INVESTIGATION OF FACTORS AFFECTING PUBLIC PERCEPTION OF LIFE INSURANCE IN KENYA: A CASE OF LIFE INSURANCE COMPANIES IN NAKURU MUNICIPALITY

BY

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DECLARATION

This research project is my original work and has not been presented for a degree in any other university or for any other award.

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This research project has been submitted with our approval as university supervisors.

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DEDICATION

I dedicate this research to my mother, Lilian Sungu Odongo for having encouraged and supported me to further my studies.
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ABBREVIATIONS AND ACRONYMS

AIDS: Acquired Immune Deficiency Syndrome

AKI: Association of Kenyan Insurance

GDP: Gross Domestic Product

HIPPA: Health Insurance Privacy and Portability Act

IRA: Insurance Regulatory Authority

IVR: Interactive Voice Response

n.d: No date

SPSS: Statistical Package for Social Sciences

SMS: Short Messaging Services

UN: United Nations

Britak: British American Insurance Company Kenya Limited

ICEALION: Insurance Company of East Africa LION Group

CIC: Co-operative Insurance Company of Kenya
DEFINITION OF TERMS

**Insurance:** Is the equitable transfer of the risk of a loss, from one entity to another, in exchange for payment.

**Insurer:** Is a company selling the insurance/insurance company.

**Life Insurance:** Is a contract between an insurance policy holder and an insurer, where the insurer promises to pay a designated beneficiary a sum of money (the "benefits") upon the death of the insured person.

**Perception:** The organization, identification, and interpretation of sensory information in order to form an opinion about something.

**Premium:** The amount to be charged for a certain amount of insurance coverage.

**Risk:** Refers to a quantifiable likelihood of loss.
ABSTRACT

The life insurance industry in Kenya continues to experience various challenges, key among them the poor public perception, which has led to low penetration levels. The current study sought to investigate the factors affecting the public perception on life insurance: a case of life insurance companies in Nakuru Municipality. The specific objectives included: to assess the effect of demographic factors on public perception of life insurance in Nakuru Municipality, Kenya. to assess the effect of socio-cultural factors on public perception of life insurance in Nakuru Municipality, Kenya and to assess the effect of organizational factors on public perception of life insurance in Nakuru Municipality, Kenya. The study adopted descriptive survey design where seven life insurance companies in the town were selected to participate in the study. The seven life insurance companies in Nakuru are: CFC, Jubilee, Old Mutual, CIC, Panafirc, British American and ICEALION. Teachers in public secondary schools in the municipality were also selected to represent the general public. The researcher randomly selected a sample of 45 sales agents from the seven companies. Lastly 75 secondary school teachers to represent the public were purposively selected to participate in the study. Questionnaires were used to elicit data. Data collected was coded, cleaned and analyzed using Statistical Package for Social Sciences (SPSS) computer programme to facilitate addressing the research objectives and questions. Statistics used in data analysis included, frequency counts, percentages, mean mode and correlation analysis to test for relationships. The study revealed that: The public generally had a negative perception towards life insurance though not very strongly negative according to of agents 24(59%). On the demographic characteristics affecting perception age of teachers played a key role in shaping their perception on insurance $r = 0.606$, the level of income also played a role at $r = 0.653$, duration of service $r = 0.745$, cultural beliefs, religious affiliations and peer pressure were also found to affect perception on life insurance as evidenced by $r = 0.246$, $0.380$ at 0.01 confidence level. The high premium charged by insurance companies also influence their perception on life cover as indicated by $r = 0.394$ significant at 0.01 confidence level. Low returns on policy $r = 0.652$, and customer handling $r = 0.402$ played a role at a confidence level of 0.01. The study therefore recommended that Life Insurance companies should intensify their efforts in enlightening the public on the role played by life insurance in the economy and encourage the purchase of life insurance cover to all people, there is need for life insurance companies to redesign their products tailor made to suit Kenyans of different socio economic background taking into account the current hard economic times. The government should also intervene by creating a policy that would force insurance companies to honor their claims whenever they fall due and also guide in the assessment and judgment on damages whenever necessary. Further studies should also be conducted on the strategies that life insurance companies can adopt in reversing the effects of negative perception towards their products, and the factors that customers consider in the choice of a life insurance cover.
CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Insurance in Kenya is closely related to the historical emancipation of Kenya as a nation (Throup, 1998). With the conquest of Kenya as a British colony, settlers initiated various economic activities which required insurance cover. In the forty years after independence, Kenya’s insurance industry had flourished and by the year 2003, the country had 41 registered insurers: 15 transacting general insurance business, 2 transacting life insurance business while 24 were composite insurers transacting both life and general insurances (Rand, 2004).

By world’s standards, the Kenya insurance market is very small in terms of premium income. However, it is one of the leading markets in Africa occupying the 7th position going by the 2003 statistics published in sigma. It ranked fourth in terms of insurance penetration after South Africa, Mauritius and Zimbabwe with a rate of 0.81 % (life insurance) and 2.28 % (non-life insurance) (Olotch, 2006).

Insurance companies registered in Kenya have provided a wide range of insurance covers to enable Kenyan’s have financial control of personal risk. Nevertheless, only a small percentage of Kenyans have personal insurance covers and the insurance premiums contribute only 3 percent to the country’s Gross Domestic Product (GDP) instead of the ideal 7 percent (Kimura, 2000: 4). Consumers’ ignorance has contributed significantly to the negative attitude towards insurance (Kieti, 1998; 8). Kowour (nd) posits that in the more advanced economies characterized by consumer awareness and sophistication amongst other positive socio-economic indicators, virtually everyone is insured against all insurable risk.
Many people in 3rd world countries lack financial resources and the little they have is for basic needs. In many developing countries, the population is divided into rich and poor, with the rich having plenty of financial power while the poor are struggling to meet their basic needs. In the developing countries, education is very low and hence many people lack knowledge of health care and life insurance policies (Bert, 2009). The lack of education and basic needs to be met, as well as governments' efforts in other national areas make these countries infertile territory for life insurance companies.

In Kenya, issues with insurance companies abound. A great challenge for insurers is the lack of information that the population has about insurance products and the trust issues due to the same lack of information. There are also issues of fraudulent companies and scams, as well as issues of not paying claims and mismanagement of insurance companies. This and other issues have hampered insurance companies in the Country and there are other government issues and license issues as well. Although there are insurance laws in Kenya, the biggest challenge continues to be how to convince a struggling population that they need a product for which they have no money, no education, and certainly have a negative perception about (Bert, 2009).

According to AKI, the public's perception about insurance is important for the industry to grow. Katz's (1960: 170) functional approach to attitude change argues that both attitude formation and change must be understood in terms of the functions that attitude serve. “As these functions differ, so will the conditions and techniques of attitude change” (Severin and Tankard, 1997). For the sake of clarity, the term attitude has been substituted with perception. In order to effect change, the right strategies have to be used; ones that would help the prospect to appreciate the need for an
insurance cover. This calls for some level of involvement with the prospect. Smith (1992) opines that for involvement to be attained, using a common language, sharing experiences, participation in culture, and understanding beliefs of the person we intend to engage with are necessary. This implies that, first and foremost, insurance companies must strive to understand the prospect’s perception of the concept of life insurance and then use the right strategies to try and influence their perceptions positively. The term strategies here refer to the methods or plans that insurance companies must implement so as to enhance positive public perception on life insurance products.

Several studies have found evidence that development of the insurance sectors is related to economic growth and key elements in the economic development of a country (Ward and Zurbrueg, 2000; Webb 2000 and Soo, 1996). Beck and Webb (2003) established that insurance companies play an important role in the financial sector. It is thus imperative for Kenya which has gone through high inflation and slow economic growth to propel life insurance segment in order to increase financial stability that will stimulate growth of domestic output, minimize the rate of inflation, reduce the rate of unemployment and attract investment needed to boost economic development.

1.2 Statement of the Problem

Kenya remains to be one of the countries under-insured at a penetration rate of 2.6% compared to India and South Africa with penetration rates of 3.7% and 14.7% respectively (Faida Securities, 2007) and the worst affected is the life sub-sector. While several studies have dealt with the relationship between insurance and economic development and the identification of factors limiting insurance investment,
very little research has been advanced on the public perception which appears to be one of the major impediments to the penetration of life insurance policies in Kenya. Opiyo (2011) found out that many people perceived life insurance cover as devoid any tangible benefits for the insured while alive since all the benefits are accessible upon the demise of the insured.

This study was therefore set to investigate into the factors affecting public perception on life insurance among residents of Nakuru Municipality.

1.3 General Objective of the Study

The broad objective of this study was to investigate the factors affecting public perception of life Insurance in Nakuru Municipality, Kenya.

1.3.1 Specific Objectives

i) To assess the effect of demographic factors on public perception of life insurance in Nakuru Municipality, Kenya.

ii) To assess the effect of socio-cultural factors on public perception of life insurance in Nakuru Municipality, Kenya.

iii) To assess the effect of organizational factors on public perception of life insurance in Nakuru Municipality, Kenya.
1.4 Research Questions

i) How do demographic factors affect the public perception of life insurance in Nakuru Municipality, Kenya?

ii) How do socio-cultural factors affect the public perception of life insurance in Nakuru Municipality, Kenya?

iii) How do organizational factors affect the public perception of life insurance in Nakuru Municipality, Kenya?

1.5 Significance of the Study

It was expected that the study would provide useful information on the factors affecting public perception of life insurance that would inform the strategies that insurance companies can adapt to improve public perception on their life insurance services in Kenya to boost their sales and make an impact in economic development. The study was further expected to provide useful information to the insurance regulatory bodies for formulation of policies that will attract public investment in life insurance industry. It was also expected that the study will add on available literature about public perceptions towards life insurance.

1.6 Assumptions of the Study

This study was based on the following assumptions:

i) That the population under study remains constant before and after the study

ii) Insurance companies in Nakuru town were experiencing difficulties on the public perceptions on life insurance.
1.7 Limitations of the Study

The ability of the sampled respondents to give accurate information considering that, they had already formed perception on life insurance.

The research results were expected to give a picture of the scenario for the entire country whereas the scope of the study was confined in the Nakuru Municipality.

1.8 Scope of the Study

The was confined on investigating the factors affecting public perception of life insurance in Kenya using a case of life insurance companies in Nakuru Municipality. Only companies offering life insurance products were targeted and people who deal directly with clients from these companies will also be targeted. To represent the public, the study picked on secondary school teachers in who form an attractive market segment for life insurance products.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter contains theoretical and empirical literature on public perceptions and life insurance cover. The review concentrates on factors that affect public perceptions on companies’ products; penetration of life insurance in Africa; challenges facing life insurance industry in Africa; examples of innovative strategies of improving life insurance product adapted by some developing countries; and a review of possible strategies of improving public perception on life insurance services. Finally, a summary of literature review and a conceptual framework are presented at the end of the chapter.

2.2 Theoretical Frame Work on Public Perceptions and Life Insurance

The theoretical frame work that best explains how perceptions are formed is symbolic-interactionism. Symbolic-interactionism states that people act towards things based on the meanings that those things have on them. These meanings are derived from social interactions and modified through interpretations (Blumer, 1969). This model is appropriate for this enquiry because it enhances the understanding of how perceptions are influenced.

The success of a business depends upon its ability to attract and retain customers that are willing to purchase goods and services at prices that are profitable to the company. Consumer perception describes how customers and potential customers view a company and its products and services. Consumer perception is important to businesses since it can influence consumer behavior, which ultimately affects the
profitability of a business. Many businesses spend large amounts of resources to influence consumer perceptions (Elsbach, 2006).

Yaari (1965) and Hakansson (1969) were the first to develop a theoretical framework to explain the demand for life insurance. Within this framework, the demand for life insurance is attributed to a person's desire to bestow funds to dependents and provide income for retirement. The consumer maximizes lifetime utility subject to a vector of interest rates and a vector of prices including insurance premium rates. This framework posits the demand for life insurance to be a function of wealth, expected income over an individual's lifetime, the level of interest rates, the cost of life insurance policies (administrative costs), and the assumed subjective discount rate for current over future consumption.

Lewis (1989) extends this framework by explicitly incorporating the preferences of the dependents and beneficiaries into the model. Specifically, he derives the demand for life insurance as a maximization problem of the beneficiaries, the spouse and the offspring of the life insurance policyholder.

2.3 Penetration of Life Insurance in Africa

Life insurance is important (particularly for developing countries) because of its ability to mobilize and channel savings. According to UN (2007) the life insurance industry in Africa is characterized by regional peculiarities. The South African life insurance industry is highly developed and has always been in the forefront of life insurance. In fact, some of the first linked investment products (e.g. insurance products where a specified part of the premium is invested in securities and funds) originated in South Africa. In comparison, the life insurance sector in Anglophone East and Southern Africa is significantly underdeveloped. In some of these countries,
the majority of the business relates to pension investment, coupled with group life risk cover.

The situation in third world countries is very different from the norm in the industrialized countries. There are many villages in third world countries where poverty, disease, and living conditions directly affect the rate of mortality. Many people in those countries do not have sufficient food, live in war zones, and have to endure poor working conditions that are very physically demanding. In other countries, some cultural practices such as heavy smoking will affect health. All these things affect health directly and lower people's life span. Tied to that is the financial stress and lack of money of many people on those countries. Money is used for very basic needs such as food and clothing, and maybe to have a roof over their head. UN (2007) argues that the world insurance market is dominated by industrialized countries which in 2004 generated about 88 per cent of world life insurance premiums and accounted for 90 per cent of the world non-life market. However figures for real growth rate and insurance density, i.e. premium per capita, indicate the potential for substantial growth within the insurance sectors of emerging markets. The overall real growth rate of emerging markets for 2004 stood at 7.5 per cent as compared with 1.7 per cent in industrialized countries. Figures for insurance density also indicate substantial differences between industrialized countries ($2,966) and emerging markets ($687).

Low income people in developing countries are exposed to a variety of significant risks to their wealth and life. To manage these risks, they resort to a number of strategies for example; informed risk sharing arrangements, conservation (avoiding
risks) and self insurance through saving, reduced expenditure and emergency credit from family and friends and money lending institutions.

The penetration of general insurance is 1.9 per cent, while that of life is 0.94 per cent of GDP. This is considered to be very low compared to other countries in Africa such as South Africa with a 12.9 per cent penetration rate, which is among the highest in the world, well above the 8.6 per cent average penetration for industrialized countries, according to Sigma (2010). The low penetration rate across the continent can be attributable to a number of factors associated with economic development in general, but they also reflect the development of the insurance industry in particular. The penetration of insurance among the Kenyan population is also low as compared to other countries. A good example is Malaysia which has an estimated 41% of the population covered by some form of life insurance in comparison to Kenya that has less than 1% of the population insured.

The licensed insurance companies therefore compete for a limited market characterized by low penetration. Kenyans' uptake of insurance cover, both at corporate and personal level, remains predominantly in the motor, fire industrial and personal accident (mainly group medical cover) classes. This illustrates a poor attitude towards personal insurance cover in general. The low penetration of insurance in the Kenyan market, relative to other more developed markets is attributable to the following factors: A general lack of a savings culture among Kenyans; low disposable incomes for the majority of the population, with close to 50% of Kenyans living below the poverty line; inadequate tax incentives that could encourage the middle classes to purchase life insurance products; and a perceived credibility crisis of the
industry in the eyes of the public particularly with regard to settlement of claims (UN, 2007).

According to Siddharth (2010) lack of trust in the insurance industry, limited knowledge on its products, its limited reach to the informal sector; the perception that insurance is expensive, and the fear of not being able to service it continuously, are some of the factors hindering penetration of the service. Kieti, (1998) adds that Consumer ignorance has contributed significantly to the negative attitude towards insurance. This is based on a realization that in the more advanced economies characterized by consumer awareness and sophistication amongst other positive socio-economic indicators, virtually everyone is insured against all insurable risk.

2.4 Challenges Facing Life Insurance Industry in Africa

Despite regional differences, it is possible to identify certain common areas of challenge for the African life insurance industry. According to UN (2007) experts point out that one of the more serious challenges relates to the AIDS epidemic and its negative impacts on average life expectancy. UN explains that some insurance companies have successfully modified their strategies in response to the AIDS risk factor. For example, companies sell what is termed funeral insurance (an approach being described in relation to AIDS coverage in South Africa), with higher, annually reviewed rates (when compared with normal term assurance rates); the use of universal life products allows insurance companies to change mortality charges without changing overall premium rates; and there is periodic (every five years) HIV testing (in the South African case, premium rates for policyholders who do not undergo (or fail) the tests increase significantly), and innovative use of an increasing
term insurance in order to combat the AIDS risk (as undertaken by a Malawi Life Insurance Company).

UN also notes that another common challenge is the lack of good administrative systems and central statistics. Only a few (usually the more profitable) companies use reliable systems, while others conduct their business on spreadsheets, use unreliable in-house systems or use manual administration. As a result, losses may be identified when it is too late to take remedial action. A third common challenge relates to the existence of insufficient and often archaic regulatory framework and solvency margins. A good example is the use of the United Kingdom’s Insurance Act dating from the 1940s in many parts of Anglophone East and Southern Africa. However, countries such as Namibia, South Africa, Mauritius, Ghana and the United Republic of Tanzania have taken the initiative and are currently redrafting their insurance legislation.

Other challenges in the life insurance industry relate to a high number of withdrawals; low life expectancy; negative perceptions regarding the industry; lack of management experience and insurance skills; and the lack of transparency of charges on savings-type products. In terms of solvency margins, a risk-based capital approach is rarely followed and the solvency requirements are, in some cases, meaningless. According to UN, experts also refer to the problem of giving insufficient consideration to the investment matching of liabilities, a problem which often stems from the absence of appropriate investment avenues (e.g. in the case of life insurance, where sufficiently long-term government bonds would be a valuable investment avenue).

Despite all the problems Africa is facing, UN (2007) notes that it is still possible to run a successful life insurance operation in almost any country in Africa. This could
be achieved by ensuring that adequate solvency regulation is put in place; by making available meaningful (and credible) assured life statistics (particularly assured life mortality tables by region); by creating new and relevant products; and by training insurance staff, improving perceptions regarding the industry, updating legislation and providing incentives to the industry.

2.5 Factors Contributing to the Low Uptake of Life Insurance

Several issues have been identified as underlying the poor uptake of insurance in Kenya, and world in general:

Awareness: There is awareness of insurance in general among the insurable population but a large proportion lack a proper understanding of what insurance is and the impact it may have. Most of the already insured respondents cited a lack of interest in reading policy documents especially if a claim does not occur at all (Agar, 1980).

Cost of insurance: Awori (1999) in his found out that affordability was a key concern among the insured, those who have lapsed and the un-insured. Generally, the issue of affordability was found to be more of a perception than the reality due lack of communication on the actual cost of insurance policies.

Image: The insurance industry is affected by the persistent poor public image which has caused distrust among potential customers (Chandran, 2004). This is due to lack of structured branding initiatives and the reliance on intermediaries who may shift their negative image to the insurance companies they represent and to the industry as a whole. Majority of the respondents have a negative attitude towards intermediaries.
Product structure: The market is currently flooded with unique innovations in the financial services sector. However, the insurance services are progressing at a slower pace in terms of new products, mode of payment or target markets, thus leading to the perception that the products are not unique or modern (Diacon, Carter, 1984).

Customer satisfaction: according to Katz (1960) the standards of service delivery among many insurance companies are still low and the focus on the customer has not yet been embraced fully in the industry as it has in the competing financial services. Customer satisfaction therefore has remained low.

Differentiation: There is a low product differentiation where insurance companies are perceived to be using products designed for other markets and applying them to the Kenyan markets without significant adaptation to the local environment (Mutiga, 1999). Further, there is inadequate differentiation between products from different insurance companies, making it difficult for consumers to distinguish between competitor offerings in terms of product features, customer service, staff competence, and channel or promotion strategy.

Branding: There is less focus on brand development, management and measurement (Severin, and Tankard, 1997). This lack of focus on building brand awareness, perceived quality, brand associations and brand loyalty means that insurance products in Kenya have a high commoditization level which leads to low emotional appeal.

Segmentation: There is a lack of clear cut targeting and segmentation in product design which would ensure the unmet needs are addressed. The other financial service
providers for instance banks have been appealing to special groups e.g. MOVE, Diva account for women by SCB, Fanikisha for women by Equity bank and Chama Accounts for investment groups Blumler, 1979).

According to Carman (1990), urban dwellers are generally more willing to buy insurance compared to rural dwellers. Life and health insurance products are most preferred amongst those who are willing to buy insurance. A study carried out by (Smith, 1992) found out that most people with lapsed policies were not willing to buy insurance. Lapsed users showed a general lack of knowledge on insurance benefits. This is a major contributing factor to their decision to lapse cover. However, current users of insurance were willing to buy insurance after the maturity or expiry of their current policies.

A large proportion of respondents prefer buying insurance from intermediaries meaning that intermediaries still play a big role in marketing insurance. However, most rural dwellers prefer buying their policies directly from insurance companies (Lewis, 1991).

2.6 Demographic Factors Related to the Public Perception on Life Insurance

Income levels of individuals affect on whether a person will buy insurance or not. A study carried out by Turley and Moore (1995) found out that most respondents earned less than Ksh 20,000. Insurance companies should endeavour to accommodate this category of potential customers by designing suitable insurance solutions. Generally, income levels were lower among the rural compared to urban areas. Most respondents were willing to pay less than Ksh 500 and preferred using cash premium payment
modes. Insurance companies can utilize cash transfer options through mobile telephony (Mpesa/Soko Tele) to increase penetration.

2.7 Socio-cultural Factors Related to the Public Perception on Life Insurance

Participation in a prospects culture determines the level of involvement as the sales agent gets to know the prospect’s perception of the concept of insurance. Tylor, cited in Granlun and Mayer (1988), defines culture as “that complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of society.” In the light of Smith’s (1992) proposition, “people react to communication as members of social groups” as it is within groups that attitudes and values are learned. In essence, groups have a powerful influence on individuals - a group develops its own culture that regulates conflicting motives, harmonizes relationships, and enables the group to reach its goals. So the idea of individuals participating solo-fashion in communication is false. This sheds some light on why some prospects change their mind and decline to take personal insurance covers after making consultations with significant others such as spouses, friends and kinsmen. Insurance sales are heavily oriented towards individuals. Sales presentation is typically geared to individual decisions, individual acceptance, and individual premium contribution.

While rooted in sociology, functional theory offers both psychological and sociological explanations concerning how a message is conveyed and reaches the audience. This theory recognizes the role opinion leaders play as “information filters and culture brokers” to conflicts among the masses (Jefkins, 1992: 28). Therefore, individuals who are highly valued in a group should be fully informed about proposed
changes. This will assist in making people change negative perceptions held about insurance covers.

Some perceptions are held because they allow a person to give positive expression to central values and to the kind of person one feels he or she is. Inasmuch as majority of the respondents disagreed with the statement that people who believe in God are insured in heaven and saw no need for earthly insurance, it was of significance to note that there was a definite but small relationship between this perception and the perception that a system of mutual aid is better than formal insurance.

In addition, there was a marked relationship between these perceptions and religion. Explanation for this could be derived from ‘faith’ stressed by Christians and “the doctrine of Riba (interest or usury) for Muslims” (Muslehuddin, 1990). Religious adherents tend to rely heavily on brotherhood and faith in God thus would prefer mutual aid, the notion of sharing one another’s burden by making contributions to bail out unfortunate members of the society, to formal insurance. Some few Christian respondents (12 percent) viewed taking personal insurance cover as a sign of lack of faith that God will take care. Further more, some Muslims view insurance as a means to acquire wealth through unjustified means.

Severin and Tankard (1997) posits that some perceptions are held because people are protecting their egos from their own unacceptable impulses or from knowledge of threatening forces. Those who are of the opinion that Insurance of life is bribery as it is a compensation for something, which cannot be valued may hold to this as a way of protecting their egos. This is particularly applicable to a Muslim who in all his transactions is forbidden to enrich himself unjustifiably. Islam permits trade and forbids riba, which is defined as “a monetary advantage without a counter value
which has been stipulated in favor of one of the two contracting parties in an exchange of two monetary values” (Muslehuddin, 1990: 117). Muslims may thus see insurance as a threat to their cultural or religious beliefs and resort to such a conception to protect their egos.

The right communication strategies for such prospects would be, according to Smith (1992), sharing in their experiences in order to understand underlying beliefs. This calls for high level of involvement. In order to sell, find the point at which insurance principle meets his/her deeply rooted beliefs and then use that as a strategy. For instance, it is imperative for an agent to understand the meaning and scope of the doctrine of riba before attempting to sell any insurance product to a Muslim.

The conceptual framework upon which this study was based proposed that personal insurance cover is dependent on level of involvement as a communication strategy. From the comments and interviews, it emerged that prospects cited failure by agents to give all required information about a cover as one reason that hindered them from purchasing covers. High level of involvement is equally vital for an insurance agent to prospect and eventually close a sale. This replicated the majority of the general public respondents (91.7 percent) who were of the opinion that during an insurance sales process the sales person should adopt an ask-and-listen attitude. It is only when the agent interacts with the prospect that insurance needs can be established. The best way to accomplish this is to permit the prospect to express their views as the agent provides a listening ear.

Mbugua, in his study (1998) found that many members of the public complain about their first meeting with an insurance agent. “He did not give me time to explain my needs” was a usual complaint. This is referring to the verbal aspect of communication.
For this to be effective one person has to listen as the other talks. During fact finding, which is a crucial stage in the sales circle, the extent to which an agent got involved with the prospect determined the extent to which the needs were identified. It is crucial that dialogue be encouraged throughout the process of personal insurance sales.

This will assist the agent in establishing the pressing insurance needs of the prospect, as it is only when the product is tailor made for an individual that it becomes possible to convince a prospect to buy a cover. For instance one insurance agent interviewed was of the opinion that she failed to close the sale simply because she never took time to establish the insurance needs of the prospect. However, for the prospect that she provided time for interaction she finally managed to close the sale in spite of the fact that she was more difficult to handle than the first one (Lewis, 1991).

Another study carried out by Wang and Lenita (2008) found that during the actual presentation, product knowledge played a very important role in convincing a prospect to not only purchase a cover but also know the expectations of that policy ownership. Dialogue ensures that the prospect raises all questions about the policy and the agent also makes important clarifications. In the case of personal insurance, the burning question may not be answered until the policy document is issued or a claim occurs (Mbugua, 1998). It is, therefore, important to let the prospects ask all their pertinent questions.

Parasuraman, (1998) also proposed that face-to-face interactions coupled with high level of involvement would result in the increase of awareness on how insurance works and the need for purchasing a personal cover. A study by Babbie, 1992) established that an interpersonal network was the cornerstone of an insurance
company's marketing strategy and has been proven to be very effective. The sales agents interviewed preferred personal encounters with prospects rather than making phone calls and sending mails. The probable explanation for this is that effective communication occurs when there is meeting of minds (Berg, 2001). This is in agreement with Smith's (1992) assertion that communication is a process of creating understanding. There must be the same understanding of the subject at hand for any communication to be effective. Further, this explains why it is difficult to close a sale unless the perception a prospect has about insurance is in line with the agent's approach and style of presentation. Katz's (1960: 170) functional approach to attitude change theory of communication thus holds true as he suggests that "unless we know the psychological need which is met by the holding of an attitude we are in a poor position to predict when and how it will change."

2.8 Organizational Factors Related to Public Perception of Life Insurance

Gronroos (2001) offer a comprehensive definition of services as "an activity or series of activities of a more or less intangible nature than normal, but not necessarily, take place in the interaction between the customer and service employee and/or physical resources or goods and/or system of service provider which are provided as a solution to customer's problems.

Customer service has become a distinct component of both product and service sectors and with the developments in information technology many businesses find demanding and knowledgeable customers (Agar, 1980).

The worldwide trend toward service quality was initiated in the 1880s when businesses realized that a quality product, in itself, is not guaranteed to maintain competitive advantage (van der Wal et al., 2002). Many researchers recognize that
service quality can bring an organization a lasting competitive advantage (Moore and Lewis). Quality of services can be the difference between success and failure in both service and manufacturing firms. Service quality, customer satisfaction and customer value have become the main concern of both manufacturing and service organizations in the increasingly intensified competition for customers in today's customer-centered era (Wang et al., 2004).

As a result, many organizations are paying increasing attention to improve service quality. In some manufacturing industries "service quality" is considered a more important order winner than "product quality" (Ghobadian et al., 1994). Service quality improvements will lead to customer satisfaction and cost management that result in improved profits (Stevenson, 2002). Contemporary service sector firms are compelled by their nature to provide excellent service in order to prosper in increasingly competitive domestic and global marketplaces (Sultan and Simpson, 2000). As service firms find themselves in an increasingly competitive and complex business environment, they are inevitably driven to examine their service delivery processes critically.

The focus of such internal analysis is ultimately about customer satisfaction, and how bottom-line results can be actualized through delivering quality services to customers via flawless interface platforms. This is not only the case in the private sector, but it also is increasingly so in the public sector. Public sector firms are trying to make administration more efficient and more citizen-oriented (Scharitzer and Korunka, 2000).

Parasuraman, (1998) in his study concluded that many customers who are strongly familiar with interpersonal services may never be satisfied with purely technology-
based services. This is probably even more important in the relationship-based cultures of India. Customers seem to want technology to be integrated into interpersonal relationships, not to replace them, regardless of their own personal technology readiness.

Babbie (1992) in his study found out that Standards of service delivery among many insurance companies are still low and the focus on the customer has not yet been embraced fully in the industry as it has in the competing financial services. Customer satisfaction therefore has remained low.

The perception of customers is that sales people can use technology to solve their problems, helping to develop a sense of trust and satisfaction that is likely to extend their relationship. The sales people are the critical element in the interaction and relationship, and technology's role is a support element that helps them develop their relationships “Some perceptions are held because they satisfy a desire for knowledge or provide structure and meaning in what would otherwise be a chaotic world” (Severin and Tankard, 1997: 197).

Another perception that emerged during a study by Blumler (1979) was that insurance agents are thieves, liars, and conmen. All the insurance managers and agents interviewed acknowledged that they had been confronted with such allegations. However, 47 percent of the general public respondents held this opinion. Nonetheless, there was a marked relationship between this and the perception that insurance sales agents sell policies before explaining adequately what the insured has paid for and what to expect. That is to say, when an insurance agent does not understand the products well, chances are that the prospect will either be sold a wrong product or may not be made to understand what is expected of the policy.
This concurs with a study done by Boone, and David (1989) which found that insufficient product knowledge on the side of agents was the major factor behind such allegations. It further justifies the majority of complaints received by Commission of Insurance, (the insurance regulating body in Kenya) that pivot on people finding themselves being deducted premiums they have not signed for. A recent research on insurance consumer behaviour in Kenya indicated disclosure of facts relating to products and image as some of the most important factors for measuring service quality in the insurance industry (Bashir, 2001:7). In order for agents to communicate for change of attitude, there is the urgent need for them to adhere to professionally accepted ethics, as guided by the Insurance Act Chapter 487 of The Laws of Kenya and the Association of Kenya Insurers (AKI) code of conduct.

“Some perceptions are held because people are striving to maximize the rewards in their external environments and minimize the penalties” (Severin and Tankard, 1997: 197). The misconception that once someone gets a cover, it includes all risks and what one needs to do is walk into the insurers office with a claim and a cheque will be issued, no questions asked. Those who hold this misconception, view insurance as a means of maximizing benefits. Such people never expect any penalties to be associated with any cover and may treat even premiums for personal accident cover as an investment and therefore make claims even if the insured event fails to take place (Hesselgrave, 1991).

A right communication strategy would be product knowledge empowerment as was recommended by the general public respondents in a study carried out by (Jefkins, 1992). Nearly all of them responded that insurance agents should provide all the required information regarding the policy before making the prospect to sign the
documents. Once they fully understand how insurance works, prospects will appreciate the need to take a cover. Mutiga (1999), in his study found out that on the contrary, it was established that agents concentrate on the policy benefits at the expense of all that is required of the client to know.

According to Smith (1992), the agent’s ability to meet the financial goals and needs of the consumer, consumers’ trust in the agent, and consumer perception of agent competence was consistently higher for a subgroup consisting of consumers who buy life insurance with an agent-only than it was for consumers using both an agent and the direct purchase method. This is consistent with the hypothesis that consumers purchasing through the agent, as well as the direct purchase approach, are in that group because of an undesirable experience with an agent or because they failed to attach a significant positive value to the use of an agent (Turley and Moore, 1995). In other words, the agent only group may be characterized as a pro-agent group and the agent plus direct purchase group may be characterized as a less pro-agent or agent neutral group.

2.9 Strategies for Improving Public Perception on Life Insurance

Kenyans also need to be sensitized on the necessity of personal insurance and how it works in controlling risks and life’s uncertainties. The major challenge for the insurance industry in Kenya is to increase penetration in the life sub-sector. Marketing techniques and improving perceptions have been highlighted as important strategies in achieving this. As foreign firms enter the market particularly in life underwriting, local insurers must improve efficiency and marketing strategy in order to survive. In addition, service delivery needs to improve, particularly in the reliability and responsiveness of operators (Faida Securities, 2007). This review deals with three
main strategies deduced from the above premises which the researcher thinks might help to improve public perception on life insurance product in Kenya. These include communication strategies; Life insurance marketing strategies; and Contact center strategies for improving customer services.

On a study about links between communication strategies and personal insurance covers, Kowuor (n.d) found out that the perceptions an individual holds about insurance would determine their response to a personal insurance sales interview or presentation. Kowuor notes that a communication strategy plays a crucial role in understanding these conceptions and effecting the desired change.

In order to effect change, the right communication strategy has to be used; one that would help the prospect to appreciate the need for an insurance cover. This calls for some level of involvement with the prospect. Communication is involvement, and for involvement to be attained, using a common language, sharing experiences, participation in culture, and understanding beliefs of the person we intend to communicate with are necessary (Smith, 1992: 23).

According to AKI (2008) the various communication strategies to increase awareness on life insurance include: Testimonial advertising where the real beneficiaries of insurance need to be used in electronic and print media advertising so as to present the benefits of insurance. It can also be done by publishing testimonial stories in magazines or TV documentaries of how insurance helped a beneficiary.

In addition, Christianet.com, insurance.com observes that insurance companies should be transparent while dealing with the existing Life insurance policy holders as well as the prospective policy holders. One common problem that the insured persons face is that the insurance companies do not inform its clients about the hike in the premium
rates. Not only should a client be informed about everything related to his/her policy but the Life Insurance Company should keep the transparency as much as possible.

Life Insurance Companies should always try to keep in constant contact with the existing customers according to Christianet.com, insurance.com. The competition in the insurance market is so fierce today that no company wants to lose out on customers to another company. Clients who are not contacted for a longer period of time normally fail to remain loyal to the insurance company and often look for a different alternative.

According to Genesys (2008) today contact centers are seen as a far more strategic asset. Fundamental customer service goals that should be delivered by today’s contact center include cross-selling and up-selling more products and services, and running more cost efficient operations by increasing agent productivity. These, if well utilized could contribute a lot in changing customer perception and increasing sales.

2.10 Summary of Literature Review

From the above literature review, the low penetration of insurance in the Kenyan market, relative to other more developed markets is attributable to the following factors: A general lack of a savings culture among Kenyans; low disposable incomes for the majority of the population, with close to 50% of Kenyans living below the poverty line; inadequate tax incentives that could encourage the middle classes to purchase life insurance products; and a perceived credibility crisis of the industry in the eyes of the public particularly with regard to settlement of claims. Other factors brought forth include lack of trust in the insurance industry, limited knowledge on its
products, its limited reach to the informal sector; the perception that insurance is expensive, and the fear of not being able to service it continuously.

Specific challenges in the life insurance industry relate to a high number of withdrawals; low life expectancy; negative perceptions regarding the industry; lack of management experience and insurance skills; and the lack of transparency of charges on savings-type products. Negative public perception comes out strongly as a key challenge to the penetration of life insurance services in Kenya which currently stands at less than 1% according to Microfinance Africa (2010).

The literature continues to point out that as foreign firms enter the market particularly in life underwriting, local insurers must improve efficiency and marketing strategy in order to survive. In addition, service delivery needs to improve, particularly in the reliability and responsiveness of operators.

While the several studies reviewed in this chapter have dealt with the relationship between insurance and economic development and the identification of factors and challenges limiting insurance penetration, minimal studies have been dedicated to public perception on life insurance in Kenya and actually no studies available to the researcher have been found dealing exclusively with the effects of factors affecting public perception of life insurance. This study hence seeks to fill this gap in research by investigating the effects of factors affecting public perception of life insurance and strategies that can be used to improve that perception in Kenya using the case of life insurance companies in Nakuru Municipality.
2.11 Conceptual Framework

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Demographic Factors</strong></td>
<td>Public Perception</td>
</tr>
<tr>
<td>Age, education, Knowledge and Awareness, income, occupation</td>
<td>On life insurance</td>
</tr>
<tr>
<td><strong>Socio-Cultural Factors</strong></td>
<td></td>
</tr>
<tr>
<td>Cultural beliefs and social groups</td>
<td></td>
</tr>
<tr>
<td><strong>Organizational factors</strong></td>
<td></td>
</tr>
<tr>
<td>Claim procedures, cost of premiums, returns on policies, sales strategies, customer service practices.</td>
<td></td>
</tr>
</tbody>
</table>

**Figure 1:** Factors affecting public perception on life insurance

Source: Researcher’s own (2012)

Based on the review of literature the study conceptualizes that, the public perception on life insurance (dependent variable) is a product of various factors borrowed from across different aspects: the demographic factors such as age, education level, awareness level, occupation and the level of income. In addition people from different cultural background perceive insurance from different perspectives which affect their decision to purchase life insurance cover. Life insurance companies based on the nature and operation of their business contribute to the public perception especially on the Claim procedures, cost of premiums, returns on policies, sales strategies by agents, and their customer service practices.
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter gives an account on research design, location of the study, target population, sample and sampling procedure, research instruments, piloting, data collection procedure and data analysis used in the study.

3.2 Research Design

The study adopted a descriptive survey design. Lockesh (1984) notes that descriptive studies are designed to obtain pertinent and precise information concerning the current status of phenomenon and wherever possible to draw valid general conclusions from the facts obtained. This study surveyed a sample of life insurance companies in Nakuru town so as to be able to describe the factors affecting the public perception on life insurance in Kenya. Data was collected from the sampled population using questionnaires, before analysis and generalization of the results to the entire population of life insurance companies.

3.3 Location of Study

The study was carried out in Nakuru Municipality in Nakuru County. The rationale for choosing the town was that it is home to several life insurance companies. The town was also chosen as a research site due to its current ranking as one of the fastest growing town in East Africa according to UN-Habitat (Daily Nation, September 28, 2010). This may imply growth in all sectors of the economy and hence the town residents were assured of a steady income which was crucial for investing in life insurance cover. Further, this has spurred the influx of life insurance companies and agencies in the town. Another reason for selecting the town was due to the
researcher's own interest and knowledge of the area. Singleton (1993) observes that
the ideal setting for any study is one that is directly related to the researcher's own
interests.

3.4 Target population

Mugenda and Mugenda (2003:9) defines target population as that population which
posses certain characteristics of interest and to which the researcher wants to
generalize the findings of a study. The target population was made up of two
categories, the public, and the staff of the 7 life insurance companies in Nakuru. The 7
life insurance companies in Nakuru include, CFC, Jubilee, Old Mutual, CIC, Panafric,
British American and ICEALION. The unit managers and sales agents of the 7
companies weree targeted as these are the people who deal directly with the members
of the public and the Insurance companies. Thus, the target population of the staff was
be made up of 168 sales agents and unit mangers. To represent the public, the study
targeted teachers in public secondary schools in Nakuru Municipality. The teachers
population of secondary schools stood at 303 in 29 public secondary schools (Nakuru

3.5 Sampling Techniques and Sample Size

Stratified random sampling technique was used to select the elements into the study
sample. The two strata used were: staff of insurance companies and secondary school
teachers. The sample size in each strata was determined using the formula by
Nassiuma (2000) as follows.
\[ n = \frac{(Nc^2)}{(c^2 + (N-1)e^2)} \]

Where \( n \) = Sample size

\( N \) = Population

\( C_v \) = Coefficient of variation (take 0.5)

\( e \) = Tolerance at desired level of confidence, take 0.05 at 95% confidence level

Applying the formulae to the two categories of respondents, the sample size drawn for this study was 120 respondents which is 25.4% of the target population. This is shown in Table 1.

Table 1: The Sample Size Matrix

<table>
<thead>
<tr>
<th>Category</th>
<th>Population (N)</th>
<th>Sample Size (n)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Agents</td>
<td>168</td>
<td>45</td>
<td>28</td>
</tr>
<tr>
<td>Teachers</td>
<td>303</td>
<td>75</td>
<td>25</td>
</tr>
<tr>
<td>TOTAL</td>
<td>471</td>
<td>120</td>
<td>25.4</td>
</tr>
</tbody>
</table>

Source: Researcher’s own (2012)

According to Mugenda & Mugenda (2003), a sample size of 10% of accessible population is enough in a descriptive study.

3.6 Research Instruments

The study used the questionnaire tool in the collection of primary data. This tool was more systematic and structured and aimed at obtaining information from respondents in a direct and open manner. Shao (1999) points out that a questionnaire may be structured, consisting of direct questions to obtain factual data, or indirect (semi-structured), allowing more flexibility on the part of the interviewer in setting
questions in an indirect manner, or probing for answers. Two sets of questionnaires: questionnaire for sales agents and questionnaire for the public (teachers). Questionnaire for teachers elicited information from the public point of view on the public perception on life insurance, and the socio cultural factors, demographic factors, organizational factors causing the perception. Each of these items will be presented on a separate section.

Questionnaire for sales agents sought information based on their experiences on the public perception on life insurance, based on demographic factors, sociocultural factors, organization factors and the media influence hence the strategies that can be put in place by insurance companies to boost the public perception on life insurance in Kenya.

3.7 Validity and Reliability of the Instruments

Mugenda and Mugenda (2003) defines validity as the accuracy and meaningfulness of inferences, which are based on the research results. The two also define reliability as a measure of the degree to which a research instrument yields consistent results or data after repeated trials. Validity and reliability were thus established for standardization of the research instrument used in the current study. Content validity of the research instruments was established in order to make sure that they reflected the content of the study concepts. Firstly, the researcher went through the instruments and compared them with the set objectives to ensure that they contained all the information that answered the set questions and addressed the objectives. Secondly, expert input from the supervisors and authorities in the area of study was sought to scrutinize the relevance of the items on the instruments against the set objectives. The instruments were then be piloted to a population similar to the target population in the neighboring
Naivasha town. Cronbach's Coefficient Alpha was computed for the instrument. A reliability coefficient of 0.72 was achieved therefore the instruments were adopted for the study. A reliability coefficient of 0.7 or over reflect the internal reliability of the instruments (Fraenkel & Wallen, 2000). Piloting was also essential to eliminate ambiguity in question items, establish problems in administering the instruments, test data collection instructions, establishing the feasibility of the study, anticipating and amending any logical and procedural difficulties regarding the study, and allowing preliminary (dummy) data analysis.

3.8 Data collection

The researcher requested a letter of introduction from the university and then proceeded to book appointments with the insurance agents of Insurance Companies to be studied. After acquiring permission from the branch manager, the researcher established a rapport with the respondents and explained to them the purpose of her study and then proceed to self administer the questionnaires to the sampled respondents. This also applied to teachers where the researcher first sought permission from the respective head teachers before administering questionnaires to the teachers.

3.9 Data Analysis and Presentation

Data collected was coded, cleaned and analyzed using Statistical Package for Social Sciences (SPSS) version 19 to facilitate addressing the research objectives and questions. This will be done using both descriptive and inferential statistical tools. Descriptive statistics used included percentages and frequencies, mean, mode and cumulative frequencies while the inferential statistic used was person correlation analysis.
Data was analyzed according to themes based on the study objectives and research questions. Findings were presented using tables and charts.
CHAPTER FOUR

FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents the findings of the study and discussions of the results on the factors affecting public perception of life Insurance in Nakuru Municipality, Kenya. The chapter is structured into the following subheadings: demographic characteristics of the respondents, demographic factors influencing public perception on life insurance, socio-cultural factors influence public perception on life insurance, and the organization factors influencing public perception on life insurance. Out of the 45 questionnaires issued to agents, all were filled and returned recording a return rate of 100%, while of the 75 issued to teachers only 67 were returned indicating a return rate of 89.3%.

4.2 Demographic Characteristics of Respondents

In order to establish the demographic characteristics affecting the public perception on life insurance, the study sought information on: age, highest level of academic qualification, income level, and the duration of employment.

4.2.1 Demographic Characteristics of Teachers

The findings are plotted on table 2 below.
<table>
<thead>
<tr>
<th>Table 2: Demographic Characteristics of Teachers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age Bracket</strong></td>
</tr>
<tr>
<td>25 – 34 Years</td>
</tr>
<tr>
<td>35 – 44 Years</td>
</tr>
<tr>
<td>45 – 54 Years</td>
</tr>
</tbody>
</table>

| **Education Level**                           | **Frequency** | **Percentage** |
| Diploma                                       | 24            | 35.8           |
| Bachelors                                     | 25            | 37.3           |
| Masters                                       | 10            | 14.9           |
| Other qualifications                          | 8             | 11.9           |
| Total                                         | 67            | 100.0          |

| **Income level**                              | **Frequency** | **Percentage** |
| Below Ksh 25,000                              | 15            | 22.4           |
| 25000-35000                                   | 14            | 20.9           |
| 35000-45000                                   | 10            | 14.9           |
| Above 45000                                   | 28            | 41.8           |
| Total                                         | 67            | 100.0          |

| **Duration of Service**                       | **Frequency** | **Percentage** |
| 1-5 Years                                     | 15            | 22.4           |
| 6-10 Years                                    | 14            | 20.9           |
| 11-15 Years                                   | 20            | 29.9           |
| Above 15 years                                | 18            | 26.9           |
| Total                                         | 67            | 100.0          |

Source: Research Data (2012)

It was established that majority of the teachers surveyed 34 (50.7%) were in the age bracket between 35- 44 years, 18(26.8%) were in the age 45- 54 years, while 15(22.4%) were in the age between 25 – 34 years. This implies that majority of the teachers had enough experience in the teaching profession therefore they were in good position to provide information sought for in this study. On the duration of service in
their current profession, majority 20(29.9%) had worked for 11 – 15 years, 18(26.9%) had served for more than 15 years, 14 (20.9%) had served for a duration of 6 – 10 years while 15 (22.4%) had served for between 1 – 5 years.

On the highest level of education, majority of teachers surveyed 25(37.3%) had attained bachelors degree, 24(35.8%) had attained diploma whereas 10 (14.9%) had masters degree. Minority 8(11.9%) had attained other qualifications relevant. The salaries paid to teachers was also varied, majority 28 (41.8%) were receiving a gross pay above Ksh 45,000, 10(14.9%) were receiving between 35000–45,000, 14(20.9%) received 25,000 – 35,000 while 15 (22.4%) received below Ksh 25,000.

4.2.2 Awareness on Life Insurance

When asked to identify whether they were aware of the existence of life insurance they indicated as shown on table 3 below.

Table 3: Awareness on Life Insurance

<table>
<thead>
<tr>
<th>Awareness on Life Insurance</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>NO</td>
<td>10</td>
<td>14.9</td>
</tr>
<tr>
<td>YES</td>
<td>57</td>
<td>85.1</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Research data (2012)

The study indicated that majority 57 (85.1%) were aware of the existence of life insurance cover as opposed to 10 (14.9%) who claimed to have no knowledge on the life insurance policies. This contradicts Siddharth (2010) who cited limited knowledge on insurance its products, although this could be specific to teachers.
4.2.3 Source of Information on Life Insurance

The study further sought to know where teachers got information concerning life insurance. The findings are tabulated on table 4 below.

**Table 4: Source of information on life insurance**

<table>
<thead>
<tr>
<th>Source of Information</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Friends and relatives</td>
<td>19</td>
<td>28.4</td>
</tr>
<tr>
<td>Colleagues at the work place</td>
<td>52</td>
<td>77.6</td>
</tr>
<tr>
<td>From the media</td>
<td>55</td>
<td>82.1</td>
</tr>
<tr>
<td>From insurance agents</td>
<td>31</td>
<td>46.3</td>
</tr>
<tr>
<td>Other sources</td>
<td>11</td>
<td>16.4</td>
</tr>
</tbody>
</table>

Source: Research data (2012)

It was established that majority of teachers 55(77.6%) learnt about life insurance from the media, 52(77.6%) learnt from colleagues at their work places, 31(46.3%) cited insurance agents while 19 (28.4%) cited friends and relatives. Most insurance companies have turned into the media as a platform for marketing their products. This could be the reason why majority indicated to have learnt about life insurance from the media. On the other hand this could imply effectiveness of the media as an advertisement platform.

4.2.4 Demographic Characteristics of Insurance Agents

**Age bracket of agents**

Majority of the agents surveyed were aged between 31-40 years that is 16 (41%), followed by those in the age bracket of 21-30 years with 13 (33%), then 41-50 years 8
(19%) and below 20 years were 4 (10%). This implies that young people should be encouraged to join the insurance industry which since its like self employment in order to reduce the level of unemployment in the country.

![Age bracket of agents](image)

**Figure 2:** Age bracket of agents

Source: Research Data (2012)

**Education Level of Agents**

20 (50%) of the agents surveyed were in the level of above KCPE, 12 (29%) were in the level of diploma, 8 (21%) were in the level of degree and none of the agents surveyed were in the masters level of education. This implies that agents should be encouraged to further their education when they enter the insurance field and also insurance companies should also employ agents who have higher levels of education like degree and masters.
Table 5: Education level of agents

<table>
<thead>
<tr>
<th>Level of education</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Above KCSE</td>
<td>20</td>
<td>50</td>
</tr>
<tr>
<td>Diploma</td>
<td>12</td>
<td>29</td>
</tr>
<tr>
<td>Degree</td>
<td>8</td>
<td>21</td>
</tr>
<tr>
<td>Masters</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>40</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Research data (2012)

**Professional Courses Attended By Agents**

Most of the agents surveyed had certificate of proficiency 36 (89%), and the rest had diploma in insurance 4 (11%). This implies that most sales agents have a professional qualification in insurance; therefore they have to some extent the skills and knowledge required to sell insurance.

Figure 3: Professional courses attended by agents

Source: Research data (2012)
Duration of Service of Insurance Agents

4(11%) of the agents surveyed had been in the industry for a period between 1-5 years, 19(49%) between 6-10 years, then 9(22%) between 11-15 years and 8(18%) had been in the industry for over 15 years. This implies that more agents should be recruited to increase the number of agents in the insurance industry.

Table 6: Duration of Service of Agents

<table>
<thead>
<tr>
<th>Duration of service</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5 yrs</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>6-10 yrs</td>
<td>19</td>
<td>49</td>
</tr>
<tr>
<td>11-15 yrs</td>
<td>9</td>
<td>22</td>
</tr>
<tr>
<td>Above 15 yrs</td>
<td>8</td>
<td>18</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Research data (2012)

4.3 Public Perception on Life Insurance

4.3.1 Teachers Response on Public Perception on Life Insurance

The study also sought to establish the perception on insurance by the teachers by seeking to know if they had life insurance cover, ever purchased a life cover, if they would wish to purchase one in future, whether they could recommend life insurance to a friend, and if they considered it beneficial to the policy holder. The results were coded 1 for yes and 0 for don’t know. This score was summed up to obtain the perception per respondent. The highest positive perception was 5 while the most negative score being 0. The results were tabulated on the histogram below.
As indicated on the histogram above, the score yielded a normal curve with a mean score on perception being 1.78, and the most occurring score being 2. This indicates that the teacher community generally has a negative perception towards life insurance though not very strongly negative. This is attributed to 32 (47.8%) who indicate that they had purchased life insurance before, 22 (32.8%) who had life policy cover at the time of the study. However, 15 (22.4%) indicated that they would not wish to purchase a life insurance cover in the future nor recommend a friend to purchase one. Majority 35 (52.2%) however acknowledged that life insurance policies were beneficial to the policy holders.
4.3.2 Agents’ Response on Public Perception on Life Insurance

Majority of the agents surveyed were of the view that public was negative on life insurance 24(59%), followed by those who were of the view that the public was very negative on life insurance 8(21%), then those who were of the view that the public was positive on life insurance were 2(6%) and 1(4%) were not sure. This implies that insurance companies together with the insurance regulatory authority have a lot to do to change the perception of Kenyans when it comes to purchasing life insurance.

![Bar chart showing perceptions of public on life insurance](image)

**Figure 5:** Agents’ response on the public perception on life insurance

Source: Research data (2012)

This concurs with findings by Chandran (2004) who cited poor public image which has caused distrust among potential customers due to lack of structured branding initiatives and the reliance.
4.4 Demographic Characteristics Affecting Public Perception on Life Insurance

Correlation analysis was done on the teachers perception score against the age, income level, education level, duration in employment and the awareness to establish whether these demographic factors influenced the perception on life insurance.

It was established that age of teachers played a key role in shaping their perception on insurance indicated by person correlation coefficient $r = 0.606$, at 0.01 significance level. This was consistent with duration of service which also played a key role $r = 0.745$, at 0.01 significance level, the level of income also played a role at $r = 0.653$ at significance level of 0.01. On the other hand, the level of awareness was found to be influential though to a less extent as indicated by $r = 0.334$ at significance level of 0.01. The level of education was not found to have influence on teachers perception on life insurance, $r = 0.208$ at significance of 0.092. Agents response on the demographic characteristics affecting public perception on life insurance is presented on table 7 below.

Table 7: Demographic factors influencing the public perception on life insurance

<table>
<thead>
<tr>
<th>Factors</th>
<th>Cumulative Frequency</th>
<th>Percentage</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>87</td>
<td>14</td>
<td>5</td>
</tr>
<tr>
<td>Educational level</td>
<td>136</td>
<td>21</td>
<td>2</td>
</tr>
<tr>
<td>Occupation</td>
<td>117</td>
<td>18</td>
<td>3</td>
</tr>
<tr>
<td>Level of income</td>
<td>202</td>
<td>31</td>
<td>1</td>
</tr>
<tr>
<td>Duration of employment</td>
<td>100</td>
<td>16</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>642</strong></td>
<td><strong>100</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research data (2012)
The results showed that level of income is the demographic factor that greatly influences the public perception on life insurance with a cumulative frequency of 202 (31%), followed by education level 136 (21%), then occupation 117 (18%), duration of employment 100 (16%) and age 87(14%). These were consistent with the response by the public. Income levels of individuals were adversely cited by Turley and Moore (1995) as a key impediment to penetration of life insurance.

4.5 Socio-Cultural Factors Influencing Public Perception on Life Insurance

4.5.1 Teachers Response on Socio-Cultural Factors Influencing Public Perception

To establish the socio cultural factors influencing the perception of teachers on life insurance. Respondents were asked to indicate their level of agreement or disagreement with five factors on a scale of 1-5 where 1 signified strongly disagreed and 5 indicated strong agree. The results are tabulated on table 8 below.
Table 8: Teachers Response on Socio-Cultural Factors Influencing Public Perception

<table>
<thead>
<tr>
<th>Statement</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>It is a taboo for one to take life insurance when they are still alive.</td>
<td>14</td>
<td>28</td>
<td>0</td>
<td>0</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>(20.9%)</td>
<td>(41.8%)</td>
<td>(0%)</td>
<td>(0%)</td>
<td>(37.3%)</td>
</tr>
<tr>
<td>Religion advocates against life insurance</td>
<td>0</td>
<td>14</td>
<td>35</td>
<td>18</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>(0%)</td>
<td>(20.9%)</td>
<td>(52.2%)</td>
<td>(26.9%)</td>
<td>(0%)</td>
</tr>
<tr>
<td>Only people who are involved in risky jobs should take life insurance</td>
<td>49</td>
<td>8</td>
<td>10</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>(73.1%)</td>
<td>(11.9%)</td>
<td>(14.9%)</td>
<td>(0%)</td>
<td>(0%)</td>
</tr>
<tr>
<td>Life insurance is for the rich people in the society</td>
<td>25</td>
<td>42</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>(37.3%)</td>
<td>(62.7%)</td>
<td>(0%)</td>
<td>(0%)</td>
<td>(0%)</td>
</tr>
<tr>
<td>I do not advocate for life insurance policy because my friends do not</td>
<td>15</td>
<td>18</td>
<td>14</td>
<td>20</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>(22.4%)</td>
<td>(26.9%)</td>
<td>(20.9)</td>
<td>(29.9%)</td>
<td>(0%)</td>
</tr>
</tbody>
</table>

Source: Research data (2012)

Majority of the teachers agreed 28 (41.8%) while 14 (20.9%) strongly agreed that culture played a significant role in determining their perception on life insurance in that, their cultural beliefs do not allow them to take life insurance cover while they are alive. The role played by religion however was not clear as evidenced by majority 35(52%) of the respondents who were not sure, 18(26.9%) disagreed while 14(20.9%) agreed that religion discouraged people from purchasing life insurance cover thereby affecting their perception.
Another strong sociological factor that influenced public perception on life insurance was that belief that life insurance cover is meant for people involved in risky professions cited by 49 (73.1%) who strongly agreed, 8 (11.9%) agreed and 10 (14.9%) who were not sure.

Majority 42 (62.7%) agreed while 25 (37.3%) strongly agreed of the teachers surveyed were of the opinion that life insurance cover is meant for wealthy people in the society people. On the other hand, 20 (29.9%) disagreed, 14 (20.9%) were not sure, 18 (26.9%) agreed while 15 (22.4%) strongly agreed that they are influenced by their peers and friends on whether to purchase life insurance cover.

A Pearson correlation analysis on the relationship between the social-cultural factors revealed a close association between negative perception on life insurance the teachers opinion that life insurance was for the rich and wealthy in the society at \( r = 0.652 \) and significance level of 0.01. Cultural beliefs, religious affiliations and peer pressure also affect perception on life insurance as evidenced by \( r = 0.246, 0.380, \) and 0.368 respectively at a significance level of 0.01. However there was no significant relationship between perception and profession.

4.5.2 Agents Response on Socio Cultural Factors Influencing the Public Perception

Agents were also allowed to give opinion on the socio cultural factors affecting the public perception on life insurance based on their experience from the interaction with the general public. Their response were captured on table ... below
Table 9: Agents response on Socio cultural factors influencing the public perception on life insurance

<table>
<thead>
<tr>
<th>Factors</th>
<th>Cumulative Frequency</th>
<th>Percentage (%)</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cultural beliefs about insurance</td>
<td>195</td>
<td>29</td>
<td>2</td>
</tr>
<tr>
<td>Peer influence</td>
<td>27</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Influence by the media</td>
<td>316</td>
<td>47</td>
<td>1</td>
</tr>
<tr>
<td>The notion that life insurance applies in some professions considered to be risky</td>
<td>101</td>
<td>15</td>
<td>3</td>
</tr>
<tr>
<td>The notion that life insurance is for a certain class of people</td>
<td>34</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>673</strong></td>
<td><strong>100</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research data (2012)

Influence by the media was ranked the greatest socio cultural factor influencing the public perception on life insurance by the agents surveyed with a cumulative frequency of 316 (47%), followed by cultural beliefs with 195 (29%), then the notion that life insurance applies in some professions considered to be risky 101 (15%), the notion that life insurance applies to a certain class of people was ranked number four with 34 (5%) and peer influence number five with 27 (4%). These findings concurs with Granlun and Mayer (1988) studies who found out that prospects culture determines the level of involvement as the sales agent gets to know the prospect’s perception of the concept of insurance. A separate study by Muslehuddin (1990) showed a marked relationship between perceptions and religion especially faith.
stressed by Christians and the doctrine of Riba (interest or usury) for Muslims. Severin and Tankard (1997) posits that some perceptions are held because people are protecting their egos from their own unacceptable impulses or from knowledge of threatening forces.

4.5 Organizational Factors Affecting public Perception on Life Insurance

Several organizational factors that were perceived to have had effect in shaping the public perception on life insurance were subjected to teachers for ranking and the results presented on the table below.

**Table 10: Organization factors influencing public perception on life insurance**

<table>
<thead>
<tr>
<th>Factors</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of payment for claims</td>
<td>28</td>
<td>39</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>(41.8%)</td>
<td>(58.2%)</td>
<td>(0%)</td>
<td>(0%)</td>
<td>(0%)</td>
<td></td>
</tr>
<tr>
<td>High cost of premiums</td>
<td>32</td>
<td>35</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>(47.8%)</td>
<td>(52.2%)</td>
<td>(0%)</td>
<td>(0%)</td>
<td>(0%)</td>
<td></td>
</tr>
<tr>
<td>Low rate of return on policy</td>
<td>25</td>
<td>42</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>(37.3%)</td>
<td>(62.7%)</td>
<td>(0%)</td>
<td>(0%)</td>
<td>(0%)</td>
<td></td>
</tr>
<tr>
<td>Poor complaint handling</td>
<td>16</td>
<td>26</td>
<td>23</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>(23.9%)</td>
<td>(38.8%)</td>
<td>(34.3%)</td>
<td>(3%)</td>
<td>(0%)</td>
<td></td>
</tr>
<tr>
<td>Mis-selling by sales agents</td>
<td>4</td>
<td>16</td>
<td>26</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>(6%)</td>
<td>(23.9%)</td>
<td>(38.8%)</td>
<td>(16.4%)</td>
<td>(14.9%)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Research data (2012)
Poor payments of claims by insurance companies contributes a lot to the negative perception on life insurance cover as cited by 39(58.2%) who agreed, and 28 (41.8%) who strongly agreed. The cost of premiums also contributes to the negative perception on life insures as indicated by 35(52.2%) who agreed and 32(47.8%) who strongly agreed. The life insurance policies are designed with low rates of return. This is according to 42 (62.7%) of the respondents surveyed who agreed and 25(37.3%) who strongly agreed. Poor customer complaint handling was also cited to have an impact on the negative perception on insurance.

Correlation results between organization factors and the perception score revealed that there is a significant relationship between teachers response on failure of insurance companies to honour claims and their perception on life insurance $r = 0.395$ at a 0.01 confidence level. The high premium charged by insurance companies also influence their perception on life cover as indicated by $r = 0.394$ significant at 0.01 confidence level. Low returns on policy yield $r = 0.652$, while customer handling $r = 0.402$ at a confidence level of 0.01. However there was no significant relationship between mis-selling by insurance agents and public perception on life insurance.

Insurance agents’ opinion on the organizational factors affecting public perception on life insurance was also captured on table 11 below.
Table 11: Insurance agents’ opinion on the organizational factors affecting public perception on life insurance

<table>
<thead>
<tr>
<th>Factors</th>
<th>Cumulative Frequency</th>
<th>Percentage</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procedures adopted by life insurance companies n settling claims</td>
<td>131</td>
<td>20</td>
<td>3</td>
</tr>
<tr>
<td>The cost of premiums</td>
<td>170</td>
<td>26</td>
<td>2</td>
</tr>
<tr>
<td>The rate of return of life insurance products</td>
<td>46</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>Customer care practices by the insurance companies</td>
<td>39</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Mis-selling by sales agents in selling policies</td>
<td>267</td>
<td>41</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>651</strong></td>
<td><strong>100</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research data (2012)

Mis-selling by sales agents in selling policies was ranked the greatest organizational factor influencing the public perception on life insurance by the agents surveyed with a cumulative frequency of 267(41%), followed by the cost of premiums with 170 (26%), then the procedures adopted by life insurance companies n settling claims 131(20%), the rate of return of life insurance products was ranked number four with 46 (7%) and customer care practices by the insurance companies 39 (6%). This concurs with other studies by Agar (1980) and Wang et al.,( 2004) who cited Customer service quality as key in influencing customer perception. Another perception that emerged during a study by Blumler (1979) was the mistrust between insurance agents are and customers where agents were termed as thieves, liars, and
conmen. This concurs with the findings of this study indicating mis-selling by insurance agents as a factor influencing public perception on insurance.

4.6 Strategies for Improving Public Perception

Several strategies were identified as instrumental in changing the negative public perception on life insurance and rated on the frequency.

Redesigning of the life products to make them less costly and more customer friendly was the most recommended by 63(94%) followed by employing more aggressive marketing campaigns to sensitize customers on the products 57(85%). The claims processing procedure and damage assessment procedures adopted by insurance companies also need to be streamlined 51(76.1%). Engaging staff of high integrity and putting mechanisms in place for monitoring mis-selling among sales agents was the least cited by 36(53.7%) and 48(71.6%) respectively.
CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the findings of the main study, conclusions and recommendations arrived at. It also gives suggestions for further studies.

5.2 Summary of Findings

The aim of the study was to examine the factors affecting public perception of life insurance in Nakuru Municipality, Kenya. Chapter one provides the background against which the study was carried out. It focuses on the development of life insurance policies in Kenya with main focus on the public perception. In the statement of the problem, the study sought to investigate the factors underlying the negative perception leading to low uptake of life insurance. This also formed the purpose of the study discussed in the chapter.

The research objectives and questions were to assess the effect of demographic factors on public perception of life insurance in Nakuru Municipality, to assess the effect of socio-cultural factors on public perception of life insurance in Nakuru Municipality, Kenya, and to assess the effect of organizational factors on public perception of life insurance in Nakuru Municipality, Kenya.

Chapter two presented an overview of the related literature to the study. It highlights the views of past and present scholars on the relationship between the public perception on life insurance, uptake of insurance and the leading factors. It also
contains theories that inform on perception. It is concluded by a conceptual framework that shows the relationship of the variables.

Chapter three looked at the methodology used in the study. The chapter looked at the research design, study location, target population, sampling procedures and sample size. The chapter also contains descriptions of the research instruments used, pilot study and measures of testing instrument reliability and validity. Procedure relating to the collection and analysis of data are also discussed in this chapter.

Chapter four covers analysis of data and the findings of the study. It was found out that. The public generally had a negative perception towards life insurance though not very strongly negative. This is attributed to 32(47.8%) who indicate that they had purchased life insurance before, 22 (32.8%) who had life policy cover at the time of the study, 15(22.4%) indicated that they would not wish to purchase a life insurance cover in the future nor recommend a friend to purchase one and majority 35(52.2%) of teachers who acknowledged that life insurance policies were beneficial to the policy holders. This was supported by majority of the agents surveyed who were of the view that public was negative on life insurance 24(59%).

On the demographic characteristics affecting perception on life insurance, it was established that age of teachers played a key role in shaping their perception on insurance indicated by person correlation coefficient $r = 0.606$, at 0.01 significance level. This was consistent with duration of service which also played a key role $r = 0.745$, at 0.01 significance level, the level of income also played a role at $r = 0.653$ at significance level of 0.01. On the other hand, the level of awareness was found to be influential though to a less extent as indicated by $r = 0.334$ at significance level of 0.01.
A Pearson correlation analysis on the relationship between the social-cultural factors and public perception on life insurance revealed a close relationship between negative perception on life insurance and the public opinion that life insurance was for the rich and wealthy in the society at $r = 0.652$ and significance level of 0.01. Cultural beliefs, religious affiliations and peer pressure were also found to affect perception on life insurance as evidenced by $r = 0.246$, 0.380, and 0.368 respectively at a significance level of 0.01. However there was no significant relationship between perception and profession. Influence by the media was ranked the greatest socio cultural factor influencing the public perception on life insurance by the agents with a cumulative frequency of 316 (47%), followed by cultural beliefs with 195 (29%), then the notion that life insurance applies in some professions considered to be risky 101(15%), the notion that life insurance applies to a certain class of people was ranked number four with 34 (5%) and peer influence number five with 27 (4%).

Poor payments of claims by insurance companies contributes a lot to the negative perception on life insurance cover as cited by 39(58.2%) of teachers who agreed, and 28 (41.8%) who strongly agreed. The cost of premiums also contributes to the negative perception on life insures as indicated by 35(52.2%) who agreed and 32(47.8%) who strongly agreed. The life insurance policies are designed with low rates of return. This is according to 42 (62.7%) of the respondents surveyed who agreed and 25(37.3%) who strongly agreed. Poor customer complaint handling was also cited to have an impact on the negative perception on insurance.

Correlation results between organization factors and the perception score revealed a significant relationship between teachers response on failure of insurance companies to honour claims and their perception on life insurance $r = 0.395$ at a 0.01 confidence
level. The high premium charged by insurance companies also influence their perception on life cover as indicated by $r = 0.394$ significant at 0.01 confidence level. Low returns on policy yield $r = 0.652$, while customer handling $r = 0.402$ at a confidence level of 0.01. However there was no significant relationship between mis-selling by insurance agents and public perception on life insurance.

According to the public (teachers) various strategies if adopted could be instrumental in changing the negative public perception on life insurance: Redesigning of the life insurance products to make them less costly and more customer friendly was the most recommended by 63(94%) followed by employing more aggressive marketing campaigns to sensitize customers on the products 57(85%). The claims processing procedure and damage assessment procedures adopted by insurance companies also need to be streamlined 51(76.1%).

5.2 Conclusions

The study therefore concluded that indeed, negative perception existed on life insurance among residents of Nakuru Municipality which could reflect the situation in Kenya as a country. The negative perception is as a result of lack of the right knowledge on life insurance among the public. Instead, the public makes judgment based on knowledge borrowed from formed opinions, past experiences, influence by peers, culture and religious affiliations. Media publicity also contributes a lot in informing the public on life insurance though in various instances it portrays a bad picture.
5.4 Recommendations

The study recommends that:

1) Life Insurance companies should intensify their efforts in enlightening the public on the role played by life insurance in the economy and encourage the purchase of life insurance cover to all people.

2) There is need for life insurance companies to redesign their products tailor made to suit Kenyans of different socio economic background taking into account the current hard economic times.

3) The government should also intervene by creating a policy that would force insurance companies to honor their claims whenever they fall due and also guide in the assessment and judgment on damages whenever necessary.

5.5 Suggestions for Further Studies

The study suggests a comprehensive research on:

(i) The strategies that life insurance companies can adopt in reversing the effects of negative perception towards their products.

(ii) Factors that customers consider in the choice of a life insurance cover.
REFERENCES


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Mutiga, J. (1999). IIK Director Advises the Insurance Industry to Prepare for Tough Times


USA: Genesys Telecommunications Laboratories, Inc.. Available at [www.genesyslab.com](http://www.genesyslab.com).


Appendix 1: Letter of permission to carry out research work

The Branch Manager

British American Insurance Company

Nakuru.

Dear Sir / Madam,

RE: PERMISSION TO CARRY OUT ACADEMIC RESEARCH

I am a Master of Business Administration student of Kenyatta University conducting a research study entitled "factors affecting public perception of life Insurance in Nakuru Municipality, Kenya, Your company has been identified to take part in the study. The purpose of this letter is to request you for permission to interview the sales agents using the Questionnaire copies attached. The information obtained is strictly for academic purpose and shall be treated with utmost confidentiality.

Thank you.

Yours Faithfully,

Constance Akiso.
Appendix 2: Questionnaire for the Public (Teachers)

Part A: Demographic Information

1. What is your Age..........................................

2. Kindly indicate your highest academic qualification

   Diploma [ ] Bachelors Degree [ ]

   Masters Degree [ ] Any other (please specify) [ ]

3. Which of the following best describes your income level?

   Below Ksh 25,000 [ ] 25,000 – 35,000 [ ]

   35,000- 45,000 [ ] Above 45,000 [ ]

4. For how long have been in formal employment?

   1-5 years [ ] 6-10 years [ ]

   11-15 years [ ] Above 15 years [ ]

5. a. Are you aware of the life insurance policies?

   Yes [ ] No [ ]
b. If yes where did you learn about life insurance policies?

<table>
<thead>
<tr>
<th>Options</th>
<th>Yes</th>
<th>No</th>
<th>Don’t Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>From a friend or relative</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>From colleagues at the work place</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>From the media</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>From the insurance company’s agents</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Any other</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Part B: Perception on Life Insurance**

5. The following set of questions relate to your perception on life insurance. *Choose by ticking [✓] on your opinion.*

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
<th>Don’t Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Do you have a life insurance cover?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Have you ever purchased a life insurance cover?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Would you ever wish to have a life insurance cover in future?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e. Would you advice a friend to purchase a life insurance cover?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>f. Is a life insurance policy beneficial to the policy holder?</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Part C: Socio-cultural Factors

6. What is your level of agreement or disagreement on the following socio cultural factors influencing perception on life on life insurance? Use the scale provided below in providing your answer.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>5</th>
<th>Disagree</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>4</td>
<td>Strongly Disagree</td>
<td>1</td>
</tr>
<tr>
<td>Not Sure</td>
<td>3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Statement</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. It is a taboo for one to take life insurance when they are still alive.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Religion does not advocate for life insurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Only people who are involved in risky activities should take life insurance</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>e. Life insurance is for the rich people in the society</td>
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<tr>
<td>f. I do not advocate for life insurance policy because my friends do not</td>
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</tbody>
</table>
Part D: Organizational Factors

7. The following are some of the reasons behind the negative perception on life insurance indicate your level of agreement by ticking where appropriate based on the scale below.

<table>
<thead>
<tr>
<th>Factors</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Life insurance companies do not pay claims</td>
<td></td>
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<tr>
<td>b. The cost of premiums are high</td>
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<tr>
<td>c. Life insurance policies have low return rates</td>
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<tr>
<td>d. Life insurance have poor complain handling procedures</td>
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<tr>
<td>e. The methods used by sales agents in selling policies are not good</td>
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</tr>
</tbody>
</table>
Part E: Strategies to Improve Public Perception

In your own opinion what can life insurance companies do to improve their public perception?

<table>
<thead>
<tr>
<th>Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engage in more aggressive campaigns on the goodness of their products</td>
</tr>
<tr>
<td>Streamline their damage assessment claims procedures</td>
</tr>
<tr>
<td>Put in place mechanisms to track agents performance and identify when mis-selling takes place</td>
</tr>
<tr>
<td>Engage staff of high integrity</td>
</tr>
<tr>
<td>Design products that are less costly and customer oriented</td>
</tr>
<tr>
<td>Any other (specify):</td>
</tr>
<tr>
<td>..........................................................</td>
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<tr>
<td>..........................................................</td>
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</tbody>
</table>

Thank you
Appendix 3: Questionnaire for Sales Agents

1. Which life insurance company do you work for? (Optional)..........................

2. What is your Age bracket?

   Below 20 years [ ] 21-30 years [ ] 31 – 40 years [ ] 41 – 50 years [ ]
   Above 50 years [ ]

3. Kindly indicate your highest academic qualification

   Diploma [ ] Bachelors Degree [ ]
   Masters Degree [ ] Any other (please specify) [ ]

4. Have you attended any professional course in insurance?

   Certificate of proficiency [ ]
   Diploma [ ]
   Degree [ ]
   Any other [ ]

4. For how long have been selling life insurance products?

   1-5 years [ ] 6- 10 years [ ]
   11- 15 years [ ] Above 15 years [ ]
Section B: Public Perception on Insurance and factors it's causative factors.

5. Based on your own knowledge and experience, what is the general public perception on life insurance?

Very Positive [ ]
Positive [ ]
Not sure [ ]
Negative [ ]
Very negative [ ]

6. The following are some of the factors influencing the public perception on life insurance. Indicate your level of agreement with each. *Choose by ticking [✓] by ticking on the scale below.*

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>4</td>
</tr>
<tr>
<td>Not Sure</td>
<td>3</td>
</tr>
<tr>
<td>Disagree</td>
<td>2</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Demographic factors</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Age</td>
<td></td>
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<tr>
<td>b. Education Level</td>
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<td>c. Occupation</td>
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<tr>
<td>D Level of income</td>
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<tr>
<td>e. Duration of employment</td>
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</tbody>
</table>
### Socio Cultural Factors

<table>
<thead>
<tr>
<th>Factor</th>
<th>5</th>
<th>4</th>
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<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Cultural beliefs about insurance</td>
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<tr>
<td>b. Peer influence</td>
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<td>c. Influence by the media</td>
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<tr>
<td>d. The notion that life insurance applies in some professions considered to be risky</td>
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<tr>
<td>e. The notion that life insurance is for a certain class of people</td>
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</table>

### Organization Factors

<table>
<thead>
<tr>
<th>Factor</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Procedures adopted by Life insurance companies in settling claims</td>
<td></td>
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<tr>
<td>b. The cost of premiums</td>
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<td></td>
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<tr>
<td>c. The rate of return of life insurance products</td>
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<tr>
<td>d. Customer care practices by the insurance companies</td>
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<tr>
<td>e. Mis-selling by sales agents in selling policies</td>
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</tbody>
</table>
In your own opinion which of the following strategies can life insurance companies adopt to reverse the public perception on their products? *Tick where appropriate.*

<table>
<thead>
<tr>
<th>Strategy</th>
<th></th>
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<tbody>
<tr>
<td>Engage in more aggressive campaigns on the goodness of their products</td>
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<td>Any other (specify)</td>
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