FACTORS CONSIDERED BY CORPORATE CUSTOMERS IN THE PURCHASE OF INSURANCE SERVICES IN KENYA

By

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DECLARATION

This project is submitted in partial fulfilment of the requirements for the degree of Masters in Business Administration I. the undersigned; declare that this project report is my own original work. Where I have taken ideas and or wording from another source. this is explicitly referenced in the text.

Signed.................................... Date..............

Ernest K. Waithaka

D/61/P/7035/2005

This management report has been submitted for examination with my approval as the University Supervisor.

Signed.. Date.22-11-2011

For Mr. Michael K. Chirchir

SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI.

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The experience of interacting with lecturers and associating with fellow MBA students gave me a wider perspective of the world of management and will be an asset for my future.

DEDICATION

This work is dedicated to my father and mother who facilitated commencing of this course and encouraged me all through. Through scholarly spirit derived from my grandfather to him this work I dedicate. Special note to my wife, son and daughter for their understanding and endurance for the time I was absent.

I cannot forget my dear brother who was there for me especially during the data collection and putting my paper together. I would not have done it without you. This is my gift to them and may almighty God bless them all

ABSTRACT

Purchase of insurance is a challenge for many companies in Kenya especially that there are many insurance providers in the market. The basis of this research was come up with factors considered by corporate institutions when purchase of insurance services. The objectives were to identify the factors considered by corporate customers in the purchase of insurance services in Kenya and to rank these factors in order of their importance. Findings from the study are expected to assist insurers' providers review the way they package their insurance solutions and improve the outlook of the insurance industry as a whole.

Primary data was collected from managers in organizations identified who are charged with the responsibility for handling insurance and descriptive statistics including, tables and frequency distribution were used to analyse the characteristics of the respondents. Inferential statistics in the form of factor analysis was used through the Statistical Package for Social Sciences (SPSS) software. Output from the software which was presented in tables reduced the large number of observed variables producing a small number of factors that were ranked, clustered and grouped into 14 labels. The labels derived were used in expound the relationship and association between the variables identified.

Following the above, conclusions were drawn and recommendations made on areas requiring further research.

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CHAPTER ONE

INTRODUCTION

1.1 Background

The insurance sector is currently in a state of some uncertainty and companies are increasingly conscious of the need to maintain a competitive edge over their rivals Smith (1995). This position is also evident in the Kenya market as the players in the insurance industry increase by the day. Competition for existing and future business comes from bank and other financial institutions selling essentially the same products as insurance companies.

The main players involved in the provision of insurance services in Kenya include insurance agents, insurance brokers. loss adjusters. investigators and assessors and some customers prefer to deal directly with insurance companies. The passage of the Gramm-Leach-Bliley (GLB) financial services modernization act of 1999 in the USA introduced banks as one of the new channels of distributing insurance Hofmann (2001). This new development has made the trading environment more hostile.

In response, service firms are placing greater emphasis on understanding buyer behavior to guide their strategic decisions for attracting, managing, and retaining customers. Gummersson (1993) identified the service paradigm that has grown out of service management and is also supported by modern quality management. Typical features of this paradigm is that the customer is a partner and value creation is a balance between human input and technology, between cost and revenue, and between what the customer perceives as quality and productivity. Process thinking is at the core of service delivery. Management in the spirit of the service paradigm have to package their service in a manner that customers can derive true value of the service they receive. Promises are made when closing a deal but not delivered. Service paradigm will be in the centre of all types of businesses in the future. Before looking into the insurance purchase decisions it is important to have a background of the concept of purchasing and evolution of the purchasing function.

Purchasing is the act of buying the goods and services that a company needs to operate and/or manufacture products. Scholars in the field of purchasing do not have a generally agreed definition of the term purchasing but have a composite definition, being: 'a process undertaken by the organization unit that either as a function or as part of an integrated supply chain, is responsible for procuring or assisting users to procure in the most efficient manner required supplies at the right time, quality, quantity and price and the management of suppliers, thereby contributing to the competitive advantage of the enterprise and the achievement of its corporate strategy' Lysons and Farrington (2006).

Traditionally the purchasing process involved several steps—requisitioning, soliciting bids, purchase order, shipping advice, invoice, and payment—that have come to be increasingly regarded as unacceptably slow, expensive, and labor intensive. That attitude has since changed in recent years following the evolution of the purchasing function. In the past the purchasing function has been centered on product process and relationships and we now talk of performance oriented purchasing Lysons and Farrington (2006).

Firms now recruit professional purchasing personnel to manage the process through application of strategic sourcing, whereby the key is to lower cost and improve quality Maclean (2006). Heidi (2007) pointed out that as companies strategically source from few suppliers it is in the interest of suppliers to ascertain the criteria they will be judged by buyers applying strategic purchasing. Catherine and Leslie (2009) acknowledged that understanding pre-purchase behavior is as crucial as the purchase itself yet there is little information on the subject. This necessitates the need of research in this area.

1.1.1 Insurance Purchase Decisions

Before making any decision to purchase insurance, it is important for firms to engage a risk manager to assist in identifying evident risks. Once the risk manager identifies risks she/he must evaluate them by measuring the potential size of loss and the probability that it is likely to occur. These risks are then classified into three categories, namely: critical risks, important risks and unimportant risks. Critical risks include exposures in which possible losses are of magnitude that would result in their bankruptcy. Important risks are exposures in which possible loss would require a firm to borrow in order to continue operations. Unimportant risks are exposures in which possible losses would be met out of existing assets or current income without imposing undue financial strain, Vaughan (1997).

Once these risks are identified and evaluated an approach to be used to deal with the risks and selection of techniques should be identified. Risk management recognizes two broad approaches to deal with risks i.e. risk control and risk financing. Risk control involves putting in place measures to manage and improve behavior, systems and processes with a view to control losses. Risk financing involves choosing between risk retention and risk transfer. The subject of study shall involve insurance which is one of the risk transfer techniques.

Previous studies on purchase decisions of financial services have indicated that many customers are inexperienced and unfamiliar with insurance companies and their brands since these purchases are infrequent. This is coupled up with customers' inability to sample before purchase, combined with the complexity of the service. This would increase the risk of buying the wrong type of insurance, Mark (1996).

The process of selecting a service provider is complex as it is difficult to ascertain that the purchased service will be delivered. Some companies form a buying committee which is established to ensure representation of many constituencies within the client firm. Previous findings by Ellen and Hiram (2003) indicated that professional services, like insurance cannot be evaluated prior to purchase but only during and after service delivery. Mistakes can occur when making a decision to purchase insurance. One can either buy too little or too much. The potentially more costly option consists of failure to purchase essential coverage that can leave a firm vulnerable to unbearable financial loss. On the other hand it is possible to purchase too much insurance where insurance is purchased against losses that could be internally managed. To obtain maximum benefit from money spent on insurance some plan is needed. The need of insurance is thus dictated by the inability to withstand the loss if insurance is not purchased. Since the decision of which insurance policies to purchase is one of great importance (due to the consequences of any loss of reimbursement), customers prefer to utilize the services of insurance experts.

The understanding of the purchasing decision process is critical for all insurance providers and is fundamental to their business concerns. Insurance customers are either individual customers or corporate customers. This study shall focus on corporate decision makers rather than the individual customer since organizational policies dictate corporate customer decisions.

1.1.2 Kenyan Insurance Sector

The insurance industry is governed by the Insurance Act and regulated by the Insurance Regulatory Authority (IRA). In 2008. the insurance sector was characterized by new developments especially on change in legislation as contained in the Finance Act of 2008. Under the Insurance Act investment limits for insurance companies were increased from 5 percent to 10 percent of their declared assets. Insurance investment products will now be required to be published on quarterly basis. Section 179 of the act was amended to protect the policyholders in case an insurance company is wound up.

According to the most recent and available insurance industry annual report which is for year 2008, there are 42 licensed insurance companies. Twenty companies write general insurance business only, seven write long term business only while 15 are composite (both life and general). There are 141 licensed insurance brokers, 19 Medical Insurance Providers (MIPs) 3,356 insurance agents, five reinsurers (two locally incorporated), 17 loss adjusters, two claims settling agents, six risk managers, 152 loss assessors/investigators and 19 insurance surveyors. The gross written premium by the industry in 2008 was KShs 55.19 billion compared to KShs 48.09 billion in 2007 representing a growth of 14.8 percent.

Awareness of the importance of insurance as a protection mechanism has increased over the years. Coverage by an insurance policy becomes a financial shelter in the event of income loss, bodily injuries, health problems or loss/damage of assets, including penalties by authorities for non-compliance. In some instances, insurance carried by individuals is not on a voluntary basis. For example, car insurance and Work Injury Benefit Act is mandatory for all in Kenya. However, for non-mandatory insurance, such as life insurance, not everybody has insurance protection.

The 42 licensed insurance companies compete for a limited market characterized by low penetration. Kenyans' uptake of insurance cover, both at corporate and personal level, remains predominantly in the motor, fire and personal accident (mainly group medical cover) classes. This illustrates a poor attitude towards personal insurance cover in general. Association of Kenya Insurers, Insurance Industry Annual Report (AKI, 2008)

1.2 Statement of the Problem

Insurance services are no doubt critical for stability of economic activity in Kenya. This is evidenced by the large number of players offering insurance services as highlighted in the previous section. The insurance industry has been criticized for providing specific products and services that fail to meet expectations and for general policies which have affected their image as an industry.

From the many insurance providers in the Kenyan market, those that wish to remain profitable have to maintain superior quality service. Insurance is high risk, highly complex and service oriented product and some customers merely carry on the routine of renewing policies as and when they fall due, putting more emphasis on cost. This option is not normally the best as it works against them as the policies they have in place become unresponsive once they suffer losses.

This notwithstanding, there are professionally-run organizations and those that suffer loss as illustrated above seek guidance from professionally run insurance brokers, insurance companies and banks. The insurance industry operates using the fundamental principles of insurance which include utmost good faith, indemnity, subrogation, insurable interest, contribution and proximate cause. In the past policies have been sold without involving customers. Times have changed and customers are knowledgeable and demanding.

Every business has unique needs and challenges and it is important for the insurance providers to identify what these needs are so that a responsive insurance programme is put in place at reasonable cost for the consumer to regard it to be of value. Of importance to this study is the need to create a position where both the insured entity and the insurance provider become true partners where we have a win-win position. To be able to understand the purchasing decision process and capture the unique needs of the corporate customers, this research shall seek to determine what factors these entities consider when purchasing insurance services in Kenya.

1.3 Objectives of the Study

The general objective of this research project is to determine what factors corporate customers consider as important when they procure insurance services in Kenya. The specific objectives are to:

1. Identify the factors considered by corporate customers in the purchase of insurance services in Kenya
2. Rank the factors considered by corporate customers in the purchase of insurance services in Kenya

1.4 Importance of the Study

This research will assist the insurance intermediary develop strategies that will respond to customer requirements and in return make the insurance sector grow. This study will also be a reference point for the insurance market regulators as they formulate general insurance policies and guidelines and since the study confines itself to the insurance industry, it will form a basis for future researchers and scholars to explore other service industries

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In the previous chapter we looked at the insurance providers and key challenges to look out for when obtaining insurance in Kenya. We shall begin by looking at the fundamentals of decision making and identify knowledge gaps from literature of previous scholars who researched on insurance services. Review of literature from other financial services organizations like banks will be used in view of the limited available literature on insurance services. Out of this, factors considered by corporate customers in purchase of insurance services will be identified and the effect of the said factors on the purchasers of insurance services in the Kenyan market will form the basis of this research.

2.2 Fundamentals of Decision Making

A decision in general terms is the selection of an option from two or more alternative choices. Shiffman and Kanuk (2009) examine models to view how and why individuals behave as they do as they make purchase decisions through four schools of thought, namely; economic, passive, cognitive and emotional. The economic view school of thought portrays a world of perfect competition and the consumer has been characterized as a rational decision maker. To behave rationally in the economic sense means that the consumer would have to be aware of all available alternatives, be able to correctly rank each of the alternatives, and be able to identify one best alternative. The shortcoming of this school of thought is that people are limited in their existing skills and knowledge and also their existing values and goals are limited. In the Kenyan context we have several companies that engaged experts in the insurance field to consult on their insurance needs.

The passive school of thought views consumers as submissive to the promotional efforts of marketers, thus regarding customers as objects to be manipulated. This philosophy has been found to be simple and single-minded and rejected as unrealistic. Many customers of the insurance market especially in Kenya would fall in this category based on complexity of the subject.

Cognitive school of thought portrays a consumer as a thinking problem solver. Consumers respond by processing information leading to formation of preferences and ultimately to purchase intentions. This school suggests that consumers develop shortcut decision rules (heuristics) that facilitate the decision making process. This category represents persons who have an open mind to learn and make decisions to buy once they understand the scope of cover on offer.

The emotional view theory places less emphasis on search of pre-purchase information and more emphasis on current mood or feelings. Moods are important to decision-making. Unlike emotion which is a response to a particular environment, a mood is a pre-existing state already present when a consumer 'experiences' an advertisement, retail environment, a brand or a product. Research suggests that store image or atmosphere can affect shoppers' moods. These customers go for insurance providers that suit their mood requirements.

Dawar and Parker (1994) found that consumers are faced with uncertainty as they make purchases as they neither have an infinite time horizon nor do they often have any incentive to compare competing brands for product quality. Whenever there is a need on the part of consumers to reduce uncertainty, when consumer involvement is low, and when the complexity of the product makes quality assessment difficult, consumers often turn to brand names. Dawar and Parker (1994) findings have been supported by Dennis, Kenneth and Drue (2002) where they established that in situations where the quality of a product or service is difficult to judge, consumers tend to move away from concrete attributes as they are less predictable, and toward more abstract cues, such as brand name, amount of advertising spending, retail outlets used, and so on.

Kang & James (2004) identified two factors which customers perceive service delivery, namely: technical quality and functional quality. Technical quality refers to procedures of service delivery, and functional quality refers to interactive factors in the delivery of services. Technical quality is linked expressly to the concept of efficiency of systems in service delivery. Functional quality stresses human elements of service delivery, including elements that exist outside the specifics of the transaction. On the other hand, Katherine and Edmund (1999) study concurred with the findings of Bonaccorsi and Fiorentinon (1996) that it is difficult to judge service quality in a definitive or even consistent way after purchase, as service quality depends on the perception by the recipient. This measurement is not defined and does not resolve the problem of predicting purchaser response.

Reagan (2001) indicated that customers are now self educated and are moving away from traditional agent –client relationship. Customers are now more knowledgeable and technologically savvy and are demanding additional value-added services. It is important that firms change in line with the 'new client' needs as this is essential to keep the relationship strong and maintain loyalty. Important considerations would include user-friendly web pages and online services (quotes, underwriting, claims adjustment services).

2.3 Factors Considered in the Purchase of Insurance Services

Lappierre (1999) paper on value in service organizations pointed out that a supplier must demonstrate the ability to resolve customers' problems by not only understanding the dimensions of the problems but providing solutions. Maintaining periodic contact with the customer after purchase enables a provider to understand his customer and pick up problems when they arise. Notably many institutions now given the technological advancement have created websites configured to act as an information portal for their customers. Keeping customers informed of new products/services by regularly mailing them newsletters/brochures, etc is vital and it also serves as an opportunity for cross-selling Mark (1996).

For insurance companies to earn customer loyalty they have to be innovative, design and deliver exceptional value for policyholders and at the same time develop an institutional capacity to adapt. A proper way to successfully achieve this would be to invite customers to share their opinion on the services they receive on a real-time basis, to ensure that the policyholders' preferences remain top-of-the-mind as the company executes its services Nick, Scott, Christine and Ingo (2007).

In a study done by Mathew (2003), several issues that agents should look into in order to boost their success in this very competitive environment were captured. namely: responsive replies to questions of cost, benefits. and adequacy of coverage; availability of agents locally to address insurance claims issues; and quick return of phone calls and fast turn-around times on requests for information. This study also highlighted the importance of developing a personal relationship with the customer. Customers expect that claims will be handled directly by their local agent and closely monitor the outcome and look forward to have the claim handled expeditiously.

Supporting this view Schiffman and Kanuk (2007) found that many firms have established relationship marketing (or loyalty programs) to foster usage loyalty and a commitment to their company products and services. It is aimed to create strong lasting relationships with a core group of customers and stresses long term commitment to the individual customer. Schiffman and Kanuk (2007) indicated that customers today are less loyal than in the past due to six major forces namely: abundance of choice, availability of information, entitlement (consumers repeatedly ask 'what have you done for me lately?', most products/services appear to be similar. insecurity (consumer financial problems reduce loyalty). and time scarcity. All these lead to customer disloyalty. complaints, cynicism, greater price sensitivity and litigiousness. Keaveney (1995) argued in favour of the need of cultivating loyalty with customers since over time they increase their expenditure in the firm, and they become less price-sensitive and less costly.

Mathew (2003) indicated that agents need to be perceived as maintaining a high level of expertise in their field. On-going training, as well as having additional certification, gives the impression that the agent is indeed a licensed professional in the field. Continuing education is thus considered a crucial factor in maintaining legitimacy in the eyes of the client.

Reagan (2001) pointed out that customers are now self-educated and they are increasingly tending to move away from the more traditional agent-client relationship. With the advent of the more technologically savvy and increasingly knowledgeable client there is pressure on the smaller local agencies to provide additional value-added services, especially if those services are deemed essential to maintaining existing positions in the market.

The insurance sector continues to be a volatile area in which customer loyalty is often based on personal experience with the agent. Good relationships can quickly turn sour with even a single negative encounter. Agents should, therefore, remember that maintaining a high level of customer satisfaction means going the extra mile for the client by providing such non-fee-based services as sending out periodic client financial statements, providing routine insurance evaluation updates, providing customized estate planning services, and offering tax-favorable investment products. Formisano, Olshavsky and Tapp (1981) pointed out that purchase decision is based on complexity of the product.

Keaveney and Parthasarathy (2001) warn that consumers' loyalty in service markets can be particularly serious when the service is delivered continuously, insurance services being one of them. A premature end to the relationship may mean that customers end up being more costly to the firm than the revenue they generate. The problem is more serious now because consumers' have greater access to information and growing capacity to choose the best option. Customers are becoming increasingly intolerant of inconsistency or mediocrity, and they can choose to dissolve the relationship as soon as any problem arises. In this respect, Roos (2002) contends that there are critical relationships. that is, relationships that are more likely to end because of their context – the ability of competitors and customers to adapt to changes.

While much of the competition for existing and future business arises from banks and other financial institution sources selling essentially the same products as insurance companies, other alternative suppliers are emerging. One of these sources is the smaller and more entrepreneurial "niche insurance" company specializing in a single line of insurance.

Going back to the research objectives and looking at the factors captured so far in the literature review, it will be of interest to consider the effect of other factors like the financial position, professionalism and reputation of the firm which have not been captured in the literature review that were found to be important in the insurance industry.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design and the Population

The purpose of this study was to identify and rank the factors that corporate customers consider while purchasing insurance in Kenya. The population of study comprised of corporate customers who purchase insurance services in Kenya. The research focused on factors considered in purchasing of both assets and employee benefit insurances from various insurance providers, including insurance companies, insurance brokers and banks. Information was collected through the use of a structured questionnaire completed by persons charged with the responsibility of handling insurances, which is insurance manager, procurement manager, finance manager, finance director, human resource manager, managing director or any other person charged with the responsibility.

3.2 Sampling Frame

The population of interest that represents all corporate customers who purchase insurance services in Kenya was not readily available. For the purpose of this research a database of companies with asset values in excess of KShs 300 million lodged with AKI offices in 2005 was used. This database comprised of 282 institutions. Since majority of these companies contribute to a large proportion of income in the insurance industry and consider insurance as core to their operations, outcome from research on the same would be of benefit.

3.3 Sampling Plan

Probability sampling techniques through use of simple random sampling was employed in this study. Out of 282 companies listed at AKI database in 2005, a sample size of 200 was used and found to be sufficiently representative. This sample size would provide more degrees of freedom, to mean that there would be more independent observations represented in the sample.

3.4 Data Collection

Primary data was collected through the use of structured questionnaires addressed to the various buyers or decision makers for the companies selected. Preliminary data in the questionnaire was collected through literature review from books, various academic journals, internet, research theses, work experience and experts in the field. The questionnaire was pilot tested using help of my supervisors and experts in the insurance industry and the final questionnaire was distributed to 200 respondents' selected using simple random sampling through email. Secondary data comprised of information retrieved from annual insurance reports from the commissioner of insurance office.

The questionnaire comprised two parts; Part A sought to capture general particulars of respondents whereas Part B focused on 42 factors (independent variables) identified as determinants which companies consider as important whilst purchasing insurance. This section allowed each respondent to identify and rank variables that they perceive to have contributed to their decision to purchase insurance by responding on a Likert scale with 5 representing (very great extent) and 1 (very little extent). The respondents were also requested to identify other factors not captured in the questionnaire.

3.5 Data Analysis Methodology

Both descriptive and inferential statistical analyses were used to analyze the survey data. Descriptive statistics included tables and frequency distribution whereas for inferential statistics, factor analyzes was used. Awino (2006) noted that factor analysis method is necessary to reduce a large set of variables to smaller number of factors which could be easily interpreted and for satisfactory analysis to proceed. Factor analysis involves grouping variables into categories that appear to relate to a particular activity of the purchase decision. Kagiri (2005) noted that factors should be grouped into at least seven categories for meaningful analysis to be done.

For factor analysis, the preliminary tests employed were Kaiser Mayer-Olkim (KMO) and Barlett's tests run off the Statistical Package for Social Sciences (SPSS) software. The KMO measures the sampling adequacy which should be greater than 0.5 for a satisfactory factor analysis to proceed with factor analysis. In order to determine the number of factors to retain for further analysis, the factors with Eigen values greater or equal to one are selected. These selected variables contribute a large percentage of the variance among the extracted factors.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This Chapter discusses the results after data analysis. Two hundred questionnaires were emailed to potential respondents that were selected through the simple random sampling technique to avoid biased selection and out of this, 66 responses were received. All the other 140 responses were non-responsive with some respondents communicating that they would get back but eventually did not do so despite the many follow-up emails.

4.2 Respondents Characteristics

All respondents completed Part A of the questionnaire and their responses are summarized in Tables 1 to 8 below. The purpose of this analysis was to establish unique responses based on the different background of the respondents.

Table 1 Ages of the Respondents

Age Bracket (Years)	Frequency	Percent	Cumulative Percent
Below 30	6	9.09	9.09
30 to 44	33	50.00	59.09
45 or older	22	33.33	92.42
Prefer not to answer	5	7.58	100

The analysis of age of respondents indicated that 50 percent of those involved in insurance purchasing fall in the category of 30 to 44 years. Those above 45 years of age comprised of 33.33 percent of the respondents and 7.58 percent of respondents chose not to disclose their age.

Table 2 Position of the Respondents

Position	Frequency	Percent	Cumulative Percent
Human resource manager	15	22.73	22.73
Finance manager/accountant	21	31.82	54.55
Finance director	6	9.09	63.64
Procurement manager	11	16.67	80.31
Insurance manager	10	15.15	95.45
Prefer not to answer	3	4.55	100

Looking at the positions charged with handling insurance purchasing, the finance manager/accountant function represented 31.82 percent of the respondents. This was the highest followed by human resource. Procurement managers and insurance managers represented 16.67 percent and 15.15 percent of the respondents, respectively.

As shown in Table 3 below, it was noted that 50 percent of the respondents have handled insurance matters for five years and above. Respondents who had handled insurance for one to three years comprised of 33.33 percent of the respondents and 16.67 percent of the respondents had handled insurance for three to five years.

Table 3 Years of Handling Insurance

Years	Frequency	Percent	Cumulative Percent
Less than 1 year	0	0	0
1 to 3 years	22	33.33	33.33
3 to 5 years	11	16.67	50.00
5 years and above	33	50.00	100

The analysis also established the nature of industry in which the respondents work. About 32 percent of the respondents fell outside the categories highlighted in the questionnaire. Some of the industries not captured in the questionnaire are transport and logistics and parastatals among others. The category that ranked second was manufacturing at 19.70 percent followed by finance sector at 15.15 percent. The industries that had the lowest representation included energy and learning institutions at 6.06 percent as shown in Table 4 below.

Table 4 Nature of the Industry Respondents Represent

Position	Frequency	Percent	Cumulative Percent
Banking	5	7.58	7.58
Energy	44	6.06	13.64
Manufacturing	13	19.70	33.34
Learning	4	6.06	39.40
Finance	10	15.15	54.55
Hospitality	9	13.64	68.19
Other	21	31.82	100

Table 5 in the next page shows 50 percent of the respondents had been involved in purchase of insurance matters for five years and above. About 33 percent of respondents had purchased insurance for one to three years and 16.67 percent of had purchased insurance for three to five years.

Table 5 Years Involved in Purchasing of Insurance

Years	Frequency	Percent	Cumulative Percent
Less than 1 year	0	0	0
1 to 3 years	22	33.33	33.33
3 to 5 years	11	16.67	50.00
5 years and above	33	50.00	100

About 52 percent of the respondents indicated that they contact their insurance provider on a daily basis. About 32 percent contact the insurers weekly and 3.02 percent contact their insurers quarterly. This information is as shown in Table 6 below.

Table 6 Contact with Insurance Provider

Position	Frequency	Percent	Cumulative Percent
Hardly	0	0	0
Daily	34	51.52	51.52
Weekly	21	31.82	83.34
Monthly	9	13.64	96.98
Quarterly	2	3.02	100

From Table 7 it was noted that. 42.42 percent of the respondents were somewhat satisfied with their providers. On the other hand, 10.61 percent of the respondents registered that they were somewhat dissatisfied with their providers while 28.79 percent of the respondents stated that they were very much satisfied with services they received from their insurers.

Table 7 Level of Satisfaction with Insurance Provider

Position	Frequency	Percent	Cumulative Percent
Highly satisfied	19	28.79	28.79
Somewhat satisfied	28	42.42	71.21
Neutral	12	18.18	89.39
Somewhat dissatisfied	7	10.61	100
Highly dissatisfied	0	0	100

As Table 8 below shows, 63.64 percent of the respondents confirmed having referred their peers to their insurance provider. The other respondents were equally split between those that had either never recommended and those that had severally recommended others to their insurers.

Table 8 Recommended Insurance Provider

Number of times	Frequency	Percent	Cumulative Percent
Never	12	18.18	18.18
Once – twice	42	63.64	81.82
Severally	12	18.18	100

4.3 Factor Analysis:

Factor analysis is used to find latent variables among observed variables. With factor analysis one produces a small number of factors from a large number of variables which explain the observed variance in the larger number of variables. The reduced factors will be used for further analysis.

Section B of the questionnaire was used to identify and rank the factors considered by corporate customers in the purchase of insurance services in Kenya. To answer this research question, 42 factors (explanatory variables) were identified as possible factors that influence the purchase of insurance. Each of the respondents reviewed each factor captured on the questionnaire and responded on a scale from five (to very great extent) to one (to very little extent). From the questionnaires completed and returned, it was identified that out of the 42 variables that were to be analysed, two variables were perfectly related; they both had the highest possible scale of 5. These included variable on "claim process" and another on "firm pays claims on time". In order to get a rotated matrix, the last three variables on the list: "employees have positive attitude", "have negotiation skills to deal with complex situations that may arise" and "value added services" were dropped . Once the above adjustments were done, factors analysis was used on the remaining 35 factors appended under Annexure 2 through the use of SPSS.

Descriptive statistics captured in Table 9 derived from factor analysis indicated high mean scores for variables 2 (turn around time and responsiveness), 3 (financial position of the firm). 7 (alternative providers), 15 (identify with your needs) and 32 (allows you to participate in designing insurance solution) at 4.8939. Lowest mean score was variable 6 (level of expertise) at 2.8939.

Table 9: Descriptive Statistics

VAR	Mean	Std. Deviation (a)	Analysis N (a)	Missing N
1	4.1364	0.99051	66	0
2	4.8939	0.31027	66	0
3	4.8939	0.31027	66	0
4	4.0000	0.82275	66	0
5	4.7727	0.42228	66	0
6	2.8939	0.74687	66	0
7	4.8939	0.31027	66	0
8	4.3182	0.82572	66	0
9	4.6667	0.47502	66	0
10	4.3333	0.47502	66	0
11	4.1061	0.74687	66	0
12	3.6818	0.82572	66	0
13	4.6667	0.47502	66	0
14	4.0000	0.67937	66	0
15	4.8939	0.31027	66	0
16	4.6818	0.46934	66	0
17	4.6667	0.47502	66	0
18	4.1212	0.56881	66	0
19	4.5606	0.50012	66	0
20	4.4545	0.68347	66	0
21	4.1061	0.74687	66	0
22	4.0000	0.94462	66	0
23	3.7879	0.92012	66	0
24	4.2424	1.02373	66	0
25	4.7727	0.42228	66	0
26	4.4394	0.72597	66	0
27	4.3636	0.93868	66	0
28	3.8939	1.27857	66	0
29	4.6818	0.93082	66	0
30	3.8939	0.87931	66	0
31	3.9848	0.48014	66	0
32	4.8939	0.31027	66	0
33	4.6667	0.47502	66	0
34	3.9394	1.09374	66	0
35	3.8939	1.38263	66	0

[a]. For each variable, missing values are replaced with the variable mean.

The correlation matrix, Table 10 overleaf, gives the correlation coefficients between each single variable and every other variable in the investigation. Correlations between all possible pair of variables in the analysis are obtained. The diagonal elements which are all 1.00 are omitted.

Table 10: Correlation Matrix

	Var1	Var2	Var3	Var4	Var5	Var6	Var7	Var8	Var 9	Var 10	Var 11	Var 12	Var 13	Var 14	Var 15	Var 16	Var 17	Var 18	Var 19	Var 20	Var 21	Var 22	Var 23	Var 24	Var 25	Var 26	Var 27	Var 28	Var 29	Var 30	Var 31	Var 32	Var 33	Var 34	Var 35
Var1	1																																		
Var2	-0.102	1																																	
Var3	-0.052	-0.119	1																																
Var4	-0.302	0	-0.121	1																															
Var5	0.259	0.165	-0.069	-0.044	1																														
Var6	-0.105	0.083	0.15	0.1	-0.029	1																													
Var7	-0.002	0.041	-0.119	0.121	0.283	-0.049	1																												
Var8	0.134	-0.046	0.194	-0.045	0.078	0.006	-0.227	1																											
Var9	0.065	0.174	-0.139	-0.197	0.153	-0.145	-0.035	0.275	1																										
var10	0.131	0.035	0.139	0.039	0.077	-0.116	-0.174	0.157	0.227	1																									
var11	0.105	0.116	-0.283	-0.05	0.078	0.048	0.116	-0.031	0.058	-0.188	1																								
var12	0.11	-0.134	0.106	-0.272	0.187	-0.18	-0.074	-0.03	0	0.157	-0.069	1																							
var13	0.163	0.07	-0.035	-0.079	-0.153	-0.145	-0.139	0	-0.091	-0.045	0.145	-0.039	1																						
var14	-0.297	-0.146	0.073	0.055	-0.107	-0.091	-0.073	-0.192	0.095	0.048	-0.152	-0.027	-0.238	1																					
var15	-0.002	0.041	-0.119	0.181	0.048	-0.049	0.041	0.074	0.07	0.139	-0.216	0.166	0.07	0	1																				
var16	-0.071	-0.024	0.082	-0.12	-0.138	0.078	-0.13	-0.052	-0.069	0.069	-0.078	0.013	0.207	-0.048	0.082	1																			
var17	-0.065	0.07	0.07	0.039	0.077	-0.101	0.174	-0.118	-0.159	-0.182	-0.029	-0.118	0.182	0.286	0.07	0.069	1																		
var18	-0.03	0.161	0.248	-0.131	0.181	0.031	0.074	0.146	0.095	0.076	0.114	0.149	0.095	-0.119	0.074	0.147	0.209	1																	
Var19	0.123	-0.107	-0.008	-0.075	0.03	0.162	-0.008	0.157	0.086	-0.086	0.003	-0.008	0.086	-0.091	-0.107	0.182	-0.108	0.028	1																
var20	0.043	-0.059	-0.132	0.027	0.204	-0.085	0.158	0.067	0	-0.047	0.085	0.124	-0.095	-0.133	0.013	-0.07	-0.047	0.173	0.008	1															
var21	-0.041	-0.017	0.381	0	0.126	0.02	-0.083	0.194	-0.029	0.072	0.007	0.081	-0.289	0.212	-0.083	0.01	0.058	0.187	0.044	0.205	1														
var22	0.033	0	0.315	0.099	0	0.262	-0.105	0.099	-0.069	0.034	-0.153	-0.158	0.034	-0.072	-0.21	-0.069	-0.206	-0.229	-0.065	-0.095	0	1													
var23	0.201	0.082	-0.134	-0.285	0.349	0.012	-0.134	0.191	0.188	-0.047	0.1	0.072	0.047	-0.222	-0.08	-0.159	0.047	-0.038	0.162	0.058	-0.123	0.089	1												
var24	-0.079	-0.015	-0.063	-0.183	-0.155	-0.107	-0.015	-0.02	0.011	-0.169	-0.175	-0.144	-0.021	-0.066	0.082	-0.125	0.137	0.002	-0.149	-0.05	-0.155	-0.191	0.088	1											
var25	0.038	-0.069	0.048	-0.221	0.051	0.02	-0.187	0.211	0.383	0.077	0.078	0.098	0	0	0.048	0.251	-0.077	0.181	0.248	-0.063	0.175	-0.27	-0.007	-0.049	1										

var26	-0.234	0.142	-0.063	0.026	-0.121	0.002	0.073	-0.057	0.208	0.193	0.055	-0.02	-0.059	0.218	0.278	0.055	-0.015	-0.094	-0.265	-0.006	0.026	0.067	-0.135	-0.187	0.03	1									
var27	-0.17	0.082	0.187	0.08	-0.138	-0.098	-0.13	-0.052	0	0	-0.209	-0.146	0.138	0.193	0.082	0.162	0.138	0.089	-0.212	-0.07	0.054	-0.069	-0.123	-0.029	-0.138	0.101	1								
var28	0.315	0.126	0.088	-0.117	0.126	-0.06	-0.106	0.076	-0.084	0.059	0.012	0.142	0.194	-0.142	-0.145	0.071	0.118	0.103	0.167	-0.226	-0.069	-0.178	0.138	-0.074	0.012	-0.148	-0.16	1							
Var29	-0.102	-0.119	0.041	-0.121	-0.069	-0.049	-0.119	0.074	0.07	0.139	-0.15	0.227	-0.139	-0.073	0.201	0.082	-0.075	-0.1	-0.206	0.086	0.049	-0.21	-0.026	-0.015	0.048	0.278	0.082	0.049	1						
var30	-0.018	0.015	-0.155	0.128	-0.024	0.123	0.015	0.047	-0.049	0.086	0.158	-0.005	-0.086	-0.077	-0.267	-0.195	-0.086	-0.097	-0.178	-0.047	-0.1	0.167	0.143	-0.125	-0.107	-0.046	0.029	-0.024	-0.042	1					
var31	0.017	-0.011	-0.011	0.019	0.135	-0.09	0.092	-0.065	0.045	0.022	-0.167	0.182	0.045	0.141	-0.011	-0.022	0.045	-0.106	-0.22	-0.166	-0.124	0	-0.112	-0.055	-0.093	0.064	-0.09	0.073	0.092	0.105	1				
var32	-0.002	0.041	-0.119	0	-0.069	-0.116	-0.119	0.014	-0.139	0.035	-0.017	-0.074	0.174	-0.073	0.041	0.082	-0.139	-0.275	0.092	-0.059	-0.017	-0.157	0.028	0.227	0.048	-0.131	0.082	0.01	-0.119	0.015	-0.114	1			
var33	0.111	-0.035	-0.035	-0.118	-0.077	0.072	-0.139	0.196	0.114	-0.045	-0.029	-0.039	0.114	0	-0.035	-0.069	-0.023	-0.019	0.022	-0.047	-0.116	-0.103	0.258	0.295	0.153	-0.281	-0.207	0.118	-0.139	0.175	0.112	-0.035	1		
var34	-0.006	-0.11	0.207	0.051	0.003	0.143	-0.11	0.124	-0.128	0.101	-0.124	-0.073	-0.069	0.311	-0.019	0.142	0.286	-0.136	0.119	-0.127	0.064	0.194	-0.028	-0.083	0.003	-0.16	0.112	0.006	-0.155	-0.055	-0.148	0.117	-0.039	1	
var35	0.112	-0.17	0.189	-0.122	0.169	-0.011	0.045	-0.051	-0.102	0.102	0.086	0.091	0.086	-0.033	-0.062	-0.1	0.016	0.212	-0.157	0.166	0.249	0.035	-0.175	0.095	0.011	0.047	0.232	-0.015	0.045	-0.085	-0.049	0.009	-0.159	-0.157	1

The next item from the factor analysis output is the Kaiser-Meyer-Olkin (KMO) and Bartlett's test. The KMO measures the sampling adequacy which should be greater than 0.5 for a satisfactory factor analysis to proceed. Looking at the Table 11, the KMO measure is 0.306. From the same table, we can see that the Bartlett's test of sphericity is significant. That is, its associated probability is 0.07. This means that the correlation matrix is not an identity matrix.

Table 11 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.306
Bartlett's Test of Sphericity	Approx. Chi-Square	645.567
	Degrees of Freedom	595
	Sig.	0.074

Principal component analysis was used as the method of extraction as it seeks a linear combination of variables such that maximum variance is extracted from the variables. It then removes this variance and seeks a second linear combination which explains the maximum proportion of the remaining variance.

From the results illustrated in Table 12 overleaf, R-mode factor analysis was used to cluster the variables as shown on the component matrix Table 13. Component loadings from the principal component analysis were used to explain the percent of variance in the variable explained in the factor. The component matrix Table 13 summarizes these loadings for the 35 variables and the 14 components (factors). Varimax rotation was used to make it easy to identify each of the 35 variables with a single factor. Table 14 illustrates the rotated component matrix for the data. Using this information, Table 15 was produced to provide an interpretation which can be used to answer the overall purpose of this research, which was to identify and rank the factors that corporate customers consider while purchasing insurance services in Kenya.

Table 12 Total Variance Explained

Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.883	8.236	8.236	2.135	6.099	6.099
2	2.543	7.267	15.502	2.106	6.016	12.115
3	2.331	6.660	22.162	1.962	5.606	17.721
4	2.140	6.113	28.275	1.930	5.514	23.234
5	2.034	5.810	34.085	1.922	5.491	28.725
6	1.788	5.109	39.195	1.880	5.372	34.097
7	1.706	4.875	44.069	1.763	5.036	39.133
8	1.642	4.693	48.762	1.678	4.793	43.926
9	1.531	4.374	53.136	1.677	4.791	48.717
10	1.413	4.037	57.172	1.607	4.593	53.310
11	1.347	3.849	61.022	1.584	4.527	57.837
12	1.182	3.376	64.398	1.564	4.468	62.305
13	1.147	3.277	67.675	1.522	4.347	66.652
14	1.082	3.091	70.766	1.440	4.114	70.766
15	0.961	2.746	73.512			
16	0.911	2.604	76.116			
17	0.860	2.457	78.573			
18	0.837	2.393	80.965			
19	0.765	2.186	83.151			
20	0.722	2.062	85.214			
21	0.674	1.926	87.140			
22	0.616	1.759	88.899			
23	0.566	1.618	90.517			
24	0.488	1.394	91.910			
25	0.479	1.369	93.279			
26	0.448	1.279	94.558			
27	0.361	1.033	95.591			
28	0.316	0.902	96.493			
29	0.275	0.784	97.277			
30	0.222	0.636	97.912			
31	0.204	0.583	98.496			
32	0.184	0.526	99.022			
33	0.151	0.430	99.452			
34	0.122	0.349	99.801			
35	0.070	0.199	100.000			

Extraction Method: Principal Component Analysis.

Table 13 Component Matrix

Variable	Component													
	1	2	3	4	5	6	7	8	9	10	11	12	13	1
Price	0.645													
Time														0.85
Financials		0.716												
Reputation													0.812	
Name	0.767													
Expertise														
Providers														
Coverage			0.496											
Qualification						0.837								
Manual														
Recommendation										-0.642				
Handler								0.561						
IT									0.873					
Professional							0.653							
Needs										0.672				
Aggressive				0.510										
Services							0.656							
Flexibility		0.584												
Consistency				0.750										
Empowerment											0.654			
Package		0.645												
Contact					-0.893									
Exclusions														
Risk														
Filing				0.493		0.503								
Figures														
Notpay														
Agreement														
Compliment								0.790						
Assist										-0.628				
Advise											-0.635			
Design												-0.831		
View			0.810											
ITFirm							0.726							
Partners		0.548												

Extraction Method: Principal Component Analysis

Rotation Method: Varimax with Kaiser Normalization

Rotation converged in 25 iterations

Table 14 Rotated Component Matrix

Variable	Component													
	1	2	3	4	5	6	7	8	9	10	11	12	13	1
Name familiarity	0.767													
Price	0.645													
Financial position of the firm		0.716												
Packaged insurance policy		0.645												
Firm flexibility in accommodating special		0.584												
Partners in activities e.g. sponsoring events		0.548												
Provide summary document for quick view			0.810											
Adequacy coverage			0.496											
Service delivery is consistent				0.750										
Firms aggressiveness to understand your needs				0.510										
Understand the procedures of filling in a claim				0.493										
One point of contact					-									
Level of qualification						0.837								
Understand the procedures of filling in a claim						0.503								
IT capabilities of the firm							0.726							
Have signed a service level agreement							0.656							
Professional							0.653							
Firm's operations compliment with your firms operations								0.790						
Quick decisions by handler								0.561						
IT capabilities i.e. information portal									0.873					
Identify with your needs										0.672				
Recommendation from your										-				
Assist you on how to lower your risks										- 0.628				
Employee empowerment											0.654			
Advise you on industry developments											- 0.635			
They allow you to participate in designing insurance solutions												- 0.831		
Reputation of the company													0.812	
Turn around time and responsiveness														0.8

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
Rotation converged in 25 iterations.

Table 15 Interpretation and Ranking of Components

COMPONENT	FACTOR CLUSTERS	LABELS
1	Name familiarity	Innovation
	Price	
2	Financial position of the firm	Stability/ Supportive
	Packaged insurance policy available	
	Firm flexibility in accommodating special requests	
	Partners in activities e.g. sponsoring events	
3	Provide summary document for quick view	Clarity
	Adequacy of coverage	
4	Service delivery is consistent across departments	Relevance
	Firms aggressiveness to understand your needs	
	Understand the procedures of filling in a claim	
5	One point of contact	Dependable
6	Level of qualification of the handler of your account	Confidence
	Understand the procedures of filling in a claim	
7	IT capabilities of the firm	Authenticity
	Have signed a service level agreement	
	Professional	
8	Firm's operations compliment with your firms operations	Compatibility
	Quick decisions by handler of your account	
9	IT capabilities i.e information portal	Ecommerce
10	Identify with your needs	Involvement
	Recommendation from your peers and friends	
	Assist you on how to lower your risks	
11	Employee empowerment	Participation
	Advise you on the developments of the industry	
12	They allow you to participate in designing insurance solutions	Accommodation
13	Reputation of the company	Credibility
14	Turn around time and responsiveness	Reliability

Following the analysis, the factors were ranked, clustered and grouped into 14 labels namely; innovation, stability (supportive), clarity, relevance, dependable, confidence, authenticity, compatibility, E-commerce, involvement, participation, accommodation, credibility and reliability. It is clear that the rules of the insurance business are changing but with an environment fraught with contradictions and vocal knowledgeable customer scrutinizing every move, it is difficult to know how best to proceed. It requires thorough preparation before deciding to call on the client for insurance review discussions as expectations are high and competition is always knocking at their door.

The results of the analysis have identified some of the key principles of strong insurance brands that generate value for customers. Despite the economic crisis hitting the world and the ensuing reset of customer priorities and pressure from shareholders, insurance companies need to be more aware than ever before of the many forces that make them the insurer of choice.

By looking at the 14 labels derived from the factors, it is possible to show the important role of the insurance companies brand's ability to generate value for its customers. This brings together all attributes that its people, products, positioning, partners and systems to provide a more accurate way that customers' can use in selection of the insurance company brands in Kenya.

Innovation relates to a company's ability to manipulate data and information provided to produce an attractive and cost effective solution to the customer. Customers appreciate companies that use intelligent and legally correct strategies to compete thereby changing rules of competition. With this era of mergers and acquisitions, having a brand name that is easy to associate with creates a competitive advantage. Stability or supportive relates to the insurance company's commitment to its brand. Customers want to deal with companies that keep their word, that are understanding and supportive especially when unforeseen calamities strike that could cripple a business operation.

Clarity implies that the insurance company's values, position and proposition are clearly articulated and shared across the organization with benefit streaming to the customer. Fundamentally, clarity measures the degree to which the insurance company dedicates to understand and define the customer. Relevance indicates how well an insurance company fits with its customer's needs, desires and decision criteria. In the ever-changing world, insurance companies must act in a manner that make customers constantly see the value for money they pay for insurance every year, otherwise they will be considered irrelevant. An insurance company is considered to be dependable if a relationship worthy of trust is built between the representatives of the company and the customer. Customers are under constant pressure with demands from their core functions and want to deal with a company that makes their work easier in matters relating to insurance. They want things to be done and feedback provided in time for reporting purposes.

Confidence relates to the company's ability to attract and keep qualified employees. Customers appreciate companies that have employees who exhibit the right attitude as this gives them comfort that their property is insured with the right company.

Authenticity seeks to find out if an insurance company has a defined heritage, well grounded set of values and that it can deliver customer expectations. Customers that initially are reluctant to change their mindset once they build trust with insurance companies they buy from and to a great extent customers elicit this trust through authenticity. Compatibility implies that the insurance company's culture, values and systems are in line with those of the customer. In recent times many firms have registered for International Organization for Standardization widely known as (ISO) certification and in order to protect their certification, they prefer to deal with insurance companies that are ISO certified to complement their operations.

E-commerce relates to a company's ability to evolve and embrace information technology superhighway. Internet based solutions are considered efficient and cost effective in the long-run and customers prefer to deal with insurance companies that provide the same. Involvement implies that the insurance company puts thought in the insurance program they propose to the customer such that the insurance cover in place meets specific requirement of the customers business and make the customer feel like the incentive to make money comes last.

Participation measures the kind of services offered by the insurance company's representative appointed to handle the customer. Companies want to be kept abreast of developments in the insurance market and be informed of any happening that would affect their business. Accommodation seeks to find out if an insurance company makes consideration to engage the customer in discussions regarding the insurance program to capture the customers' expectations. This approach considers the customer as a partner and the intention is to come up with acceptable solutions obtained through consensus with the client. For a company to earn a synonym for good insurance company. its reputation has to be undisputed. A company of this stature would be said to exhibit credibility. In recent times, reliability is key as pressure of work is much and customers do not have time to deal with an insurance company that takes un-usually long time to respond.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of findings:

The objective of the study was to identify the factors considered by corporate customers in the purchase of insurance services in Kenya and rank these factors to establish the most important factors which insurance providers require to focus on.

The most relevant components were summarized using 14 labels which identified the main areas that insurance companies should look out for as they design insurance solutions for their customers. In considering the extent to which these variables have been adopted by insurance companies, this study has referred to a range of literature and engaged in primary research aimed at understanding what corporations consider when deciding from whom to purchase insurance services.

Findings from the research indicate that customers prefer insurance providers who dedicate time and resource to understand and define their unique needs other than to depend on promotional efforts of marketers as indicated by Shiffman & Kanuk (2009). Abundance of choice in the market need not create an impression that there will be lack of loyalty from customers', rather this should be an opportunity to create a distinctive brand position that generates value for customers by applying the findings of this research.

The 14 labels derived from factor analysis and discussed in section 4.3 have indicated that judgment of insurance service purchased can be done in a consistent manner because the parameters of evaluating the service as clearly articulated. This is contrary to thoughts of Bonnacorsi & Fiorentinon (1996). The study elicited unique propositions not specifically mentioned in earlier studies including: system approach where company values are shared and applied across the organization; alignment of company culture, values and systems with those of the customer: e-commerce and internet based solutions and engagement of customers in designing of insurance solutions.

5.2 Conclusions

This study suggests that service quality can be measured using the 14 labels identified to predict reasons for purchasing insurance services. Factors such as financial position, professionalism and reputation of the firm which represented thoughts derived from experience from the industry were found to be of importance in decision making while purchasing insurance. Two factors including the claims process and firm paying claims on time we found were perfectly related. This indicates that the factors were found to be expectations rather than considerations for purchase of insurance and were not subjected to factor analysis. There however was no evidence whether some of the factors identified as important would in the future convert to be expectations.

5.3 Recommendations

5.3.1 Recommendations on Insurance purchase systems

From the findings of the study, the recommendations to insurance providers is that a checklist comprising of all the 14 components identified in the study be designed to obtain objective measure of service delivery to the corporate customers.

Industry regulators would find this study to be useful as they establish policies for the insurance industry because in return this will provide valuable results and also be used to review the conduct of business in the insurance sector.

5.3.2 Recommendations for Further Research

Further research can be done to identify if the order of importance of each of the factors identified is consistent with changing circumstances and environment in the insurance industry. Studies of this nature are subject to certain limitations that can impact on the results and conclusions drawn. Among the limitations include low response rate where it is difficult to quantify the level of confidence with which to say that the sample represents the population. Differing interpretation of questions and varied interest of the respondents could compound this problem. The study comprised of respondents concentrated in Nairobi, which restricted the geographical area. It would be of interest to find out how respondents from other developing countries would respond.

Future studies can address limitations above by administering the questionnaire using personal interviews. This may attract higher response rates and will also lead to greater standardization of responses. Over and above, this could provide opportunities to further understand how insurance purchase decisions are addressed in respondent organizations.

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APPENDICES

Appendix 1: Letter of Introduction

Dear Respondent

RE: REQUEST FOR DATA

I am a postgraduate student from the University of Nairobi. In partial fulfillment of the requirement of the award of the Masters of Business Administration (MBA), I am conducting a study on **'Factors considered by corporate customers in the purchase of insurance services in Kenya'**

Your organization has been selected to form part of this study. Attached is a questionnaire. which we would kindly ask you to assist in completing to enable me gather information required for this study.

The information and data provided will be used for academic purposes only and will be treated in strict confidence. A copy of the research will be made available to your organization upon request. For any clarification on this matter I can be reached on 0722791097 or my email ekanjaw@gmail.com

Your assistance and co-operation in this study will be highly appreciated

Yours faithfully

________________	________________
Ernest K Waithaka	Michael Chirchir
MBA Student	Supervisor

Appendix 2: Questionnaire

Section A

Q1:
What is your age?

- Below 30 years ☐
- 30 - 44 years ☐
- 45 or Older ☐
- Prefer not to answer ☐

Q2:
What best describes your position in the company?

- Human Resources Manager ☐
- Finance Manager ☐
- Finance Director ☐
- Procurement Manager ☐
- Insurance Manager ☐
- Prefer not to answer ☐
- Other: ____________________

Q3:
How many years have you handled insurance related matters?

- Less than One year ☐
- 1 year to less than 3 years ☐
- 3 years to less than 5 years ☐
- 5 years or more ☐

Q4:
Which best describes the industry you work in?

- Banking ☐
- Energy ☐
- Manufacturing ☐
- Learning institution ☐
- Finance ☐
- Health Institution ☐
- Other: ____________________

Q5:
How long have you been involved in the purchasing insurance services?

- Less than One year ☐
- 1 year to less than 3 years ☐
- 3 years to less than 5 years ☐
- 5 years or more ☐

Q6:

How often do you contact your insurance providers to use their services?

Don't Use	Daily	Weekly	Monthly	Quarterly
☐	☐	☐	☐	☐

Q7:

How would you rate your overall level of satisfaction with your insurance provider?

- Highly satisfied ☐
- Somewhat satisfied ☐
- Neutral ☐
- Somewhat dissatisfied ☐
- Highly dissatisfied ☐

Q8: Have you ever recommended your insurance provider to others?

- No never recommended ☐
- Have recommended once or twice ☐
- Have recommended several times ☐

Section B

For the following questions, please tick as appropriate.

To what extent do you consider the following *factors* when deciding to purchase your insurance?

		To very great extent	To great extent	To some extent	To little extent	To very little extent
1	Price	☐	☐	☐	☐	☐
2	Turn around time and responsiveness	☐	☐	☐	☐	☐
3	Financial position of the firm	☐	☐	☐	☐	☐
4	Claims process	☐	☐	☐	☐	☐
5	Personal relationship	☐	☐	☐	☐	☐
6	Reputation of the company	☐	☐	☐	☐	☐
7	Name familiarity	☐	☐	☐	☐	☐
8	Level of expertise	☐	☐	☐	☐	☐
9	Alternative providers	☐	☐	☐	☐	☐
10	Adequacy coverage	☐	☐	☐	☐	☐
11	Level of qualification of the handler of your account	☐	☐	☐	☐	☐
12	Clear guideline and procedures manual	☐	☐	☐	☐	☐
13	Recommendation from your peers and friends	☐	☐	☐	☐	☐
14	Quick decisions by handler of your account	☐	☐	☐	☐	☐
15	IT capabilities i.e. information portal	☐	☐	☐	☐	☐
16	Professionalism	☐	☐	☐	☐	☐
17	Identify with your needs	☐	☐	☐	☐	☐
18	Firms aggressiveness to understand your needs	☐	☐	☐	☐	☐
19	Additional services on offer	☐	☐	☐	☐	☐
20	Firm flexibility in accommodating special requests	☐	☐	☐	☐	☐
21	Service delivery is consistent across departments	☐	☐	☐	☐	☐
22	Employee empowerment	☐	☐	☐	☐	☐
23	Packaged insurance policy available	☐	☐	☐	☐	☐
24	One point of contact	☐	☐	☐	☐	☐
25	Understand all set policy conditions and exclusions	☐	☐	☐	☐	☐

		To very great extent	To great extent	To some extent	To little extent	To very little extent
26	Know your insurance company carrying the risk	☐	☐	☐	☐	☐
27	Understand the procedures of filling in a claim	☐	☐	☐	☐	☐
28	Understand basis of figures used for policies	☐	☐	☐	☐	☐
29	You do not pay for insurance that you do not need	☐	☐	☐	☐	☐
30	Firm pays claims on time	☐	☐	☐	☐	☐
31	Have signed a service level agreement	☐	☐	☐	☐	☐
32	Appropriate location and condition	☐	☐	☐	☐	☐
33	Firm's operations compliment with your firms operations	☐	☐	☐	☐	☐
34	Assist you on how to lower your risks	☐	☐	☐	☐	☐
35	Advise you on the developments of the industry	☐	☐	☐	☐	☐
36	They allow you to participate in designing insurance solutions	☐	☐	☐	☐	☐
37	Provide summary document for quick view	☐	☐	☐	☐	☐
38	IT capabilities of the firm	☐	☐	☐	☐	☐
39	Partners in activities e.g. sponsoring events	☐	☐	☐	☐	☐
40	Employees have positive attitude	☐	☐	☐	☐	☐
41	Have negotiation skills to deal with complex situations that may arise	☐	☐	☐	☐	☐
42	Value added services e.g. training	☐	☐	☐	☐	☐
	Other					

Appendix 3: Definition of variables

	VARIABLE DEFINITION	VAR
1	Price	1
2	Turn around time and responsiveness	2
3	Financial position of the firm	3
4	Reputation of the company	4
5	Name familiarity	5
6	Level of expertise	6
7	Alternative providers	7
8	Adequacy coverage	8
9	Level of qualification of the handler of your account	9
10	Clear guideline and procedures manual	10
11	Recommendation from your peers and friends	11
12	Quick decisions by handler of your account	12
13	IT capabilities i.e. information portal	13
14	Professionalism	14
15	Identify with your needs	15
16	Firms aggressiveness to understand your needs	16
17	Additional services on offer	17
18	Firm flexibility in accommodating special requests	18
19	Service delivery is consistent across departments	19
20	Employee empowerment	20
21	Packaged insurance policy available	21
22	One point of contact	22
23	Understand all set policy conditions and exclusions	23
24	Know your insurance company carrying the risk	24
25	Understand the procedures of filling in a claim	25
26	Understand basis of figures used for policies	26
27	You do not pay for insurance that you do not need	27
28	Have signed a service level agreement	28
29	Firm's operations compliment with your firms operations	29
30	Assist you on how to lower your risks	30
31	Advise you on the developments of the industry	31
32	They allow you to participate in designing insurance solutions	32
33	Provide summary document for quick view	33
34	Partners in activities e.g. sponsoring events	34
35	Partners	35