FACTORS INFLUENCING PENETRATION OF MICRO-INSURANCE IN KENYA

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI.

OCTOBER 2014

DECLARATION

This is to declare that this research project is my original work that has not been presented to any other University or Institution of Higher Learning for examination.

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DECLARATION BY SUPERVISOR:

This is to declare that this project has been submitted for examination with our approval as the university supervisor

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ACKNOWLEDGEMENTS

I take this opportunity to thank the Almighty God for taking me through this study and for giving me the strength and will to go through the whole programme.

My sincere appreciation and gratitude goes to my Supervisor Mr. Midikira Churchil Kibisu, Lecturer at Nairobi University MBA programme in School of Business for his guidance and counsel in the development of this project.

My gratitude goes to my dear husband William Nyagaka for his unmatched support, my children Victor Nyagaka, Bosco Makori, Daniel Gikenyi, Nicole Bonareri and Sandra Kwamboka for their inspiration and understanding. My father Josphat Onduso and mother Yunuke Kwamboka for laying a firm foundation in my life and believing in me.

I would also like to register my appreciation to the Board and Management of the College of Insurance for giving me the opportunity and support to undertake my studies.

Finally, I would also like to give exceptional thanks and gratitude to my colleagues Patricia Nyaga and Abiud Ogechi for their support, my friends Jane Onyimbo for encouraging me to soldier on and Irene Musembi for consistent support.

You are all blessed.

DEDICATION

This research work is dedicated to my lovely daughters Sandra Kwamboka and Nicole Bonareri who have brought so much joy into my life and given me a reason to keep on keeping on every step of the way. You were a source of inspiration. God bless you.

ABSTRACT

The need for enhanced access to insurance at affordable rates to the lower end of the market is well set out in the Kenya Vision 2030 and other government policy documents. The need for insurance services is important for low-income groups as they are more vulnerable to ill-health or death, unexpected expenses, and natural disasters. Consequently, there is need to reach to this group and mitigate their level of risk since when it occurs, it is bound to drive them to deeper level of poverty. To bridge this need, insurance firms have developed products that target this section of the market. However, several challenges are affecting the success of rolling out the products into the insurance to the market. This research sought to establish factors influencing penetration of micro-insurance in Kenya. The research adopted a descriptive research design whereby data was collected using a self-administered questionnaire that was distributed to 24 senior and middle level managers at the tagerted insurance firms. The study found that a range of products were being offered under the micro-insurance products which targeted agriculture and livestock farmers, personal accident for students on attachment, loan insurance for small traders, health products. The payment mode for the insurance premiums was majorly through Mpesa. The factors that affect the micro-insurance penetration is the low level of income among the target market, perception that insurance process is generally complex by the target market and limited distribution channels and branch networks of the micro-insurance providers in Kenya. Since, the basis of the research was based subjective evaluations by the senior management, the findings might have elements of subjectivity considering that they will be involved in implementation of the strategies targeting more coverage of the micro-insurance products. Because of the limited knowledge on the insurance products, there is need for a rigorous and well coordinated education on insurance to be offered to the target market and this will rope in the support of donors and the central government.

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ABBREVIATIONS AND ACRONYMS

AKI	Association of Kenya Insurers
CGAP	Consultative Group to Assist the Poorest
GDP	Gross Domestic Product
GPI	Gross Premium Income
IAIS	International Association of Insurance Supervisors
IRA	Insurance Regulatory Authority
MFI	Micro-Finance Institutions
NGO	Non-Governmental Organisations

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Insurance is a risk transfer mechanism, whereby the individual or business enterprise can shift some of the uncertainty of life on the shoulders of others in return for a known premium, Waugham (1989). Micro-insurance on the other hand is the provision of insurance services to low-income households, which serves as an important tool to reduce risks for the already vulnerable population. According to Churchill (2006), micro-insurance is generally for individuals who are ignored by traditional commercial and social insurance schemes. It is developed for low-income individuals who work in the informal economy and have irregular cash flows. Tadesse & Brans, (2012) found that the poor face two types of risks namely; idiosyncratic (specific to the household) and covariate (common to all). To combat risks, the poor have traditionally used risk pooling through informal insurance or risk-sharing schemes.

The insurance industry in Kenya plays a significant role in the economic development of the country. The industry has however experienced low penetration levels over the years, which has been attributed to various factors. This study will borrow from the utility theory, which underscores the factors that influence the demand for micro-insurance, (Karlijn M. and Peter G., 2011). The study will also make reference to the agency theory which discusses the issues that are key in managing the principal-agent relationship.

Low-income households are vulnerable to many risks, a fact that is widely recognized as one of the key drivers of underdevelopment, (International Micro-insurance Conference, Nigeria, 2013). Tucker, (2007) found that of the world's population, four (4) billion live on less than $2 a day. He further found that of these poor, only 3% have access to some type of insurance product. A study of African micro-insurance markets, published by Making Finance Work For Africa (MFW4A) and Munich Re Foundation in 2012 found out that at the end of 2011, more than 44 million people or properties were covered by micro-insurance products. Still, a huge challenge remains: 38 million insured people are concentrated in Eastern and Southern Africa, while in Central and North Africa, the micro-insurance sector remains rather limited.

Over 90% of the population in Kenya is exposed to many risks in life, with the poor being the most exposed and the overall insurance sector serves about 8.4% of the total population (Ogodo, 2010). A national survey conducted in 2009 by FinAccess (Dynamics of Kenya's changing financial landscape) revealed that the majority of the insured persons are drawn from the formal sector, which accounts for about 5% of the total population. This, therefore, means that the majority of Kenyans in the informal sector are not adequately provided for by conventional insurance. A different concept of insurance is, therefore, necessary to facilitate the required growth by tapping into the potential existing in the informal sector (The Kenya Micro-insurance Policy Paper, 2014). Smallholder farmers, small traders, manufacturers, and people generating livelihoods on a small and generally vulnerable scale constitute the base of the untapped micro-insurance market in Kenya.

1.1.1 Concept of Micro-Insurance

There is no unanimously accepted definition of micro-insurance despite its profound use and understanding across stakeholders and others. The International Association of Insurance Supervisors (IAIS) defines micro-insurance as: "insurance that is accessed by or accessible to the low income population, potentially provided by a variety of different providers and managed in accordance with generally accepted insurance practices" which definition Kenya has chosen to adopt (Makove, 2011). This means that the risk insured under a micro-insurance policy is managed based on insurance principles and funded by premiums (International Association of Insurance Supervisors, 2007). The micro-insurance activity itself should therefore fall within the purview of the relevant domestic insurance regulator/supervisor or any other competent body under the national laws of any jurisdiction."(Issues in Regulation and Supervision of Micro-insurance (2007) by IAIS and CGAP Working Group on Micro- insurance).

According to Makove (2011), micro-insurance entails delivery of insurance products to participants at base of the pyramid. For the purposes of this study, we can define micro-insurance simply as insurance that is designed specifically for the low-income market. Churchill (2006) offers a simple definition of micro-insurance; it is an insurance that (i) operates by risk pooling (ii) financed through regular premiums and (iii) tailored to the poor who would otherwise not be able to take out insurance. It is offered to shield clients against specific risks in consideration for premiums matching the possibility of occurrence of the risk (Makove, 2011). A macro definition of micro-insurance is that it is the provision of financial protection contingent on the occurrence of predefined risk in exchange for an ex-ante premium payment affordable to the clients.

Under Legal Notice No 57, the Insurance (Amendment) Regulations 2012, Kenya, micro-insurance business has been defined to mean the authorised insurance business that provides protection accessible to the low-income population against specific perils in exchange for regular provision payments proportionate to that risk and managed in accordance with generally accepted insurance principles. An insurance product is deemed to be a "micro-insurance product" if the providers either targeted or sold the product to low income people.

Some of the main characteristics of micro-insurance products include; Insurance policies involving low levels of premiums, priced within low income persons' ability to pay; Insurance policies with smaller benefits than traditional insurance, with customized and flexible coverage around low income peoples' specific needs; Accessibility in terms of client service, including simple collections and claims processes; Simple and easy to understood products and contracts, few if any exclusions, " ICMIF Member Micro insurance Questionnaire (2011).

1.1.2 Insurance Penetration

A measure of the development of an insurance sector is insurance penetration, defined as gross premium income (GPI) as a percentage of GDP (Ndalu, 2011). Insurance penetration rate is therefore expressed as the ratio between insurance premium volume and GDP. It can be worked out separately for life and general business or any other class of insurance business. The penetration rate indicates the level of development of insurance sector in a country. The higher the penetration rate is the more developed the insurance market in that particular country is (Ngoima, 2013).

According to the Association of Kenya Insurers (AKI) (2012), Kenya has been able to grow its penetration from 2.5% to 3.16% in the last seven (7) years. In the year 2012, life penetration rate was 1.08% while non-life penetration rate was 2.08%. The report projects that by 2015, penetration will move to 3.5%. According to the report, some of the factors that will influence the growth include micro-insurance, Takaful and use of alternative distribution channels. AKI annual report 2013 indicates that the overall insurance penetration has increased to 3.44%. AKI chairperson Justus Mutiga pointed out that micro-insurance and bancassurance will be key drivers of premium growth and penetration in the industry.

1.1.3 The Insurance Industry in Kenya

The insurance industry in Kenya comprises of insurance companies, reinsurance companies, insurance and reinsurance brokers, loss adjusters, motor assessors, insurance investigators, insurance agents, medical insurance providers, claims settling agents and risk managers. These are registered and licensed by the Insurance Regulatory Authority (IRA) in accordance with the provisions of the Insurance Act, Chapter 487 of the laws of Kenya. According to IRA's annual report (2012), the licensed insurers were forty seven (47), three (3) reinsurance companies, one hundred and seventy (170) insurance brokers, twenty four (24) medical insurance providers, and four thousand eight hundred and sixty two (4862) insurance agents. In addition, the service providers included ninety two (92) motor assessors , twenty one (21) loss adjusters, ten (10) Risk managers, twenty seven (27) insurance surveyors, one hundred and forty (140) insurance investigators and one (1) claims settling agent.

The Insurance Regulatory Authority (IRA) regulates the insurance industry in Kenya. IRA was created under the Insurance (Amendment) Act of 2006 and came into operation on 1st May, 2007 (IRA, 2010). The Authority was established with the mandate of regulating, supervising and developing the insurance industry. The statute regulating the industry is the insurance Act, Chapter 487 of the laws of Kenya. The office of the commissioner of insurance was established under the provisions of the Act to strengthen the government regulation of the industry under the Ministry of Finance. The insurance industry in Kenya has a regulatory framework that is designed to ensure the stability of the insurance system and to generally protect the interest of policyholders.

The Insurance Act provides for micro-insurance as a separate class of insurance business. The Kenya Policy Paper on Micro-insurance (2014), notes that despite piecemeal amendments that have been done to the regulations that govern insurance over the years, including defining micro-insurance and separating micro-insurance as a stand-alone class of insurance business, challenges in the regulation of micro-insurance still persist. According to Njuguna and Arunga, (2013), the supply of commercial insurance to low-income households in Kenya seems to be constrained by an overly restrictive regulatory environment. According to Kenya Policy Paper on Micro-insurance (2014), the current legal still does not conform to international practices with regard to development of micro-insurance as set out in the IAIS Application Paper on Regulation and Supervision supporting Inclusive Insurance Markets.

The Insurance Regulatory Authority (IRA) Strategic Plan 2013- 2018 notes that despite the significant growth in the industry, insurance penetration remains at 3.1% as of year 2011 with an estimated insurance density of US$ 25.3. According to the Sector Performance Standards 2009-2030, it is envisioned that the penetration ratio will grow to 5% by 2030. According to the AKI annual report for 2013, the insurance industry recorded gross written premium of Kshs.130.65 billion. The industry had written KShs.111.9 billion in gross direct premiums in 2012, registering growth of 21.9% compared to 2011 when the industry wrote KShs. 91.81 billion of gross direct premiums, (IRA Annual Report, 2012). According to report, the industry has grown at an average rate of 16% p.a. over the last 5 years. The Association of Kenya Insurers (AKI) attributes the growth in 2012 to the introduction of innovative products, improved regulatory framework, adoption of alternative distribution channels and the enhanced use of technology.

1.2 The Research Problem

Micro-insurance generally is a term used to refer to insurance to the low-income people, (Ahuja & Guha-Khasnobis, 2005). Providing micro-insurance products for low-income communities is not a new concept. Classic industrial insurance of the 19th and early 20th centuries was the predecessor of today’s micro-insurance (Micro-insurance Centre, 2007). According to Morelli et al, (2010), many low-income people in Africa do not understand what insurance is or how it works and therefore, insurance penetration remains low. An earlier study by Roth et al. (2007) which studied 100 poorest countries, found that Uganda had almost half of micro-insurance covers in Africa; excluding South Africa. According to the Micro-insurance Centre, (2007), most low-income markets in the developing world remain undiscovered by insurers. The study estimates that around 135 million, or 5%, of low-income people in developing countries were using micro-insurance products. The study however, concluded that the size of insurance market for low-income groups is large and it constitutes to about 1.5 to 3 billion potential clients.

The micro-insurance market in Kenya is still under-developed although insurers are increasingly becoming active while informal “insurers” are expanding into the formal insurance system. A study carried out by Cenfri - A. Smith, et al, (2011) places a conservative estimate of the voluntary micro-insurance market in Kenya to be about 150,000-200,000 policyholders. The low micro-insurance coverage in most developing countries has been partly attributed to the fact that these insurance markets are still in their infancy (Arun & Steiner, 2008). In Kenya, low-income target market is generally ignored by the mainstream commercial and social insurance schemes and has not, for a long time, had access to appropriate micro-insurance products (Mbogo, 2009). Njuguna and Arunga (2013) cites Tucker (2007) whose study found that poor urbanites spend about 9.2% of their income attempting to reduce disaster risk without the advantage of insurance.

There are various local and international studies conducted on insurance and micro-insurance. Ahuja & Guha-Khasnobis (2005), conducted a study on micro-insurance in India focusing on trends and strategies for further extension and concludes that for micro-insurance to grow support from the regulator and the government is required. Poyesh and Hojatallah, (2014) conducted a study on co-integration and casual relationship between macro-economic variables and insurance penetration ratio which was published by the and found that among the most important factors affecting insurance penetration include economic variables like GDP, national per capita income, inflation, depression and economic growth. A research done by National Insurance Commission of Ghana (2012) on Micro-insurance as a means of insurance sector development and recommends that a regulatory framework for micro-insurance is necessary.

A number of studies have been conducted locally in the area of insurance and micro-insurance in Kenya. Njihia (2013) conducted a research on challenges of market penetration of general insurance firms in Kenya and found that insurance penetration is influenced by both internal and external factors, Njuguna and Arunga (2013) carried out a research which addressed the risk management practices by service providers of micro-insurance, Kamau (2013) which analysed the factors affecting insurance penetration in Kenya, Ndalu (2011) carried out a study on the relationship between economic growth and insurance penetration in Kenya and concludes that the there exists a positive relationship between the two variables. From the above, there is no research that has been done to determine the factors influencing micro-insurance penetration in Kenya and this study is intended to fill this gap. The study is aimed at addressing the research question; what are the factors influencing the penetration of micro-insurance business in Kenya?

1.3 Research Objectives

The objective of this study was to establish the factors influencing the penetration of micro-insurance business in Kenya.

1.4 Value of the Study

The study will be of benefit insurance companies and intermediaries in Kenya as the s findings will assist them to identify the factors that hinder the micro-insurance success and to consider developing appropriate strategies to enhance market penetration through micro-insurance products. The study findings will also be of importance the government through the regulatory authorities to formulate policies positive national policies and regulations that are relevant and sensitive to the forces influencing the micro-insurance sector in Kenya.

The study may in addition to the above, be useful to other stakeholders, financiers, and investors in formulating and planning areas of intervention and support towards enhancing micro insurance penetration in Kenya. The study will also be important to current and potential scholars who have interest in the area of insurance and especially micro-insurance. Those intending to study the area of micro-insurance will get useful insights and suggestions for further studies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The purpose of this chapter is to highlight the work that other scholars and researchers have done on micro-insurance penetration. The chapter presents various views and perspectives of different scholars, which are based on the research objectives. The chapter begins with theoretical orientation on micro-insurance. In the second part, an empirical review on the factors influencing penetration of micro-insurance has been undertaken leading to a conceptual framework, which is proposed to guide the study.

2.2 Theoretical Foundations

The study will borrow from the utility theory which attempts to give insights on what informs current and potential consumers' choices with regard to purchasing insurance products. The agency theory addresses potential problems that arise in the principal-agent relationship and impacts on insurance penetration.

2.2.1 Utility Theory

The standard utility theory demonstrates that risk averse investors will choose to purchase insurance at actuarially fair values and that they will be willing to pay a premium load in excess of the actuarially fair premium based on their level of risk aversion and their corresponding wealth level (Brau et al, (2010). Under expected utility theory, it is assumed that demand for insurance is higher for risk averse individuals who use insurance to avoid the risk of loss (Manning and Marquis, 1996). Expected utility theory explains demand by referring to insurance product characteristics (premium and payouts), socio-economic characteristics and assumes that individuals are capable of objectively assessing the probability of risk.

2.2.2 The Agency Theory

An agency, in general terms, is the relationship between two parties, where one is a principal and the other is an agent who represents the principal in transactions with a third party. Agency relationships occur when the principals hire the agent to perform a service on the principals' behalf. Principals commonly delegate decision-making authority to the agents. Agency problems can arise because of inefficiencies and incomplete information. (http://www.investopedia.com/terms/a/agencytheory.asp). This study is based on principal agent theory developed by Logan, (2000) which is based on the separation of ownership and control of economic activities between the agent and the principal. He explains the agency theory is on developing the most efficient contract governing the principal-agent relationship assuming self interested people and corporations. The assumptions of the agent theory about the agent's behavior are negative.

The principal is assumed to be risk neutral since they can diversify their risk through their investments. The principal therefore adopts various incentives systems i.e. outcome based e.g. rewarding agents upon reaching set targets by offering them stock options or behavior based incentives. The theory postulates that various agency problems may arise, such as asymmetric information between the principal and the agent, conflicting objectives, differences in risk aversion, outcome uncertainty, behavior based on self-interest, and bounded rationality. The theory further argues that the contract between the principal and the agent governs the relationship between the two parties, and the aim of the theory is to design a contract that can mitigate potential agency problems.

2.3 Review of Empirical Studies

Several studies have been undertaken in the area of micro-insurance both locally and internationally. According to Ahuja & Guha-Khasnobis, (2005), insurance is fast emerging as an important strategy even for the low-income people engaged in a variety of income generation activities, and who remain exposed to a variety of risks mainly because of absence of cost-effective risk hedging instruments. Karlijn M. and Peter G., (2011) researched on informal trust building factors that affect demand for micro-insurance and concluded that age, education, sickness, membership of loan from the insurance provider, financial status and credit constraints, risk aversion and location dummies are important explanatory factors for demand. Njuguna and Arunga, (2013) carried out a research to establish the risks inherent in the micro-insurance business and recommended a number of strategies that insurers can adapt to be able to manage the sector efficiently. One of the risks identified by the study is low penetration of insurance. This researcher will therefore investigate into the challenges in micro-insurance penetration.

2.4 Factors influencing micro-insurance penetration

Micro-insurance is an emerging market that is gaining momentum with passage of time. Insurance plays a critical role in the socio-economic development of any country and it is imperative that challenges are identified to facilitate development of appropriate strategies to grow the micro-insurance market.

2.4.1 Legal and regulatory framework

The regulatory environment for micro-insurance depends on the country, institutions and products involved. Makove, (2011) reports that for micro-insurance to develop, there is need for regulations for micro-insurance that should typically specify the delivery channels, intermediary market, registration and product approvals. Njuguna and Arunga, (2013) avers that the factors like minimum capital requirements, licensing, distribution channels and investment restrictions that are designed for higher-income markets and seem to limit the providers' ability to offer insurance to low-income customers. Generally, appropriate legal infrastructures not only safeguards the interests of policyholders but also minimizes institutional risks.

A research conducted by Kamau, (2013) says that that the regulatory environment cannot explain the level of insurance penetration. Other studies contradict this position. According to IAIS, (2008), regulation can be beneficial, but enforcing the laws of conventional insurance on micro-insurance will hinder the growth of the sector. Njuguna and Arunga, (2013) have pointed out that while liberal insurance legislation results to expansion of insurance services, rigid legislation can hamper growth of micro-insurance business. Saleemi (2010), states that the purpose of law in society is to establish procedures and regulations regarding the dealings among individuals and maintain economic stability. In the absence of law, there will be uncertainty in commercial transactions.

Micro-insurance penetration in other jurisdictions has been driven by regulation. According to a study by the Micro-insurance Centre, (2007), a regulation was passed in India in 2002 requiring all insurers to provide insurance to the rural and social sectors. Because of this, the study reveals that there has been a surge in product innovation and experimentation with new distribution channels. As at 2007, micro-insurance penetration in India stood at 2% of the adult population. The study has attributed the success of micro-insurance in the Philippines to a Charter on micro-insurance, which is grounded on their constitution. MicroEnsure, an insurance intermediary dedicated to serving the poor throughout the developing world has over 1,149,633 clients as of the year 2012 up from just 53,976 in 2007, the first year of its operations in the Philippines, (Pablo, (2014).

2.4.2 Client education and awareness

A study carried out by the German Institute for Economic Research in 2009 highlighted a potential challenge to developing the micro-insurance sector: educating customers. The study points out that as demand for insurance is correlated to customers' perceptions of the benefits, a clear understanding of what insurance means and what to expect is crucial to avoid disappointment by the customers. The study by Kamau (2013) underrates the contribution of education to the low insurance penetration. According to the Micro-insurance Center, (2007), many low-income people are insurable in that they have assets and livelihoods to protect, and sufficient incomes to pay premiums. However, they do not have insurance, as they are unfamiliar with the concept of insurance as a risk management tool.

According to Njuguna and Arunga, (2013), many clients are sceptical about paying premiums for an intangible product with future benefits that may never be claimed and they are often do not trust insurance companies. A study by Siegel et al. (2001) found that some insurance firms provide information and conduct education campaigns among low-income households on the need for risk protection through such schemes as micro-insurance and to differentiate micro-insurance from the conventional insurance products. According to Morelli et al. (2010), for a micro-insurance scheme is to succeed, it needs to satisfy, among other conditions; comprehensibility and understandability by the clients.

2.4.3 Distribution Channels

According to Njuguna and Arunga, (2013), one of the risks inherent in micro-insurance is inadequacy of distribution channels. Roth et al, (2007) reveals that micro-insurance products are generally distributed through Micro-finance institutions (MFIs), post offices, Non-Governmental Organizations (NGOs) or through company employees. Ngoima, (2013) in his study attempts to answer the question on the role of agents in insurance penetration. He classifies agents into brokers and agents. Micro-finance institutions and commercial banks are also directly involved in marketing micro-insurance products to potential clients in the provider model (Maleika & Kuriakose, 2008). The study says that this model has a wide reach in the general insurance market but suffers from high transaction costs, when applied in low-income, low-margin markets such as rural areas with dispersed populations.

A study by Ahuja & Guha-Khasnobis, (2005) provides useful insight on the use of agents. The study found that insurance companies adopt strategies of developing collaborations with the various civil society associations, which act as a mediating agency, or what is called a nodal agency that represents and acts on behalf of the target community in extending insurance cover to the poor. The nodal agency will help the formal insurance providers overcome both informational disadvantage and high transaction costs in providing insurance to the low-income people. In the absence of a nodal agency, the low resource base of the poor, coupled with high transaction costs gives rise to the affordability issue.

Osero (2009) suggests funeral parlours, direct selling, mobile services, shops, supermarkets, petrol stations and public utility companies as distribution channels that can be explored for micro-insurance delivery. Micro-insurance charges low premiums hence the distribution costs must be minimized (Mahul & Stutley, 2010). Insurers are often constrained by lack of low cost distribution channels that can reach low-income earners' target market Njuguna and Arunga (2012). Makove, (2011) has addressed the need for government support in providing micro-insurance products. The Kenya Micro-insurance Policy Paper (2014) points out that for micro-insurance to succeed, there should be a model for sharing the costs and profits with distributors due to regulatory restrictions as the mass aggregators see little potential in terms of revenues from micro-insurance business.

2.4.4 Level of Income

Lavasani (2005) studied the relationship between demand for life insurance with national per capita income and employment rate and found that the dependent variable has a positive relationship with the independent variables. Njuguna and Arunga, (2013) have cited World Bank (2011) that estimated that 1.2 billion (20%) of the world population lives on less that $1/day (extreme poverty), another 1.8 billion (30%) lives on less than $2/day (moderate poverty). This then calls upon insurance companies to be innovative in terms of products suitable for the micro-insurance target market.

Njuguna and Arunga, (2013) cites Churchill, (2007); Dalal and Morduch, (2010), who found that one major challenge in micro-insurance provision arises from the target market that of consists of self-employed people and workers in the informal sector whose incomes are often low and unpredictable. They further found that most micro-insurance models allow for contribution of small-denominated high frequency premiums, which have a direct effect on per unit transaction costs. The research concluded that policyholders should be asked to pay when they have the money for example at harvest time, or when they receive a loan or a government cash transfer.

2.4.5 Micro-insurance product pricing

Micro-insurance pricing presents significant challenges because of the need to balance prices, costs, sustainability and affordability (Njuguna and Arunga, 2013). The price charged for micro-insurance products should cover all claims and operating expenses and generate a profit. Generally, low-income people buy insurance if the products meet their needs and are fairly priced. As such, micro-insurance policy premium is often lower than the administrative cost incurred, thus unprofitable in the absence of economies of scale. Churchill (2006) advises micro-insurers, to constantly make price adjustments by using actuarial services. On the supply side, there is lack of preparedness by insurers for this kind of risks. Insurers are weary of the moral hazard risks; they lack sufficient data for prediction and the pricing risks. Offering the proper products with affordable premiums according to the need of the potential policyholders will help increase the demand for micro-insurance, (Pablo M.R., 2014). Given irregular and uncertain income stream of the poor, flexibility in premium collection is needed to extend the micro-insurance.

Various studies conducted found that despite the realisation that micro-insurance has the potential to offer improved risk management to the poor, the demand for micro insurance in developing countries is low and increasing slowly in comparison to demand for insurance in developed countries (Ito and Kono, 2010). Karlijn M. and Peter G, (2011) outlines some of the factors that affect demand for micro-insurance to include lower levels of wealth, financial literacy of the targeted clients, the perception of risk, previous experiences of risk, experiences with insurance and insurance claims. They however found that knowing peers with claims which they say is an informal trust-building factor, is the most important significant factor explaining micro-insurance demand.

Cohen and Sebstad, (2005) sought to establish what products the poor demand. After demonstrating that self- insurance is the dominant and highly inefficient method of insurance for the poor in their sample, they concluded that there is clearly a demand for micro-insurance. They give a “demand-led” analysis of types of micro-insurance products that would add the most value to the poor and argue it is a unique view from the typical supply-led approach of many schemes. The analysis included products for death, sickness (health) and fire coverage resulting in life insurance, health insurance, and property insurance products.

Although low-income earners face risks and economic shocks that might be the same as conventional insurance clients, the low-end market is more susceptible due to limitation of resources and knowledge, Churchill, (2006). The poor have been excluded from existing formal and commercial insurance schemes due to supply-side and demand-side constraints. So far, commercial insurance providers have not done much to reach out to sectors outside the formal economy. On the one hand, it seems that traditional insurance products have been designed with the middle and high-income class in mind. On the other hand, despite their great need for some form of social protection, the poor lack the capacity to access formal insurance. In response to the demand-supply gap, informal micro-insurance schemes have emerged, (Ahuja & Guha-Khasnobis, 2005).

CHAPTER THREE

METHODOLOGY

3.1 Introduction

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

3.2 Research Design

A research design is the conceptual structure within which research is conducted and constitutes blueprint for collection, measurement and analysis of data, Kothari C.R. (2008). This study adopted a descriptive survey research design. The descriptive survey method is preferred because it ensures complete description of the situation, making sure that there is minimum bias in the collection of data (Kothari, 2008). The method is deemed as an efficient way to obtain information needed to describe opinions and views of insurance companies offering micro-insurance on the factors that influencing micro-insurance penetration in Kenya.

3.3 Population of the Study

Population of study refers to the entire group of people, events, or things of interest that the researcher wishes to investigate (Uma Sekaran, 2006). The study population of this study was the fourteen (14) insurance companies that sell micro-insurance products in Kenya. The study therefore was a census survey where all units from the population of interest were analyzed. The main advantage of the census survey is that the whole population is involved and, therefore, there are no random errors or systematic errors caused by the sampling itself. Kothari, (2004) points out that when the universe is a small one, it is no use resorting to a sample survey.

3.4 Data Collection

Both primary and secondary data was used in the research. A questionnaire that contains both closed and open-ended questions was used as the primary data collection instrument. Self-administered questionnaires were distributed to the respondents who were supervisors and managers working in the marketing departments for the fourteen (14) insurance companies. The questionnaire was divided into two parts. The first part sought background information of the respondents while the second and subsequent sections were designed to facilitate achievement of the research objectives. The questions were designed to collect qualitative and quantitative data. The secondary sources comprised the industry's annual reports, strategic plans, business documentaries and media reports.

3.5 Data Analysis

The data collected was both quantitative and qualitative. Descriptive statistics was therefore used to analyse the data collected. Statistical package for social sciences (SPSS) package was used to generate descriptive statistics such as the frequency, means and standard deviations. Data presentation was done by the use of percentages and frequency tables. This informed the researcher of the perceived importance of each of the identifiable factors across the respondents.

This study also generated qualitative data and content analysis was therefore used to determine the challenges in micro-insurance penetration in Kenya. Content analysis is a technique for making inferences by systemically and objectively identifying specified characteristics of messages and using the same to relate trends. This type of analysis does not restrict respondents on answers and has potential of generating more information with much detail.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

The research objective was to establish factors influencing penetration of micro-insurance in Kenya. This chapter presents the analysis, findings and the discussion with regard to the objective. The analysis is presented in mean and standard deviations while the findings are presented in frequency distributions and tables.

4.2 Background Information

The demographic information considered in this study included the respondents' number of continuous service in the organization and also the position that they currently hold in the insurance firm. This information is necessary because the respondents' competence of answering the questions ably will be dependent on their experience which will be reflected on their current position and also the period in which they will have worked in the organization. The respondents included marketing managers and supervisors working for the target population.

A total of 28 questionnaires were issued out to fourteen (14) insurance companies. The completed questionnaires were edited for completeness and consistency out of the total issued 24 questionnaires was received fully filled and ready for analysis. The returned questionnaires' represented 86% response rate which was deemed to be adequate in the realization of the research objectives. Mugenda and Mugenda (1999) stated that a response rate of 50% and above is a good for statistical reporting. The response rate was achieved at after the researcher made frantic effort at booking appointments with the respondents making phone calls to remind them to fill the questionnaire.

4.2.1 Continuous service with the organization

This is the duration of continuous service that the respondents had worked at the respective insurance firms. The result is represented in Table 4.1.

Table 4.1: Length of Continuous Service

	Frequency	Percent	Cumulative Percent
Less than 3 year	8	34.6	34.6
3-5 years	8	34.6	69.2
6-10 years	2	7.7	76.9
More than 10 Years	6	23.1	100.0
Total	24	100	

Source: Author (September 2014)

The findings in Table 4.1 indicates that majority of the respondents (34.6%) had been working in the insurance firms for less than 3 years and an equal number for between 3-5 years. However only 30% of the respondents had worked in the respective insurance firms for over 6 years. This means that there is an almost proprotionate members of staff with longer experience in comparison to those that have less than 5 years experience and this means that the responses received will consider both views of experienced and less experienced group of respondents on factors affecting micro-insurance products in Kenya.

4.2.2 Current Position Held

This section of the questionnaire sought to establish the current job cadre that the respondents hold. The aim was to assess their capacity to answer the questions by virtue of their position since it is expected that the top level and line managers will be more versed with strategic matters in the firm than other staff cadres. The result is presented in Table 4.2.

Table 4.2: Employees current Position

	Percent	Cumulative Percent
Top Manager	15.4	15.4
Line Manager	50.0	65.4
Supervisor	34.6	100.0
Total	100.0	

Source: Author (September 2014)

From the Table 4.2, it is clear that majority of the respondents (50%) are working in the direct line departments that deals with micro-insurance while 34.6% of the same respondents were supervisors and only 15% of the respondents were top managers in the insurance firms. This finding shows that all the employees' cadres that are deemed to be versed with the research area are considered in the respondent list.

4.3 Operational Factors of Micro-insurance

This section sought to establish the types of micro-insurance products that the insurance firms sampled dealt with, the range of the premium charged per policy on the product, the length of the proposal form, size of the policy document, and the mode of the premium payment and network spread of the firm. In addition the time taken by the company to settle the claims and the advertising mode that was being adopted to reach the potential customers was also sought.

4.3.1 Micro-insurance products

On the question of the kinds of micro-insurance products that the insurance firms offer, it was found that different products are offered depending on the target clientele. The common products are targeted to Mpesa agents, farmers, students on attachment, small traders and those travelling by road. Personal accident products for students on attachment and those travelling by road have been developed, credit insurance for small scale business people taking loans and other life insurance products like term assurance. The internship cover target colleges and individual students who might get involved in accidents while on attachment. The results also show that other products included under the micro-insurance products include micro-property, micro-terrorism and health products.

The other products that were offered under the micro-insurance products include disability insurance, burial and pension schemes. Droughts cause food and income insecurity through both acute effects and chronic secondary effects to the farmers. It was therefore found that one of the major micro-insurance area that can be is covered by the local insurance firms is for both livestock and agricultural products through weather Index Insurance. This finding is consistent to that of Sakurai and Reardon (1997) who pointed this as one potential area of business. The service providers of micro-insurance have developed few products for the target market an indication that there exist developmental challenges.

4.3.2 Contractual documents

The length of the proposal form and the policy document also affects the success of micro-insurance penetration in Kenya. The researcher also sought to establish the how various initial forms influence the success of micro-insurance in Kenya. From the findings, the length of the proposal form was found to range between one and two pages while the policy document was the one found to be more bulky since the number of pages ranged from a single sheet of paper to four (4) pages in some insurance firms. This indicates that the micro-insurance documents have been simplified for this target market. The companies offering weather index insurance for farmers have gone a step further to prepare a master policy for a number of farmers under what is known as composite insurance arrangements. From this finding, it is evident neither the proposal form nor the policy document might be a major contributing factor to the low uptake of the micro-insurance product in Kenya.

4.3.3 Premium payment

The common mode of payment for the insurance premium was through electronic cash transfer, more specifically Mpesa. The Mpesa cash transfer has increased financial deepening in rural areas such that majority of the adult Kenyans have access to financial services and in recognition of the same, the insurers have identified this opportunity to tailor their products such that the payment of premiums is made through the Mpesa payment system. This payment system is found to be a preferred mode for micro-insurance products in Kenya because as Carin and James (2004) noted, majority of the low income earners in the Sub-Sahara Africa do not operate bank accounts but instead prefer to do their savings through pooling of resources using local organizations and other informal banking systems. On the basis of this the insurance firms aim to penetrate this market by offering products that can be paid through such mobile platforms.

The range of the premium paid by the clients range from as low as Ksh 365 - 24,000 p.a. The average rate of defaulting was found to be 11.5% with a minimum default registered being 5% will the highest was 22%. With a high level of default, insurers might introduce more stringent conditions before a client is awarded a policy and this, considering that the product is micro-insurance, might discourage more potential clients. This is consistent to the findings of ILO (2011) who posited that controlling healthcare costs is generally a challenge for health-insurance companies, and micro-insurance is no different. One solution for these firms is to have a ceiling on the amount of benefits available, or to limit the recovery-time but such limitations transfer the financial burden back to clients and make the scheme less attractive to potential clients. The micro-insurance schemes for health in Bangladesh have largely tended to maintain affordability by limiting the services provided.

4.3.4 Companies branch networks and distribution channels

The branch network of an insurer is yet another factor that will influence the penetration of micro-insurance to the customers at the lower end of financial stability. It is expected that the more widespread the branch network of a firm, the more easily the potential customers will access the service. On the question of the number of branches that deal with micro-insurance, the results shows that majority of the insurance firms operated between 15 -20 branches that is spread throughout the country. Since the offices are not necessarily in the same location by virtue that they do not offer the same products, it is assumed that the coverage is to most of the towns in Kenya.

Table 4.3: Insurance Firms Branch Network

	Percent	Cumulative Percent
1 – 5 Branches	8.4	8.4
6 – 10 Branches	15.6	24
11 – 15 Branches	12.6	36.6
16 – 20 Branches	48.2	84.8
Over 20 Branches	15.2	100

Source: Author (September 2014)

However, from the individual insurer point of view, it is evident that having 20 branches will be adequate enough to cover the whole country and offer the product to the customers. The role of the spread of an insurer was supported by Carin and James (2004) who opined that administrative costs may be influenced further by the distribution of the population that one intends to cover and which will also influence the branch network of the insurer. They for example observed that the population in urban areas, where there is likely to be at least a minimum quality of infrastructure and communications, and high population density is likely to be easier to serve with a micro insurance products than a widely dispersed rural population.

The distribution channel that an insurer use in reaching out to potential clients is expected to affect the rate of success of micro-insurance products. The researcher sought to find out the common distribution channels being used by the insurance firm in the micro-insurance market. The findings were that the common distribution channels are through direct marketing and use of aggregators. This marketing system involves the insurance firms employing sale person who will target the specific market customers. Other marketing processes that were being used include the use of Saccos, banks and also the use of insurance brokers. In using the same distribution channels, it was also found that the insurers use different forms of advertising to reach the clients. The findings were that the use of television, radio and print-media in that order were the common mode of advertisement being used by the firms.

4.4 Factors affecting Micro-Insurance Penetration

Insurance services are out of reach for many people and in many countries, including Kenya, barriers to accessing the insurance services is a common challenge. This section of the questionnaire sought to establish the factors that influence micro-insurance penetration. The range was ‘Strongly agree (1)’ to ‘Strongly disagree’ (5). The scores of strongly agree have been taken to present a variable which had mean score of 0 to 2 on the continuous Likert scale; (0≤ S.A <2). The scores of ‘moderately practiced have been taken to represent a variable with a mean score of 2.1 to 3 on the continuous Likert scale: (2.1≤M.E. <3.5) and the score of agree to strongly disagree have been taken to represent a variable which had a mean score of 3.5 to 5 on a continuous Likert scale; 3.5≤ S.A<5). A standard deviation of >1 implies a significant difference on the impact of the variable among respondents. The results of the finding are presented in Table 4.3.

Table 4.4: Factors affecting Micro insurance Penetration

	Mean	Std. Deviation
Level of income of affects micro-insurance penetration	1.7692	0.86987
Perceived complexity of insurance policies affects micro-insurance penetration	1.8462	.88056
Pricing of insurance products affects micro-insurance penetration	2.1538	1.04661

Lack of country-wide presence has led to low penetration of micro-insurance	1.9231	.89098
Regulatory framework is a hurdle to micro-insurance penetration	2.8846	.95192
Lack of efficiency in claims settlement has led to low penetration of micro-insurance	2.6154	1.09825
Lack of alternative distribution channels hinders micro-insurance penetration	2.2692	1.21845
Is lack of product development a challenge to micro-insurance penetration?	2.0385	1.11286
Overall Mean	**2.1875**	

Source: Author (September 2014)

From the findings above, the most critical factors that affects the micro-insurance penetration is the low level of income (M= 1.7692, SD= 0.86987), perceived complexity of insurance policies (M=1.8462, SD=.88056) and a lack of countrywide presence (M=1.9231, SD=.89098). In addition, it was found that a lack of adequate product development that meets the requirement of the low-income clients (M=2.0385, SD=1.11286) came out as an important factor that affects the micro-insurance penetration in Kenya. On the other side of the spectrum, the factors that were found to moderately affect the level of penetration of micro-insurance products include a lack of rregulatory framework that guides the sectors operations (M= 2.8846), a lack of efficiency in claims settlement (M= 2.6154) and lack of adequate distribution channels that hinders micro-insurance penetration (M=2.2692).

The researcher sought to find out what the insurance regulator should in addition do to improve the level of micro-insurance penetration and on this question, all the respondents pointed to the need of improving the regulatory framework such that more insurance players can be encouraged to enter the market which is hoped to increase the level of coverage of the product to the un-insured market segment. On the other hand there is need for more innovation from the part of insurers that will facilitate coverage of more areas and this can be enhanced through introduction of alternative distribution channels. In addition, it was pointed out that there is a lack of understanding among the target market of insurance as a risk-management tool and a general aversion to paying for health services unless facing an illness or accident. Insurance premiums are largely seen as expenditure rather than an investment to protect assets and future income (Milinga, 2002).

4.5 Discussion

Micro-insurance in Kenya is designed generally to address economic exclusion from resources, services, unemployment, harvest failure and/or social protection in the cases of death or accidents. The poor have traditionally faced barriers to health services due to their poverty. Micro-insurance therefore offers many households, the opportunity to obtain a reliable, formal safeguard against adverse events. It was also found that Micro-insurance is different from traditional insurance due to its lower premiums and lower profit margins and because of this, it is importance that micro-insurance systems are well administered, cost-efficient, and delivered on a large scale for the insurance firms to break-even. Because the micro-insurance products are designed for the power segment of the market, the premium payments are relatively low in comparison to the conventional insurance products. The annual premiums was found to be as a low as Ksh 365 p.a which translates to an average of one shilling per day. This low premium rates in Kenya is a common characteristic of the micro-insurance products (Roth & Liber, 2007) especially in the developing countries. The low rates of premium is targeted to appeal to the low income earners and having a mass market strategy in mind whereby it is hoped that by charging lower rates, then many clients are expected to uptake the product and in so doing, the insurer will be able to recover the cost of offering the service.

The documentation process, which includes the proposal form and the policy document, for most of the insurance firms were found to contain one or two pages which are aimed to be easily filled by persons of even limited education level. This is a strategy aimed at easing the applicants' process of application and the process not being seen as one of the factors that inhibit the successful rollout of the micro-insurance products. As pointed out by Ahmed & Ahmed (2012), to increase the level of penetration of micro-insurance products, the insurance firms should cover the high cost with necessary procedures and expand membership to a wide range of low- and middle-income groups to increase cross-subsidization and improve financial viability.

The other obstacle to micro-insurance business is relatively low level of experience of the target group with formal insurance. Many people do not understand the concept of insurance and are reluctant to pay in advance for a service they may not ever receive.

This low coverage is partly due to the fact that insurance markets in most developing countries are still in their infancy, which Milinga (2002) argued can be illustrated in terms of penetration (premiums in percent of GDP) and density (premiums per capita). The findings of the research points to the need of additional regulatory intervention to spur up increased penetration and this finding will contradict that of Kamau, (2013) who found that the present day regulatory environment cannot explain the level of insurance penetration. However, the findings support that of IAIS, (2008) which opines that regulation can be beneficial, but enforcing the laws of conventional insurance on micro-insurance will hinder the growth of the sector.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the key findings of the study as well as the conclusions, limitations of the study, and recommendations for further research.

5.2 Summary of Findings

The main intent of the study was to establish factors influencing penetration of micro-insurance in Kenya. The findings of the study were that in Kenya, microfinance institutions (MFIs), banks and commercial insurance companies have started to provide the low-income population with micro-insurance products and services. Insurance is more important for low-income groups as they are more vulnerable to ill-health or death, unexpected expenses, and natural disasters. This move has happened in response to the realization that poorer segments of society generally do not have access to formal insurance mechanisms. The poor have instead relied on imperfect informal insurance for protection against losses over the years.

The study found that a range of products were being offered under the micro-insurance products and target the Mpesa agents, agriculture and livestock farmers, small traders, students on attachment and other low income Kenyans. Some of the products offered under micro-insurance include Micro-property, Safari-bima, Kilimo salama, Micro-terrorism, Linda jamii, Afya bora, Salama sure among other products. In order to facilitate an easier penetration generally, several measures have been taken by the insurers and include shortening the proposal and policy document to being one or two pages, the common insurance premium payment mode was through electronic cash transfer, more specifically Mpesa and also check-off system, using aggregators to distribute insurance products and services among other measures. Further, it was found that most of the insurance firms had between 15 -20 branches spread all over the country.

The findings also showed that the factors that affected the penetration of micro-insurance was manifold and ranged from the level of income for the target segment to inappropriate products development by the insurer to suit the needs for the target customers. From the findings above, the most critical factor that affects the micro-insurance penetration is the low level of income among the target market that consider insurance as unnecessary additional burden and the perception that insurance processes are generally complex by the target market. In addition, it was found that service coverage has not been adequate because only a few rural parts have been accessed and coupled by a lack of alternative distribution channels to market the diversified product range as hindered micro-insurance penetration in the country.

5.3 Conclusion of the Study

From the findings, it has been demonstrated that micro-insurance can reduce exclusion from basic risk coverage. While micro-insurance for the target risks does not fully address economic exclusion from essential, high-cost risk activities, for example, the micro-insurance schemes for health have increased access to basic health services for the poor. A number of factors were judged crucial in facilitating the penetration of micro-insurance products and include the level of income, the structure of the economy, perception about insurance, the distribution of the population and the insurer's ability to administer micro-insurance through pricing and claims settlement. It is essential that policymakers take these factors into account and try to use them as policy levers.

Improving administrative capacity and undertaking continuous marketing targeting this group can help in the successful penetration of the micro-insurance products. Micro-insurance can serve the interests of poor populations with risk-pooling to manage unpredictable employment, flows of income, and catastrophic events. To ensure that micro-insurance safeguards the assets and interests of the poor, micro-insurance initiatives must exercise professional management, product development, management information systems and appropriate reinsurance arrangements.

5.4 Recommendation of the Study

In many countries, including Kenya, barriers to insurance facilities force the poor to pay, for example, healthcare out-of-pocket, often driving the poor further into poverty. Although a system of taken steps to expand the insurance coverage, there is a need for interim strategies to reduce the poor's additional incurrence out-of-pocket expenditure to cover such risks. Such strategies include mixes of community cooperative and enterprise based insurance and social health insurance type coverage for specific groups. To increase the level of penetration of micro-insurance products the insurance firms should cover high cost by adopting necessary procedures and expand membership to a wide range of low and middle income groups to increase cross-subsidization and improve financial viability. Many people have been found to confuse insurance with savings, and to believe that they must use the service for which they pay premiums, resulting in unnecessary visits to doctors and generally engaging in fraudulent activities. It thus appears that education on insurance, or, promoting financial literacy is one of the crucial areas where micro-insurance providers as well as donors should engage, in order to make micro-insurance a viable enterprise.

There is a significant scope and need for donor assistance to micro-insurance in general and micro-insurance schemes for health in particular. Technical assistance can help the micro-insurance schemes for health improves the management capacity and systems, including risk-management through reinsurance. Technical assistance can also focus on connecting micro-insurance to overall development of the financial sector. Micro-insurance programmes must invest their portfolio of funds in a manner that is appropriate to their fiduciary risks and that benefits the growth of the community

5.5 Limitation of the Study

Time was a key limitation during data collection and analysis. The other main limitation was during data collection where the respondents were reluctant to fill in the questionnaires which limited the extent of information availed to researcher. The study is subject to some methodological limitations. First, it is suggested that the size and nature of the sample must be enhanced to ensure variability and control for possible extraneous variation. While the sample is restricted to only a single industry, it would be recommended that data should be gathered from various sectors and industries in Kenya. In addition, since, the data in this research was collected from top managers of the organizations on the basis of their subjective evaluations, objective performance indicators should also be employed in the analysis. Further, the study did not account for certain behavioral factors related to employees' and managers' characteristics, attitudes, and experience levels as well as organizational factors such as structure, size, and business nature that play a moderating role in the relationships highlighted in this study.

5.6 Implication for Further Research

In light of these limitations, future research is recommended to use mixed methods research in order to validate the results of this research, and apply a longitudinal study to better capture the factors that limit the penetration of micro-insurance products in Kenya. Conducting a replication study with random sample selection can enhance the methodological rigor of the study and increase the possibility of having a better and a supported external validity. Also, another possible source of data could be the customers whose opinions, along with those of executives, can give a better insight of the barriers to micro-insurance product penetration. Furthermore, taking into consideration certain factors that may have a moderating role in these relationships, such as the firm size, could enrich the research results.

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APPENDICES

Appendix I: Student Introduction Letter

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 23/09/2014

TO WHOM IT MAY CONCERN

The bearer of this letter BEATRICE NYANCHAMA ONDUSO
Registration No. D61/75238/2012

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
23 SEP 2014
P.O. Box 30197 - 00100, NAIROBI

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

Appendix II: Questionnaire

Part A: Background information

Kindly, fill all the questions either by ticking (_) in the boxes or writing in the spaces provided.

NAME (Optional) …………………………………………………

1. Number of years in the organization

   Less than 3 years ( ) 3-5 years ( )

   6-10 years ( ) More than 10 years ( )

2. Position held in the organization

   Top Manager ( ) Line Manager ( ) Supervisor ( )

Part B: Factors affecting Micro-insurance penetration

3. What kind of micro-insurance products does your company sell?

   ……………………………………………………………………………………

   ……………………………………………………………………………………

   ……………………………………………………………………………………

   …………………………………

4. What is the range of premium charged per policy annually?

   ……………………………………………………………………………………

   ……………………………………………………….

5. What is the length of the proposal form?

…………………………………………………………………………………………

……………………………………………………………….

6. What is the size of the policy document?

…………………………………………………………………………………………

…………………………………………………………………

7. What mode of premium payment?

   Cash ( ) Cheque ( ) Check-off ( )

   Others

   (Specify)………………………………………………………………………………

   ……………………………………………………………….

8. How many branch offices does your company have?

…………………………………………………………………………………………

………………………………………………………………

9. Rate of defaulting in your company?...

10. Which distribution channels does your company use

    Brokers ( ) Agents ( )

    Banks ( )

    Others(specify)

…………………………………………………………………………………………

……………………………………….

11. What is the time taken by your company to settle claims?

……………………………………………………………………………………………

…………………………………………………………………..........................

12. Forms of advertising and publicity used by your company

Television (   )   Radio (   )

Billboards (   )   Print media (   )

Others

……………………………………………………………………………………………

…………………………………………………………......................................

13. Factors affecting microinsurance penetration

(a) In your own assessment given the number of years your have been in the industry, please indicate how much you agree with the following statements in relation to the factors that affect micro-insurance penetration in Kenya. (1=strongly agree, 2=agree, 3= neutral, 4=disagree, 5=strongly disagree

	1	2	3	4	5
Level of income of affects micro-insurance penetration					
Perceived complexity of insurance policies affects micro-insurance penetration					
Pricing of insurance products affects micro-insurance penetration					
Lack of country-wide presence has led to low penetration of micro-					

insurance					
Regulatory framework is a hurdle to micro-insurance penetration					
Lack of efficiency in claims settlement has led to low penetration of micro-insurance					
Lack of alternative distribution channels hinders micro-insurance penetration					
Is lack of product development a challenge to micro-insurance penetration?					

(b) In your own view, what do you think the regulator should do to improve penetration of micro-insurance in Kenya?

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(c) In your own view, what do you think your company and other insurance companies should do to improve penetration of micro-insurance in Kenya?

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Appendix III: Insurance Companies offering micro-insurance in Kenya

1. Britam Insurance
2. CIC Insurance
3. Jubilee Insurance
4. Madison Insurance
5. Pacis Insurance
6. APA Insurance
7. Pan Africa Life Insurance
8. Capex Insurance
9. Kenya Orient Insurance
10. UAP Insurance
11. CFC Life Insurance
12. General Accident Insurance
13. Old Mutual Insurance

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