, and therefore contributes to the positive relationship with income. Working on household level data, Fitzgerald (1987) shows that insurance demand increases with the husband’s future earnings (and decreases with the wife’s future earnings).

In the Kenyan market, a research by SBO confirms that affordability was a key concern among the insured, those who have lapsed and the un-insured. Generally, the issue of affordability was found to be more of a perception than the reality due lack of communication on the actual cost of insurance policies. Most respondents earned less than Ksh.20,000. Insurance companies should endeavour to accommodate this category of potential customers by designing suitable insurance solutions. Generally, income levels were lower among the rural compared to urban areas. Most respondents were willing to pay less than Ksh500 and preferred using cash payment modes. Insurance companies can utilize cash transfer options through mobile telephony (Mpesa/Soko Tele) to increase penetration.

2.2.4 Level of education and awareness and uptake of life insurance service

In Kenya, the market research done by the Association of Kenya Insurers, (2010) established that there is lack of awareness on products. Those that lapsed policies showed a general lack of knowledge on insurance benefits. This is a major contributing factor to their decision to lapse cover.

Whereas, there is awareness of insurance in general among the insurable population a large proportion lack a proper understanding of what the impact it may have. Most of the already insured respondents cited a lack of interest in reading policy documents especially if a claim does not occur at all, SBO research (2010).

Education level lengthens the period of dependency. Therefore, in countries where individuals are educated over a longer period of time there should be a greater demand for life insurance. Moreover, a higher level of education may lead to a greater degree of risk aversion and more awareness of the necessity of insurance in general. Therefore, education is hypothesized to be positively related to life insurance consumption. It is argued that the level of education is positively related to life insurance consumption. There is no consistent finding concerning the effect of the level of education on the demand for life insurance (Outreville, 1996; Browne and Kim, 1993; Ward and Zurbruegg, 2002). For instance, several studies suggest that highly educated people are more willing to accept that life insurance provides economic security for the family, and thus tend to spend more on life insurance (Hammond, Houston, and Melander, 1967; TruettandTruett, 1990). The growing number of educated individuals in the Chinese territories would be expected to increase demand for life insurance because there is need for additional financial provision for dependents. The increase in the level of education would generate a greater need for economic security.

Truett and Truett (1990) argue that a higher level of education is associated with a stronger desire to protect dependents and safeguard their standard of living. Browne and Kim (1993) explain that a higher level of education results in a greater awareness of life's uncertainties and hence highlights the benefit of life insurance coverage. Outreville (1996) also supports the view expressed by Browne and Kim (1993). In addition, the level of education is associated with the duration of the offspring's dependency, resulting in an increased need for protecting beneficiaries through life insurance.

2.2.5 Cost of insurance and uptake of life insurance service

According to a research report by Association of Kenya insurers (AKI), this is a critical ingredient in any product and is also linked to the willingness to pay. Affordability was a key concern among the insured, those who have lapsed and the un-insured. Generally, the issue of affordability was found to be more of a perception than the reality due lack of communication on the actual cost of insurance policies. The main reason for lack of insurance cover for some was due to expensive premiums (SBO research 2010).

It is acknowledged that the price of life insurance varies across life insurers even for identical products. This price is an estimated value, and is based on an assumed mortality rate, interest rate, and expense rate. Because the commercial price for life insurance is not available, several studies use life expectancy at birth to represent the actual fair price of life insurance (Beenstock, Dickinson, and Khajuria, 1986; Outreville, 1996; Ward and Zurbruegg, 2002).

It has been argued that consumers have difficulty in comparing the prices of insurance because there are a variety of products with different types of structures (Lin, 1971; Burnett and Palmer, 1984). Despite the variations in life insurance products, other studies suggest that the price of insurance affects life insurance consumption (Babbel, 1985; Beenstock, Dickinson, and Khajuria, 1986; Browne and Kim, 1993; Outreville, 1996).

The higher the price lower is the incentive to purchase life insurance thus reducing consumption. For example, Browne and Kim (1993) suggest the cost per dollar of life insurance coverage is negatively related to life insurance consumption.

Outreville (1996) shows that longer life expectancy is likely to have a positive effect on life insurance demand as it results in a reduction in the price of insurance and leads to greater opportunity to use life insurance to generate wealth.

Babbel (1985) states that a consumer's decision regarding purchasing or not purchasing from a particular company could still be directly influenced by the perceived price and benefits. The price of insurance is part of consumption expenditure and the lower price is expected to encourage more life insurance consumption.

2.2.6 Perception held by the people towards life insurance and uptake of life insurance service

Lack of trust in the industry, limited knowledge on its products, its limited reach to the informal sector; the perception that insurance is expensive, and the fear of not being able to service it continuously, are some of the factors hindering uptake of life insurance the service, SiddharthIyer (2010).

According to a research report by SBO research for Association of Kenya Insurers (2008), the Association was concerned with low market penetration of insurance in Kenya and the poor public perception of insurance by the general public.

The research finding was that the low income and informal sector market has little access to formal financial services for the management of risks. The insurance industry is affected by the persistent poor public image, which has caused distrust among potential customers. This is due to lack of structured branding initiatives and the reliance on intermediaries who may shift their negative image to the insurance companies they represent and to the industry as a whole. Majority of the respondents have a negative attitude towards intermediaries, SBO (May 2008).

The main challenges intermediaries face are hostility from customers and lack of awareness about insurance products. The negative image of the insurance industry makes it difficult for intermediaries to effectively market insurance. The level of training of agents is below optimum levels. Many agents have neither the experience nor the professional expertise in the business, SBO research (2008).

Poor corporate governance has lead to the folding up of several insurance companies, which in turn has affected negatively on the sector. The insurance industry has been accused of engaging in numerous malpractices. This has led to the negative perception currently associated with the insurance business.

Increased litigation and slow dispute resolution processes, fraudulent practices in the insurance industry are some of the factors for poor image, IRA (strategic plan2008-2012).

2.2.7 Accessibility of insurance services and uptake of life insurance services

The low income and informal sector market has little access to formal financial services for the management of risks. The poor engage in various types of risk pooling and informal insurance schemes to mitigate risks.

There were only 367,059 individual life policies at the end of 2006 in a working population of 8.74 million (about 4% coverage), AKI(2008).The low uptake of insurance among the Kenyan population has been partly a result of using limited channels to sell insurance products. The Kenyan insurance industry has been relying heavily on agents and brokers to sell insurance products.

Association of Kenya Insurers survey aimed at investigating the current and potential channels of distribution locally and internationally revealed that the existing channels have various advantages and disadvantages. Brokers for instance have expert knowledge thus act as consultants representing clients. The fact that brokers do not pledge allegiance to any insurance company also make them able to offer unbiased advice. Their main weakness is that since they are paid on commission, the temptation to place a clients business where they will earn the most commission is high.

2.2.8 Government policy and uptake of life insurance service

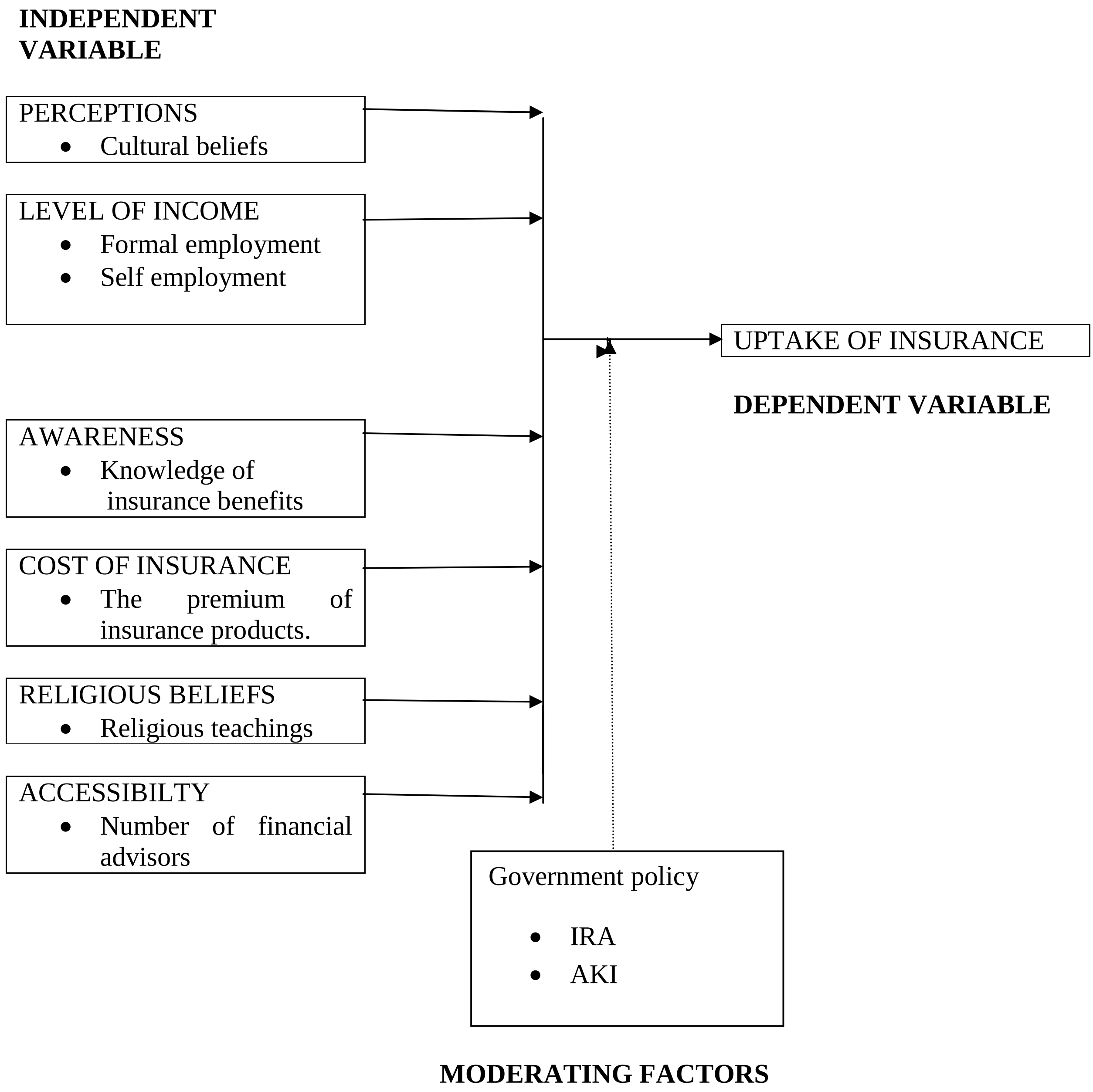
The Government regulates the insurance industry in Kenya through the Insurance regulatory authority; IRA. The Insurance Regulatory Authority (IRA) was created by the Insurance (Amendment) Act of 2006 and came into operation on 1 May 2007. The Authority was established with the mandate of regulating, supervising and developing the insurance industry.

The Authority has developed a strategic plan to guide, monitor and evaluate achievements to be able to realize its mandate as provided for under the insurance Act .The Government has developed the Kenya vision 2030 to guide the country's development strategy. The Vision 2030 seeks to transform Kenya into a globally competitive and prosperous nation by2030.The strategy envisages that with the increased uptake in gross domestic product the contribution from the Insurance sector will increase from the current 2.5% to 5%. The Authority therefore has developed 5-year strategic plan to guide its activities as it makes its contribution to the economy. In order to encourage uptake of insurance the Government offers 15% tax relief on insurance premium to a maximum of Ksh. 5,000 per month

2.3 Conceptual frame work

The conceptual frame work outlines the independent, dependent, moderating and intervening variables. The independent variables influences and determine uptake of life insurance. The independent variables are: Negative perceptions held by the people towards life insurance, Low levels of the income, Low accessibility of insurance services, lack of awareness of insurance benefits and low education levels, cost of life insurance services, and religious beliefs held by the people. The dependent variable is the uptake of life insurance. The moderating variable is the Regulation and supervision of insurance by the government, economic policy and Tax relief. Intervening variables are the variables introduced to help improve on the dependent variable. These are: Advertisements, increase distribution channels, innovative products.

Figure 1. Conceptual frame work



2.4 Summary of literature

The chapter looked at factors influencing uptake of life insurance uptake internationally and then in Kenya. The factors of life insurance uptake are many and complex. They tend to vary across country boundaries. In Kenyan market, lack of awareness on products, low income levels, perceived low rate of returns for life policies, cumbersome claim settlement procedures, lack of trust in the insurance industry, and expensive products were some of the factors looked at.

The cost of insurance has a negative influence on insurance demand.

Households' disposable income and the country's level of financial development and inflation rate are positively associated with life insurance consumption. Disposable Income is a central variable in insurance demand models that positively affects life insurance consumption. As income increases, life insurance becomes more affordable.

Religion historically has provided a strong source of cultural opposition to life insurance; many religious people believe that a reliance on life insurance results from distrust of God's protecting care. Islamic nations purchase less life insurance than those in non- Islamic nations. The degree of risk aversion in a country may be related to the predominant religion, and, therefore, religion may affect the demand for life insurance.

The level of economic development is taken to be positively related to life insurance consumption in the area.

Higher level of education leads to better understanding of insurance benefits and more awareness and therefore higher uptake of life insurance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter outlines the research design used, sample size, type of data collected, the collection methods, instruments and respondents, data analysis techniques and presentation.

3.2 Research design

The study employed descriptive survey research design. This led to profiling the various factors that influenced the uptake of life insurance. This enabled collection of complete and possible accurate information. The study required both quantitative and qualitative data to be collected. This was the case due to the nature of enquiry the study sort to establish.

3.3 Target population

The target population for the study was 103 Financial advisors in Mombasa branch of Britam insurance. The Branch had 103 Financial advisors (agents). Since the population was small, the researcher used all of them in the study.

3.4 Sample size and sampling

The target population was Financial advisors. To draw generalized results of the study a case of the population in Mombasa County was chosen. By use of a sample 103 financial advisors from Britam insurance, Mombasa branch, data related to the target population was collected and analysed. Since the number of financial advisors in the branch was small, less than 10,000, a complete census was used.

3.5 Data collection methods and instruments

The study used structured questionnaires schedules for personal interviews that was administered to all respondents in the sample frame. The sample size was 103 Financial advisors (agents) in Mombasa Branch of British American insurance. Each agent was then given a questionnaire to fill.

3.5.1 Questionnaires

A questionnaire as a data collection tool enabled the researcher to gather structured information from the respondents. This was chosen because it made easy to analyze the data due to the structured information the research needed to answer the research questions.

3.5.2 Data Collection Procedure

The research did administer the questionnaire to the sample group. Each agent was given a questionnaire to fill. They were given time to complete the filling and hand back the duly filled questionnaire to the researcher. This was done during the regular break times in the day of 1-2pm and 4-6 pm. After interval of 3 days, the exercise was then repeated to check on the validity and consistency of the scores.

3.6 Validity and reliability of research instruments

Validity is the appropriateness and usefulness of the inferences a researcher makes while reliability is the consistency of scores or answers from one administration of instruments to another and from one set of items to another. The research study employed the following instruments :

3.6.1 Validity of instruments

The validity of a data collection instruments is the accuracy or meaningfulness and technical soundness of the research. It is a measure of how well a test measures what it was supposed to measure (Kombo and Tromp 2006). After the preparation of the questionnaire schedule, the researcher did present them to the supervisor and classmates for validation. The researcher also did give the questionnaire to some of the members of management of British America insurance, Mombasa branch to help check the accuracy of the data collected.

3.6.2 Reliability instruments

According to Mbewa (2006), reliability of an instrument refers to the degree to which the instrument supplies consistent results. The technique that was used to measure the degree of reliability of the questionnaire was administering the questionnaire to the managers of the Financial advisors in the branch. There was observed consistency of the scores recorded.

3.7 Ethical consideration

The research did ensure that all respondents were treated with respect and that all the process of getting information from them did not unnecessarily interrupt their working environment. This was done during their break time. It also ensured that confidentiality of information was maintained as the respondents did not write their identity in the questionnaire.

The research did ensure that the process of collecting data did not cause physical or psychological harm to the respondents. The respondents were explained that the information obtained was for academic work only.

3.8 Data analysis and presentation techniques

Qualitative data was organized and assigned categories. Tabulation of scores and computation of ratio and percentage was done. Analysis of the data was done by use of regression, chi squared and tabulated percentages of the scores.

3.9 Operational definition of variables

Variable	Indicator	Measurement	Scale	Data collection	Type of Analysis
Perception	Uptake	New clients	Ratio	Questionnaire	Regression
Income	Earnings	Premium	Ratio	Questionnaire	Percentage
Awareness	Uptake	Commissions	Ratio	Questionnaire	Percentage
Cost	Price	New clients	Ratio	Questionnaire	Regression
Religion	Profession	New clients	Ratio	Questionnaire	Regression
Access	Uptake	New clients	Ratio	Questionnaire	Percentage
Advert	Feedback	New clients	Ratio	Questionnaire	Regression
Tax relief	Uptake	New clients	Ratio	Document	Percentage

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND DISCUSION

4.1 Introduction

The study sort to investigate and establish, whether the factors often sited to influence uptake of life insurance actually did that in the People of Mombasa County, Coast region. Descriptive research method was adopted as this could give complete and accurate look into all the factors cited to influence uptake of life insurance. Data collection was done from 103 Financial Advisors of Britam Insurance, Mombasa branch was done by use of questionnaires. This chapter therefore, presents the findings of the research study from a descriptive analysis of data collected, interpretation and discussion of the findings. The chapter also presents the findings of the six factors under study; perceptions held by people, income levels of the people, accessibility of life insurance, cost of insurance, awareness of life insurance and the religious belief. Statistics used to analyze the data include percentage, correlations and chi-square. The analysis of the study data helped to establish whether each factor influenced the uptake of life insurance, and answer the question on how this did influence. It was also used to test the hypotheses set out for each factor under study. Descriptive method of research was adopted as it was a good method in testing hypothesis.

4.2 Response Rate

One hundred and three (103) questionnaires that were administered were returned; representing a 100% response rate. This ensured that the sample sizes remained as closely as possible to the originally designed sizes as expected and thus representativeness of the target population.

4.3 Demographic Characteristics of the Respondents

The establishments of demographics data of the respondents was guided by the following items, years in insurance service for the Financial Advisor and predominant age bracket of the people they targeted for insurance service. The study wanted to capture the average age of the targeted population for insurance service as well as the years of service of the Financial Advisors presented in the table 4.1 and 4.2 respectively.

4.3.1 Age bracket of the respondents

Life insurance service targets those age between 18-60 years. The table below shows the number of those targeted in each age bracket for insurance services by the FAs.

Table 4.1 Predominant age bracket of the people they targeted for insurance service

Age in Years	x	frequency	fx	Percentage
18---30	24.0	32	768	30.5%
31---40	35.5	59	1292	56.2%
41---50	45.5	8	1555	9.5%
51-60	55.5	3	212	3.8%
TOTAL		103	3827	100

The mean age of the respondents was calculated as follows.

Mean=$\sum fx/\sum f$

=3827/103

=37.16

=37

The following was the ages of the insurable targeted population in years; 32 (30.5%) were aged 18-30, 59 (56.2%) were aged between 31-40 years, 8 (9.5%) were aged 41-50 and lastly, 3 (3.8%) were aged 51-60 years. This shows that the majority of the targeted population was aged between 31-40 years with an average of 37 years, representation of young and mature group that was geared towards improving the standards of their leaving and the general developments of their communities.

4.3.2 Years of service by the Financial Advisors

The table below shows the number of FAs who have experience of less than 4 years and those with more than 4 years.

Table 4.2 The years of service in the industry for the Financial Advisors (FAs).

	Frequency	Percent	Valid Percent	Cumulative percent
4 Years and above	45	43.7	43.7	44.5
4 Years and below	58	56.3	56.3	100 \
Total	103			

The percentages in Figure 4.1 show that 43.7% have been in the industry for more than 4 years, 56.3% have been there for 4 years and below. There was near equal representation of duration of service in the two groups. This implied that there a balance of information from the entire sample population thus generating findings that were largely representative of the target population.

4.4 Data Presentation and analysis as per the objectives

The data that was collected from the sample population was analysed for each of the objectives using SPSS and hypothesis testing for each objective was done as follows:

4.4.1 To establish whether level of awareness of life insurance services influence uptake of life Insurance service.

The first objective of the study was to establish whether level of awareness for insurance services influenced uptake of life insurance services in Mombasa County. To achieve this respondent were asked to answer questionnaire forms. The data on this objective was analyzed based on the null hypothesis: H_0= There is no relationship between level of awareness and the uptake of life insurance industry in Kenya. The result was summarized in the tables 4.3 and 4.4 respectively.

Table 4.3 .To establish whether level of awareness influence uptake of life insurance service.

The research was to answer the question; how does level of awareness influence uptake of life insurance?

	Frequency	Percent	Valid Percent	Cumulative percent
No influence	2	1.94	1.94	1.94
Small influence	10	9.7	9.7	11.64
Not sure	15	14.6	14.6	26.24
Large extent	46	44.7	44.7	70.94
Very large extent	30	29.1	29.1	100.0

The results from the table 4.3 show that the level awareness of life insurance services to a larger extent do affect the uptake of insurance industry by up to 73.8 %.

Table 4.4 Correlations between the level of awareness by the members of public and the uptake of the life insurance industry.

	Level of awareness	Uptake of Insurance Industry
Level of awareness	1	0.831
Uptake of insurance industry	0.831	1
No. of respondents	103	103

The finding from Table 4.4 found there was a positive correlation between the level of awareness and the uptake of the Life insurance. This means that with the increased level of awareness more people take up insurance leading to uptake of the Life insurance.

4.4.1 Research Hypothesis Testing

The research hypothesis for the study was:

1. **H_0:** There is no relationship between Level of awareness and the uptake of life insurance.
   H_1: There is a relationship between level of awareness and uptake of Life insurance

The data was analysed using the Chi-Square to determine if the level of awareness with the people of Kenya has any significant effect on the uptake of Life insurance. The results of the chi-square was summarized in Tables 4.5, 4.6 and 4.7

Table 4.5 Chi-square values to establish whether life insurance awareness affect the uptake of Life insurance industry in Kenya

	Observed N	**Expected N**	**Residual**
No influence	2	20.6	-18.6
Small influence	10	20.6	-10.6
Not sure	15	20.6	-5.6
Large extent	46	20.6	25.4
Very large extent	30	20.6	9.4
Total	**103**		

Table 4.6 Chi-square values of null or alternative hypothesis

	Observed N	Expected N	Residual
Yes	91	51.5	39.5
No	12	51.5	-39.5
Total	103		

Table 4.7 Testing of Research Hypothesis

	Large extent	No influence
Chi-square	7.8965	2.2200

The results of table 4.7 indicate that the calculated values of the chi square (7.8965), which is less than chi- square (9.49) at 95% confidence level. Therefore, accept the null hypothesis: there is a relationship between level of awareness and the uptake of insurance industry

4.4.2 To establish whether perceptions towards insurance held by the people influence uptake of life insurance.

The Second objective of the study was to establish whether perceptions held by people insurance services influenced uptake of life insurance services in Kenya. To achieve this, the respondents were asked to answer questionnaire forms. The data on this objective was analysed based on the null hypothesis: H_0= There is relationship between perception held by the people and the uptake of life insurance industry in Kenya. The result was summarised in the tables 4.8 and 4.9 respectively.

Table 4.8: To establish whether perceptions held by people influence uptake of life insurance.

The research was to answer the question; how does perceptions held by people influence uptake of life insurance?

	Frequency	**Percent**	**Valid Percent**	**Cumulative percent**
No influence	1	0.97	0.97	0.97
Small influence	9	8.74	8.74	9.71
Not sure	10	9.7	9.7	19.4
Large extent	49	47.6	47.6	67.0
Very large extent	41	39.8	39.8	100.0

The results from the table 4.9 suggest that perceptions held by the members of the public largely do affect the uptake of insurance industry by up to 87.4 %.

Table 4.9. Correlation between the perceptions towards insurance held by the people and the uptake of the life insurance industry.

	Perceptions by people	Uptake of Insurance Industry
Perceptions by people	1	0.877
Uptake of insurance industry	0.877	1
No. of respondents	103	103

The finding from Table 4.10 found there was a significant positive correlation between perceptions held by the people and the uptake of the Life insurance. This means that the perceptions held by people influence the uptake of the Life insurance.

Research Hypothesis Testing

The research hypothesis for the study was:

1. **H_0**:There is no relationship between the level of perceptions held by the people and the uptake of Life insurance

   H_1: There is a relationship between the level of perceptions held by the people and uptake of Life insurance

The data was analyzed using the Chi-Square to determine if the level of perceptions held by the people of Kenya has any significant effect on the uptake of Life insurance. The results of the chi-square are summarized in Tables 4.10, 4.11 and 4.12

Table 4.10 Chi-square values on to what extent does perception level affect the uptake of Life insurance industry in Kenya

	Observed N	Expected N	Residual
No influence	1	20.6	-19.0
Small influence	9	20.6	-11.0
Not sure	10	21.6	-11.0
Large extent	49	21.6	28.0
Very large extent	41	21.6	20.0
Total	**103**		

Table 4.11 Chi-square values of null or alternative hypothesis

	Observed N	Expected N	Residual
Yes	93	51.5	41.5
No	10	51.5	-41.5
Total	103		

Table 4.12 Testing of Research Hypothesis

	Large extent	No influence
Chi-square	8.2758	1.7242

The results of table 4.12 indicate that the calculated values of the chi square (8.2758) on the large extent of the people supporting the fact that the level of perception will affect the uptake of Life Insurance is larger than the table at 95% confidence level. The computed value of the no effect responses (1.7242). The Null hypothesis the level perceptions by Kenyans has influence on uptake of life insurance is accepted.

4.4.3 To establish whether level of income of the people influence uptake of life insurance.

The third objective of the study was to establish whether level of income influenced uptake of life insurance services in Kenya. To achieve this, the respondents were to answer questionnaire forms. The data on this objective was analyzed based on the null hypothesis: H_0= There is relationship between level of awareness and the uptake of life insurance industry in Kenya. The results were summarized in the tables 4.13 and 4.14 respectively.

Table 4.13 .To establish whether level of income influence uptake of life insurance service.

The research was to answer the question on how level of income influence uptake of life insurance.

		Frequency	Percent	Valid Percent	Cumulative percent
Valid	No influence	3	2.91	2.91	2.91
	Small influence	8	7.77	7.77	10.68
	Not sure	13	12.6	12.6	23.28
	Large extent	30	29.1	29.1	52.38
	Very large extent	49	47.6	47.6	100.0

The results from the table 4.13 suggest that the income levels of the members of the public to a very large extent do affect the uptake of insurance industry by up to 47.6 %.

Table 4.14. To establish whether level of income of the people influence uptake of life insurance.

	Level of income	Uptake of Insurance Industry
Level of income	1	0.911
Uptake of insurance industry	0.911	1
No. of respondents	103	103

The finding from Table 4.14 found there was a significant positive correlation between the level of income and the uptake of the Life insurance. This means that with the increased level of income, the uptake of the life insurance is facilitated and vice versa.

Research Hypothesis Testing

The research hypothesis for the study was:

H_0: There is no relationship between the level of income and the uptake of Life insurance

H_1: There is a relationship between the level of income and the uptake of life insurance

The data was analyzed using the Chi-Square to determine if the level of income with the people of Kenya has any significant effect on the uptake of Life insurance. The results of the chi-square are summarized in Tables 4.15, 4.16 and 4.17

Table 4.15 Chi-square values on to what extent does income level affect the uptake of Life insurance industry in Kenya

	Observed N	**Expected N**	**Residual**
No influence	2	20	-18.0
Small influence	8	20	-12.0
Not sure	13	21	-8.0
Large extent	30	21	9.0
Very large extent	49	21	28.0
Total	**103**		

Table 4.16 Chi-square values of null or alternative hypothesis

	Observed N	Expected N	Residual
Yes	93	51.5	41.5
No	10	51.5	-41.5
Total	103		

Table 4.17 Testing of Research Hypothesis

	Large extent	No influence
Chi-square	7.8965	2.2200

The results of table 4.17 indicate that the calculated values of the chi square (7.8965) on the null hypothesis is less than 9.49 at 95% confidence level. Null hypothesis, the level of income of

Kenyans has influence on uptake of life insurance is accepted and reject the alternative hypothesis.

4.4.4 To establish whether the accessibility of life insurance influence uptake of life insurance.

The Forth objective of the study was to establish whether accessibility of Life insurance influenced uptake of life insurance. To achieve this, the respondents answered questionnaire forms. The data on this was analyzed based on the null hypothesis: H_0= There was relationship between the accessibility of life insurance and the uptake of life insurance industry in Kenya. The result was summarised in table 4.18 and 4.19 respectively.

Table 4.18To establish whether the accessibility of life insurance influence uptake of life insurance Industry.

The research was to answer the question; how does the accessibility of life insurance services influences uptake of life insurance in Kenya?

		Frequency	Percent	Valid Percent	Cumulative percent
Valid	No influence	1	0.97	0.97	0.97
	Small influence	9	8.74	8.74	9.71
	Not sure	10	9.7	9.7	19.4
	Large extent	49	47.6	47.6	67.0
	Very large extent	41	39.8	39.8	100.0

The results from the table 4.18 suggest that accessibility of Life insurance to a larger extent do affect the uptake of insurance industry by up to 87.4 %.

Table 4.19. Correlation of whether the accessibility of life insurance service influences uptake of the life insurance.

	Accessibility of insurance	Uptake of Insurance Industry
Accessibility of insurance	1	0.877
Uptake of Insurance Industry	0.877	1
No. of Respondents	103	103

The finding from Table 4.19 found there was a significant positive correlation between the accessibility of life insurance and the uptake of the Life insurance. This means that with the increased with the increased level of accessibility, the uptake of the Life insurance is facilitated and vice versa.

Research Hypothesis Testing

The research hypothesis for the study was:

> $\mathbf{H_0}$: There is no relationship between accessibility of Life insurance services and the uptake of the Life insurance
>
> $\mathbf{H_{1:}}$ There is relation between the accessibility of Life Insurance services and the uptake of Life insurance in Kenya

The data was analysed using the Chi-Square to determine if the level of accessibility of Life insurance services in Kenya has any significant effect on the uptake of Life insurance. The results of the chi-square was summarized in Table 4.20, 4.21 and 4.22

Table 4.20 Chi-square values on to what extent does Accessibility level affect the uptake of Life insurance industry in Kenya

	Observed N	**Expected N**	**Residual**
No influence	2	20.6	-18.6
Small influence	10	20.6	-10.6
Not sure	15	20.6	-5.6
Large extent	46	20.6	25.4
Very large extent	30	20.6	9.4
Total	**103**		

Table 4.21 Chi-square values of null or alternative hypothesis

	Observed N	Expected N	Residual
Yes	91	51.5	39.5
No	12	51.5	-39.5
Total	103		

Table 4.22 Testing of Research Hypothesis

	Large extent	No influence
Chi-square	7.8965	2.2200

The results of table 4.22 indicate that the calculated values of the chi square (7.8965) on the large extent of the people supporting the fact that the level of accessibility will affect the uptake of Life Insurance is larger than the table value at 95% confident leve1. The computed value of the no effect responses (2.22) is also larger than the value of chi-square. The null hypothesis, the level of insurance services has influence on uptake of life insurance is accepted.

4.4.5 To establish whether price of life insurance service influence uptake of life insurance service.

The fifth objective of the study was to establish whether price of insurance services influenced uptake of life insurance services in Kenya. To achieve this, the respondents were asked to answer questionnaire forms. The data on this objective was analysed based on the null hypothesis: H_0= There is no relationship between price of life insurance and the uptake of life insurance industry in Kenya. The result was summarised in the tables 4.23 and 4.24 respectively.

Table 4.23 To establish whether price of life insurance service influence uptake of life insurance service.

The research was to answer the question; how does the price of life insurance service influence uptake of life insurance?

	Frequency	Percent	Valid Percent	Cumulative percent
Strongly disagree	2	1.94	1.94	1.94
Disagree	10	9.7	9.7	11.64
Not sure	15	14.6	14.6	26.24
Agree	46	44.7	44.7	70.94
Strongly agree	30	29.1	29.1	100.0

The results from the table 4.23 suggest that the cost of life insurance do affect the uptake of insurance industry by up to 73.8 %.

Table 4.24. Correlations between the price of life insurance service influence uptake of life insurance.

	Price of insurance	Uptake of Insurance Industry
Price of insurance	1	-0.831
Uptake of insurance industry	-0.831	1
No. of Respondents	103	103

The finding from Table 4.24 found there was a significant negative correlation between the cost of life insurance and the uptake of the Life insurance. This means that with the reduced price of insurance services, more people will insure themselves, hence facilitates the uptake of life insurance services.

Research Hypothesis Testing

The research hypothesis for the study was:

> **H_0:** There is no relationship between the price of life insurance premiums and the uptake of Life insurance in Kenya
>
> **H_1**: There is a relationship between the price of Life insurance services and the uptake of Life insurance

The data was analysed using the Chi-Square to determine if the price of life insurance services in Kenya has any significant effect on the uptake of Life insurance. The results of the chi-square was summarised in Tables 4.25, 4.26 and 4.27

Table 4.25 Chi-square values on to establish whether the price of life insurance premiums influence uptake of life insurance

	Observed N	**Expected N**	**Residual**
Strongly disagree	2	20.6	-18.6
Disagree	10	20.6	-10.6
Not sure	15	20.6	-5.6
Agree	46	20.6	25.4
Strongly agree	30	20.6	9.4
Total	**103**		

Table 4.26 Chi-square values of null or alternative hypothesis

	Observed N	Expected N	Residual
Yes	91	51.5	39.5
No	12	51.5	-39.5
Total	103		

Table 4.27 Testing of Research Hypothesis

	Agree	Disagree
Chi-square	22.200	78.965

The results of table 4.27 indicate that the calculated values of the chi square (2.2200) of the people supporting the fact that the price of life premium will affect the uptake of Life Insurance is less than 9.49 value at 95% confidence level. The Null hypothesis, the price of insurance premiums has influence on uptake of life insurance is therefore accepted and reject the alternative hypothesis.

4.4.6 To establish whether the religious beliefs influence uptake of life insurance services in Kenya.

The sixth objective of the study was to establish whether the religious beliefs influenced uptake of life insurance services in Kenya. To achieve this, the respondents answered questionnaire forms. The data was analysed based on the null hypothesis: H_0= There is no relationship between the religious beliefs and the uptake of life insurance industry in Kenya. The result was summarised in the tables 4.28 and 4.29 respectively.

Table 4.28. To establish whether the religious belief influence uptake of life insurance services in Kenya.

The research was to answer the question; how does religious beliefs influence uptake of life insurance?

	Frequency	Percent	Valid Percent	Cumulative percent
Strongly disagree	5	4.85	4.85	4.85
Disagree	9	8.73	8.73	13.58
Not sure	23	22.3	22.3	35.9
Agree	35	34.0	34.0	68.9
Strongly agree	31	30.1	30.1	100.0

The results from the table 4.28 show majority of the respondents do agree that religious beliefs affect the uptake of insurance industry by up to 64 %.

Table 4.29. Correlation between the religious belief and the uptake of the life insurance industry.

	Religious belief	Uptake of life insurance
Religious belief	1	0.687
Uptake of life insurance	0.687	1
No. of Respondents	103	103

The finding from Table 4.29 show there was a significant positive correlation between the religious belief and the uptake of the life insurance.

4.4.1 Research Hypothesis Testing

The research hypothesis for the study was:

> **H_0:** There is no relationship between religious beliefs and the uptake of life insurance
> **H_1:** There is relationship between the religious belief and the uptake of life insurance

The data was analysed using the Chi-Square to determine if the religious belief of the people has a significant effect on the uptake of Life insurance. The results of the chi-square was summarized in Tables 4.20, 4.30 and 4.31

Table 4.30 Chi-square on how the religious belief of the people affect the uptake of life insurance industry in Kenya

	Observed N	**Expected N**	**Residual**
Strongly disagree	5	20.6	-15.6
Disagree	9	20.6	-11.6
Not sure	23	20.6	2.4
Agree	35	20.6	14.4
Strongly agree	31	20.6	10.4
Total	**103**		

Table 4.31 Chi-square values of null or alternative hypothesis

	Observed N	Expected N	Residual
Yes	89	51.5	37.5
No	14	51.5	-37.5
Total	103		

Table 4.32 Testing of research hypothesis

	Agree	Disagree
Chi-square	68.965	32.200

The results of table 4.32 indicate that the calculated values of the chi square (68.965) is greater that the Chi-squared value of 9.49 at 95% confidence level. Therefore, reject the null hypothesis and accept the alternate hypothesis; there is a relationship between religious beliefs and the uptake of life insurance.

CHAPTER FIVE

SUMMARY OF THE MAIN FINDINGS, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter presents and discusses findings of the research, conclusions based on the findings, offers recommendations and suggestions for further research. It offers a summary of the study undertaken; conclusions and recommendations based on the study findings.

5.2 Summary of findings

The study set out to establish whether the various factors cited by insurance industry players do affect uptake of life insurance. The factors that are often talked of are; level of awareness in the population, level of income of the people, the price of the insurance service, religious beliefs and the perceptions towards insurance by the people. The investigation into the study was guided by the six variables to show how they affect uptake of insurance. Descriptive research method was used and inferential statistics to infer the sample results to the population. By use of questionnaires, data was collected and analysed using SPSS to generate inferential statistics.

On the perceptions held by the people towards insurance, the study results show that 87.4 % of the respondents agree that by a large to a very large extent perceptions do influence uptake of life insurance. To answer the research question on how the perceptions influence the uptake of life insurance the study finding showed that when perceptions are negative the uptake of the insurance is negative and vise versa. The research result rejected the null hypothesis at 95% the level of confidence and accepted the alternative hypothesis that perceptions held by the people has influence on uptake of life insurance.

On whether level of awareness influence uptake of life insurance study result showed that 83.8 of the respondents agree that to a large and very large extent awareness has positive effect on uptake of insurance. In addition, to answer the research question on how the awareness does influence the uptake of life insurance the research study findings showed that there is a positive relationship between the two. As awareness, increase there will be corresponding increase in uptake of life insurance. The study result rejected the null at 95% level of confidence and accepted the alternative hypothesis that there is a relationship between level of awareness and uptake of life insurance.

On the objective of whether level of income of the people influence uptake of life insurance the study result showed that 76.6% of the respondents did agree to a large and very large extent that that level of income has influence on the uptake of life increase. To answer the question of how the level of income influence uptake of insurance the study research findings showed a positive relationship which means as income increase there will be increase in uptake of life insurance. On the test of the null hypothesis, the research study rejected the null hypothesis and accepted the alternative hypothesis that there is a relationship between level of income and uptake of life insurance.

On the objective of whether accessibility of insurance services influence uptake of life insurance the study revealed that 87.4% of the respondents did agree that to a large and very large extent accessibility of insurance service has influence on uptake of life insurance. On the question of how accessibility influences uptake of life insurance, the research findings show that there is a positive relationship between accessibility and uptake off life insurance. As accessibility improves, there will be uptake of life insurance. The research study findings also rejected the null hypothesis and accepted the alternative hypothesis that there is a relationship between the accessibility of insurance services and uptake of life insurance.

On whether the price of life insurance premiums has influence on uptake of life insurance the study result showed that 83.8% of the respondents agreed and strongly agreed that the price of life insurance has an influence on uptake of life insurance. On the question of how price of insurance influence uptake of life insurance the research findings showed a negative relation between the price and uptake of insurance. That means when price of insurance is high less people take up insurance. On the test of the of the null hypothesis the research statistic led to rejection of the null hypothesis and accepting of the alternative hypothesis that there is a relationship between price of life insurance and uptake of life insurance.

On whether religious beliefs held by the people influence uptake of life insurance the study result showed that 64.1% of the respondents agreed and strongly so that religious belief held by the people towards life insurance has an influence on the uptake of life insurance. On the question of how religious beliefs held by the people influence uptake of life insurance the research study showed a negative relationship between the religious beliefs and the uptake of life insurance. This means that a strong Muslim belief in Mombasa has a strong negative influence on the uptake of insurance. On the test of the null hypothesis, the research study result led to rejection of the null hypothesis and accepting of the alternative hypothesis that there is a relationship between the religious beliefs held by the people and uptake of life insurance.

5.3 Discussion of findings

This section will show how the research findings support other studies discussed in the literature review section. It will also convey the meaning of the findings and provide an important linkage to other sections of the report.

The research study established that to a large extent awareness for insurance services has positive influence for the uptake of life insurance. As people become aware of the benefits of insurance more will take insurance service. A research done by AKI (2010) showed there is lack of awareness in the population about insurance products. Several studies suggested that highly educated people are more willing to accept that life insurance provides economic security for the family (Hammond, Houston, and Melander, 1967; Truett and Truett, 1990).

The study revealed that perceptions held by the people have a large influence on the uptake of life insurance. Where the perceptions are negative, the uptake would be small and vice versa. A similar research done by SBO for Association of Kenya Insurers established that the insurance industry is affected by persistent poor public image that has caused distrust among potential customers (SBO, 2008).

The research study established that level of income has a large influence on the uptake of life insurance. This finding agrees with the research finding of SBO done in Kenya market. It confirmed that affordability was a key concern among the insured. Lews (1989), Hakansson (1969), Fischer (1973), Fortune (1973) and Campell (1990) showed that the demand for life insurance is positively correlated with income.

In the objective of accessibility, the research study established that to a large extent accessibility of life insurance services has an influence on the uptake of life insurance. This finding agrees with the research findings by Association of Kenya insurers. The low uptake of insurance among the Kenya population had been partly due to using limited channels to sell insurance (AKI 2008).

5.4 Conclusion of findings

From the findings and analysis of the data, the researcher concluded the study by posing the question; how does the research mirror the Kenyan population? The research findings did agree with many other research findings done by others in Kenya and other parts of the world. Research results could be applied to the Kenya population as well. The research also confirmed all alternative hypothesis and answered all the research questions.

In conclusion from the study of how various factors affect the Life insurance in Kenya and Mombasa County in particular affect the industry, it is evidenced that there is a significant positive relationship between the Life insurance uptake and the perceptions held by people towards the insurance industry. This means that the people's perspective has a direct relationship with the industry's uptake.

The findings revealed that there were significant positive relationships between Income Level use and Life insurance uptake. That means that as the income increase there will be uptake of life insurance. To a greater extent, the accessibility of the insurance industry do affect the uptake of industry with a positive correlation coefficient .This means that to a smaller extent there is a weak positive relationship between the accessibility of the services and their uptake.

5.5 Recommendations

From the study, the researcher recommends that;

1. All insurance stakeholders conduct an intensive awareness campaign by use of media, plays and invite those that have benefitted from the insurance service to give testimonies.
2. Affordable products are introduced to reach out to the low-income earners.
3. The Government to come up with more tax incentives to motivate more people to take insurance.
4. The religious leaders to be used to help remove the negative religious beliefs in some religion.

5. The insurance industry to employ more intermediaries to increase accessibility of the insurance services.

5.6 Suggestion for further study

1. The researcher suggests that a research to be done to establish how the years of service of the intermediaries influence uptake of life insurance.
2. There is need to do further research on how Islamic religion influence uptake of life insurance in Mombasa county.

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APPENDIX1: Letter of Transmittal

RICHARD NYAMBANE MASESE,

P.O. BOX 90213- 80100,

MOMBASA.

MOBILE: 0723 207 889.

April 24, 2012.

THE MANAGING DIRECTOR,

BRITISH AMERICAN INSURANCE,

P.O.BOX 30375-00100, NAIROBI.

Dear Sir,

RE: PERMISSION TO CONDUCT RESEARCH.

I am a Financial Advisor in Mombasa branch and studying a postgraduate course at the University of Nairobi, pursuing a Masters degree in Project Planning and Management (MPPM). As part of partial fulfillment for the degree, I am required to carry out a research on 'Factors influencing uptake of life insurance products'. My topic 'Factors influencing uptake of life insurance, a case of British American insurance-Mombasa Branch'.

British American insurance company is the leading company in life insurance products and is my choice company for this research. I would like to request your permission to carry out the research at Mombasa branch. The research will involve interviewing 103 FAs. The information obtained will be used purely and solely for academic purposes and will be treated with utmost confidence. Names or any other personal details shall not appear in the report.

I look forward to your kind and favourable response.

Yours faithfully,

Richard Nyambane Masese.

APPENDIX 2: LIFE INSURANCE AGENT QUESTIONNAIRE

As a valued Financial Advisor of Britam insurance, you are kindly requested to spare a few minutes of your time to complete the survey questionnaire. Your honest and complete answers will be highly appreciated. The information you provide will be used purely and solely for academic purposes and will be treated with utmost confidence.

Thank you in advance for your participation.

Section A: Identification.

Branch (Optional) ______________________________

1. Duration in the insurance industry:
    a) 4 years and below
    b) More than 4 years.

Section A: Market analysis

Tick as appropriate

a. Pre-dorminant ages of your clients: 18-30( ) 31-40 ( ) 41-50 ( ) over 50 ( )

b. Predominant source of income of your clients: Employed ( ) Self Employed ( )

Section B: Uptake of life insurance.

c. Please indicate with sign (X) the extent to which the following factors would influence uptake of life insurance.

Factors	No influence(1)	Small influence(2)	Not sure (3)	Large extent (4)	Very large extent (5)
Perceptions held by people	( )	( )	( )	( )	( )
Level of income of the people	( )	( )	( )	( )	( )
Accessibility of life insurance	( )	( )	( )	( )	( )

Factors	Strongly disagree (1)	Disagree (2)	Not sure(3)	Agree(4)	Strongly agree (5)
	( )	( )	( )	( )	( )
The cost of insurance					
Awareness of life insurance	( )	( )	( )	( )	( )
The religious beliefs					

d. Please indicate the extent to which you agree or disagree with the following factors that influence uptake of life insurance.

Factors	Strongly disagree (1)	Disagree (2)	Not sure(3)	Agree(4)	Strongly agree (5)
Government policies	( )	( )	( )	( )	( )
Tax incentives	( )	( )	( )	( )	( )
Government insuring its services	( )	( )	( )	( )	( )

e. Please indicate the extent to which the following factors would influence uptake of life insurance.

Factors	To a very great extent(5)	To a great extent (4)	To a moderate extent (3)	Toa less extent (2)	To no extent (1)
Uptake of economy	( )	( )	( )	( )	( )
Distribution channels	( )	( )	( )	( )	( )
Public education	( )	( )	( )	( )	( )