PENETRATION AND UPTAKE OF INSURANCE IN KENYA: A CASE OF SHOPPING MALLS IN NAIROBI COUNTY, KENYA

BY

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UNITED STATES INTERNATIONAL UNIVERSITY

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STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi, Kenya for academic credit.

Signed: ________________________ Date: _____________________

Mburu John Murigi

This project has been presented for examination with my approval as the appointed supervisor.

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I wish all God’s blessings and prosperity.
ABSTRACT
The general objective of this study was to establish the factors that contribute to the low penetration and uptake of insurance in Kenya. The specific objectives were to examine how social aspects contribute to low insurance uptake and penetration in Kenya; to determine how low literacy levels contribute to the low insurance uptake and penetration in Kenya and to establish how lack of technological innovations contribute to low penetration and uptake of insurance in Kenya.

The study adopted the explanatory research design and the population of study was 30 shopping malls in Nairobi County, Kenya. Three malls were selected for the purpose of this study. The data collection instrument was in the form of a questionnaire with both open and close ended questions. Once the questionnaires were completed and returned, they were analyzed using SPSS (v.21) after which the data was presented in table formats, charts, graphs towards addressing the three research objectives highlighted above.

The study found out that there was a general lack of trust of insurance companies by the general public and poor agents integrity had led to low penetration of life insurance; poor claims management in the industry had been adversely affected by fraud arising from unprofessional conduct of players; customers had been misguided on the type of policies they should take and that insurance companies acted very slowly in processing claims. The study also found out that individuals depend on their extended families and that it was easier for them to access personal savings in case of an emergency as opposed to insurance.

The study established that customers read the policies but misinterpret certain clauses; insurance products were complex legal contracts poorly understood by consumers. The study also established that there was low level of awareness and lack of knowledge of insurance products. There was a general lack of awareness, formal education helped in making financial decisions. The study found out that educated people were more likely to purchase insurance policies and goes further to highlight that insurance companies in Kenya face the challenge of limited expertise and skills amongst their workers.
The study revealed that social media has been underutilized by the insurance sector in Kenya; there is lack of digitization by insurance companies which has negatively affected customer interaction in the course of a policy period; there is lack of digitization which has denied insurance companies important feedback from customers and that there was a lot of paperwork involved in processing claims by insurance companies which discouraged customers.

Based on the findings the study concluded that there is general lack of trust of insurance by the general public attributed to poor agent’s integrity where agents misguide customers on policies. It was also established that lack of trust could also be due to poor claims management where customers feel that their claims are not handled well. The study also concluded that language barrier made it difficult to understand what the insurance agents were trying to explain and that the legal language used in the insurance documentation application forms was very technical and difficult to understand by the general public. People rarely heard about insurance unless it is about buying insurance or a new insurance product launch. The study further concluded that there was underutilization of social media and lack of digitization by the insurance sector in Kenya which had negatively affected customer interaction in the course of a policy period.

The study recommended that insurance companies ought to invest in building customer trust by hiring well trained professionals to represent the company well and also to have a clear understanding of insurance in order to communicate well to existing and potential customers. Other recommendations are that insurance companies should work at simplifying the language used in their policies to make it easier for customers to understand; insurance companies should take it upon themselves to educate the public on insurance by initiating programs that help members of the public to have a general knowledge of insurance; insurance companies should make use of the social media to increase customer interaction in the course of a policy period and also to target potential customers. Finally, there is need for insurance companies to invest in digitization in order to reduce the manual processes that cause unnecessary delays in customer claims settlements.
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<tr>
<td>EY</td>
<td>Ernst and Young</td>
</tr>
<tr>
<td>FSD</td>
<td>Financial Sector Deepening</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and Communication Technology</td>
</tr>
<tr>
<td>IRA</td>
<td>Insurance Regulatory Authority</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>KHHEUS</td>
<td>Kenya Household Health Expenditure and Utilization Survey</td>
</tr>
<tr>
<td>KPMG</td>
<td>Klynveld Peat Marwick Goerdeler</td>
</tr>
<tr>
<td>LIMRA</td>
<td>Life Insurance Marketing and Research Association</td>
</tr>
<tr>
<td>NAIC</td>
<td>National Association of Insurance Commissioners</td>
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<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study:

Insurance provides financial security by facilitating investments by reducing the amount of capital that businesses and individuals need in order to protect themselves from unforeseen events. At an agreed fee referred to as premium, the risk is transferred to a third party, the insurer/underwriter (The Chartered Insurance Institute, 2014). Universally, insurance is associated with risk be it fire, accident, health or life. Subsequently, insurance is made up of two divisions, life and non-life insurance. Life investment involves both protection and investments while non-life insurance is comprised of motor, health and accident (Capgemini, 2008).

The insurance penetration ratio is used to measure how deep a country’s insurance market is. It is a measure of gross value of insurance premiums as a percentage of the Gross Domestic Product (GDP) (Swiss Re, 2012). The world’s insurance industry is dominated by wealthy developed countries. The Group of Seven countries (G7) account for almost 65% of the world’s insurance premiums though the seven countries only constitute 10% of the world’s population. In the year 2012, in the same seven countries, an average of US$3,910 was spent on insurance premiums per capita in comparison to the emerging markets where only an average of US$ 120 was spent (Swiss Re, 2012). The global insurance penetration is 6.5%. Total insurance premiums in Africa in 2012 were US$ 71.9Billion translating into a penetration rate of 3.65% (Swiss Re, 2012).

Table 1.1: Global Insurance Penetration

<table>
<thead>
<tr>
<th>Region</th>
<th>Total Premium US$ Billion</th>
<th>Premium per capita (US$)</th>
<th>Penetration Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advanced Asia</td>
<td>936.0</td>
<td>4,387.50</td>
<td>11.80</td>
</tr>
<tr>
<td>North America</td>
<td>1,393.4</td>
<td>3,996.30</td>
<td>8.03</td>
</tr>
<tr>
<td>Western Europe</td>
<td>1,462.7</td>
<td>2,716.30</td>
<td>7.72</td>
</tr>
<tr>
<td>Oceania</td>
<td>97.1</td>
<td>2,660.2</td>
<td>5.60</td>
</tr>
<tr>
<td>South &amp; Central America</td>
<td>168.7</td>
<td>281.9</td>
<td>3.00</td>
</tr>
<tr>
<td>Central &amp; Eastern Europe</td>
<td>72.5</td>
<td>223.4</td>
<td>2.01</td>
</tr>
<tr>
<td>Middle East</td>
<td>40.9</td>
<td>124.0</td>
<td>1.35</td>
</tr>
<tr>
<td>Emerging Asia</td>
<td>369.4</td>
<td>101.9</td>
<td>2.96</td>
</tr>
<tr>
<td>Africa</td>
<td>71.9</td>
<td>66.4</td>
<td>3.65</td>
</tr>
<tr>
<td>World</td>
<td>4,612.5</td>
<td>655.7</td>
<td>6.5</td>
</tr>
</tbody>
</table>

Source: Swiss Re, (2012)
As Table 1.1 shows, penetration is highest in Advanced Asia, North America and Western Europe. Africa though performs better than some regions including Middle East, Central and Eastern Europe, Emerging Asia, South and Central America. Of note also is that Africa’s insurance density (ratio of premium per capita) is the lowest of any region in the world with each African paying US$ 66.4 in insurance premiums in 2012 which works out to roughly one-tenth of the global average. Of importance to note also from a global perspective is that insurance has been shrinking compared to nominal GDP growth. While some classes of insurance such as property insurances have gained some relative growth, the same cannot be said of other classes such as life insurance. Life insurance has lost ground due to alternative saving vehicles in the last few years, a trend that is predicted to continue (McKinsey, 2014).

In 2012, the global insurance industry grew by 4.4% continuing the pattern observed in recent years of growth in insurance lagging slightly behind nominal GDP growth that globally stands at 4.6%. In 2013, the global industry growth was again behind the GDP growth posting a 3.4% growth against a GDP growth of 4.3%. This trend is largely driven by poor performance in life insurance in mature markets (McKinsey, 2014). The decline globally is driven by mature markets where growth has been extremely volatile and weighed down by low interest-rate environment and by regulatory challenges. Emerging markets though have been performing better with life insurance gaining ground in Asia. Global growth is being driven by Brazil, Russia, India and China (McKinsey, 2014).

Despite its importance for economic development, the majority of African countries lack access to insurance products. With majority of Africans struggling to meet their basic needs, insurance is largely considered a luxury (KPMG, 2014). Insurance has low levels of penetration in Africa as shown in Appendix III and Appendix IV. In terms of insurance premiums paid per capita, Sub-Saharan Africa significantly lags behind Asian economies of Thailand, India and Vietnam. Collectively, the premiums are less than 3% of GDP (Ernst & Young, 2016). Reasons for the low insurance penetration in Africa range from low awareness and understanding of insurance across various population segments; people not trusting financial service providers; low income levels; challenging business environment that does not provide enough incentives for multinational companies to enter the African market; lack of reliable information making it difficult to access and assess people’s risk; legal and judicial systems are poor; lack of human capital and expertise;
shallow financial markets making it difficult to raise enough money to capitalize insurance and communities making informal forms of insurance rather than using the services of formal insurers (KPMG, 2014).

A few African countries have sizeable middle income classes which has spurred the development of insurance. Such countries include South Africa, Botswana, Namibia and Mauritius. Although most North African countries have fairly high income levels, insurance uptake is low due to religious reasons, challenging business environment and restrictive government policies. In recent years, Morocco’s insurance sector has grown thanks to the combination of reasonably high income levels by African standards, political and macroeconomic stability, low inflation and a sophisticated financial services sector. Moroccan insurance companies are also among the most aggressive investors in other African markets (KPMG, 2014).

One country in Africa can truly be considered to have a well-developed insurance market – both in life and non-life insurance - this is South Africa. The country as at 2012 had an insurance penetration rate of 14.28% ranking amongst the highest in the world. But despite the high penetration rate, South Africa’s insurance industry still has a lot of room for further growth; its premiums per capita ratio was US$1,047 in 2012 well behind the average for advanced economies of US$3,677 (KPMG 2012). The key determinants of an insurance sector in any particular country in Africa are income levels, political stability, the depth and sophistication of the financial services sector, the level and volatility of inflation, religion and the capacity of companies to innovate (KPMG, 2014).

East Africa for our discussion consists of Tanzania, Uganda, Kenya, Rwanda, Burundi, Ethiopia and South Sudan. The insurance market is sizeable and remains untapped. The population in East Africa is 270 Million people. Insurance penetration is between 0.2% - 4.0% and works out to a small amount of the GDP (Davis, 2013). The reasons for the slow growth and insurance penetration levels in East Africa are as a result of years of constant political turmoil, famines, unpredictable inflations, economic inefficiencies and other problems similar to other African countries as above highlighted. However, there is anticipated growth in the region even in protective markets such as Ethiopia and Sudan. The growth is anticipated through global investors eyeing the untapped market, capital injections, product innovations, staff development and technology (Davis, 2013).
The potential is driven further by the relative political stability and economic growth. Millions of dollars are being poured into Ethiopia’s agriculture and Tanzania’s gas industry. Kenya’s technological advancement has drawn the attention of local and international investors. Oilfields and infrastructure projects are thriving in South Sudan. The full benefits of these investments are yet to be fully realized and the insurance industry will have to play a role in all of these sectors. As the returns and incomes grow, the insurance industry will be expected to encounter a growing consumer base (Davis, 2013).

The insurance industry in Kenya is in the financial services sector. From the Insurance Regulatory Authority report, there were 49 insurance companies in Kenya, 198 insurance brokers and 5,155 insurance agents. The total revenue generated by the 49 companies was Kes 132.1B with an overall underwriting profit of Kes 15.5B representing about 11.7% of the total revenue. (IRA, 2015). Many Kenyans lack the knowledge about insurance products, their value and benefits. This is due to their complexity, how to acquire them, how they are paid in case of a claim and what happens when once fails to pay premiums (Kiama, 2015). There exists a psychological lack of trust in the industry and its agents by the people. There have been reported cases where agents have given wrong policy interpretation and worse stolen clients’ premiums (Mwiti, 2016)

Strong cultural systems exist amongst communities. Assistance is provided to a member in case of a misfortune. In these scenarios, cost is transferred from an individual to the whole community after a catastrophic event. Members gather together and raise funds towards settlement of bills – medical, funeral etc. This system is inherently expensive, inefficient, leaving behind those who were involved sometimes traumatized (Ngugi, 2015). The industry has also been slow to respond to changing market dynamics in technology. The products distribution and claims payment system is still paper based. The industry still relies on products that were introduced over 80 years ago from Europe that have little or no relevance to Kenyans. There has been failure to innovate new products that resonate with Kenyans.

This exists especially in motor and medical claims where there is collision between the insured, the insurer, the intermediaries (insurance brokers and agents) and other stakeholders such as unscrupulous lawyers, police officers and medical practitioners. The fraud is twofold: where we have cases of nonexistent claims being presented for payment and cases where exaggerated
claims are presented for payment. For example, where a claim to be paid is Kes 0.5M, it is presented as Kes 5M (KPMG, 2015)

1.2 Problem Statement
Low insurance penetration is one of the challenges facing insurance development in terms of market share, product diversification among other measures. In Kenya, insurance penetration is 2.8% with a population of 41.8 million compared to South Africa whose penetration is 14.2% with a population of 53.2 million (KPMG, 2014). The number of insurance companies in Kenya is 49 equivalent to a ratio of 1:1 for every 1 million Kenyans which is similar to Kenya’s banking sector. However penetration for the insurance sector remains significantly very low at 3.0 percent, which is lower than the average of 3.8 percent in Africa (Cytonn Investment, 2015)

As presented in Appendix IV, this problem does not affect Kenya only; it certainly exists within the continent of Africa running within the continent with the average penetration in Africa at 2.9%. It is also evident that there are huge disparities across the continent. Insurance penetration in South Africa is highest at 14.1% while Namibia is the second highest at 7.2%. Nigeria despite having a population of 178 million people has a penetration of only 0.3%. Insurance penetration in Africa excluding South Africa is only 0.9%. The study therefore sought to establish the factors that contribute to the low penetration and uptake of insurance in Kenya.

1.3 General Objective of the Study
The general objective of this research was to establish the factors that contribute to the low penetration and uptake of insurance in Kenya.

1.4 Specific Objectives
The research was guided by the following specific objectives:

1.4.1. To identify how social aspects contribute to low insurance uptake and penetration in Kenya.

1.4.2. To determine how low literacy levels contribute to the low insurance uptake and penetration in Kenya.

1.4.3. To establish how lack of technological innovations contribute to low penetration and uptake of insurance in Kenya.
1.5 Significance of the Study
This research would help identify the root causes of the low uptake and penetration of insurance in Kenya and aim at finding lasting feasible solutions to the problem.

1.5.1. Insurance Companies
The study would help insurance companies and other stakeholders in the industry (insurance brokers and agents) to find solutions that would help increase the uptake/penetration levels and increase their market share.

1.5.2 Insurance Regulatory Authority
The research would help the insurance regulator identify areas that need to be addressed from the national outlook and to map out a strategy plan on how to increase the uptake of insurance.

1.5.3. The General Public
The general public would be educated on matters concerning insurance and how they would benefit from the same.

1.6 Scope of the Study
This study focused on 3 shopping malls selected from a population of 30 malls within Nairobi County, Kenya and its environs. The study relied on insights drawn from the respondents on the factors that contribute to the low uptake and penetration of insurance in Kenya. The research was conducted between the months of August – October 2016.

1.7 Definition of Terms
1.7.1 Insurance: This is the contractual agreement between two parties, the insured and insurer. At an agreed fee (premium), the insured transfers their risk to a third party, the insurer/underwriter. The contract between the two parties is binding. Once the contract is bound, the insured is covered (indemnified) in the event of a loss (Chartered Insurance Institute, 2014).

1.7.2 Insured: Person buying protection whose details are shown on an insurance certificate. Insurance cannot be transferred to third parties (AON, 2014)

1.7.3 Insurer: The provider of protection; the risk carrier (National Association of Insurance Commissioners, 2012)
1.7.4 Premium: This is the fee paid to the insurer by the insured to provide protection in case of a loss (National Association of Insurance Commissioners, 2012)

1.7.5 Social Support Systems: These are systems that have been put in place within the society that give the individual the perception and actuality that one is cared for; has assistance available from other people and that one is part of a supportive social network (American Psychological Association, 2015).

1.7.6 Financial Literacy: This refers to the achievement of skills necessary to make informed and effective decisions regarding earning, spending, and the management of money (Servon & Kaestner, 2008).

1.7.7 Innovation: A new or significantly improved product (good or service) introduced to the (local) market or the introduction within the enterprise of a new or significantly improved process (Eurostat, 2001)

1.7.8 Technology: Knowledge which is embodied in the three P’s: products, processes, practices (Basant & Chandra, 2002)

1.8 Chapter Summary

This chapter has presented the background of the study which touches on the penetration and uptake of insurance from a global perspective to the local situation. The problem statement has been stated as the low penetration and uptake of insurance in Kenya. The chapter provides the research objectives that will guide the research: how social support systems, low literacy levels and lack of technological innovations contribute to low penetration and uptake of insurance. The chapter further provides the significance of the study to various stakeholders in the insurance industry. The scope of the study and the operational definition of terms used in the study have also been presented.

The next chapter will present the literature review on studies that had been conducted in the past in relation to the objectives of this study. Chapter three will present the research methodology which will be used to achieve the objectives of the study. This includes the research design, population, sampling procedure and sample size, data collection method and data analysis. Chapter four will present results and findings in relation to the study objectives and lastly,
Chapter five will focus on discussions, conclusions and recommendations based on the findings of the study.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter reviews the literature on low insurance uptake and penetration with particular focus on the following areas; social aspects, literacy levels and technological innovation. Summary of the reviewed literature will be presented at the end of the chapter.

2.2 Social Aspects

There exists market mistrust by the populace. The populace does not trust the insurance industry mainly driven by perception that their claims will not be honored in case of a loss. Due to this mistrust, the public has created own social support systems. Further, there are low levels of professionalism with the insurance intermediaries giving wrong policy interpretations to the insured.

2.2.1 Lack of Trust

There is a general lack of trust of insurance companies by the general public. The companies are generally perceived negatively especially in regions where insurance companies have collapsed. This has led to the insuring public suffering losses or having their claims not settled as planned. In cases where clients have suffered such losses, it is difficult to convince them to take up new policies even with very established insurance companies. This negative view is further reinforced in cases where the public does not regard the cover as good security that is able to cover them incase of any eventuality (Nduna, 2013). In a study done by IRA (2012), for the respondents with a lapsed usage of insurance policies, loss of trust in insurance was the highest contributing factor (33%) an indication that trust plays a key role in uptake of insurance products. This was followed by high cost at 28%, lack of funds at 22% while only 17% of lapsed usage being attributed to maturity of the products.

The collapse of insurance companies has adversely affected the penetration of insurance in Kenya. The trend has persisted for some time. In 1996 the Kenya National Assurance collapsed; Stallion and Lakestar followed in 2002, United Insurance Company and Mediplus collapsed in 2005 while Blue Shield Insurance Company was put under statutory management in 2011. Gitau
(2013). This asserts that there have been complaints of poor claims management and the industry has been adversely affected by fraud arising from unprofessional conduct of players.

Life insurance for instance is largely distributed through insurance agents such that agents are the sole customer contact point. Owing to this structure of distribution, customer confidence has greatly been eroded. There have been many instances where customers have been misguided on the type of policies they should take and also in projecting the maturity dates of their policies (Odemba, 2013). Some agents have at times received clients money and diverted this to their personal use instead of paying for the premiums. Bull (2009) asserts that it is because of such incidents that customers have become very skeptical in dealing with agents leading to loss in business and low levels of penetration of life insurance.

Another concern has been the pace at which insurance companies process claims. Incase of an occurrence of an insured event it has been noted that insurance companies act very slowly in processing claims. This pace may be attributed to the bureaucratic nature of the claims management process. Usually, by the time claims are processed, the insured has already been waiting for too long and has spent money on followup. Customers who have been kept for long and even incurred monetary costs in the process of waiting are unlikely to refer other people to the insurance. The delay sometimes may be interpreted as lack of willingness on the part of the insurance company to settle the claim. Life Insurance Marketing and Research Association (LIMRA, 2011) posit that referral value is lacking in most developing countries leading to low penetration.

Insurance business thrives on trust considering that the services and products they offer are intangible and the purchaser of such products only gets to make use of them after the occurrence of the particular event against which they are insured. Ethical conduct on the part of the insurance employees is critical in winning customer trust which in turn contributes positively to companies’ profitability (McMurrian & Matulich, 2006). Similarly Ibrahim and Abubakar (2011), stated attitude towards an organization can limit performance even if the share capital of the company is increased in multiples.

Empirical evidence point to the importance of trust in the enrolment decisions. Qualitative surveys by Dong et al (2009) and Baraza et al (2008) indicate that lack of trust in management
of a scheme was a reason for dropping out or not participating in the scheme. Previous research has shown that building trust enhances the uptake of an insurance product (Cole et al., 2011; Dercon et al., 2011). In a study of government sponsored insurance programme by Cai et al (2009), they highlighted the potential trust-building role played by experience with the institution delivering the product. They point that as trust grew in the authorities, the participants willingness to participate in the scheme increased. Dong et al. (2009) identified trust in the management of the community health scheme as an important factor influencing households’ probability of enrolling.

2.2.2 Family Networks

In countries like Kenya and other African countries, the notion of insurance comes within a difficult context. First, there are numerous informal and social connections, specifically founded upon the extended household systems that sometimes assist to meet some urgent needs. These have the capacity to overshadow the individual’s sense of vulnerability to financial shocks (Owusu, 2007). In a study executed by Ackah & Owusu (2012) they discovered that the reason for the poor uptake of insurance can be summed up under cultural related reasons. For instance, although the funeral insurance package deal appeared to be one of the most patronized, from the view of staff and agents, there was the feeling that in a wide variety of ways the social network system caters for catastrophes, which makes it pointless to purchase insurance plans for such things. When it comes to funeral ceremonies for example, people go and borrow money. At the end, relatives and friends donate to cover the charges and what was borrowed is returned. Hence people do not see the need to have funeral insurance plans for such occasions.

Thornton, Hatt, Field, Islam, Díaz, & Gonzalez (2010) investigated factors that determine households participation in micro life insurance and discovered the following factors; credit constraint, basis risk, risk aversion, household wealth, trust and endorsement from social networks. This goes a long way in explaining the importance that people place on social networks when it comes to emergencies.
2.2.3 Own Savings

The limited academic literature available suggests that linking savings and insurance does not increase the demand for insurance. Stein and Tobacman (2011) found that people preferred a pure insurance or pure savings product to a mixture of the two. Clarke et al. (2012) offered people the opportunity to allocate money to different index and health insurance products. They found that the introduction of savings did not significantly change the demand for index insurance, suggesting that these complementarities are not very important. Nonetheless, people do indicate that savings are a significant part of their risk management strategy since they allocate a substantial share of their money to group savings.

Kenyans rely on their own personal savings and family support networks to pay for healthcare. According to FSD (2016), the first place that most Kenyans turn to, to pay for their hospital and other health related bills is cash that has been generated from their businesses, salaried employment or from personal savings. In cases where the bills escalate beyond their incomes or savings, they seek new sources which in most times will be help from relatives and friends. The survey by FSD further revealed that while low-income Kenyans tend to save quite a lot, only a small share of the typical family’s savings was held in purely liquid savings instruments. Therefore, even when the family had money ‘saved’ for example in a chama (savings club), it was not available for immediate use for things like healthcare.

The Kenya Household Health Expenditure and Utilization Survey (KHHEUS) that took place in 2013 revealed that both own financing and funds from social networks systems outrank insurance in terms of health financing at the household level. While 17 per cent of Kenyans reported having some form of insurance, coverage in the lowest wealth quintile was only three per cent (Ministry of Health, 2014). The uptake of insurance in Kenya has been quite low especially in the rural areas where the uptake stands at 11% of rural adults and 29% of the urban (FinAccess survey, 2013).

2.2.4 Religious and Cultural Practices

Low insurance penetration has also been attributed to religious and cultural beliefs which have led to the slow growth of the industry especially within the African continent (Nduna, 2013). Many people prefer to rely on traditional arrangements or religious practices that give them
support incase of any eventualities (Hardman 2012). Additionally, many life insurance policies pay at death yet this is a topic that many people especially in the African traditional context do not want to talk about. Though death is sure, Africans will live in denial. Many people are keen to buy investment related products from insurance companies leaving out pure risk insurance products because of fear of death. Because of this, it is difficult selling pure insurance risk products in most African markets, hence low penetration (Wairegi, 2004).

The unique culture of a country may affect the demand for insurance in a way that even the population's risk aversion is affected (Douglas and Wildavsky, 2012). Further Henderson and Milhouse (2007) posited that an individual's religion can provide insight into the individual’s behavior therefore understanding religion is an important component of understanding a nation’s unique culture. Yaari (2009) notes that religion historically has provided a strong source of cultural opposition. This is especially on life insurance where many religious people believe that a reliance on life insurance results from distrust of God providing care. Until the nineteenth century, European nations condemned and banned life insurance on religious grounds.

Yaari (2009) further states that religious antagonism to life insurance still remains in several Islamic countries. Wasaw (2006) tested the effect of Islamic beliefs on life insurance consumption using a data set from different countries. The study findings established that, holding all other factors constant, consumers in Islamic nations buy less life insurance compared to those in non-Islamic nations. Islamic nations included in the sample as a percentage of population that is Muslim was as follows: Egypt 94%, Iran 98%, Morocco 99%, Pakistan 97%, Tunisia 99.5%, Turkey 99% (Wasaw, 2006). Eck and Nizovtsev (2006) established that the major reason for the lack of success in marketing life insurance in Latin America and the Caribbean was cultural variables. They noted that most of the population was Catholic and their religious beliefs affected their risk preferences. They also found out that another major factor was the population’s attitude toward financial instruments in general.

In a study by Wairegi (2004) investigating how insurance companies in Kenya respond to their environment, it was found out that insurance companies are affected by the cultural aspects. One of the aspects was that there was no sharing of information among spouses and other close family members especially on life insurance. Hence if the insured party passes on, the dependants may never get to know of the policy. Such policies remain unclaimed and hence are
of no benefit to the family. Because of this cultural orientation, many people would rather remain uninsured.

### 2.3 Low Literacy Levels

This occurs in various ways. First, is the failure by the insured to correctly interpret policy wordings. Secondly, is in financial terms where the insured is not able to correctly interpret the arrangement of insurance covers and financial compensation thereto. Third, is lack of awareness where the insured does not understand their rights when it comes to compensation. Lastly, there has been little emphasis in terms of educating the populace on insurance in general and also specific product details by insurance companies and stakeholders.

#### 2.3.1 Policy Interpretation

An insurance policy is a legal contract between the insurance company (the insurer) and the person(s), business, or entity being insured (the insured). Reading the policy on the part of the insured helps in verifying that the policy meets ones needs and that they understand their responsibilities and those of the insurance company should a loss occur. Many insurance customers purchase a policy without understanding what is covered in the policy, the conditions that must be met in order for the cover to apply when a loss occurs and the exclusions that take away coverage (National Association of Insurance Commissioners- NAIC, 2010). In other instances, the customers read the policies but misinterpret certain clauses. Hence their expectations differ with what is contained in the policy document as far as the insurance company is concerned. This may pose challenges incase of any eventualities where the customer seeks compensation and their expectations are not met.

The expectation of the insured is that when losses occur, there will be adequate compensation provided. Sometimes, this expectation may however not be met owing to the various terms and conditions and the complexity that characterizes the insurance contract. Describing the complex nature of insurance, Csiszar and Heidrich (2006) observes that insurance products are complex legal contracts that can be poorly understood by consumers, particularly personal insurance consumers. The insurance contract being adhesive in nature where the insurer has all control in drafting the contract, the insurer has inextricably created an asymmetry of power between the parties involved. In such instances, the insurers have the power which they have been using to
protect themselves, sometimes to the detriment of the insured. Court intervention has tried to address the imbalance that exists between the insurer and the insured by declaring that ambiguity inherent in the contract will be construed against the insurer. This nonetheless leaves the insured parties at an unfair position (Obalola, 2010).

2.3.2 Awareness
There is a low level of awareness and lack of knowledge of insurance products because most people do not seek knowledge on insurance products. Most people rely on speculation about insurance products hence the low level of financial literacy amongst the populace. In some cases, there is lack of information about the market. Consequently, there is a low uptake of insurance cover at individual and sometimes at corporate levels (Nduna, 2013). Studies have revealed general lack of awareness of the insurance benefits. Infact a lot of people only come to know about Insurance when they buy their first car and have to insure it before they can start driving (Gitau, 2013). Jain and Goyal (2012) noted that despite the insurance industry having been in existence for long, the level of awareness towards the rights and duties regarding insurance are negligible.

There is a low level of financial literacy amongst the populace in Africa. In some cases, there is lack of information about the insurance market for both the insurer and the insured. The insurer has very little information about the potential customers and on the other hand the insured does not have much information on the dynamics of insurance. Consequently, there is a low uptake of insurance cover at individual and sometimes even at corporate levels. Research has also shown that there is a general poor attitude towards personal insurance cover in some African markets (Nduna, 2013).

Even with the introduction of microinsurance which is a promising tool to reduce the vulnerability of low-income households in developing countries, the same have suffered low uptake too (Ito & Kono, 2009). They further found out that low usage and retention in insurance schemes reflect the lack of acceptance of the products among the insuring population. In part, low demand can be attributed to a lack of understanding and a lack of familiarity with the concept of insurance (Gine, Townsend & Vickery, 2008). Evidence from developed countries files a strong relationship between financial literacy and financial decision making. Financial
education directly influences an individual’s literacy levels and ultimately improves the capability to make informed financial decisions (Olopade & Frolich, 2012)

According to Olopade and Frolich (2012), one of the failures in getting the populace to understand insurance is the approach that insurance companies use in educating the public. Most campaigns are product centered and there is general lack of general information in insurance. In literacy campaigns, one needs to differentiate between general and product specific education so as to give the bigger picture and develop a better understanding among the target population. General literacy education and awareness campaigns address the concept of insurance and explain terminology, different insurance types and benefits in general terms. Such campaigns do not promote specific insurers or their products and are mainly carried out by government or non profit institutions. Most of the private insurance companies do not participate in the general education as the intervention is normally viewed as social rather than commercial (Olopade & Frolich, 2012).

On the other hand, product specific insurance education focuses on a particular product that insurance companies wish to sell to their existing and potential customers. It is mostly conducted by insurance sales staff and is closely related to traditional commercial marketing. The campaigns might also touch on general insurances but their main aim is to explain and sell specific products. This kind of education explains contractual features for the particular product like premium payment or claim procedure and is important not only for increasing sales but also to prevent customer dissatisfaction leading to low renewal rates. The commercial purpose of such interventions is prevalent and likely to be obvious to the target population. Therefore, the effectiveness of commercial insurance education might be subject to the target market trust or mistrust because of the element of commissions motivated education (Olopade & Frolich, 2012).

Furthermore, inadequate knowledge about health insurance, available options and registration processes may account for low enrolment. Among informal sector workers in Kenya, low enrolment in the insurance fund is as a result of the above problem. The informal sector workers expressed that they were unaware that they could also contribute and become members, and that they thought the scheme was for the rich and formal sector workers (Mathauer et al. 2008). Again they pointed out that they did not know where and when to enrol, and that they had not been approached by anybody to enrol. These groups felt excluded. Likewise, in Tanzania, a
significant number of the uninsured revealed that they had not joined the Community Health Fund because they were not educated by managers of the scheme before it was launched (Kamuzora & Gilson 2006).

2.3.3 Financial Literacy

Limited interventions to promote financial literacy education have been conducted in developing countries. According to Holzmann (2010), empirical evidence on these interventions is rare and does not present a clear picture. Olopade and Frolich (2012) assert that one way to remedy low familiarity, lack of understanding and acceptance of insurance products is insurance literacy education. The relation between financial literacy and financial decision making is well documented for industrialized countries (Lusardi and Mitchell, 2009; van Rooij et al., 2007). For developing countries little evidence on the importance of financial literacy exists. Cole, Sampson and Zia (2009) found strong correlation between financial literacy and the demand for financial services using survey data for Indonesia and India.

Education has been associated with increased life insurance spending. Higher formal education has been found to foster need awareness to the individual and also enable more objective analysis for the life insurance purchase decisions (Hammond et al., 2007). According to Truett and Truett (2004), higher educated individuals are hypothesized to have a stronger inclination to protect their dependents by means of life insurance. Generally, education correlates with higher demand for life insurance as evidenced by empirical investigations (Burnett & Palmer, 2004). Higher educated spouses, for example, even though aware of life insurance’s benefits, are less dependent on the income of their husbands (Gandolfi & Miners, 2006). Alternatively, higher educated parents anticipate longer financial dependency of their offspring due to pursuit of higher educational levels (Browne & Finkelstein, 2007).

Education has the potential to equip the individual with valuable skills and training which will provide the source of livelihood for earning income. However, education also involves cost. Therefore, it can be argued that the wealthy and their families are likely to have the ability to secure more avenues for raising incomes in unequal societies, whereas for the poor, the reverse might be true. In addition, education links positively with the acquisition of knowledge, in this context, the understanding of the health insurance scheme rationale, risk-perception and health-
seeking behaviour. A person who is not educated about the rationale and the benefits of health insurance is unlikely to enrol, unless influenced by others to do so. Knowledge about health insurance rationale entails an understanding of the principles of solidarity, risk-sharing and resource pooling. This implies that traditional societies with no formally educated members might prefer informal solidarity groups to formal health insurance schemes either because they are uninformed about the existing formal schemes, or because they do not understand or do not accept the principle of risk-sharing and solidarity which are important tenets of such schemes (Asomani, 2014)

Insurance companies in Africa also face the challenge of limited expertise and skills amongst their workers. The problem has been exacerbated by the brain drain which has seen a significant part of the skilled workforce seek greener pastures in the advanced economies and other emerging markets. Advanced skills including Actuaries are needed to manage and understand the complex and unfamiliar risks (Nduna 2013). This will help in exploring new areas for new products and also recommend new products for existing markets.

2.4 Technological Innovations

This refers to new products that respond to market needs and the role that technology would have in the distribution and roll out of the products. According to Cytonn Investments (2015), one of the problems facing insurance companies is the existence of insurance products that are not tailored to the common consumer and lacks innovation to appeal to customers with low disposable income. The savings policies that are now common with most insurance companies in Kenya such as education savings plans, are very suboptimal in their returns and are mostly purchased by people who are not sophisticated in financial matters.

According to Bain & Company (2015), most established companies in the insurance industry have been slow to adopt digital tools, relative to other industries, such as retail, media, travel and retail banking. One of the reason for the slow adoption of digital technology is that general insurance lacks continuous customer engagement through the insurance policy duration and hence the inability to keep track of the changing customer needs and making timely provision for those in need. Majority of the insurers would admit that they have not been proactive in leading the way through digitization of their processes and hence trail behind when it comes to customer
engagement and effective adoption of mobile social media when compared to other financial services providers. It is important to note that there could be many reasons why insurers take a cautious approach. Some of them could be around market instability due to catastrophic losses from natural phenomenon to ever changing needs of the end-customers. This notwithstanding, it remains the responsibility of the insurance companies to work around these challenges and adopt relevant technologies if they are to meet customer needs.

2.4.1 Product Innovation
A report by Cytonn investments (2015) stated that product innovation is the single biggest disruptive opportunity in the insurance sector. It further stresses the need to address the bottom of the pyramid consumer both in terms of packaging the product, pricing as well as creating awareness and using a language that is understood by the potential consumers. Insurance products in Kenya are in English language yet Kiswahili is the national language. The situation becomes worse considering that Kenya has over 42 ethnic groups who speak different languages and a big proportion only understand their mother tongue, yet there are no insurance products translated into various languages.

According to Nduna (2013), the African insurance industry has not developed sufficient research and development capacity and has over many years relied on expertise from the advanced economies whose products may not necessarily be applicable to the local situations. Consequently, the industry has lagged behind in terms of product innovation in meeting customer needs. There has been a general reluctance by insurance companies to step out of the comfort zones and invest in research and development. Even though there has been much progress in the African continent in enhancing Information and Communication Technology (ICT), more still needs to be done to use modern technology to enhance operational efficiencies and improve service delivery especially in the insurance industry.

Many insurers lack customer profiling capabilities necessary to quickly match products with high-potential customers. This is due to the manual processes adopted by most insurance companies. Technology adoption in terms of user interactive applications will help both agents and customers in reducing time wasted in face to face meetings. Some forms of insurance products like for life insurers is highly reliant on their product development and policy administration systems which in many occasions are unable to meet the demands of an
aggressive program of new product development, segmentation and at the same time maintaining distribution channels that are robust. There is therefore a need for an integrated architecture that covers policy administration, social media monitoring, claims and other functions within the insurance process (KPMG, 2014).

2.4.2 Distribution Channels.

With the current technological advancement in the business world today, customers are more informed and their expectations regarding service delivery are higher than ever before. There are numerous opportunities presented by technology for insurers to collect and analyze customer information that will help in improving the range and quality of products offered, refine pricing strategies and to develop an effective array of distribution channels (Odemba, 2013). Technologies including descriptive and predictive analytics can help life insurers improve both their decisions regarding new products and their levels of customer service (Accenture, 2011).

The widespread use of social media provides another opportunity for life insurers to increase their understanding of what customers want through online interactions. The social media has been underutilised by the insurance sector, but if the sector is to grow then the insurance companies must develop social media strategies that engage the clients in terms of brand positioning and product offering (Odemba, 2013). Technological adoptations in other retail sectors involve the use of loyalty programs such as the loyalty cards by supermarkets which have proved to be successful in retaining and growing their customer base. The adoption of such innovations is lower in insurance than other financial industry players.

Products that are designed to meet the new middle classes is now a strategic priority for those financial institutions operating in (or considering entering) these emerging markets. To achieve this, many insurers are starting to consider innovating their channels and products to differentiate themselves and expand their reach. Alternative channels such as mobile and internet portals are gaining traction. Experience in the Brazil, Russian, India and China (BRIC) markets suggest that technology is also now being leveraged to fundamentally change insurance business models in the emerging markets. Indeed, as customer expectations increase they begin to demand more from their insurers. Insurance companies should look to technology to increase their operational
efficiency and improve their customer service by providing multi-channel servicing platforms. (KPMG, 2014)

Insurers need to have proactive strategies to capitalize on the new technologies that can help them become more efficient, agile and customer centric. They need to experiment with new routes to market while preserving existing distribution networks. Many financial institutions already have innovation labs. Identifying and implementing new technologies and systems can enhance customer satisfaction while reducing response time. Identifying the right technology partners will help both in product development and operational efficiency. Customer profiling and analytic tools will also help and in this regard, there are lessons to be learnt from other sectors such as retailers, telcos and online portals (KPMG, 2014).

Distribution channels in Kenya have remained traditional as noted by an AKI Agents forum at a Nairobi Hotel in 2012 during which players in the insurance industry were urged to embrace technology in order to reach the untapped market. According to (Kaguma, 2011), low technological adoption has led to poor customer service. By nature of the products, life insurance is a long term relationship between the insured and the life insurance company. This means that there should exist a good working relationship between the company and the customer. Regrettably, insurance companies have been slow in embracing the use of technologies like the internet, mobile phone, contact centres and social media to improve service. This has led to customer dissatisfaction leading to poor penetration of life insurance (KPMG, 2014). Lack of proper infrastructure often affects the effective operation of insurance companies in Africa. Communication is often difficult due to poor telecommunications and a bad road network. This invariably means a high cost of doing business and also limits the products offering. It follows then that some of the products become expensive and hence prohibitive for most of the potential customers.

Researchers of the bottom of the pyramid markets stress that innovative and cost efficient promotion methods are necessary to communicate with potential consumers. The usage of social networks such as groups of women (Chikweche& Fletcher, 2012) for direct marketing not only build awareness among potential consumers but also enable a channel of getting feedback from them.
2.4.3 Manual Processes
In many insurance companies in developing countries, there is a lot of paperwork resulting to inefficiencies that translate to inconveniences on the part of the customers especially during enrolment and claims processing. Most companies manually file their records making work slow and cumbersome. In Kenya for instance, the increased growth in banking is largely due to automation (Waigari, 2003). A number of reports have identified insurance companies as technology laggards. According to Forrester Research’s Report Trends (2014), European companies are falling behind other companies in other sectors. The report indicates that startups and companies in the manufacturing, utility and telecoms markets could take business from traditional insurers. Insurance companies should open digital labs and run software projects, tap into internal and external talent and partner with digital firms to cope with the changing technological trends.

Research by Accenture (2013) which surveyed 6,000 consumers in 11 countries, revealed that almost a quarter of consumers would consider large internet companies, such as Google and Amazon, as possible insurance providers. The study further established that 67% of 6,000 consumers surveyed in 11 countries would consider buying insurance from companies other than insurers. Some 23% cited online service providers as options. A report by EY (2015) indicates that a key challenge for insurers in 2015 is the need to develop more robust mobile digital technologies, data analytics and social media strategies to address growing consumer expectations of more refined product sales and distribution channels.

The embracing of new technologies in the business process has the capability of ensuring that manual processes are automated and new functionalities created (Kasae, 2014). The elimination of the manual processes through the use of technology enables quicker turnaround timeframes on service issues and better accuracy on routine work (Kyengo, 2014). Among the functions that can be automated include the clerical and filing functions within an organization. This enables the filing of large amounts of information and the retrieving of the same when needed far much quicker (Mutwa, 2014). The use of the technology also creates new functions that improve on the workflow in an organization in the context new technologies are often developed to address existing challenges in the industry (Ngatia, 2013). These new functions have the capability of enabling work that was previously cumbersome and time consuming to be executed at a far
much faster pace. Rono (2013) therefore argues that the Information Technology (IT) enhances service reliability, reduces transaction errors, increases consistence in performance and customizes service.

2.5 Chapter Summary
Chapter two gives a review on the literature of factors that affect uptake and penetration of insurance. The chapter has detailed factors like social aspects which include lack of trust, family networks, own savings and also religious and cultural practices. Other factors are low literacy levels and lack of technological innovations. Specifically, technological innovations have affected both product innovation and distribution channels. Chapter three outlined the research methodology that was deployed which included the research design, population and sampling and how the data was analyzed.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
This section presented the methodology that was deployed in carrying out the study. In this section the research identified the procedures and techniques that were used in the collection, processing and analysis of data. Specific subsections included: the research design, population and sampling design, data collection procedure and finally data analysis.

3.2 Research Design
A research design is a plan, structure and a strategy of investigation so conceived so as to obtain answers to research questions as validity, objectively, accurately and economically as possible (Kumar, 2014). Research design constitutes conceptual structure within which research is conducted. It also constitutes blueprint for the collection, measurement and analysis of data (Kothari, 2011). There are several research designs that may be used: these include explanatory, descriptive, causal, experiments, survey and case study (Bless, Smith, & Kagee, 2008).

The researcher adopted the explanatory research design which is deemed to more effective in meeting the objectives of this study. This design is concerned with attempts to clarify why and how there is a relationship between two or more aspects of a situation or phenomenon (Kumar, 2011). The research design and methodology entailed collecting useful data in analysis and coming up with relevant recommendations and conclusions. Under this particular study, the researcher sought to identify how social aspects, literacy levels and technological innovation affect insurance uptake and penetration in Kenya.

3.3 Population and Sampling Design

3.3.1 Population
According to Trochim & Donnelly (2008), population comprises of the total number of subjects that are being investigated in a study. Similarly, Ngechu (2004) defines population as the total collection of elements with common observable characteristics about which some inferences can be made. Target population is the group of elements for which the survey researcher wants to make inferences by use of sample statistics (Couper, Fowler, Groves, Lepkowski, Singer, & Tourangeau, 2013). They are finite in size in the sense that they can theoretically be counted and
they are observable; aspects which make target population desirable for achieving a clear understanding of the meaning of the survey statistics. Thus, target population is the collection of cases in which the researcher is ultimately interested, to which he or she wishes to make generalization (Aparasu, 2010). The study targeted 30 shopping malls as indicated on Appendix V all within the Nairobi County, Kenya and its environs. The shopping malls were considered as appropriate sites for the study because people from different backgrounds visit these malls for shopping and other services such as banking, recreation etc.

3.3.2 Sampling Design

3.3.2.1 Sampling Frame
According to Cooper & Schindler (2006), a sampling frame is a list of elements from which the sample is actually drawn and closely related to the population. In this study, the sampling frame was drawn from a list of shopping malls as compiled by Project Gutenberg (2015). This was used to ensure that the sampling frame was current, complete and relevant for the attainment of the study objectives.

3.3.2.2 Sampling Technique
Sampling can be defined as the procedure a researcher uses to gather people, places or things to study (Kombo & Tromp, 2006). Sample design is a process that assists in the selection of members of a sample (Singleton & Straits, 2005). Determining the sample size is a complex task and involves much clarity with regard to the balance between the resources available and number or accuracy of information obtained. Qualitative factors must be considered including nature of the research, expected outcomes, importance of the findings and the number of variables to be studied, nature of analysis and resource constraints.

In identifying which mall to carry out the research the researcher used purposive sampling which is done to conform to a certain criteria e.g. income. The intention was to have a clear idea about what the sample may reflect of the larger group (Berg, 2007). To ensure representativeness of the high, middle and lower income class, the study was carried out at Taj Mall located in the Eastern side of Nairobi (Eastlands) dominated by low income earners; T-Mall located at Nairobi West in the Southern side dominated by middle income earners and Galleria Mall located in the affluent Karen suburb dominated by high income earners according to the Nairobi County zoning guide.
3.3.2.3 Sample Size

Smith, Thorpe, Jackson and Lowe (2008) state that a sample refers to a subset of those entities that decisions relate to. Borg and Gall, 2010 poised that the sample must be carefully selected to be representative of the population and the researcher also needs to ensure that the subdivisions entailed in the analysis are accurately catered for. According to Mugenda and Mugenda (2003) a sample size ranges from 10% to 30% of the population. This study used 30% of the total population translating to 3 shopping malls.

Table 3.1: Sampling Frame and Size

<table>
<thead>
<tr>
<th>Mall</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taj Mall</td>
<td>60</td>
</tr>
<tr>
<td>T-Mall</td>
<td>40</td>
</tr>
<tr>
<td>Galleria</td>
<td>30</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>130</strong></td>
</tr>
</tbody>
</table>

3.4 Data Collection Methods

This research collected primary data using questionnaires. The questionnaires comprised of both open and close ended questions in line with the objectives of the study. Chandran (2004) explained that open-ended questions or unstructured questions are those for which alternatives are provided while close-ended questions or structured questions do not provide alternatives for the respondents to choose from. A five point Likert scale was used for close ended questions. The questionnaire contained two sections: the first section sought to establish the respondents’ demographic data while the second section sought to establish the respondents’ opinions on the three variables (social aspects, literacy levels and technological innovations) considered in this study.

3.5 Research Procedures

After development of the draft questionnaire, a pilot test was carried out with ten respondents to test for any inconsistencies, ambiguity and incomprehension. The pre-test participants did not participate in the actual survey to avoid pre-emption of the study at the actual area. In the process of piloting, the researcher ensured rectification of errors of ambiguity existing in the research instrument. After the amendment of the final questionnaire, the researcher explained the purpose
of the research to the respondents and sought permission to carry out the research in the given topic.

Each questionnaire was distributed directly to each of the 130 identified participants in the study at the shopping malls. According to Creswell (2003), participants should not be inconvenienced during the process. To ensure a high response rate, the researcher requested the immediate completion and return of the questionnaires by the respondents.

3.6 Data Analysis Methods
Data analysis is the process of systematically applying statistical and/or logical techniques to describe and illustrate, condense and recap, and evaluate data (Devore, Olsen, & Peck, 2011). Statistical techniques are employed to analyze survey research where the survey data was used to evaluate whether one variable affect the other (Vaus, 2013). The Statistical Package for Social Science (SPSS) version 21 was used to perform the analysis, which helped in generating frequencies and percentages (Carver & Nash, 2011).

Before processing the responses, data preparation was done on the completed questionnaires by editing, coding, entering and cleaning the data. Data collected was analyzed using descriptive statistics. The descriptive statistical tools helped in describing the data and determining the respondents’ degree of agreement with the various statements under each factor. Data analysis was done using Statistical Package for Social Sciences (SPSS) to generate quantitative reports which were then presented in the form of tabulations, percentages, mean and standard deviation.

In addition, the researcher conducted a multiple regression analysis to determine the extent to which the three independent variables (social aspects, literacy levels and technological innovations) influenced the uptake and penetration of insurance in Kenya. The following model was used:

\[ Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon \]

Whereby

- \( Y \) = uptake and penetration of insurance in Kenya
- \( X_1 \) = social aspects
- \( X_2 \) = low literacy levels
- \( X_3 \) = technological innovations
3.7 Chapter Summary
Chapter three enumerated the research methodology and design. It gave a detailed analysis of the population and the sampling process that was used in collecting the research data. Primary data was collected from the respondents through the application of a structured questionnaire. Data analysis was done using the Statistical Package for Social Sciences (SPSS) version 21. The next chapter (Chapter four) presents results and findings of the study.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter presents the results and findings of the collected research data from the field. The study sought to establish the factors affecting the uptake and penetration of insurance in Kenya. The data was gathered exclusively from questionnaires as the research instrument. The questionnaire was designed in line with the research questions of the study.

4.1.1 Response Rate

A total of 130 questionnaires were distributed out of which 97 questionnaires were returned giving a response rate of 77%. This response was sufficient and representative of the population and conforms to Mugenda and Mugenda (2003) stipulation that a response rate of 70% and above is excellent. The findings are shown in Figure 4.1.

![Response Rate Chart]

Figure 4.1: Response Rate

4.2 Demographic Information

4.2.1 Gender of the Respondents

The study sought to establish the gender of the respondents. The findings are shown in the Figure 4.2
Figure 4.2: Gender of the Respondents

The findings in Figure 4.2 show that 53% of the respondents were male while 47% were female. Male respondents were the majority. This shows that all genders were involved thus giving a good representation for the study.

4.2.2 Age Distribution

The respondents were asked to indicate their age and the findings were as shown in Figure 4.3.

Figure 4.3: Age Distribution

As indicated in Table 4.3, 54% of the respondents were between 31-40 years; 23% were between 20-30 years; 18% were between 41-50 years; 4% were between 51-60 years and only 2% were 61 years and above. The majority of the respondents were between 31-40 years. These findings
reflect the age distribution of the Kenyan working population thereby providing relevant and reliable information for the study.

4.2.3 Religion

The respondents were required to indicate their religion and the findings are as shown in Figure 4.4.

![Religion Chart]

Figure 4.4: Religion

From the findings in Figure 4.4, 70% of the respondents were Christians, 22% Islam, 5% Hindu, 2% Buddhists while 1% represented other faiths. Those professing Christian faith were the majority. These findings show that respondents from various religions were involved thereby providing information on the different religious perspective on insurance penetration in Kenya.

4.2.4 Employment Status

The respondents were requested to indicate their employment status and the findings are as shown in Figure 4.5.
Figure 4.5: Employment Status

As indicated in Figure 4.5, 61% of the respondents were employed or in formal employment while 39% were self-employed or in informal employment. The majority of the respondents were in formal employment. This shows that the findings were relevant and reliable in ascertaining the uptake and penetration of insurance between individuals in different employment sectors.

4.2.5 Income Level

The respondents were required to indicate their monthly income level in Kenyan currency, Kenya Shillings (Kes). The findings are as presented in Figure 4.6.

Figure 4.6: Income Level (Kes)

As shown in Figure 4.6, 44% of the respondents indicated their monthly income level at between Kes 10,000-30,000; 24% indicated their monthly income level at between Kes 31,000-60,000;
18% indicated their monthly income level at between Kes 61,000-90,000; 8% indicated their monthly income level at between Kes 91,000-120,000 while 6% indicated their monthly income level as above Kes 120,000. Majority of the respondents had an income level of between Kes 10,000 and Kes 30,000. This shows that the respondents were spread across different income levels thereby providing information relevant and reliable for the study.

4.3 Social Aspects on Insurance Uptake and Penetration

Several statements on social aspects on insurance uptake and penetration were identified and the respondents were required to give a rate in relation to the effects of social aspects on insurance uptake and penetration in Kenya. A scale of 1-5 was provided as follows: 1= strongly disagree, 2=Disagree, 3= Agree, 4= Strongly Agree, 5= N/A (Not Applicable). From the responses, mean and standard deviation were used for ease of interpretation and generalization of findings. The findings are clearly illustrated in the subsequent sections.

4.3.1 Lack of Trust

The respondents were required to rate the effects of lack of trust on insurance uptake and penetration in Kenya. The findings are illustrated on Table 4.1.

<table>
<thead>
<tr>
<th>Table 4.1: Lack of Trust</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement</td>
</tr>
<tr>
<td>There is a general lack of trust of insurance companies by the general public</td>
</tr>
<tr>
<td>Poor agents integrity has led to low penetration of life insurance</td>
</tr>
<tr>
<td>Poor claims management in the industry has been adversely affected by fraud arising from unprofessional conduct of players</td>
</tr>
<tr>
<td>Customers have been misguided on the type of policies they should take</td>
</tr>
<tr>
<td>Insurance companies act very slowly in processing claims.</td>
</tr>
</tbody>
</table>

From the findings in Table 4.1, there was a general lack of trust of insurance companies by the general public with mean of 2.81 and a standard deviation of 0.971; poor agents integrity leading to low penetration of life insurance had a mean of 2.88 and a standard deviation of 0.977; poor claims management in the industry adversely affected by fraud arising from unprofessional conduct of players had a mean of 3.19 and a standard deviation of 1.086; customers misguided on the type of policies they should take had a mean of 2.84 and a standard deviation of 0.882 while insurance companies acting very slowly in claims processing had a mean of 3.10 and a
standard deviation of 1.103. The mean values for the responses varied from 2.81-3.19 an indication that the respondents were in agreement with the statement on Lack of Trust.

4.3.2 Family Networks
The respondents were asked to rate the effects of family networks on insurance uptake and penetration in Kenya. The findings are as shown in Table 4.2.

<table>
<thead>
<tr>
<th>Table 4.2: Family Networks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement</td>
</tr>
<tr>
<td>I depend on informal and social connections for emergencies</td>
</tr>
<tr>
<td>My extended family assists to meet my urgent financial needs</td>
</tr>
<tr>
<td>I have a funeral welfare association that helps in incase of bereavement of immediate family members</td>
</tr>
</tbody>
</table>

As shown in Table 4.2, the respondents depending on informal and social connections for emergencies had a mean of 2.53 and a standard deviation 1.267. These findings concur with Owusu (2007) who stated that there were numerous informal and social support systems that had the capacity to overshadow an individual’s sense of vulnerability to financial shocks. The respondents using the extended family to meet their urgent financial needs had a mean of 2.32 and a standard deviation of 1.087. The mean values for the responses varied from 2.32-2.54 which showed that the respondents disagreed with the statement on effects of Family Networks on insurance uptake and penetration in Kenya.

4.3.3 Own Savings
The respondents were asked to rate the effects of their own savings on insurance uptake and penetration in Kenya. The findings are as shown in Table 4.3.

<table>
<thead>
<tr>
<th>Table 4.3: Own Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement</td>
</tr>
<tr>
<td>My personal savings are sufficient to meet my urgent financial needs</td>
</tr>
<tr>
<td>It is easier to access my personal savings in case of an emergency as opposed to insurance and therefore I would rather depend on my savings</td>
</tr>
<tr>
<td>Insurance premiums are expensive</td>
</tr>
</tbody>
</table>

As indicated in Table 4.3, the respondents indicating that their personal savings were sufficient to meet their urgent financial needs had a mean of 2.41 and a standard deviation of 1.143; the respondents indicating that it was easier to access personal savings in case of an emergency as
opposed to insurance and therefore one would rather depend on savings than insurance had a mean of 2.75 and a standard deviation of 1.099 while the respondents stating that insurance premiums were expensive had a mean of 2.78 and a standard deviation of 1.268. The mean values of the findings varied from 2.41-2.78 which indicated that the respondents agreed with the statement on how their Own Savings affected the insurance uptake.

4.3.4 Cultural and Religious Beliefs
The study sought to determine the effects of religious and cultural beliefs on insurance uptake and penetration in Kenya. The findings are as shown in Table 4.4.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>I rely on my religious association to offer support in case of an emergency</td>
<td>1.73</td>
<td>.973</td>
</tr>
<tr>
<td>Funeral insurance is a taboo in my culture</td>
<td>1.74</td>
<td>.807</td>
</tr>
<tr>
<td>Relying on insurance is a sign of distrust in God</td>
<td>1.72</td>
<td>.932</td>
</tr>
<tr>
<td>My religious beliefs do not support taking insurance policies</td>
<td>1.71</td>
<td>.907</td>
</tr>
</tbody>
</table>

From the findings in Table 4.4, the respondents relying on their own religious associations to offer support in case of an emergency had a mean of 1.73 with a standard deviation of 0.973; the respondents stating that funeral insurance was a taboo in their culture had a mean of 1.74 with a standard deviation of 0.807; the respondents stating that relying on insurance was a sign of distrust in God had a mean of 1.72 with a standard deviation of 0.932 while the respondents stating that their religious beliefs do not support the taking up of insurance policies had a mean of 1.71 with a standard deviation of 0.907. The mean values for the finding varied from 1.71-1.74 which shows that the respondents disagreed with the statements on effects of Religious and Cultural Beliefs on insurance uptake and penetration in Kenya.

4.3.6 Cross Tabulation of Religion and Cultural and Religious Beliefs
Cross tabulation was carried out between religion and various aspects of religious beliefs. The results are presented below:-
Table 4.5: Religion: * I rely on my religious association to offer support in case of an emergency Cross tabulation

<table>
<thead>
<tr>
<th>Religion</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Not Applicable</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christian</td>
<td>34</td>
<td>26</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>68</td>
</tr>
<tr>
<td>Islam</td>
<td>13</td>
<td>3</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>21</td>
</tr>
<tr>
<td>Hindu</td>
<td>0</td>
<td>3</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Buddhist</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>32</td>
<td>9</td>
<td>3</td>
<td>3</td>
<td>97</td>
</tr>
</tbody>
</table>

Findings on Table 4.5 revealed that 60 out of 68 (88%) of Christians surveyed did not depend on religious inclination in case of an emergency while 16 out of 21(76%) of Muslims surveyed did not depend on religious inclination in case of an emergency.

Table 4.6: Religion: * Funeral insurance is a taboo in my culture Cross tabulation

<table>
<thead>
<tr>
<th>Religion</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Not Applicable</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christian</td>
<td>35</td>
<td>27</td>
<td>5</td>
<td>0</td>
<td>1</td>
<td>68</td>
</tr>
<tr>
<td>Islam</td>
<td>5</td>
<td>11</td>
<td>4</td>
<td>1</td>
<td>0</td>
<td>21</td>
</tr>
<tr>
<td>Hindu</td>
<td>0</td>
<td>4</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Buddhist</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>42</td>
<td>42</td>
<td>10</td>
<td>2</td>
<td>1</td>
<td>97</td>
</tr>
</tbody>
</table>

Findings on Table 4.6 revealed that 62 out of 68 (91%) Christians surveyed indicated that funeral insurance was not a taboo in their culture while 16 out of 21(76%) Muslims surveyed indicated that funeral insurance was not a taboo in their culture.
Table 4.7: Religion: * Relying on insurance is a sign of distrust in God Cross tabulation

Relying on insurance is a sign of distrust in God

<table>
<thead>
<tr>
<th>Religion</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Not Applicable</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christian</td>
<td>39</td>
<td>19</td>
<td>7</td>
<td>2</td>
<td>1</td>
<td>68</td>
</tr>
<tr>
<td>Islam</td>
<td>11</td>
<td>6</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>21</td>
</tr>
<tr>
<td>Hindu</td>
<td>0</td>
<td>1</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Buddhist</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>52</strong></td>
<td><strong>26</strong></td>
<td><strong>14</strong></td>
<td><strong>4</strong></td>
<td><strong>1</strong></td>
<td><strong>97</strong></td>
</tr>
</tbody>
</table>

Findings on Table 4.7 revealed that 58 out of 68 (85%) Christians surveyed indicated that relying on insurance was not a sign of distrust in God while 17 out of 21 (80%) Muslims surveyed indicated that relying on insurance was not a sign of distrust in God.

Table 4.8: Religion: * My religious beliefs do not support taking insurance policies Cross tabulation

My religious beliefs do not support taking insurance policies

<table>
<thead>
<tr>
<th>Religion</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Not Applicable</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christian</td>
<td>38</td>
<td>22</td>
<td>4</td>
<td>3</td>
<td>1</td>
<td>68</td>
</tr>
<tr>
<td>Islam</td>
<td>7</td>
<td>11</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>21</td>
</tr>
<tr>
<td>Hindu</td>
<td>0</td>
<td>4</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Buddhist</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>47</strong></td>
<td><strong>37</strong></td>
<td><strong>6</strong></td>
<td><strong>6</strong></td>
<td><strong>1</strong></td>
<td><strong>97</strong></td>
</tr>
</tbody>
</table>

Findings on Table 4.8 revealed that 60 out of 68 (88%) Christians surveyed indicated that their religious beliefs supported taking up insurance while 18 out of 21 (86%) Muslims surveyed indicated that their religious beliefs supported taking up of insurance.

In conclusion, the above findings on the cross tabulation between religion and religious/cultural beliefs reveal that religion did not affect the uptake of insurance by the respondents.
4.3.5 Extent to which Social Aspects Affect Decision towards taking up Insurance

The study sought to determine the extent to which social aspects affected the decision to take up insurance. The findings are presented in Table 4.9.

Table 4.9: Extent to which Social Aspects Affect Decision towards taking up Insurance

<table>
<thead>
<tr>
<th>Statement</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>To no extent</td>
<td>22</td>
<td>22.7</td>
</tr>
<tr>
<td>To a little extent</td>
<td>23</td>
<td>23.7</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>24</td>
<td>24.7</td>
</tr>
<tr>
<td>Great extent</td>
<td>22</td>
<td>22.7</td>
</tr>
<tr>
<td>Very great extent</td>
<td>6</td>
<td>6.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>97</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

From the findings, 22.7% of the respondents indicated that there was no extent to which social aspects affected the decision to take up insurance; 23.7% indicated to a little extent; 24.7% indicated to a moderate extent; another 22.7% indicated to a great extent while 6.2% indicated to a very great extent.

4.4 Effects of Literacy Levels on Insurance Uptake and Penetration

Several statements on literacy levels on insurance uptake and penetration were identified and the respondents were required to give a rate in relation to the effects of literacy levels on insurance uptake and penetration in Kenya. A scale of 1-5 was provided as follows: 1= strongly disagree, 2=Disagree, 3= Agree, 4= Strongly Agree, 5= N/A (Not Applicable). From the responses, mean and standard deviation were used for ease of interpretation and generalization of findings. The findings are illustrated in the subsequent sections.

4.4.1 Policy Interpretation

The study sought to determine the effects of policy interpretation on insurance uptake and penetration in Kenya. The findings are as shown in Table 4.10.
Table 4.10: Policy Interpretation

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers read the policies but misinterpret certain clauses and hence</td>
<td>2.84</td>
<td>1.083</td>
</tr>
<tr>
<td>their expectations differ with what is contained in the actual policy</td>
<td>2.87</td>
<td>1.002</td>
</tr>
<tr>
<td>Insurance products are complex legal contracts that can be poorly</td>
<td></td>
<td></td>
</tr>
<tr>
<td>understood by consumers</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As indicated in Table 4.10, customers reading insurance policies but misinterpreting certain clauses thereby having their expectations differing with what is contained in the actual policy document had a mean of 2.84 with a standard deviation of 1.083; those stating that insurance products were complex legal contracts poorly understood by consumers had a mean of 2.87 with a standard deviation of 1.002. The respondents were in agreement with the statements on Policy Interpretation as indicated by the mean values between 2.84-2.87.

4.4.2 Awareness

The study sought to establish the effects of awareness on insurance uptake and penetration in Kenya. The findings are as shown in Table 4.11.

Table 4.11: Awareness

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is low level of awareness and lack of knowledge of insurance products</td>
<td>2.75</td>
<td>1.020</td>
</tr>
<tr>
<td>There is general lack of awareness of the benefits of insurance</td>
<td>2.89</td>
<td>1.025</td>
</tr>
<tr>
<td>Awareness towards the rights and duties regarding insurance are negligible.</td>
<td>2.72</td>
<td>1.106</td>
</tr>
<tr>
<td>Most insurance campaigns are product centered and there is general lack</td>
<td>2.97</td>
<td>0.999</td>
</tr>
<tr>
<td>of general information in insurance</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

From the results in Table 4.11, there was low level of awareness and knowledge of insurance products with a mean of 2.75 and a standard deviation of 1.020; there was general lack of awareness of the benefits of insurance with a mean of 2.89 and a standard deviation of 1.025; awareness towards the rights and duties regarding insurance being negligible had a mean of 2.72 with a standard deviation of 1.106 while most insurance campaigns being product centered and lack of general information about insurance had a mean of 2.97 with a standard deviation of
0.999. The respondents agreed with the statement on the effects of Awareness as shown by the mean values ranging from 2.72-2.89.

4.4.3 Financial Literacy

The study sought to determine the effects of financial literacy on insurance uptake and penetration in Kenya. The findings are as shown in Table 4.12.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>I have basic financial management skills</td>
<td>3.17</td>
<td>1.030</td>
</tr>
<tr>
<td>The formal education that I have helps me in making financial decisions</td>
<td>2.92</td>
<td>0.915</td>
</tr>
<tr>
<td>Educated people are more likely to purchase insurance policies</td>
<td>3.08</td>
<td>0.986</td>
</tr>
<tr>
<td>Insurance companies in Kenya face the challenge of limited expertise and skills amongst their workers.</td>
<td>3.17</td>
<td>1.020</td>
</tr>
</tbody>
</table>

As shown in Table 4.12, the respondents indicating that they had basic financial management skills had a mean of 3.17 and a standard deviation of 1.030; that the formal education that they had helped them in making financial decisions had a mean of 2.92 and a standard deviation of 0.915; that educated people are more likely to purchase insurance policies had a mean of 3.08 with a standard deviation of 0.986 and that insurance companies in Kenya face the challenge of limited expertise and skills amongst their workers had a mean of 3.17 with a standard deviation of 1.020. From the responses the respondents strongly agreed that Financial Literacy had an effect on insurance uptake and penetration in Kenya.

4.4.4 Extent to which Literacy Level Affected Decision to taking up Insurance

The study sought to determine the extent to which literacy levels affected the decision to take up insurance. The findings are presented in Table 4.13.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>To no extent</td>
<td>25</td>
<td>25.8</td>
</tr>
<tr>
<td>To a little extent</td>
<td>12</td>
<td>12.4</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>27</td>
<td>27.8</td>
</tr>
<tr>
<td>Great extent</td>
<td>19</td>
<td>19.6</td>
</tr>
<tr>
<td>Very great extent</td>
<td>14</td>
<td>14.4</td>
</tr>
<tr>
<td>Total</td>
<td>97</td>
<td>100.0</td>
</tr>
</tbody>
</table>
From the findings in Table 4.13, 25.8% of the respondents indicated that Literacy Levels affecting the decision to take up insurance had no extent; 12.4% indicated it was to a little extent; 27.8% indicated that it was to a moderate extent; 19.6% indicated that it was to a great extent while 14.4% indicated that it was to a very great extent.

4.5 Effects of Technological Innovation on Insurance Uptake and Penetration

Several statements on technological innovation on insurance uptake and penetration were identified and the respondents were required to give a rate in relation to the effects of technological innovation on insurance uptake and penetration in Kenya. A scale of 1-5 was provided as follows: 1= strongly disagree, 2=Disagree, 3= Agree, 4= Strongly Agree, 5= N/A (Not Applicable). From the responses, mean and standard deviation were used for ease of interpretation and generalization of findings. The findings are illustrated in the subsequent sections.

4.5.1 Product Innovation

The study sought to determine the effects of product innovation on insurance uptake and penetration in Kenya. The findings are as shown in Table 4.14.

Table 4.14: Product Innovation

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Most of the products offered by insurance companies are not tailored to meet consumer needs</td>
<td>2.38</td>
<td>1.004</td>
</tr>
<tr>
<td>Products offered by the insurance companies do not address people with low income</td>
<td>2.72</td>
<td>0.943</td>
</tr>
<tr>
<td>Saving products by insurance companies attract very low returns</td>
<td>2.90</td>
<td>0.979</td>
</tr>
<tr>
<td>Insurance companies should consider translating their insurance policies to other national and local languages</td>
<td>3.03</td>
<td>0.929</td>
</tr>
<tr>
<td>There has been a general reluctance by insurance companies to step out of the comfort zones and invest in research and development.</td>
<td>3.02</td>
<td>1.207</td>
</tr>
</tbody>
</table>

From the results in Table 4.14, the statement that most of the products offered by insurance companies were not tailored to meet consumer needs had a mean of 2.38 and a standard deviation of 1.004; the statement that products offered by the insurance companies did not address people with low income had a mean of 2.72 and a standard deviation of 0.943; the statement that saving products by insurance companies attract very low returns had a mean of 2.90 and a standard deviation of 0.943; the statement that insurance companies should consider
translating their insurance policies to other national and local languages had a mean of 3.03 with a standard deviation of 0.929 and the statement that there has been a general reluctance by insurance companies to step out of the comfort zones and invest in research and development had a mean of 3.02 and a standard deviation of 1.207.

4.5.2 Distribution Channels

The study sought to determine the effects of distribution channels on insurance uptake and penetration in Kenya and the findings are shown on Table 4.15.

Table 4.15: Distribution Channels

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social media has been underutilized by the insurance sector in Kenya</td>
<td>2.97</td>
<td>1.136</td>
</tr>
<tr>
<td>I would be willing to take up an insurance policy if there are loyalty cards issued</td>
<td>3.08</td>
<td>1.213</td>
</tr>
<tr>
<td>Lack of digitization by insurance companies has negatively affected customer interaction in the course of a policy period.</td>
<td>3.02</td>
<td>1.127</td>
</tr>
<tr>
<td>Lack of digitization has denied insurance companies important feedback from customers</td>
<td>3.16</td>
<td>0.942</td>
</tr>
<tr>
<td>Insurance companies should exploit other distribution channels for the penetration to increase</td>
<td>3.03</td>
<td>1.035</td>
</tr>
</tbody>
</table>

From the findings, the statement that social media has been underutilized by the insurance sector in Kenya had a mean of 2.97 with a standard deviation of 1.136; the statement that an individual would be willing to take up an insurance policy if loyalty cards are issued had a mean of 3.08 with a standard deviation of 1.213; the statement that lack of digitization by insurance companies negatively affects customer interaction in the course of a policy period had a mean of 3.02 with a standard deviation of 1.127; the statement that lack of digitization denies insurance companies important feedback from customers had a mean of 3.16 with a standard deviation of 0.942 while the statement that insurance companies should exploit other distribution channels for penetration to increase had a mean of 3.03 with a standard deviation of 1.035.

4.5.3 Manual Processes

The study sought to establish the effects of manual processes on insurance uptake and penetration in Kenya and the findings are shown on Table 4.16.
As shown in Table 4.16, the statement that there is a lot of paperwork involved in processing claims by insurance companies discouraging customers had a mean of 3.32 with a standard deviation of 0.954 while the statement that most companies manually file their records making work slow had a mean of 3.35 with a standard deviation of 0.968. This shows that the respondents strongly agree with the statements on the effects of Manual Processes on insurance uptake and penetration in Kenya.

4.5.4 Extent to which Technological Innovation Affects Decision towards taking up Insurance

The study sought to determine the extent to which technological innovations affected the decision to take up insurance. The findings are presented in Table 4.17.

Table 4.17: Extent to which Technological Innovation Affects Decision towards taking an Insurance Policy

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>To no extent</td>
<td>15</td>
</tr>
<tr>
<td>To a little extent</td>
<td>20</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>25</td>
</tr>
<tr>
<td>Great extent</td>
<td>23</td>
</tr>
<tr>
<td>Very great extent</td>
<td>14</td>
</tr>
<tr>
<td>Total</td>
<td>97</td>
</tr>
</tbody>
</table>

From the findings in Table 4.17, 15.5% of the respondents indicated that there was no extent on technological innovations affecting the decision to take an insurance policy; 20.6% indicated that it was to a little extent; 25.8% indicated that it was to a moderate extent; 23.7% indicated that it was to a great extent while 14.4% indicated that it was to a very great extent.

4.6 Rate of Insurance Uptake and Penetration in Kenya

The respondents were asked to indicate the rate of insurance uptake and penetration in Kenya and the findings are presented in Table 4.18.
Table 4.18: Rate of Insurance Uptake and Penetration in Kenya

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Bad</td>
<td>11</td>
<td>11.3</td>
</tr>
<tr>
<td>Bad</td>
<td>37</td>
<td>38.1</td>
</tr>
<tr>
<td>Moderate</td>
<td>25</td>
<td>25.8</td>
</tr>
<tr>
<td>Good</td>
<td>22</td>
<td>22.7</td>
</tr>
<tr>
<td>Very good</td>
<td>2</td>
<td>2.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>97</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

From the findings in Table 4.18, a majority, 38.1% of the respondents indicated that insurance uptake and penetration in Kenya was bad; 25.8% indicated that it was a moderate; 22.7% indicated that it was good; 11.3% indicated that it was very bad while only 2.1% indicated that it was very good.

4.7 Regression Analysis

The researcher conducted a multiple regression analysis to determine the extent to which the three independent variables (social aspects, literacy levels and technological innovations) influenced the uptake and penetration of insurance in Kenya. The following model was used:

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \]

Whereby

- \( Y \) = uptake and penetration of insurance in Kenya
- \( X_1 \) = social aspects
- \( X_2 \) = low literacy levels
- \( X_3 \) = technological innovations

The findings are shown in the subsequent sections.

Table 4.19: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.718</td>
<td>0.516</td>
<td>0.499</td>
<td>0.01743</td>
</tr>
</tbody>
</table>

From the findings in Table 4.19, R was 0.718 meaning that there was a positive relationship between all the three factors that contribute to the low penetration and uptake of insurance. \( R^2 \) was 0.516 implying that 51.6% of the dependent variable (low penetration and uptake of insurance) could be explained by the independent variables (social aspects, literacy levels and
technological innovations) with the remaining balance of 48.4% being variations due to other factors that have not been considered in this study. This implies that the regression model has very good explanatory and predictor grounds.

Table 4.20: ANOVA

<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>Regression</td>
<td>49.894</td>
<td>3</td>
<td>16.631</td>
<td>33.063</td>
<td>0.000</td>
</tr>
<tr>
<td>Residual</td>
<td>46.786</td>
<td>93</td>
<td>0.503</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>96.680</td>
<td>96</td>
<td>96.680</td>
<td>96</td>
<td></td>
</tr>
</tbody>
</table>

From the findings on Table 4.20, the significance value is 0.000 which is less that 0.05 thus the model is statistically significant in predicting how social aspects, literacy levels and technological innovation contribute to the low insurance uptake and penetration of in Kenya. The F critical at 5% level of significance was 2.70. Since F calculated (value = 33.063) is greater than the F critical (2.70), this shows that the overall model was significant.

Table 4.21: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>3.030</td>
<td>0.593</td>
<td>5.107</td>
<td>0.000</td>
</tr>
<tr>
<td>Social Aspects</td>
<td>-0.037</td>
<td>-0.093</td>
<td>-0.889</td>
<td>0.377</td>
</tr>
<tr>
<td>Literacy Levels</td>
<td>0.166</td>
<td>0.617</td>
<td>4.850</td>
<td>0.000</td>
</tr>
<tr>
<td>Technological Innovation</td>
<td>0.140</td>
<td>0.442</td>
<td>3.473</td>
<td>0.001</td>
</tr>
</tbody>
</table>

The established regression equation becomes;

\[ Y = 3.03 - 0.037X_1 + 0.166X_2 + 0.140X_3 + \varepsilon \]

Where: \( Y \) = insurance uptake and penetration, \( X_1 \) = social aspects, \( X_2 \) = literacy levels, \( X_3 \) = technological innovation and \( \varepsilon \) = Error Term.

From the findings of the regression analysis if all factors (social aspects, literacy levels and technological innovation) were held constant, insurance uptake and penetration would be at 3.03.

An increase in social aspects would lead to a decrease in insurance uptake and penetration by 0.037. An increase in literacy levels would lead to an increase in insurance uptake and penetration by 0.166. An increase in technological innovation would lead to an increase in
insurance uptake and penetration by 0.140. Literacy levels and technological innovation had p-values less than 0.05, an indication that they were significant in the study.

4.8 Chapter Summary
Chapter four gave a detailed account of the research findings. It showed the response rate and the demographic information of the respondents. The chapter also highlighted social aspects, literacy levels and technological innovation effects on insurance uptake and penetration in Kenya. The next chapter, Chapter five presents discussions, conclusion and recommendations.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
The chapter provides the summary of the findings, discussion, conclusions and recommendations of the study based on the research questions of the study. The general objective of this research was to establish the factors that contribute to the low penetration and uptake of insurance in Kenya.

5.2 Summary of the Study
The general objective of this study was to establish the factors that contribute to the low penetration and uptake of insurance in Kenya. The specific objectives were to examine how social aspects contribute to low insurance uptake and penetration in Kenya; to determine how low literacy levels contribute to the low insurance uptake and penetration in Kenya and to establish how lack of technological innovations contribute to low penetration and uptake of insurance in Kenya.

The study adopted the explanatory research design which was deemed to be more effective in meeting the objectives of this study. The study targeted 30 shopping malls within the Nairobi County, Kenya and its environs. In identifying which mall to carry out the research, the researcher used purposive sampling. The study was carried out at Taj Mall located in the Eastern side of Nairobi (Eastlands) dominated by low income earners; T-Mall located at Nairobi West in the Southern side dominated by middle income earners and Galleria Mall located in the affluent Karen suburb dominated by high income earners. This research collected primary data using questionnaires. Data collected was analyzed using descriptive statistics which were then presented in the form of tabulations, percentages, mean and standard deviation.

The study found out that there was a general lack of trust of insurance companies by the general public; poor agents integrity had led to low penetration of life insurance; poor claims management in the industry had been adversely affected by fraud arising from unprofessional conduct of players; customers had been misguided on the type of policies they should take and that insurance companies acted very slowly in processing claims. The study also found out that
individuals depended on extended family, informal and social settings for assistance to meet urgent financial needs. Additionally, they had funeral welfare associations that helped in incase of bereavement of immediate family members. The study also revealed that personal savings were sufficient to meet urgent financial needs; that it was easier to access personal savings in case of an emergency as opposed to insurance and that insurance premiums were expensive.

The study established that customers read the policies but misinterpreted certain clauses. Hence their expectations differed with what was contained in the actual policy document. The study further established that insurance products are complex legal contracts that can be poorly understood by consumers. The study also established that there were low levels of awareness and lack of knowledge of insurance products; that there was a general lack of awareness of the benefits of insurance; that the awareness towards the rights and duties regarding insurance were negligible; that most insurance campaigns were product centered and that there was general lack of general information in insurance. Additionally, the study established that formal education helped in making financial decisions; educated people were more likely to purchase insurance and the study went further to highlight that insurance companies in Kenya faced the challenge of limited expertise and skills amongst their workers.

The study also revealed that social media had been underutilized by the insurance sector in Kenya; that there was lack of digitization by insurance companies which had negatively affected customer interaction in the course of a policy period; that there was lack of digitization which had denied insurance companies important feedback from customers and that insurance companies should exploit other distribution channels for penetration to increase. The study found out that there was a lot of paperwork involved in processing claims by insurance companies which discouraged customers and that most companies manually filed their records making work slow.

5.3 Discussions

5.3.1 Effects of Social Aspect on Insurance Uptake and Penetration

On whether lack of trust affected insurance uptake and penetration the study found out that there was a general lack of trust of insurance companies by the general public; there was poor agent’s integrity; poor claims management arising from unprofessional conduct of players; customers
were misguided on the type of policies and that insurance companies acted very slowly in processing claims. These findings concur with that of Dong et al (2009) and Baraza et al (2008) who state that lack of trust in management of a policy was a reason for dropping out or not participating in the policy. These findings were in line with those of IRA (2012) who established that loss of trust was the highest contributing factor to lapsed usage of insurance policies. The findings also concur with Odemba (2012) who found that customers were misguided on policies that they should take. Bull (2009) stated that there were incidents where insurance agents diverted clients’ money to their personal use and as such customers had become skeptical in dealing with agents. The findings further concur with LIMRA (2011) who stated that the pace at which insurance companies processed claims was slow causing customers to incur unnecessary expenses in follow ups. The delay had been interpreted as lack of willingness to honor the claims and as such customers did not trust insurance companies.

On family networks, the study found out that individuals depended on informal and social networks, extended family and funeral associations that offered support in incase of bereavement of immediate family members. These findings are consistent with that of Ackah & Owusu (2012) that the reason for the poor uptake of insurance can be summed up under cultural related reasons. The findings correspond to FSD (2016) who state that the first place that most Kenyans turn to, to pay for their hospital and other health related bills is cash that has been generated from their businesses, salaried employment or from personal savings. Further the findings agree with Clarke et al (2012) who state that savings are a significant part of peoples risk management strategy since they allocate a substantial share of their money to group savings. It also corresponds with the findings by KPMG (2014) who established that some of the insurance products were expensive and hence prohibitive to most of the potential customers.

As for their own savings, the study revealed that personal savings are sufficient to meet urgent financial needs in case of an emergency as opposed to insurance premiums which are expensive. The findings are in agreement with that of FSD (2016) that the first place that most Kenyans turn to, to pay for their hospital and other health related bills is cash that has been generated from their businesses, salaried employment or from personal savings.
On whether cultural and religious beliefs affected insurance uptake and penetration the study established that individuals did not rely on religious associations or inclinations and that funeral insurance was not a cultural taboo as this was not a sign of distrust in God. These findings contradict with the findings of Nduna (2013) who stated that low insurance penetration has been attributed to cultural and religious beliefs which have led to the slow growth of the industry especially within the African continent. These findings further contradict those of a number of scholars like Hardman (2012) who stated that many people prefer to rely on traditional arrangements or religious practices that give them support in case of any eventualities.

5.3.2 Effects of Literacy Levels on Insurance Uptake and Penetration

On policy interpretation, the study established that customers read the policies but misinterpreted certain clauses and the study also established that insurance policies were complex legal contracts. These findings are in agreement with those of Csiszar and Heidrich (2006) who observe that insurance products are complex legal contracts that can be poorly understood by consumers, particularly personal insurance consumers. These findings correspond to NAIC (2010) who state that many insurance customers purchase a policy without understanding what is covered in the policy, the conditions that must be met in order for the cover to apply when a loss occurs and the exclusions that take away coverage. It further agrees with Csiszar and Heidrich (2006) who observe that insurance products were complex legal contracts that could be poorly understood by consumers, particularly personal insurance consumers.

On whether awareness influences insurance penetration and uptake, the study established that there was low level of awareness and lack of knowledge of insurance products, the benefits, the rights and duties regarding insurance and general information. These findings are in line with those of Jain and Goyal (2012) who noted that despite the insurance industry having been in existence for long, the level of awareness towards the rights and duties regarding insurance are negligible. These findings are in agreement with Gitau (2013) who stated that there was general lack of awareness of the insurance benefits and that a lot of people only came to know about insurance when they bought their first car and had to insure it before they could start driving. It also agrees with Jain and Goyal (2012) who noted that despite the insurance industry having been in existence for long, the level of awareness towards the rights and duties regarding insurance was negligible. The findings further agree with Olopade and Frolich (2012) who stated
that one of the failures in getting the populace to understand insurance was the approach that insurance companies use in educating the public that are mostly product centered. On financial literacy the study established that formal education helped in making financial decisions and that educated people were more likely to purchase an insurance policy. The study concurs with the findings of Olopade and Frolich (2012) who state that one way to remedy low familiarity, lack of understanding and acceptance of insurance products is insurance literacy education. These findings were in agreement with Hammond et al, (2007) who stated that higher formal education had been found to foster need awareness to the individual and also enable more objective analysis for the life insurance purchase decision. It also corresponds to Truett and Truett (2004) who stated that higher educated individuals are hypothesized to have a stronger inclination to protect their dependents through life insurance. These findings further agree with Nduna (2013) who affirms that insurance companies in Africa face the challenge of limited expertise and skills amongst their workers. The problem has been exacerbated by the brain drain which has seen a significant part of the skilled workforce seek greener pastures in the advanced economies and other emerging markets.

5.3.3 Effects of Technological Innovation on Insurance Uptake and Penetration

On product innovation, the study established that most of the products offered were not tailored to meet consumer needs; products did not address people with low income; savings products attracted very low returns and that there had been general reluctance by insurance companies to invest in research and development. These findings are in agreement with those of Cytonn Investments (2015) who state that part of the problems facing insurance companies is the existence of insurance products that are not tailored for the common consumer and the lack of innovation to appeal to customers with low disposable income. The findings were also in line with the recommendation by Cytonn investments (2015) who emphasized on the need to address the bottom of the pyramid consumer both in terms of packaging the product, pricing, awareness as well as using a language that could be understood by potential consumers. Nduna (2013) noted that there was a general reluctance by insurance companies to step out of the comfort zones and invest in research and development. It further agrees with KPMG (2014) who noted that many insurers lacked customer profiling capabilities necessary to quickly match products with high-potential customers hence the inability to provide tailor made solutions to their clients.
On the distribution channels used by the insurance companies the study revealed that social media had been underutilized; lack of digitization by insurance companies had negatively affected customer interaction and had denied insurance companies important feedback from customers. These findings are in line with those of Accenture (2011) that technology including descriptive and predictive analytics can help life insurers improve both their decisions regarding new products and their levels of customer service. The findings further concur with KPMG (2014) who state that insurance companies have been slow in embracing the use of technology like the internet, mobile phone, contact centres and social media to improve on service and product distribution. The study also agrees with the recommendation by Chikweche and Fletcher (2012) who state that the usage of social networks for direct marketing not only builds awareness among potential consumers but also enables a channel of getting feedback from them. Insurance companies should exploit other distribution channels for the penetration to increase as recommended by AKI (2012) who noted that the distribution channels had remained traditional and urged the members to embrace technology in order to reach the untapped market.

The study further found out that that there was a lot of paperwork involved in processing claims by insurance companies discouraging customers and that most companies manually filed their records making work slow. The findings are in line with a survey carried out by Accenture (2013) where they found out that customers were not happy with manual processes used by insurance companies and that they would consider large internet companies such as Google and Amazon as possible insurance providers. The findings further concur with recommendations by Mutwa (2014) who suggested that some of the functions that can be automated included the clerical and filing functions within an organization. This enables the filing of large amounts of information and retrieving of the same when needed far much faster.

5.4 Conclusion

5.4.1 Effects of Social Aspect on Insurance Uptake and Penetration

Based on the findings the study concluded there is general lack of trust of the insurance by the general public which can be attributed to poor agent’s integrity where agents misguide customers on policies. Lack of trust could also be due to poor claims management where customers feel that their claims are not handled well. There is high dependency on informal and social connections for emergencies which have capacity to overshadow an individual’s sense of
vulnerability to financial shocks. The study further concludes that religion, cultural taboos and beliefs do not affect the uptake of insurance in Kenya.

5.4.2 Effects of Literacy Levels on Insurance Uptake and Penetration

The study concludes that language barrier makes it difficult to understand what the insurance agents are trying to explain and that the legal language used in the insurance documentation forms is very technical and difficult to understand by the general public. The study also concludes that people rarely hear about insurance unless it is about buying insurance or a new insurance product launch. The uneducated members in the society view insurance as an expensive venture. They believe that educated members in the society prefer to take insurance cover since they understand its benefits.

5.4.3 Effects of Technological Innovation on Insurance Uptake and Penetration

The study concludes that there is underutilization of social media and lack of digitization by the insurance sector in Kenya which has negatively affected customer interaction in the course of a policy period. This could also have affected the uptake of insurance policies by potential customers. There are limited distribution channels that are currently in use by insurance companies. The paperwork involved in processing claims by insurance companies makes the process slow and therefore discourages customers.

5.5 Recommendation

The study recommends that insurance companies should invest in building customer trust by hiring well trained professionals who are able to represent the company well and also have a clear understanding of insurance in order to communicate well to existing customers and potential customers. Insurance companies should establish an efficient claims settlement system that meets customer expectations.

The study revealed that awareness and access play a very important role in the uptake and penetration of insurance. Therefore, effort to enhance awareness creation and to promote access to insurance service providers will have a positive impact on the uptake of the insurance. The study further found out that a higher percentage of the populace of the productive age is not
insured majority of who are in the informal sector. A strategy should be deployed by insurance companies to target this lot of untapped potential market.

The study also recommends that insurance companies should work at simplifying the language used in the policies to make it easy for the customers to understand. Insurance companies should take it upon themselves to educate the public on insurance by initiating programs that help members of the public have a general knowledge of insurance; they should turn away from focusing too much on the launching of new insurance products. Additionally, insurance companies should work at providing insurance solutions that are affordable to majority of the population.

Insurance companies should make use of social media to increase customer interaction in the course of a policy period. Social media will also assist them to target potential customers. There is need to invest in digitization in order to reduce the manual processes that cause unnecessary delays on customer claims. The study recommends that insurance companies should market policies that provide for risk coverage and savings as that is what the customers prefer. Insurance companies should also lower the cost of premiums; have product variety and have a country wide presence to improve the penetration of insurance in Kenya.

**5.6 Areas for Further Research**

Related research and studies should be carried out in other parts of the country for comparison purpose to ascertain if the findings in this study and those of the proposed related research and studies will tally.
REFERENCES


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Wairegi, B. I. (2004). The Strategic response by life insurance companies in Kenya to changes in their environment. *(MBA Research Project)* University of Nairobi Library

APPENDICES

APPENDIX I: QUESTIONNAIRE COVER LETTER

RE: Survey Questionnaire

Dear Respondent,

I am a post graduate student of the Global Executive Master in Business Administration program at the United States International University. The PURPOSE OF THE STUDY IS TO ESTABLISH FACTORS INFLUENCING PENETRATION AND UPTAKE OF INSURANCE IN KENYA.

You are part of the selected sample of respondents whose views I seek on the above mentioned matter. Your honest answers will be completely anonymous, but your views in combination with those of others are extremely important in this research. All the information you provide will be treated with strict confidentiality and used for the purpose of completing this study only. Please answer the questions as accurately as possible.

Please tick the appropriate answer for each question and answer ALL the questions.

I guarantee that all information will be handled with Strict Confidentiality.

Thank you for your cooperation
APPENDIX II: QUESTIONNAIRE

SECTION A: DEMOGRAPHICS

1. Gender:
   a) Male [ ]
   b) Female [ ]

2. Age: __________ Years

3. Religion:
   a) Christian [ ]
   b) Islam [ ]
   c) Hindu [ ]
   d) Buddhist [ ]
   e) Other (specify) ____________

4. Employment
   a) Employed [ ]
   b) Self Employed [ ]

5. Income level in Kenya Shillings ________________________________
### SECTION B: RESEARCH OBJECTIVES

**EFFECTS OF SOCIAL ASPECTS ON INSURANCE UPTAKE AND PENETRATION**

Please mark “(✓)” in the box that corresponds best to your answer.

<table>
<thead>
<tr>
<th>Statement: On a scale of 1-5 where 1= strongly disagree, 2=Disagree, 3=Agree, 4= Strongly Agree, 5= N/A (Not Applicable) please rate the following statements in regards to effects of social aspects on insurance uptake and penetration in Kenya</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
</table>

**Lack of Trust**

6. There is a general lack of trust of insurance companies by the general public

7. Poor agents integrity has led to low penetration of life insurance

8. Poor claims management in the industry has been adversely affected by fraud arising from unprofessional conduct of players

9. Customers have been misguided on the type of policies they should take

10. Insurance companies act very slowly in processing claims.

**Family Networks: I do not need insurance because……..**

11. I depend on informal and social connections for emergencies

12. My extended family assists to meet my urgent financial needs

13. I have a funeral welfare association that helps in incase of bereavement of immediate family members

**Own Savings: I do not need insurance because…..**

14. My personal savings are sufficient to meet my urgent financial needs

15. It is easier to access my personal savings in case of an emergency as opposed to insurance and therefore I would rather depend on my savings

16. Insurance premiums are expensive

**Religious and Cultural Beliefs: I do not need insurance because…..**

17. I rely on my religious association to offer support in case of an emergency

18. Funeral insurance is a taboo in my culture

19. Relying on insurance is a sign of distrust in God

20. My religious beliefs do not support taking insurance policies
21. What are the other social aspects that hinder people from purchasing insurance policies?
____________________________________________________________________________
____________________________________________________________________________
____________________________________________________________________________
22. To what extent have social aspects affected your decision to take an insurance policy?

<table>
<thead>
<tr>
<th>Extent</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Very great extent</td>
<td>[ ]</td>
</tr>
<tr>
<td>Great extent</td>
<td>[ ]</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>[ ]</td>
</tr>
<tr>
<td>To a little extent</td>
<td>[ ]</td>
</tr>
<tr>
<td>To no extent</td>
<td>[ ]</td>
</tr>
</tbody>
</table>

EFFECTS OF LITERACY LEVELS ON INSURANCE UPTAKE AND PENETRATION

Please mark “(✓)” in the box that corresponds best to your answer.

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement: On a scale of 1-5 where 1= strongly disagree, 2=Disagree, 3=Agree, 4= Strongly Agree, 5= N/A (Not Applicable) please rate the following statements in regards to effects of literacy levels on insurance uptake and penetration in Kenya</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Policy Interpretation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23. Many insurance customers purchase a policy without understanding what is covered in the policy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24. Customers read the policies but misinterpret certain clauses and hence their expectations differ with what is contained in the actual policy document</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25. Insurance products are complex legal contracts that can be poorly understood by consumers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Awareness</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26. There is low level of awareness and lack of knowledge of insurance products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27. There is general lack of awareness of the benefits of insurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>28. Awareness towards the rights and duties regarding insurance are negligible.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>29. Most insurance campaigns are product centered and there is general lack of general information in insurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Financial Literacy

30. I have basic financial management skills

31. The formal education that I have helps me in making financial decisions

32. Educated people are more likely to purchase insurance policies

33. Insurance companies in Kenya face the challenge of limited expertise and skills amongst their workers.

34. To what extent have literacy issues affected your decision to take an insurance policy?
   - Very great extent [ ]
   - Great extent [ ]
   - Moderate extent [ ]
   - To a little extent [ ]
   - To no extent [ ]

### EFFECTS OF TECHNOLOGICAL INNOVATION ON INSURANCE UPTAKE AND PENETRATION

Please mark “(✓)” in the box that corresponds best to your answer.

<table>
<thead>
<tr>
<th>Statement: On a scale of 1-5 where 1= strongly disagree, 2=Disagree, 3= Agree, 4= Strongly Agree, 5= N/A (Not Applicable) please rate the following statements in regards to effects of literacy levels on insurance uptake and penetration in Kenya</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Innovation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>35. Most of the products offered by insurance companies are not tailored to meet consumer needs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36. Products offered by the insurance companies do not address people with low income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>37. Saving products by insurance companies attract very low returns</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>38. Insurance companies should consider translating their insurance policies to other national and local languages.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>39. There has been a general reluctance by insurance companies to step out of the comfort zones and invest in research and development.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distribution Channels</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>40. The social media has been underutilized by the insurance sector in Kenya</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
41. I would be willing to take up an insurance policy if there are loyalty cards issued

42. Lack of digitization by insurance companies has negatively affected customer interaction in the course of a policy period.

43. Lack of digitization has denied insurance companies important feedback from customers

44. Insurance companies should exploit other distribution channels for the penetration to increase

**Manual Processes**

45. There is a lot of paperwork involved in processing claims by insurance companies which discourages customers.

46. Most companies manually file their records making work slow.

47. To what extent have technological innovation aspects affected your decision to take an insurance policy?
   a) Very great extent [ ]
   b) Great extent [ ]
   c) Moderate extent [ ]
   d) To a little extent [ ]
   e) To no extent [ ]

48. How would you rate insurance uptake and penetration in Kenya
   a) Very good
   b) Good
   c) Neutral
   d) Bad
   e) Very Bad
APPENDIX III: INSURANCE PENETRATION IN AFRICA (2012)

<table>
<thead>
<tr>
<th>Country</th>
<th>Premiums (US$ Million)</th>
<th>Nominal GDP (US$ Billion)</th>
<th>Population (Millions)</th>
<th>Density (Prem per Capita, US$)</th>
<th>Penetration Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>54,817.0</td>
<td>384.3</td>
<td>52.4</td>
<td>1,047.4</td>
<td>14.28</td>
</tr>
<tr>
<td>Morocco</td>
<td>2,857.0</td>
<td>961.1</td>
<td>32.5</td>
<td>87.9</td>
<td>2.97</td>
</tr>
<tr>
<td>Nigeria</td>
<td>1,828.0</td>
<td>270.2</td>
<td>168.8</td>
<td>10.8</td>
<td>0.68</td>
</tr>
<tr>
<td>Egypt</td>
<td>1,818.0</td>
<td>269.0</td>
<td>80.7</td>
<td>22.5</td>
<td>0.68</td>
</tr>
<tr>
<td>Kenya</td>
<td>1,290.0</td>
<td>40.7</td>
<td>43.2</td>
<td>29.9</td>
<td>3.17</td>
</tr>
<tr>
<td>Algeria</td>
<td>1,250.0</td>
<td>208.2</td>
<td>38.5</td>
<td>32.5</td>
<td>0.60</td>
</tr>
<tr>
<td>Angola</td>
<td>1,140.0</td>
<td>114.1</td>
<td>20.8</td>
<td>54.8</td>
<td>1.00</td>
</tr>
<tr>
<td>Namibia</td>
<td>980.0</td>
<td>13.1</td>
<td>2.3</td>
<td>433.7</td>
<td>7.50</td>
</tr>
<tr>
<td>Tunisia</td>
<td>816.0</td>
<td>45.2</td>
<td>10.9</td>
<td>75.0</td>
<td>1.81</td>
</tr>
<tr>
<td>Ghana</td>
<td>791.0</td>
<td>39.6</td>
<td>25.4</td>
<td>31.2</td>
<td>2.00</td>
</tr>
<tr>
<td>Mauritius</td>
<td>655.0</td>
<td>11.3</td>
<td>1.2</td>
<td>528.4</td>
<td>5.78</td>
</tr>
<tr>
<td>Botswana</td>
<td>459.9</td>
<td>14.5</td>
<td>2.0</td>
<td>229.5</td>
<td>3.17</td>
</tr>
<tr>
<td>Tanzania</td>
<td>254.2</td>
<td>28.2</td>
<td>47.8</td>
<td>5.3</td>
<td>0.90</td>
</tr>
<tr>
<td>Gabon</td>
<td>238.9</td>
<td>18.4</td>
<td>1.6</td>
<td>146.3</td>
<td>1.30</td>
</tr>
<tr>
<td>Senegal</td>
<td>202.5</td>
<td>14.5</td>
<td>13.7</td>
<td>14.7</td>
<td>1.40</td>
</tr>
<tr>
<td>Libya</td>
<td>173.6</td>
<td>82.7</td>
<td>6.2</td>
<td>28.2</td>
<td>0.21</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>166.6</td>
<td>9.8</td>
<td>13.7</td>
<td>12.1</td>
<td>1.70</td>
</tr>
<tr>
<td>Rwanda</td>
<td>164.0</td>
<td>7.1</td>
<td>11.5</td>
<td>14.3</td>
<td>2.30</td>
</tr>
<tr>
<td>Uganda</td>
<td>128.5</td>
<td>19.5</td>
<td>36.3</td>
<td>3.5</td>
<td>0.66</td>
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<tr>
<td>Togo</td>
<td>41.6</td>
<td>3.8</td>
<td>6.6</td>
<td>6.3</td>
<td>1.09</td>
</tr>
<tr>
<td>Others</td>
<td>1,765.1</td>
<td>331.7</td>
<td>465.7</td>
<td>3.8</td>
<td>0.53</td>
</tr>
<tr>
<td>Total</td>
<td>71,891.0</td>
<td>2,022.0</td>
<td>1,081.9</td>
<td>66.4</td>
<td>3.56</td>
</tr>
</tbody>
</table>

Source: Swiss Re, (2012)
## APPENDIX IV: INSURANCE PENETRATION IN AFRICA (2014)

<table>
<thead>
<tr>
<th>Country</th>
<th>Insurance Premiums ($bn)</th>
<th>Population (Millions)</th>
<th>Density (Premiums Per Capita, $)</th>
<th>GDP ($bn)</th>
<th>Penetration (Premiums as % of GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>51.6</td>
<td>53.2</td>
<td>970.8</td>
<td>366.2</td>
<td>14.2</td>
</tr>
<tr>
<td>Morocco</td>
<td>3.2</td>
<td>32.9</td>
<td>96.8</td>
<td>103.8</td>
<td>3.1</td>
</tr>
<tr>
<td>Egypt</td>
<td>1.9</td>
<td>84.7</td>
<td>22.3</td>
<td>271.4</td>
<td>0.7</td>
</tr>
<tr>
<td>Nigeria</td>
<td>1.6</td>
<td>169.3</td>
<td>9.7</td>
<td>521.8</td>
<td>0.3</td>
</tr>
<tr>
<td>Kenya</td>
<td>1.5</td>
<td>41.8</td>
<td>36.4</td>
<td>55.2</td>
<td>2.8</td>
</tr>
<tr>
<td>Algeria</td>
<td>1.5</td>
<td>37.9</td>
<td>40.1</td>
<td>208.8</td>
<td>0.7</td>
</tr>
<tr>
<td>Angola</td>
<td>1.1</td>
<td>23.7</td>
<td>47.4</td>
<td>124.2</td>
<td>0.9</td>
</tr>
<tr>
<td>Namibia</td>
<td>1.0</td>
<td>2.2</td>
<td>437.2</td>
<td>13.1</td>
<td>7.2</td>
</tr>
<tr>
<td>Tunisia</td>
<td>0.8</td>
<td>10.9</td>
<td>77.3</td>
<td>47.0</td>
<td>1.8</td>
</tr>
<tr>
<td>Mauritius</td>
<td>0.7</td>
<td>1.3</td>
<td>570.3</td>
<td>11.9</td>
<td>6.0</td>
</tr>
<tr>
<td>Other Countries</td>
<td>4.9</td>
<td>628.7</td>
<td>7.9</td>
<td>652.0</td>
<td>0.8</td>
</tr>
<tr>
<td>Total</td>
<td>69.9</td>
<td>1,086.4</td>
<td>64.4</td>
<td>2,375.6</td>
<td>0.8</td>
</tr>
<tr>
<td>Rest of Africa Excluding South Africa</td>
<td>18.3</td>
<td>1,033.3</td>
<td>17.7</td>
<td>2,009.3</td>
<td>0.9</td>
</tr>
</tbody>
</table>

Source: KPMG, (2014)
### APPENDIX V: LIST OF SHOPPING MALLS IN KENYA

<table>
<thead>
<tr>
<th></th>
<th>Name of Mall</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Westgate Shopping Mall</td>
</tr>
<tr>
<td>2</td>
<td>Sarit Centre, Westlands</td>
</tr>
<tr>
<td>3</td>
<td>The Mall, Westlands</td>
</tr>
<tr>
<td>4</td>
<td>The Village Market, Gigiri</td>
</tr>
<tr>
<td>5</td>
<td>Diamond Plaza, Parklands</td>
</tr>
<tr>
<td>6</td>
<td>Yaya Centre, Kilimani</td>
</tr>
<tr>
<td>7</td>
<td>The Milele Mall, Ngong</td>
</tr>
<tr>
<td>8</td>
<td>Crossroads Mall, Karen</td>
</tr>
<tr>
<td>9</td>
<td>The Hub, Karen</td>
</tr>
<tr>
<td>10</td>
<td>The Junction, Ngong Road Nairobi</td>
</tr>
<tr>
<td>11</td>
<td>Maasai Mall, Rongai</td>
</tr>
<tr>
<td>12</td>
<td>Capital Centre, Mombasa Road, Nairobi</td>
</tr>
<tr>
<td>13</td>
<td>Nakumatt Mega, Nairobi</td>
</tr>
<tr>
<td>14</td>
<td>Prestige Plaza, Ngong Road Nairobi</td>
</tr>
<tr>
<td>15</td>
<td>Nakumatt Lifestyle, Nairobi</td>
</tr>
<tr>
<td>16</td>
<td>Mountain Mall, Kasarani Nairobi</td>
</tr>
<tr>
<td>17</td>
<td>Galleria Mall Shopping Mall, Karen-Langata Road, Nairobi</td>
</tr>
<tr>
<td>18</td>
<td>T-Mall, Nairobi West</td>
</tr>
<tr>
<td>19</td>
<td>Shujaa Mall, Nairobi</td>
</tr>
<tr>
<td>20</td>
<td>Taj Shopping Mall, Embakasi Nairobi</td>
</tr>
<tr>
<td>21</td>
<td>Thika Road Mall (T.R.M.), Roysambu Nairobi</td>
</tr>
<tr>
<td>22</td>
<td>The Gift Mall, Nairobi</td>
</tr>
<tr>
<td>23</td>
<td>Greenspan Mall, Doonholm, Nairobi</td>
</tr>
<tr>
<td>24</td>
<td>Ridgeways Mall, Nairobi</td>
</tr>
<tr>
<td>25</td>
<td>Garden City Shopping Complex, Kasarani Thika Road Nairobi</td>
</tr>
<tr>
<td>26</td>
<td>Gateway Mall, Mombasa Road</td>
</tr>
<tr>
<td>27</td>
<td>Two Rivers, Runda/Gigiri Nairobi</td>
</tr>
<tr>
<td>28</td>
<td>The Point, Buruburu Nairobi</td>
</tr>
<tr>
<td>29</td>
<td>Comesa Mall, Eastleigh Nairobi</td>
</tr>
<tr>
<td>30</td>
<td>Greenhouse, Ngong Road Nairobi</td>
</tr>
</tbody>
</table>

**Source:** Project Guternberg (2015)