AN INVESTIGATION OF FACTORS INFLUENCING CUSTOMER’S ADOPTION OF
BANCASSURANCE CHANNEL OF INSURANCE DISTRIBUTION IN NAIROBI
CENTRAL BUSINESS DISTRICT

BILHA NJERI WACHIRA

A Research Project Submitted to the School of Business in Partial Fulfillment of the
requirements for the award of the Degree of Master of Business Administration
(Marketing Option), Department of Business Administration,
Kenyatta University
May, 2013
DECLARATION

This research project, which is my original work, has not been presented for a degree in any other University.

Sign: .......................................................... Date: ................................

BILHA NJERI WACHIRA

Reg No. D53/CTY/PT/20806/2010

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

Sign: .......................................................... Date: ...........................

J.M. KILIKA, PhD

Lecturer, Department of Business and Administration

School of Business

Kenyatta University

For and behalf of Kenyatta University

Sign: .......................................................... Date: ...........................

MUATHE, S.M.A, PhD

Chairman, Department of Business Administration

School of Business

Kenyatta University
DEDICATION

I dedicate the project work to my entire family, for the support and especially for the encouragement and cheering me up throughout the period. The co-operation, inspiration and spiritual support from my workmates, course mates Mensah, Jamleck and to my supervisor, for the understanding, patience and guidance.

May God bless you all abundantly
ACKNOWLEDGEMENT

First and foremost is my gratitude to the Almighty God for the gift of life, resources, a sound mind and everything else that enabled me go through the course. I will be forever grateful.

This Work could not have been a reality without the scholarly assistance, guidance, patience and self-sacrifice by my supervisor Dr. Kilika . I will forever be grateful for his genuine support.

May our dear Lord richly bless you!
ABSTRACT

Insurance is the transfer of risks to a firm or an individual to retain him to his initial financial status in the event of a loss. The insurance marketplace is undergoing a transformation that may eventually lead to significant changes in how consumers purchase insurance products. A variety of distribution channels are currently used in this market place and some insurers utilize a combination of distribution channels. The general objective of this study is to determine the factors influencing customer’s adoption of bancassurance channel of insurance distribution in Nairobi central business district. The factors investigated included product characteristic, market characteristics, context change and marketing communication. In this study, descriptive research design in form of a survey was used. The population of interest of this study was 504 customers using bancassurance channels in banking sector which included Equity Bank, Chase Bank, NIC bank, Diamond trust, cooperative bank Citi and Equatorial bank that were operating in Nairobi central business district. The study targeted a population of 46 banks in the central business district. The study interviewed 151 bancassurance customers in Nairobi CBD whom were selected by stratified sampling and seven bancassurance officials from the banks adding up to a sample size of 158 respondents. Questionnaire was designed to identify the factors influencing customer’s adoption of bancassurance channel. The questionnaires had both open and close-ended questions. Secondary data sources were employed with previous documents or materials to supplement the data received from questionnaires and information from interviews. A factor analysis and descriptive analysis was employed in data analysis. Descriptive statistics was used to summarize the data. This included percentages and frequencies. Tables and other graphical presentations as appropriate were used to present the data collected for ease of understanding and analysis. The study found that the product is more affordable and influenced customers’ decision to purchase insurance to a very great extent. In addition, the respondents strongly agreed that new busy lifestyles influence customers to demand a more convenient way of buying insurance and the social groups they belong to influence most members to buy insurance due to peer pressure. Moreover, existence of a multiple channels for insurance distribution therefore increasing convenience and availability of insurance services that can be purchased through membership in Chamas contributed to insurance transactions through the bank to a great extent. The study found that the bank applied to a very great extent mobile Short Messaging Service, sponsorship of community development programs such as tree planting, golfing and E-marketing through E-mails to sell insurance. The study concludes that Positioning can be done by using product characteristics or the customer benefits associated with the product. Trusted brands will be ever more critical in attracting and retaining an expanding mass-market investor base. The share of insurance services purchases made through affinity groups has increased. The economic reasons for banks selling multiple products include efficiently using fixed capacity resources, customer demand for several products from a single channel, and product combination strategy. Insurance marketing emphasizes the importance of the customer preferences and priorities. The study recommends companies to pay special attention to ensuring consistency in quality, feature, packaging, and so on. The need to provide insurance services any place, anytime, anywhere. They need to ensure that they consider customers preference. Technology need to be used effectively while marketing products. The study recommends banks to use mobile short message service, sponsorship of community development programs such as. tree planting and golfing and E-marketing through E-mails to sell insurance.
TABLE OF CONTENTS

DECLARATION ................................................................................................................................. ii
DEDICATION ....................................................................................................................................... iii
ACKNOWLEDGEMENT ......................................................................................................................... iv
ABSTRACT .......................................................................................................................................... v
LIST OF TABLES ................................................................................................................................. ix
LIST OF FIGURES ............................................................................................................................... x
DEFINITION OF TERMS ....................................................................................................................... xi
LIST OF ACRIMONIES ...................................................................................................................... xii

CHAPTER 1: INTRODUCTION ........................................................................................................... 1
  1.1 Background ........................................................................................................................................ 1
    1.1.1 The Banc assurance Distribution System ................................................................................. 3
    1.1.2 Adoption of Banc assurance Channel of Distribution System ............................................... 5
    1.1.3 Bancassurance Adoption in Kenya ............................................................................................ 8
  1.2 Statement of the Problem ............................................................................................................... 9
  1.3 Objectives of the Study ................................................................................................................. 10
  1.4 Research questions ....................................................................................................................... 11
  1.5 Significance of the Study ............................................................................................................. 11
  1.6 Limitation of the Study ................................................................................................................. 11
  1.7 Scope of the Study ....................................................................................................................... 12

CHAPTER 2: LITERATURE REVIEW ................................................................................................. 13
  2.1 Introduction ....................................................................................................................................... 13
  2.2.1 Bancassurance in Africa ........................................................................................................ 14
  2.3 Theoretical review .......................................................................................................................... 14
  2.4 Empirical review ............................................................................................................................ 16
2.4.1 Product Characteristics ................................................................. 16
2.4.2 Market Characteristics ................................................................. 19
2.4.3 Social Context............................................................................. 21
2.4.4 Marketing Communication ......................................................... 24
2.5 Research Gaps............................................................................... 26
2.6 Conceptual framework................................................................. 28

CHAPTER 3: RESEARCH METHODOLOGY ............................................... 30
3.1 Introduction.................................................................................... 30
3.2 Research Design................................................................. 30
3.3 Target Population......................................................................... 30
3.5 Data Collection ........................................................................... 32
3.6 Data Analysis .............................................................................. 33
3.7 Validity and Reliability................................................................. 33

CHAPTER 4: DATA ANALYSIS AND INTERPRETATION ............................ 34
4.1 Introduction.................................................................................... 34
4.2 Respondents Demographic Information........................................ 34
4.3 Descriptive Analysis................................................................... 39
4.3.1 Product Characteristics ........................................................... 39
4.3.2 Social Context.......................................................................... 41
4.3.3 Market Characteristics ............................................................. 42
4.3.4 Marketing Communication ....................................................... 44
4.4 Regression Analysis ................................................................. 45
4.4.1 Goodness of Fit of the Model .................................................. 45
4.4.2 Analysis of Variance ............................................................... 45
4.4.3 Regression Coefficients............................................................ 46

CHAPTER 5: SUMMARY, CONCLUSION AND RECOMMENDATIONS ... 47
5.1 Summary....................................................................................... 47
5.2 Conclusion.................................................................................... 48
5.3 Recommendations........................................................................ 50
5.4 Suggestions for Further Research ................................................................. 51

REFERENCES ........................................................................................................ 52

APPENDICES ........................................................................................................ 56

Appendix I: Letter of Introduction .................................................................. 56
Appendix II: Questionnaire ............................................................................. 57
Appendix III: Budget ......................................................................................... 63
Appendix IV: Time Schedule ........................................................................... 64

viii
LIST OF TABLES

Table 4.1: Highest Education Qualification of the Respondents ........................................ 34
Table 4.2: Period the respondents had bought insurance through the bank .................. 35
Table 4.3: Whether the respondents benefited from insurance services offered by the bank .... 36
Table 4.4: Alternative insurance channels the bank provides ........................................... 37
Table 4.5: Person allowed serving customers in the bank in case they have to buy insurance ... 39
Table 4.6: Extent that features of the insurance services offered through the bank influence customer's decision to purchase insurance ................................................................. 40
Table 4.7: Agreement level to statements that relate to social context in purchasing insurance through the bank ......................................................................................................................... 41
Table 4.8: Extent that the conditions of the market contributed to insurance transactions through the bank ................................................................................................................................. 43
Table 4.9: Extent that the bank applied the communication tools to sell insurance ............ 44
Table 4.10: Model Summary ................................................................................................. 45
Table 4.11: Summary of One-Way ANOVA results of the regression analysis between bancassurance adoption and predictor variables ................................................................. 45
Table 4.12: Coefficients of regression equation .................................................................... 46
LIST OF FIGURES

Figure 4.1: Highest Education Qualification of the Respondents .............................................. 35

Figure 4.2: Period the respondents had bought insurance through the bank ........................................ 36

Figure 4.3: Whether the respondents benefited from insurance services offered by the bank .......................... 37

Figure 4.4: Alternative insurance channels the bank provides ...................................................... 38
DEFINITION OF TERMS

Bancassurance: Bancassurance is the partnership or relationship between a bank and an insurance company whereby the insurance company uses the bank sales channel in order to sell insurance products. This allows the insurance company to maintain smaller direct sales teams as their products are sold through the bank to bank customers by bank staff and employees as well.

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

Life insurance: 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 upon the death of the insured person.

Non life insurance: General insurance or non-life insurance policies, including automobile and homeowners policies, provide payments depending on the loss from a particular financial event. General insurance typically comprises any insurance that is not determined to be life insurance.
LIST OF ACRIMONIES

IRA: Insurance Regulatory Authority
KBA: Kenya Bankers Association
PLC: Product life cycle
SaaS: Software as a Service
SOA: Service Oriented Architecture
SPSS: Statistical Package for Social Science
CHAPTER ONE

INTRODUCTION

1.1 Background

Insurance is the transfer of risks to a firm or an individual to retain him to his initial financial status in the event of a loss (Staikouras, 2008). In many countries insurance is classified in the category of the financial services sector alongside institutions carrying out bank and nonbank financial activities. Insurance companies operate under the group of non-bank financial institutions. There are several categories of insurance with the most common marketed to a wide range of customers being life insurance (Berger, 2003).

Life Insurance offers a way to replace the loss of income that occurs when the insured person dies, usually the person who is the majority income provider of the family. If the death of the insured occurs while the contract is in force, the insurance company pays a specified sum of money free of income tax to the person named as beneficiary. It can also be a form of savings in the long run where there is the option of contributing regularly. Other categories include Temporary life insurance which provides coverage for a limited period of time for a specified premium. After that period, the insured can either drop the policy or pay annually increasing premiums to continue the coverage (Diacon, 2000).

The insurance companies also give Non-Life insurance also known as General Insurance, which is a form of insurance mainly concerned with protecting the policyholder from loss or damage caused by specific risks. These risks are categorized depending on the need level that is property/Casualty Insurance, Health and Disability Insurance, Business and Commercial Insurance. Other types of Non-Life Insurance includes Agricultural, Home insurance, Aviation, Marine, Car insurance, Motor, Engineering, Shop/office, Fire insurance, Health insurance, Travel insurance and Critical Illness Insurance.

The Insurance business is an essential service in the financial services sector locally and internationally. Today almost all major insurance companies have offices in major cities around
they have formed collaboration with banks in other countries to better serve their international business community. One example of financial service includes insurance underwriting. In this case personal lines insurance underwriters actually underwrite raise investment capital for individuals, a service still offered primarily through agents, insurance brokers, and stock brokers (Kolari, 2007). Underwriters also offer similar commercial lines of coverage for businesses. Activities include insurance and annuities, life insurance, retirement insurance, health insurance, and property & casualty insurance. The insurance companies also offer reinsurance whereby insurance is sold to insurers themselves, to protect them from catastrophic losses.

As is expected with a product or a service, firms offering insurance establish distribution channels to link with insurance customers. The role of the distribution follows that espoused in marketing under the marketing mix factor of place. Place decisions consider the creation of channels of distribution occupied by middle men linking producers with consumers (Jeon, 2000). Under the nature of services, the level of channels of distribution ends up being relatively low and the channel has very few members with whom customers have to deal to access the service offered. The insurance sector initially adopted channel designs characterized by the presence of agents and brokers as the main links between insurance customers and the insurance firms. Traditionally; insurance products have been promoted and sold principally through brokerage and agency systems in most countries (Query 2002).

For historical reasons the image that 'broker' carries in the minds of the customer is not very favorable. Thus the new breed of insurance brokers faces the challenge of establishing credibility. Today's insurance agent has to know which product will appeal to the customer, and also know his competitor's products in the same space to be an effective salesman who can sell his company, the .product, and himself to the customer. To the average customer, every new company is the same (Eberhart, 2000).

The insurance marketplace is undergoing a transformation that may eventually lead to significant changes in how consumers purchase insurance products. A variety of distribution channels are currently used in this market place and some insurers utilize a combination of distribution
channels. These include the Internet-led channels, company-led channels, bank-led channels, and agent-led channels.

Of these distribution channels, the most discussed and anticipated channel is the Internet led channel. The widespread diffusion of the Internet has created an explosion in the growth of electronic channels, including direct channels that is, individual company web sites, electronic markets, or electronic intermediaries over which multiple buyers and sellers do business and other cybermediaries (Malone, T 1997).

Though a multi-channel strategy is better suited for the most of the developing countries as well, it is important to keep in mind that this market is really a conglomeration of multiple markets. Each of the markets within this conglomeration requires a different approach. Apart from geographical spread the socio-cultural and economic segmentation of the market is very wide, exhibiting different traits and needs.

1.1.1 The Banc assurance Distribution System

Traditionally, insurance products have been promoted and sold principally through brokerage and agency systems in most countries. The distribution system traditionally adopted for distribution by insurance firms has over the years faced several challenges. Even though the developments have taken place for long, those that have characterized the last ten years are said to have had far much reaching effects than those of earlier years. It is within the last ten years the world has experienced unprecedented technological breakthrough thus affecting the manner in which products and services are prepared and offered (Robert, 2002).

The financial sector has been affected through developments linked to e-marketing and offering opportunities for direct marketing. Insurance companies are forced to make use of this form of marketing by partnering with other stakeholders in the industry to diversify the distribution system adopted. Banking institutions have been brought into the distribution system through the concept and phenomenon of Banc assurance. The concept involves selling of insurance products through the banks. Banks make use of various actors in the system: career agents, Special advisors, Salaried Agents, Bank employees/Platform Banking, Corporate Agencies and
Brokerage Firms, Direct Response, Internet, e-Brokerage and Outside Lead Generating techniques. Banks approach to bancassurance in Africa has been largely based on partnerships with both insurers and brokers with the bank sales platform being used as the customer-facing channel to sell insurance products.

The major lines of business that are sold through bancassurance successfully are term insurance, credit insurance, and non-life products like Property, Motor and Personal accident and homeowners comprehensive insurance. Success would come by using bancassurance where it will be most effective - i.e., selling simple, cheap products to the masses at a low cost (Clifford, 2001). Using the customer data base, the banks are able to advice its clients on the best insurance policies to purchase which is done through phone calls or face to face visit by the banks executive. This awareness is growing and is evident from the fact that nearly every insurance company has partnered with one or many banks to implement bancassurance.

The attraction point by the stakeholders to adopt bancassurance is based on the benefits it offers. Certainly the benefits are manifold: insurance companies gain not only from the large distribution networks of banks, but also from their well-honed marketing techniques, including mining the extensive databases to better target prospects (Eberhart 2000). Banks not only benefit from insurance policy fees, but also have the potential to access both the substantial capital and investment assets insurers have under management. Liberalisation in other insurance segments, including property and casualty insurance, which accounts for more than half of the system's overall revenue, is touted as essential to the industry's development and industry actors continue to try and push for a greater selection of bancassurance products.

The new distribution channel of Bancassurance offers better cost efficiency than traditional channels such as agents and brokers and provides an opportunity to expand the customer base (Malone, T 1997). A range of new technologies such as Software as a Service (SaaS) and service oriented architecture (SOA) platforms have emerged to enable insurance companies to offer innovative new features, and illustration software has been a key element in the insurance business workflow, delivering functionality that enables agents to create price quotes and illustrate the benefits of insurance products to their customers.
Bancassurance business has grown substantially in the last ten years, and many countries have big plans to substantially grow the business. Among the countries include South Africa, Angola, Botswana, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe. Bancassurance has come to play a central role in the strategy of the Moroccan banks, which seek to establish themselves as one-stop shops for retail financial services, offering everything from investment banking to mortgage lending (Gefen, 2000). Morocco’s bancassurance branches have grown to account for an estimated 50% of total life insurance policies sold and for 15-20% of insurance premiums in the market.

Kenya bancassurance distribution channel for insurance products is perceived to have great potential due to the technological advancements that have seen increasing use of online transactions. With the new developments in consumer’s behavior, evolution of technology and deregulation, new distribution channels have been developed successfully and rapidly adopted in recent years (Query 2002)

1.1.2 Adoption of Bancassurance Channel of Distribution System

The bancassurance business has come a long way in Africa, from being relatively unknown ten years ago to being at the centre of most finance institutions' growth strategies. It was expected that most customers would swiftly adopt the new methods however the experience shows that is not yet readily accepted it is now really beginning to take shape and is now an established and growing channel for insurance distribution (Trembly, 2001). Compared to the rest of the world, Africa is still in the initial phases of bancassurance but is fast moving into the high-growth phase. The growth we have seen so far is just the tip of the iceberg when we consider the potential that Africa holds.

There has not been much attention given to explaining this situation of slow adoption of the new technology based distribution system for insurance services. From a marketing point of view it is considered a new idea whose adoption may be analyzed using the diffusion of innovation process (Steinfeld, 2005). An innovation is an idea, practice, or object that is perceived as new by an individual or other unit of adoption. The characteristics of an innovation in the insurance industry, as perceived by the members of a social system, determine its rate of adoption. Figure 2
shows the relatively slower, and faster, rates of adoption for three different innovations. The characteristics which determine an innovation’s in the insurance industry rate of adoption are: relative advantage, compatibility, complexity, trial ability, and observability.

The main element in the diffusion of new ideas is the communication which is the process by which participants create and share information with one another in order to reach a mutual understanding for examples the banks and the insurance companies. The innovation-decision process is the mental process through which an individual passes from first knowledge of an innovation to forming an attitude toward the innovation, to a decision to adopt or reject. The members or units of a social system may be individuals, informal groups, organizations, and/or subsystems. The social system constitutes a boundary within which an innovation diffuses.

Innovating in insurance firms is accompanied by a need to change. In order to adopt a new process, the insurance firm has to successfully utilize technological and process capabilities. As
noted by Sherif & Menon (2004), accelerating and succeeding in innovation assimilation in insurance firms, requires actors at different organizational levels to implement strategy, process and culture changes. As innovation moves through assimilation stages of initiation, adoption, adaptation, acceptance, routinization and infusion all insurance actors senior managers, middle / project managers, operational staff are involved in the change process.

Innovativeness in insurance industry can now be distinguished, i.e. whether individuals are initiative with respect to their personal network or innovate with respect to the social system. Those with high network thresholds who adopt early relative to the social system are only innovative relative to the social system, not relative to their personal communication network.

The adoption process as presented in the model has made use of the product life cycle (PLC). Using the PLC approach, it is observable that a number of factors may contribute to the rate at which a new idea is adopted by the market namely: the product characteristics; which includes product design and even the mode of product distribution; the market characteristics: the context in which the idea is marketed; and marketing communication initiated by firms. Under the product, marketers emphasize the role of product features such as premium waiver and benefits offered. In terms of the context, marketers consider the social aspect of marketing which is also clearly associated with how the idea moves through the social system of a population from which a market is drawn.

In view of the concept of bancassurance in Kenya, it is argued that certain features of insurance, the characteristics of the buyers of insurance and the situation in which insurance is marketed in Kenya may have contributed to the adoption rate of bancassurance. Several obvious factors that impact on a channel’s adoption are convenience and efficiency, affordability, consumer attitudes and preferences. In particular, it may be that consumers consider insurance products to be more complex than originally thought. Consumers still do not view even personal lines insurance products to be commodity products. The growth of urban areas has spurred banks to launch new branches in order to capture the retail banking business in housing finances and consumer credit, particularly amongst the lower and middle-income segments, which will help increase bancassurance penetration.
1.1.3 Bancassurance Adoption in Kenya

The phases of diffusion of innovation process may be applied to explain the adoption situation for bancassurance experience in Kenya. The phases have also been associated with these stages defining the product life cycle. From these two models, it is observable that several factors may influence the adoption process of a new idea such as the product characteristics, the market itself and the social structure surrounding the market for the idea (Heron, 2002). These however need to be empirically investigated to determine how they may have influenced the level of adoption of the alternative channels of distribution of insurance services in Kenya.

Though Kenya is joining the fast growing breed of net users, using net for transactions has not yet caught up. Though a few banks provide online banking, the usage is still a small fragment. The insecurity associated with transactions over the net is still an inhibiting factor. At present most of the insurance companies have product information and/or illustrative tools on the web.

In the Kenyan market, where insurance is sold after considerable persuasion even after face-to-face selling, the selling over the net, which must be initiated by the client, would take some more time. While the technology capability is there, improvements in bandwidth and infrastructure are needed. Also needed are simpler products where auto-underwriting is feasible (Omondi, 2004).

Industrial statistics indicate that Kenya is on the verge of adoption of bancassurance where by there is a huge untapped market in the country and with the emergence of bancassurance, the insurance sector will be able to increase its penetration levels. According to my own assessment the sector will also witness the emergence of insurance innovative products like funeral insurance, mobile phones and jewelry insurance. Bancassurance if taken in a right spirit and implemented properly can be a win-win situation for all the participants. Banks are now a major distribution channel for insurers as is evident from Equity, Chase, CFC Stanbic, Diamond Trust and Cooperative Bank all of which have adopted this method and insurance sales as a significant source of banks growth. The latter is partly because banks can often sell insurance at better prices than many other channels, and they have low costs as they use the infrastructure that they use for banking. The banks are also able to penetrate with a lot of ease since they give their customers loans against their insurance premium bills and pay the proceeds directly to their
insurer. This has reduced overburdening of the customers by a hefty insurance bill. For example, according to the Insurance Barometer 2012 (IRA, 2012) the net earned premiums in 2011 by the Chase Bank Agency amounted to Kenya shillings 160,726,018 while in 2012 amounted to Kenya shillings 347,834,522 and it is expected to hit a billion mark by 2013. The bank agency is doing even much better than individual insurance firms like Apollo life insurance, Takaful insurance of Africa and metropolitan life Kenya which had less than 246,000 gross written premium in 2011. This shows that bancassurance has played a significant role in the increment of gross written premiums by insurance firms in Kenya.

1.2 Statement of the Problem

The insurance marketplace is undergoing a transformation that may eventually lead to significant changes in how consumers purchase insurance products. While it is true that insurance purchasers today have more options available than they did five years ago, it is unclear if and when these channels will dominate existing insurance distribution channels and the reason behind this. Many insurers are tuned to meet the demands of traditional channels and struggle to meet the demands of newer channels. With heavy influence from technology adoption, channels’ geo spread varies from one regional market to another.

There is little evidence from research done on distribution systems in the insurance sector in Kenya. For example; Muchemi (2007) did a study on the concept of banc assurance and a survey on attitude of bank sales personnel towards insurance products. He found out those bank sales staff to insurance products is directly related to success of banc assurance function of banks. According to a study done by Kirui (2006), it was found that there is a huge untapped market in Kenya, and with the emergence of banc assurance, the insurance sector will be able to increase its penetration levels and if taken in a right spirit and implemented properly can be a win-win situation for all the participants. While it’s clear this have focused on some marketing dimension in the insurance, they did not explain the adoption, process of different distribution systems for insurance.

Regan (1997) examined the bancassurance channel preference from a transactions cost perspective. She found that independent agents are used more often by insurers that sell more complex insurance products, while exclusive agency insurers use their agents to market more
standardized products. She categorized these transactions based on frequency of exchange, complexity of the contracting environment, exogenous uncertainty and the importance of relation-specific investments that cannot be transferred to other users without the loss of value. Query and Hoyt (2002) also found support for this concept of differential services. This was particularly true after controlling for whether or not the respondent had a prior claim experience.

While there are several factors that may explain the low rate of adoption of bancassurance distribution channel, it may in part reflect the consumer’s perception that insurance is a complex product. This shows that adoption of this channel of distribution among most insurance companies however continues to draw the attention of industry experts. Research is required to explain the relevant set of factors likely to have influenced this situation. This is justified by the observed developments in the insurance industry. To the researcher’s knowledge, no study has been done in Kenya on factors influencing customer adoption of bancassurance channel of insurance distribution and hence this study seeks to fill the knowledge gap.

1.3 Objectives of the Study

1.3.1 General objective

The general objective of this study was to determine the factors influencing customer’s adoption of bancassurance channel of insurance distribution in Nairobi central business district.

1.3.2 Research objectives

i. To assess how product characteristic influence insurance customers to adopt bancassurance channel of insurance

ii. To determine the effects of market characteristics in influencing insurance customers to adopt bancassurance channel of insurance

iii. To determine the effects of social context change in influencing customer’s adoption of bancassurance channel of insurance

iv. To assess the effects of marketing communication on the adoption of bancassurance channel of distribution.
1.4 Research questions

i. How do product characteristics influence insurance customers to adopt bancassurance channel?

ii. How do insurance market characteristics influence insurance customers’ adoption of bancassurance channel?

iii. How does context change influence customer’s adoption of bancassurance channel?

iv. What are the effects of marketing communication on the adoption of bancassurance channel?

1.5 Significance of the Study

1.5.1 Management of Insurance companies

The study is valuable to the insurance companies in that it would provide an insight into the various approaches towards successful innovation and integrating the bancassurance channel, make them be the part of the occupying the market and highly promoting the development of their own.

1.5.2 Government

The study would be useful to the government in policy making regarding insurance industry and other regulatory requirements of the insurance companies.

1.5.3 Researchers

Finally, the study would provide a useful basis upon which further studies on insurance industry could be conducted.

1.6 Limitation of the Study

There are several factors, which could limit the study thus making it hard to achieve what it is aimed to be achieved effectively. The following are some of the factors:
1.6.1 Confidentiality

The respondents were not willing to give out information pertaining to the subject since they feared that the information would reveal their financial status which would expose them to their competitors. This would happen if the respondents are not made aware that the researcher was permitted by the management to carry out the investigation on the problem above. In this concern the researcher overcame this issue by giving the letter of research to indicate that she is a researcher and that the information collected is for academic purposes to carry out the investigation in the banking sector. Also the researcher promised that if the information is not treated confidentially the researcher was held liable.

1.6.2 Nature of Work

The customers are in different occupation such that they busy and therefore the researcher is unable to collect the required data. Attending to customers do not give enough time for respondents to effectively respond to the questionnaires. The researcher to overcome this limitation requested the customer to set aside a specific time when they are not very busy so as to collect data at that time. This helped to solve the problem of the busy respondents.

1.7 Scope of the Study

The study was confined to bancassurance customers in Nairobi central business district. The focus was in determining the factors influencing insurance customers to adopt bancassurance channel of distribution in Kenya. The study targeted a population of 46 banks in the central business district whereby 151 customers and seven bank official were interviewed on adoption of bancassurance
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature review on the factors influencing customer adoption of bancassurance channel of insurance distribution. It summarizes the information from other researchers who have carried out their research in the same field of study. This study is informed by comprehensive review of both theoretical and empirical review of the existing literature.

Insurance plays an important role in any economy by covering economic and financial risk arising out of certain events. Insurance can therefore be described as a mechanism for exchanging uncertainty with predictability and certainty. The purpose of the Insurance Industry within a nation is to protect and conserve the wealth of the Nation, whilst at the same time assisting in generating more wealth in all the ultimate objectives of ensuring the social economic well being of the Nation (A Guide of Insurance, Publication by the Insurance Institute of Kenya 2001).

As insurance markets become increasingly fragmented, more insurance firms use a strategy of multiple channels to appeal to as many potential buyers as possible. The idea is to allow customers to buy the way they want to and where they want to (Bearden et al., 2004). In many countries, an insurer's own sales representatives and bancassurance are two major marketing channels for insurance companies. The sales representatives, as employees of the insurance company, are considered a direct marketing channel. Bancassurance, which is sold through an intermediary bank, is an indirect marketing channel. Bancassurance refers to a method of distributing insurance through banks. A bank becomes an insurer's marketing channel as well as an intermediary between the insurance company and customers. Banks and insurance companies may engage in bancassurance activities under various strategic umbrellas.
2.2.1 Bancassurance in Africa

In Africa, Bancassurance is yet to gain as much popularity as it has in the rest of the world. Some of the countries already utilizing the channel are South Africa, Zimbabwe, Botswana and currently Kenya. Kenya and South Africa have similar business environment, the two countries share similar income distributions, and the insurance acts are similar since they have their origin in British (Gary Boal, 2003).

Banks and life insurers offer similar investment products and in addition, banks have wholly owned insurance brokerage companies that offer services to the public. However, high cost ratios for banks and increased acquisition expenses for insurance companies have been one of the major forces for bancassurance in South Africa. More and more banks are coming into arrangements with insurance companies to come up with appropriate products for their customers and the strategy has helped the banks establish rewarding business relationships. These developments have seen a number of banks with bancassurance products combining life protection and saving plans (International Monetary fund, 2005).

There is demand for simple insurance products in South Africa due to the huge and largely untapped emerging market. One of the most successful life products is the funeral insurance, which offers a limited sum on the death of a family member without the need for medical underwriting. One of the major challenges facing this channel is that banks and life insurers compete for the same market, since they offer similar products. This has slowed down the development of bancassurance in the country (Corinne, 2004).

2.3 Theoretical review

2.3.1 Options Theory and Decision Making

Most options theories have not been developed from, and do not consider the decision making point of view (Walter, 2004). Insurance alternative channels options are essentially bounded choice systems. Each insurance decision requires a choice from among several options (Steinfeld, 2005). Thus, decision making requires the calculation of the best insurance channel option among several, and whether or not the best option is the option with the highest value depending on how the decision is modeled and whether the model contains all relevant variables.
When existing insurance options are applied to decision making, they generally prove inadequate.

According to Staikouras (2006) each insurance option involves a choice of whether and when to exercise the selected option. This choice is bounded by time, the strike price, the number of alternatives, prevailing interest rates, and context-specific constraints such as existing laws, available capital, etc. The valuation of such choices does not often depend on predictable probabilities or decision weights, but rather on a number of factors that can best be represented in other ways (Ara, 2001).

2.3.2 Belief Systems Theory

Belief systems consist of physical, temporal, mathematical, psychological, information, technological, governmental, and monetary factors that directly influence people's beliefs and opinions about insurance issues, and thus give rise to probabilities and decision weights (Hoyt, 2002). Most insurance decision theories are based on the assignment of probabilities and weights to events and issues (Nwogugu, 2003). Thus, the method of determining probabilities and weights is critical to the decision-making process. Unfortunately, many decision theories have not analyzed this fundamental issue. Belief systems determine the range of possible occurrences and events within any given context.

Belief systems are manifest in court juries, probability analyses, and medical diagnoses, the issuing of travel visas, voting by shareholders and boards of directors, buy-versus-lease decisions, and regulatory processes in government agencies, loan approval processes, mergers and professional licensing (Sufi, 2000). Within the context of advances in technology and communication, people are more attuned to the dynamic nature of situations that require decision making.

Some inventions take the world by storm. Others seem to fail, lie dormant for decades, but when their time has come; their use grows quickly, even explosively (Keneley, 2004). Most achieve slow penetration at first, and then their adoption grows more quickly, but later slows down again.

A broad social psychological and sociological theory called Diffusion of Innovations. Theory purports to describe the patterns of adoption, explain the mechanism, and assist in predicting
whether and how a new invention will be successful (Rogers, 2003). The theory has potential application to information technology ideas, artifacts and techniques, and has been used as the theoretical basis for a number of research projects (Stowe, 2002).

2.4 Empirical review

2.4.1 Product Characteristics

In marketing, a product is anything that can be offered to a market that might satisfy a want or need. A product goes through four stages in its life cycle that is from when it was first thought of until it finally is removed from the market. Not all products reach this final stage. Some continue to grow and others rise and fall. The main stages of the product life cycle are:

- **Introduction**: researching, developing and then launching the product;
- **Growth**: when sales are increasing at their fastest rate;
- **Maturity**: sales are near their highest, but the rate of growth is slowing down, e.g. new competitors in market or saturation;
- **Decline**: final stage of the cycle, when sales begin to fall (Stegeman, 2009).

In the production and marketing of physical products, companies have increasingly paid special attention to ensuring consistency in quality, feature, packaging, and so on. Positioning can be done by using product characteristics or the customer benefits associated with the product. In essence, the strategy relies on providing a superior product to the customers to have a better positioning. A strategy which is quite popular in positioning nowadays is to advertise product characteristics which the competitor doesn’t have. The product characteristics may be short lived and may be adopted by the competition (Milgrom and Roberts, 2006). However on a first come first serve basis, the first brand to advertise its features and benefits gets more attention from the public.

A novice bancassurance operator usually starts by distributing simple, standardized products, which are sometimes even packaged with bank products. These products have to be integrated into the bank’s sales procedures and into its management methods. Aligning them on banking products makes it easier for the banking networks to sell insurance products. It is entirely possible to diversify the product range sold by bancassurance operators, but this must come
when the banking networks are already familiar with the concept of insurance and when the market is sufficiently mature to accommodate more complex products (Berghendal, 2005).

However, the important thing is always to supply products that are easy to explain and to define and which have limited options for choice. The design and implementation of the distribution model is as important, if not more so, than product design in bancassurance except for the few clients who require customized product solutions for individual financial planning needs (Staikouras and Nurullah, 2008). If an insurance or investment product offers basic protection or the promise of reasonable return at a fair price, consumers will buy it if the product, the distribution system and the channel are compatible. Low penetration of insurance in emerging markets is not a failure of product design, but a failure of the distribution system.

To be successful, the components of a distribution model must work together; product features and benefits, distribution costs and marketing channels all should complement each other. Bancassurers can tap all the channels identified in the model: direct mail, telemarketing, platform bankers, Internet, in-house specialists, Career Agents or professional financial advisors. The most effective bancassurance strategies will be driven by customers and channels, not products, and will leverage the bank's competitive strengths. The type of distribution channels that a company uses affects the design and pricing of its products, as well as the way in which the products are promoted and perceived in the marketplace (Chen, Moshirian and Szablocs, 2009). Some bancassurers started out by selling simple products which could be sold in large volumes but which usually had low margins to cover expenses and profits.

Various insurance services, offered via bank-insurance channels, are characterized by the nature of protection they intend to deliver. Consumer-oriented products are built on the premise of ethics as they seek to transfer risk away. With an insurance policy one pays a premium to avoid risk and preserve wealth. Essentially, demand for insurance protection assumes that risk-averse individuals prefer certain wealth to that same level of expected wealth with risk. In other words, a certain amount of loss would hinder individuals more than the same gain would benefit them (Korhonen and Voutilainen, 2006).
Products like mortgages, loans, credit, overdrafts, and investments can be easily bundled with insurance protection. These credit-based products, when issued in an ideal world, require customers to be risk-free to ensure that their obligations are met (Anderson and Renault, 2000a). In a risky environment, however, undiversified individuals face perils in the form of premature death, morbidity, unemployment and loss of assets. If these risks occur, credit-based product users could default on their obligations affecting both lenders' and borrowers' wealth.

At the same time, the cost of originating business, adverse selection, and moral hazard associated with the insurance coverage is reduced with the sale of such products. Finance and repayment products insure a borrower against the events of early death, permanent disability or loss of assets during the loan's life (Staikouras and Nurullah, 2008). Banks also view insurance protection attached to their products as a public relations instrument. By making sure that insurable perils are covered, banks can present a positive image that they are not as litigious as insurers. Since perils like premature death, loss of assets, morbidity, and/or unemployment are outside the customer's control, any recovery of owed amounts is viewed as unfair and with pique. Should any of the perils covered under the insurance policies occur, banks will not go through a litigation process to recover unpaid sums. Table I provides a list of insurance products attached to banking services.

The most common of these hybrid products is credit insurance, which usually accompanies mortgages, business and personal loans. By paying a premium the customer is financially protected and the loan is secured (Berger, 2001). Credit insurance also serves as a marketing tool, if the bank offers it freely in conjunction with a loan agreement. Overdraft insurance is another product, which covers the customer up to the overdraft facility's amount. Capital repayment services are suitable for mortgages, business and personal loans, for which it is agreed that periodic installments will include only the loan interest while the initial capital will be paid in a predefined future date. To ensure capital repayment the customer will take out an endowment i.e. a life insurance policy designed to build up a capital-sum for that future date.

According to Klein and Saidenberg (2000), the packaging of bank-insurance services is certainly determined by the existing corporate structures as well as the complexity of the insurance products. Death, personal accident, and unemployment protection are less complicated products
and can be easily sold by banks. It is worth noting that the development of bancassurance has mainly been through the mass-market, where standardized products requiring short time interface are easy to sell through the banking network. It is hoped that other markets will follow the North American market lead of focusing on high-net-worth customers, as a conduit to developing high margins, multifaceted and bespoke products (Sigma, 2007). Whilst standardized products meet protection requirements of both the lenders and borrowers, commission paid on them is quite thin. More sophisticated products incorporating investment elements such as whole-life and endowment insurance are sold by highly qualified advisors. The latter are located on site and employed either by the bank or as tied insurance agents. The sophistication of such products makes it difficult to attach them to banking services, as these require dynamic and aggressive distribution channels, and are also subject to stricter mis-selling regulations.

It can also be argued that brand-assurers may enjoy more public trust than the traditional insurance provider (Casu and Girardone, 2004). Finally, personal pensions are long-term tax advantaged savings that can be sold alongside other investment products offered by the bank. What makes personal pensions suitable for selling with other banking services is that they are defined contribution products so banks do not have to underwrite mortality or investment risk. Banks use their balance sheet strength and investment expertise when selling retirement income products while earning the desired commission.

2.4.2 Market Characteristics

A market is one of many varieties of systems, institutions, procedures, social relations and infrastructures whereby parties engage in exchange. While parties may exchange goods and services by barter, most markets rely on sellers offering their goods or services in exchange for money from buyers (Voutilainen, 2005). It can be said that a market is the process by which the prices of goods and services are established.

In mainstream economics, the concept of a market is any structure that allows buyers and sellers to exchange any type of goods, services and information. The exchange of goods or services for money is a transaction. Market participants consist of all the buyers and sellers of a good who influence its price. This influence is a major study of economics and has given rise to several
theories and models concerning the basic market forces of supply and demand (Laderman, 2000).

The insurance marketplace is undergoing a transformation that may eventually lead to significant changes in how consumers purchase insurance products. A variety of distribution channels are currently used in this marketplace which has been influenced by the market structure and some insurers utilize a combination of distribution channels (Heron, 2002). This has brought about the inclusion of the Internet-led channels, company-led channels, bank-led channels, and agent-led channels to conform to the demand of the market structures.

The widespread diffusion of the Internet has created an explosion in the growth of electronic channels, including direct channels, electronic markets, or electronic intermediaries over which multiple buyers and sellers do business (Malone et al., 2002), and other cybermediaries (Sarkar et al., 1995). Most purchasers of insurance products used traditional agent-led distribution channels such as direct writers or independent agents. Given its reliance on traditional channels, the insurance marketplace has only recently begun to reflect this broader growth in electronic channels. The Internet was expected to have a major negative impact on the traditional agent-led distribution channel. However, consumers have not shown a marked preference for purchasing insurance product via the Internet (Trembly, 2001).

Although less frequently used, company-led distribution channels through mediums such as direct mail or telephone call centers have seen increasing growth. While an agent is still required in this setting, this person typically does not meet with the insured. Association survey indicates that insurance represents a very small percentage of total bank revenue, but bankers predict an increase in marketing efforts (Berger, 2003). While it is true that insurance purchasers today have more options available than they did five years ago, it is unclear if and when these channels will dominate existing insurance distribution channels.

Many studies of bancassurance focused on benefits or enhanced value in bank-insurance consolidation. Bergendahl (2005) claimed that the economic reasons for banks selling multiple products include efficiently using fixed capacity resources, customer demand for several products from a single channel, and product combination strategy. In contrast, early research
findings of (Baumol, 2006) implied that there was no benefit from bank-insurance consolidation for existing insurance companies. But Dimon (2004) proposed that spanning both short- and long-term liability/asset structures in the financial intermediation process and attracting and keeping individual customers and corporate clients make bank-insurance consolidation beneficial to both insurers and banks.

Other studies of the effect of bank expansion into non-traditional industries focus mainly on the risk reduction and value enhancement effects of bank consolidation (Hughes 2005). Saunders and Walter (2004) and Hughes (2005) show that bank consolidation is consistent with risk reduction. Felgren (1999) argued that banks had greater cost advantages in selling insurance products than insurance companies themselves because banks already have extensive branch networks. Carow (2001) found that bank stock prices after entry into the insurance industry do not change significantly.

Most early research results about bancassurance agreed that banks gained benefits or cost advantages in bank-insurance consolidation, but the findings were not consistent when the studies looked at insurers' benefits from bancassurance. The studies on bank-insurance consolidation revealed no consensus on whether bancassurance would be a profitable strategy to an insurance company. There were also many studies on the efficiency of insurance companies which evaluated the performance of various insurance business activities (Berger, 2003; Korhonen and Voutilainen, 2006).

2.4.3 Social Context

Cultural differences between the banking and the insurance industries must be understood, respected and lived with in order for the bancassurance venture to succeed. The development of a single culture is another possible solution but this requires a very strong commitment from the top management (Berghendal, 2005). Customers are a driving force behind much of the change occurring throughout the insurance services industry today.

The ageing population and the shift in responsibility for retirement provision away from the state or employer to the employee continues to drive interest in investment and asset accumulation products (Staikouras, 2008). At the same time, consumers with increasingly busy lifestyles
demand more convenient insurance distribution alternatives and expect value to be delivered in every transaction. In essence, a new class of customer has arrived, the insatiable customer.

A higher pace of change in preferences: the insurance customer buying experience has been reshaped and higher expectations have been set. In Europe, there is considerable new interest in alternative insurance channels, such as banks and through internet.

Time famine: The need to provide insurance services any place, any time, anywhere. Increased buyer sophistication demanding quality insurance products, competitive pricing and responsive service.

Information overload: A bewildering array of insurance products and information about those products. Trusted brands will be ever more critical in attracting and retaining an expanding mass-market investor base (Walter, 1994). As technology has become more user friendly, consumers have become more self-sufficient. The share of insurance services purchases made through affinity groups has increased. At the same time, access to a multiplicity of distribution channels e.g. call centres, Internet have raised consumer expectations for insurance products and services.

Insurance national markets, has changed with the advent of direct insurers bypassing intermediaries, telephone sales operations, and internet-based selling. In addition to this, alternative ways of selling insurance products have been established through the banks, more commonly known as bancassurance (Hughes, 2005). Evolution of this market came from banks which offered loans and mortgages and provided the insurance products to cover the loan amount. Bancassurance brings together the advanced selling skills of insurance operators and the stronger customer orientation and loyalty of the banks, resulting in highly profitable, cost effective cross selling of insurance products (Hughes, 2005). These products were often provided by insurance companies and branded by the banks.

The most notable example in Ireland and the UK is Tesco (known for its grocery retailing) selling insurance products in an extension of their brand. It is important to note that although these products are branded as Tesco, they are not developed by the retailer and are supplied by a variety of insurance companies (Burt, 2000). Tesco selling insurance in Ireland may not be unusual in terms of its brand presence and product offering, but it is worth noting that they are
among the first foreign regulated intermediaries operating in the Irish market under the Insurance Mediation Directive.

Today, more customers expect to perform most types of transactions either online or using mobile devices. Insurers are slowly pushing greater capabilities onto their Web sites to allow customers a higher degree of control and flexibility. Some online insurers provide links to live that stand ready to assist by text chat, videoconference, and voice over IP, or shared application. Providing interactive features in emerging markets may be critical to adoption and success of these direct-writing sites while still providing a low-cost channel as compared to physical offices (Berger, 2001).

Some companies offer comparison quotes as a value add for customers and a way to build trust and social capital without the mediation of agents. Insurers can simplify payments and authentication by implementing new developments in secure biometrics and using credentials such as fingerprints, voiceprints, and retinal scans in combination with unique account information to improve the security of online transactions and build confidence (Vennet, 2000). Biometric capture devices are now becoming main-stream and they are found in an increasing number of portable and desktop computers. Insurers can capitalize on the spread of mobile devices and embedded telematics in vehicles by providing targeted promotions and offers, short-duration coverage, and specialized incentives for supporting data gathering or demonstrating low-risk behavior (Heron, 2002).

One interesting factor that has been highlighted suggests a connection between consumer habits in a country and the success of bancassurance on that market: the more a population is familiar in the use of new technologies, particularly the Internet, the smaller the role of bancassurance. That it is extremely dependent on the country's culture and consumer habits (Gary, 2000). As we saw above, certain populations prefer to go to their bank and discussing their financial needs face-to-face with their account manager. In other countries, consumers prefer to take the time and resources to compare products, for example on the Web; their consumer choices are entirely dictated by their research, which is completely anonymous. This pattern of consumption runs entirely counter to the market development of bancassurance.

23
Another explanation for the runaway success of bancassurance in certain countries is that big 
banks or international insurance companies have sought to move into countries where the 
penetration rate enjoyed by insurance is still low (Berghendal, 2005). They successfully created 
alliances or partnerships with insurance companies that were familiar with the customs and needs 
of local consumers, or with local banks that already had dense and organized branch networks. 
Through these agreements, bancassurance was often able to set up at relatively low cost, yet very 
fast and effectively. The best example is undoubtedly that of Spain, but also certain countries in 
Latin America where foreign banks and insurance companies have a very high penetration rate. 
Many countries in Asia are also following this development pattern (Gefen, 2000).

2.4.4 Marketing Communication
Communication is the activity of conveying information through the exchange of thoughts, 
messages, or information, as by speech, visuals, signals, writing, or behavior. Communication 
requires a sender, a message, and a recipient, although the receiver need not be present or aware 
of the sender's intent to communicate at the time of communication; thus communication can 
occur across vast distances in time and space (Laderman, 2000).

Insurance marketing is basically just the marketing of insurance products. Insurance marketing 
emphasizes the importance of the customer preferences and priorities. Major objectives of 
insurance marketing are increasing customer awareness, successful distribution of insurance 
products, developing corporate image, improving customer service, improving customer base 
and its spread, and etc (Power, 2002). Factors impeding the application of insurance marketing 
are insufficient experience of insurers while expanding insurance business, non-existence of 
long-term development strategies of insurance companies and the fact that insurers orient mostly 
to short term needs; and while trying to apply more actively insurance marketing means it is 
necessary to change the whole organizational management structure of an insurance company, 
the channels of insurance products sales, technologies of communication with clients, and etc.

Insurer has to analyse the nature of the customer's needs and plan their products and services in 
such a way that they can give satisfaction to the customers and face the competitors. Planning 
needs analysis of the insurance market to take a decision, prediction, and forecasting as to future 
needs of customers. All these programs involve a number of functions (7Ps), which are to be
planned carefully. The combination of these functions is known as insurance service marketing mix.

Marketing mix is the planned package of elements, which will support the organization in reaching its target markets and specific objectives. The marketing mix has its origin in marketing of goods for consumer markets and consists of the well-known 4Ps: Price, Promotion, Place, and Product. Numerous modifications to the 4Ps have been proposed, the most concerted criticism came from the services marketing area (Anderson and Renault, 2000a).

Borden (2003) was the first one to conceive the ideas of marketing mix, but did not formally define the marketing mix (Bennett, 2007). He explained it as important elements or ingredients that makeup a marketing program. Borden’s original marketing mix had a set of 12 elements: product planning, pricing, branding, channels of distribution, personal selling, advertising, promotions, packaging, display, servicing, physical handling, and fact finding and analysis.

Lazer and Kelly (2002) and Lazer, Culley and Staudt (2003) suggested three elements of marketing mix: the goods and services mix, the distribution mix, and the communication mix. McCarthy (2008) regrouped Borden’s 12 elements into four elements and was the first who offered the marketing mix, which is also known as the four Ps. He defined the marketing mix as a combination of all of the factors at marketing manager’s command to satisfy the target market.

This marketing mix approach has been criticized for being incomplete, because it does not bear in mind services marketing. Booms and Bitner (2001) create 7Ps by adding Participants, Physical Evidence, and Process to the original 4Ps. Their creation aims to include service in the marketing mix, and therefore the additional Ps are called Service Ps. The marketing mix with the 7Ps is highly appropriate towards businesses that offer services (Bitner, 2003). The 7Ps of marketing mix have been studied by some researchers in marketing fields (Saunders, 2000). Still, the expanded marketing mix suggested by Booms and Bitner (2001) has been considered to be a valuable tool for marketing service. These 7Ps are the suitable marketing mix elements for life insurance services.
The promotional mix is a term used to describe the set of tools that a business can use to communicate effectively the benefits of its products or services to its customers. Market communication performs three basic roles in marketing: to inform, to persuade, and to remind. Traditional promotion employs a variety of methods including advertising, sales promotion, public relations, and personal selling to attract the attention of existing and potential customers, and to inform them of the products, services, and special offers made available by the firm (Peattie, and Peattie, 2004). Each of the categories of promotion mix has now become familiar in many areas of services marketing. In case of life insurance services, promotion is done through a mix of advertising, personal selling, and sales promotion.

Promotion communicates with the potential market so as to persuade the prospective customers to try a new insurance product (Periasamy, 2005). Online advertising is one marketing tool that is worth the money. As the Internet takes on more power and influence all of the time, having a web presence will put an insurance company on the cyber map and get it noticed. Block line advertising in trade journals, industry publications and periodicals is the way to go. Television ads and print ads are excellent forms of insurance marketing. All life insurance companies have started using PR tools to make better image about them in the minds of general public. Personal selling is extremely labour intensive but is the best form as far as insurance is concerned, dealing with one customer at a time.

2.5 Research Gaps

Research to date suggests that adoption of bancassurance channels is closely linked to insurance company’s synergies with other financial institutions and its facilitation of economic activity (Sebstad, 2006). The benefits arising from the new and the modern channels therefore are closely related to how well the supply of insurance can meet the demands created for its services by other financial institutions and the economy. When the supply does not meet the demand for insurance services, as, for example, when the insurance market faces capacity constraints and infrastructural weaknesses, there arises an “insurance adoption gap.” This gap is related to a loss of economic efficiency and productivity of both the banks and the insurance companies. When the insurance gap is greatest, such as when financial institutions and economic activity far
outpace insurance supply, the potential economic benefits from an insurance market intervention was also greatest.

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Characteristics</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Market Characteristics</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Factors</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing Characteristics</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Author (2013)

The table above presents the factors identified in the literature review and indicates the impact on insurance products which support for the insurance market will in turn increase. It is possible to use the information above to inform
The bancassurance products have to be integrated into the bank’s sales procedures and into its management methods. Aligning them on banking products makes it easier for the banking networks to sell insurance products. It is entirely possible to diversify the product range sold by
bancassurance operators, but this must come when the banking networks are already familiar with the concept of insurance and when the market is sufficiently mature to accommodate more complex products.

In an increasingly complex marketplace, insurance providers have the dual task of directly addressing the needs of the policyholders and also enabling their agents to deliver a better service and remain compliant with legislative and corporate requirements. Insurers must improve agent performance and standardize agent actions to ensure compliance and better customer experiences. To take advantage of this opportunity, insurers must face the challenge of leveraging their existing legacy systems to successfully support these new and emerging market characteristics channels.

Social context is a term used to refer to how an object or invention is used or interpreted by people. The ageing population and the shift in responsibility for retirement provision away from the state or employer to the employee continues to drive interest in investment and asset accumulation products. A higher pace of change in preferences: the insurance customer buying experience has been reshaped and higher expectations have been set. One interesting factor that has been highlighted suggests a connection between consumer habits in a country and the success of bancassurance on that market: the more a population is familiar in the use of new technologies, particularly the Internet, the smaller the role of bancassurance.

Communication is involvement, and for involvement to be attained, using a common language, sharing experiences, participation in culture, and understanding beliefs of the person intend to communicate with are necessary. With the availability and accessibility of digital channels, consumers are increasingly expecting real-time customer service and information. Insurers should make use of technologies to connect with clients and support communication creation in real-time and on demand. Businesses also need to improve transaction processing by enabling a single process and access point for all internal users, brokers and customers along with real-time, front-end integration with source systems. As customer touch points have expanded across numerous channels e.g. email, mobile, web, social, TVs, promotions etc. insurers have a great opportunity to utilize these channels to engage prospects and customers. However, older legacy systems can hold insurers back.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In this chapter the researcher presents the methodology that was used to carry out the study. This chapter focused on the research design, methods of data collection, the population, data collection instruments and procedures, and the data analysis.

3.2 Research Design

In this study, descriptive research design in form of a survey was used. This research problem was best studied through the use of a descriptive survey. Descriptive research portrayed an accurate profile of persons, events, or situations (Robson, 2002). Survey allowed the collection of large amount of data from a sizable population in a highly economical way. It allowed the researcher to collect quantitative data, which was analyzed quantitatively using descriptive and inferential statistics (Saunders et al, 2007). Therefore the descriptive survey was deemed as the best strategy to fulfill the objectives of this study.

3.3 Target Population

The population of interest of this study was all insurance customers using bancassurance channels in the banking industry within Nairobi Central Business District. The set of banks offering this channel of distribution are Equity, Chase, Cooperative, Diamond trust and NIC, Citi and Equatorial bank. It is approximated that on average of 504 customers transact insurance through banks in Nairobi. The study being a survey implies that data was collected from all the five banks in Nairobi CBD. The study targeted a population of 504 bancassurance customers among commercial banks in the CBD and a bancassurance official from each of the seven banks.
### Table 3.1: Target Population

<table>
<thead>
<tr>
<th>Strata</th>
<th>Branches in NCBD</th>
<th>Customers per week</th>
<th>Customers per month</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity bank</td>
<td>17</td>
<td>30</td>
<td>120</td>
<td>120</td>
</tr>
<tr>
<td>Chase bank</td>
<td>3</td>
<td>15</td>
<td>60</td>
<td>60</td>
</tr>
<tr>
<td>Cooperative bank</td>
<td>15</td>
<td>20</td>
<td>80</td>
<td>80</td>
</tr>
<tr>
<td>Diamond trust bank</td>
<td>4</td>
<td>16</td>
<td>64</td>
<td>64</td>
</tr>
<tr>
<td>NIC Bank</td>
<td>4</td>
<td>15</td>
<td>60</td>
<td>60</td>
</tr>
<tr>
<td>Citi bank</td>
<td>1</td>
<td>11</td>
<td>44</td>
<td>44</td>
</tr>
<tr>
<td>Equatorial</td>
<td>2</td>
<td>19</td>
<td>76</td>
<td>76</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>46</strong></td>
<td><strong>126</strong></td>
<td><strong>504</strong></td>
<td><strong>504</strong></td>
</tr>
</tbody>
</table>


### 3.4 Sampling Design

According to Gay (2002), the number of respondents acceptable for a study depends upon the type of research involved. The appropriate sample size for descriptive studies should be between 10%-30% of the target population. For the purposes of the research, stratified sampling was used to select 151 bancassurance customers by taking 30% of the target population. The population was segregated into several mutually exclusive sub-populations or strata herein referred to as regions as shown in Table 3.1. The research interviewed 2 customers in the bancassurance department from each bank as illustrated in the table below. The actual bancassurance customers sampled was arrived at by using proportionate stratified procedures to draw the sample from each stratum. A total of 151 questionnaires were given to bancassurance customers and seven bancassurance officials from the banks.
Table 3.2: Sampling Frame

<table>
<thead>
<tr>
<th>Strata</th>
<th>Total number of Customers</th>
<th>Ratio</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity bank</td>
<td>120</td>
<td>0.3</td>
<td>36</td>
</tr>
<tr>
<td>Chase bank</td>
<td>60</td>
<td>0.3</td>
<td>18</td>
</tr>
<tr>
<td>Cooperative bank</td>
<td>80</td>
<td>0.3</td>
<td>24</td>
</tr>
<tr>
<td>Diamond trust bank</td>
<td>64</td>
<td>0.3</td>
<td>19</td>
</tr>
<tr>
<td>NIC Bank</td>
<td>60</td>
<td>0.3</td>
<td>18</td>
</tr>
<tr>
<td>Citi bank</td>
<td>44</td>
<td>0.3</td>
<td>13</td>
</tr>
<tr>
<td>Equatorial</td>
<td>76</td>
<td>0.3</td>
<td>23</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>504</strong></td>
<td><strong>0.3</strong></td>
<td><strong>151</strong></td>
</tr>
</tbody>
</table>

Source: Author, (2012)

3.5 Data Collection

In order to investigate the factors influencing customer’s adoption of bancassurance channel of insurance distribution in Nairobi Metropolitan Kenya self-administered drop and pick questionnaires was distributed among sampled customers in these banks. Questionnaire was designed to identify the factors influencing customer’s adoption of bancassurance channels. This made it easier to get adequate and accurate information necessary for the research. The researcher used structured questionnaires as the main data collection instrument. The questionnaires had both open and close-ended questions. The close-ended questions provided more structured responses to facilitate tangible recommendations. The open-ended questions provided additional information that did not have been captured in the close-ended questions. Secondary data sources were employed with previous documents or materials to supplement the data received from questionnaires and information from interviews.
3.6 Data Analysis

Before processing the responses, the completed questionnaires were edited for completeness and consistency. The data was then coded to enable the responses to be grouped into various categories. Descriptive statistics such of means, standard deviation and frequency distribution was used to analyze the data. In addition to descriptive statistics, regression analysis was conducted to establish the factors influencing customer’s adoption of bancassurance channel of insurance distribution. Tables and other graphical presentations as appropriate were used to present the data collected for ease of understanding and analysis.

3.7 Validity and Reliability

Validity according to Mugenda and Mugenda (1999) is the accuracy, meaningfulness and the degree at which results obtained from the analysis of data actually represent the phenomena of the study. In order to determine the validity of the instruments before administration of the questionnaires, the researcher presented them to the supervisor for analysis and critique. The study questionnaire was developed by the researcher based on the study objectives. The researcher piloted test the questionnaire to test the validity of the questionnaire. A small number of five customers from these banks were used to fine tune the questionnaire to ensure that it collected the required data to answer the specific questions to solve the research problem. This helped in ensuring the questionnaire is free from errors or ambiguity.

This helped the researcher to rectify and come up with good reliable instruments. This ensured credibility of the results. Reliability has to show the degree at which the research instruments yielded good results. In order to achieve this, the researcher administered the instruments in person in order to assess their clarity. The researcher also computed a cronchbach alpha score of the instrument used to obtain the primary data. Cronchbach alpha ranges between 0-1. Scores between 0-0.6 indicate that the instrument has a low reliability while scores of 0.7 and above indicate that the instrument has a high level of internal consistency and reliability.
CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

The main objective of the study was to determine the factors influencing customer’s adoption of bancassurance channel of insurance distribution in Nairobi central business district. Qualitative data was analyzed through quantitative analysis. Graphs, pie charts and tables were used to present the data. The questionnaires were dropped and later picked at a later date to allow the respondents to feel the questionnaires at their own time. Once the respondents answered the questionnaire, data was then coded and analyzed using SPSS.

The study targeted 151 respondents in collecting data with regard to factors influencing customer’s adoption of Bancassurance channel of insurance distribution in Nairobi central business district. From the study, 98 respondents out of the 151 sample respondents filled-in and returned the questionnaires making a response rate of 65.33%. This reasonable response rate was achieved after the researcher made personal calls and physical visits to remind the respondent to fill-in and return the questionnaires.

4.2 Respondents Demographic Information

The study sought to find out the highest education qualification of the respondents.

Table 4.1: Highest Education Qualification of the Respondents

<table>
<thead>
<tr>
<th>Highest Education Qualification</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diploma</td>
<td>37</td>
<td>37.8</td>
</tr>
<tr>
<td>Degree</td>
<td>43</td>
<td>43.9</td>
</tr>
<tr>
<td>Masters</td>
<td>18</td>
<td>18.4</td>
</tr>
<tr>
<td>Total</td>
<td>98</td>
<td>100.0</td>
</tr>
</tbody>
</table>
From the findings, 42.86% of the respondents had a degree, 38.78% of the respondents had a diploma and 18.37% of the respondents had a master.

The study also sought to find out the period the respondents had bought insurance through the bank.

**Table 4.2: Period the respondents had bought insurance through the bank**

<table>
<thead>
<tr>
<th>Period</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 1 year</td>
<td>19</td>
<td>19.39</td>
</tr>
<tr>
<td>1- 2 years</td>
<td>48</td>
<td>48.98</td>
</tr>
<tr>
<td>2 – 5 years</td>
<td>18</td>
<td>18.37</td>
</tr>
<tr>
<td>5- 10 years</td>
<td>10</td>
<td>10.20</td>
</tr>
<tr>
<td>Above 10 years</td>
<td>3</td>
<td>3.06</td>
</tr>
<tr>
<td>Total</td>
<td>98</td>
<td>100.00</td>
</tr>
</tbody>
</table>
According to the findings, 48.98% of the respondents had bought insurance through the bank for 1-2 years, 19.39% of the respondents had bought insurance through the bank for less than 1 year, 18.37% of the respondents had bought insurance through the bank for 2-5 years, 10.20% of the respondents had bought insurance through the bank for 5-10 years and 3.06% of the respondents had bought insurance through the bank for more than 10 years.

The study sought to find out whether the respondents benefited from insurance services offered by the bank.

**Table 4.3: Whether the respondents benefited from insurance services offered by the bank**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>81</td>
<td>82.7</td>
</tr>
<tr>
<td>No</td>
<td>17</td>
<td>17.3</td>
</tr>
<tr>
<td>Total</td>
<td>98</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Figure 4. 3: Whether the respondents benefited from insurance services offered by the bank

From the findings, 81% of the respondents indicated that they benefited from insurance services offered by the bank while 19% of the respondents indicated that they did not benefit from insurance services offered by the bank.

The study sought to find out alternative insurance channels the bank provides.

Table 4. 4: Alternative insurance channels the bank provides

<table>
<thead>
<tr>
<th>Alternative insurance channels</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank employees</td>
<td>2</td>
<td>2.04</td>
</tr>
<tr>
<td>Internet</td>
<td>35</td>
<td>35.71</td>
</tr>
<tr>
<td>E-brokerage</td>
<td>26</td>
<td>26.53</td>
</tr>
<tr>
<td>Career agents</td>
<td>20</td>
<td>20.41</td>
</tr>
<tr>
<td>Corporate agencies</td>
<td>15</td>
<td>15.31</td>
</tr>
<tr>
<td>Total</td>
<td>98</td>
<td>100.00</td>
</tr>
</tbody>
</table>
According to the findings, 35.71% of the respondents indicated that their bank provides internet insurance channel, 26.53% of the respondents indicated that the bank provides e-brokerage insurance channel, 20.41% of the respondents indicated that the bank provides career agents insurance channel, 15.31% of the respondents indicated that the bank provides corporate agencies insurance channel and 2.04% of the respondents indicated that the bank provides bank employees insurance channel. Insurance national markets, have changed with the advent of direct insurers bypassing intermediaries, telephone sales operations, and internet-based selling. In addition to this, alternative ways of selling insurance products have been established through the banks, more commonly known as bancassurance (Hughes, 2005).

The study sought to find out the person allowed to serve customers in the bank in case they had to buy insurance.
Table 4.5: Person allowed serving customers in the bank in case they have to buy insurance

<table>
<thead>
<tr>
<th>Person allowed serving customers in the bank</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Any member of staff</td>
<td>26</td>
<td>26.53</td>
</tr>
<tr>
<td>Only the manager</td>
<td>7</td>
<td>7.14</td>
</tr>
<tr>
<td>Only the insurance department officers</td>
<td>65</td>
<td>66.33</td>
</tr>
<tr>
<td>Total</td>
<td>98</td>
<td>100.00</td>
</tr>
</tbody>
</table>

From the findings, 66.33% of the respondents indicated that only the insurance department officers was allowed to serve customers in the bank in case they had to buy insurance, 26.53% of the respondents indicated that any member of staff was allowed to serve customers in the bank in case they had to buy insurance and 7.14% of the respondents indicated that only the manager was allowed to serve customers in the bank in case they had to buy insurance.

4.3 Descriptive Analysis

This section comprise of the description of the information on the influence of product characteristic, market characteristics, social context change and marketing communication on the customer adoption of bancassurance channel.

4.3.1 Product Characteristics

In marketing, a product is anything that can be offered to a market that might satisfy a want or need. A product goes through four stages in its life cycle that is from when it was first thought of until it finally is removed from the market. Not all products reach this final stage. Some continue to grow and others rise and fall. The main stages of the product life cycle are: Introduction: researching, developing and then launching the product: Growth when sales are increasing at their fastest rate: Maturity sales are near their highest, but the rate of growth is slowing down, e.g. new competitors in market or saturation: Decline final stage of the cycle, when sales begin to fall.
The study sought to find out the extent that features of the insurance services offered through the bank influenced customers' decision to purchase insurance using a scale of 1-5 where 1= very low extent; 2= low extent; 3= moderate extent 4= large extent; 5= very large extent.

Table 4.6: Extent that features of the insurance services offered through the bank influence customer's decision to purchase insurance

<table>
<thead>
<tr>
<th>Features of the insurance services offered through the bank</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>The service is offered in a more convenient way</td>
<td>4.236</td>
<td>0.312</td>
</tr>
<tr>
<td>The product is more affordable</td>
<td>4.714</td>
<td>0.123</td>
</tr>
<tr>
<td>As a customer, I enjoy more value and benefits</td>
<td>3.862</td>
<td>0.402</td>
</tr>
<tr>
<td>Services are tailor made to suit my insurance needs</td>
<td>3.731</td>
<td>0.237</td>
</tr>
<tr>
<td>Availability of many insurance products in the bank</td>
<td>4.408</td>
<td>0.982</td>
</tr>
<tr>
<td>I experience personalized customer service</td>
<td>4.372</td>
<td>0.512</td>
</tr>
<tr>
<td>Ease of receiving alerts when the cover is signed up.</td>
<td>4.257</td>
<td>0.712</td>
</tr>
<tr>
<td>Aggregate score</td>
<td>4.226</td>
<td>0.469</td>
</tr>
</tbody>
</table>

According to the findings, the product is more affordable and influenced customers' decision to purchase insurance to a very great extent as shown by a mean of 4.714. It is entirely possible to diversify the product range sold by bancassurance operators, but this must come when the banking networks are already familiar with the concept of insurance and when the market is sufficiently mature to accommodate more complex products (Berghendal, 2005). In addition, availability of many insurance products in the bank, experienced personalized customer service and ease of receiving alerts when the cover is signed up influenced customers' decision to purchase insurance to a great extent as shown by a mean of 4.408, 4.372 and 4.257 respectively.

The design and implementation of the distribution model is as important, if not more so, than product design in bancassurance except for the few clients who require customized product solutions for individual financial planning needs (Staikouras and Nurullah, 2008). Moreover, the service offered in a more convenient way, customers enjoy more value and benefits and services are tailor made to suit my insurance needs influenced customers' decision to purchase insurance to a great extent as shown by a mean of 4.236, 3.862 and 3.731 respectively. A strategy which is quite popular in positioning nowadays is to advertise product characteristics which the
competitor does not have. The product characteristics may be short lived and may be adopted by the competition (Milgrom and Roberts, 2006).

4.3.2 Social Context

Cultural differences between the banking and the insurance industries must be understood, respected and lived with in order for the bancassurance venture to succeed. The development of a single culture is another possible solution but this requires a very strong commitment from the top management. The study sought to find out respondents’ agreement level to statements that relate to social context in purchasing insurance through the bank using a scale of 1-5 where 1=strongly disagree, 2= disagree, 3=neutral, 4=agree and 5= strongly agree.

Table 4.7: Agreement level to statements that relate to social context in purchasing insurance through the bank

<table>
<thead>
<tr>
<th>Category</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance services attract negative social perception and I prefer buying directly through my bank</td>
<td>4.762</td>
<td>0.512</td>
</tr>
<tr>
<td>The social groups I belong to influence most members to buy insurance due to peer pressure</td>
<td>4.581</td>
<td>0.823</td>
</tr>
<tr>
<td>Fear of death makes most client to purchase insurance for protection</td>
<td>4.891</td>
<td>0.702</td>
</tr>
<tr>
<td>Most Insurance brokers and agents are untrustworthy when dealing with insurance customers.</td>
<td>4.719</td>
<td>0.413</td>
</tr>
<tr>
<td>People in white color jobs have a higher tendency of purchasing insurance through the bank than those in the blue color job</td>
<td>4.174</td>
<td>0.612</td>
</tr>
<tr>
<td>People in the private sector have a higher tendency to purchase insurance through the bank than those in the public sector</td>
<td>4.414</td>
<td>0.923</td>
</tr>
<tr>
<td>New busy lifestyles influence customers to demand a more convenient way of buying insurance</td>
<td>4.667</td>
<td>0.802</td>
</tr>
<tr>
<td>Aggregate score</td>
<td>4.601</td>
<td>0.684</td>
</tr>
</tbody>
</table>
From the findings, the respondents strongly agreed that fear of death makes most clients to purchase insurance for protection, insurance services attract negative social perception and they prefer buying directly through my bank and most insurance brokers and agents are untrustworthy when dealing with insurance customers as shown by a mean of 4.891, 4.762 and 4.719 respectively. Trusted brands will be ever more critical in attracting and retaining an expanding mass-market investor base (Walter, 1994). In addition, the respondents strongly agreed that new busy lifestyles influence customers to demand a more convenient way of buying insurance and the social groups they belong to influence most members to buy insurance due to peer pressure as shown by a mean of 4.667 and 4.581 respectively. Bancassurance brings together the advanced selling skills of insurance operators and the stronger customer orientation and loyalty of the banks, resulting in highly profitable, cost effective cross selling of insurance products (Hughes, 2005). Moreover, the respondents agreed that people in the private sector have a higher tendency to purchase insurance through the bank than those in the public sector and people in white color jobs have a higher tendency of purchasing insurance through the bank than those in the blue color job as shown by a mean of 4.414 and 4.174 respectively. Providing interactive features in emerging markets may be critical to adoption and success of these direct-writing sites while still providing a low- cost channel as compared to physical offices (Berger, 2001).

4.3.3 Market Characteristics

A market is one of many varieties of systems, institutions, procedures, social relations and infrastructures whereby parties engage in exchange. While parties may exchange goods and services by barter, most markets rely on sellers offering their goods or services in exchange for money from buyers.

The study sought to find out the extent that the conditions of the market contributed to insurance transactions through the bank using a scale of 1-5 where 1= very low extent; 2= low extent; 3= moderate extent 4= large extent; 5= very large extent.
According to the findings, transactions are monitored online making it real time and rapid change in customer taste and preferences contributed to insurance transactions through the bank to a very great extent as shown by a mean of 4.872 and 4.514 respectively. Market participants consist of all the buyers and sellers of a good who influence its price. This influence is a major study of economics and has given rise to several theories and models concerning the basic market forces of supply and demand (Laderman, 2000). In addition, emergence of the internet making transactions much easier in selling insurance, mobile phone transactions whereby alerts are transmitted through short messages and user friendly technology in insurance companies contributed to insurance transactions through the bank to a great extent as shown by a mean of 4.467, 4.367 and 3.902 respectively. Association survey indicates that insurance represents a very small percentage of total bank revenue, but bankers predict an increase in marketing efforts (Berger, 2003). Moreover, existence of a multiple channels for insurance distribution therefore increasing convenience and availability of insurance services that can be purchased through membership in Chamas contributed to insurance transactions through the bank to a great extent as shown by a mean of 3.879 and 3.671 respectively. Bergendahl (2005) claimed that the economic reasons for banks selling multiple products include efficiently using fixed capacity.

Table 4. 8: Extent that the conditions of the market contributed to insurance transactions through the bank

<table>
<thead>
<tr>
<th>Conditions of the market contributed to insurance transactions</th>
<th>Mean</th>
<th>Std.Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rapid change in customer taste and preferences</td>
<td>4.514</td>
<td>0.513</td>
</tr>
<tr>
<td>Existence of a multiple channels for insurance distribution therefore increasing convenience</td>
<td>3.879</td>
<td>0.903</td>
</tr>
<tr>
<td>Emergence of the internet making transactions much easier in selling insurance</td>
<td>4.467</td>
<td>0.172</td>
</tr>
<tr>
<td>User friendly technology in insurance companies</td>
<td>3.902</td>
<td>0.461</td>
</tr>
<tr>
<td>Availability of insurance services that can be purchased through membership in chamas</td>
<td>3.671</td>
<td>0.567</td>
</tr>
<tr>
<td>Mobile phone transactions whereby alerts are transmitted through short messages.</td>
<td>4.367</td>
<td>0.592</td>
</tr>
<tr>
<td>Transactions are monitored online making it real time.</td>
<td>4.872</td>
<td>0.211</td>
</tr>
<tr>
<td>Aggregate score</td>
<td>4.239</td>
<td>0.488</td>
</tr>
</tbody>
</table>
resources, customer demand for several products from a single channel, and product combination strategy.

### 4.3.4 Marketing Communication

Communication is the activity of conveying information through the exchange of thoughts, messages, or information, as by speech, visuals, signals, writing, or behavior. Communication requires a sender, a message, and a recipient, although the receiver need not be present or aware of the sender's intent to communicate at the time of communication; thus communication can occur across vast distances in time and space.

The study sought to find out the extent that the bank applied the communication tools to sell insurance using a scale of 1-5 where 1= very low extent; 2= low extent; 3= moderate extent 4= large extent; 5= very large extent

Table 4. 9: Extent that the bank applied the communication tools to sell insurance

<table>
<thead>
<tr>
<th>Communication tools</th>
<th>Mean</th>
<th>Std.Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-marketing through E-mails</td>
<td>4.691</td>
<td>0.603</td>
</tr>
<tr>
<td>Through mobile Short Messaging Services (SMS)</td>
<td>4.901</td>
<td>0.272</td>
</tr>
<tr>
<td>Sponsorship of community development programs e.g. tree planting and golfing</td>
<td>4.829</td>
<td>0.867</td>
</tr>
<tr>
<td>More contacts from existing customers</td>
<td>3.804</td>
<td>0.316</td>
</tr>
<tr>
<td>Public Relations (e.g. Community social responsibility)</td>
<td>4.173</td>
<td>0.704</td>
</tr>
<tr>
<td>Direct selling through sales representatives</td>
<td>3.561</td>
<td>0.127</td>
</tr>
<tr>
<td>Advertisement in Television, Radio and newspaper</td>
<td>4.072</td>
<td>0.249</td>
</tr>
<tr>
<td>Aggregate score</td>
<td>4.2901</td>
<td>0.4483</td>
</tr>
</tbody>
</table>

From the findings, the bank applied to a very great extent mobile Short Messaging Services (SMS), sponsorship of community development programs e.g. tree planting and golfing and E-marketing through E-mails to sell insurance as shown by a mean of 4.901, 4.829 and 4.691 respectively. In addition, the bank applied to a great extent Public Relations (e.g. Community social responsibility) and Advertisement in Television, Radio and newspaper as shown by a mean of 4.173 and 4.072 respectively. Moreover, the bank applied to a great extent more contacts from existing customers and direct selling through sales representatives as shown by a
mean of 3.804 and 3.561 respectively. Online advertising is one marketing tool that is worth the money. As the Internet takes on more power and influence all of the time, having a web presence will put an insurance company on the cyber map and get it noticed. Block line advertising in trade journals, industry publications and periodicals is the way to go. Television ads and print ads are excellent forms of insurance marketing. All life insurance companies have started using PR tools to make better image about them in the minds of general public. Personal selling is extremely labour intensive but is the best form as far as insurance is concerned, dealing with one customer at a time (Periasamy, 2005).

4.4 Regression Analysis

4.4.1 Goodness of Fit of the Model

Table 4.10: Model Summary

<table>
<thead>
<tr>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.903</td>
<td>0.815</td>
<td>0.616</td>
<td>0.97120</td>
</tr>
</tbody>
</table>

Table 4.8 above is a model fit which establish how fit the model equation fits the data. The adjusted $R^2$ was used to establish the predictive power of the study model and it was found to be 0.616 implying that 61.6% of the variations in bancassurance adoption are explained by product characteristic, market characteristics, social context and marketing communication leaving 38.4% percent unexplained. Therefore, further studies should be done to establish the other factors (38.4%) affecting bancassurance adoption.

4.4.2 Analysis of Variance

Table 4.11: Summary of One-Way ANOVA results of the regression analysis between bancassurance adoption and predictor variables

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>6.62</td>
<td>4.000</td>
<td>1.655</td>
<td>4.720</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>32.61</td>
<td>93.000</td>
<td>0.351</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>39.230</td>
<td>97.000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
From the ANOVA table, the regression model predicting the relationship between the dependent and independent variables is significant at $F = 4.720$ and $P = 0.002$.

### 4.4.3 Regression Coefficients

**Table 4.12: Coefficients of Regression Equation**

<table>
<thead>
<tr>
<th></th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.193</td>
<td>0.432</td>
<td>2.762</td>
<td>0.015</td>
</tr>
<tr>
<td>Product characteristic</td>
<td>$X_1$</td>
<td>0.806</td>
<td>0.108</td>
<td>0.146</td>
</tr>
<tr>
<td>Market characteristics</td>
<td>$X_2$</td>
<td>0.548</td>
<td>0.141</td>
<td>0.126</td>
</tr>
<tr>
<td>Social context</td>
<td>$X_3$</td>
<td>0.613</td>
<td>0.125</td>
<td>0.145</td>
</tr>
<tr>
<td>Marketing Communication</td>
<td>$X_4$</td>
<td>0.317</td>
<td>0.124</td>
<td>0.112</td>
</tr>
</tbody>
</table>

Dependent Variable: Bancassurance adoption

The established model for the study was:

$$Y = 1.193 + 0.146X_1 + 0.126X_2 + 0.145X_3 + 0.112X_4$$

The regression equation above has established that taking all factors into account (product characteristic, market characteristics, social context and marketing communication) constant at zero bancassurance adoption will be 1.193. The findings presented also show that taking all other independent variables at zero, a unit increase in product characteristic would lead to a 0.146 increase in bancassurance adoption and a unit increase in market characteristics would lead to a 0.126 increase in the bancassurance adoption. Further, the findings shows that a unit increase in social context would lead to a 0.145 increase in bancassurance adoption. In addition, the findings show that a unit increase in marketing communication would lead to a 0.112 increase in bancassurance adoption. All the variables were significant as their $P$-values were less than 0.05. In terms of magnitude, the findings indicated that product characteristic had the highest influence on bancassurance adoption, followed by social context, then market characteristics while marketing communication had the least influence on bancassurance adoption.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The study found that the product is more affordable influenced customers' decision to purchase insurance to a very great extent. In addition, availability of many insurance products in the bank, experience personalized customer service and ease of receiving alerts when the cover is signed up influenced customers' decision to purchase insurance to a great extent. Moreover, the service offered in a more convenient way, customers enjoy more value and benefits and services are tailor made to suit my insurance needs influenced customers' decision to purchase insurance to a great extent.

The study found that the fear of death makes most client to purchase insurance for protection, insurance services attract negative social perception and they prefer buying directly through my bank and most insurance brokers and agents are untrustworthy when dealing with insurance customers. In addition, the respondents strongly agreed that new busy lifestyles influence customers to demand a more convenient way of buying insurance and the social groups they belong to influence most members to buy insurance due to peer pressure. Moreover, the respondents agreed that people in the private sector have a higher tendency to purchase insurance through the bank than those in the public sector and people in white color jobs have a higher tendency of purchasing insurance through the bank than those in the blue color job.

The study found that transactions are monitored online making it real time and rapid change in customer taste and preferences contributed to insurance transactions through the bank to a very great extent. In addition, emergence of the internet making transactions much easier in selling insurance, mobile phone transactions whereby alerts are transmitted through short messages and user friendly technology in insurance companies contributed to insurance transactions through the bank to a great extent. Moreover, existence of a multiple channels for insurance distribution therefore increasing convenience and availability of insurance services that can be purchased
through membership in Chamas contributed to insurance transactions through the bank to a great extent.

The study found that the bank applied to a very great extent mobile SMS, sponsorship of community development programs e.g. tree planting and golfing and E-marketing through E-mails to sell insurance. In addition, the bank applied to a great extent Public Relations (e.g. Community social responsibility) and Advertisement in Television, Radio and newspaper. Moreover, the bank applied to a great extent more contacts from existing customers and direct selling through sales representatives.

The adjusted $R^2$ was used to establish the predictive power of the study model and it was found to be 0.616 implying that 61.6% of the variations in bancassurance adoption are explained by product characteristic, market characteristics, social context and marketing communication leaving 38.4% percent unexplained. The findings presented also show that taking all other independent variables at zero, a unit increase in product characteristic would lead to a 0.806 increase in bancassurance adoption and a unit increase in market characteristics would lead to a 0.548 increase in the bancassurance adoption. Further, the findings shows that a unit increase in social context would lead to a 0.613 increase in bancassurance adoption. In addition, the findings show that a unit increase in marketing communication would lead to a 0.317 increase in bancassurance adoption. All the variables were significant as their P-values were less than 0.05. In terms of magnitude, the findings indicated that product characteristic had the highest influence on bancassurance adoption, followed by social context, then market characteristics while marketing communication had the least influence on bancassurance adoption.

5.2 Conclusion

The study concludes that Positioning can be done by using product characteristics or the customer benefits associated with the product. In essence, the strategy relies on providing a superior product to the customers to have a better positioning. To be successful, the components of a distribution model must work together; product features and benefits, distribution costs and marketing channels all should complement each other. Bancassurers can tap all the channels identified in the model: direct mail, telemarketing, platform bankers, Internet, in-house specialists, Career Agents or professional financial advisors. The most effective bancassurance
strategies will be driven by customers and channels, not products, and will leverage the bank's competitive strengths. The type of distribution channels that a company uses affects the design and pricing of its products, as well as the way in which the products are promoted and perceived in the marketplace. Various insurance services, offered via bank-insurance channels, are characterized by the nature of protection they intend to deliver. Consumer-oriented products are built on the premise of ethics as they seek to transfer risk away. Credit insurance also serves as a marketing tool, if the bank offers it freely in conjunction with a loan agreement.

Consumers with increasingly busy lifestyles demand more convenient insurance distribution alternatives and expect value to be delivered in every transaction. In essence, a new class of customer has arrived, the insatiable customer. Trusted brands will be ever more critical in attracting and retaining an expanding mass-market investor base. The share of insurance services purchases made through affinity groups has increased. At the same time, access to a multiplicity of distribution channels e.g. call centres, Internet have raised consumer expectations for insurance products and services. More customers expect to perform most types of transactions either online or using mobile devices. Insurers are slowly pushing greater capabilities onto their Web sites to allow customers a higher degree of control and flexibility. Insurers can simplify payments and authentication by implementing new developments in secure biometrics and using credentials such as fingerprints, voiceprints, and retinal scans in combination with unique account information to improve the security of online transactions and build confidence.

Market participants consist of all the buyers and sellers of a good who influence its price. A variety of distribution channels are currently used in this market place which has been influenced by the market structure and some insurers utilize a combination of distribution channels. The widespread diffusion of the Internet has created an explosion in the growth of electronic channels, including direct channels, electronic markets, or electronic intermediaries over which multiple buyers and sellers do business. The economic reasons for banks selling multiple products include efficiently using fixed capacity resources, customer demand for several products from a single channel, and product combination strategy. Bank consolidation is consistent with risk reduction. Banks had greater cost advantages in selling insurance products than insurance companies.
themselves because banks already have extensive branch networks. Bank stock prices after entry into the insurance industry do not change significantly.

Insurance marketing emphasizes the importance of the customer preferences and priorities. Factors impeding the application of insurance marketing are insufficient experience of insurers while expanding insurance business, non-existence of long-term development strategies of insurance companies and the fact that insurers orient mostly to short term needs; and while trying to apply more actively insurance marketing means it is necessary to change the whole organizational management structure of an insurance company, the channels of insurance products sales, technologies of communication with clients. Market communication performs three basic roles in marketing to inform, to persuade, and to remind. Online advertising is one marketing tool that is worth the money. As the Internet takes on more power and influence all of the time, having a web presence will put an insurance company on the cyber map and get it noticed. The study finally concluded that product characteristic had the highest influence on bancassurance adoption, followed by social context, then market characteristics while marketing communication had the least influence on bancassurance adoption.

5.3 Recommendations

The study recommends companies to pay special attention to ensuring consistency in quality, feature, packaging, and so on. Bancassurers need to sell products which should be sold in large volumes and with high margins to cover expenses and profits. Products like mortgages, loans, credit, overdrafts, and investments can be easily bundled with insurance protection. These credit-based products, when issued in an ideal world, require customers to be risk-free to ensure that their obligations are met.

The need to provide insurance services any place, anytime, anywhere. Increased buyer sophistication demanding quality insurance products, competitive pricing and responsive service. Insurers need to push greater capabilities onto their Web sites to allow customers a higher degree of control and flexibility. Customers should be encouraged to use internet while buying insurance products.
The study recommends banks to ensure that transactions are monitored online making it real time. They need to ensure that they consider customers preference. Technology need to be used effectively while marketing products. Multiple channels for insurance distribution should be put in place. The banks could consider the use of mobile SMS, sponsorship of community development programs e.g. tree planting and golfing, and E-marketing through E-mails to sell insurance.

5.4 Suggestions for Further Research

A similar study could be carried out in other organizations to find out whether the same results will be obtained. The study focused on Nairobi central business district thus another study should be carried out in other areas to find out if the same results will be obtained.
REFERENCES


Sigma (2007), Bancassurance: Emerging Trends, Opportunities and Challenges, Swiss Reinsurance Company, Zurich, Sigma No. 5/2007,.


Stiroh, K.J. (2004), Diversification in banking: is non-interest income the answer?, Journal of Money, Credit and Banking, Vol. 36 pp.853-82.


Trembly, Ara C., (2001), Why the insurance industry has failed in the online distribution channel, National Underwriter (Life & Health Services edition), 105: 19-21


Kenyatta University
P O BOX
NAIROBI

Dear Sir/Madam,

RE: RESEARCH PROJECT DATA COLLECTION

I am a post graduate student of Kenyatta University. As part of the course, I am carrying out a research project on the factors influencing customer’s adoption of bancassurance channel of insurance distribution in Nairobi central business district. I intend to collect data in the form of a questionnaire to help in the analysis and recommendations which will be useful to the banks, customers and the government.

The information collected will be treated with a lot of confidentiality and will solely be used for the purposes of this study.

I humbly request you to complete the attached questionnaire.

Thank you for your support.

Yours sincerely,

Bilha Njeri
Appendix II: Questionnaire

Section A: General information

1) Name of the customer (optional) .................................................................

2) What is your highest qualification achieved?

   Diploma [ ]   Degree [ ]

   Masters [ ]   others (please specify.............) [ ]

3) For how long have you bought insurance through the bank?

   Below 1 year [ ]   1-2 years [ ]

   2–5 years [ ]   5-10 years [ ]

   Above 10 years [ ]

4) Do you benefit from insurance services offered by your bank?

   Yes [ ]   No [ ]

5) What alternative insurance channels does your bank provide? Tick all that apply.

   i. Bank employees [ ]

   ii. internet [ ]

   iii. e-brokerage [ ]

   iv. career agents [ ]

   v. corporate agencies [ ]

   Other (please specify)..........................................................................................

6) Who is allowed to serve you in the bank in case you have to buy insurance?

   i. Any member of staff [ ]

   ii. Only the managers [ ]

   iii. Only the insurance department officers [ ]
### Section B: Product characteristics

7) Insurance services nowadays can be purchased through banks. To what extent do the following features of the insurance services offered through the bank influence your decision to purchase insurance?

<table>
<thead>
<tr>
<th>Feature</th>
<th>Very large extent</th>
<th>Large extent</th>
<th>Moderate extent</th>
<th>Low extent</th>
<th>Very low extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>The service is offered in a more convenient way</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The product is more affordable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As a customer, I enjoy more value and benefits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services are tailor made to suit my insurance needs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Availability of many insurance products in the bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I experience personalized customer service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ease of receiving alerts when the cover is signed up</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Section C: Social context

8) To what extent do you agree with the following statements as they relate to social context in purchasing insurance through the bank?

1=strongly agree, 2= agree, 3=neutral, 4=disagree and 5= strongly disagree.

<table>
<thead>
<tr>
<th>Category</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance services attract negative social perception and I prefer buying directly through my bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The social groups I belong to influence most members to buy insurance due to peer pressure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Fear of death makes most clients purchase insurance for protection

Most Insurance brokers and agents are untrustworthy when dealing with insurance customers.

People in white color jobs have a higher tendency of purchasing insurance through the bank than those in the blue color job.

People in the private sector have a higher tendency to purchase insurance through the bank than those in the public sector.

New busy lifestyles influence customers to demand a more convenient way of buying insurance.

### Section D: Market characteristics

9) There are several areas identified by the banks among their customers as key to purchasing insurance through the bank. In your view, how have the following conditions of the market contributed to insurance transactions through the bank?

Use the following scale: 1=very large extent; 2=large extent; 3=moderate extent 4=low extent; 5=very low extent

<table>
<thead>
<tr>
<th>Condition</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rapid change in customer taste and preferences</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Existence of a multiple channels for insurance distribution</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>therefore increasing convenience</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emergence of the internet making transactions much easier in selling insurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>User friendly technology in insurance companies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Availability of insurance services that can be purchased through membership in chamas</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobile phone transactions whereby alerts are transmitted through short messages.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transactions are monitored online making it real time.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Section E: Communication

10) To what extent has your bank applied the following communication tools to sell insurance?

<table>
<thead>
<tr>
<th>Communication Tool</th>
<th>Very Large Extent</th>
<th>Large Extent</th>
<th>Moderate Extent</th>
<th>Low Extent</th>
<th>Very Low Extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-marketing through E-mails</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Through mobile SMS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sponsorship of community development programs e.g. tree planting and golfing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>More contacts from existing customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Relations (e.g. Community social responsibility)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct selling through sales representatives</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertisement in Television, Radio and newspaper</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Section F: Bancassurance Adoption

11) In the last five years, there has been noticeable change in the way insurance customers have bought insurance using their banks. In the case of your bank, please indicate for each of the years shown below how insurance transactions done through the bank have performed:

<table>
<thead>
<tr>
<th>Total number of policies sold</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 50</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>51 - 100</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>101 - 150</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>151 - 200</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>201 - 300</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Above 300</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Range of insurance covers</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>3rd party only</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3rd party and personal accident cover</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comprehensive motor cover</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fire and burglary</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machine insurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travel insurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical cover</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Life cover</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total volume premium covers in KShs</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 3m</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 - 5 M</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 - 7M</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 - 10M</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cross sales</td>
<td>Above 10M</td>
<td>Below 20</td>
<td>20 – 50</td>
<td>50 – 100</td>
<td>Above 100</td>
</tr>
<tr>
<td>------------</td>
<td>-----------</td>
<td>----------</td>
<td>---------</td>
<td>----------</td>
<td>-----------</td>
</tr>
</tbody>
</table>

Thank you so much for your cooperation
## Appendix III: Budget

<table>
<thead>
<tr>
<th>ITEM</th>
<th>COST</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PROPOSAL WRITING</strong></td>
<td></td>
</tr>
<tr>
<td>Printing @ Kshs. 10</td>
<td>6000.00/-</td>
</tr>
<tr>
<td>Reproduction 4 copies @ Kshs. 80</td>
<td>3200.00/-</td>
</tr>
<tr>
<td>Binding 4 copies @ Kshs. 50</td>
<td>200.00/-</td>
</tr>
<tr>
<td>Traveling Expenses</td>
<td>8,000.00/-</td>
</tr>
<tr>
<td>Subsistence</td>
<td>5,000.00/-</td>
</tr>
<tr>
<td>Miscellaneous expenses</td>
<td>3,500.00/-</td>
</tr>
<tr>
<td></td>
<td><strong>35,900.00/-</strong></td>
</tr>
<tr>
<td><strong>PRODUCTION OF THE FINAL DOCUMENT</strong></td>
<td></td>
</tr>
<tr>
<td>Data collection</td>
<td>3,000.00/-</td>
</tr>
<tr>
<td>Books and reading materials</td>
<td>5,000.00/-</td>
</tr>
<tr>
<td>Data analysis and computer runtime</td>
<td>5,000.00/-</td>
</tr>
<tr>
<td>Printing @ Kshs. 10</td>
<td>2,100.00/-</td>
</tr>
<tr>
<td>Reproduction 4 copies @ Kshs. 800</td>
<td>3,200.00/-</td>
</tr>
<tr>
<td>Binding 4 copies @ Kshs 500</td>
<td>2,000.00/-</td>
</tr>
<tr>
<td>Miscellaneous expenses</td>
<td>4,000.00/-</td>
</tr>
<tr>
<td></td>
<td><strong>43,200.00/-</strong></td>
</tr>
<tr>
<td><strong>GRAND TOTAL</strong></td>
<td>79,100.00/-</td>
</tr>
</tbody>
</table>
### Appendix IV: Time Schedule

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Preliminary Activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project Proposal Writing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Data Collection</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Data Analysis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Report Writing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Submission of Report</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finalization of Report</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>