THE MARKETING OF INSURANCE IN KENYA: PROBLEMS FACED BY INDEPENDENT INSURANCE AGENTS AND THEIR PERCEPTION OF THE MARKETING ASSISTANCE OFFERED BY THE INSURANCE COMPANIES

BY

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DECLARATION

This Management Project is my original work and has not been presented for a degree in any other University.

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This Management Project has been submitted for examination with my approval as University Supervisor.

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ABSTRACT

The insurance industry plays a major socio-economic role in a developing country like Kenya. The vast aggregation of small sums from the numerous premium collections provides a fund that is an important source of finance for not only the private sector but also the public sector. One of the prevailing set-backs to the insurance industry is its lack of formalized marketing activities.

The study reported in this project investigated the marketing problems encountered by independent insurance agents emanating from the insurance companies set-ups, the insuring public, the legislation and the lack of a representative body for agents. The study also investigated the perceptions of the independent insurance agents and those of the insurance companies on the marketing assistance accorded agents to determine whether these perceptions tallied.

The study reported here sampled two populations for the purposes of measuring their perceptions, that is independent insurance agents and insurance companies. Two questionnaires were used to gather the pertinent
information. The perceptions of the respondents were measured by use of semantic differential scales. The findings were as follows: Some 76% of the insurance agencies represented at least one insurance company with a well developed marketing department, 70% of the agencies represented at least one insurance company with a slightly well developed marketing department and 63% of the agencies represented insurance companies with no marketing department.

From the study findings the four problem areas under investigation can be ranked as follows: The lack of a representative body for agents was found to be the major problem area. Followed closely by the problems emanating from the insuring public as the second major problem area. The third problem area was found to be the problems emanating from the insurance companies set-ups and finally the fourth problem area was the problems emanating from the legislation.

The data collected on perceptions was analyzed and mean scores as well as proportions computed and graphed. For comparison purposes the perceptions were tested using the t test. The findings from these
analyses led to the conclusion that perceptions of the agents and the insurance companies had significant differences when the various aspects of alternative dimensions of marketing assistance were tested.

The insurance public consists of an individual or several individuals, representatives of a corporate body wishing to affect insurance. Throughout the negotiations the affecting party is known as the proposer until the contract of insurance is in force when the proposer becomes the insured. The party affecting the insurance may either go directly to the insurance company or go to an agent or broker.

The insurance consists of the party granting the permission sought for in an insurance contract. The shareholder has the insurance company personnel who undertake to make visits for instance underwriters.1

2. Ibid., p. 47.
3. Ibid., p. 48.
CHAPTER ONE

INTRODUCTION

1.1. Background

The insurance market embraces the insuring public on the one hand and Insurers on the other with the various insurance intermediaries\(^1\), through whom insurance may be effected.

The insuring public consists of an individual, several individuals, representatives or a corporate body wishing to effect insurance. Throughout the negotiations the effecting party is known as the proposer until the contract of insurance is in force when the proposer becomes the insured. The party effecting the insurance can either go directly to the insurance company to do so or may go through an agent or broker.\(^2\)

The insurers consist of the party granting the protection sought for in an insurance contract. The insurers are the insurance company personnel who undertake to insure risks, for instance underwriters.\(^3\)

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2. Ibid, p.12.
An underwriter is a senior official of an insurance company whose duties are concerned with the acceptance of new business.  

The third party in the insurance market are the intermediaries namely the agents and the brokers. The term agent has two connotations. In the broad legal sense an agent is a person employed to bring another person known as his principal into contractual relations with third parties.

In this broad sense it includes for example all persons authorized to act for an insurance company ranging from the directors of the company, its General Manager and other managers, superintendents, salesmen, inspectors and those agents who only sell insurance policies for the company in return for their commission.

The term agent is also used in a narrower sense in insurance circles to mean only those agents or as they

are occasionally termed 'canvassers' who sell insurance for insurance companies in return for their commission.  

Within this narrower sense of agents there are two distinct types of agents. There are the cash agents who merely introduce business to the insurer in return for their commission and there are the independent agents who mainly handle general insurance and have the authority to bind the insurer on the contracts that he writes.

The independent agent forms an agency agreement with the insurance company which expressly or impliedly consents the agent to represent or act on behalf of the principal (insurer).

The agent is supplied with forms and has the authority to write a policy in his office and deliver it to the insured. The agent 'owns' the business he writes; that is, he has the right to the renewal of policies, he is responsible for collecting premiums and he has access to the clients file with the insurance company. The agent is paid on a commission basis.

The insurance broker is a special class of agent. He commonly acts not only for his client, but also for the Insurer.

Insurance brokers are independent companies, partnerships or individuals who solicit business for placement with an insurance company. Brokers differ from independent agents in that the brokers are more specialist and more professional than the average agent, brokers also have a more all-round knowledge about insurance business and the terms offered by each company than the agents. The main distinction lies in their independence. Unlike agents, brokers place their business with any insurance company as they deem fit. Finally brokers usually deal in big accounts like group policies and pension schemes.11

The similarity between agents and brokers is that both are paid in commissions by the insurance companies based on the volume of the business they bring in.

In Kenya in the past there were absolutely no set requirements for establishing a brokering firm. Now the

10. Dinsdale and McMurdie, op. cit., p.17
insurance act (1984) requires that all brokers have a minimum capital of KShs.20,000 and furthermore checks will be made on management and professional ethics.¹²

The independent agency system in Kenya has however not had its operations clearly outlined resulting in the agents experiencing hinderances in their marketing activities. This study will concentrate on the marketing problems experienced by independent agents and their perception of what is presently being done by the insurance companies to assist them in their marketing task.

1:2 Statement of the Problem

Inspite of the important role played by the independent agencies in distributing the insurance product, there have been numerous complaints especially in the press that agents are not honest enough so that those already insured tend to discourage their friends from taking insurance, since they themselves are not satisfied with the services they are paying for.¹³

¹² Kul Bushan, op. cit., p.12
Another claim by the public is that the insurance man is a "quiet and silent thief" who uses his brain to swindle the public.\textsuperscript{14} An allegation spread by those few unfortunate insureds whose claims have not been paid.

Very little is known about the independent agency system in Kenya especially the sort of problems that frustrate their marketing activities. There is also a need to look into what the insurance companies are doing to facilitate the marketing of their service.

1:3  \textbf{Objectives of the Study}

The two main objectives for this exploratory study were:

(1) To identify the marketing problems faced by independent insurance agents in Kenya, and

(2) To determine whether the agents perception of the marketing assistance offered to them by the insurance companies tallies with the Insurers perception.

\textsuperscript{14} Kingori Jackson, "Role of Training in the Insurance Industry in Kenya". \textit{The Underwriter}, December 1985, p.31.
In order to address itself to these objectives the study therefore sought to answer the following major questions:

(i) What are the marketing problems encountered by the agents and emanating from the Insurance Companies?

(ii) What are the marketing problems experienced by the agents and emanating from the insuring public?

(iii) What are the marketing problems that originate from the legislation?

(iv) What are the marketing problems that stem from lack of an association to represent independent agents?

(v) How do the independent insurance agents perceive the marketing assistance they receive from the insurance companies?

(vi) How do the insurance companies perceive the marketing assistance they offer to independent agents?
Do the perceptions of the independent insurance agents and those of the insurance companies tally?

Importance of the Study

The study is expected to be of benefit to the Insurance industry as a whole. For the insurance companies the study should give insight to the problem areas facing the agents who are the vital marketing link between them and the insuring public.

The third chapter deals with the design for the study emphasizing the populations of interest and the research questions to address.

The study likewise may be of value to the insuring public as it throws light into the causes of the fears and misunderstandings that the insuring public hold.

The study is also hoped to be of benefit to the Government, for it to understand the position the agents find themselves in. The study should be an indicator of what the Government can help the agents achieve for the betterment of the industry as a whole.

Finally, the study may establish grounds for further research for the academicians.
Overview of the Report

This project report consists of five chapters.

The first chapter, the introduction gives some background information on the subject matter of the study, the statement of the problem, the objectives of the study and the importance of the study.

The second chapter provides a review of the literature pertinent to the study.

The third chapter deals with the design for the study specifying the two populations of interest and the instruments used to collect data.

The fourth chapter is mainly concerned with the data analysis and findings.

The final fifth chapter, the conclusion, summarizes and discusses the findings of the study, highlights the limitations, and concludes with suggestions for future research.
CHAPTER TWO

LITERATURE REVIEW

2:1 INTRODUCTION

Insurance institutions are shaped by the nature of the economic and social environment in which they grow and mature.

Greene\(^1\) purports that there are at least three basic conditions necessary before the institution of private insurance can flourish:

- the economic system must be a system of private property
- society should be highly developed and industrialized, and
- legal relationships should be well organized, known to all, and fairly enforced'.

In Kenya, the above three conditions are present but at a much lower level relative to the industrialized societies. This phenomenon would explain why in 1986

out of the estimated population of 20 million Kenyans, only 250,000 of them had active life assurance policies, this being only 1.25% of the population.

Greene\(^3\) in expounding also notes that insurance does not grow under conditions in which the risk element is absent, and the institution does not flourish in an economy that is primarily agricultural or industrially undeveloped which is true of most African countries.

The risk element in an agricultural society like Kenya's is lower to the extent that individuals have a tendency to be relatively independent, to be willing to assume many more risks than is true in more industrialized societies.\(^4\)

The communal society and extended family support also renders most Kenyans relatively independent. This is true as people in agricultural societies are not as dependent on money as such as most of their basic needs are met by their produce.

\(3\). Greene, op. cit., p.113
By contrast, in a highly developed industrialized society productive workers are dependent on money income. Their jobs are usually specialized so that the occurrence of some peril which interrupts their income, or destroys accumulated property is often a serious economic blow. Consequently in industrialized societies, methods to meet risks are correspondingly highly developed.

Insurance has grown tremendously in the United Kingdom and the United States of America where rapid industrialization has taken place. A minimum of adverse circumstances have existed, and in general they have been characterized by great political stability as well as fair law enforcement. All the conditions necessary for the rapid growth of insurance have existed.

In Kenya, the growth of insurance has been influenced by more than the three conditions spelt out by Greene. The attitudes, beliefs and education of the people in the third world, Kenya being one of them especially towards life assurance is that they do not believe they will die prematurely.

A large percentage of the population in Kenya especially those in the rural areas do not understand the significance and role of insurance in their lives and the national economy. There is the mistaken concept that the insurance man is a 'quiet and silent thief'.

The marketing of insurance also poses a problem to the growth of insurance. The characteristics of the insurance product (which will be discussed later in the chapter) create special challenges to the marketers. For instance the product that the industry sells is intangible, this being a promise to pay up to a stated amount if a specified event occurs at some time in the future. Second, the product is usually sold rather than bought, a process which is heavily dependent on people and personal contact. Finally the true cost of the product to the Industry cannot be determined exactly until some years after it has been sold.

The experience of American Life Insurance Company - ALICO (a member company of America International Group


AIG operating in 62 countries around the world has been that many other insurers are not involved in the marketing of insurance but instead in the selling of insurance. 10

Stanton 11 states that the terms selling and marketing are not synonymous but instead they have opposite meanings. He breaks down selling to mean that emphasis is on the product; the company first makes the product and then figures out how to sell it, management is oriented to sales volume and planning is oriented to short-term results, in terms of today's products and markets.

Whereas marketing is taken to mean that emphasis is laid on the customers wants; the company first determines the customers' wants and then figures out how to make and deliver a product to satisfy those wants, management is profit-oriented, and planning is oriented to the long-run in terms of new products, tomorrow's markets and future growth.


The neglected area in the insurance industry appears to be marketing. It is possible to argue that without marketing in a formal sense the industry has been and continues to be successful. But the question that comes to mind is: has the insurance industry been as successful as it could or should be?\textsuperscript{12}

The answer to this question lies in that the secret to many successful operations has been their marketing strategy.

In Kenya, the insurance industry has relied on direct (office) selling and to some extent on brokers but there is no doubt at all that the individual agent has played and will continue to play a very crucial role in selling policies for Insurance Companies.

Insurance agents form the link in the marketing chain between the Insurers and the Insuring Public. These agents are faced with the special task of marketing the service of insurance.

There is no clear definition of services marketing. It has been argued that there is no such thing as services marketing but only marketing in which the service element is greater than the product element.\textsuperscript{13}

The problem of definition lies in that marketing seems to be overwhelmingly product-oriented and many service based companies are confused about the applicability of product marketing. The core of the definition problem is that there are really very few if any "pure" products or services in the market place.\textsuperscript{14} For instance an automobile has tangible and intangible elements which are both marketed vigorously. Yet they are by definition, different qualities, and to attempt to compress them into a single word or phrase begs the issue.\textsuperscript{15}

It is difficult to generalize about services marketing because services vary considerably along a continuum where the mix of product and service changes from one end to the other.

\textsuperscript{13} Stanton W., \textit{op. cit.}, p.441.


\textsuperscript{15} Lovelock, \textit{Ibid.}, p.39.
Stanton holds that in theory product marketing and service marketing are essentially the same, he however notes that significant differences exist in the strategies and practices used in conventional product marketing and service marketing.

Lovelock contends that marketing management's tasks in the service sector, differ from those in the manufacturing sector in several important respects. Among the characteristics distinguishing service marketing from good marketing Lovelock gives the following:

- nature of the product
- the greater involvement of customers in the production process
- greater difficulties in maintaining quality control standards
- the absence of inventories
- the relative importance of the time factor, and
- the structure of distribution channels'.

16. Stanton op. cit., p. 441
17. Lovelock, op. cit., p. 4.
2:2:1 Service Characteristics

Various authors\textsuperscript{18} have outlined four general characteristics which they hold create the special nature of services. They are the following:

Intangibility: services are essentially intangible. That is they cannot be seen, tasted, felt, heard or smelled before they are bought. When a service is bought there is generally nothing tangible to show for it even though money has been spent. Services are therefore consumed but not possessed. This characteristic poses special marketing challenges to the marketing organization (as shall be discussed later in the chapter).

Inseparability: services are generally produced and consumed in the same time frame relative to goods that are produced, then sold, then consumed. Simultaneous production and consumption means that the service provider is often physically present when consumption takes place. An exception to the inseparability feature is that the service may be sold by a person who is representing the seller. For instance an insurance agent or a travel agent represents and helps promote the service

\textsuperscript{18} Kotler, op. cit., p.497-8.
Stanton, op. cit., p.444-6.
that will be sold by the institution producing it.

Heterogeneity: services are highly variable, as they depend on who provides them, when and where they are provided. It is as a result impossible for the service industry to standardize output. This high degree of variability is the outcome of the extensive involvement of people in the production of services relative to the mechanical production of goods.

Perishability: services cannot be stored. The hours spent idle by a service provider represents business lost forever. Perishability of services however becomes a problem only when demand fluctuates. There are some exceptions to this generalization regarding the perishability and storage of services.

'In health and life insurance for example the service is purchased. Then it is held by the Insurance Company (the seller) until needed by the buyer or beneficiary. This holding constitutes a type of storage.'

The unique characteristics of services given above pose special marketing challenges to service providers. Below are suggestions that can solve the challenges.

2:2:2 Strategic Service Marketing Opportunities

Lovelock\textsuperscript{21} suggests the following strategies to service industries.

a) Internal Marketing: In "high-contact" service businesses, the quality of the service is inseparable from the quality of the service provider.\textsuperscript{22} Insurance is a high-contact business as the performance of the insurance agent essentially shapes the service outcome and thereby becomes part of the "product". Internal marketing refers to applying the philosophy and practices of marketing to the people that serve the external customer. This means that the company must first sell its product to its employees (agents) before they in turn sell it to the external customer.

b) Customizing Services: the simultaneous production and consumption characteristic of services frequently provides opportunities to "customize" service. This means the service provider is able to effect a good fit between what the

\textsuperscript{21} Lovelock, \textit{op. cit.}, p.31.
customer wants to buy and what the organization has to sell. The possibility of tailoring a service to meet the precise desires of individual customers form service customization.

c) Managing Evidence: since goods are tangible and can be seen and touched, they are generally easier to evaluate than services. The prime responsibility for the service marketer in overcoming the intangibility of services is to bring out the tangibles associated with the service. These tangibles include; creating the right physical environment to distribute the service in, the appearance of the service providers, setting the right price and tying services marketing to goods marketing.

d) Making the Service Tangible: marketing advantage is to be gained if the service can be made more "touchable" and more easily grasped mentally. This involves attempting to make the service more tangible. For instance insurance companies usually print pictures to show the advantages to be gained from insuring.
e) Synchronizing Supply and Demand:

One of the crucial challenges in many service industries is to find ways to better synchronize supply and demand as an alternative to over-demand and under-demand. Demand peaks usually occur during certain times of the day, month, or year. Pricing incentives is one method used by Airlines to encourage travellers to fly during off peak times. Another option is to alter supply capacities to better match the demand patterns for example the use of part-time employees during high demand periods.

The special characteristics of services heighten the importance of certain marketing approaches as those given above. The importance of the service sector in any economy suggests the advisability of learning more about these differences in services and goods and their marketing implications.

2:3 THE SERVICE OF INSURANCE

Insurance has been defined by Channel\textsuperscript{23} as

'a contract whereby one person called the "Insurer" undertakes in return for the agreed consideration called the "Premium" to pay to another person, called the "Assured" a sum of money or its equivalent, on the happening of a specified event".

This definition holds the following implications; the specified event must have some element of uncertainty about it. That is for all classes of policies except in life insurance there is some uncertainty whether the event will ever happen or not. Furthermore the insurance contract or policy binds the Insurer to pay the Assured on the happening of an event adverse to the Assured.

The terms assured and insured can be used synonymously to mean the following as given by Dinsdale and McMurdie.24

'Insured: this term refers to the party effecting the insurance either direct or through an agent or broker, and may consist of an individual, such as trustees or legal personal representatives, or a corporate body. The party effecting an insurance is known as the proposer throughout the negotiations and until the contract is in force. When the proposer becomes the Insurer'.

The term/Insurers and insurance companies can also be used interchangeably to mean the following:

Insurers refers to the party providing the protection to be afforded by the policy. Insurers is a general term and covers all types of Insurers. ...an example is an underwriter, a senior official of an insurance company whose duties are concerned with the acceptance of new business. 25

The above two parties of the insurance contract namely the Insureds and the Insurers are usually brought together into contractual relations through the employment of agents. An agent has been defined by Dorfman as

'a person authorized to act on behalf of another person. The person on whose behalf the agent acts is known as the principal'.

The insurance agent is the intermediary in the insurance market.

2:3:1 Types of agents

The Insurance Market

```
                      Insuring public
                        / \                          /
                      /   \                        /   \
                    /     \                      /     \
               INSURANCE AGENTS   DIRECT AGENTS   INSURANCE BROKERS
                      /     \                  /     \
                    /       \                /       \
                      \       /                  \       /
                        \     /                    \     /
                          Insurers
```

Insurers transact much of their business through any of the above channels. 27


27. Dinsdale and McMurdie op. cit., 16-17, 169.
a) General agents also known as direct or dependent agents stand in the place of Insurers: these agents include the directors, managers, underwriters and salaried staff.

b) Agents employed to introduce business to the Insurer: these include cash agents who merely introduce business on which they are paid commission. All other details are dealt with by the Insurer directly. The second class also includes independent agents who are formally appointed by the Insurers and their powers are set out in a letter of appointment. Acceptance on both sides forms an agency agreement.

c) Insurance brokers: An insurance broker is a special class of agent. He commonly acts not only for his client but also for the Insurer. The insurance brokers are expected to have a high standard of professional skill and conduct. Failure to maintain these standards may render them liable in damages to their clients.

2:3:2 The Relationship Between the Principal (Insurer) and the Agent

The chief duties which an agent owes to the principal
in their agency relationship are given by Ivamy\textsuperscript{28} as the following five:

a) It is the duty of the agent to carry out the transaction which he is employed to carry out, or if it is impossible for him to do so, to inform the principal promptly in order to prevent him from suffering loss through relying upon the successful completion of the transaction by the agent.

b) It is the duty of the agent to obey his instructions and to act strictly in accordance with the terms of his authority or, as regards matters on which they are silent, the usual course of business.

c) It is the duty of the agent, in the exercise of the authority entrusted to him, to act with reasonable and proper care, skill and diligence. Whether the agent has actually acted with the required degree of skill depends in each case on the circumstances.

d) It is the duty of the agent when employed to receive payment on his principal's behalf, to act with due diligence in collecting the amounts payable to his principal and to pay over to the principal such sums as he may have received in the course of his employment.

e) It is the duty of the agent to deal honestly with his principal and not to act in any way detrimental to his interest in collusion with the third person.

The above five duties outlined for the agents are very technical and legal essentially indicating why the law is necessary for insurance institutions.

2:3:2 Powers of the Agents

The powers of the agents can be divided into two depending on the class of insurance.

In the field of property and liability insurance the agent is:

"an individual authorized to create, terminate and modify contracts of insurance".

Whereas in the area of life insurance the agents powers are more limited. Life insurance agents are appointed with the authorization to

"solicit and deliver"\textsuperscript{30} contracts of insurance, they cannot bind the company to risk.

Agents derive powers from two sources: The insurers and the insureds. Agents are given express powers by the insurance company in the agency agreement. This contract gives agents authority to represent the company, and generally contains clauses dealing with the specific and general powers of the agent, the scale of commissions, the ownership of the contracts sold and a provision for cancellation of the contract.\textsuperscript{31}

The second source of power is the insureds. This power is derived power. That is agents have those powers that the public expect them to have, so that as far as the public is concerned, an act by the agent is an act by the insurance company.\textsuperscript{32}

\textsuperscript{30} Ivamy, Ibid, p.72.
\textsuperscript{31} Dorfman, \textit{op. cit.}, p.65.
\textsuperscript{32} Dorfman, Ibid, p.65.
2:3:4 Termination of an Agency

An agency may be ended either by revocation or by termination. When an insurance company feels that it is no longer in its best interest to retain an agent it may revoke the agents appointment by notifying the agent together with all persons who have dealings with the agent. 33

In the same way the principal can terminate the agency by revocation, the agent may terminate the agency by renunciation, if he finds it is no longer in his interest to continue to act as agent to the particular principal. 34

2:4 THE DISTRIBUTION SYSTEM

Channels of distribution for services are usually simpler and more direct than channels of distribution for goods. In part this is due to the intangibility of services. The marketer of services is often less concerned with storage, transportation and inventory control.

Marketing channel decisions are among the most critical decisions facing management as the company's chosen channels intimately affect all other marketing decisions. The marketing intermediaries make up a marketing channel (also called trade channel or distribution channel).  

Some questions that come to mind are: Why are marketing intermediaries used?, why is the producer willing to delegate some of the selling job to intermediaries? The answers to these questions lie in the advantages derivable from using intermediaries. These include; it is economical, a larger market can be reached and intermediaries through their contacts, experience specialization and scale of operation, offer the firm more than it can usually achieve on its own.  

Each organization first determines whether more sales will be produced through a company sales force or through a sales agency. On the one hand company sales representatives concentrate entirely on the company's products, they are better trained to sell the company's  

products, they are more aggressive because their future depends on the company, they are more successful because customers prefer to deal directly with the company.

On the other hand, the sales agency would conceivably sell more than a company sales force. To begin with the sales agent has many other sales representatives, secondly the sales agency's sales force may be just as aggressive as a direct sales force. Third, some customers prefer dealing with agents who represent several businesses rather than with salespersons from one company. 37

The insurance industry uses the sales agency to distribute its product primarily because the agency is able to sell more than the insurers sales would furthermore it is more economical to use an agency.

Greene 38 purports that the distribution channel patterns for liability and life contracts differs. He holds that the channel for life insurance is usually direct. Here the agent contacts the ultimate consumer and reports directly to the Insurer. This system of

direct distribution has grown up in life insurance

a) the need of the Insurer to maintain close control over the policy product

b) the need of the Insurer to exercise great control over sales promotion and competition

c) the infrequent purchase of life insurance

d) the ability of the agent to make a better living through specialization.

In contrast, the channel of distribution for a majority of general insurance lines is indirect. That is, the agent is usually independent of the insurance company and can be compared to the retailer in the marketing of goods. This is because the agent like the retailer deals with the final consumer. He has authority to bind the insurers on the contracts he writes.

The insurance industry has realized that the service feature of inseparability is not an unsurmountable limitation to its distribution system. The industry has been able to broaden its distribution considerably through the employment of agents
'the agency system... has been the most successful distribution system'.39

It is important to note that the distribution pattern employed differs from Insurer to Insurer, this being determined mainly by the cost of maintaining the system. Connected to that is that the type of distribution system employed will determine the quality of the insurance service marketed.

2.5 THE INDEPENDENT AGENCY SYSTEM

The independent agency is employed by an insurance company through a letter of appointment or an agency agreement. This agreement gives authority to the independent agency to bind the insurers on the contracts the agency writes (with the exception of life insurance policies). The agent is supplied with proposal forms and has the authority to write a policy in his office and deliver it to the insured. The agent owns the business he writes, that is he has the right to solicit the renewal of policies. The Insurer does not have the right to give this renewal information to another agent. The agent also has the right of access to the consumers files.

with the Insurer. The independent agent works on a commission basis. 40

The independent agency system developed because of the increasing need to distribute the product of insurance to the ever-increasing income earners.

The independent agency system has encountered marketing problems emanating from various areas. This study will concern itself with those emanating from the Insurance companies, the insuring public, the lack of an association representative body and legislation.

These problems that affect the performance of the agency system are pointed out by Irukwu 41 when he says

'the agency system needs to be revolutionary if it is to succeed in playing its role in the Insurance organizations. Insurers, Insureds, and the Government should constantly seek ways to improve the agency system. The end sought by the revolution is improved efficiency, leading towards lower costs to the insured, greater profits to the Insurer, more commission to the agent and more effective coverage of the market'.

40. This information was gathered from preliminary interviews with some selected independent insurance agents.

Improved efficiency in the agency system can only be brought about by the combined efforts of the insurance companies, the insuring public and the Government.

The agency personnel need to be trained. A well trained and motivated personnel will be confident enough to be able to affect the insuring public, changing attitudes and to remove the fears and misunderstanding from the majority of the population. For all the above to be achieved training must be given first priority.

To throw more light into the position the independent agencies find themselves each of the problem areas will be discussed separately.

2:5:1 The Agency and the Insurer

In selling insurance policies for insurance companies the agents have encountered problems emanating from the insurance companies organizational set-ups. The organizational arrangements established in most insurance companies does not encourage the effective marketing of insurance simply because the marketing department does not exist at all. Furthermore where
the departments exist they are often relegated to the middle or bottom of the organizational charts and are not granted the importance they deserve. This situation is described by Bisaillon as follows:

'there appears to be a definite lack of organized and deliberate identification and understanding of markets, the development of blueprints for working these markets and executing marketing efforts'.

In a study conducted in Nigeria on the marketing problems faced by agents the following problem areas were reported by Irukwu:

Underwriting problems: a general shortage of technical men in the underwriting department was noted as well as an unwillingness to take on unfamiliar business.

Policy terms and conditions rigidity problem: the foreign insurers particularly from the United Kingdom and America were noted to have transferred the policy terms, conditions and charge rates practised in their mother countries which are not always suitable thus posing a special problem to the agents.

42. Bisaillon G.J., op. cit., p.28.

Lack of co-operation from head office employees: the services of the agent are taken lightly this resulting in undue delays in the processing of new business, renewals and endorsements. Sometimes this caused the loss of business.

Commission payment problem: delays in commission payments was noted as a major problem especially when the insurance companies insist the gross payment of the premium be made directly to them. This problem causes lack of motivation, lowered morale, decreased production and a high lapse ratio.

Increased cost of production problem: The agency system is costly to operate given the ever rising inflation rate. It was noted that the agents expenses of transportation, telephone bills, stationery, electricity bills and salaries for office staff were constantly rising. In contrast, the commission rates are constant, and the insurance companies do not meet any of the expenses.

Training problem: the area of training was noted as neglected. Training periods are not properly planned, no training manual is provided, no sales aids are given,
and seminars are scarcely organized.

In conclusion of the agents problems Irukwa⁴⁴ had the following to say

'Improper recruitment of would be agents coupled with the type of inefficient training arrangements just described tends to affect the agent in diverse ways. His general appearance, fluency and human relations may all develop some faults and some of these bad traits or attributes of the agent certainly reduce his production capacity and could even lead him to misinform the insuring public and consequently tarnish the image of the very company he represents'.

2:5:2 The Agency and the Insuring Public

The insuring public make up the market that the insurance agent targets. Consumers of insurance vary tremendously in age, income, educational level, mobility patterns and taste. It is up to the agent to distinguish the different consumer groups so as to be able to present them with the service tailored to their needs.

Consumer behaviour is however not that simple. Their purchases are highly influenced by cultural, social,

personal and psychological factors. 45

Insurance is relatively new to the indigenous people. A large percentage of the rural population do not understand the significance and the role of insurance; they are therefore obviously suspicious of insurance. Most Kenyans do not know the benefits of being insured and furthermore the purchasing power in Kenya is very low.

'When somebody is living hand to mouth and is worried about how to raise money to pay fees and rent, the last thing he will be thinking of is his life. He would rather use the little money available on things he thinks are a priority at that stage'. 46

The above observation potrays Maslow's theory that human needs are arranged in a hierarchy, from the most pressing to the least pressing.

Maslow's hierarchy of needs.

SELF
ACTUALIZATION
NEEDS:
ESTEEM NEEDS:
SOCIAL NEEDS:
SAFETY NEEDS:
PHYSIOLOGICAL NEEDS:

Maslow\textsuperscript{47} holds that a person will try to satisfy the most important need first and in satisfying it the person will be motivated to satisfy the next most important need. For instance as long as a person is hungry or thirsty the physiological need will dominate. Once they have been satisfied, the needs in the safety category become important. The safety category encompasses the needs for security, protection and order. This is where insurance comes in as the service is able to offer reassurance of restoring security, protection and order in the occurrence of some adverse event.

\textsuperscript{47} Maslow A.H., Motivation and Personality, Harper and Row, 1954, p.80-106.
By using the information on needs given by Maslow insurance agents should be able to tailor the needs of the potential customers to the insurance product.

The agency system has also encountered marketing problems with the Insuring Public. Irukwu outlined the following problem areas in his report:

The general public displays ignorance on the advantages derivable from obtaining an insurance policy:

The insuring public sometimes withholds or misrepresents facts necessary for underwriting and the agent is expected to detect such malpractices.

Some policy holders are in a position to embarrass the agent with questions on the practices of insurance companies information which is not always at the agents disposal.

The agent has the unrewarding task of following up clients who let their policies lapse.

It was also noted that the public sometimes displays distrust of agents by going directly to the in-
surance companies. This element of mistrust caused loss of vital business for the agency.

2:5:3 The Agency and an Association

The independent insurance agents in Kenya do not have an associate body so far, unlike the brokers who have the Association of Insurance Brokers (AIB).

The benefits of belonging to an associate body are numerous and independent agents would particularly benefit from the following:

a) members interests would be represented in the drawing of regulations in the industry
b) training would be arranged
c) professional standards would be drawn and enforced
d) members would be liable in law for misconduct.

The status of the independent agencies would be raised by the formation of an associate body. This would be of particular benefit to the small-scale

48. Selected independent agents would like to meet and form an association to represent them.
African agencies who find themselves competing with their Asian counterparts without the backing of a closely unit community, and big clients.

Thompson 49 points out some of the actions that have been taken against salesmen

'salesmen have been ridiculed, scorned, condemned, legislated against, psycho- analyzed and occasionally praised, but only rarely are salesmen subjected to any objective analysis'.

Salesmen, both in goods marketing and service marketing have been criticised since time immemorial. This is true of insurance agents who are the salesmen of the insurance product. One only has to go through the press to come across complaints about insurance agents.

There would appear to be some similarity in all salesmen irrespective of their field of specialization. McMurry 50 has suggested general conditions of the market places that influence salesmen to behave the way they do:


a) speciality situations demand almost door to
door or office to office canvassing.

b) field sale positions have the disadvantage of
being lonely. The representative must work by
himself without the supportive presence of an
associate or supervisor.

c) the salesman is always in an inferior status
vis-a-vis the prospect. He must be willing to
accept rudeness and rebutt as a matter of course.

 d) in many instances the salesman sees himself as
the perpetual intruder forcing himself on people
and into their homes where he is not only always
unwelcomed but often actively resented.

e) in a creative speciality selling the frequencies
of rejection is higher and more important than
in other kinds of selling.

Insurance salesmen are no exception, in the above
mentioned respects. It is unfortunate that service busi-
nesses which are necessarily in the most direct contact
with consumers seem reluctant to adopt a consumer-oriented
approach.
2:5:4 The Agency and Legislation

The Insurance Act (1984) recognises insurance agents but is silent on the operations of independent agents. With the appointment of a Commissioner of Insurance and the establishment of his office, all insurance agents were regulated to register, provide an appointment letter to certify his insurers, give a bankers cheque of KShs.500/- by the end of March, 1987.

With all the insurance agents registered the commissioner's office will be able to have better control of the agents operations so that the ingenuine agents will be weeded out and deregistered.

The legislation causes marketing problems for the insurance agents in the following ways:

When legislation tightens its control over the insurance companies for instance, financially some insurance agents get "laid off".

Also due to regulated financial constraints the insurance companies withhold previous benefits and refuse to negotiate on commission rates.

* The information was gathered from preliminary interview with some selected independent insurance agents.
Insurance agents seem to be the victims of any constraints imposed on the insurance companies through legislation.

2:5:5 Government Control Over the Industry

The insurance industry has been operating in a more or less self-regulating basis until the passing of the Insurance Act (1984).

The new insurance legislation is a step forward in regulating the insurance industry in Kenya. This law has been enacted with a view to:

a) protecting the policyholder
b) protecting the shareholder
c) increasing local participation in the industry
d) stabilizing the industry by eliminating unhealthy competition
e) promoting goodwill between the insuring public and the insurance industry.

The Government hopes to achieve these objectives by primarily making it a statutory requirement that all insurance companies make a deposit of KShs. 5,000,000/- and for insurance brokers a deposit of KShs. 20,000/-.

2:6 PERCEPTIONS

The term perception has been defined as

'the process by which an individual selects, organizes and interprets information inputs to create a meaningful picture of the world'.

People's perceptions determine the course of behaviour they will adopt. The elements that influence or shape those perceptions are cultural, social-group, and psychological forces that form a person's frame of reference. An individual's frame of reference is a result of his interaction with current and past stimuli and is also related to the stimuli about which the organism is now trying to deal with.

A motivated person is one who is ready to act and how the motivated person acts is influenced by his or her perception of the situation. Two people in the same motivated state and objective situation may act quite differently because they perceive the situation differently.

53. Stanton W., op. cit., p.93.
55. Kotler, op. cit., p.139.
This study will attempt to identify the perceptions of insurance agents on the marketing assistance offered to them by the insurance companies. Similarly using the same semantic measuring scale the study will also try to identify how the insurance companies perceive the marketing assistance they offer the insurance agents. The study will then compare the two perceptions to test whether the two groups perceive the situation similarly or differently.

A similar study\textsuperscript{56} was conducted in a number of British business organizations. The study aimed at measuring the perceptions of both managers and shop stewards influence respectively over decision making and secondly whether the level of direct influence of employees appeared consistently lower than that of indirect participation via their representatives, either through informal (mainly shop steward) mechanisms or the official channels.

Two fundamental questions were framed: a) To what degree do perceptions of employee "influence" over such decision making vary between those on "different sides"

of the industrial fence such as between shop stewards and managers b) is the degree of direct "influence" as important as, or more significant than, the indirect degree.

It was hypothesised that:

a) Perceptions of both direct and indirect forms of participation were closely linked with each other.

b) Within each of these forms, perceptions of employees' role in the decision-making areas relating to workplace decisions were closely related with each other, and

c) The various forms of participation were closely associated with the degree of unionisation in the firms studied.

The study looked at decision-making with particular reference to a number of specific topics namely new technology, reorganisation, work organisation, working hours, work environment, economic rewards and staff policy. A five point scale ranging from 1 = none, to 5 = very much was used. The research findings were analyzed by computing the mean score for managers and shop stewards on each of the decision-making areas and then
conclusions made depending on what the mean score was.

Similarly this study will endeavour to compute the mean scores on the marketing assistance elements being tested for namely marketing information, marketing staff, handling of complaints, training, and payments. Each element will have several variables whose mean score will then be computed for both the insurance agents and insurance companies analyzed, and then compared.

2:7 FUTURE OF INSURANCE

The potential of marketing insurance is tremendous in Kenya. There will continue to exist a growing need for continued and increased protection for individuals and business as economic environments become more uncertain.

Insurance will continue to be a service needed by all income earners, and to the insurer and the country a source of income, and for the insuring public security and peace of mind for future uncertainties. 57

The insurance industry will continue to prosper as long as insurance will continue to be accepted as an efficient way of solving risk problems, and the demand for insurance will continue to increase and the world and humanity will be preserved in its present form.  

One of the main functions of the insurance industry which makes it of great importance to the future is the promotion and facilitation of the operations of other industries. This is why insurance is described as a business that exists in order to promote and ensure the survival of other businesses. As the economy of every community grows or develops so does that community's insurance requirements develop and grow. 

The most important role insurance plays is the protection of the financial security of individuals, families and business because insurance provides money when it is needed most and is a function of economic development. It is a major instrument of capital formation as well as an aid to harness national savings for national development and productive investment.

59. Bisaillon G.J., Ibid, p.28
A future more dynamic and rural oriented insurance approach will contribute to increased mobilisation of financial resources to be employed in the desired national development programme, secondly these mobilized financial resources may contribute to gradual independence from foreign donor sources to fund national development plans. Thirdly the increase in volume of insurance business will accelerate employment both at management level and at lower levels and this will have the effect of social stability. 61

CHAPTER THREE

METHODOLOGY

3:1 The Population

The study included two populations of interest. The first population—being all the independent insurance agents operating in Nairobi, and the second population being all the insurance companies operating in Kenya and headquartered in Nairobi.

3:2 The Sample

A sample of 30 independent insurance agents was selected from the list of 250 agents provided by the Office of the Commissioner of Insurance using systematic random sampling. Those appearing in the sample as being out of Nairobi were struck out and a replacement sampled. (The list of agents can however not be appended in this report as the final list of registered agents had not been released from the Commissioner's Office at the time of typing this report).

For purposes of comparing the perceptions of the independent agents against those of the insurance companies on marketing assistance another sample of 20
insurance companies from a list of 40 insurance companies was drawn using the lottery method of simple random sampling. Only the headquarters in Nairobi were visited.

3:3 Data Collection Method

The primary data sought in this study was collected through the use of two questionnaires. The questionnaires were developed from the literature reviewed on the subject and preliminary interviews conducted with selected independent insurance agents and insurance companies executives.

The initial questionnaires were developed and pretested on a sample of independent agents and insurance companies marketing executives, after which the questionnaires were adjusted and restructured on the basis of what was experienced. The final versions of the questionnaires were then developed and used.

The first questionnaire (see appendix A1) accompanied by a letter to the respondents (see appendix A2) comprised three sections. The first section consisted of structured questions used to identify marketing problems. The second section consisted of semantic
differential scales used to measure the perception of independent insurance agents on the marketing assistance accorded them. The last section consisted of open and close-ended questions used to gather demographic data. This questionnaire targeted the owners of the agencies.

The second questionnaire (see appendix B1) accompanied by a letter to the respondents (see appendix B2) comprised two sections. The first section consisted of semantic differential scales used to measure the insurance companies perception on the marketing assistance they offer independent agents. The second section consisted of open and closed-ended questions used to gather demographic data. This questionnaire targeted the marketing officers at the insurance companies.

The questionnaires were dropped personally and collected later.
CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4:1 INTRODUCTION

The data in this study is summarized and presented by use of proportions, tables, graphs, mean scores and comparison tests.

The main objective of the analysis in this study was to establish the marketing problems of independent insurance agents emanating from four specific areas and subsequently to show the perceptions of the agents and those of the insurance companies and finally to test whether the perceptions tallied.

4:2 MARKETING PROBLEMS

Thirty answered questionnaires were analysed from independent insurance agents, and sixteen from insurance companies.

The analyses showed that the number of insurance companies represented by any one independent insurance agency ranged between four and fifteen insurance companies.
The analyses further revealed that 76% of the agencies represented at least one insurance company with a well developed marketing department. A 70% indication by the agencies revealed that at least one of the insurance companies they represented had slightly developed marketing departments. However 63% of the agencies showed that they represented insurance companies with no marketing departments. In the space for "others" the agents indicated that in some insurance companies the marketing activities were handled by the underwriting departments.

Table 1 shows the alternatives of marketing assistance offered to the agents by the insurance companies.

<table>
<thead>
<tr>
<th>Descriptor</th>
<th>NO. OF AGENCIES</th>
<th>% OF AGENCIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal lectures</td>
<td>27</td>
<td>90%</td>
</tr>
<tr>
<td>External lectures</td>
<td>18</td>
<td>60%</td>
</tr>
<tr>
<td>Seminars</td>
<td>21</td>
<td>70%</td>
</tr>
<tr>
<td>Company meetings</td>
<td>15</td>
<td>50%</td>
</tr>
<tr>
<td>Sales aids e.g. pamphlets</td>
<td>29</td>
<td>96%</td>
</tr>
<tr>
<td>Visual aids</td>
<td>4</td>
<td>13%</td>
</tr>
<tr>
<td>Calling cards</td>
<td>3</td>
<td>1%</td>
</tr>
<tr>
<td>Finance for training</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Finance to cover other expenditures</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Others</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
The table indicates that a majority of 90% of the agencies were offered internal lectures.

An equally high percentage of 60% and 70% agencies had been offered external lectures and seminars respectively. The table also shows that 50% of the agencies had been offered company meetings. A very high 96% of the agencies had been offered sales aids such as pamphlets. Other forms of visual aids had been offered to only 13% of the agencies and finally only 3 agencies had been offered calling cards. None of the agencies indicated they had been offered finance for training or finance to cover their other expenses. No other alternative was given.

4:2:1 Insurance Companies Setups

Table II shows the characteristics indicated by the insurance agents as being present in their interactions with the insurance companies.

The table shows that the largest proportion of 73% of the agencies mentioned underwriters reluctantly to take on unfamiliar business as the major problem they encounter. It was indicated by a tie of 66% of
the agencies that policy terms and conditions were foreign to the Kenyan environment as well as that policy terms and conditions hindered sales.

**Table II**

<table>
<thead>
<tr>
<th>Statements</th>
<th>No. of mentions</th>
<th>Proportion of agencies mentioning item</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delay in approval of proposals</td>
<td>13</td>
<td>43%</td>
</tr>
<tr>
<td>Policy terms and conditions hindering sales</td>
<td>20</td>
<td>66.6%</td>
</tr>
<tr>
<td>Delay in payment of commissions</td>
<td>11</td>
<td>36%</td>
</tr>
<tr>
<td>Underwriters reluctant to take on unfamiliar bus</td>
<td>22</td>
<td>73%</td>
</tr>
<tr>
<td>Insurance compsn snatch big clients</td>
<td>8</td>
<td>26%</td>
</tr>
<tr>
<td>Marketing staff unsupportive</td>
<td>9</td>
<td>30%</td>
</tr>
<tr>
<td>Mistrust of agents by company staff</td>
<td>8</td>
<td>26%</td>
</tr>
<tr>
<td>Policy terms and condition unrevealed to agency</td>
<td>2</td>
<td>6%</td>
</tr>
<tr>
<td>Policy terms and conditions foreign to local env</td>
<td>20</td>
<td>66%</td>
</tr>
<tr>
<td>Policy terms and conditions too rigid</td>
<td>17</td>
<td>56%</td>
</tr>
</tbody>
</table>
These two characteristics ranked second in the problems encountered by the agents from the insurance companies. In the same connection ranking fourth among the problems was that policy terms and conditions were too rigid. This was indicated by 56% of the agencies.

Delays in the approval of proposals and payment of commission ranked fifth and sixth as was indicated by 43% and 36% agencies respectively.

The marketing staff were indicated in the table as unsupportive by 30% of the agencies thereby ranking seventh. This rank was followed by a tie between the problems that insurance companies tend to 'snatch' the big clients from the agency and that the insurance companies staff mistrust the agencies. These ranked eighth with 26% agencies indicating them.

Only two agencies held that policy terms and conditions were unrevealed to the agency. This problem ranked tenth with a 6% indication as the least of the problems experienced by the insurance agents from the insurance companies set-ups. The agents in their comments indicated that the policy terms and conditions were incorporated in the relevant policy forms.
Table III

Statements reflecting experiences of agents in dealing with the insuring public (n=30)

<table>
<thead>
<tr>
<th>Statements</th>
<th>No. of mention</th>
<th>% of agencies mentioning statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insuring public generally ignorant of advantages of insuring</td>
<td>27</td>
<td>90%</td>
</tr>
<tr>
<td>Clients are moral hazards</td>
<td>19</td>
<td>63%</td>
</tr>
<tr>
<td>Insuring public ask questions unanswerable by agency</td>
<td>16</td>
<td>53%</td>
</tr>
<tr>
<td>Clients disappear leaving follow-up burden on agents</td>
<td>21</td>
<td>70%</td>
</tr>
<tr>
<td>Public does not trust agency</td>
<td>16</td>
<td>53%</td>
</tr>
<tr>
<td>Cultural and religious beliefs hinder sales</td>
<td>20</td>
<td>66%</td>
</tr>
<tr>
<td>Insuring public prefers to deal directly with insurance companies</td>
<td>17</td>
<td>56%</td>
</tr>
</tbody>
</table>

4:2:2 INSURING PUBLIC

Table III shows the characteristics indicated by independent agencies as reflecting their experiences, when dealing with the insuring public.
The table shows that the insuring public ignorance of the advantages derivable from insuring ranked first amongst the problems that hindered their marketing activities. This was mentioned by a majority of the respondents totalling 90% of the agencies.

The disappearance of insured clients without paying the premium leaving the burden of follow-up on the agency ranked second amongst the problems encountered with the insuring public. This was held by 70% of the respondents.

The literature on clients disappearance explains that most insured clients disappeared when they realized that they would not have the money returned when a loss did not take place.

The table also shows that 66% of the agencies indicated that cultural and religious beliefs hindered sales. The agencies further indicated that the insured public can be moral hazards. That is the client either withholds or misrepresents facts necessary for underwriting. This was indicated by 63% of the agencies. The above two experiences ranked third and fourth as
the problems experienced by agents respectively.

Ranking fifth with 56% of the agencies, was the problem that the insuring public preferred to deal with the insurance companies directly. Along the same line 53% of the agencies held that the public did not trust the agency as the sixth problem. The same rank was held by the problem that the insuring public asked questions which were not always answerable by the agency.

4:2:3 INSURANCE ACT (1984)

Table IV shows what the independent agencies perceived as outcomes of the Insurance Act (1984).

The table indicates that the schedules and regulations to the insurance act dated (1986) was the cause of the reduced bargaining power by agents especially in the area of commissions. This problem was stated by 73% of the agencies.
Table IV

(n=30)

<table>
<thead>
<tr>
<th>Statements</th>
<th>No. of mentions</th>
<th>% of Agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance Act (1984) not expressive about independent agency operations</td>
<td>16</td>
<td>53%</td>
</tr>
<tr>
<td>Independent agency operations not standardized by the Act</td>
<td>8</td>
<td>26%</td>
</tr>
<tr>
<td>Act does not restrain easy invasion of the market</td>
<td>3</td>
<td>10%</td>
</tr>
<tr>
<td>Schedules and Regulations to the Insurance Act (1986) reduced the</td>
<td>22</td>
<td>73%</td>
</tr>
<tr>
<td>bargaining powers of agents on commissions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The agencies further indicated by a 53% show that the Insurance Act (1984) was not expressive about agency operations. Along the same line was an indication by 26% of the agencies that their operations were not standardized by the Act. These above two indications ranked second and third respectively as problems emanating from the Insurance Act (1984).
The final rank was a mere 10% of the agencies who held that the Act does not restrain easy invasion of the market by 'agents'.

In their comments, the agents observed that the insurance act now required them to register with the Office of the Commissioner of Insurance and furthermore to provide a letter of appointment from at least one insurance company. This they stated would restrain unregistered persons from acting as agents.

4:2:4  An Association for Independent Insurance Agents

Table IV shows the various problems encountered by independent insurance agents due to lack of a representative association.

Table V

Effects of lack of an association for independent insurance agents (n=30)

<table>
<thead>
<tr>
<th>Statements</th>
<th>No. of mentions</th>
<th>% of Agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing activities of agents not standardized</td>
<td>15</td>
<td>50%</td>
</tr>
<tr>
<td>Marketing problems of agents not represented to relevant institutions</td>
<td>21</td>
<td>70%</td>
</tr>
<tr>
<td>Bargaining power of agents not unified</td>
<td>22</td>
<td>73%</td>
</tr>
</tbody>
</table>
Table V (Continued)

<table>
<thead>
<tr>
<th>Statements</th>
<th>No. of mentions</th>
<th>% of Agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training not taken up by any organization</td>
<td>23</td>
<td>76%</td>
</tr>
<tr>
<td>Malpractices uncontrolled ruining the reputation of genuine agencies</td>
<td>20</td>
<td>66%</td>
</tr>
<tr>
<td>Public does not have faith in agencies</td>
<td>15</td>
<td>50%</td>
</tr>
<tr>
<td>Government does not fully appreciate importance of agencies role</td>
<td>23</td>
<td>76%</td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

From the table, a large proportion, 76% agencies indicated that the Government does not fully appreciate the important role played by insurance agents. Holding a similar first ranking was the problem that the training of agents was not taken up by any organization.

Following closely on the above problems was an indication 73% of the agencies that the bargaining power of agents is not unified so as to reach better terms. This problem ranked third amongst the problems arising due to the lack of an association for insurance agents.

The table further shows the marketing problems of insurance agents are unrepresented to the relevant authoritative institutions. This view was held by a large 70%
of the agencies. Ranking as the fourth problem.

Some 66% of the agencies agreed that malpractices by ingeniune agents were uncontrolled as a result ruining the reputation of the genuine agents. This fifth problem is supported by a 50% of agencies who indicated that their marketing activities are not standardized.

The sixth ranking of problems was indicated by another 50% of agencies who held that the public did not have faith in agencies.

In their comments, the agents stated that there was no code of conduct outlined for independent agencies along professional lines. An association they noted would be able to develop such a code.

4:3 PERCEPTIONS ON MARKETING ASSISTANCE

The perceptions of both the insurance companies and the insurance agents were measured in five dimensions of marketing assistance.

These areas were marketing information, marketing staff, handling of problems, training and handling of payments.
### TABLE VI

<table>
<thead>
<tr>
<th>Descriptor</th>
<th>MEAN SCORES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>INS COMPS</td>
</tr>
<tr>
<td>I. Marketing Information</td>
<td></td>
</tr>
<tr>
<td>a) Information is adequate vs. not adequate</td>
<td>3.6</td>
</tr>
<tr>
<td>b) Information is appropriate vs. not appropriate</td>
<td>2.8</td>
</tr>
<tr>
<td>c) Information on time vs. not in time</td>
<td>4.0</td>
</tr>
<tr>
<td>d) Information is easy to use vs. not easy to use</td>
<td>3.8</td>
</tr>
<tr>
<td>e) Information is accessible vs. not accessible</td>
<td>4.1</td>
</tr>
<tr>
<td>f) Information is helpful vs. not helpful</td>
<td>3.6</td>
</tr>
<tr>
<td>g) Information is efficiently provided vs. not efficiently provided</td>
<td>3.8</td>
</tr>
<tr>
<td>h) Information is effective vs. not effective</td>
<td>3.8</td>
</tr>
<tr>
<td>i) Information is desirable vs. not desirable</td>
<td>3.7</td>
</tr>
</tbody>
</table>

### FIGURE 1

Marketing Information

- Adequate
- Appropriate
- On time
- Easy to use
- Accessible
- Helpful
- Efficiently provided
- Effective
- Desirable

**Legend:**

- Solid line: Insurance Companies
- Dashed line: Agents
Tables and figures were used to present the data analyzed. The tables indicated the mean scores for each perception aspect measured under the various dimensions while the figures depict the same data graphically. The t test was used to test the level of significance of the perceptions.

Table VI and figure 1 indicate that the marketing information provided by the insurance companies was perceived as average by the insurance companies (mean score 3.6) whereas the insurance agents perceived slight adequacy (mean score 2.1). Both the insurance companies and the agents perceptions were neutral concerning the appropriateness of the marketing information (mean scores of 2.8 and 2.7 respectively).

Table VI and figure 1 further show that the perception of the insurance companies differs from that of the agents on whether the information is on time. The insurance companies held that the marketing information is very much on time (mean score of 4.0) whereas the agents indicated just below average a (mean score of 2.3).

On whether the marketing information was effective the insurance companies indicated that the information
### TABLE VII

<table>
<thead>
<tr>
<th>Descriptor</th>
<th>MEAN SCORES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>II Marketing staff</strong></td>
<td></td>
</tr>
<tr>
<td>a) Marketing staff are efficient vs. not efficient</td>
<td>3.1</td>
</tr>
<tr>
<td>b) Marketing staff are friendly vs. not friendly</td>
<td>4.0</td>
</tr>
<tr>
<td>c) Marketing staff are supportive vs. not supportive</td>
<td>3.2</td>
</tr>
<tr>
<td>d) Marketing staff are cooperative vs. not cooperative</td>
<td>3.8</td>
</tr>
<tr>
<td>e) Marketing staff are courteous vs. not courteous</td>
<td>3.9</td>
</tr>
<tr>
<td>f) Marketing staff are sincere vs. not sincere</td>
<td>3.5</td>
</tr>
<tr>
<td>g) Marketing staff are useful vs. not useful</td>
<td>3.5</td>
</tr>
<tr>
<td>h) Marketing staff are effective vs. not effective</td>
<td>3.5</td>
</tr>
<tr>
<td>i) Marketing staff are qualified vs. not qualified</td>
<td>4.1</td>
</tr>
</tbody>
</table>

### FIGURE 2

**MARKETING STAFF**

1. Efficient: Not efficient
2. Friendly: Not friendly
3. Supportive: Not supportive
4. Cooperative: Not cooperative
5. Courteous: Not courteous
6. Sincere: Not sincere
7. Useful: Not useful
8. Effective: Not effective
9. Qualified: Not qualified

**LEGEND:**
- Insurance Companies
- Agents
was effective (mean score of 3.8). The agents on the other hand showed a definite deviation that the information was only slightly effective (mean score of 2.4).

The perceptions on marketing information were then tested for significance of difference (see appendix D). The results that follow were considered significant when the calculated $t$ was greater or lesser than the critical $t$ limits of -2.02 and 2.02, and considered not significant if they fell within the limits. Considering the perceptions on marketing information by the two groups the test results were

$$t = 15.63$$

This evidence suggests that there is significant difference between the perceptions of the insurance companies and the insurance agents on marketing information.

Table VII and figure 2 show how the marketing staff at the insurance companies are perceived by the insurance agents and the insurance companies. Both the groups perceived the marketing staff as averagely efficient (mean scores of 2.6 and 3.1) respectively.

The two groups however differed regarding the usefulness, effectiveness and qualifications of the marketing
### TABLE VIII

<table>
<thead>
<tr>
<th>Descriptor</th>
<th>MEAN SCORES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>INS COMPS</td>
</tr>
<tr>
<td>III</td>
<td></td>
</tr>
<tr>
<td>HANDLING PROBLEMS</td>
<td></td>
</tr>
<tr>
<td>a) Insurance Co. is sympathetic vs. not sympathetic</td>
<td>3.1</td>
</tr>
<tr>
<td>b) Insurance Co. is helpful vs. not helpful</td>
<td>4.0</td>
</tr>
<tr>
<td>c) Insurance Co. is ready to take action vs. not ready to take action</td>
<td>4.0</td>
</tr>
<tr>
<td>d) Insurance Co. is accessible vs. not accessible</td>
<td>3.3</td>
</tr>
<tr>
<td>e) Insurance Co. is cooperative vs. not cooperative</td>
<td>3.6</td>
</tr>
<tr>
<td>f) Insurance Co. is supportive vs. not supportive</td>
<td>3.3</td>
</tr>
<tr>
<td>g) Insurance Co. is reliable vs. not reliable</td>
<td>3.6</td>
</tr>
<tr>
<td>h) Insurance Co. is concerned vs. not concerned</td>
<td>3.9</td>
</tr>
</tbody>
</table>

### FIGURE 3

HANDLING OF PROBLEMS

Sympathetic: Not sympathetic

Helpful: Not helpful

Ready to take action: Not ready to take action

Accessible: Not accessible

Cooperative: Not cooperative

Supportive: Not supportive

Reliable: Not reliable

Concerned: Not concerned

**LEGEND:**

--- Insurance Companies

--- Agents
staff. The agents indicated negative perception (mean scores 2.5, 2.2 and 1.9) respectively. The insurance companies indicated neutral perception on usefulness and effectiveness (mean scores 3.5, 3.5) respectively, with a high perception on the qualifications of the marketing staff (mean score 4.1).

Regarding the test for perceptions tally concerning marketing staff the test results were

\[ t = 11.5 \]

This result suggests significant differences between the perceptions of insurance companies and insurance agents on marketing staff.

Table VIII and figure 3 show how the handling of agents problems by the insurance companies was perceived by both the groups.

The insurance companies perceived that they were on the average sympathetic to the agents problems (mean score of 3.1) whereas the agents indicated negative perception on the sympathy accorded them (mean score of 2.4). Helpfulness and readiness to take action were perceived positively by the insurance companies
### TABLE VX

<table>
<thead>
<tr>
<th>Descriptor</th>
<th>MEAN SCORES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>INS</td>
</tr>
<tr>
<td>IV TRAINING</td>
<td>COMPS</td>
</tr>
<tr>
<td>a) Training is adequate vs. not adequate</td>
<td>2.0</td>
</tr>
<tr>
<td>b) Training is appropriate vs. not appropriate</td>
<td>3.0</td>
</tr>
<tr>
<td>c) Training is easy vs. not easy</td>
<td>3.5</td>
</tr>
<tr>
<td>d) Training is effective vs. not effective</td>
<td>2.4</td>
</tr>
<tr>
<td>e) Training is efficiently provided vs. not efficiently provided</td>
<td>2.1</td>
</tr>
<tr>
<td>f) Training is useful vs. not useful</td>
<td>2.5</td>
</tr>
<tr>
<td>g) Training is frequent vs. not frequent</td>
<td>1.8</td>
</tr>
<tr>
<td>h) Training is complimentary vs. not complimentary</td>
<td>2.9</td>
</tr>
</tbody>
</table>

### FIGURE 4

**TRAINING**

- **Adequate**: Not adequate
- **Appropriate**: Not appropriate
- **Easy**: Not easy
- **Effective**: Not effective
- **Efficiently provided**: Not efficiently provided
- **Useful**: Not useful
- **Frequent**: Not frequent
- **Complimentary**: Not complimentary

---

**LEGEND:**

- Insurance Companies
- Agents
(mean scores of 4.0, 4.0) respectively. On the other hand the agents perception was average (mean scores of 2.9 and 2.8) respectively.

The insurance companies also perceived their reliability to handle the agents problems and concern positively (mean scores 3.6 and 3.9) respectively while the agents perceptions were average (mean scores of 2.6 and 2.6) respectively.

The test for significance in the perceptions held by the two groups gave the result

\[ t = 6.58 \]

The value obtained suggests the difference is significant concerning the handling of agents problems.

Table VX and figure 4 show how any form of training offered to the agents by the insurance companies was perceived by both groups.

The insurance companies and agents perceived the adequacy of training negatively sharing a mean score of 2.0.

The insurance companies perceived the training
they offered was on average appropriate and easy (mean scores 3.0 and 3.5) respectively. The agents indicated negative perception on the appropriateness of the training (mean score 2.3) but considered the training on average easy (mean score 3.0).

Table VX and figure 4 also show that the perceptions of both the insurance companies and agents were negative on the effectiveness of training (mean scores 2.4 and 1.9) respectively. Similarly both groups held negative perceptions regarding the usefulness, frequency and the way training was provided. The insurance companies perception was indicated by 2.5, 1.8 and 2.1 mean scores respectively and the agents perception indicated by 2.2, 1.2 and 1.5 mean scores respectively.

It is interesting to note that again both groups showed the same average perception (mean score of 2.9) indicating that training was complimentary.

When the perceptions of the two groups were tested for a tally the result was

$$t = 3.5$$

This value was considerably smaller relative to the other values obtained earlier but it also suggested
### TABLE X

<table>
<thead>
<tr>
<th>Descriptor</th>
<th>MEAN SCORES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>INS</td>
</tr>
<tr>
<td><strong>V</strong> (Handling payments)</td>
<td></td>
</tr>
<tr>
<td>a) Insurance Co. is efficient vs. not efficient</td>
<td>4.2</td>
</tr>
<tr>
<td>b) Insurance Co. is understanding vs. not understanding</td>
<td>4.0</td>
</tr>
<tr>
<td>c) Insurance Co. is on time vs. not on time</td>
<td>4.6</td>
</tr>
<tr>
<td>d) Insurance Co. is helpful vs. not helpful</td>
<td>4.0</td>
</tr>
<tr>
<td>e) Insurance Co. is supportive vs. not supportive</td>
<td>4.5</td>
</tr>
<tr>
<td>f) Insurance Co. is reliable vs. not reliable</td>
<td>4.4</td>
</tr>
<tr>
<td>g) Insurance Co. is cooperative vs. not cooperative</td>
<td>4.3</td>
</tr>
<tr>
<td>h) Insurance Co. is accessible vs. not accessible</td>
<td>4.1</td>
</tr>
</tbody>
</table>

### FIGURE 5

**HANDLING PAYMENTS**

- Efficient: Not efficient
- Understanding: Not understanding
- On time: Not on time
- Helpful: Not helpful
- Supportive: Not supportive
- Reliable: Not reliable
- Cooperative: Not cooperative
- Accessible: Not accessible

---

**Legend:**

---

Insurance Companies
---

Agents
significant difference of perceptions on the training of agents.

Table X and figure 5 show how the handling of payments such as commissions, claims bonuses and others by the insurance companies to the agents was perceived by both the groups.

The insurance companies perceived their handling of payments was on time (mean score of 4.6) while the agents held average perception (mean score 3.2).

The insurance agents felt that the insurance companies were only averagely supportive in the handling of payments (mean score 3.0) while the insurance companies felt they were positively supportive (mean score 4.5).

The agents however held positive perception (mean score 3.6) indicating the insurance companies were reliable similarly the insurance companies indicated positive perception (mean score 4.4).

When the perceptions in this dimension were tested for a tally the test results were
The value obtained was very high indicating a significant difference in the perceptions of the two groups concerning the handling of payments.

The interesting point in these findings was the way in which the perception of the agencies deviated from the perception of the insurance companies. These findings suggest that the insurance companies perceived the marketing assistance they offer agents highly. While the agents were relatively realistic in identifying the problems. This is in fact consistent with the figures 1 to 5.

An overall test of difference was carried out on marketing assistance, the results were

\[ t = 9.5 \]

This result shows a significant difference in the overall perceptions of the two groups under study. This evidence is consistent with the results obtained earlier on the five dimensions of marketing assistance revealed that the perceptions differed in every dimension and also in the overall test for marketing assistance.
In some specific areas, these findings tie in with the literature available on the areas in question. In other areas, however, interesting deviations from the literature were reported. Both aspects are discussed in the next chapter, that is chapter five.

4:4 SUMMARY

The foregoing findings bring to light a number of problems that affect the marketing activities of independent insurance agents. The following major problems were found out. A large number of 63% of the agencies indicated that they represented insurance companies with no marketing departments.

Investigations into the marketing problems that emanated from the insurance companies revealed that 73% of the agencies indicated that underwriters were unwilling to undertake unfamiliar business. A tie of 66% of the agencies held that policy terms and conditions were foreign to the Kenyan environment while the second group held that policy terms and conditions hindered sales. An average number of 56% of the agencies considered the policy terms and conditions as being too rigid. The other problems indicated by the agencies
numbered less than 50% and were not considered as major problems.

The major problems (all indicated by 50% of the agencies and above) as having emanated from the insuring public included a 90% agency indication that the insuring public were generally ignorant of the advantages derivable from insurance, 70% of the agencies noted that clients disappeared leaving the burden of follow-up on the agencies. The other problems in order of proportions revealed that cultural and religious beliefs hindered sales, that clients sometimes represented moral hazards, that the insuring public preferred to deal directly with insurance companies, and finally a tie of two problems holding a 53% indication that the insuring public asked questions unanswerable by the agency as well as the public did not always trust the agency.

Two major problems were indicated as having emanated from the legislation (insurance act 1984). These being the schedules and regulations to the insurance act (1986) reduced the bargaining powers of agents on commissions indicated by 73% of the agencies. The second problem was noted by 53% of the agencies as the insurance act 1984 was not expressive about independent agency operations.
The effects of the lack of an association for independent insurance agents were indicated by the agents as follows; 76% agencies indicated two problems. The first being the Government does not fully appreciate the importance of the role played by agents, secondly training of agents was not undertaken by an organization. A 73% indication by agencies revealed that the bargaining power of agents was not unified. While a 70% of agents held that their problems were not represented to the relevant authoritative institutions. Finally a 66% show of agents indicated that malpractices were uncontrolled thus ruining the reputations of the genuine agents.

Investigations into the perceptions held by the insurance companies and the insurance agents on various dimensions of marketing assistance revealed that the perceptions differed even within one dimension given different aspects (as shown by the figures and tables).

On whether the perceptions tallied the investigations revealed that there was a difference in perceptions so that given the rejection point was any value greater than 2.02 and less than -2.02, the results were: marketing information $t=15.63$ marketing staff $t=11.5$, handling of problems $t=6.58$, training $t=3.5$, and handling of payments $t=23.38$. 
CHAPTER FIVE

CONCLUSION

This final chapter, the conclusion, summarizes and discusses the findings mainly in relation to the major questions raised in the objectives of the study. The Chapter also highlights the limitations of the study, and concludes with some suggestions for future research.

5:1 SUMMARY AND DISCUSSION

Four major questions were raised for the first objective of the study. The questions sought to identify the marketing problems encountered by independent insurance agents emanating from the insurance companies set-ups, the insuring public, the legislation and the lack of a representative body for agents.

Regarding these four areas the analyses show the lack of an association to represent agents as the major problem area. Followed closely by the problems emanating from the insuring public as the second major problem area. The third rank is taken by the problems emanating from the insurance companies set-ups and finally the fourth rank taken up by problems emanating from legislation.
The major problem that was indicated as arising due to the lack of an associate body was that of training of agents which was not taken up by any organization. The literature reviewed suggests too that training is an essential component because well trained personnel will contribute immensely towards assuring the public of the virtues of insurance. It continues to note that a well trained and motivated personnel will be confident enough to be able to affect the insuring publics changing attitudes and remove fear and misunderstanding from the majority of the population.

Along the same line, under the second major category of problems was indicated that the insuring public are generally ignorant of the advantages derivable from insuring. In the same way as the problem above the literature suggests that a large percentage of the population in Kenya especially those in the rural areas do not understand the significance and the role of insurance in their lives and to the national economy, and that education and training through the mass media, free lectures by insurance personnel, learning institutions, local and foreign advertisements will reduce this ignorance.

The problems emanating from the insurance companies ranked third overall. Within this category the analyses
indicated that 63% of the agencies had come across insurance companies with no marketing departments. According to the literature reviewed an overall marketing executive should be present in every insurance company. The basic function of this marketing executive would be to plan and manage all aspects of marketing programs, and to maintain and equip a well trained organization to carry out the program.

Concerning the reluctance by underwriters to undertake unfamiliar business as indicated by 73% of the agencies the literature reviewed suggests that the insurance companies should embark upon more serious recruitment of graduates of good calibre and give them intensive inservice training and at the same time encourage them by means of various incentives to pursue professional studies.

The fourth category of problems emanated from the legislation. A majority of 73% of the agents indicated that the schedules and regulations to the insurance act 1986 had reduced the bargaining powers of agents on commissions. This aspect was reaffirmed by the agents comments which stated that the schedules and regulations consisted of fixed commission rates whereas previously; an agency could negotiate the commission rate applicable to a certain class of policy.
In the second objective, three major questions were raised. The questions sought to explore how the agents perceived the marketing assistance they received from the insurance companies, how the insurance companies perceived the marketing assistance they offered to the agents and finally to test whether the perceptions of the two groups tallied.

The analyses shows that the insurance companies perceptions on marketing information ranged between neutral (mean score 2.8) and very positive (mean score 4.1) when various aspects of marketing information were presented. The insurance agents on the other hand held perceptions on marketing information which ranged between neutral (mean score 3.2) and slight perception (mean score 2.1)

The insurance companies perceptions concentrated along a 1.3 scale (4.1-2.8) this indicating some degree of similarity in the different insurance companies views.

The agents perceptions were contained in a 1.1 scale measure (3.2-2.1) also indicating some degree of similarity in the views held by the agents.

When the test for a tally in the perceptions was computed the analyses showed the calculated t as equal
to 15.63 greater than the critical t (that is 2.02). The difference in the t's of 13.61 (15.63-2.02) suggests that the perceptions of the two groups differ to that extent.

The literature reviewed on marketing information maintains that person to person contact is still the most effective weapon used to sell insurance. It would therefore be proper if management would provide the tools for the agents. These tools should include visual aids, sales aids, helping the agent meet his expenses such as stationary, calling cards, employees salaries and other office expenses, finally a good bonus should be given to agents for a good years work.

Regarding the perceptions of the insurance companies and agents on the marketing staff at the insurance companies, it was found that the insurance companies perceptions ranged between neutral (mean score 3.1) and very positive perception (mean score 4.1). This indicates that the perceptions were held within a 1.0 (4.1-3.1) scale suggesting some similarity of perception within the group.

The agents showed perceptions on marketing staff ranging between slight perception (mean score 1.9) and neutral perception (mean score 3.5). The perceptions were held within a 1.6 scale (3.5-1.9). This suggested
that the agents felt strongly about some aspects of the marketing staff for instance most agents felt that the marketing staff were slightly qualified and slightly effective (mean scores 1.9 and 2.2) respectively.

When the comparison tests for a tally between the perceptions of the two groups, the calculated t was 11.5 thereby being 9.48 (11.5-2.02) away from the critical t (2.02). This analysis suggested that the perceptions did not tally. This confirms what was suggested in the literature that the agents experience frustrations when dealing with the marketing staff at the insurance companies. The literature continues to suggest that the management should impress upon other company employees that they are all working towards the same goal that is selling insurance. Management should also reward and promote hardworking employees so that they perform better service to the agents and the insuring public.

The analysis on the perceptions held by the insurance companies and the agents on the handling of the agents problems indicated that the insurance companies held perceptions that ranged between neutral perception (mean score 3.1) and very positive perception (mean score 4.0). These perceptions were held within a 0.9 scale (4.0-3.1) indicating the insurance companies held
similar perceptions on most aspects of their handling the agents problems.

The agents perceptions were held in a range between slight perception (mean score 2.4) and neutral perception (mean score 3.1). These perceptions were held within a 0.7 scale (3.1-2.4) this suggesting that most of the agents held similar neutral perceptions on how the insurance companies handled their problems.

The perceptions of both groups when tested for a tally revealed the calculated t=6.5. This result suggested a rejection of the null hypothesis, implying that the perceptions differed from the critical t (2.02) by 4.48. This result unlike the results obtained for the previous two dimensions was relatively near the critical t. This suggesting that the perceptions of the agents did not deviate from those of the insurance companies very much.

Regarding the perceptions held on the training offered to the agents by the insurance companies the analysis shows the insurance companies held perceptions ranging between slight perception (mean score 1.8) and neutral perception (mean score 3.5). These perceptions
were held in a 1.7 scale (3.5-1.8) this indicating that the insurance companies held varying views on the various aspects on training of agents.

The agents held perceptions ranging between negative perception (mean score 1.2) and neutral perception (mean score 3.0). These perceptions were contained in a 1.8 scale (3.0-1.2) suggesting that the agents similarly held varying views on the aspects of the training accorded them.

When the two perceptions were compared and tested for a tally the result was a calculated $t = 3.5$. This result although very near the critical $t$ (2.02) was still greater therefore calling for a rejection thus suggesting that the perceptions of the two groups on training differed. The closeness however between the calculated $t$ (3.5) and the critical $t$ (2.02) would suggest that the two groups feel the agents are not trained enough.

Finally, regarding the last dimension measured on marketing assistance which was the handling of payments to the agents by the insurance companies. The insurance companies held perceptions ranging between very
positive (mean score 4.0) and extremely positive perceptions (mean score 4.6). The perceptions were contained on a 0.6 scale (4.6-4.0) indicating general agreement among the insurance companies that they handled the payments well. The agents held perceptions ranging between neutral perception (mean score 3.0) and very positive perception (mean score 3.6). The perceptions were held within a 0.6 scale (3.6-3.0). These results indicated the agents were also in agreement about the handling of their payments as being done well.

The perceptions were tested for a tally. The results gave a calculated $t = 23.38$. This value was by far greater than the critical $t (2.02)$ by 21.36. This result indicated the perceptions of the two groups did not tally and were even far from tallying. This could probably be explained by the fact that the insurance companies perceived themselves too highly.

The literature on the subject of payment of commissions suggests that the agent should be allowed to deduct his commission before remitting the premium to the insurance company and the commission rates should be improved so as to attract good agents. The literature suggests that competitions should be organized
among the agents providing an attractive reward for the most productive agency.

In conclusion therefore it can be observed that the insurance companies perceive themselves very highly regarding their assistance to agents. On the other hand the agents like the literature suggests are not satisfied with the marketing assistance offered them. The literature observes that the agency system will only succeed in playing its role in the insurance companies when the insurers, the insureds and the government all seek ways to improve the agency system. The results obtainable from such efforts the literature adds would be improved efficiency leading towards lower costs to the insured, greater profits to the insurer, more commission to the agent and more effective coverage of the market.

5:2 LIMITATIONS

This study was constrained by the following limitations.

The main limitation that encumbered this study was the lack of sufficient time in which to conduct it. The limited time available did not enable the survey of all the insurance companies in Kenya (40 companies) as well
as the survey of agents operating outside Nairobi. Therefore whereas the findings of this study may provide useful pointers as to the areas of marketing problems for independent agents, they are not conclusive because only 30 out of approximately 250 agents were included in the sample.

Secondly, the schedules and Regulations to the insurance act (1986) came into force at the beginning of 1987 and its effects on the insurance agents cannot be generalized. Similarly, the Office of the Commissioner of Insurance is very new and the role this office is going to actually perform in the insurance industry is still to be seen, especially in as far as standardizing the operations of insurance agents.

Thirdly, the agents to start with were not very cooperative especially as they suspected it was the insurance companies which wanted this information so a considerable amount of time was taken up convincing them of the objectives of the study.

SUGGESTIONS FOR FUTURE RESEARCH AND RECOMMENDATIONS

Owing to limitations in time other important areas of agency operations were not explored. It is suggested
that future research should direct its efforts toward the exploration of the other problem areas for agents such as competition with other agencies, to find out how the size of an agency is determined, how it is increased, the effects of competition and how competition is resolved.

Future research should also concentrate on looking more deeply into the areas explored in this study. The insurance companies interactions with independent agencies, the views of the insuring public about the independent agents, what the agents have done to alleviate their position and finally what the government should do for the agents.

The following recommendations are made from the findings of the study. It was noted that the perceptions of the insurance companies and that of the insurance agents did not tally given the various dimensions of marketing assistance. It is as a result important to note that the insurance companies need to improve on the marketing assistance they give agents. For instance, the management at the insurance companies should ensure that advertising does not become wasteful. Advertising should be used to help the insuring public to find the insurance product they need. It should call new products
to the insuring public’s attention and should educate the public on the use of the available insurance covers. Advertising must be persuasive enough for the public to buy the insurance policies which agents bring round to them.
Dear Respondent,

There is very little known by the general public about the various types of problems independent insurance agencies face in Kenya.

In order to overcome this general lack of knowledge this survey aims at identifying the marketing problems faced by independent agents in marketing insurance. It's towards this end that this questionnaire calls for your assistance is providing the necessary information.

This information will be used to write a final management report as a requirement for the fulfilment of the Master of Business and Administration Degree.

The information you will give will be treated in total confidence. Your co-operation in this exercise will be highly appreciated.

Thanking you in advance.

Yours sincerely,

S. W. Mirie
INTERVIEW QUESTIONNAIRE

In each of the questions please answer according to the instructions given.

PART A

1. How many insurance companies does your firm represent?

2. How many of the insurance companies your firm represents would you say have the following (indicate the number in each case).
   a) Well developed marketing departments
   b) Slightly developed marketing departments
   c) No marketing department
   d) Any other (please specify)

3. Which of the following marketing assistance alternatives has your firm been offered by the Insurance Companies (tick the relevant ones only). If any has been left out, please write it/them in the space for others. Indicate in the following space (✓) how many companies offered each.
   a) Internal lectures (within company)
   b) External lectures
   c) Seminars
   d) Company meetings
   e) Sales aids e.g. pamphlets
   f) Visual aids
   g) Calling cards
   h) Finance for training
   i) Finance to cover other expenditure
   j) Others
4. Which of the following statements listed below is characteristic of your interactions with Insurance Companies (tick the appropriate statements only).

a) The Insurance Companies delay in the approval of proposals

b) Policy terms and conditions sometimes hinder sales

c) The Insurance Companies delay in the payment of commissions

d) Underwriters are reluctant to take on unfamiliar business which may lead to loss of sales

e) The Insurance Companies 'snatch' the big clients from the agency

f) The marketing staff at the Insurance Companies are unsupportive

g) There is a general mistrust of agents by the Insurance Companies staff

h) Policy terms and conditions are not always revealed to the agency

i) Policy terms and conditions are foreign to the Kenyan environment

j) Policy terms and conditions are too rigid

k) Please indicate any others
5. In dealing with the insuring public which of the following statements reflects your experiences (tick relevant ones only).

a) The general public are generally ignorant of the advantages derivable from insuring

b) Some clients are moral hazards e.g. they withhold or misrepresent facts necessary for underwriting

c) The insuring public sometimes ask questions that are not always answerable by the agency

d) Sometimes the insured clients disappear leaving the burden of follow-up on the agency

e) The public does not always trust the agency

f) In some cases cultural and religious beliefs hinder sales (e.g. in life assurance sales).

g) Sometimes the insuring public prefer to deal directly with the Insurance Companies employees.

h) Please indicate any others

6. Which of the following statements is descriptive of the problems you experience from the Insurance Act (1984)

a) Insurance Act, 1984 is not expressive about independent agency operations

b) Independent insurance agency operations are not standardized by the Act
c) The Act does not restrain the 'insurance agents' who 'invade' the market easily  


d) The schedules and regulations to the Insurance Act (1986) on average reduced the bargaining powers of independent agents on commissions  


e) Please indicate any others  


7. Are your marketing activities represented by any organization(s)  

Yes [ ] No [ ]  

If answer is yes, which organization(s)  


8. Which of the following statements do you think is caused by the lack of an association for independent agents. (tick the relevant ones only).  

a) The marketing of insurance by agents is not standardized (i.e. no regulations on operations)  

b) The marketing problems of independent agents are not represented to the relevant institutions  

c) The bargaining power of independent agents is not unified and solidified so as to reach better terms  

d) The responsibility of training agents is not taken up by any organization  

e) Malpractices are uncontrolled thereby ruining the reputation of even the genuine agencies
f) The public do not have faith in independent agencies


g) The Government does not fully appreciate the important role played by independent agents


h) Please list any others ________________________________


Part B

For each pair of phrases indicate by a tick (✓) the degree to which you perceive the existence of the attribute in the named marketing assistance. Rating for example for question number 9a) 5 = extremely adequate, 4 = very adequate, 3 = adequate, 2 = slightly adequate, 1 = not adequate at all.

9. With regard to the marketing information provided to you to assist in the selling of policies would you say that it is

a) Adequate


b) Appropriate


Not appropriate

c) On time


Not on time

d) Easy to use


Not easy to use

e) Accessible


Not accessible

f) Helpful


Not helpful

g) Efficiently provided


Not efficiently provided
10. With regard to the marketing staff you deal with from the Insurance Companies would you say they are:

a) Efficient  \[\begin{array}{c} 5 \ 4 \ 3 \ 2 \ 1 \end{array}\]  Not efficient

b) Friendly \[\begin{array}{c} \end{array}\]  Not friendly

c) Supportive \[\begin{array}{c} \end{array}\]  Not supportive

d) Co-operative \[\begin{array}{c} \end{array}\]  Not co-operative

e) Courteous \[\begin{array}{c} \end{array}\]  Not courteous

f) Sincere \[\begin{array}{c} \end{array}\]  Not sincere

g) Useful \[\begin{array}{c} \end{array}\]  Not useful

h) Effective \[\begin{array}{c} \end{array}\]  Not effective

i) Qualified \[\begin{array}{c} \end{array}\]  Not qualified

11. With regard to the handling of your complaints/problems would you say the insurance company is:

a) Sympathetic \[\begin{array}{c} 5 \ 4 \ 3 \ 2 \ 1 \end{array}\]  Not sympathetic

b) Helpful \[\begin{array}{c} \end{array}\]  Not helpful
c) Ready to take action 5 4 3 2 1 Not ready to take action

d) Accessible Not accessible

e) Co-operative Not co-operative

f) Supportive Not supportive

g) Reliable Not reliable

h) Concerned Not concerned

12. With regard to any form of training offered by the Insurance Companies such as seminars, lectures and others would you say they are:

a) Adequate 5 4 3 2 1 Not adequate

b) Appropriate Not appropriate

c) Easy Not easy

d) Effective Not effective

e) Efficiently provided Not efficiently provided

f) Useful Not useful

g) Frequent Not frequent

h) Complimentary Not complimentary
13. With regard to the handling of payments e.g. commissions, claims, bonuses etc. would you say the Insurance Companies are:

a) Efficient
   5  4  3  2  1  Not efficient

b) Understanding
   Not understanding

c) On time
   No on time

d) Helpful
   Not helpful

e) Supportive
   Not supportive

f) Reliable
   Not reliable

g) Co-operative
   Not co-operative

h) Accessible
   Not accessible

Part C

14. Please indicate by a tick (√) the number of years you have been in operation

(a) Less that one year  ( )
(b) 1-5 years  ( )
(c) 6-10 years  ( )
(d) 11-15 years  ( )
(e) More than 15 years  ( )
15. How many employees does your firm have? 

16. Please indicate how many of your employees fall into the following levels.

(a) University Graduates 

(b) 'A' Level 

(c) 'O' Level 

(d) Below 'O' Level: 

(e) Others (please specify) 


Dear Respondent,

This questionnaire is designed to gather information on the Insurance Companies perception on the marketing assistance offered to independent insurance agents.

This information will be used to write a final management report as a requirement for the fulfilment of the Master of Business and Administration Degree.

The information you will give will be treated in total confidence. Your co-operation in this exercise will be highly appreciated.

Thanking you in advance.

Yours sincerely,

S. W. Mirie
**INTERVIEW QUESTIONNAIRE**

For each pair of phrases indicate by a tick (✓) the degree to which you perceive the existence of the attribute in the named marketing assistance.

Rating for example for question 1a) 5= extremely adequate, 4= very adequate, 3= adequate, 2= slightly adequate, 1= not adequate at all.

1. With regard to the marketing information your Insurance Company provides independent agents to assist them in the selling of policies would say that it is.

<table>
<thead>
<tr>
<th>a) Adequate</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
<th>Not adequate</th>
</tr>
</thead>
<tbody>
<tr>
<td>b) Appropriate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Not appropriate</td>
</tr>
<tr>
<td>c) On time</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Not on time</td>
</tr>
<tr>
<td>d) Easy to use</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Not easy to use</td>
</tr>
<tr>
<td>e) Accessible</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Not accessible</td>
</tr>
<tr>
<td>f) Helpful</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Not helpful</td>
</tr>
<tr>
<td>g) Efficiently provided</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Not efficiently provided</td>
</tr>
<tr>
<td>h) Effective</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Not effective</td>
</tr>
<tr>
<td>i) Desirable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Not desirable</td>
</tr>
</tbody>
</table>

............/2
2. With regard to the marketing staff in your insurance company that deal with the independent agents would you say they are:

a) Efficient

   5 4 3 2 1 Not efficient

b) Friendly

   Not friendly

c) Supportive

   Not supportive

d) Co-operative

   Not co-operative

e) Courteous

   Not courteous

f) Qualified

   Not qualified

g) Useful

   Not useful

h) Effective

   Not effective

e) Sincere

   Not sincere

3. With regard to the handling of independent agents complaints problems would you say your insurance company is

   ........../3
a) Sympathetic

<table>
<thead>
<tr>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
</table>

Not sympathetic

b) Helpful

Not helpful

c) Ready to take action

Not ready to take action

d) Accessible

Not accessible

e) Co-operative

Not co-operative

f) Supportive

Not supportive

g) Reliable

Not reliable

h) Concerned

Not concerned

4. With regard to any form of training your insurance company offers to the independent agents such as seminars, lectures and others would you say they are.

a) Adequate

| 5 | 4 | 3 | 2 | 1 |

Not adequate

b) Appropriate

Not appropriate

c) Easy

Not easy

d) Effective

Not effective

e) Efficiently provided

Not efficiently provided
f) Useful

__________

Not useful

________________

g) Frequent

________________

Not frequent

________________

h) Complimentary

________________

Not complimentary

________________

5. With regard to the handling of payments e.g. commissions, claims, bonuses etc. of the independent agents would you say
your insurance company is

a) Efficient

__________

Not efficient

________________

b) Understanding

________________

Not understanding

________________

c) On time

________________

Not on time

________________

d) Helpful

________________

Not helpful

________________

e) Supportive

________________

Not supportive

________________

f) Reliable

________________

Not reliable

________________

g) Co-operative

________________

Not co-operative

________________

h) Accessible

________________

Not accessible

________________/5
6. How long has your organization been in operation? ___________ years.

Is your organization a;
   a) multinational subsidiary    [ ]
   b) locally owned one          [ ]
   c) parastatal                 [ ]
   d) Others (please specify) ___________________________________________________________________

7. Does your organization have a marketing department/unit?
   Yes [ ]  No [ ]

   If yes, how many employees are in it? ______________

8. Please indicate how many of your employees fall into the following levels.
   a) University Graduate __________
   b) 'A' level __________
   c) 'O' level __________
   d) Below 'O' level __________
   e) Others (please specify) ___________________________________________________________________
APPENDIX C

INSURANCE COMPANIES IN KENYA
AS AT JAN. 1 1987

1. Access Insurance Co. Ltd.
3. American Life Insurance Co. (K) Ltd.
4. Apollo Insurance Co.
5. Blue Shield Insurance Co. Ltd.
7. Cannon Assurance (K) Ltd.
8. Concord Insurance Co. Ltd.
9. Co-operative Insurance Services Ltd.
10. Corporate Insurance Co. Ltd.
11. Crusader Insurance Co. Ltd.
12. Delta Insurance Co. Ltd.
15. General Accident Insurance Co. Ltd.
16. Heritage Insurance Co. Ltd.
17. Insurance Company of East Africa
18. Intra Africa Insurance Co. Ltd.
20. Kenindia Assurance Company Ltd.
26. Lion of Kenya Insurance Co. Ltd.
27. Pan Africa Insurance Co. Ltd.
28. Phoenix of E.A. Co. Ltd.
29. Pioneer General Assurance Society Ltd.
30. Provincial Insurance Company of E.A. Ltd.
31. Prudential Assurance Company of Kenya Ltd.
32. Royal Insurance Company of E.A. Ltd.
33. Shield of Kenya Insurance Co. Ltd.
34. Taisho Monarch Insurance Co. Ltd.
35. The Union Insurance Company of (K) Ltd.
36. Trident Insurance Co. Ltd.
37. United Insurance Co. Ltd.
38. Fidelity Insurance Co. Ltd.

SOURCE: KENYA REINSURANCE CORPORATION
APPENDIX D

PERCEPTIONS COMPARISON

It was stated in the introduction that one of the major questions of the second objective was to determine whether there was a tally between the perceptions of the insurance companies and of the independent insurance agents.

This analysis involved doing some classical hypothesis testing.

The null hypothesis is stated as:

\[ H_0: \text{There is no difference between the perceptions of the insurance companies and that of the agents, and the alternative hypothesis:} \]

\[ H_1: \text{There is a difference in perceptions.} \]

In each case the null hypothesis is tested at 0.05 level of significance. Therefore if the calculated \( t^* \) statistic is greater than 2.02 or less than \(-2.02 \) the null hypothesis will be rejected, otherwise judgement is reserved.

The \( t \) statistic is given by:-

\[
 t = \left( \bar{x}_I - \bar{x}_A \right) - (\mu_I - \mu_A)^* \\
 \sqrt{\frac{S_I^2}{n_I} + \frac{S_A^2}{n_A}}
\]
I = Insurance companies
A = Insurance agents
Other letters are statistically familiar.

* t distribution has been used for obvious reasons.

** from the statement of null hypothesis $\mu_I - \mu_A = 0$
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