STRATEGIES THAT INFLUENCE THE UPTAKE OF LIFE ASSURANCE POLICIES IN KENYA

A Case Study of CfC Life Assurance Company

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OCTOBER, 2011
DECLARATION

I, the undersigned declare that this proposal is my original work and it has never been submitted for award of a degree in any other university, or for any other award.

Name: Kiumbi Rosemary Kavete W. Signature Rulkun Date 01/11/2011

Declaration by the Supervisors

This proposal was submitted with our approval for the candidate under supervision as University Supervisors.

Name: Mr. Nzulwa R. Signature Date 1/11/2011

Name: Mr. Murungi M Signature Date

Lecturers: Department of Business Administration

Name: S. K. Bett Signature Date 25-11-2011

Chairman, Department of Business Administration
DEDICATION

I dedicate this Research Proposal to Lakshmi, my daughter; and to my son Myles.
ACKNOWLEDGEMENTS

I take this opportunity to thank the almighty God for having given me the gift of life, to enable me live my purpose. I am grateful to Kenyatta University (KU), for having given me the power to read and to do all that appertains to it, both in my undergraduate studies, and in my Post graduate studies. Appreciation goes to Mr. Muathe, for having propelled me to write this proposal without delay. Special thanks goes to Mr. Nzulwa and Mr. Murungi for having supervised this project to successful completion.

Not forgetting my daughter Lakshmi and my son Myles, for having beared with me even when I would go home late and not see them for days while pursuing my studies.

Last but not least to my husband Francis for having enrolled me into the MBA program because he believed I could do it.

As I conclude writing this acknowledgement, I do believe that I will be a good ambassador of Kenyatta University in all that I do.
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DEFINITION OF TERMS

Agent – A person who not being a salaried employee of an insurer in consideration of a commission solicits or procures insurance business for an insurer or broker. An agent can represent more than one insurer.

Agency – Describes a relationship between two individuals where one is a principal and the other is an agent representing the principal in transactions with other parties.

Agency Services – Department that deals with administrative issues of agents.

Broker - Insurance salesperson that searches the marketplace in the interest of clients, not insurance companies.

Claim - A demand made by the insured, or the insured's beneficiary, for payment of the benefits as provided by the policy.

Commission - Fee paid to an agent or insurance salesperson as a percentage of the policy premium.

Insurance: A form of risk management, primarily used to hedge against the risk of a contingent or an uncertain loss. Insurance is defined as the equitable transfer of the risk of a loss, from one entity to another, in exchange for payment.

Insurance Contract: It is a promise to make good to the insured a certain sum in consideration for a payment in the form of premium from the insured. The insured receives a contract called the insurance policy.

Insurance policy: Details the conditions and circumstances under which the insured will be compensated.

Insurer: This is the company selling the insurance; an insured or policyholder is the person or entity buying the insurance policy.

Insurance rate: This is a factor used to determine the amount to be charged for a certain amount of insurance coverage, called the premium.

Indemnity - Restoration to the victim of a loss by payment, repair or replacement.
Life assurance: Insurance on human life, payable on an event which is certain to happen, but of unknown timing.

Life Agent: An agent who sells life insurance policies.

Orientation: An introduction of your company to the new employee and of this new person to your business; your clients, products and services, and the way you conduct business.

Risk Management: It is the practice of appraising and controlling risk. It has also evolved as a discrete field of study and practice.
ABSTRACT

Despite life assurance having steadily registered reasonable growth between 2000 and 2009, the penetration levels as represented by the ratio of Gross Direct Premiums to Gross Domestic Product (GDP) stands at 0.78%, which in comparative terms is still lower than other developing countries like South Africa and India with life assurance penetration ratios of 11.56% and 3.00% respectively (AKI Report, 2009). This research, therefore, sought to answer the question, “What are the Strategies that Influence the Uptake of Life Assurance Policies in Kenya?”

The specific objectives were to establish whether development of new distribution channels affects the uptake of life policies in Kenya, to determine if development of new products improves on the uptake of life policies, to examine the effects of training on the performance of life agents with regards to their selling of life policies, to ascertain whether the incentives given to life agents motivate them to sell more life policies, and to evaluate the effect of advertising on the uptake of life policies.

The population in this study comprised of CFC Life Assurance Company, licensed to underwrite life assurance business; and licensed by the commissioner of insurance to transact long term insurance business. It involved the evaluation of 108 CFC Life agents and 5 CFC Life top management, and 44 CFC Life staff. Probability and non-probability sampling were used. Primary and Secondary data collection techniques were utilized. Primary data collection included the use of questionnaires, while secondary data collection involved the use of annual agents’ production reports from CFC Life.

Both quantitative and qualitative approach of data analysis were used. It involved analysis and presentation of the closed ended and open ended questions in the questionnaire through capturing the common answers in the open-ended questions based on their commonality through content analysis.
CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Life assurance is a contract between the policyholder and the insurer, where the insurer agrees to pay a sum of money upon the occurrence of the insured’s death. In return, the policyholder agrees to pay a stipulated amount called premium at regular intervals. There are three parties in a life assurance transaction; the insurer, the insured and the owner of the policy, although the owner and the insured are often the same person. Another important person involved is the beneficiary, who is the person or persons who will receive the policy proceeds upon the death of the insured; when the life assurance policy matures and when the policy is surrendered before maturity. (Vaughn, 1990)

The investigation and resulting evaluation of the risk is called underwriting. In the process, health and lifestyle questions are asked in the application form for a life assurance policy. Certain responses may call for further investigation and from the information provided; the insurance companies determine the insurability. At this point, the life assurance policy application may either be declined (turned down) or rated (increasing the premiums to provide for additional risks relative to that particular life assurance policy applicant). Rates charged for life assurance increase with the insured’s age because the more the people get older, the more they become susceptible to risks such as death, illnesses and disabilities.

The life assurance policy is a legal contract specifying the terms and conditions of the risk assumed. The sum assured of the policy is normally the amount paid when the policy matures; when the insured dies or when the insured reaches a specified age.

AKI Report (2009) categorizes the life assurance policies as whole life, unit linked or endowment life assurance policies. Whole life insurance policies provide for a level premium and a cash value in the policy is guaranteed in the
event of death. Unit linked life assurance policies provide for savings cum protection and there is greater flexibility in premium payment as well as potential for a higher internal rate of return arising from the financial markets, while Endowment life insurance policies have in-built cash value that equals the death benefit or the maturity value at the expiry of the policy period.

There are also various life insurance related products that mainly include riders, single line premiums, group life insurance policy or pension. Riders are modifications to the life assurance policy added at the same time the policy is issued. The riders, in essence, change the basic policy to provide some other value adding features. The most common rider is accidental death which provides for paying twice the amount of the sum assured in case the death results from accidental cause. Another common rider is premium waiver which provides for waiver of future premium if the premium payer is permanently disabled or dies.

Single line premium is a whole life assurance policy with only one premium which is payable at the time the policy is issued. Group life insurance policy is a term assurance covering a group of people, usually employees of a company or members of a union or association. The underwriter considers the size; turnover of the group and the financial strength of the group. Pension is built up throughout a person’s working life and the benefits are paid when the person retires.

Asensio (1999) asserts that life assurance dates back, to ancient Rome in 4500BC when “burial clubs” covered the cost of members’ funeral expenses and helped survivors monetarily. Modern life insurance started in late 17th century in England at Lloyds coffee house which is the predecessor to famous Lloyd’s of London.

The sale of life assurance in the United States of America began in the late 1760’s when the Presbyterian Synods in Philadelphia and New York created the corporation for relief of Poor and Distressed widows and children Presbyterian Ministers in 1759. Episcopalian priests also organized a similar fund in 1769. Between 1787 and 1837 more insurance companies were started and prior to the
American civil war; many insurance companies in the United States insured the lives of slaves for their owners. Many insurance companies have now been established in developed countries like Japan, Germany, France and Italy and also developing countries like South Africa, India, Egypt and Kenya. The insurance sector in Kenya had its humble beginnings in the 1900s with little significance to the GDP at that time (The Insurer, 2003). After independence the sector continued to attract both foreign and local investors, who committed resources and evidently reaped relatively handsome returns and thus attracting other investors to the sector. Currently, the insurance industry comprises of 42 licensed insurance companies with 6 underwriting life insurance; 15 underwriting both life and general insurance (composite) and 21 underwriting general insurance (AKI Report, 2009). However, it was not until 1984 that the insurance Act was enacted and became operational effective 1st January 1987. In order to effectively enforce the Act, the office of Commissioner of Insurance was established.

The immediate challenges then, included determination of minimum capitalization requirements, solvency margins, formulating business standards, establishment of investment guidelines and setting reporting structures. The focus on such operating guidelines play a vital role at providing control mechanisms over insurance companies operations, insurance brokers and insurance agents dealings and also aimed at protecting the interests of the policyholders.

CfC Life has a history of over 46 years offering Life insurance. In 1964, the Kenya American Insurance Company Limited was incorporated in Kenya. In 1987, the organization changed its name to American Life Insurance Company (Kenya) Limited – ALICO Kenya. In 2004, the ‘Life Insurance’ arm (long-term division) of ALICO Kenya was successfully bought by CfC Bank, and CfC Life Assurance Company Ltd was formed. In 2008, CfC Bank, the parent company merged with Stanbic bank, once again converging CfC Life into a new international & dynamic group – CfC Stanbic Holdings. CfC Stanbic Holdings is A Member of Standard Bank Group, the largest financial services Group in Africa
operating in 17 countries. Within the Standard Bank Group, Liberty manages the Insurance and Investment arm. In Kenya Liberty is the strategic investor in CfC Life Insurance and The Heritage Insurance Company. (CfC Life Production Reports, 2011)

Figure 1.1

Standard Bank & Liberty Africa’s Presence in Africa

Source: CfC Life Production Reports

Over the past few years Liberty has made great strides into Africa and currently is present in 11 countries across the continent in Life Insurance, Asset Management and Health Insurance. And the focus is on continuing to expand our offering to
offer value to customers and to find ways that we can offer relevant products and services in the 5 pillars – Life, Health, Short Term, Investment and Property. Some of the products in the CfC Life portfolio include: Lifevest, Whole Life Triple Payment Plan, Educator Plan, Income Builder/Scholar, Endowment Assurance, Term Plans, Mortgage Protector, Individual Pension Plan and Individual Personal Accident. Group/Corporate Products include Group Life, Employee Retirement Benefits (Pension), Last Expense Protection Plan and Group Personal Accident.

CfC Life has an asset base of over Kshs.13 billion. CfC Life has operations in the following regions; Nairobi (16 agencies), Nakuru agency, Eldoret agency, Kisumu agency and Mombasa agency. Below is a summary of the performance of all the CfC Life agencies for the past 3 years.

In the year 2011, Life assurance covers worth Kshs.305,133,842.00 have been given so far as at August 2011; these covers are inclusive of all the 16 agencies of CfC Life. In the year 2010, life assurance covers worth Kshs.518,928,257.00 were given, while in the year 2009, covers worth Kshs.518,409,200.00 were given at CFC Life assurance. Year to date paid annual premium in August year 2010 was Kshs.337,372,917.00 as compared to Kshs.305,133,842.00 in August 2011, a drop of 10%.
<table>
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<tr>
<th>Company</th>
<th>Gross Premiums</th>
<th>Market Share</th>
<th>Reinsurance Net Premiums</th>
<th>Net Premiums</th>
<th>Claims +Benefits</th>
<th>Commissions &amp;Other Expenses</th>
<th>Operating Income</th>
<th>Total Income</th>
<th>Investment Income</th>
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<tr>
<td>Apollo</td>
<td>35,715</td>
<td>0.47%</td>
<td>262</td>
<td>35,453</td>
<td>23,852</td>
<td>2,075</td>
<td>3,864</td>
<td>5,939</td>
<td>24,888</td>
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<td>Briak</td>
<td>1,912,873</td>
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<td>17,098</td>
<td>1,895,775</td>
<td>719,317</td>
<td>668,005</td>
<td>649,838</td>
<td>1,317,843</td>
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<td>Cannon</td>
<td>73,935</td>
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<td>1,027</td>
<td>72,908</td>
<td>50,354</td>
<td>7,987</td>
<td>37,648</td>
<td>45,635</td>
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<td>IC Life</td>
<td>926,379</td>
<td>12.21%</td>
<td>18,884</td>
<td>907,495</td>
<td>556,395</td>
<td>159,313</td>
<td>437,664</td>
<td>596,977</td>
<td>138,139</td>
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<td>IO-operative</td>
<td>102,565</td>
<td>1.35%</td>
<td>8,780</td>
<td>93,785</td>
<td>20,772</td>
<td>21,478</td>
<td>62,584</td>
<td>84,062</td>
<td>10,495</td>
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<td>Corporate</td>
<td>99,079</td>
<td>1.31%</td>
<td>561</td>
<td>98,518</td>
<td>74,904</td>
<td>27,576</td>
<td>17,190</td>
<td>44,766</td>
<td>8,083</td>
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<td>Jemina</td>
<td>13,049</td>
<td>0.17%</td>
<td>1,981</td>
<td>11,068</td>
<td>17,355</td>
<td>2,522</td>
<td>2,844</td>
<td>5,366</td>
<td>14,420</td>
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<td>CEA</td>
<td>584,004</td>
<td>7.70%</td>
<td>13,723</td>
<td>570,281</td>
<td>139,845</td>
<td>132,206</td>
<td>127,85</td>
<td>259,591</td>
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<td>Jubilee</td>
<td>482,833</td>
<td>6.36%</td>
<td>8,569</td>
<td>474,264</td>
<td>203,920</td>
<td>134,986</td>
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<td>Jindia</td>
<td>292,705</td>
<td>3.86%</td>
<td>878</td>
<td>291,827</td>
<td>130,268</td>
<td>46,706</td>
<td>62,667</td>
<td>109,373</td>
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<td>Jeynian Alliance</td>
<td>167</td>
<td>0.00%</td>
<td>114</td>
<td>54</td>
<td>5,918</td>
<td>139</td>
<td>1,665</td>
<td>1,804</td>
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<td>Madison</td>
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<td>1,2228</td>
<td>433,376</td>
<td>359,378</td>
<td>37,143</td>
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<td>Metropolitan Life</td>
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<td>21</td>
<td>59,943</td>
<td>782</td>
<td>3,279</td>
<td>68,410</td>
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<td>Old Mutual</td>
<td>378,056</td>
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<td>20,061</td>
<td>357,995</td>
<td>158,875</td>
<td>77,614</td>
<td>667,458</td>
<td>745,072</td>
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<tr>
<td>an Africa Life</td>
<td>1,512,171</td>
<td>19.93%</td>
<td>13,247</td>
<td>1,498,94</td>
<td>1,179,822</td>
<td>269,236</td>
<td>384,658</td>
<td>653,894</td>
<td>368,508</td>
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<tr>
<td>Pioneer</td>
<td>289,971</td>
<td>3.82%</td>
<td>140</td>
<td>289,831</td>
<td>166,625</td>
<td>70,261</td>
<td>80,572</td>
<td>150,832</td>
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<tr>
<td>Picker</td>
<td>131,119</td>
<td>1.73%</td>
<td>115</td>
<td>131,004</td>
<td>43,422</td>
<td>40,579</td>
<td>41,738</td>
<td>82,317</td>
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<tr>
<td>Trinity</td>
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<td>0.23%</td>
<td>27</td>
<td>17,289</td>
<td>12,687</td>
<td>539</td>
<td>27,939</td>
<td>28,478</td>
<td>40,233</td>
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<td>------</td>
<td>------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Gross Claims Paid (Kshs)</td>
<td>Share</td>
<td>Gross Claims Paid (Kshs)</td>
<td>Share</td>
<td>Gross Claims Paid (Kshs)</td>
<td>Share</td>
<td>Gross Claims Paid (Kshs)</td>
<td>Share</td>
<td></td>
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<tr>
<td>Ordinary Life</td>
<td>3,929,535</td>
<td>37.08%</td>
<td>3,740,162</td>
<td>35.29%</td>
<td>4,096,137</td>
<td>42.09%</td>
<td>4,095,582</td>
<td>49.63%</td>
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<td>Group Life</td>
<td>4,133,953</td>
<td>39.01%</td>
<td>2,718,695</td>
<td>25.65%</td>
<td>1,451,272</td>
<td>14.91%</td>
<td>1,274,149</td>
<td>15.44%</td>
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<tr>
<td>Pensions</td>
<td>4,711,578</td>
<td>44.46%</td>
<td>4,139,192</td>
<td>39.06%</td>
<td>4,183,946</td>
<td>42.99%</td>
<td>2,882,221</td>
<td>34.93%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>12,775,066</td>
<td>100.00%</td>
<td>10,598,049</td>
<td>100.00%</td>
<td>9,731,355</td>
<td>100.00%</td>
<td>8,251,952</td>
<td>100.00%</td>
<td></td>
</tr>
</tbody>
</table>

Figures in Kshs.000

Source: AKI Report 2009
1.2 Statement of the Problem

Despite life assurance having steadily registered reasonable growth between 2000 and 2009, the penetration levels as represented by the ratio of Gross Direct Premiums to Gross Domestic Product (GDP) stood at 0.78% in 2009 which in comparative terms is still lower than other developing countries like South Africa and India with life assurance penetration ratios of 11.56% and 3.00% respectively (AKI Report, 2005).

To the average Kenyan, insurance is still sold, and not bought. So far, CfC Life Assurance Company has employed several strategies to help increase the uptake of life policies; amongst them being training, advertising, corporate branding (image building), agents incentives, investment in IT, improvements in Customer Service Units, development of new distribution channels, and development of new products. Despite all these, the uptake of life policies is still low. There is therefore, still need to evaluate the main strategies that influence a higher uptake of life policies. This research, therefore, seeks to answer the question, “What are the Strategies That Influence the Uptake of Life Assurance Policies in Kenya?”

1.3 Objectives of the Study

1.3.1 General Objective

To analyze the Strategies that Influence the Uptake of Life Assurance Policies in Kenya.

1.3.2 Specific Objectives

a) To establish whether development of new distribution channels affects the uptake of life policies in Kenya.

b) To determine if development of new products improves on the uptake of life policies.
c) To examine the effects of training on the performance of life agents with regards to their selling of life policies.
d) To ascertain whether the incentives given to life agents motivate them to sell more life policies.
e) To evaluate the effect of advertising on the uptake of life policies.

1.4 Research Questions

1. How does the development of new distribution channels affect the uptake of life policies?
2. How does the development of new products improve on the uptake of life policies?
3. What is the effect of training on the performance of life agents with regards to their selling of life policies?
4. What is the importance of the incentives given to life agents as a tool to help them sell more life policies?
5. How does advertising affect the uptake of life policies?

1.5 Significance of the Study

This study provides an opportune moment for the insurance industry players, and specifically CFC Life, to invest extensively on research and development so as to introduce product packages geared towards enhancing the penetration levels of life assurance and thus exploit the untapped potential segments of the market.

This study presents an opportunity for the government to formulate a suitable policy framework in a bid to spur growth in the life assurance industry. Priority areas in this regard would include the establishment of an autonomous regulatory authority and enhanced tax incentives on life assurance policies.
This study serves as a stimulus to carry extensive research on the unexplored potential and future challenges to life assurance industry in Kenya. This will no doubt contribute towards enriching their knowledge of the life assurance industry.

This study will enable potential investors in the life assurance industry to gain a greater appreciation of the opportunities and challenges facing the life assurance sub sector.

The study will facilitate better understanding of life assurance by the Public in general and the policyholders of the life assurance, and embrace the same so as to enormously benefit from the industry which has been misunderstood by many people.

1.6 Scope of the Study

This study involved the evaluation of 108 CFC Life agents, 5 CFC Life top management, and 44 CFC Life staff members.

The time frame of the study entailed the evaluation of life policies uptake at CFC Life for the last 3 years (from year 2009 to year 2011).

1.7 Limitations of the Study

The limitation of geographical distances between the agents in our different agencies was overcome by the use of ICT through email, telephone and mobile phone.

Unco-operative respondents were tackled through the early booking of appointments, which enabled adequate interview sessions.

Limited literature material for research was a limitation handled through the use of personal interviews with top management of CFC Life Assurance
Company, Agency Managers of CfC Life, and questionnaires administered to the CfC agents.

1.8 Assumption of the Study

This study assumed that Life Assurance companies in Kenya intend to increase their market share and be major contributors to the Kenya government’s Gross Domestic Income. It also assumed that all respondents would give unbiased and honest information that was required of them.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of literature pertinent to the study as presented by various researchers, scholars, analysts and authors. It summarizes literature that has been reviewed. It contains the Theoretical Review, Empirical Review and Conceptual framework.

The Theoretical Review covered the areas of life assurance policies in the context of financial assets, the role of insurance funds in investment financing, life assurance as a risk management instrument and life assurance as an alternative investment financial instrument.

The Empirical Review critically looked at each independent variable, while the Conceptual Review summarized on the framework of the whole study.

2.2 Theoretical Framework

There has been negative perception created by insurance companies which have collapsed with unsettled claims. Due to such incidences; a constant lack of trust between insurance companies and the public has emerged. Some members of the public view insurance people as conmen and sweet talkers who are only interested in getting money from the public (while smiling) and running away whenever there is a claim. Even the honest players in the insurance industry have been forced to bear with suspicious treatment by the members of the general public. However, most of the existing insurance companies have differentiated themselves by truly building trust amongst the clients through efficient and effective customer service strategies. This has indeed helped in demystifying insurance (Demystifying Insurance, 2006).
2.2.1 Life Assurance Policies in the Context of Financial Assets

Vaughen (1990) stipulates that life assurance provides protection against the occurrence of contingencies such as death, disability and old age. Level premium payments are usually made in exchange for the desired protection. Faced with increasing risk levels for most of these contingencies as contrasted with the level premium charged, life assurance companies set aside reserves in early years to cover the deficit in later years. Reilley and Brown (1997) observed that life assurance companies invest in long-term investment instruments to match their long-term obligations. Further, because pricing of life assurance policies is fixed in advance, life assurance has guaranteed investment returns over the life of a policy. Clayton (1970) argues that the huge resources and conservative practices of life assurance companies reasonably guarantee their ability to discharge their contractual obligations.

2.2.2. The Role of Insurance Funds in Investment Financing

Gurley and Shaw (1956) argue that capital formation takes place through two stages, savings and investment. When individuals and businesses save, they postpone their current consumption in preference for future consumption. In economic terms; for these entities to save, the standard of living must be high enough to allow some income to be channelled to other uses other than consumption. The process of saving is associated with financial institutions whose function is to accept savings from individuals and put them into productive use. Clayton (1970) further asserts that life assurance companies play a very great role in achieving this objective. However, it is worth noting that the growth of life assurance institutions and also, the rate of savings accumulation depend on the strength of the incentives given to the potential savers.

Clayton (1970) also observes that that the second process of capital formation is investment. In money terms, it means turning over savings to entrepreneurs who need them to acquire capital goods. Investment cannot be accomplished without
savings, and on the other hand, savings is not productive unless accompanied by investment. The mobilization of saving resources is as important as their efficient allocation. Life assurance companies act as savings mobilization vehicles by making investment funds available in large volumes.

Insurance Sector is Struggling to Survive (1999), asserts that the life assurance industry is an important vehicle of development in any economy. The industry protects and conserves the wealth of a nation by trading off uncertainty associated with risk. (Vaughen, 1990) argues that the aim of good business enterprise is to utilize resources, both in men and materials, with minimum friction to achieve maximum results. Outroville, 1998 points out that the insurance sector plays a crucial role in maintaining a steady economic growth in several ways. Swiss Re report (2009) denotes that insurance cushions the impact of catastrophes on the economy. Insurance helps to maintain the risk taking propensity of the entrepreneurs.

The Insurance Digest (2003) articulates the effects of insurance transactions on balance of payments. Insurance companies operation affects not only a country’s domestic economy but also its economic relations with the rest of the world. Developing nations lack the capacity to bear losses associated with disastrous calamities and as such would be better protected against such risks through offshore reinsurance treaties. Kenya having only two indigenous reinsurers namely Kenya Re and East Africa Re, our expenditure on reinsurance outwards still exceeds cash inflows on insurance due to the limited local retention capacity. Majority of the local insurance firms hold various reinsurance treaties with regional reinsurers such as ZEP-RE, international reinsurers such as Swiss Re, Munich Re, Hannover Re and other offshore reinsurers.
2.2.3 Life Assurance as a Risk Management Instrument
Wasow and Hill (1986) stipulate that the basic function of life assurance as means of protection against economic loss has helped in its growth to the sophisticated levels to-date. Life Assurance provides cover to individual policy holders against ill health, disability, premature death, natural calamities and financial insecurity in old age. On the other hand, education, group life, last expense, mortgage protection policies and pension schemes work towards providing financial security to the insured and surviving dependants, thereby reducing over-dependence on the community. At the national level, life assurance provides a mechanism of mobilizing capital for economic development. As per the Insurance Digest (2003), escalation in risk factors on human life has created a strong demand for assurance products. Globally, Swiss Re’s Sigma study on the worldwide insurance industry shows that life assurance premiums amounted to USD1,974 billion in 2005 with Africa contributing a paltry USD28 billion. The importance of protection against life related risks within Kenya is amplified by the existence of HIV Aids pandemic, terrorism threats, road carnage, increasing insecurity and natural disasters. Locally, terrorism threat is a reality in Kenya following the August 7, 1998 bombing of US Embassy and also Paradise Hotel in Kikambala blast in November 2002.

2.2.4 Life Assurance as an Alternative Investment Financial Instrument
The Insurance Digest (2003) points out that the primary business of life assurance companies is no longer restricted to conventional life assurance products; it has grown to encompass the underwriting of annuities, hybrid life assurance and investment products and contracts that guarantee a fixed or variable return over a given period of time. Nevertheless, the sale of such life assurance products as whole life and term life policies in particular still remains an important part of the core business. (Clayton 1970) argues that life assurance is essentially an investment of savings that offers a tax-free sum to the beneficiary at a specified time in future. (Kumar 2000) observed that life assurance products compete with investment and savings options like mutual funds. It is therefore imperative that
they should offer comparable returns and flexibility. Life insurers invest the premiums they collect not only in government and corporate bonds, but also in mortgage loans.

Besides annuities and life assurance, life insurers may offer other types of financial services such as asset management. Kasali (1996) argues that the lack of a comprehensive social security system combined with the willingness to save in the Kenyan context translates into increased demand for pension products. This, therefore, provides a very good opportunity to penetrate the potential markets by converting the pension products into attractive saving instruments. Among the non conventional life assurance products is credit life assurance (Nelson, 1997). It is a specialized form of decreasing term insurance cover for the loans disbursed. The borrower pays the premium, generally as part of the credit transaction, to cover the outstanding loan in the event he or she dies. The face value of a policy decreases as the loan is paid off until both equal to zero. Credit insurance therefore acts a protection shield to the insured's investments against credit financiers in the event of untimely demise of the policy holder.

According to the AKI Report (2009) Africa produced only 1.94% of the global premium volume in 2009. Life insurance premiums fell by 15% to USD 33billion. South Africa is the dominant market accounting for 90% of the total volume. In South Africa, life insurance premium fell by 16%. Premium Growth in Morocco remained flat at 0.1%, while in Egypt, the third largest market, premiums shrank by 5%. According to available information from Swiss Re (2009), growth in non life insurance business in Africa was sluggish at 0.4%. Non life premium was USD 17 billion. South Africa accounted for 50% of the premium. A summary of the performance of 7 African countries is shown below:
Table 2.1

<table>
<thead>
<tr>
<th>Country</th>
<th>Life Premium</th>
<th>Penetration</th>
<th>Total Premium</th>
<th>Total Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD Millions</td>
<td>% of GDP</td>
<td>USD Millions</td>
<td>% of GDP</td>
</tr>
<tr>
<td>Kenya</td>
<td>285</td>
<td>0.94</td>
<td>860</td>
<td>2.84</td>
</tr>
<tr>
<td>Algeria</td>
<td>63</td>
<td>0.56</td>
<td>797</td>
<td>0.6</td>
</tr>
<tr>
<td>Egypt</td>
<td>825</td>
<td>0.9</td>
<td>2,583</td>
<td>2.8</td>
</tr>
<tr>
<td>Nigeria</td>
<td>147</td>
<td>0.1</td>
<td>934</td>
<td>0.5</td>
</tr>
<tr>
<td>Tunisia</td>
<td>100</td>
<td>0.1</td>
<td>758</td>
<td>1.9</td>
</tr>
<tr>
<td>South Africa</td>
<td>18,773</td>
<td>10.0</td>
<td>36,987</td>
<td>12.9</td>
</tr>
</tbody>
</table>


2.3 The Empirical Review

No research had been conducted so far evaluating the strategies that influence the uptake of life policies in Kenya.

2.3.1 Development of New Distribution Channels.

Another potential channel that has drastically reduced the need for an owned distribution network is website marketing or E-insurance. The emerging interest in e-commerce has emerged to become a major factor in the marketing of insurance products in the immediate future. The Internet utility has gained momentum and the trend has already been set by some of the leading insurers and insurance brokers worldwide. Developments and usage of the internet in the insurance industry has grown rapidly over the past 10 years. Insurers have been
working to capitalize on this trend. The e-insurance market is moving fast from an embryonic stage to a developmental stage. A basic infrastructure for e-insurance has developed and most of insurance websites now allow users to purchase insurance online through the creation and provision of interactive services. It is important to note that at the initial stages; the internet service provided by the insurance companies was on information based services.

According to unpublished dissertation by Arora (2003) presented to Cass Business School-City of London; E-insurance has the following benefits:

**New market players:** Traditionally, the main barrier to venturing into insurance industry is distribution. The internet overcomes this by having low barriers to entry and thus encourages new players into the insurance market. Moreover, it emphasizes the significance of being competent in branding and direct marketing such as company advertising.

**Globalization:** Historically, insurance has been domestically based with little or no international focus. The internet directly facilitates globalization and allows a global distribution potential to exist.

**Social changes:** Changes in patterns of employment, such as “flexi-time” working, means a new type of customer with different requirements. The internet largely facilitates this by changing working and living habits and allowing more working from home. Consequently, this has several implications for the type of insurance people want to buy; for instance employees may not thus need longer term types of insurance; the risk and rating factors may be reduced.

**Customer power:** Owing to the accessibility, user friendliness and low barriers to entry, customers can readily compare offerings between companies and find most suitable offer for them within a relatively short period. Customers therefore regard branding as a key source of competitive differentiation amongst businesses. Quality and price also influence market share in a market where the customer expectations are continually becoming more demanding. The web enables consumer-purchasing decisions to be analyzed even on a one to one basis.
Speed: The evolution of value chain into a value network speeds up the delivery of the service to the customer. Factors of competitive differentiation such as price demand and competition are readily available to a firm, which allows real, time dynamic pricing. In Kenya; CFC Life Assurance Company has turned to web to drum up new business (Financial Standard, 2006). At least three more insurers are expected to follow suit soon according to the report. During the launch, CFC Life Managing Director explained that the progressive rollout is in line with the global changes in the way the insurance business is transacted and changing customer expectations. He reckoned that the conventional approach of Kenyan life assurance companies to marketing and servicing their business has singularly failed to make headway in terms of market penetration. The website in this case increases accessibility to a wide range of life assurance products.

The drive to reap benefits from re-engineered products, improved underwriting procedures, better risk management and excellent customer service, culminated into aggressive marketing strategies aimed at accelerating growth in premium income. In recent past; the Kenyan market has witnessed substantial shift in the distribution of insurance products. Many of these changes are in line with the International trends dimension. In other markets, notably Europe, this has resulted in bancassurance. The Netherlands led with the financial services firms providing entire range products including bank accounts, life assurance, motor, property insurance and pensions. Other European markets have followed suit with France having over half of all life assurance sales made through banks.

According to Swiss Re report (2009), Buying Alico from AIG Stirs MetLife Globally, market integration among the world has largely benefited the financial market. Congruously, the Insurance industry over the world has grown very rapidly. The statistics on the world insurance conducted by Swiss Re show that world insurance premium reached $3.4 trillion in 2005. Premium collections from both life and non-life sources have increased by 3.9 and 0.6 percent respectively. Developed countries over the world have better insurance coverage. But in recent
years the developing nations have captured a better market share in the insurance business. In leading countries the insurance business and premiums for 2009:

Table 2.2

<table>
<thead>
<tr>
<th>Countries</th>
<th>Non-Life Premiums</th>
<th>Life Premiums</th>
<th>Total Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>$625,838</td>
<td>$517,074</td>
<td>$1,142,912</td>
</tr>
<tr>
<td>Japan</td>
<td>100,523</td>
<td>375,958</td>
<td>476,481</td>
</tr>
<tr>
<td>U.K.</td>
<td>100,629</td>
<td>199,612</td>
<td>300,241</td>
</tr>
<tr>
<td>France</td>
<td>68,162</td>
<td>154,058</td>
<td>222,220</td>
</tr>
<tr>
<td>Germany</td>
<td>107,026</td>
<td>90,225</td>
<td>197,251</td>
</tr>
<tr>
<td>Italy</td>
<td>47,453</td>
<td>91,740</td>
<td>139,194</td>
</tr>
<tr>
<td>South Korea</td>
<td>24,085</td>
<td>58,848</td>
<td>82,933</td>
</tr>
<tr>
<td>Canada</td>
<td>44,267</td>
<td>34,456</td>
<td>34,456</td>
</tr>
<tr>
<td>Netherlands</td>
<td>29,159</td>
<td>31,914</td>
<td>61,073</td>
</tr>
<tr>
<td>Spain</td>
<td>34,757</td>
<td>25,518</td>
<td>60,275</td>
</tr>
</tbody>
</table>

Source: Swiss Re, sigma, No. 5/2009

A report titled Africa Insurance Market Outlook (2011), provides an in-depth analysis of the Africa insurance industry. The report covers specific insights on the market size, insurance density, insurance penetration and segmentation, drivers and restraints, recent trends and developments and future outlook of the insurance industry in Africa and in couple of countries including the South Africa and Morocco. The report also entails the market size on the basis of gross insurance premium written in case of life and non-life insurance and market share of various companies at the country level. Overall, the report offers a comprehensive analysis of the entire African insurance industry. African insurance market is dominated by life insurance segments with majority of the insurance premium written in 2009. The distribution channels have also evolved in the region with new medium of bancassurance gaining more
popularity. Distribution channel of Brokers and Agents have continued to remain strong with new association coming up in the region.

2.3.2 Development of New Products

Kenya Insurance Report (Q2, 2011) estimated total premiums in 2010 of KES72,641mn. This included non-life premiums of KES47,051mn and life premiums of KES25,590mn. In 2015, the corresponding figures are forecast to be KES139,968mn, KES99,531mn and KES40,438mn respectively. In terms of the key drivers that underpin our forecasted, it is expected that non-life penetration will rise from 1.60% in 2010 to 1.85% in 2015, and for life density to rise from US$8 per capita to US$13 over the same period. BMI's proprietary Insurance Business Environment Rating for Kenya is 36.8. Issues To Watch Product Development And Pricing Traditionally, the products produced by Kenyan insurers have often been suboptimal, undifferentiated and have competed on price alone.

Having 42 registered insurers, out of which 20 underwrite non-life, 2 exclusively life assurance companies and 20 composite insurers, the Kenyan Insurance industry is continuously becoming very competitive. Most companies are finding it a challenge to maintain professionalism and profitability in a business environment that elicits overcapacity. Rooted to the drive to acquire business and meet premium targets; some insurers have resorted to unethical competition practices through undercutting premium rates. (The Insurance Digest, 2003) pointed out that the drive to sustain premium levels by Insurers led to re-engineered life products designed to reflect changes in market expectations. In the recent past, the Kenyan market has experienced the emergence of Unit-linked and Inflation-indexed life policies. Unit-linked policies bear investment characteristics and offer the insured ‘guaranteed’ rate of return pegged on the performance in the money, income, equity and balanced funds. The first half of the year 2005 saw the introduction of Unit-linked products in the Kenyan market with two life insurance
giants; British American Insurance Company Limited and Madison Insurance Company Limited launching new product brands under the trade names “The Super Saver” and “The Smart Saver” respectively. CfC Life Assurance launched the Lifevest Investment policy in year 2009.

Additionally, the pricing of life policies has evolved from conservative approach based on generalization of the insuring public to individualized risk assessment. Traditional Underwriting practices would penalize the low risk category, which is indeed the majority, for instance failure to differentiate between smokers and non-smokers in fixing premium for life policies. Premium rating in modern times is strictly based on risk assessment pegged on medical tests, health history, occupation, diet patterns and psychological evaluation. (The Insurance Digest, 2003)

2.3.3 Training

According to reports by Udanga (2011), the life insurance industry worldwide virtually stalled in 2010 despite total annual premium growing over the year. Insurance Savings Industry Association statistics show the yearly spend on life insurance stood at just under $1.6 billion by December 31, 2010. That's up $133 million or 9.1 per cent on the same time the previous year. However, the number of benefits (type of cover such as life, trauma, disability) moved up only 1.87 per cent, to 3.44 million compared to 3.37 million the previous year. The figure matches anecdotal accounts from financial advisers that they were bringing in less new business, especially in the last half of 2010.

The Financial Service Providers Act which took effect on December 1, 2010 requires financial advisers to be registered by March 31 every year. The purpose of the Financial Advisers Act is to promote the sound and efficient delivery of financial advice, and to encourage public confidence in the professionalism and integrity of financial advisers.
Human Capital Management Journal of Business Ethics (2000) explains that an orientation is merely an introduction of a company to the new employee and of this new person to the business; clients, products and services, and the way business is conducted. Many new employees become frustrated and decide that accepting the job offer was a mistake because the new employer did not take the time to orient him or her to the new job. This is because many business owners and managers do not understand the value of orientation programs in their organizations and are resentful of the time new employees spend in them. Good orientations make a big difference in organizational results. If employees are not properly introduced into the organization to learn the Mission Statement and how their fellow employees treat one another and the client, it poses a challenge of them possibly contributing to production, quality, and customer service as effectively as required.

According to News Eagles Report (2008), training is one measure of the level of commitment investment advisors provide to their clients,” stated V. Philip Reim, chief executive officer. Good orientations impact an organisation’s bottom line. They have the ability to allow agents to be more productive and more engaged in the organisation quickly. The more welcoming and supportive an organisation is to its new agents, the better chance they have of ensuring a longer working relationship and better profits. The CfC Life orientation process is allocated a 6 month period from the reporting date of the new agent to their settling in into their agencies.

First Command Advisor Group Report on Financial Planning (2011) that has a history of serving the financial planning needs of American families begins in the early 1950s, when United States Air Force Lt. Col. Carroll Payne had the occasion to work closely with the families of several airmen killed in flight. Saddened by the survivors’ financial difficulties and recognizing that without intervention, military families would struggle and often fail to realize their
financial goals and dreams, Lt. Col. Payne began laying the groundwork for the company he would organize in 1958 and which would grow to become First Command. Their mission is coaching those who serve in their pursuit of financial security, through planning and solutions that embrace time-tested principles such as consistent saving, disciplined investing, and a thoughtful insurance strategy to manage risks to financial well-being.

As a Registered Investment Adviser firm, they commit themselves to a fiduciary standard in their relationships with clients, assuming the obligation to always put their interests first in the advice they provide. Candidates with no experience as a financial advisor enter their 13-Week Advisor Orientation Program (AOP). The AOP was designed to help unlicensed professionals obtain their Life/Health and the Series 6 and 63 Securities Licenses. It also acquaints advisor trainees with the tools necessary to build a successful business. The AOP provides training materials and coaching from a local District Advisor. Following completion of licensing, the AOP and attendance at their 1-week Essentials of Success Course in Fort Worth, Texas, the candidate becomes a Gateway Advisor Employee. Experienced advisors enter the AOP as well, but depending on possession of certain active Securities Licenses, may exit the program and become a Gateway Advisor in a shorter time frame.

2.3.4 Incentives to the Agents
According to The Future of Final Expense journal (2011), insurance companies should be committed to standing behind each individual agent through offering numerous exciting incentives for agents. It is important to provide an atmosphere for agents that is not only energizing but a relief from the typical 9 to 5 job. Getting things done right the first time starts with agents. Making a sale each day is hard, but with determination and perseverance, nothing is impossible. Every Manager should go outside the corporate boundaries for rewarding agents.
Providing numerous incentives not only provides fun for the agent but the agent's family as well.

Some of the annual incentives that are given out include destination trips to exotic places, agent of the year award competitions, regulated commissions, quality bonuses, medical aid, monthly credited phone facility, group life covers, and pensions.

Insurance Journal West Magazine (2005, April), states that the present incentive structure allows high front-loading of agent commissions. An agent is paid as high as around 40 per cent of premium for the first year for certain products, 7.5 per cent for the second and third years and 5 per cent for the following years. The proposed structure suggests that the upfront commission embedded in the premium paid be immediately cut to not more than 15 per cent of the premium, falling to 7 per cent in 2010 and nil by April 2011,” he adds, during the course of a recent email interaction with Business Line.

Agents’ incentives plans must work. If they do not, why do many insurance companies continue to pour money into the plans even in times of inflation? At the same time, much evidence exists that employee incentive plans do not work as commonly used. They do not increase the quantity of results, perhaps only maybe in the short term. And rarely do their special rewards and benefits increase employee productivity. Given the apparent contradiction between practice and results, it is clear that successful incentive plans can, however, get people’s attention and make clear to them what you really care about most. It is therefore up to each organization to align themselves with people and inspire them by their organizational goals so that they pursue those goals with a passion – a passion that cannot be built through an incentive plan that offers employees rewards and benefits. (Insurance Journal West Magazine (2005, April),
If an organization believes that a highly charged and effective sales force can make the difference, then a creatively executed sales incentive program is a key ingredient for success. Today's sales force is not motivated by seeing their name engraved on a "Sales Employee of the Month" plaque. For sales incentive programs to work, companies must recognize and reward their top-performers, giving them the power of choice. An organization's culture does not necessarily reflect the espoused list of values developed at an offsite meeting by the executive team and framed on the wall in the lobby. These are ideals. The culture we "claim" (vision, mission, values), may not be the true culture of the organization. It is the organization's DNA. In reality, what management pays attention to and rewards is often the strongest indicator of the organization's culture. This is often quite different than the values it verbalizes or the ideals it strives for. Culture comprises the deeply rooted, but often unconscious, beliefs, values and norms shared by the members of the organization. This means that employee engagement is crucial to the organization's success. Insurance Journal West Magazine (2005, April)

Insurance Advertising for Insurance Agents (2011), articulates that motivation must come from within and be fostered by management in order to achieve success. Some ways to accomplish this are through creating a framework from which to create, develop and maintain company culture strategy, survey your employees on what they think about the culture of the company, lead by example, ensure trust through honesty, availability, consistency, fairness and clear direction; give purpose and respect to each employee, and capitalize on employee development opportunities.

2.3.4 Advertising

Insurance is a fast-paced field with a wealth of opportunities to offer motivated professionals and talented salespeople, and having the right personal skills coupled with a great attitude and the proper credentials can make for a great
beginning to a successful career in insurance. But there are other components necessary for launching or improving an effort in selling insurance, no matter the specific type or line involved. Among these insurance advertising is a central necessity that can make or break a campaign, no matter how great or well-prepared its other elements may turn out to be. Understanding advertising as a standalone concept can be helpful in the quest to gain an advantage in the insurance world, but being able to apply advertising principles to insurance while staying up to date on the newest trends and ideas in both fields are sure ways to realize productive advertising campaigns. (Insurance Advertising for Insurance Agents, 2011).

Insurance advertising for Insurance agents (2011), articulates that insurance advertising has typically based its primary methodologies and attributes on the type of insurance that is being sold. Because emotional content is an important part of selling insurance, it's imperative to have a good idea of the feelings and thoughts associated with different types of plans. People interested in purchasing disability or final expense insurance probably won't be as responsive to overly-enthusiastic, unsympathetic advertising, whereas those shopping for business insurance likely don't wish to focus on worst-case scenarios, but rather have a positive spin put on the aspects of the plan or package they're considering. There is ample market research available for studying the emotional triggers and associations involved with different types of insurance, though local surveys may be of use to especially ambitious agents.

As with the identification and proper usage of emotional content in insurance advertising, knowing where and when to place advertisements is crucial for making good impressions that last. Placing an advertisement in an inappropriate area or coinciding with a conflicting topic, time, or event may actually work against an agent or broker, creating a false impression of tactlessness or pushiness that can ruin a reputation from the start. The best time and place to reach insurance shoppers and obtain quality insurance leads is when they're actively thinking about insurance or the risks of being uninsured, and meeting these ideas with an offered solution that seems well-suited to their individual situation.
Nailing placement and time context along with hitting all the right emotional buttons and avoiding the wrong ones are elements of insurance advertising that have been in place for decades, but which are receiving new faces thanks to the advent of the Internet and its effective use of acquiring insurance leads. With the number of insurance shoppers online growing at an exponential rate, the opportunities for increasing sales, creating agency or name awareness, and effectively carving out a piece of virtual real estate are abundant, and advertising methods are adapting at a wild pace in an attempt to keep up with the boom. (Insurance Advertising for Insurance Agents, 2011)

Today, information about insurance shoppers online can be quickly and easily accessed, and targeting various kinds of emotional content is easy with sites that are specifically related and may already have the shoppers in the right frame of mind to receive an advertisement. Likewise, online tools make it easy to achieve perfect placement at just the right time, greeting potential insurance leads when they are most susceptible to making a purchase or remembering a name. With classic concepts still intact, insurance advertising is growing quickly to meet the needs of promoting and selling all types of insurance online.

According to Kenya Insurance Report (Q2, 2011), Political problems and a tricky economic climate have not stopped the insurance industry from flourishing in Kenya. The life and non-life subsectors have steadily and strongly grown and this is expected to continue. However, this has not meant consistent profitability across all the companies involved or all business lines. Given that Kenyan insurance market is an evolving market, there is a large population in urban, semi-urban and rural areas that is still unaware and uninsured.

To improve profitability in the life assurance industry, production levels need to change. Actions Of The Regulation Authority In May 2007, regulatory responsibility for the insurance sector was transferred to the Insurance Regulatory Authority (IRA). In 2008, the authority published a corporate plan that showed that it has a clear understanding of the problems facing the industry. It continues to be a potential driving force in the development of the new insurance act and its
actions will dictate how much the industry's problems and challenges are likely to be overcome. Further, any industry consolidation is a favourable development, as would any move by the foreign groups that are already present in Kenya to increase their investments.

The gross written premium from life insurance business was Kshs 21.36 billion.

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life insurance</td>
<td>8.50</td>
<td>9.97</td>
<td>11.03</td>
<td>12.48</td>
<td>15.14</td>
<td>18.30</td>
<td></td>
</tr>
</tbody>
</table>

21.36*

Figures in billions Kenya shillings.

*Includes deposit administration contributions

**Premium Income**

The total premium income and pensions contributions from all the three classes of Life insurance business (Ordinary Life, Group Life and Deposit Administration) was Kshs 21.36 billion in 2009 compared to Kshs 18.30 billion in 2008. This represents a growth of 16.7% (2008: 20.9%). However, the contribution of the life insurance sector to the GDP was 0.94% (2008: 0.87%). Ordinary life business recorded a gross premium income of 7.59 billion in 2009 compared to 7.11 billion in the year 2008. The growth in the ordinary life business during the year was 6.8% (2008: 17.3%) Group life business recorded gross premium income of Kshs 5.61 billion compared to Kshs 4.57 billion in 2008. The growth in group life business during the year was 22.8% (2008: 26.9%). Contributions to deposit administration schemes during the year amounted to Kshs 8.17 billion compared to Kshs 6.63 billion in 2008, a growth of 23.2% (2008: 20.1%). (AKI Report, 2009)
Figure 2.1

Growth of Life Insurance in Kenya


Table 2.3 Insurance Performance Relative to Economy

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP at Market Prices</th>
<th>Life Insurance Premium</th>
<th>Life Insurance Penetration &amp; GDP</th>
<th>Non-life Insurance Premium</th>
<th>Non-life Insurance Penetration &amp; GDP</th>
<th>Total Premium*</th>
<th>Total Penetration % GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>1,136.3</td>
<td>8.50</td>
<td>0.75%</td>
<td>19.40</td>
<td>1.69%</td>
<td>27.90</td>
<td>2.44%</td>
</tr>
<tr>
<td>2004</td>
<td>1,282.5</td>
<td>9.97</td>
<td>0.78%</td>
<td>22.78</td>
<td>1.76%</td>
<td>32.75</td>
<td>2.54%</td>
</tr>
<tr>
<td>2005</td>
<td>1,412.5</td>
<td>11.03</td>
<td>0.78%</td>
<td>25.39</td>
<td>1.79%</td>
<td>36.42</td>
<td>2.57%</td>
</tr>
<tr>
<td>2006</td>
<td>1,642.4</td>
<td>12.48</td>
<td>0.76%</td>
<td>29.20</td>
<td>1.78%</td>
<td>41.68</td>
<td>2.54%</td>
</tr>
<tr>
<td>2007</td>
<td>1,814.2</td>
<td>15.14</td>
<td>0.83%</td>
<td>32.95</td>
<td>1.82%</td>
<td>48.09</td>
<td>2.65%</td>
</tr>
<tr>
<td>2008</td>
<td>2,099.7</td>
<td>18.30</td>
<td>0.87%</td>
<td>36.89</td>
<td>1.76%</td>
<td>55.19</td>
<td>2.63%</td>
</tr>
<tr>
<td>2009</td>
<td>2,273.6</td>
<td>21.36</td>
<td>0.94%</td>
<td>43.11</td>
<td>1.90%</td>
<td>64.47</td>
<td>2.84%</td>
</tr>
</tbody>
</table>

Figures in Billions Kshs. Includes Pensions Contributions Insurance Penetration = Gross Premium (GDP) * 100. The penetration of insurance in year 2009 was 2.84% compared to 2.63% in 2008. Life insurance recorded a penetration ration of 0.94% (2008:0.87%) while that of non-life insurance was 1.90% (2008:1.76%).

2.4 Conceptual Framework

**Topic:** Strategies that Influence the Uptake of Life Policies in Kenya.

**Figure 2.2**

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of New Distribution Channels</td>
<td></td>
</tr>
<tr>
<td>Development of New Products</td>
<td></td>
</tr>
<tr>
<td>Training</td>
<td></td>
</tr>
<tr>
<td>Incentives to the Agents</td>
<td></td>
</tr>
<tr>
<td>Advertising</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Uptake of Life Policies</td>
</tr>
</tbody>
</table>

*Source: Researcher (2011)*
2.5 Overview of Literature Review and Research Gaps

From the conducted literature reviews, it was a clear indication that no studies had been conducted so far evaluating the strategies that influence the uptake of life policies in Kenya. The conducted literature review indicated no clear illustrations on the challenges contributing to the low life assurance penetration levels in Kenya, while strategies for improvement of Life assurance penetration levels have not yet been analysed. Furthermore, comparative importance of life assurance products relative to other insurance products has not yet been ascertained.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the Research Design used, the Population, Sample Size, Sampling Techniques, Data Collection Techniques, Instrument Validity and Data Analysis Methods that will guide the study.

3.2 Research Design

This research adopted a Case Study methodology. The study focused on one organization selected from the total population of other organizations in the same industry (Emory, 1995).

Case Study research design was used. This research design focused on an individual case, CfC Life Assurance, and not the whole population of cases (other Life Assurance companies.)

Reasons for the use of Case Study Design were due to its capability to deal with a diversity of evidence, ability to articulate research questions and theoretical propositions and the fact that it provides a logical sequence that connects the empirical data to a study’s initial research questions, and ultimately to its conclusions.

3.3 The Population

According to Mugenda and Mugenda (2003), population refers to an entire group of individuals, events or objects having a common observable characteristic. The population in this study comprised of CfC Life Assurance Company, licensed to underwrite life assurance business; and licensed by the commissioner of insurance to transact long term insurance business. It will involve the evaluation of 360 CfC Life agents, 15 CfC Life top management and 145 CfC Life staff.
3.4 Sample Size

The sample of study was selected using probability sampling and non-probability sampling.

Table 3.1

<table>
<thead>
<tr>
<th>Target Population</th>
<th>Sample Size</th>
<th>% To be Sampled</th>
</tr>
</thead>
<tbody>
<tr>
<td>360 CfC Life Agents</td>
<td>108</td>
<td>30%</td>
</tr>
<tr>
<td>15 Top Management of CfC Life</td>
<td>5</td>
<td>30%</td>
</tr>
<tr>
<td>145 CfC Life Staff</td>
<td>44</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: Researcher (2011)

3.5 Sampling Strategies

Probability sampling entailed the use of Stratified Random Sampling procedure in which the population was divided into the relevant strata and a random sample was drawn from each strata. This sampling method was used to get the agents sample. CfC Life provided a database of its agents from which a sample of 108 agents was systematically picked. Selection of agents was based on complete contact address (both phone and physical contact), education level, duration with the company, and their Annualised Premium year to date. Sampling error was therefore eliminated and data was provided for all the individuals in the population.

Non-probability sampling involved the use of Quota Sampling that ensured that certain groups of the population were represented by the sample chosen. This method of sampling was used to obtain sample size for Top management and CfC Life staff.
Sampling strategy was influenced by purpose of the study, population size, time available, budget and allowable sampling error.

3.6 Data Collection Techniques

Primary and Secondary data collection techniques were used. The primary data sources included the use of questionnaires, while the secondary data sources was from agents production reports to date from CfC Life Agency Services.

The type of questionnaire used included both open ended and closed questions to ensure that the respondents were not restricted to certain information details. The questionnaire was administered through a drop and pick letter method.

3.7 Instrument Validity

Borg and Gall (1998) argue that validity is the degree to which a test measures what it purposes to measure. To test the validity of the questionnaire the researcher conducted a pre-test on 10 CfC Life agents who were not be involved in the second issue of the questionnaire.

3.8 Data Analysis methods

The questionnaires once completed, were checked and verified for accuracy, completeness and consistency in regard to the information expected. The data was then coded and entered into the computer to facilitate analysis. Descriptive analysis was applied in analyzing the study findings. It included measures of central tendency in terms of mean, medium and mode. Frequency tables and graphs were used for visual display.
CHAPTER FOUR

RESEARCH ANALYSIS AND PRESENTATION OF FINDINGS

4.1 Introduction

This chapter documents the findings on the specific objectives of the study. The researcher undertook an analysis of the response rate, analysis of background information, and quantitative and qualitative analysis of the data collected. The data in this study was summarized and presented by the use of frequency tables, percentages, and graphs.

4.2 Respondents’ Profile

The questionnaire which was included in appendix II was administered to all the 108 CFC Life agents, 44 CFC staff, and 5 top management staff. Responses were received from 59 agents which represents response rate of 55%. Responses were received from 30 staff which represents response rate of 68%; while responses from the top management received were 5 which represents response rate of 100%.

4.3 Development of New Distribution Channels

An interpretation of the respondents’ view on the strategy of effecting new distribution channels is summarized below. The likely causes of current low life insurance penetration, impact on barriers for entry by new players, and suggestions on where to open the new branches were given.
4.3.1 Likely Causes of Low Penetration Ratio of Life Assurance in Kenya

The likely causes of insurance penetration were ranked as stipulated in Table 4.1 below.

Table 4.1: Causes of Low Life Assurance Penetration Ratios in Kenya

<table>
<thead>
<tr>
<th>Barriers</th>
<th>%Most Important</th>
<th>%Averagely Important</th>
<th>%Least Important</th>
<th>%Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Levels of Disposable Income</td>
<td>12.5%</td>
<td>75%</td>
<td>12.5%</td>
<td>100%</td>
</tr>
<tr>
<td>Lack of Awareness</td>
<td>87.5%</td>
<td>12.5%</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>Competition from Substitute Products</td>
<td>12.5%</td>
<td>25%</td>
<td>62.5%</td>
<td>100%</td>
</tr>
<tr>
<td>Inadequate Government Incentives to insuring Public</td>
<td>50%</td>
<td>25%</td>
<td>25%</td>
<td>100%</td>
</tr>
<tr>
<td>Inadequate Government Incentives to Investors in the Sector</td>
<td>12.5%</td>
<td>62.5%</td>
<td>25%</td>
<td>100%</td>
</tr>
<tr>
<td>Poor Image of Life Assurance Companies</td>
<td>75%</td>
<td>25%</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Questionnaire

Other reasons given for the low insurance penetration included in the past insurance agents not having been faithful to their clients thus eroding consumer confidence on the policies. Also some respondents felt that the training background of most insurance agents is wanting. Furthermore, the career in insurance sales has not been well marketed to higher profile recruits. Most important is the ignorance on the part of the insurable public on the importance of insurance, as well as the bad claims history painted by Life insurance companies that have gone under receivership. Loose government policies on tackling mismanagement of policy holder’s funds have also been a great contributor to the low penetration of life assurance in Kenya.
4.3.2 Impact of Barriers for Entry by New Players into the Industry

A critical analysis of the respondents' views indicated that heavy start up capital requirement coupled with high competition in life assurance business has also partly contributed to the low penetration levels. The competition is so intense to the extent that top four (4) companies are holding approximately 75% of total premiums while the remaining eighteen (18) share the remaining 25% as shown in appendix II. Rooted to the drive to acquire business and meet premium targets; some insurers have resorted to unethical practices such as undercutting of premium rates. In recent times, the industry started witnessing acquisitions and mergers with ALICO offloading its life fund to Heritage All and the latter transforming into CfC Life insurance company. Table 4.2 summarizes the percentage of responses.

Table 4.2: Barriers for entry by New Players

<table>
<thead>
<tr>
<th>Barriers</th>
<th>Frequency</th>
<th>% of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heavy Start up capital</td>
<td>28</td>
<td>29.8</td>
</tr>
<tr>
<td>Fear of undertaking risky venture</td>
<td>2</td>
<td>2.1</td>
</tr>
<tr>
<td>Stiff competition</td>
<td>25</td>
<td>26.6</td>
</tr>
<tr>
<td>Undercutting of premium rates</td>
<td>27</td>
<td>28.7</td>
</tr>
<tr>
<td>Fraudulent claims</td>
<td>12</td>
<td>12.8</td>
</tr>
<tr>
<td>Total Responses</td>
<td>*94</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Questionnaire
4.3.3 Opening of New Branches

62% of the respondents agreed that the opening of new branches would be a good strategy for increasing of the uptake of life policies, while 38% disagreed. Areas recommended for the opening of these branches included:

<table>
<thead>
<tr>
<th>Branch area</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kericho</td>
<td>To handle the wider South Rift.</td>
</tr>
<tr>
<td>Embu &amp; Meru regions</td>
<td>Population fairly educated, Reasonable average Incomes, and Convenience to Existing customers. To Capture Khat Farmers in Meru who have a high disposable income.</td>
</tr>
<tr>
<td>Kisii</td>
<td>To tap the existing heavily populated market.</td>
</tr>
<tr>
<td>Nanyuki</td>
<td>Potential Market.</td>
</tr>
<tr>
<td>Kakamega</td>
<td>Huge existing market that is serviced from Kisumu agency.</td>
</tr>
<tr>
<td>Lamu</td>
<td>Coastal region is currently unventured by insurance.</td>
</tr>
<tr>
<td>Migori</td>
<td>Uncovered by Insurance companies.</td>
</tr>
<tr>
<td>Machakos</td>
<td>Being the central part of South Eastern covering Kitui, Makueni, Mbooni, Tala and Kangundo.</td>
</tr>
<tr>
<td>North Rift Valley</td>
<td>Need to educate them to on insurance to remove the ignorance.</td>
</tr>
</tbody>
</table>
4.4 Development of New Products

This section reviews respondents' feedback on the development of new products with regards to the life insurance products that contribute greatly to socio-economic growth in Kenya, factors influencing choice of these products, and a summary of the substitute products that currently compete with life assurance products.

4.4.1 Life Assurance Products that Contribute Greatly to the Social and Economic Development of Kenya

At the social front, CfC Life transacts education policies, group life and pension products. Through the personal interviews, the respondents explained that education policies guarantee continued education of the children when the breadwinner passes on, becomes disabled or retires when the children are still in school. Group life policies are most preferred by the institutional policy holders since they take care of funeral expenses and the lump sum payments contributes to the well-being of dependants when the employee dies while still in active employment. Pension products are also preferred because they help in maintaining the living standard of policy holders after retirement. In terms of the role played in the economic development; majority of the respondents have recently introduced unit -linked products which apparently are the fast moving life assurance products. The explanation given by those interviewed is that they provide a systematic and convenient avenue to save and invest towards future specific goals. Graph 1 hereunder summarizes the responses.
Source: Questionnaire

None of the respondents came up with a recommendation on any product that should be dropped off the CFC Life portfolio.

**4.4.2 Factors Influencing Choice of Life Assurance products by Customers**

The main factors influencing choice of life assurance products are the need to save for education, need for retirement, appetite for investment return and need for protection.

Other reasons that were cited as influencing choice of life assurance products by customers’ are a strong need for financial growth by majority of Kenyans, and past experience influencing repeat buying. The ‘investment return’ side of things seemed to be the biggest reason, and the need for saving for education. There is
still little understanding that insurance covers ‘risk’ and that it is needed for the ‘what if’ occasions when something goes wrong. Discipline aspect in saving is also a contributing factor, while Life Insurance for Prestige purposes could not be ignored.

4.4.3 Substitute Products That Compete with Life Assurance Products

Co-operative savings and increased appetite for shares at the stock exchange were identified by the respondents as the major substitute products that compete with life assurance products and thus contribute to the low penetration levels. Through the personal interviews; the respondents explained that co-operative savings guarantee one to secure either two or three times amount saved whereas investment in shares may contribute to huge capital gains within a shorter period unlike life assurance products which are long term in nature.

<table>
<thead>
<tr>
<th>Substitute Products</th>
<th>Frequency</th>
<th>% of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Deposit Bank Accounts</td>
<td>3</td>
<td>3.2</td>
</tr>
<tr>
<td>Education savings Bank Accounts</td>
<td>3</td>
<td>3.2</td>
</tr>
<tr>
<td>Co-operative Savings</td>
<td>42</td>
<td>44.7</td>
</tr>
<tr>
<td>Medical insurance Policies</td>
<td>6</td>
<td>6.4</td>
</tr>
<tr>
<td>Personal Accident Policies</td>
<td>3</td>
<td>3.2</td>
</tr>
<tr>
<td>Domestic and Property insurance Package</td>
<td>3</td>
<td>3.2</td>
</tr>
<tr>
<td>Shares at the stock exchange</td>
<td>31</td>
<td>32.9</td>
</tr>
<tr>
<td>Others</td>
<td>3</td>
<td>3.2</td>
</tr>
<tr>
<td>Total Responses</td>
<td>*94</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Questionnaire
4.5 Training

Respondents’ feedback on the reasons why CfC Life needs to continue implementing the training strategy have been given below, with an emphasis on the frequency of the training, effects of the training on the agents market network, and the recommended changes in the training strategy.

4.5.1 Need to Continue Training the CfC Life Agents

98% of the respondents think there is still need to continue training the CfC Life agents. The reasons they gave included high market expectations of agents, product training leading to more product knowledge hence more product ownership leading to greater sales, selling ethics enhanced, basic financial planning knowledge inculcated, higher level of presentation skills gained, better customer care, ensures uniformity of information given to the client in the market. Generally, majority of the respondents felt that continuous training is critical for both new and existing agents, as new information is consistently availed to them, as well as new ways of selling to customers. They felt that insurance agents are not just sales people, they are financial advisors with people’s lives and futures in their hands, so they need constant training given to the best possible standards.

4.5.2 Frequency of Training and Effect on Market Network

87.5% of the respondents recommended that CfC Life agents should be trained at least Once a Quarter, while 12.5% recommended on training to be done once a month. 92% indicated that they think that training has affected the uptake of life policies at CfC Life, with other factors still contributing to the uptake of life policies. 95% of the respondents also felt that training had an impact on a life agent’s market network, and consequently on the uptake of life policies. This is because they felt training opens the agents mind to hitherto ignored markets, hence sharpens the agents to tackle those specific markets. Training also assists inculcate prospecting skills to the agents.
4.5.3 Recommended Changes in the Training Strategy

Recommended changes in CfC life training strategy included having training specifically for older agents (tenure C) on other investment vehicles, to enable them offer even better financial advice. It was felt that there is need for training on team work as a tool of cohesion to enable agents work towards a common goal. Training addressing an agent’s weaknesses at any given time would also be beneficial as different agents have different challenges. It was also suggested that the current training manuals need to be printed from hard paper or stored in CD’s for agents longer use.

4.6 Incentives to the Agents

Any sales job requires incentives. This section reviews the recommended strategies for motivating the agents at CfC Life, other factors affecting the uptake of life policies, as well as areas of development likely to boost penetration levels of insurance.

4.6.1 Strategies for Motivating the Agents

The following strategies ranked highly in terms of motivating agents with regards to their production, persistency and retention; higher subsidy paid during the probation, higher commissions to the sales force, more incentives to the sales force, improvement in customer service quality, and investment in technology as a marketing tool for the agents. It was felt that agents motivation can never be enough.

4.6.2 Areas of Development Likely to Boost Penetration Levels of Life Assurance Business in Kenya

The following areas of development ranked highly; distribution of insurance through the internet (E-Insurance), Embracing Banc assurance and Outsourcing of non-core Services. Other areas of development that were cited by the respondents included opening up of other distribution channels like Affinity, use of Mobile
Networks for marketing insurance, Micro insurance, Target Market Specific insurance, for example, Ladies Insurance, Direct Insurance, More government incentives on Life Assurance companies, and Life Assurance companies providing affordable premium rates and flexibility in paying them. 57% of the respondents felt that CfC has embraced enough motivation and retention strategies with regards to improving the motivation and retention of life agents. Some respondents felt that motivation of agents can never be enough.

4.6.3 Other Factors That Affect the Uptake of Life Policies

Apart from incentives to agents, the following were ranked from most important to least important, as the other factors that affect the uptake of life policies by a client: Agent’s Personal Motivators, Agent’s Commission Payout, Tenure of the Agent at CfC Life, Education Level of the Agent, Agent’s Relating and Networking Skills, Agent’s Discipline, and finally the Age of the Agent.

4.7 Advertising

A summary of the need for aggressive insurance advertising by CfC Life has been emphasized on this section summary. Recommended products to advertise more on, as well as recommended tools to be used have been highlighted.

4.7.1. Need for Insurance Advertising

Majority of the respondents felt that there is great need for CfC Life to engage in insurance advertising, with 95% of them in full support of insurance advertising. With CfC Life virtually not having done insurance advertising in the last five years, it was felt that it is now critical to elevate the CfC Life brand and create some stature and presence. The public has to be aware of our products and services. The market’s low penetration has a lot to do with a lack of knowledge on insurance. The respondents reiterated that if CfC Life would engage in more vibrant advertising, there would be a bigger market penetration, even in the rural areas which have currently been untapped.
4.7.2. Products Recommended for Frequent Advertising

The respondents recommended that CfC Life needs to advertise more on Whole Life Policies, Endowment Policies and Group Life covers. 60% of the respondents felt that unit linked products are also critical to our current investment savvy market.

4.7.3. Recommended Advertising Tools

The strongly recommended advertising tools included TV, Websites and Brochures. Radio advertising was also recommended in order to reach the upcountry markets. Other tools that were highly recommended for implementation included, Education Seminars, Social Networks, Public Roadshows, Sales Activations, Relationship Building Events, Media Engagements, Public Relations events, and Digital Advertising. Sponsoring of events like golf, football and other sporting activities was highly recommended; with some respondents feeling that bill boards along procession ways do not add any value to the kind of our target customers.
CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter summarizes and discusses the findings in relation to the statement of the problem and the objectives of the study. It also highlights the limitations of the study and suggestions for further research.

5.2 Summary of Findings and Conclusions
Majority of the respondents hold the view that the following strategies stand out prominently with regards to improving on the uptake of life policies in Kenya: investment in information technology, improvement in customer service quality, development of new products and distribution channels and also others such as mobile telephony have greatly boosted operational efficiency and thus a significant positive impact on the penetration levels of life assurance business. Through the personal interviews, some respondents emphasized that there is need to embrace distribution of life assurance products through the internet in addition to the conventional distribution through the agents. The responses are summarized in table 5.1 below.

Table 5.1: Strategies That Contribute to Penetration Levels of Life Assurance Business

<table>
<thead>
<tr>
<th>Strategies</th>
<th>Frequency</th>
<th>% of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of new products</td>
<td>16</td>
<td>17</td>
</tr>
<tr>
<td>Improvement in customer service quality</td>
<td>16</td>
<td>17</td>
</tr>
<tr>
<td>Incentives to the Sales Force</td>
<td>2</td>
<td>2.1</td>
</tr>
<tr>
<td>Aggressive marketing (Advertising)</td>
<td>11</td>
<td>11.7</td>
</tr>
<tr>
<td>Investment in information technology</td>
<td>19</td>
<td>20.2</td>
</tr>
<tr>
<td>Development of new distribution channels</td>
<td>16</td>
<td>17</td>
</tr>
<tr>
<td>-----------------------------------------</td>
<td>----</td>
<td>----</td>
</tr>
<tr>
<td>Others-Training</td>
<td>14</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total Responses</strong></td>
<td>*94</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Questionnaire

Embracing motivation and retention strategies, more specialized training, supervision and higher subsidy allocation, higher subsidy paid during the probation, higher commissions to the sales force, improvement in customer service quality, development of new distribution channels, more incentives to the sales force, as well as investment in Information Technology are also factors that should be considered in improving on the overall performance of life assurance companies and consequently, the uptake of life policies.

With regards to the retention of a life agent and their production level, the following were ranked as important in order of level of importance: Agents authority and presentability, Agents product knowledge, good customer service from the agent, constant communication with the agent, and update from the agent on new products in the company.

The results obtained from this research suggest strongly that a mix of various factors play a crucial role towards influencing the uptake of life policies in Kenya. The main factors are the major universal economic determinants in GDP, income per capita, level of interest, and inflation. Other important determinants included increased level of competition, high barriers to entry by new players, existence of substitute products and factors arising from social and cultural interactions such as HIV/AIDS pandemic.

Among the economic factors, interest rates were found to be a key variable affecting the level of premiums in that if the government stock has high yields,
many people tend to make a shift to the stock exchange market and thus forego life assurance. The study also indicates that inflation is a strong driver in determination of the changes in penetration ratio of life assurance. When inflation is high, less people acquire life assurance policies hence low premiums. Kenya's low life assurance penetration level is highly attributable to low income per capita. Many Kenyan households can barely meet their basic needs and therefore lack sufficient savings margin necessary to purchase and maintain life assurance policies.

5.3 Recommendations

The Life assurance industry plays a very crucial role in shaping the social and economic development of the country. The future of life assurance industry in Kenya looks bright. The growth patterns in penetration ratios in the recent past have indeed recorded tremendous results. If the Kenya market were to fully embrace the strategies for boosting life assurance penetration levels, life assurance premiums could be very high. There is therefore need for life assurance companies in Kenya to continually re-engineer life assurance products to reflect the ever changing consumer needs in ultimate bid to exploit the untapped market potential.

The volatile economic environment requires products which are inflation-indexed as well as unit-linked products where the assured shares the investment risk with the life assurance company. The industry should also continually reassess and develop new channels for distributing life assurance products such as banc assurance and the internet. Further, awareness building programmes should be undertaken at both individual company and industry level in order to create the necessary awareness on the benefits of life assurance products and thus boost the image of the industry.

Recruiting trends would also be required to be improved as the kind of agents brought onboard greatly impacts on how they perceive training, their overall production rate, their skill in maintaining their clients portfolios, their motivation
and retention, and their overall market network. Apart from oral interviews and Psychometric tests performed during recruitment, a manager’s “gut feeling” on the outlook of an effective sales person would also need to apply. Consequently, a manager’s role would be of most importance during the recruitment process.

Need to have a better reward system for the sales force, as well as revamping the induction process to be more rigorous would impact on the overall motivation and retention of a life agent. There is also need to continually re-engineer life assurance products to reflect the ever changing consumer needs in an ultimate bid to exploit the untapped market potential. The industry should also continually reassess and develop new channels for distributing life assurance products such as bancassurance and the internet. Further, awareness building programmes should be undertaken at both individual companies and industry level in order to create the necessary awareness on the benefits of life assurance products and thus boost the image of the industry.

Consequently, there is need to embrace top trends in e-learning and corporate training. This is an exciting time in enterprise learning and talent management. Increasing training budgets would mean more emphasis is put on training, as well as a reduction in talent shortages and an increased focus on talent management. Life insurance companies will increasingly recognize that learning and development is part of an integrated talent management process that includes recruiting, performance management, leadership development and succession planning.

Leadership development and management education is the largest single program area of spending in corporate training today. Among all the talent-related processes, more focus is being given to leadership development and succession planning than almost any other area. The war for talent and changing workforce demographics mean that Life insurance companies are suffering from a lack of middle managers (Agency Managers). Further recommendations by Agency Managers and Agents were made on the improvement of mentoring programs.
apart from training. The targets of the mentoring programs would have to be clear, the length of the mentoring programs, and criteria for the mentors.

In order to counter the negative effects of economic turmoil such as currency devaluations and inflation, life assurance companies should invest a portion of their assets offshore. A well diversified investment portfolio can help reduce interest rate and market risks.

Whereas the insurance Act Cap 487 has undergone several amendments since its enactment in 1984, it requires further amendment to give the commissioner of insurance greater autonomy to regulate the industry and facilitate some of the other recommendations in this study such as offshore investments, development of new distribution channels and removal of restrictions on the distribution of life fund surplus.

The government should also give consideration to amending the Employment Act to make it mandatory for employers to provide group life and retirement benefits. This will not only improve penetration ratio of life assurance but also provide a social safety net for bereaved families and employees on reaching the retirement age.

5.4 Limitations of the Study
The study faced several limitations and challenges. First, the life assurance premium penetration level phenomenon is multidimensional and has a complex causality structure. Secondly, the absence of adequate and reliable data, not only in Kenyan context but also globally, further complicates the study. For instance, the secondary data was obtained from 5 top management of CfC Life, 44 Staff members of CfC Life, and the majority being 108 current CfC Life agents.

There were some levels of lack of trust by CfC Life agents on the real intention of the research, with some of them exhibiting suspicion when they declined to return the questionnaires administered to them and thus denying the study access to
information which would have added content to the findings. Therefore the findings of this study are based on the views of 90.91% of the targeted population.

5.5 Suggestions for Further Study

This was a Case Study focusing on one company licensed to transact life assurance business, CfC Life Assurance Company. The researcher recommends a further survey on strategic responses by the major companies who control significant market shares on Life Assurance business. The researcher also recommends a similar study be undertaken after five years from now with similar objective. This would help establish the existence of same strategies or the changes in the strategies that may call for further strategic responses.
References


APPENDICES

Appendix I: Letter of Introduction

To whom it may concern

Dear Sir/ Madam,

RE: REQUEST FOR AUTHORITY TO RESEARCH ON THE STRATEGIES THAT INFLUENCE THE UPTAKE OF LIFE POLICIES IN KENYA.

I am an MBA student at Kenyatta University, currently in my final semester. I am required to come up with a research project that will add value to my studies and the economy as a whole.

I wish to request for authority to research on the Strategies that Influence the Uptake of Life Assurance Policies in Kenya. This research is with an aim of looking at gaps in the insurance industry, of which the Life Insurance companies can eventually utilise to increase their market share and competitiveness in the industry.

The research design to be used will be Case Study. Probability and Non-probability sampling will be used. This research can in the future be used for benchmarking by policy makers, and also as a base for continued research by other students.

Looking forward to your positive response and continued support.

Yours faithfully,

ROSEMARY K. KIUMBKI
Appendix II: Questionnaire for CfC Life Agents, Top Management and Staff

SURVEY QUESTIONNAIRE FOR CfC LIFE AGENTS, TOP MANAGEMENT AND STAFF

SERIAL NO

Instructions

This is a survey on the Strategies that Influence the Uptake of Life Assurance Policies in Kenya. This interview is part of our research survey. Answer all questions as objectively as possible. Taking this survey will help improve on the competitiveness of the Life Insurance Industry in Kenya as a whole.

The research is purely academic, confidential and will solely be used for that purpose. Your details or data provided will not be passed to any third party without prior permission. The serial number on the interview questionnaire will only be used to help track and follow-up on the interviews.

SECTION A: GENERAL INFORMATION

a) Name of the CfC Life Manager/ Staff
   
   

b) Department
   
   

c) Duration in the company
   
   

d) Mobile Number
   
   

57
SECTION B: Development of New Distribution Channels

1) The penetration ratio of life assurance in Kenya is considered very low in comparative terms with other developing countries. On a scale of 1-3, 3 being the most important and 1 being least important, please rank the following as the likely causes of the low penetration ratio of life assurance in Kenya.

<table>
<thead>
<tr>
<th></th>
<th>Most Important</th>
<th>Averagely Important</th>
<th>Least Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low levels of disposable income</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Lack of awareness of benefits of life assurance</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Competition from other substitute products</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Inadequate government incentives to the insuring public</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Inadequate government incentives to the investors</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>In the sector</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
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<tr>
<td>Poor image of life assurance companies</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Others (Please specify)</td>
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</table>

(Please specify any other factors that contribute to the low penetration ratio.)
2) What are the barriers for entry by new players into the life assurance industry?

- Heavy start up capital
- Fear of Undertaking Risky venture
- Stringent Registration Requirements by regulatory authorities
- Undercutting of Premium rates
- Fraudulent Claims

3) Do you consider the opening of new branches a good strategy for increasing the uptake of life policies?

Yes [ ] No [ ]

4) If your answer to (3) above is "Yes", please indicate the areas you would recommend for the opening of more branches by CFC Life.

<table>
<thead>
<tr>
<th>Branch Area</th>
<th>Reason</th>
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<tbody>
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</tbody>
</table>

SECTION C: Development of New Products

1) What life assurance policies at CFC Life do you think contribute greatly to the social and economic development of Kenya at large?

Education Policies [ ]
<table>
<thead>
<tr>
<th>Product</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment Policies</td>
<td></td>
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<tr>
<td>Whole life Policies</td>
<td></td>
</tr>
<tr>
<td>Group life</td>
<td></td>
</tr>
<tr>
<td>Pension Products</td>
<td></td>
</tr>
<tr>
<td>Unit Linked</td>
<td></td>
</tr>
<tr>
<td>Others (Please specify)</td>
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</tbody>
</table>

2) Which products/policies, if any, do you think should be dropped off the CFC Life portfolio?

<table>
<thead>
<tr>
<th>Product</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>a)</td>
<td></td>
</tr>
<tr>
<td>b)</td>
<td></td>
</tr>
<tr>
<td>c)</td>
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</table>

3) What do you think influences the choice of life assurance products by customers?

<table>
<thead>
<tr>
<th>Reason</th>
<th>[</th>
<th>]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Need to save for Education</td>
<td>[</td>
<td>]</td>
</tr>
<tr>
<td>Need to save for Retirement</td>
<td>[</td>
<td>]</td>
</tr>
<tr>
<td>Appetite for Investment Return</td>
<td>[</td>
<td>]</td>
</tr>
<tr>
<td>Need for Protection</td>
<td>[</td>
<td>]</td>
</tr>
</tbody>
</table>
4) In the current market, what are the substitute products that compete with life assurance products?

- Fixed Deposit Bank Accounts [ ]
- Education savings Bank Accounts [ ]
- Co-operative Savings [ ]
- Shares at the stock exchange [ ]
- Medical insurance Policies [ ]
- Personal Accident Policies [ ]
- Domestic and Property Insurance Package [ ]
- Others (Please specify)
SECTION D: Training

1) Do you think there is need to continue training the CFC Life agents?

Yes [ ]    No [ ]

If yes, why do you think so?
_________________________________________________________________
_________________________________________________________________
_________________________________________________________________
_________________________________________________________________

2) How often would you recommend the CFC Life agents to be trained?

Every Month [ ]    Once a Quarter [ ]    Once a year [ ]    Not at all [ ]

3) Do you think the training of CFC Life agents has affected the uptake of life policies?

Yes [ ]    No [ ]

4) Would you recommend changes in the training of CFC Life agents?

Yes [ ]    No [ ]

If yes, what would be your recommendations?
_________________________________________________________________
_________________________________________________________________
_________________________________________________________________

5) Does training have an impact on a life agent’s market network?

Yes [ ]    No [ ]
SECTION E: Incentives to the Agents

1) What strategies would you recommend for CFC Life that could motivate their agents in order to improve on their production, persistency and retention?

- Higher subsidy paid during the probation [ ]
- Higher commissions to the sales force [ ]
- Improvement in customer service quality [ ]
- Development of new distribution channels [ ]
- More incentives to the sales force [ ]
- Investment in Information Technology [ ]

Others (Please specify)


2) Apart from agents’ motivation and retention, what are the new areas of development that are likely to boost the penetration levels of life assurance business in Kenya as a whole?

- Distribution of insurance products through the internet [ ]
- Outsourcing of noncore services [ ]
3) Do you think CFC life has embraced enough motivation and retention strategies with regards to improving the motivation and retention of Life agents?

Yes [ ] No [ ]

4) Apart from incentives to agents, on what scale do you think the following factors affect the uptake of Life policies by a client?

<table>
<thead>
<tr>
<th>Most Important</th>
<th>Averagely Important</th>
<th>Least Important</th>
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</thead>
<tbody>
<tr>
<td>3</td>
<td>2</td>
<td>1</td>
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</table>

- Age of the agent
- Education level of the agent
- Tenure of the agent in CFC Life
- Agent’s relating and networking skills
- Agent’s discipline levels
- Agent’s personal motivators
- Agent’s commission payout
SECTION F: Advertising

1) Do you think CFC Life needs to engage in insurance advertising?
   Yes [ ] No [ ]

   Please explain

   ____________________________________________________________
   ____________________________________________________________
   ____________________________________________________________

2) Which products would you recommend for CFC Life to advertise more on?

   Endowment Policies [ ]
   Whole Life Policies [ ]
   Group Life Policies [ ]
   Pension Products [ ]
   Unit Linked Products [ ]
   Others (Please Specify)

   ____________________________________________________________
   ____________________________________________________________
   ____________________________________________________________

3) In your opinion, do you think CFC Life has advertised enough?
   Yes [ ] No [ ]
4) What advertising tools would you recommend highly for CFC Life?

- TV
- Radio
- Magazines
- Email
- Websites
- Brochures

Any other comments

__________________________________________________________________________
__________________________________________________________________________

Kindly feel free to contact the undersigned if you have any questions regarding this interview.

Rosemary K. Kiumbi

Email Address: rosekiumbi@gmail.com

Mobile Number: 0722-906611
### Appendix III: Time Frame

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Source: Researcher 2011
## Appendix IV: Research Budget

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<thead>
<tr>
<th>ITEM</th>
<th>TOTAL COST (Kshs.)</th>
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<tr>
<td>Research Permit</td>
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<tr>
<td>Telephone Calls</td>
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<tr>
<td>Email Facility</td>
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</tr>
<tr>
<td>Photocopy</td>
<td>5,000</td>
</tr>
<tr>
<td>Stationery</td>
<td>2,000</td>
</tr>
<tr>
<td>Fuel (Transport)</td>
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<tr>
<td><strong>Total Costs</strong></td>
<td><strong>22,500</strong></td>
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Source: Researcher 2011