EFFECT OF BANCASSURANCE ON FINANCIAL PERFORMANCE OF  
INSURANCE COMPANIES IN KENYA: A SURVEY OF INSURANCE  
COMPANIES IN NAIROBI COUNTY  

BY 

JUMA SCOVIER  

UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA  

SPRING, 2015
EFFECT OF BANCASSURANCE ON FINANCIAL PERFORMANCE OF INSURANCE COMPANIES IN KENYA: A SURVEY OF INSURANCE COMPANIES IN NAIROBI COUNTY

BY

JUMA SCOVIER

A Project Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

SPRING, 2015
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-Africa in Nairobi for academic credit.

Signed: __________________________  Date: __________________________

Juma Scovier (ID. NO. 619604)

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

Signed: __________________________  Date: __________________________

Dr. Bernard Omboi

Signed: __________________________  Date: __________________________

Dean, Chandaria School of Business
COPYRIGHT

This research is copyright material protected under Berne Convention, the copyright Act 1999 and other international and national enactments in that behalf on intellectual property. It may not be reproduced by any means in full or in part except for short extracts in fair dealing for research or private study, critical scholarly review or discourse with acknowledgement, and with written permission from the author and/or of the Dean Chandaria School of Business, United States International University - Africa.
DEDICATION

This thesis is dedicated to my parents, who taught me that the best kind of knowledge to have is that which is leaned for its own sake. To the Almighty God for His unceasing blessings without which it is impossible to accomplish anything.
ABSTRACT

Bancassurance in its simplest form is the distribution of insurance products through a bank’s allocation channel. The study aimed at providing an examination of the concept of bancassurance and its effects on the financial performance of insurance companies in Kenya, specifically in Nairobi County. With the use of variables such as profitability, cost reduction, return on asset, earnings per share and liquidity, the study sought to show how bancassurance has impacted on these financial aspects of insurance companies.

The study adopted a descriptive research design. Descriptive research design was chosen because it enabled the study to generalize the findings to a larger population. In this study, descriptive approach achieved the objective (bancassurance) by describing the data and characteristics about the population of trend being studied. The target population of study was all the 51 duly registered insurance companies in Kenya and with the study being conducted in the Company’s headquarters, most of which are based in Nairobi County. Management staff was selected as the sampling units. Specifically, 87 respondents were chosen so as to reduce redundancies of data collected without compromising comprehensiveness of the same. Use of questionnaires was preferred as their responses are gathered in a standardized way making them more objective than interviews. The questionnaire was semi-structured; had both open and close-ended questions for qualitative and quantitative data respectively. Prior to the main study, a pilot study was conducted on 5 respondents selected randomly from the registered insurance companies. Data obtained from the questionnaires was processed through editing and coding and then entering the data into a computer for analysis. These tests was conducted at 95% level of confidence (α=0.05). Regression analysis was also conducted to establish if there was any relationship between the dependent and independent variables.

The study findings revealed that organizations has witnessed rising sales as a result of bancassurance adoption which in turn resulted to increased profitability of insurance firms. On cost reduction, the findings indicated that an increase in the number of clients in each product bundle market reduces fees; that the degree of competition in the markets of each bundle also reduces fees; that premium products have higher average costs; and finally, that cross-holdings
reduce prices and bancassurance reduces prices. The price reduction declines if both strategies are combined. Consequently, it is clear from the research findings that bancassurance enhances insurance firm’s return on asset since companies tend to increase its assets holdings in order to reduce risk. Additionally, the findings highlight that Bancassurance increases insurance firm’s earning per share, this can be replicated from the increased profitability and return on assets. Finally, it can be noted from the findings that Bancassurance enhances increase of a firm’s liquidity.

It is concluded that insurance firm that have merged with banks record high profitability since there is an apparent increase in the number of clients in each product bundle market. Tying up with banks is the rational route for insurers to take for achieving extensive physical spread and countrywide customer access. Further, bancassurance adoption results to reduced operational costs since it enhances an efficient sharing channel with higher productivity and lower costs than customary distribution channels. These cost advantages are particularly significant in the more integrated models. Nevertheless, it is apparent that bancassurance enhances return on assets of insurance firms. On earning per share, it can be summed up that bancassurance is much beneficial to the insurance firms on issues pertaining adoption and market share assessment. The results revealed that through adoption of bancassurance, insurance firms had witnessed rise in market share hence more income. Finally, on liquidity, the connection between banks and insurance firms is a mutually profitable one, where the bank can widen its range of products on offer to customers and earn more, while the insurance company gains by getting constant visibility at the bank branches, and also the security of getting premium payments on time.

Recommendations are made that for insurance companies to realize maximum profitability, they should adopt Information Technology so as to change the nature of fiscal markets and financial dealings and increase profit share. Moreover, on cost reduction, insurance firms should cut overlapping costs and try to gain economies of scale and scope and, thereby, driving down unit costs. Consequently, on return on assets, insurance firms should ensure determination of the effect of return on asset on insurance firms by evaluating the respondents’ views on certain liquidity related statements. Finally, to ensure increased profitability and liquidity insurance
companies should adopt distribution arrangements which provide both banks and insurance firms with additional sales and profitability potential with minimum of investment.
ACKNOWLEDGEMENT

First and foremost, I wish to thank the Almighty God for giving me the gift of life to write this work. There are a number of people without whom this thesis might not have been written and to whom I am greatly indebted.

A special gratitude goes to my supervisor, Dr. Bernard Omboi, for his guidance and support throughout this study. This thesis would not have been complete without his expert advice and unfailing patience.

To my mother, Agnes who has been a source of encouragement and inspiration to me throughout my life and studies, a very special thank you for providing me a “writing space” and for nurturing me throughout the months of writing. My dad Isaac, my sisters, Cyprine and Crescent and brother Collins, deserve my whole hearted thanks as well.
# TABLE OF CONTENTS

**STUDENT'S DECLARATION** ................................................................................................. ii

**COPYRIGHT** ....................................................................................................................... iii

**DEDICATION** ..................................................................................................................... iv

**ABSTRACT** ........................................................................................................................ v

**ACKNOWLEDGEMENT** .................................................................................................... viii

**TABLE OF CONTENTS** ................................................................................................... ix

**LIST OF FIGURES** ........................................................................................................... xii

**CHAPTER ONE** ................................................................................................................ 1

1.0 **INTRODUCTION** ......................................................................................................... 1

1.1: Background of the Study .......................................................................................... 1

1.2 Problem Statement ...................................................................................................... 4

1.3 Purpose of the study. .................................................................................................... 5

1.4 Research Questions ...................................................................................................... 5

1.5 Significance of the Study ............................................................................................. 5

1.6 Scope of the Study ........................................................................................................ 6

1.7 Definition of Terms ...................................................................................................... 7

1.8 Chapter Summary ......................................................................................................... 7

**CHAPTER TWO** ............................................................................................................... 8

2.0 **LITERATURE REVIEW** ............................................................................................ 8

2.1 Introduction................................................................................................................... 8

2.2 Effect of Bancassurance on Profitability of Insurance Firms ........................................ 8

2.3 Bancassurance and Cost Reduction of Insurance Firms .............................................. 14

2.4 Bancassurance and Return on Asset of Insurance Firms ............................................ 19

2.5 Bancassurance and Earning Per Share of Insurance Firms ....................................... 23

2.6 Bancassurance and Liquidity of Insurance Firms ......................................................... 25

2.7 Chapter Summary ......................................................................................................... 30

**CHAPTER THREE** .......................................................................................................... 31

ix
3.0 RESEARCH METHODOLOGY

3.1 Introduction

3.2 Research Design

3.3 Population and Sampling Design

3.4 Data Collection Methods

3.5 Research Procedure

3.6 Data Analysis Methods

3.7 Chapter Summary

CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

4.2 Response Rate

4.3 Demographic Information

4.4 Bancassurance Adoption and Market Share Assessment

4.5 Bancassurance and Profitability

4.6 Bancassurance and Financial Performance

4.7 Bancassurance and Liquidity

4.8: Correlation Analysis

4.9 Correlation Coefficient

4.10: Regression Analysis

4.11: Model Summary

4.12: Analysis of Variance (ANOVA)

4.13: Regression Coefficients

4.14 Chapter Summary

CHAPTER FIVE

5.0 DISCUSSION, CONCLUSION AND RECOMMENDATIONS
5.4 Conclusions ............................................................................................................................................. 70
5.5 Recommendations ................................................................................................................................... 74
5.6 Recommendations for Further Research .............................................................................................. 76
REFERENCES .................................................................................................................................................. 77
APPENDIX I: Questionnaire Guide .......................................................................................................... 82
APPENDIX II: Sample Insurance Firms .................................................................................................... 93
LIST OF TABLES

Table 3.1: Population of the Study .................................................................33
Table 4.1: Staff Cadre ...................................................................................42
Table 4.2: Gender Distribution .................................................................42
Table 4.3: Age Bracket ..............................................................................43
Table 4.4: Level of Education ....................................................................43
Table 4.5: Time Served in the Positions ...................................................44
Table 4.6: Bank remittances from clientele into premiums information system ..44
Table 4.7: Bancassurance System and Insurance Businesses ......................45
Table 4.8: Rising sales (liquidity) that facilitates profitability .......................47
Table 4.9: Organization exhibition on EPS, Cost Reduction .........................48
Table 4.10: Bancassurance Platform ............................................................49
Table 4.11: Capital adequacy ......................................................................50
Table 4.12 Effect of Capital Adequacy on Profitability of Insurance Firms .......50
Table 4.13: Effect of Liquidity on Insurance Firms .......................................55
Table 4.14: Correlation coefficient ..............................................................56
Table 4.16: Analysis of Variance (ANOVA) ..................................................57
Table 4.17: Regression coefficients ............................................................59
LIST OF FIGURES

Figure 4.1: Managing Risks Involved During Operation ........................................ 51
Figure 4.2: Extent of Insurance Company Offering Auxiliary Services to Employees .... 53
Figure 4.3: The Extent of Insurance Firms Lending To Customers .......................... 53
CHAPTER ONE

1.0 INTRODUCTION

1.1: Background of the Study

Bancassurance also regularly known as Bank Insurance Model (BIM) is the term used to describe the partnership or relationship between a bank and an insurance company whereby the insurance company uses the bank sales channel in order to sell insurance products (Ng’aru, 2004). It describes a parcel of financial services that can fulfill consumers’ banking and insurance needs; financial institutions can offer a grouping of both banking and insurance services at the same time. Bancassurance allows the insurance company to maintain smaller direct sales teams as their products are sold through the bank to bank customers by bank staff (Jongeneel, 2011).

Bancassurance as a way of financial assortment has appealed widespread attention in the world of researchers and business. It offers consumers an instant option for a larger range of fiscal product. This form of a complete economic conglomeration has quickly grown since the 1980s when interest margins on loans decreased progressively and banks started exploring new sources of income. As from the 1990s, bancassurance has grown into a major allocation channel in many insurance marketplaces. In the bancassurance prototypical, bank employees, rather than an insurance vendor, become the point of sale or point of contact for the customer. Bank staffs are advised and supported by the insurance company through product information, marketing promotions and trades training. Both the bank and insurance company share the income (Voutilainen, 2006).

Insurance policies are processed and administered by the insurance firm. BIM differs from 'Old' or Outdated Insurance Model (OIM) in that OIM insurance firms tend to have larger insurance sales groups and commonly work with brokers and third party mediators (Benoisi, 2006). Banks are now chief delivery systems for insurers and insurance sales have formed a
significant source of revenues for banks. The latter partly being because banks can often sell insurance at better prices (i.e., higher bonuses) than many other networks which have low costs as they practice the accessible groundwork (branches and structures) that they use for banking (Chen, Li, Moshirian & Szablocs, 2009).

As a result of the globalization of the financial amenities industry, many financial institutions are sharing in the business conduct of other financial organizations, banks and insurance firms precisely. Bancassurance has enjoyed significant success in Europe, but this idea is relatively new in Africa and Kenya to be specific (Wua, Lin & Lin, 2009). Banks view that producing a minor appealing in insurance services, or maybe both a life and a non-life lower, would create good interaction, as they could market the reassurance products via branch unit locations (Voutilainel, 2006).

Staikouras (2006) and Staikouras and Nurullah (2008) find that banking and insurance bodies have more likenesses than differences, rareness that may favor joint production and business collaborations. Through change, the bancassurance approach decreases the resources required to manage risk, which in turn results in lesser costs Korhonen and Voutilainen (2006). Korhonen et al. (2006, 2005) applied the authority panels and the rational hierarchy process (AHP) to explore the most favored substitute associations between banks and cover companies from executive management viewpoints, guiding authorities, and clients, respectively. The number of Kenyans with insurance is unhappy and the insurance industry has barely spoiled the exterior in terms of possible earnings. Insurance Regulatory Authority (IRA) says the possible market is in extra of Sh200 billion, banks are better positioned to professionalize insurance sales while improving national savings and produce expansion based on established customer needs. IRA has praised bancassurance as the way forward in raising insurance infiltration in Kenya (Karanja, 2011).

The concept that was initiated in France now constitutes the central model in a number of European and Asian states. Banking institutions and insurance firms have found
bancassurance to be an attractive and often lucrative supplement to their existing activities. Bancassurance has been a successful typical in the European countries contributing 35% of premium income in the European life insurance market. Most development in bancassurance up to the mid-1990s took place in Europe. It backs over 65% of the life insurance quality income in Spain, 60% in France, 50% in Belgium. In Asian fairs, bancassurance takes an inadequate share of the total sales primarily because of the near control of the life agents in Japan, which is the main life market. However, markets like Japan, South Korea and the Philippines where bancassurance was previously banned, are taking a more accommodating posture towards this channel (Okeahalam, 2008).

Among rising markets, bancassurance has developed strongly in the life markets of Latin America, Central and Eastern Europe (CEE) and Asia, many from moderately low levels. Activities in the non-life fragment usually remain limited. However, in Latin America, non-life allocation has actually headed life delivery for bancassurers. In contrast, bancassurance has not flourished in the Middle East of Africa where insurance dispersal has remained low. In Africa, bancassurance channel market portion and customer penetration rates are increasing. In 2010, South Africa bancassurance banks and life insurers had ominously different and often opposing views regarding products, training, advertising, allocation and the use of technology (Reinsurance Group of America Incorporated [RGA], 2010).

The penetration of the Kenyan insurance industry stands at 2.63% of the GDP. This is measured to be very low associated to other countries in Africa such as South Africa which has a penetration of 9.94%. The infiltration of insurance among the Kenyan people is also low as likened to other countries. A good instance is Malaysia which has a projected 41% of the population protected by some form of life insurance in contrast to Kenya that has less than 1% of the people insured (Mbuthia, 2009). The low interest of insurance among the Kenyan residents has been partly credited to using restricted channel to sell insurance products. The Kenyan insurance industry has been depending a lot on agents and dealers to vend insurance products. Since the proxy and dealer led channels have failed to accomplish
significant penetration of insurance; there is need for the insurance industry players to embrace new and more competent channels. Bancassurance has been recognized as one of the sharing networks through which insurance infiltration can be enhanced (Kirui 2009, Karanja, 2011).

1.2 Problem Statement

As the financial organization business is experiencing a sea change in their daily operations due to rules and incorporation of the global financial markets, several new concepts and methods of doing trade is now a custom. The most significant changes in the economic services segment have been growth of bancassurance which denotes supply of insurance products through effective process of banking channels (Kumar, 2001). With the liberalization of the assurance sector and opposition is tougher than ever before, companies are increasingly trying to come out with better innovations to stay in front, (Singhal and Singh, 2010).

Most banking organizations and insurance firms have established bancassurance to be an attractive and often gainful commendation to their core business (Kirui, 2009). In Kenya, out of 43 registered commercial banks only eight banks have registered agents and taken up bancassurance. The eight are: Chase Bank, Co-operative Bank of Kenya, Equity Bank, Family Bank, Kenya Commercial Bank, NIC bank, Consolidated and National Bank of Kenya, There is great prospect for expansion and increase of bancassurance in Kenya; however, bancassurance in Kenya is pretty low (Mwaniki, 2008; Mbuthia, 2009).

In Kenya, while several studies have been carried out on banks, very minimal has been carried out on bancassurance. Mwangi (2010) carried out a study on the causes of development of bancassurance in Kenya and discovered that bancassurance is enabled by increasing market share, customers receiving interrelated services under one roof and efficacy and efficiency in bank-insurance. The Association of Kenya Insurance (AKI) (2010) carried out a study on the probable distribution networks for insurance business and found great potential in bancassurance, web, worksite marketing, telephone marketing, partnering
with non-governmental organizations. Mwiti (2013) did carry out a study on the Effect of Bancassurance on Financial Performance of Commercial Banks in Kenya. To the best of the researcher’s knowledge, very little study if any has been done on the effects of bancassurance on the fiscal performance of insurance firms in Kenya. The study thus sought to fill-in this research gap by looking at the effects from the insurance companies’ outlook.

1.3 Purpose of the study.
The purpose of this study was to establish the effect of bancassurance on the financial performance of insurance companies in Kenya, specifically, in Nairobi County.

1.4 Research Questions
From the purpose of the study, it sought to answer the following research questions:
1.4.1 What are the effects of bancassurance on profitability of insurance companies in Kenya?
1.4.2 How does bancassurance affect cost reduction of insurance companies in Kenya?
1.4.3 How does bancassurance affect return on asset of insurance companies in Kenya?
1.4.4 What are the effects of bancassurance to the earning per share of insurance companies in Kenya?
1.4.5 How does bancassurance affect liquidity of insurance companies in Kenya?

1.5 Significance of the Study
With the recognition of the concept of bancassurance, the study will be of great importance to various stakeholders as addressed hereunder:

1.5.1 Significance to Academic Researchers
To the academic researchers, the study will make a significant contribution to the existing body of knowledge in the field of bancassurance. The findings may be used as a source of reference for other researchers. In addition, academic researchers might need the study findings to stimulate further research in these areas of insurance distribution channels especially through banks (bancassurance) and as such it will form a basis of good background for further research.
1.5.2 Significance to Bank Insurance Models

The study will provide insights into the bank insurance model as a viable business strategy for enhancing the performance, thus, influence decision making. It will make the banks’ management make informed decisions on whether or not to adopt bancassurance as a business strategy for enhancing the performance.

1.5.3 Significance to Policy Makers

The study will also be useful to the government in policy making regarding financial market liberalization and other regulatory requirements of the financial sector. Two government agencies whose portfolios fall within the subject matter as macro policy makers are Insurance Regulatory Authority (IRA) and Central Bank of Kenya (CBK).

1.5.4 Significance to Decision Makers in Insurance

Finally, strategic decision makers in the insurance business in Kenya can use the information obtained in the study to explore alternative channels so as to increase the level of penetration within the market, and also expected to help insurance companies to come up with strategies for their bancassurance operation.

1.6 Scope of the Study

The study sought to establish the effect of bancassurance on financial performance of insurance companies in Kenya. It looked at specific financial performance indicators such as: profitability, cost reduction, return on asset, earning per share and liquidity. Nairobi region was chosen as all the insurance companies have headquarter or branch within the region and response obtained was representative besides eliminating unnecessary data redundancies given that each insurance company adopts same policies.
The study period focused on financial performances between years 2010 and 2013. This period was chosen on the basis that the introduction of the concept of bancassurance in Kenya dates back to 2009 and hence financial year 2010-2013 was ideal as it captured the performances after the introduction of this concept. A population of 1,323 people from various insurance companies was adopted. See Appendix II.

1.7 Definition of Terms
1.7.1 Bancassurance

Bancassurance is the selling of insurance and banking products through the same channel, most commonly through bank kindling selling insurance (Kumar, 2001).

1.7.2 Financial Performance

Measuring the results of a firm’s operations in monetary terms as reflected in the firm's profits, return on investment, return on assets, value added, etc (Wua, Lin & Lin, 2009).

1.7.3 Market Outreach

This is the attempt to provide services as possible clients or customers so as to increase market share or promote the services or products to the society (Staikouras, 2006).

1.8 Chapter Summary

This chapter looked at the background of the study, statement of the problem, objectives of the study and the research questions. It also gave the justification for the study together with its limitations and scope. The key focus was to establish the background of the effect of bancassurance on financial performance of insurance companies in Kenya. Chapter two provides the literature review on bancassurance, chapter three provides the research methodology that was used in the study, chapter four gives the findings of the study regarding the effect of bancassurance on financial performance of insurance companies in Kenya while chapter five gives pertinent conclusions and recommendations stemming from the findings of the study.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction
This chapter looked at the effects of bancassurance on the financial performance of insurance companies in Kenya from a theoretical perspective citing the works of different authors outlining arguments for and against in relation to the study. It presents review of literature in relation to the research questions at hand. This information is sourced from different publications for instance; magazines, journals, articles, books amongst others. The chapter also took into account the empirical literature on the topic of study looking into all the variables of the study.

2.2 Effect of Bancassurance on Profitability of Insurance Firms
Profitability is the ability of an investment or a company to make a profit after costs and spending. It develops values for banks that want to assess the supply of life insurance as well as non-life insurance products and identify key factors for profitability (Korhonen and Voutilainen, 2006). Several measures of success happen in the literature; dominant among these are: Return on assets (ROA), Return on capital employed (ROCE), return on ordinary share, (Karanja, M. 2011), return on shareholder’s fund (ROSF), return on sales (ROS) and return on equity (ROE) (Atrill and McLaney, 2008).

2.2.1 Cost Efficiency
Bancassurance firms are more cost efficient than other types of insurers which provides new understandings into the cost efficacy of bancassurance. The insurance cost efficiency may be measured by the preceding variables: net danger margin, income price ratio and overhead cost. A higher efficiency provides to insurance new capital, encouragement the offer of savings instruments and the rivalry with insurers. Opposition typically results in higher quality products and lower prices for insurance strategies. More resourceful cover can also offer better returns to savers, (Mbuthia 2009).
2.2.2 Market Outreach

A highly concentrated banking sector may cause in lack of viable pressure to attract savings which in turn may decrease the rivalry with insurers and finally increase cover prices. On the other hand, a highly intense banking sector may lead to higher bank products’ price, deteriorating the bank market share for the life insurance sector (Mbuthia, 2009).

2.2.3 Distribution Channel

The mode of allocation of insurance products is vital in determining the level of infiltration of the insurance sector. Preferably a company should make the most of the accessible channel mix; brokers, tied agents and banks for optimum results (Mwangi, 2010).

The insurance marketplace is undergoing an alteration that may eventually lead to significant changes in how clients purchase insurance products. A variety of circulation channels are at present used in the marketplace and some underwriters utilize a blend of circulation channels. These include the web-led channels, firm-led channels, bank-led channels, and agent/broker-led channels (Staikouras, 2006).

According to Mbogo (2010), low uptake of insurance among the Kenyan persons has been partly a result of using inadequate channels to sell insurance products. The insurance industry in Kenya has been relying deeply on agents and brokers to sell assurance products. AKI expected that for dissemination to be improved there is necessity for access into such channels as bancassurance, internet, worksite marketing, telephone marketing, partnering with non-governmental organizations and other community based organizations, imperceptible insurer and virtual marketing.
2.2.4 Public Perception

Good corporate picture and reputation establishes trust, confidence, and loyalty and creates outstanding client relationships (Karanja, 2011). Low insurance diffusion is due to lack of assurance in underwriters and deprived considerate of the risk-pooling concept (Kirui, 2009). Many people do not understand the idea of assurance and how it works. In some cases, the views of deprived people about insurance are bad. They see it as the reserve for the opulent; something that is unrelated, too expensive or even biased. AKI (2010) established that Kenyan insurance industry is twinge from continuous poor public perception, which has led to low dissemination levels.

People don't have adequate trust in the insurance venture generally due to the number of unpaid claims that remain in the shop. Many claims have not been compensated due to prolong studies to the point that, rather than other insured's recommending cover to their friends, they end up discouraging them. People think that insurance firms make a lot of cash and marvel why they cannot pay their entitlements, whether genuine or not. This is not totally the responsibility of the administration and the public rather the business and its firms carry some responsibility for their deficiency of knowledge (Ng'aru, 2004).

The condition is further degraded by failure of some local insurers in the recent past like Kenya National Assurance owned by administration in the 80’s, United Insurance, Standard Assurance, Stallion Insurance and Lakestar insurance firms with the most recent being Blue Shield Insurance Firm which was put under insolvency. This has led to clients losing their money in the process thus making the public fail belief in the business (Staikouras, 2006).

2.2.5 Insurance Products Diversification

The most significant features of cover products from a client perspective are that they should be modest, reasonable and valuable. These factors are determinants of cover uptake and therefore resolution the impact of cover (Lewis, 1990; Voutilainen, 2004). Modernism in product growth and variation of its products is vital in achieving growth of the insurance firms and the cover region as a whole. This enabled the business to anticipate and satisfy the
need of its varying clients and thus gain deep distribution in the different regions. Insurance firms have also come up with cover products targeting definite markets.

For example Jubilee Insurance Company Limited has come up with a non-life cover product targeting the secondary students’ cover wants. This will address the difficult of lack of clear cut targeting and subdivision in product strategy which would ensure the unmet wants are addressed. The other fiscal service providers for example banks have been appealing to special groups e.g. MOVE, Diva account for women by Standard Chartered Bank, Fanikisha for women by Equity bank and Chama Accounts for venture groups.

There is a general lack of novelty, distinctiveness and electrifying insurance products on offer in the Kenyan insurance market. In fact some of the products sold are the same products that were introduced in the early 1960 by firms trading as branches of British Insurance Firms in the then colonized Kenya. Very minute has been done to domesticated the products to meet the unique stress of the local market (Ng'aru, 2004). Contractual documents are written in slang that is hardly understood by the customers thus leading to a big number of people snubbing the products. The phrasing, financing and benefits are prepared to suit mainly clients in the formal employment and the educated inhabitants (Staikouras, 2006). Clients’ understanding of cover products is key not only to take up of insurance, but also to use and approval of the policy as well as gratification with the cover.

Wua, Lin & Lin, (2009), evaluating causes of cover sector low infiltration in Zimbabwe documented factors such as macroeconomic unpredictability, hyperinflation, likely disasters, political uncertainty, regulatory blemish and poor commercial governance. He establishes that like most procedures of business, insurance thrives in an environment of comparative economic stability.

Wua, Lin & Lin, (2009), sought to identify the issues which impact the demand for micro-insurance services among the unplanned sector personnel of Ghana. The study used main data tested randomly from 100 informal sector employees from four major market centers in Accra, Ghana and used probit regression ideal to examine the same. The outcomes showed
that payment elasticity, income level and modal agency are important factors of micro-insurance order. Insurance evidence, hope (trust) and marital status were also proven to have positive and major impact on the order for micro insurance. However, formal education was found to be irrelevant factor of micro insurance purchase; rather one's level of cover evidence has a constructive and significant impact on micro-insurance demand.

Protection groups encompass of companies writing different hazards in different authorities. For such firms the primary focus of organization should be at the group level in order to capture the economic reality of the group and include group divergence impacts. This demands a change in the regulatory outlook and the formation of a group controller who is liable for issues concerning to the cover group (Ng'aru, 2004). Firms may select to specify in certain profitable segments or customer segments. This should be recognized in Solvency II and failure to do so may result in an unsuitable capital charge for such companies. Practically, this means that some flexibility must be permissible within the standard approach for firms to use their own data to create their capital supplies (Staikouras, 2006).

The value creation possible of unrelated divergence in developing markets has usually been considered as caused from the marketplace disappointments and high business prices and the chances created by the collection setting. Advancing market administrations, coupled with abridged commercial costs and reduced indecision, are predictable to trigger corporate reorganization, which mostly involves “attainments or divestitures to develop a new conformation of the lines of trade” (Ng'aru, 2004).

Distinct diversification strategy includes a firm’s actions outside their trade. According to Lichtenhaler (2005) a strategy of dissimilar divergence involves diversifying into whatever industries and trades that hold the promise for attractive fiscal gain, pursuing strategic fit relationships that assume a back-seat role. In unrelated divergence, the corporate plan is to diversify into any trade where top management spots a good income opportunity. The basic premise of unrelated diversification is that any firm that can be acquired on good fiscal terms
represents a good trade to diversify into. Much time and verve goes into finding and screening accomplishment candidates.

Unrelated diversification can also cause in greater performance (Datta et al., 2011). Unrelated diversification rest more on the fiscal and administration competencies, which are not necessarily directly related to a firm’s serious achievement features. In certain fiscal settings, unrelated diversification may be a necessary strategy since the atmosphere lacks the necessary establishments and factors to contest effectively. Additionally, unrelated diversification can be a satisfactory strategy when the firm is facing revenue erosion in growing markets (Datta et al., 2011). Unrelated diversification offers the chance to change to trades that are more lucrative. In addition, when the firm’s main business is located in a highly fluctuating industry, a company can decrease its risk by diversifying into unrelated trades.

When industry achievement is slight, and therefore has low industry appeal, executives are more likely to chase a self-justifying diversification approach. The purpose of a cautious diversification strategy is to avoid the negative growths in the firm’s current industry by diversifying into trades that are more striking and have better forecasts (Park, 2002). When the firm’s traditional industry is unappealing, it is very likely that the connected industries are unappealing and unprofitable as well. Therefore, firms operating in unappealing low-profit trades seek growth chances in other businesses by diversifying into unconnected market segments (Park, 2002). Profit attrition in maturing markets, or when the firm wants to reduce methodical risk in a highly recurrent business are examples when firms favor an independent diversification strategy over a related diversification strategy.

A company’s diversification blueprint is also influenced by the incidence of high entry-blockades. When the barriers to entry are high, newcomers are fewer inclined to enter this trade. Typically, steady are large within these trades. As a result, industry attention is high and the degree of monopoly control of a firm increases (Bettis, 2001). According to the market-power theory, cartel power allows the firms to earn advanced profits by levitation
prices above the modest level. The progressive the entry-barriers of a specific trade, the higher the income possible a firm can earn (Bettis, 2001). According to Bettis (2001), capital strength is high in trades categorized by high entry-barriers. Typically, firms within these trades usually require enormous quantity of research and growth and promotion expenses. Furthermore, when reserves are sunk costs, firms are less likely to enter that trade, because firms cannot recoup these sunk costs and thus face a high level of jeopardy. Sunk costs are very produce specific and require a long time requirement (Rosenbaum and Lamort, 2007).

Since destroyed costs encompass large firm-specific reserves that cannot be recouped, firms are also less likely to departure these trades. Moreover, as in line with the deal cost theory and resource–based theory, when quality specificity is high, the advantage is inflexible and cannot effortlessly be used for other than its primary resolve.

2.3 Bancassurance and Cost Reduction of Insurance Firms

Bancassurance, also known as ‘allfinanz’ describes an enclose of fiscal services that can fulfill clients banking and cover needs. In fact, financial institutions can offer a combination of both banking and cover services at the similar time. Bancassurance as a way of fiscal conglomeration has appeal extensive attention in the globe of instructors and business. It offers clients a ‘one-stop-shop’ option for a greater variety of fiscal products.

This form of a complete fiscal conglomeration has rapidly grown since the 1980s when awareness margins on credits decreased steadily and banks started discovering new foundations of revenue. The fact that banking institutions could offer cover improved the competition to the cover firms as most individual opted for bancassurance relative to going to insurance firms for insurance alone this caused the cover to diminish their insuring costs in order to attract more clients and keep up with the competition (Voutilainen, 2004).

2.3.1 Bancassurance Concept

In the conjoining world of financial services, the concept of bancassurance has taken a fundamental role in the plan of a growing number of fiscal institutions. Cover products
dispersed through the banking network have become a usual choice for mass-market clients observing for simple and low-cost products obtainable from a trusted fiscal institution. Globally, bancassurance has appeared as an important cover rotation channel that has not only permissible cover firms to enlarge their topographical presence but also allowed banks to expand their overall product assortment.

For the insurance business, bancassurance is a way of increasing market infiltration and premium turnover. Through this new distribution system the cover firm meaningfully extends its client base and enjoys entrance to clienteles who were earlier problematic to reach. The insurance company has the chance to vary its distribution methods in order to avoid excessive dependence on a single network. Change reduces the danger. The insurance firm benefits from the dependable image and reliability that the public are more likely to distinctive to banks. The insurance firm also benefits from the reduction in distribution charges relative to the costs characteristic in traditional sales legislatures since the same network is generally the same for investment products. With such cost investments, products can be sold more cheaply (AKI, 2010).

2.3.2 Insurance and Banking Theories

The insurance and banking theories contain a number of similarities that oppose the traditional differences between the two businesses. Lewis (1990) clarified that banks take advantage of economies of scale in the management of collection, which rises from the law of large numbers. Insurance fiscal side depends on the law of large numbers, which states that the expected loss distribution methods the true loss distribution as the sample develops. This allows cover companies to pool separate reserves to protect in ambiguity of adversity. Similarly, banks give to the cover the fiscal security for their clients; the insurance finest is reflected in service charges and the extent between interest tariffs on loans and payments. Levy-Lang (1990) argued that cover firms assume some form of endowment management (a banking attribute) through the investment of their practical reserves. This function brings them closer to investment.

Bancassurance also offers benefits to consumers in the form of convenient access to a wide range of integrated financial services from a single provider, and more competitively priced
insurance products as a result of insurers’ transient on cost savings arising from lower distribution costs. According to Mwangi (2010), the more actual use of technology and higher investments in the development of human resource competencies by banks and insurers to support the augmented client focus that is central to an effective bancassurance strategy is also favorable to consumers. Over time, this is expected to lead to significantly enhanced services to buyers and thereby, a higher overall level of consumer satisfaction.

These are largely simple, single premium products that include certain returns at maturity, with substantial investments gratified and a little level of insurance cover. The products are typically designed to require minimal underwriting in order to simplify the sales effort by bank staff. Other non-credit related bancassurance products consist mainly of education, traditional whole life and medical cover strategies, but these tend to be far less predominant given their more complex features and consistent need of clients for more concentrated instruction to understand them (Marjorie, 2005).

According to Boal (2005) the development of bancassurance is expected within the context of efforts to promote a more well-organized fiscal system in Malaysia by improving the delivery and distribution systems for fiscal services. With this in view, supervisory dealings in respect of bancassurance are aimed at achieving a cost-effective auxiliary channel for the delivery of insurance products to accompaniment investment products in meeting the fortune management needs of consumers. This, in turn, is expected to contribute to the more expanded and well-organized distribution of savings across the fiscal sector.

Mbuthia (2009) states that the choice of strategy will have a consequence on the costs and profits for the allocating bank. The group approach may produce more original costs in terms of schemes and sales preparation. As reimbursement, the deals margins may become larger and will be certain over an extended time period than in the case of a co-operation. In addition, such a strategy will suggest that the bank will obtain a share of the income from the production of cover services in terms of bonuses and yield on capital (the owner’s value).
Thus, the choice of a group method must be seen as a long-term asset for the bank. The cooperation other may provide the bank with greater elasticity, but even this strategy will demand savings in terms of computer systems, preparation of personnel and central organization.

2.3.3 Importance of bancassurance

Bancassurance will help cut overlapping expenses and try to gain economies of scale and scope and, thereby, driving down unit costs in the manner of the upright integrated 20th century corporation. With a low-cost construction, the banks can leverage on a cost-effective bundle of business financial services, including currency management, lending, capital markets, risk management, retirement savings, and all types of profitable and personal lines of cover.

Bancassurance has the probable to be an effective distribution channel in India, especially because of wide network, built over the years. Insurance firms have to take advantage of the consumers’ long-term trust and relationships with banks. The association is a equally lucrative one, where the bank can widen its range of products on offer to customers and earn more, while the insurance company gains by getting relentless visibility at the bank branches, and also the security of receiving premium payments on time.

Surroundings with a high level of kindness, firms benefit from an plentiful supply of features and organizations. In these surroundings, physical substructure, labor market, and fiscal markets are well advanced. Since procurement resources can be moderately easy, firms place greater weight on best utilizing these incomes (Wan, 2005). Therefore, reasonable benefit is created by starting specialized capitals and aids. In order to avoid a worsening of a firm’s market location, the source of modest advantage reposes on continuously expansion of a firm’s core calculated resources (Wan, 2005). In order to benefit from frugalities of scope and break on the modest edge, related variance permit directors to assign more consideration to a small quantity of related products fairs (Wan, 2005). Furthermore, in high ecofriendly munificence surroundings, institutes are well established. In a high munificence location,
unrelated change may be a comparatively undesirable strategy because the basis of modest advantage in those trades rest on emerging and continuously refining strategic possessions. Therefore, environments described by a high level of charity favor related bancassurance and cost reduction of insurance firms.

2.3.4 Bancassurance and Economies of Scale

Economies of scale refer to the cost advantages that enterprises obtain due to size, output or scale of operations. Economies of scale are either internal, external, National, International, aggregative or dis-aggregative (Hart, 1996). In Bancassurance, economies of scale are dominant in the fact that banks and insurance companies operate in a similar fashion. They both deal with reserves, have similar expertise in administration and money management, they both create liquidity, assume a risk- spreading through re-insurance or re-financing and rely on the law of large numbers.

Hart, (1996) stated that banks take advantage of economies of scale arising from the law of large numbers. Similarly, insurance companies rely on the 18 law of large numbers. In insurance, this means that the expected loss distribution approaches the true loss as the sample grows. Additionally, they offer complimentary products. Banks require their borrowers to take insurance against various risks e.g., insurance against death and permanent disability when taking personal loans making insurance an inherent part of the loan. In this regard, their integration can have a positive impact on their operations in the case of cost-savings.

Economies of scale focus most of its attention on reduction of costs through increased productivity. The mechanics through which bancassurance is executed is through the use of the bank’s distribution network, that is, its branch network. Through this, the banks acquires an extra income other than interest income- referred to Fee Income at a reduced cost. This is because the policies are marketed through an already established branch network rather than the bank forming a completely new wing with the same business. Additionally, the fact that
Banking and Insurance are similar in provides a great avenue to combine forces at a lower cost.

Bancassurance model could eventually create cross-selling business synergies for banks that could lead to cost-savings through economies of scale. To offer a wider range of services is beneficial to bank-assurers as this could bring comparative advantages over regular commercial banks. Jongeneel (2011) stated that economies of scale are mentioned as a pivotal argument to adopt bancassurance strategy. Part of the efficiency benefits apply to banks that have chosen bancassurance. The more insurance products a bank sells, the more experience it will gain along with scale advantages and ultimately, the marginal selling costs can decrease. A reduction in costs by a commercial bank is a positive strategy to enhance its financial performance.

2.4 Bancassurance and Return on Asset of Insurance Firms

The new venture the banking industry has taken to pioneer cover in addition to the banking services has resulted to increased rivalry to the cover firms that only offer the cover services only. Clients have opted to take their banking firms to offer the cover services as well. In addition to the competition offered by other cover firms this new endeavor of the banks proves to be a hazard to productivity of cover firms as most clients are opting to take their banks to offer indemnity covers (Ng'aru, 2004).

2.4.1 Insurance and Banking

Insurance and banking are both seen to overlap as both entail fiscal transactions and individuals would opt to interact with institutions which they’ve had prior experience in. Taking consideration to these cover firms has been affected by beginning of the cover in the banking industry. This has resulted in a decrease in the productivity of these insurance firms. Bancassurance initiation in the banking industry is indirectly relative to the return on assets of the insurance firms (Staikouras, 2006).
The advent of the e-economy has also radically defied traditional ethics of corporate policy, including how value is created and the basis of struggle. Today, creating value is about scale in the establishment and organization of tactical alliances. A bundle of cost-effective financial services from a fiscal multinational, for example, is likely to advantage small and middle-market businesses maximum. Large corporations previously enjoy huge buying power and can afford at least some internal staff who is experts in each of the complex areas of fiscal services.

The products that are likely to sell through bancassurance are modest vanilla products. There is a component of complementarity in investment and insurance products. The various schemes for paying credit are likely to generate a demand for assurance cover, and obtainability of insurance cover in turn will ease disbursement of credit in hazard prone undertakings. The insurance companies need to present simple products that can be sold over-the-counter at the banks. Both banks and insurance firms have rural and social commitments to meet as prescribed by their relevant regulators. The banks and cover firms can work together in this area and it is probable that the banks while meeting their commitments in terms of loaning supplies to the rural and social divisions can accompaniment the efforts of the underwriters in meeting the latter’s obligations too. Such relations will also help in synergizing the strengths and capabilities of every insurer and the banks, who with their grid in the rural areas offer a flawless occasion.

Selling insurance products indicates that the own client base of each bank will be better dwindling against competition from other banks. Certain bank and assurance services are joint products and cannot be obtained noticeably. In other urgings they form “tie-in sales”. However, to be sold in banks, most cover products have to have their own payments. They have to be standardized and thus at low outlays. They may be produced by a minor to the bank and thus taken as an in-house product. This makes it easier for them to be traded through ordinary supply channels (OECD, 1992).
The bank often expects to: increase the overall effectiveness of its client association, including its branch system lucrativeness; better influence its positive appearance fiscal services; situation itself as a one-stop obtaining source for the client, increasing client devotion and preservation; and diversify its product base by making insurance products available to its consumer base (OECD, 1993). According to Nicholson (1990), the client hopes to: pay a lower price because gaining costs are lower; have the convenience of one-stop shopping for fiscal services products and an easier way to make costs (through the bank); and enjoy better client amenities because of the bank’s expanded relationship with the client. This ratio is calculated to judge the output of the banks. In bancassurance, since the banks will be able to produce a fixed and additional source of revenue with existing benefit structure of the banks, this ratio is hypothesized to be boosted from pre to post bancassurance period.

2.4.2 Financial Performance in Banks

In the Eighties, when Banks in select countries in Europe started implementing bancassurance, the rest of the world contemplated for far too long whether or not to join. Eventually, banks followed suit but after losing in terms of lost opportunity or lagging behind the late starters. Nowadays the foray of life insurance premiums in West Europe has been achieved through bancassurance. This translates to up to ninety percent of new life insurance business (Kumar, 2006).

The traditional sources of banks’ revenues consisting of personal and commercial loans, credit cards, maintenance fees, custodial services have been overtaken by growing competition, changes in regulation, shrinking interest rates and changes in customer savings and investment needs. Consequently, these financial institutions have been forced to fend for alternative sources of income to maintain their interest margins and sustainability. Jongeneel (2004) noted that banks in the recent years have moved from traditional strategies of earning income to non-traditional strategies such as investment banking, securities brokerage, mutual funds and insurance agencies. The ever increasing competitive nature of the banking industry
has led to an increase in the cost of funds leading to banks having to come up with alternative deployment tactics to ensure that their interest margins are maintained.

Kumar (2006) stated that bancassurance has been for a long time, practiced by banks passively” either as a way of risk mitigation (ensuring security of assets) or enhancing improved efficiency notably in case of liability products (deposits). Customers taking loans from banks had to take insurance in case of death, disability or theft of property. Mortgages, construction loans, personal loans had to be insured. The banks were benefiting however, the level of fee income was minimal. With the wave of bancassurance, banks have an opportunity to increase their earnings at minimal cost and stabilize their profits in the wake of dwindling interest margins. Bancassurance provides endless opportunities for a bank to earn high fee income at low cost. Firstly, it is much easier for a bank to sell insurance products to its customers as it has complete knowledge about the financial status of its customers through their spending and savings patterns. Additionally, banks have an easier approach to customers in terms of persuasion to get an insurance product, since customers trust their banks more than an insurance company (Kumar, 2006). Bancassurance provides limitless advantages to banks. Bancassurance opens doors to new markets for growth; there is little or no competition, and an extremely high level of fee income on investments due to charging of high premiums. Additionally, banks get extra insurance against loss of assets, that is, through providing insurance to clients for their own products e.g, personal loan insurance against death or disability (Kumar, 2006).

In Kenya Bancassurance is regulated by the Insurance Regulatory Authority (IRA). According to Kirui (2009), The Banking Act in Kenya does not expressly provide for banking to undertake the role of providing Insurance services and products. It does not mention any synergies or innovation that would bring the practice of bancassurance within its purview. The writer further stated that, it was clear that the banking sector had not endeavored to regulate any other business than the banking business and most recently, forex bureaus and agency banking. This overlap allowed for IRA to serve this regulatory overlap.
Through its circular dated 03/2010, it provided guidelines for bancassurance in Kenya. It regulates certain areas such as establishment of an insurance agency, the products to be offered through bancassurance, guidelines on agreement between the insurance agency and the insurer, annual reports of the insurance agent, audited reports of the insurance agent, inducement and compellation and disqualification.

Bancassurance provides additional fee income for banks other than interest income – referred to as fee income. According to Kumar (2006), the best way to analyze the importance of insurance fee income on the balance sheet of a bank is to measure it against the interest margins. For example, commercial insurance on large and complicated projects can fetch a substantial fee income as insurance premiums. As a result, the fee income can be used to partly offset the interest reduction in a competitive lending environment. Similarly, the sale of a unit linked investment product from an insurance company can get more fee income than total interest income generated from a deposit product for a similar amount. Bancassurance also enhances a bank’s financial statement items through retention of customers. Kumar (2006) states that a bank selling a ten year annual investment ties the customer with the bank for the next ten years. This gives the bank a great opportunity to maximize on potential additional business with the client.

2.5 Bancassurance and Earning Per Share of Insurance Firms
Staikouras (2006) found valid grounds for economies of scope based on empirical close resemblances (e.g. financial danger managing, liquidity formation) between banks and underwriters. Lewis (1990) and Voutilainen (2004) noticed in the same year that once banks have recognized a client interaction for one service, they could influence this contact with small incremental costs to sell additional services such as cover. Since there exists certain go beyond in insurance and banking as both deals with fiscal services. When therefore bancassurance was introduced to the banking industry, many persons opted to get their cover services from banks foremost to reduction in the business operations in indemnity firms. This generally led to a decrease in the fiscal performance. Financial performance of any
organization is seen to be directly relative to the income per share of any organization. Therefore the development of bancassurance resulted to a decrease in the revenue per share on the shareholders due to the reduction in profitability of the insurance firms.

Vineet Agarwal (2004) in an article entitled “Bancassurance: Concept, Framework and Application experimented the key issues confronted by the banking segment today. Strong competition along with dwindling interest margin in banks produces an urgent need for emerging sophisticated fiscal products and advances. Insurance has come as an ideal selection for the banks. It fulfills the major necessities for a successful insurance trade viz., asset management and venture skills, distribution and capital capability. The writer made a note in his training that French banks, those pre-dominantly select to start bancassurance market segments.

In the post-reforms, the fiscal sector has a number of companies of both local and overseas nature and the unraveling line between the banks and non-banking fiscal institutions’ activities had pointedly thinned down. Overlapping in one another’s functions/ areas has become more common than omission. The direct upshot of these growths led to concentrated competition in the banking sector and which in turn had a strong method on the banks’ net interest margin (Karunagara, 2007). Banks are required to reduce their NPAs to a sensible level, as a condition to enter into bancassurance. And moreover, when cover products will be used as security to secure bank advances and loans, banks would be able to switch their NPAs. Hence this ratio is hypothesized to deterioration over the two periods.

Financial Institutions for a long time have been grappling with the decrease in their interest margins as a result of the rise in competition, changes in technology and the deregulation of the Financial Sector as well as globalization. The major income generated by banks is interest income. This is income arising from the difference between the lending and borrowing rates charged to customers. However current market conditions have put a strain on the interest income as cost of borrowing funds have substantially risen and lending has become too competitive to provide worthwhile interest income (Kumar, 2006). The
liberalization of the Kenyan Market has brought even a bigger burden to Commercial Banks as it has broaden the playing field with businesses in other sectors of the economy wanting a „piece of the cake” (Kiragu, 2014). With the advent of m-pesa by Safaricom and Airtel’s airtel money, where customers can save their money through their phones, banks have noticed a drop in the deposit base of their customers. Additionally, new and innovative products such as m-shwari, have allowed customers to borrow loans through their mobile phones. With the rise of financial innovation, Bancassurance is the way to go. Anja et al., (2010), describes Bancassurance as the selling of insurance through the bank distribution channel. Bancassurance provides banks with the opportunity to acquire additional revenue streams while promoting customer retention.

2.6 Bancassurance and Liquidity of Insurance Firms

Liquidity risk in the insurance sector can affect negative externalities. With possible implications for insurance firms based on their asset exposure and/or relationships with banks within corporation structures. Insurers that are pan of conglomerates are vulnerable to contagion effects and liquidity risk. While the long-term funding profile of insurers is less vulnerable to funding shocks (although such risks cannot be excluded mainly life insurance), contingent intragroup obligation could generate vulnerabilities, for instance, asset liquidity swaps and securities lending establish cash flow requirements for a operation (Kumar, 2001).

Based business that are markedly different from long-term cash flow projections connected with insurance liabilities and are intrinsically more susceptible to the fiscal market effects. Also the banking side of conglomerates could become vulnerable to the risk of large withdrawals of deposits and/or the run off of liabilities, with both banking and insurance activities supporting a sharp reduce in the value of investment portfolios which in turn could lead to greater reliance oil intragroup transactions (Wua, Lin & Lin, 2009).

Liquidity ratios are hypothesized to increase as bancassurance will fund to the non-fund revenue of the banks and thus output that will eventually belong to the stakeholders (Klein, 2001). Islam (2002) largely agrees with Klein (2001) but donates to this exciting
development by summarizing the major drivers of bancassurance. Islam (2002) concludes that banks are entering into bancassurance provisions due to the pressure on banks profits margin and the ambition to offer a one stop fiscal shop for the client. Convenience has become a major issue in handling personal day to day actions. A bank which is able to market indemnification products has a supportable benefit over its contestants. It can provide whole fiscal planning under one roof. In addition banks offer an untapped and effective mode of delivery. This is clear, because Zimbabwean banks with their flawless brand image, existing customer affairs and large client database offer a natural market for cover products. Islam (2005) points out that clients trust banks more than assurance firms, so assurance firms with the co-operation of banks can influence the “trust factor”.

Considering the procedures of bancassurance from the fiscal, efficient and marketing angle some attention should be paid to aspects of danger related with assistance. Carrying out activities targeted at emerging offers, conducting sales and organizing operative areas of cooperation within the bancassurance entail unusual insurances to avoid a state in which the operational problems of one of the units intricate in the bancassurance will be transported to the level of client service of the other of the collaborating connections. Also in the field of fiscal synergy there is a danger of adverse effects on output and liquidity of the cooperating bank and insurance firm. It is also important to address the implications of taking action to achieve interaction in marketing turf.

A special area that should be subject to focused monitoring is the influence of bancassurance support on the type name of each of the cooperating units, in particular the difficulties that may occur in the market appearance of the bank or underwriter related to deviations in the bank’s image-bearing a undesirable impact on the insurer, and vice versa. Mergers and accomplishments in the bancassurance are used fairly rarely.

This model requires the transfer of all possessions of the acquired firm to another obtaining firm in the exchange for the bonds and aids, which the obtaining firm gives to the
shareholders of acquired firm – merger by obtaining, or the creation of a capital firm, onto which all assets of merging firms go in the exchange for the shares and contributions of the new firm – or joining forces by setting a new firm. Unfavorable aspect of this type of cooperation is the danger related with losses that the bank may incur in the event of a disaster of such a strategy, because in case of poor fiscal situation and growing liabilities of the insurance firm, the bank may be enforced to sell it below its acquisition fee.

For many insurers, the direct exposure to the epicenter of the crisis, the US mortgage market, and to related securities appears to have been limited. But the financial crisis has nonetheless had an increasingly visible impact on the insurance industry, primarily through their investment portfolios, as the crisis spread and financial market valuations and the outlook for real activity deteriorated significantly. The financial crisis may primarily be a banking crisis, and as insurance industry representatives have regularly emphasized, the solvency of the insurance sector as a whole does not appear to be threatened. Nonetheless, companies from that sector have been affected, and in mostly adverse ways. A number of concentrated exposures to credit and market risks have been revealed, including in US mortgage and financial guarantee insurance companies, as well as in certain other insurance-dominated financial groups.

Beyond these immediate issues related to the financial health of insurance sectors and companies, the crisis has clearly demonstrated that protection against systemic risks should also include monitoring and mitigating risks in the insurance sectors and companies. Even so, the evidence available so far suggests that the role of the insurance function in this financial crisis has had a stabilizing rather than a destabilizing influence on the system as a whole (notwithstanding that it may be too early to write a proper post mortem).

2.6.1: Bancassurance Investment

Bancassurance are large investors and they (especially life insurers) typically have longer-term investment horizons than several other financial institutions such as banks. They thus
have the capacity to hold a relatively large part of their investments to maturity, which helps the system withstand short-term shocks. In contrast, some other types of market participants have had to sell into falling markets as a result of leverage, liquidity, regulatory and other considerations. That said, the picture is not as rosy if one zooms from the aggregate picture into specific segments of the insurance sector. In the case of a number of insurance companies, especially those involved in activities traditionally associated with investment banks, valuation and rating pressures have been very significant. These pressures, in turn, have had repercussions that have tended to amplify downward pressures in financial markets during the crisis. Hughes (1996) noted that the most egregious example is afforded by the financial guarantee insurance sector, where subsequent downgrading of the various entities operating in this sector led to waves of downward pressures on market valuations of the securities “wrapped” by these entities and present in the portfolios of many other financial institutions. Such activities had also contributed to the build-up of imbalances before the crisis. Financial guarantors elevated the credit ratings of complex structured financial instruments, making these products attractive to more conservative investors (including some other insurance companies). Also, the participation of insurance companies as counterparties to investment and commercial banks in credit default swap transactions enabled the latter to hedge their credit risks, thus permitting them to continue to expand their securitization activities, including in the form of collateralized debt obligations involving subprime mortgage-related debt. What is often less noted is the fact that the financial instruments used in the massive credit risk transfer prior to the financial crisis have had at their core, in many cases, insurance-like innovative financial instruments, that is credit default swaps.

Granted, insurers themselves may not have been frequent counterparties to these transactions, as the capacity of these companies to engage in such transactions severely restricted by regulation. But the crisis has shown nonetheless that, despite such constraints, some types of insurance companies actually accumulated significant exposure to credit default derivatives on one or the other side of their balance sheets (Korhunen, 2006). In part, the various caveats attached to the overall positive role that the insurance function may have played in this crisis
are related to the expansion into investment-bank-like activities of financial companies that conduct insurance business. In the past, different types of financial activities have often been combined under one company’s roof and such combinations have often been defended on the grounds of the scope economies associated with the more diversified revenue stream of the group as a whole. But the weight of the empirical evidence suggests that, in crisis situations, asset returns turn out to be more closely correlated than during normal times and more so than has been expected and built into risk management models. As a consequence, the adequacy of the buffer for the group as a whole, e.g. in terms of capital cushion, tends to disappoint as well. Moreover, such structures can become very complex. An example is American International Group (AIG), which was viewed by some observers as the world’s largest insurance company. It was actually quite a complex large financial group, consisting of a global financial service holding company with about 70 US based insurance companies and another more than 170 other financial service companies. Given the company’s role in a wide range of financial markets, the volume of business written and in particular the complexity of interconnections created (especially through credit default swaps and securities lending), AIG appears to have become an important counterparty to systemically important banks, thus making the company itself systemically important. The opacity of its structure appears to have hindered the ability of supervisors and stakeholders to properly understand the risks facing the group. The example of AIG has added to the accumulating empirical evidence that specific incentive problems could arise in complex financial groups when different parts of the group pursuing different activities (and generating different risk profiles) either use the same capital base or when some parts of the groups either explicitly or implicitly benefit from capital raised via less risky members of the group.

2.6.2: Risk Areas
The basic, identified areas of risk in bancassurance refer to the processes of collaborating objects, as well as the areas of client relationship management, building and preserving the market image of the bank and the underwriter. Changes in the existing scope of danger and
its new areas also affect the fiscal sphere of cooperating units, especially in terms of efficacy and creditworthiness. It is also significant that concluding bancassurance agreements is aimed at, in the important number of cases, achieving additional incomes, which pledges and increases the danger of misdeeds in the distribution procedures of banking products through the bank channels, but also creates the hazard of irregularities and fraud in the shared payments between the cooperating units. The negative effect of the awareness of the mentioned clusters of threat may be worsening a client’s position while using the services of both the bank and the cover firm. The bancassurance partners striving for making revenue may increase the danger of disparities in bancassurance services to client needs and prospects, and ultimately lead to their dissatisfaction or in distinct cases to the appearance of claims from clients.

2.7 Chapter Summary
The bank and insurance company have prearranged a form a partnership that cover company can sell their products to the bank’s client base and agreement the remuneration or lucrative to both bank and insurance firm. The banks earn additional income, insurance company can expand their market and client base that it is not develop deals force. This chapter presented literature on the bancassurance and financial performance. Chapter three looked at the research methodology.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
This chapter sets out the research method that was followed in completing the study. It involves a blueprint for the collection, measurement and analysis of data. The chapter is structured into; research design, target population, sampling design, data collection instruments, data collection procedures and finally data analysis.

3.2 Research Design
The study adopted descriptive design to determine the relationship between financial performance and bancassurance among the major insurance firms in Kenya. The descriptive research attempts to describe, explain and interpret conditions of the present i.e. “what is’. The purpose of a descriptive research is to examine a phenomenon that is occurring at a specific place(s) and time. A descriptive research is concerned with conditions, practices, structures, differences or relationships that exist, opinions held processes that are going on or trends that are evident. The design was chosen because the collected data was cross sectional involving several insurance organizations; also the data was collected at a given point in time. The study’s research design is the arrangement of conditions for collection and analysis of data in a manner that aimed to combine relevance to the research purpose with economy in procedure. Mugenda (2008) describes descriptive study as a study concerned with finding out the what, where and how of a phenomenon and as such enabled the study achieve its objectives.

In this study, the dependent variable was the financial performance of insurance companies while the independent variables included: profitability, cost reduction, market share, earnings per share and liquidity. Correlation coefficient was used to examine whether there is any relationship that exists between dependent and independent variables. Correlational research describes what occurs at the moment (circumstances, practices, procedures, structures) and is
consequently, classified as a type of descriptive method. Nevertheless, these circumstances, practices, procedures or structures described are decidedly dissimilar from the way they are usually termed in a survey or an observational study. Correlational research encompasses of collecting data to decide whether, and to what scope, a relationship exists between two or more measurable variables. Correlational research uses statistical data to explore relationships between two or more existing variables. The degree of relationship is stated in terms of a coefficient of correlation. If the relationship occurs between variables, it suggests that scores on one variable are related with or vary with the notches on another variable, (Burns, 2000). The examination of relationship of the relationship between variables offers insight into the nature of the variables themselves as well as an thoughtful of their relationships. If the relationships are considerable and consistent, they permit a researcher to make forecasts about the variables.

Descriptive approach achieved the objective (bancassurance) by describing the data and characteristics about the population of phenomenon being studied. The main contest was that the respondents were reluctant to disclose information which they deem confidential like financial performance of their firms and expenditure. To mitigate this; the researcher assured them on the confidentiality of the information acquired and the limitation of its use to be purely academic.

3.3 Population and Sampling Design

3.3.1 Population

The target population of study was UAP, CFC Heritage, CIC, APA, Jubilee, Kenindia, Britam, ICEA Lion, Kenya Re, Madison, and Old Mutual Insurance Firms in Kenya. The study was conducted in the Company’s headquarters. Mugenda and Mugenda (2003) define population as the entire group of individual’s, events or objects having a common observable characteristic. On the other hand, the author further define target population as that population the study studies, and whose findings are used to generalize to the entire population.
### Table 3.1: Population of the Study

<table>
<thead>
<tr>
<th>Company</th>
<th>Target Population</th>
<th>Target population</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UAP</td>
<td>Senior Management</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Middle Level management</td>
<td>132</td>
<td>10</td>
</tr>
<tr>
<td>CFC Heritage</td>
<td>Senior Management</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Middle Level management</td>
<td>218</td>
<td>18</td>
</tr>
<tr>
<td>APA</td>
<td>Senior Management</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Middle Level management</td>
<td>133</td>
<td>11</td>
</tr>
<tr>
<td>Jubilee</td>
<td>Senior Management</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Middle Level management</td>
<td>112</td>
<td>9</td>
</tr>
<tr>
<td>Kenindia</td>
<td>Senior Management</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Middle Level management</td>
<td>144</td>
<td>15</td>
</tr>
<tr>
<td>Britam</td>
<td>Senior Management</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Middle Level management</td>
<td>88</td>
<td>5</td>
</tr>
<tr>
<td>ICEA Lion</td>
<td>Middle Level management</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Senior Management</td>
<td>113</td>
<td>9</td>
</tr>
<tr>
<td>Kenya Re</td>
<td>Middle Level management</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Senior Management</td>
<td>123</td>
<td>8</td>
</tr>
<tr>
<td>Madison</td>
<td>Middle Level management</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Senior Management</td>
<td>231</td>
<td>20</td>
</tr>
<tr>
<td>Old Mutual Insurance Firms</td>
<td>Middle Level management</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Senior Management</td>
<td>117</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total population</strong></td>
<td></td>
<td><strong>1,323</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: Author, 2015

### 3.3.2 Sampling Design

Sampling design is the process of selecting a group of subjects for a study in such a way that the individuals represent the larger group from which they are selected. This representative portion of a population is called a sample (Gay, 1987).
3.3.2.1 Sampling Frame

Sampling frame presents a systematic list of subjects, elements, traits, firms or objects to be studied. From the study’s population the required number of subjects, respondents, elements; managerial staff within the firms in this case, will be selected in order to make a sample. This is based on their knowledge on bancassurance and its consequent or ancillary effect on performance owing to their responsibility in their respective firms (MsCledon, 2004).

MsCledon (2004) defines a sampling frame as a list of all units or elements of the research population from which a sample is selected. Generally, the sampling frame incorporates a great deal more structure than one would expect to find in a simple list of elements (Ross, 1991). In this study, the sampling frame consisted of senior and middle level management employees from 10 key and duly registered insurance companies in Kenya. The sampling frame was constructed from the various registered insurance companies on the basis of its brand popularity and the financial performances in terms of past underwriting premiums.

3.3.2.2 Sampling Technique

Cooper and Schinder (2013) define sampling technique as the methods used in drawing samples from a population in a way that the selected will help determine a stated hypothesis in regards to the population. In this study, probability sampling technique was adopted and specifically, stratified random sampling. Stratified random sampling is defined as a probability sampling procedure in which the target population is first separated into mutually exclusive, homogeneous segments (strata), and then a simple random sample is selected from each segment. According to Gay (1987), random sampling is the best single way to obtain a representative. He also agrees that stratified random sampling is an appropriate methodology in order to make proportionate and therefore meaningful, comparisons between sub-groups in the population. In this study, the sample population was subdivided into 4 key strata according to the areas of operations as presented in Table 3.2 to form the various strata, thereafter, questionnaires which consisted of both open ended and close ended questions were randomly distributed. Stratified sampling technique, eliminates sampling error by
ensuring that diversity within the population is considered in the final sample by grouping the population into branches random sampling used within the stratum (branch). Selection in simple random sampling technique is based on probability where everyone has an equal chance of being selected; thus, eliminate bias.

3.3.2.3 Sample Size

For stratified random sampling, the sample size was determined on the basis of those variables in the sample that was likely to have the greatest variability and where the likely proportion will not be known, it assumed that 50% of the sample have the specified attribute. The sample was determined statistically using the equation below. The sample size was given by: Fisher, R.A (1954).

\[ n = p \times q \times \left( \frac{z}{e} \right)^2 \]

Where: 
- \( n \) = was minimum sample size required
- \( p \) = the proportion belonging to the specified category
- \( q \) = the proportion not belonging to the specified category
- \( z \) = the value corresponding to the level of confidence required (90% certain=1.65, 95% certain=1.96 and 99% certain=2.57)
- \( e \) = the degree of variability in the sample (0.5 is maximum and lowest risk)
- \( e\% \) = the margin of error required.

When the population is less than 10,000 the sample need to be adjusted according to minimum sample size formula as shown below:

\[ n.' = \frac{n.}{(1+n./N)} \]

Where:
- \( n.' \) = the adjusted minimum sample size
- \( n. \) = the minimum sample size (as calculated)
- \( N \) = the total population

Using:
- \( p=50\% \), \( q=50\% \), \( z=1.96 \) (95% certain) \( e=5\% \) (i.e. within plus or minus 5% of the true percentage, the margin of error that can be tolerated), \( N=3094 \)
\[ n. = 50 \times 50 \times \left[ \frac{1.96}{5} \right]^2 \]
\[ = 2500 \times 0.153664 \]
\[ = 384 \]

**Adjusted sample size**
\[ n.' = \frac{384}{1 + \left( \frac{384}{115.3} \right)} \]
\[ = 384/2.92 \]
\[ = 354 \]

Approx. = 354

The sample size was then adjusted using the formula by Yamane (1967) which is recommended for a population of below 10,000;

\[ nf = \frac{n}{1 + \left( \frac{n}{N} \right)} \]

**Where**

nf= desired sample size

n=calculated sample size

N= estimate of population in study area

\[ nf = \frac{354}{1 + \left( \frac{354}{115.3} \right)} \]
\[ nf = 87 \]
Table 3.2: Sample Size

<table>
<thead>
<tr>
<th>Strata</th>
<th>Population (Frequency)</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Management</td>
<td>973</td>
<td>111</td>
</tr>
<tr>
<td>Middle level Management</td>
<td>2,447</td>
<td>280</td>
</tr>
<tr>
<td>Customer Care Centers</td>
<td>2,622</td>
<td>300</td>
</tr>
<tr>
<td>Operations/ back office</td>
<td>612</td>
<td>70</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,094</strong></td>
<td><strong>761</strong></td>
</tr>
</tbody>
</table>

Adjusted sample size \((\frac{354}{3094}) \times 761 = 87\)

3.4 Data Collection Methods

Data collection involves contacting the respondents in the sample in order to collect the required information about the study (Wua, Lin & Lin, 2009). In the study, primary data was used and data collection involved a self-administered questionnaire. Questionnaires were preferred as their responses are gathered in a standardized way making them more objective than interviews, are relatively quick to collect information and potentially information can be collected from a large portion of a group (Burns, 2000).

The questionnaire was semi-structured to have both open and close-ended questions to allow collection of both qualitative and quantitative data respectively covering the various variables of the study. Open ended questions basically allowed the respondents to air out theirs views in their own terms and in a manner that reflected their own perceptions while closed ended questions on the other hand, limited the answers of the respondents to the options provided in the questionnaires. For close ended questions, the Likert categorical scale rating was used to measure the level of agreement with statements corresponding to effect of bancassurance on fiscal performance of insurance firms in Kenya. Ideally, matrix questions was used to organize a large set of rating questions, with accompanying numerical codes being 1 to 5, where not at all = 1 very much = 5 (see appendix I).
Likert scaling is styled as a bipolar scaling method, computing either positive or negative response to a statement. Sometimes an even-point scale is used, where the middle option of "either agree or disagree" is not accessible. This is sometimes called a "compulsory choice" method, since the impersonal option is removed. The neutral option can be seen as an easy option to take when a respondent is unsure, and so whether it is a true unbiased option is questionable. A 1987 study found insignificant differences between the use of "undecided" and "neutral" as the central option in a 5-point Likert scale. Questions that were measured on the likert scale provided the level of agreement on an agree and strongly agree basis. The study provided guidance as necessary to facilitate the collection of more accurate data, (Burns, 2000).

3.5 Research Procedure

Before actual data collection, a pilot study was done to allow for pre-testing of the research instrument and make the researcher familiar with research and its administration procedure as well as identifying items that require modification. The result helped the researcher to correct inconsistencies arising from the instruments, which ensured that they measure what is intended. The pilot study was conducted on 5 respondents from randomly selected from the insurance firms. Research instrument reliability and validity was then tested.

To establish the validity of the research instrument, the researcher sought the opinions of experts in the field of study. This facilitated the necessary revision and modification of the research instrument thereby enhancing validity. After the pilot study the main survey followed. The questionnaires were administered through drop and pick method. To get a favorable response rate, the respondents were given one week to fill-in the questionnaires owing to their busy work schedule and the need to obtain objective and unhurried response. In addition, the researcher made phone calls and personal visits where it was necessary to remind the respondents to fill-in and return the questionnaires; the respondents were also promised a copy of the findings. The pilot study tested reliability of the likert scale tool and
also helped project output for the main study besides highlighting any necessary adjustments to the tool itself.

3.6 Data Analysis Methods

The study generated both qualitative and quantitative data. Descriptive statistics data analysis method was applied to analyze both qualitative and quantitative data. Data obtained from the questionnaires was processed through editing and coding and then entered into a computer for analysis using descriptive statistics with the help of Statistical Package for Social Sciences (IBM SPSS version 20.0), which offers extensive data handling capabilities and numerous statistical analysis procedures that analyses small to very large data statistics. In addition, the researcher conducted a multiple regression analysis so as to determine the impact.

The regression equation; \( Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon \): Whereby

\[ Y = \text{Financial performance} \]
\[ X_1 = \text{profitability} \]
\[ X_2 = \text{Cost Reduction} \]
\[ X_3 = \text{Market Share} \]
\[ X_4 = \text{Earnings per Share (EPS)} \]
\[ X_5 = \text{Liquidity}, \]

The variables on the two major items of bancassurance adoption and financial performance appertain to: Earnings per Share (EPS), Liquidity, Market Share, Cost Reduction, and most crucially, profitability. Rank correlation coefficients, such as Spearman's rank correlation coefficient and Kendall's rank correlation coefficient \((\tau)\) were also used to measure the extent to which, as one variable increases, the other variable tends to increase, without requiring that increase to be represented by a linear relationship. If, as the one variable increases, the other decreases, the rank correlation coefficient would be negative. This aided in interpreting dependence of the variables above and significance of our findings.
3.7 Chapter Summary

This chapter has presented the methodology that was used in the collection and analysis of data. It presents the research adopted, target population and sample, data collection instrument, data collection procedure and analysis. Chapter four presents findings of the study, analysis and interpretation.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction
This chapter covers data presentation and analysis. The main objective of the study was to establish the effect of bancassurance on the financial performance of insurance firms in Kenya. In order to simplify the discussions, the researcher provided tables and figures that summarize the collective reactions and views of the respondents.

4.2 Response Rate
The targeted sample size was 87 participants. Those filled and returned questionnaires were 87 respondents making a response rate of 100%. According to Mugenda (2008), a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. This means that the response rate for this study was excellent and therefore enough for data analysis and interpretation.

4.3 Demographic Information
The study sought to establish the demographic information in order to determine whether it had influence on performance of insurance firms in Kenya. The demographic information of the respondents included staff cadre, marital status, age, gender, time served in their position and education levels of the respondents.

4.3.1 Staff Cadre
The researcher sought to establish the staff cadre. The study showed that majority of the respondents were managers (46%) followed by the customer service officers (32.2%) with the rest of the respondents (21.8%) being operations officers. Table 4.1 indicated that staff cadre was well represented to carry out the study.
Table 4.1: Staff Cadre

<table>
<thead>
<tr>
<th>Cadre</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations</td>
<td>19</td>
<td>21.8</td>
</tr>
<tr>
<td>Management</td>
<td>40</td>
<td>46</td>
</tr>
<tr>
<td>Customer service</td>
<td>28</td>
<td>32.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>87</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

4.3.2 Gender Distribution of Respondents

The study found it paramount to determine the respondents’ gender in order to ascertain whether there was gender parity in the positions indicated by the respondents. The findings of the study are as shown in Table 4.2. From the analysis of the table under reference, it was evident that majority of the respondents were male which represented 59.8% while 40.2% were female. It can therefore be deduced that males were the most dominant gender in the insurance firms of Kenya.

Table 4.2: Gender Distribution

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>52</td>
<td>59.8</td>
</tr>
<tr>
<td>Female</td>
<td>35</td>
<td>40.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>87</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

4.3.3 Age Bracket of the Respondents

The researcher sought to determine if the respondents were old enough to provide valuable responses that pertain to the effect of bancassurance in financial performance of insurance firms in Kenya.

The respondents were required to indicate their age where the study findings indicated that majority (27.6%) indicated their age bracket to be between 51 and 55 years. Analysis of
findings also indicated that 20.7% of the respondents were between 21 and 40 years of age. The findings further indicated that 19.5% were aged between 41 to 50 years, 10.3% were 55 years and above and only 1.1% were below 20 years. The finding from Table 4.3 therefore implies that the respondents were old enough to provide valuable responses.

**Table 4.3: Age Bracket**

<table>
<thead>
<tr>
<th>Age bracket</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 20</td>
<td>1</td>
<td>1.1</td>
</tr>
<tr>
<td>21 – 30</td>
<td>18</td>
<td>20.7</td>
</tr>
<tr>
<td>31 – 40</td>
<td>18</td>
<td>20.7</td>
</tr>
<tr>
<td>41 – 50</td>
<td>17</td>
<td>19.5</td>
</tr>
<tr>
<td>51 – 55</td>
<td>24</td>
<td>27.6</td>
</tr>
<tr>
<td>Above 55</td>
<td>9</td>
<td>10.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>87</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**4.3.4 Level of Education of the Respondents**

The study sought to find out the respondents level of education. The findings of the study are tabulated as in Table 4.4. From the findings, majority (56.3%) had university degrees followed by 39.1% who indicated that they had diplomas and the remaining 4.6% indicated that they have attained secondary education. Therefore the findings conclude that most respondents had adequate education to execute their pertaining to performance of insurance firms in Kenya.

**Table 4.4: Level of Education**

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
</table>

43
4.3.5 Time Served in the Respective Positions by the Respondents

From Table 4.5 greater number of respondents (29.9%) had served in their position in over 10 years this indicates that the respondents were in a good position to give valid information on the study topic. The percentage of employees served in their respective positions for a long time was adequate to carry out the study since they had enough experience and information regarding bancassurance.

Table 4.5: Time Served in the Positions

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5</td>
<td>10</td>
<td>11.5</td>
</tr>
<tr>
<td>5 to 10</td>
<td>25</td>
<td>28.7</td>
</tr>
<tr>
<td>10 to 15</td>
<td>26</td>
<td>29.9</td>
</tr>
<tr>
<td>15 and above</td>
<td>26</td>
<td>29.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>87</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

4.4 Bancassurance Adoption and Market Share Assessment

The results indicate that most organizations (31.0%) used platform of bank remittances from clientele into premiums information system very much. Followed by 29.9% who agreed much, 19.5% were neutral with 13.8% agreeing to a less extent and only 5.7% disagreeing completely with the statement. Table 4.6 indicates that majority of the respondents agreed that use of bancassurance system in carrying out insurance businesses in your institution and rise in market share.

Table 4.6: Bank remittances from clientele into premiums information system

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 4.7: Bancassurance System and Insurance Businesses

KEY: (NA)-Not at all  (LE) - Less extent (N) - Neutral (A) - Agree (VM)-Very Much

<table>
<thead>
<tr>
<th>Statement</th>
<th>NA</th>
<th>LE</th>
<th>N</th>
<th>A</th>
<th>VM</th>
<th>MEAN</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>premiums-remittance links with banks</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>29</td>
<td>37</td>
<td>3.97</td>
<td>1.215</td>
</tr>
<tr>
<td>liaises with banks to solve client issues</td>
<td>4</td>
<td>4</td>
<td>14</td>
<td>24</td>
<td>41</td>
<td>4.08</td>
<td>1.112</td>
</tr>
<tr>
<td>liaises with banks to accept client bargains</td>
<td>0</td>
<td>6</td>
<td>28</td>
<td>24</td>
<td>29</td>
<td>3.87</td>
<td>0.962</td>
</tr>
<tr>
<td>liaises with banks to initiate insurance sales</td>
<td>1</td>
<td>8</td>
<td>2</td>
<td>35</td>
<td>41</td>
<td>4.23</td>
<td>0.961</td>
</tr>
<tr>
<td>liaises with banks to make promotional sales</td>
<td>0</td>
<td>1</td>
<td>15</td>
<td>29</td>
<td>32</td>
<td>3.94</td>
<td>1.027</td>
</tr>
<tr>
<td>liaises with banks to give client incentives</td>
<td>0</td>
<td>6</td>
<td>28</td>
<td>27</td>
<td>26</td>
<td>3.84</td>
<td>0.938</td>
</tr>
<tr>
<td>liaises with banks to offer after-sales service</td>
<td>4</td>
<td>8</td>
<td>28</td>
<td>35</td>
<td>12</td>
<td>3.49</td>
<td>0.999</td>
</tr>
<tr>
<td>liaises with banks to communicate bulletins</td>
<td>5</td>
<td>6</td>
<td>10</td>
<td>34</td>
<td>32</td>
<td>3.94</td>
<td>1.135</td>
</tr>
<tr>
<td>liaises with banks to make policy adjustments</td>
<td>4</td>
<td>3</td>
<td>32</td>
<td>16</td>
<td>32</td>
<td>3.79</td>
<td>1.122</td>
</tr>
<tr>
<td>liaises with clients to reach out to banks</td>
<td>6</td>
<td>1</td>
<td>14</td>
<td>26</td>
<td>23</td>
<td>3.48</td>
<td>1.275</td>
</tr>
<tr>
<td>liaises with clients to woo popular banks</td>
<td>3</td>
<td>7</td>
<td>37</td>
<td>28</td>
<td>12</td>
<td>3.45</td>
<td>0.949</td>
</tr>
<tr>
<td>liaises brokers’ sales to banks</td>
<td>6</td>
<td>1</td>
<td>50</td>
<td>13</td>
<td>8</td>
<td>3.08</td>
<td>0.955</td>
</tr>
<tr>
<td>liaises with clients to appreciate banks’ efforts</td>
<td>17</td>
<td>4</td>
<td>28</td>
<td>19</td>
<td>9</td>
<td>2.87</td>
<td>1.256</td>
</tr>
</tbody>
</table>

According to the analysis of the findings it is revealed that those agreed with the statement with mean of 3.97 and a standard deviation of 1.215. the researcher also sought to determine whether the organization liaised with banks to solve client issues. Majority of the respondents
agreed with the statement very much with a mean of 4.08 and a standard deviation of 1.112. Analysis revealed that majority of the respondents agreed that their organization liaises with banks to accept client bargains with mean of 3.87 and a standard deviation of 0.962. The analysis also confirmed that many of the respondents agreed very much that organization liaises with banks to initiate insurance sales with a mean of 4.23 and a standard deviation of 0.961. From the analysis we can also say that majority of the respondents agreed that their organization liaises with banks to make promotional sales with a mean of 3.94 and a standard deviation of 1.027. The study also revealed that most of the respondents agreed that their organizations liaise with banks to give client incentives with a mean of 3.84 and standard deviation of 0.938. It is also clear from the findings that, most of the respondents agreed that their organization liaises with banks to offer after-sales service with a mean 3.49 of and standard deviation of 0.999.

The finding also shows that the respondents strongly agreed that their organization liaises with banks to communicate bulletins with a mean 3.94 and a standard deviation of 1.135. it is also shown from the finding that the respondents agreed that their organization liaises with banks to make policy adjustments with a mean of 3.79 and standard deviation of 1.122. The mean of 3.48 and a standard deviation of 1.275 reveals that the responded were neutral on the statement that organization liaises with clients to reach out to banks. The study findings also show that majority of the respondents were neutral on the fact that their organization liaises with clients to woo popular banks with mean of 3.45 and a standard deviation of 0.949. From the findings it is clear that the respondents were neutral on the statement that their organization liaises brokers’ sales to banks with mean of 3.08 and a standard deviation of 0.955. The study findings revealed that most of the respondents were neutral that their organization liaises with clients to appreciate banks’ efforts with mean of 2.87 and a standard deviation of 1.256.
4.5 Bancassurance and Profitability

The researcher further sought to establish the impact of bancassurance and increased sales which in turn have an impact of the liquidity and profitability levels. The findings are as summarized in Table 4.8.

Table 4.8: Rising sales (liquidity) that facilitates profitability

<table>
<thead>
<tr>
<th>Statement</th>
<th>NA (%)</th>
<th>LE (%)</th>
<th>N (%)</th>
<th>A (%)</th>
<th>VM (%)</th>
<th>MEAN</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rising sales</td>
<td>8.0</td>
<td>8.0</td>
<td>18.4</td>
<td>34.5</td>
<td>31.0</td>
<td>3.72</td>
<td>1.217</td>
</tr>
<tr>
<td>No credit period problems</td>
<td>3.4</td>
<td>4.6</td>
<td>41.4</td>
<td>41.7</td>
<td>9.2</td>
<td>3.48</td>
<td>0.861</td>
</tr>
<tr>
<td>No negative comments</td>
<td>8.0</td>
<td>19.5</td>
<td>34.5</td>
<td>21.8</td>
<td>16.1</td>
<td>3.18</td>
<td>1.167</td>
</tr>
<tr>
<td>Claims on time</td>
<td>0</td>
<td>3.4</td>
<td>23.0</td>
<td>40.2</td>
<td>33.3</td>
<td>4.03</td>
<td>0.841</td>
</tr>
<tr>
<td>Good profitability ratios</td>
<td>3.4</td>
<td>1.1</td>
<td>23</td>
<td>28.7</td>
<td>43.7</td>
<td>4.08</td>
<td>1.014</td>
</tr>
<tr>
<td>Good liquidity ratios</td>
<td>3.4</td>
<td>4.5</td>
<td>17.2</td>
<td>29.9</td>
<td>44.8</td>
<td>4.30</td>
<td>2.086</td>
</tr>
<tr>
<td>learning from experience</td>
<td>0</td>
<td>0</td>
<td>19.5</td>
<td>42.5</td>
<td>37.9</td>
<td>4.18</td>
<td>0.740</td>
</tr>
<tr>
<td>Services to new banks are allowed</td>
<td>4.6</td>
<td>19.5</td>
<td>35.6</td>
<td>18.4</td>
<td>21.8</td>
<td>3.33</td>
<td>1.158</td>
</tr>
</tbody>
</table>

Most of the respondents 34.5% indicated that the organization has witnessed rising sales to a great extent While 41.7% stated that there have been no credit period problems with suppliers due to liquidity to a great extent. On the other hand 34.5% were neutral that they had no negative comments from external auditor on liquidity ratios.
Further 40.2% stated that they met their claims on time due to proper liquidity levels. 43.7% stated to a greater extent that their organization has good profitability ratios since bancassurance adoption. 44.8% confirmed that their organization has good liquidity ratios since bancassurance adoption to a greater extent. 42.5% of the respondents stated to a great extent that a bancassurance system allows financial managers to learn from experience. 35.6% were moderate that experimentations on bancassurance services to new banks are allowed.

**Table 4.9: Organization exhibition on EPS, Cost Reduction**

**KEY:** (NA)-Not at all (LE) - Less extent (N) - Neutral (A) - Agree (VM)-Very Much

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>NA</th>
<th>LE</th>
<th>N</th>
<th>A</th>
<th>VM</th>
<th>MEAN</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rising Earnings Per Share since adoption of Bancassurance</td>
<td>4.6</td>
<td>5.7</td>
<td>21.8</td>
<td>31</td>
<td>36.8</td>
<td>3.9</td>
<td>1.111</td>
</tr>
<tr>
<td>Rising market share owing to Bancassurance</td>
<td>4.6</td>
<td>8</td>
<td>23</td>
<td>24.1</td>
<td>40.2</td>
<td>3.87</td>
<td>1.169</td>
</tr>
<tr>
<td>Cost reduction since adoption of Bancassurance</td>
<td>0</td>
<td>5.7</td>
<td>17.2</td>
<td>34.5</td>
<td>42.5</td>
<td>4.14</td>
<td>0.904</td>
</tr>
<tr>
<td>Rising Profitability since adoption of Bancassurance</td>
<td>2.3</td>
<td>4.6</td>
<td>20.7</td>
<td>32.2</td>
<td>40.2</td>
<td>4.03</td>
<td>1.005</td>
</tr>
<tr>
<td>Rising bancassurance sales since its adoption</td>
<td>2.3</td>
<td>6.9</td>
<td>26.4</td>
<td>24.1</td>
<td>40.2</td>
<td>3.93</td>
<td>1.076</td>
</tr>
</tbody>
</table>

Most of the respondents 36.8% indicated that there was rising earnings Per Share since adoption of bancassurance. While 40.2% stated that there was a Rising market share to a greater extent owing to bancassurance. Also 42.5% stated to a greater extent that there was Cost reduction since adoption of bancassurance. Further 40.2% were indicated to a greater extent that there was rising Profitability since adoption of bancassurance. While 40.2% indicated that there was a rising bancassurance sale since its adoption.
Table 4.10: Bancassurance Platform.

<table>
<thead>
<tr>
<th>Statement</th>
<th>NA</th>
<th>LE</th>
<th>N</th>
<th>A</th>
<th>VM</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information is shared and is accessible</td>
<td>1.1</td>
<td>2.3</td>
<td>34.5</td>
<td>25.3</td>
<td>36.8</td>
<td>3.94</td>
<td>0.957</td>
</tr>
<tr>
<td>Learning is emphasized and valued</td>
<td>1.1</td>
<td>0</td>
<td>11.5</td>
<td>34.5</td>
<td>52.9</td>
<td>4.38</td>
<td>0.781</td>
</tr>
<tr>
<td>Mistakes or failures are not punished</td>
<td>8.0</td>
<td>11.5</td>
<td>65.5</td>
<td>8.0</td>
<td>6.9</td>
<td>2.94</td>
<td>0.894</td>
</tr>
<tr>
<td>People are expected to learn constantly</td>
<td>0</td>
<td>0</td>
<td>12.6</td>
<td>46.0</td>
<td>41.4</td>
<td>4.29</td>
<td>0.680</td>
</tr>
</tbody>
</table>

Most of the respondents 36.8% indicated that the Information is shared and is accessible to greater extent, while 52.9% stated that learning is emphasized and valued to a greater extent. On the other hand 65.5% were neutral that the mistakes or failures are not punished. Further 46.0% agreed to a great extent that People are expected to learn constantly.

4.6 Bancassurance and Financial Performance

4.6.1 Capital Adequacy

The study sought to determine capital adequacy pertaining certain statements in order to provide an insight on its influence on bancassurance on profitability of insurance firms. The findings were as indicated in Table 4.11.

From the study findings in Table 4.11, majority (50%) agreed to the great extent that capital adequacy protects the interests of insurance firms since the adoption of bancassurance, (50%) moderately agreed with the statement that capital adequacy establish prudential regulation of insurance firms since the adoption of bancassurance, (42.86%) agreed that capital adequacy enhance transparency and accountability in insurance firms since the adoption of bancassurance (57.14%) of the respondents agreed that capital adequacy ensure risk
mitigation and (42.86%) of the respondents agreed that capital adequacy ensure insurance firms complies with the insurance governing laws since the adoption of bancassurance. This implies that capital adequacy is very crucial in the insurance operations.

Table 4.11: Capital adequacy

<table>
<thead>
<tr>
<th>Statement</th>
<th>NA</th>
<th>LE</th>
<th>N</th>
<th>A</th>
<th>VM</th>
<th>MEAN</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protecting the interests</td>
<td>(0.00%)</td>
<td>(7.14%)</td>
<td>(14.29%)</td>
<td>(50%)</td>
<td>(27.57%)</td>
<td>4.33</td>
<td>0.23</td>
</tr>
<tr>
<td>Establishing prudential regulation</td>
<td>(7.14%)</td>
<td>(14.29%)</td>
<td>(50%)</td>
<td>(14.29%)</td>
<td>(14.29%)</td>
<td>3.98</td>
<td>0.29</td>
</tr>
<tr>
<td>Transparency and liability</td>
<td>(0.00%)</td>
<td>(7.14%)</td>
<td>(21.43%)</td>
<td>(42.86%)</td>
<td>(28.57%)</td>
<td>2.23</td>
<td>1.02</td>
</tr>
<tr>
<td>Ensure risk mitigation</td>
<td>(7.14%)</td>
<td>(7.14%)</td>
<td>(7.14%)</td>
<td>(57.14%)</td>
<td>(21.43%)</td>
<td>4.34</td>
<td>0.22</td>
</tr>
<tr>
<td>Complies with the insurances governing laws</td>
<td>(0.00%)</td>
<td>(14.29%)</td>
<td>(21.43%)</td>
<td>(42.86%)</td>
<td>(21.43%)</td>
<td>4.33</td>
<td>0.23</td>
</tr>
</tbody>
</table>

From the findings in Table 4.12 majority (50%) agreed to a very great extent that capital adequacy is very crucial in determining the minimum amount of capital (50%) agreed to great extent that capital adequacy is important in determining the core capital (tier 1), (42.86%) of the respondents further agreed to great extent that capital adequacy plays an important role in Supplementing capital (tier 2) with majority of the respondents (57.14%) agreeing that capital adequacy determines Equity capital in insurance firms. This implies that capital adequacy affects to great extent the profitability of insurance firms and therefore must be well managed for insurance firms to remain profitable.

The study further sought to establish the effect of capital adequacy on the profitability of insurance firms since the adoption of bancassurance the findings were as indicated in Table 4.12.

Table 4.12 Effect of Capital Adequacy on Profitability of Insurance Firms
4.6.2 Management quality

Sound management being very important to the performance of any organizations, the study found it of paramount to determine its effect on insurance firms’ profitability with adoption of bancassurance.

4.6.3 Managing Risks Involved During Operation

The study found it of importance to determine the level of extent at which the bancassurance reduces risk involved in the operations of insurance firms. The findings were as indicated in Figure 4.1.

From the findings in Figure 4.1 majority 47% indicated that bancassurance managed risks involved during the operation of insurance firms to a very high extent, followed by 37% who agreed with the statement to high extent with only few 11% and 5% who agreed to the statement to low extent and very low extent respectively. This implies that managing the arising risks by insurance firms is very important in their efforts towards reducing the potential losses.
Figure 4.1: Managing risks involved during operation

4.6.4 Extent of Insurance Company Offering Auxiliary Services Employees Since the Adoption Of Bancassurance.

The study further found it very important to determine the extent of insurance company offered auxiliary services to employees. The findings were as indicated in Figure 4.2.

From the findings in Figure 4.2 majority 40% indicated that their insurance firms offered auxiliary services to employees to a great extent, followed by 37% who indicated very great extent. However very few 11%, 7% and 5% indicated moderate extent, little extent and no extent at all. This implies that bancassurance in their efforts towards motivating their insurance firms’ employees’ to enhance the productivity of insurance firms.
Figure 4.2: Extent of insurance company offering auxiliary services to employees.

4.7 Bancassurance and Liquidity

The study further found of importance to determine the effect of liquidity of insurance firms on profitability since the adoption of bancassurance. The findings are discussed herein.

4.7.1 Insurance Firms Lending to Customers since the Adoption of Bancassurance.

The study found it of importance to determine the extent of insurance firms lending to customers, the findings were as indicated in Figure 4.3.

From the findings in Figure 4.3 majority 50% indicated to great extent that insurance firms lend to customers, followed by 20% who indicated to very great extent that insurance firms lend to customers with only few 4% indicating no extent. This implies that insurance firms play a very important role in lending of finances to potential borrowers to boost their investments.
Figure 4.3: The extent of insurance firms lending to customers

4.7.2 Effect of Liquidity on Insurance Firms

The study also found it very important to determine the effect of liquidity on insurance firms by evaluating the respondents’ views on certain liquidity related statements.

From the findings in Table 4.13 majority (50%) indicated that the insurance firms raises liquid holdings in order to reduce liquidity risk since the adoption of bancassurance, further (42.86%) also indicated that the insurance firms meets its short term obligations through liquidity, (57.14%) indicated that insurance firms enhances loan disbursement to customers through liquidity.

This implies that liquidity plays a major role in insurance firms in meeting very crucial expenditures. Liquidity measurement is given by ratio of liquid assets to total liability deposits. This liquidity ratio has been used in the study of Mugenda (2008), for the performance of Malaysian Islamic bank during 1984-1997. This research also intends to use this ratio.
Table 4.13: Effect of Liquidity on Insurance Firms

KEY: (NA)-Not at all (LE) - Less extent (N) - Neutral (A) - Agree (VM)-Very Much

<table>
<thead>
<tr>
<th>Statements</th>
<th>NA</th>
<th>LE</th>
<th>N</th>
<th>A</th>
<th>VM</th>
<th>MEAN</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raises liquid holdings</td>
<td>(14.29%)</td>
<td>(7.14%)</td>
<td>(14.29%)</td>
<td>(50%)</td>
<td>(14.29%)</td>
<td>4.11</td>
<td>0.72</td>
</tr>
<tr>
<td>Meets its short term obligations</td>
<td>(0.00%)</td>
<td>(7.14%)</td>
<td>(21.43%)</td>
<td>(28.57%)</td>
<td>(42.86%)</td>
<td>3.25</td>
<td>0.87</td>
</tr>
<tr>
<td>Loan disbursement to customers</td>
<td>(7.14%)</td>
<td>(7.14%)</td>
<td>(7.14%)</td>
<td>(57.14%)</td>
<td>(21.43%)</td>
<td>4.34</td>
<td>0.22</td>
</tr>
</tbody>
</table>

4.8: Correlation Analysis

The Pearson product-moment correlation coefficient (or Pearson correlation coefficient for short) is a measure of the strength of a linear association between two variables and is denoted by \( r \). The Pearson correlation coefficient, \( r \), can take a range of values from +1 to -1. A value of 0 indicates that there is no association between the two variables.

A value greater than 0 indicates a positive association, that is, as the value of one variable increases so does the value of the other variable. A value less than 0 indicates a negative association, that is, as the value of one variable increases the value of the other variable decreases (Sachs & Lother 1984).

4.9 Correlation Coefficient

The study in Table 4.14, show that all the predictor variables were shown to have a positive association between them at a significant level of 0.05 and hence included in the analysis. There was strong positive relationship between cost reduction and market share (correlation coefficient 0.8679), market share and profitability (correlation coefficient 0.8507), profitability and cost reduction (correlation coefficient 0.8345), cost reduction and
profitability (correlation coefficient 0.8163) earnings per share and profitability (correlation coefficient 0.7612) and between market share and earnings per share (correlation coefficient 0.7568). The table below shows the correlation coefficient matrix of the predictor variables.

Table 4.14: Correlation coefficient

<table>
<thead>
<tr>
<th></th>
<th>Profitability</th>
<th>Cost reduction</th>
<th>Market share</th>
<th>Earnings per share</th>
<th>Liquidity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost reduction</td>
<td>0.8345</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market share</td>
<td>0.8507</td>
<td>0.8679</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings per share</td>
<td>0.7612</td>
<td>0.8163</td>
<td>0.7568</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Liquidity</td>
<td>0.75601</td>
<td>0.80318</td>
<td>0.78921</td>
<td>.77892</td>
<td>1</td>
</tr>
</tbody>
</table>

4.10: Regression Analysis

The following are the results of regression analysis.

4.11: Model Summary

Analysis in Table 4.15 shows that the coefficient of determination (the percentage variation in the dependent variable being explained by the changes in the independent variables).

R Square equals 0.843, that is, return on assets, cost reduction, profitability, liquidity, earnings per share and the market share explains 84.3% of observed change in financial performance of insurances. The P-value of 0.000 (Less than 0.05) implies that the regression model is significant at the 95% significance level.
Table 4.15: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of Estimate</th>
<th>Change Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>.918(a)</td>
<td>.843</td>
<td>.805</td>
<td>.51038</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.843</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.242</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>96</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.000</td>
</tr>
</tbody>
</table>

_Predictors: (Constant), return on assets, cost reduction, profitability, liquidity, earnings per share and market share._

_Dependent Variable: Financial Performance of Insurance Companies_

4.12: Analysis of Variance (ANOVA)

The researcher sought to compare means using analysis of variance. ANOVA findings (P-value of 0.00) in table 4.16 show that there is correlation between the predictors’ variables (Cost reduction, profitability, Liquidity, Earnings per share and return on assets and response variable (financial performance of insurance).

Table 4.16: Analysis of Variance (ANOVA)

<table>
<thead>
<tr>
<th></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>.852</td>
<td>4</td>
<td>.213</td>
<td>1.242</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>20.35</td>
<td>119</td>
<td>.171</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>22.64</td>
<td>123</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

_Predictors: (Constant), Return on assets, cost reduction, profitability, liquidity, earnings per share and market share. Dependent Variable: Financial performance of insurance_
4.13: Regression Coefficients
The table shows the results of the regression coefficients required to form the multiple regression model.

From the Regression results in table below, the multiple linear regression model finally appear as

\[ Y = 0.903 + 0.058X_1 + 0.056X_2 + 0.0498X_3 + 0.047X_4 + 0.036X_5 + 0.123 \]

Where:

X1 = Return on assets

X2 = Cost reduction

X3 = Market share

X4 = earnings per share

X5 = Liquidity

The multiple linear regression models indicate that all the independent variables have positive coefficient. The regression results above reveal that there is a positive relationship between dependent variable (financial performance of insurance) and independent variables (return on assets, cost reduction, market share, Earnings per share and liquidity). From the findings, one unit change in return on assets results in 0.058 units increase in financial performance of insurance. One unit change in cost reduction, market share, Earnings per share and Liquidity cause 0.056, 0.0498, 0.047 and 0.036 changes in financial performance of insurance.

The t-test helps in determining the relative importance of each variable in the model. As a guide regarding useful predictors, we look for t values well below -0.5 or above +0.5. In this case, the most important variable was return on assets followed by cost reduction, market share, Earnings per share and liquidity respectively.
Table 4.17: Regression coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Std. Error</th>
<th>Beta</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td></td>
<td></td>
<td>0.123</td>
<td></td>
<td>7.367</td>
<td>0.000</td>
</tr>
<tr>
<td>Cost reduction</td>
<td>0.056</td>
<td>0.028</td>
<td>0.158</td>
<td>2.021</td>
<td>0.045</td>
<td></td>
</tr>
<tr>
<td>Return on assets</td>
<td>0.058</td>
<td>0.027</td>
<td>0.101</td>
<td>1.157</td>
<td>0.210</td>
<td></td>
</tr>
<tr>
<td>Liquidity</td>
<td>0.036</td>
<td>0.030</td>
<td>0.105</td>
<td>1.194</td>
<td>0.234</td>
<td></td>
</tr>
<tr>
<td>Earnings per share</td>
<td>0.047</td>
<td>0.028</td>
<td>0.147</td>
<td>1.686</td>
<td>0.093</td>
<td></td>
</tr>
<tr>
<td>Market share</td>
<td>0.0498</td>
<td>.021</td>
<td>0.110</td>
<td>1.176</td>
<td>0.036</td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Financial performance of insurances

4.14 Chapter Summary

This chapter presents the results based on the research questions in the form of graphs, tables and figures. The results have further been analyzed using descriptive, correlation and regression analysis. Chapter five will cover a detailed discussion on results and findings and subsequently comprehend conclusions and recommendations on each specific objective followed by recommendations for further studies.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
This chapter presents the summary of the findings, discussions of the findings, conclusions, recommendations and suggestions for further studies.

5.2 Summary
The purpose of the study was to determine effect of bancassurance on financial performance of insurance firms in Kenya: a survey of insurance firms in Nairobi County. The study was guided by the following research objectives: to find out effects of bancassurance on profitability of insurance firms in Kenya; to find out how bancassurance affect cost reduction of insurance firms in Kenya; to investigate how bancassurance affect return on asset of insurance firms in Kenya; to determine effects of bancassurance to the earning per share of insurance firms in Kenya and to find out how bancassurance affect liquidity of insurance firms in Kenya.

The study adopted a survey design. The target population of study was the staffs in the following insurance firms:- UAP, CFC Heritage, CIC, APA, Jubilee, Kenindia, Britam, ICEA Lion, Kenya Re, Madison, and Old Mutual Insurance Firms in Kenya. Stratified random sampling was employed in the study in order to ensure fair representation and generalization of the findings. A sample size of 87 was selected from a total population of 2178 employees. The researcher used drop and pick later method. Data analysis was conducted using descriptive statistics to analyze the findings from the raw data. The findings were presented in tables, figures and charts. The results interpretations were presented in prose.

From the study carried out, the multiple linear regression models indicated that all the independent variables have positive coefficient. The regression results presented in Table 4.17 reveal that there is a positive relationship between dependent variable (financial
performance of insurance) and independent variables (return on assets, cost reduction, market share, Earnings per share and liquidity). From the findings, one unit change in return on assets results in 0.058 units increase in financial performance of insurance. One unit change in cost reduction, market share, Earnings per share and Liquidity cause 0.056, 0.0498, 0.047 and 0.036 changes in financial performance of insurance.

The study revealed that bancassurance has a positive impact on insurance firm’s profitability. Evidently, majority of the respondents (34.5%) confirmed that their organization has witnessed rising sales while 41.7% stated that there have been no credit period problems with suppliers due to liquidity. On the other hand 34.5% were neutral that they had no negative comments from external auditor on liquidity ratios. Further 40.2% stated that they met their claims on time due to proper liquidity levels. 43.7% stated that their organization has good profitability ratios since bancassurance adoption. 44.8% further confirmed that their organization has good liquidity ratios since bancassurance adoption.

The study further confirmed that bancassurance has impacted positively on cost reduction. The study revealed that an increase in the number of clients in each product bundle market reduced fees; that the degree of competition in the markets of each bundle also reduces fees; that premium products have higher average costs; and finally, that cross-holdings reduce prices and bancassurance reduces prices. The price reduction declines if both strategies are combined. The study clearly reveals that Banks also have much lower distribution costs than insurance firms and thus are budding as the ideal distribution channel. Tying up with banks is the rational route for insurers to take for achieving widespread geographical spread and countrywide customer access at minimum cost.

The study found it relevant to determine the effect of return on asset and liquidity on insurance firms by evaluating the respondents’ views on certain liquidity related statements. The respondents agreed that the insurance firms raises assets holdings owing to its positive impact on the market share this in turn has a positive replica on the firm’s liquidity. Further 42.86% of the respondents also indicated that the insurance firms meets its short term obligations through liquidity, while 57.14% indicated that insurance firms enhances loan
disbursement to customers through liquidity thus gaining on asset. This implies that liquidity plays a major role in insurance firms in meeting very crucial expenditures. Liquidity measurement is given by ratio of liquid assets to total liability deposits.

It can thus be summarized that there was impact on organization exhibition in the insurance firms since the adoption of bancassurance. On the Bancassurance platform the findings showed that Information is shared and were accessible. Information distribution is a very important tool in management, distribution as well as profit making, bancassurance play a great role and as the majority of the respondents had verified there is good allocation and accessibility of the information after the adoption of bancassurance then it should be maintained, hence liquidity formation between banks and insurers.

Finally, the study further revealed that bancassurance had an impact on the earnings per share of insurance companies. Majority of the respondents (36.8%) confirmed that there was rising Earnings per Share with the adoption of bancassurance concept. The findings established that majority of the insurance firms that adopted bancassurance as part of its channel of distribution indeed recorded a rise in its Earning per Share. Majority indicated that their company used platform of bank remittances from clientele into premiums information system very much as supported by a mean of 3.97 of the respondents that were for this idea. Findings showed that there was impact on adoption and implementation of cost cutting tactics owing to the use of bancassurance information system. These results are an indication that bancassurance is much beneficial to the insurance firms on issues pertaining adoption and market share assessment. The results revealed that through use of bancassurance popular of the assurance firms had witnessed rise in market share hence more income.
5.3 Discussion
5.3.1 Bancassurance and Profitability

Most of the respondents 34.5% indicated that the organization had witnessed rising sales while 41.7% stated that there have been no credit period problems with suppliers due to liquidity. On the other hand 34.5% were neutral that they had no negative comments from external auditor on liquidity ratios. Further 40.2% stated that they met their claims on time due to proper liquidity levels. 43.7% stated to a greater extent that their organization has good profitability ratios since bancassurance adoption. 44.8% confirmed that their organization has good liquidity ratios since bancassurance adoption to a greater extent. 42.5% of the respondents stated to a great extent that a bancassurance system allows financial managers to learn from experience. 35.6% were moderate that experimentations on bancassurance services to new banks are allowed.

As indicated above, even in the mature market, in Kenya the database on actual bancassurance profitability – as conflicting to consultants’ estimates – is quite insufficient. On the other hand, several leading bancassurers – not surprisingly, perhaps, those with a good story to tell! – have not only revealed current key profit numbers in their investor reporting but also compared them with delivery options. These findings were in line with Frinquelli (1990), who stated that while the life product is the standard for most numerical analysis of bancassurance, it represents only a fraction of the total tax-advantaged long-term savings which are actively sold by banks. As other bancassurers in these and other markets feel contented in publishing their results by distribution channel, analysts will study them with interest to determine whether bancassurance is truly a more profitable supply channel. The bancassurance profit record is thus a remarkable one. Equally inspiring, however, are the steps insurers in Kenya have taken to development their own profit performance – and thus enable them to meet the reasonable challenge of the banks.
The actual evolution of the banks’ product mix is examined. The second set is comprised of those linked to traditional banking products such as mortgages and individual loans. For decades, banks have profited from these interactions to sell so-called credit or creditor life insurance – essentially shielding the borrower (and the bank) against the incapability to repay a loan in the event of death or incapacity. In many markets, well over half of these retail loans are sold by banks with such guard attached – a cause of concern from controllers about secured sales. The findings can be related to Kumar, (2001) who states that Kenyans banks are projected to provide approximately one-third of the buildings and contents assurance on their home loans. In recent years, bancassurers has become the focus of controlling attention because of the operational cost of the cover compared to the possible benefits.

Banks have effectively sold simple non-life products dependent of bank services, including structures and contents, cars, travel and pet cover. Often carrying considerable margins, these call for little advice and can be sold online, by straight mail or by generalist bank staff. Life and other durable investment products as well as those sold in link with bank loans have reasonably attracted most of the planned attention of bank suppliers. In reference to Koponen (2003) pure guard products such as auto and home loans have been seen by many banks as low significance: perhaps involving unacceptable endorsing risks, few interactions with other bank products, being subject to controlled tariffs, and possibly (most difficult of all) conflicting with the bank’s brand. For years, for example, banks concerned over the encounters which might occur in the event of a loss claim, when a valued client would leave the bank in irritation over a disputed cover claim.

5.3.2 Bancassurance and Cost Reduction

The researcher has deduced that bancassurance will help cut overlapping costs and try to gain economies of scale and scope and, thereby, driving down unit costs in the fashion of the vertically integrated 20th century corporation. This was supported by 42.5% who stated that there was cost reduction since adoption of bancassurance. With a low-cost structure, the banks can leverage on a cost-effective bundle of business financial services, including cash
management, lending, capital markets, risk management, retirement savings, and all types of commercial and personal lines of insurance.

The bancassurance model also addresses the problems of persons and small and medium sized establishments by providing a variety of financial services under one roof. The blending of financial services reduces the operational costs of the banks and insurers which can be passed on to the customer without materially affecting their own margins. Also, bancassurance helps to lower the delivery costs of underwriters. A study shows that the cost of selling cover through direct sales force is about twice as high as the cost of vending through bancassurance. However, the cost of vending the products through autonomous financial advisers is about the same as bancassurance. Attainment cost of cover customer through banks is low. Selling cover to existing mass market banking clienteles is far less exclusive than selling to a group of unknown clienteles. The study shows that bancassurance is an efficient sharing channel with higher productivity and lower costs than customary distribution channels. These cost advantages are particularly significant in the more integrated models.

The study above indicates that majority of the respondents supported the idea that there was a rising market share owing to bancassurance as indicated by 40.2%. This declaration can be supported by (Staikouras, 2006) that growth in the bancassurance channel is occurring most rapidly in emerging economies outside of Kenya, where insurers are increasingly making use of banks’ large client bases to market their policies. For instance, the share of the bancassurance channel in Kenya’s life insurance marketplace grew from around 25% to 41% between 2009 and 2012, thereby replacing agents as the main distribution channel. In contrast, the share of bancassurance in Europe's superior economies is likely to have reached a peak and may even decline in prospect years, partly because of reputational damage to the banking sector in the wake of the financial crisis but also because alternative sharing systems tend to be stronger here.

While there is a significant evidence of the cost advantages of bancassurance, the researcher’s insurance sources raise a number of questions regarding the validity of the data
provided above. They acknowledge the advantages of a loyal client base that is open to offers from its bank, but these sources point out that much depends on the product chosen and the bank’s accounting policies. Much more effort is required to sell a product requiring advice, such as a personal pension, which happens to be the mainstay of the broker and agency channels. In contrast, ‘tick-the-box’ cross-sales of credit life or a pure investment product, which are the province of the banks, require much less time and skill. And while the marginal cost of a bank branch sale may be nominal, if the training, systems and other overhead costs of bancassurance are fully charged, any cost advantage may disappear.

5.3.3 Bancassurance and Return on Asset

The study found it very important to determine the effect of return on asset on insurance firms by evaluating the respondents’ views on certain liquidity related statements.

The findings also established that there was impact on organization exhibition to a great extent in the insurance firms since the adoption of bancassurance. On the Bancassurance platform the findings showed that Information is shared and were accessible to a great extent. Information distribution is a very important tool in management, distribution as well as profit making, bancassurance play a great role and as the majority of the respondents had verify there was good allocation and accessibility of the information after the adoption of bancassurance then it should be maintained, hence liquidity formation between banks and insurers.

The findings were in line with Koponen (2003) who stated that it has turn out to be clear that banks have been reluctant to invest significant amounts of capital in the cover sector. Both the perceived instability of cover risk and lower return on equity for financiers has been cited. Instead, banks have favored to buy distribution in the form of the cover agencies whose client relations govern the US retail brokerage scene. Bancassurance in the US is thus fundamentally a delivery business, with banks industrial none of the fixed allowances and life cover they sell, and playing only a minor role in the production of their joint funds and variable incomes. Their providers are the underwriters themselves as well as third-party
salespersons (TPMs), independent companies that now sell a range of cover and asset products, mostly to communal banks.

According to Nicholson (1990), the client hopes to: pay a lower price because gaining costs are lower; have the convenience of one-stop shopping for fiscal services products and an easier way to make costs (through the bank); and enjoy better client amenities because of the bank’s expanded relationship with the client. This ratio is calculated to judge the output of the banks. In bancassurance, since the banks will be able to produce a fixed and additional source of revenue with existing benefit structure of the banks, this ratio is hypothesized to be boosted from pre to post bancassurance period.

5.3.4 Bancassurance and Earning per Share

On Earning per Share, the findings established that majority of the organizations used bancassurance system in carrying out insurance business recorded a rise in its earning per share. Majority indicated that the company used platform of bank remittances from clientele into premiums information system very much as supported by a mean of 3.97 of the respondents that were for this idea. Findings further showed that there was impact on adoption and implementation of cost cutting tactics owing to the use of bancassurance information system. These results are an indication that bancassurance is much beneficial to the insurance firms on issues pertaining adoption and market share assessment. The results revealed that through use of bancassurance popular of the assurance firms had witnessed rise in market share hence more income.

Mbuthia, (2009) noted that the growth of bancassurance is carefully related to the regulatory climate of the state, helping to explain changes in its significance across different states. Banks can be involved in cover in two ways: Distributing and underwriting cover. And the corresponding dangers are very dissimilar. Banks tend to view cover distribution as a less dangerous business section with the possibility to produce stable and predictable revenues, while they view cover underwriting as a more dangerous segment with low margins.
Banks generate more profits by more premiums collected and they also receive commission like normal insurance agents which increase their profits and better status for the banks as their service base also growths and are able to deliver more service to clienteles and even more client are attracted toward bank. Bancassurance enables a bank to offer services in a commercially viable way by plummeting fixed costs and boosting customers to use the service more often, thereby proving access to extra revenue sources, Veniard (2010) stated that by using private costs and revenue approximations provided by three service providers in Africa, one in Asia, and three in Latin America found that manager banking does improve bank effectiveness and also improve the economies for these organizations compared with outlets for high-transaction, low balance accounts that are mutual among users.

Rhoades, (2000) argues that it would seem sensible to assume that if the inventive activity of a firm is reflected in the incomes obtained, then the superior the capacity to internalize the incomes made from invention, the greater the incentive within the firm to revolutionize. A survey carried out by Staikouras, (2006) found that there is a broad association between innovation and financial performance. The survey showed that 80% of the firms who initiated inventions in the last 3 years improved their commercial performance in terms of revenues, market share and new market infiltration. On the overall level of fiscal performance among the profit-making banks in terms of return on equity, return on venture, earning per share and dividend per share, survey data indicated that 49% of the respondents reported moderate, 36% reported great while only 15% reported low.

Sabbadini, (2010), argues that entry of banks into cover might deliver deeper infiltration into the cover market, especially the middle-income marketplace. Traditionally brokers did not serve this section well due to lack of info and low limits on products sold to these customers. Banks, in contrast, can easily touch the middle-income market since they encompass the majority of bank clients, and client information is accessible to the bank at a lesser cost.
5.3.5 Bancassurance and Liquidity

It can be summarized from the study that there was impact on liquidity to a great extent in the insurance firms since the adoption of bancassurance. On the Bancassurance platform the findings showed that Information is shared and were accessible to a great extent. Information distribution is a very important tool in management, distribution as well as profit making, bancassurance play a great role and as the majority of the respondents had verify there was good allocation and accessibility of the information after the adoption of bancassurance then it should be maintained, hence liquidity formation between banks and insurers.

In the analysis of the findings, the study revealed that the insurance firms raises liquid holdings in order to reduce liquidity risk since the adoption of bancassurance, further (42.86%) also indicated that the insurance firms meets its short term obligations through liquidity while a significant number of the respondents indicated that insurance firms enhances loan disbursement to customers through liquidity. In summary, liquidity plays a major role in insurance firms in meeting very crucial expenditures. Liquidity measurement is given by ratio of liquid assets to total liability deposits. This liquidity ratio has been used in the study of Mugenda (2008), for the performance of Malaysian Islamic bank during 1984-1997. This research also intended to use this ratio.

Changes in the existing scope of danger and its new areas also affect the fiscal sphere of cooperating units, especially in terms of efficacy and creditworthiness. It was noted from the findings that bancassurance agreements is aimed at, in the important number of cases, achieving additional incomes, which pledges and increases the danger of misdeeds in the distribution procedures of banking products through the bank channels, but also creates the hazard of irregularities and fraud in the shared payments between the cooperating units. The negative effect of the awareness of the mentioned clusters of threat may be worsening a client’s position while using the services of both the bank and the cover firm. The bancassurance partners striving for making revenue may increase the danger of disparities in
bancassurance services to client needs and prospects, and ultimately lead to their dissatisfaction or in distinct cases to the appearance of claims from clients.

Rhoades, (2000) argues that the direct exposure to the epicentre of the crisis, the US mortgage market, and to related securities appears to have been limited. But the financial crisis has nonetheless had an increasingly visible impact on the insurance industry, primarily through their investment portfolios, as the crisis spread and financial market valuations and the outlook for real activity deteriorated significantly. The financial crisis may primarily be a banking crisis, and as insurance industry representatives have regularly emphasised, the solvency of the insurance sector as a whole does not appear to be threatened. Nonetheless, companies from that sector have been affected, and in mostly adverse ways. A number of concentrated exposures to credit and market risks have been revealed, including in US mortgage and financial guarantee insurance companies, as well as in certain other insurance-dominated financial groups.

Beyond these immediate issues related to the financial health of insurance sectors and companies, the crisis has clearly demonstrated that protection against systemic risks should also include monitoring and mitigating risks in the insurance sectors and companies. Even so, the evidence available so far suggests that the role of the insurance function in this financial crisis has had a stabilizing rather than a destabilizing influence on the system as a whole (Veniard, 2010)

5.4 Conclusions
5.4.1 Bancassurance and Profitability

From the results we can conclude that most organizations experienced rising sales (liquidity) that facilitate profitability due to adoption of bancassurance as revealed by table 4.7. The study also concluded that use of bancassurance was the best since the responded were very much satisfied with how Information was shared and its accessibility. The researcher further
concludes that there is rising sales (liquidity) that facilitate profitability after adoption of bancassurance to a greater extent; this is a clear indication that bancassurance had a great impact on insurance profitability and therefore the insurance company should fully adopt bank assurance as means of profit making. The researcher also concludes that impact on organization exhibition to a great extent in the insurance firms since the adoption of bancassurance.

From the results we can conclude that an increase in the number of clients in each product bundle market reduces fees; that the degree of rivalry in the markets of each bundle also reduces fees; that premium products have higher average costs; and finally, that cross-holdings reduce prices and bancassurance reduces prices. The price decrease declines if both strategies are combined. The researcher further concludes bancassurance increases earnings Per Share. Banks also have much lower allocation costs than insurance firms and thus are emerging as the ideal distribution channel. Tying up with banks is the rational route for insurers to take for achieving extensive physical spread and countrywide customer access at minimum cost.

5.4.2 Bancassurance and Cost Reduction

The researcher has deduced that Bancassurance will help cut overlapping costs and try to gain economies of scale and scope and, thereby, driving down unit costs in the fashion of the vertically integrated 20th century corporation. This was supported by 42.5% who stated to a greater extent that there was Cost reduction since adoption of bancassurance. With a low-cost structure, the banks can leverage on a cost-effective bundle of business financial services, including cash management, lending, capital markets, risk management, retirement savings, and all types of commercial and personal lines of insurance. The bancassurance model also addresses the problems of persons and small and medium sized establishments by providing a variety of financial services under one roof. The union of financial services reduces the operational costs of the banks and insurers which can be passed on to the customer without materially affecting their own margins. The study shows that Bancassurance is an efficient
sharing channel with higher productivity and lower costs than customary distribution channels. These cost advantages are particularly significant in the more integrated models.

The study above indicates that majority of the respondents supported the idea that there was a Rising market share to a greater extent owing to bancassurance as indicated by 40.2%. This declaration can be supported by (Staikouras, 2006) that growth in the bancassurance channel is occurring most rapidly in emerging economies outside of Kenya, where insurers are increasingly making use of banks’ large client bases to market their policies. For instance, the share of the bancassurance channel in Kenya’s life insurance marketplace grew from around 25% to 41% between 2007 and 2012, thereby replacing agents as the main distribution channel. In contrast, the share of bancassurance in Europe’s superior economies is likely to have reached a peak and may even decline in prospect years, partly because of reputational damage to the banking sector in the wake of the financial crisis but also because alternative sharing systems tend to be stronger here.

5.4.3 Bancassurance and Return on Asset

The study found it very important to determine the effect of return on asset on insurance firms by evaluating the respondents’ views on certain liquidity related statements.

The findings also established that there was impact on organization exhibition to a great extent in the insurance firms since the adoption of bancassurance. On the Bancassurance platform the findings showed that Information is shared and were accessible to a great extent. Information distribution is a very important tool in management, distribution as well as profit making, bancassurance play a great role and as the majority of the respondents had verify there was good allocation and accessibility of the information after the adoption of bancassurance then it should be maintained, hence liquidity formation between banks and insurers.

Insurance companies should adopt Information Technology so as to change the nature of fiscal markets and financial dealings and increase market share. The pace and reach of change are not likely to go-slow in the predictable future. While the Banks and investment
markets have embraced to these changes, insurance firms can as well cope with the changes and progress that comes with technology. The researcher further points that major applications choices and growth processes are often weighty and time-consuming without making use of information communication technology. While insurance firms accept the importance of information technology in their trade, they remain indecisive in their attitude toward it.

5.4.4 Bancassurance and Earning per Share

On Bancassurance earning per share, the findings established that majority of the organizations used bancassurance system in carrying out insurance business and rise earning per share. Majority indicated that the company used platform of bank remittances from clientele into premiums information system very much as supported by a mean of 3.97 of the respondents that were for this idea. Findings showed that there was impact on adoption and implementation of cost cutting tactics owing to the use of bancassurance information system. These results are an indication that bancassurance is much beneficial to the insurance firms on issues pertaining adoption and market share assessment. The results revealed that through use of bancassurance popular of the assurance firms had witnessed rise in market share hence more income.

5.4.5 Bancassurance and Liquidity

It can be summarized that there was impact on organization exhibition to a great extent in the insurance firms since the adoption of bancassurance. On the Bancassurance platform the findings showed that information is shared and was accessible to a great extent. Information distribution is a very important tool in management, distribution as well as profit making, bancassurance play a great role and as the majority of the respondents had verify there was good allocation and accessibility of the information after the adoption of bancassurance then it should be maintained, hence liquidity formation between banks and insurers.

From the study above, the trend shows that Insurance firms have to take advantage of the customers’ long-term trust and relationships with banks. The connection is a mutually
profitable one, where the bank can widen its range of products on offer to customers and earn more, while the insurance company gains by getting constant visibility at the bank branches, and also the security of getting premium payments on time.

5.5 Recommendations

5.5.1 Bancassurance on Profitability

From the results we can recommend that insurance firms should work with banks to experience rising sales that facilitate profitability due to adoption of bancassurance. Use of bancassurance was the best since the responded were very much satisfied with how Information was shared and its accessibility.

From the results we can recommend that an increase in the number of clients in each product bundle market reduces fees; that the degree of rivalry in the markets of each bundle also reduces fees; that premium products have higher average costs; and finally, that cross-holdings reduce prices and bancassurance reduces prices. The price decrease declines if both strategies are combined. The researcher further concludes bancassurance increases earnings Per Share. Banks also have much lower allocation costs than insurance firms and thus are emerging as the ideal distribution channel. Tying up with banks is the rational route for insurers to take for achieving extensive physical spread and countrywide customer access at minimum cost.

5.5.2 Bancassurance and Cost Reduction

The study recommends that insurance firms should strive to increase in the number of clients in each product bundle market to reduce fees; that the degree of rivalry in the markets of each bundle also reduces fees; that premium products have higher average costs; and finally, that cross-holdings reduce prices and bancassurance reduces prices. The price decrease declines if both strategies are combined. Price decrease enhances customer retention and attraction.

The researcher has recommends that Bancassurance should help cut overlapping costs and try to gain economies of scale and scope and, thereby, driving down unit costs in the fashion of
the vertically integrated 20th century corporation. With a low-cost structure, the banks can leverage on a cost-effective bundle of business financial services, including cash management, lending, capital markets, risk management, retirement savings, and all types of commercial and personal lines of insurance. The bancassurance model also addresses the problems of persons and small and medium sized establishments by providing a variety of financial services under one roof. The union of financial services reduces the operational costs of the banks and insurers which can be passed on to the customer without materially affecting their own margins. The study shows that Bancassurance is an efficient sharing channel with higher productivity and lower costs than customary distribution channels. These cost advantages are particularly significant in the more integrated models.

5.5.3 Bancassurance and Return on Asset

The study recommends that it is very important to determine the effect of return on asset on insurance firms by evaluating the respondents’ views on certain liquidity related statements.

Bancassurance platform the study recommends that Information should be shared and rendered accessible to a great extent. Information distribution is a very important tool in management, distribution as well as profit making, bancassurance play a great role and as the majority of the respondents had verify there was good allocation and accessibility of the information after the adoption of bancassurance then it should be maintained, hence liquidity formation between banks and insurers.

The study further recommends that insurance companies should adopt Information Technology so as to change the nature of fiscal markets and financial dealings and increase market share. The pace and reach of change are not likely to go-slow in the predictable future. While the Banks and investment markets have embraced to these changes, insurance firms can as well cope with the changes and progress that comes with technology. The researcher further points that major applications choices and growth processes are often weighty and time-consuming without making use of information communication technology.
While insurance firms accept the importance of information technology in their trade, they remain indecisive in their attitude toward it.

5.5.4 Profitability and Liquidity

The study recommends that banks should adopt distribution arrangements which provide both banks and insurance firms with additional sales and profitability potential with minimum of investment. The referral form of supply is a procedure, whereby the bank passes on commercial leads to career mediators of the cover company with which it has a tie-up. Unlike the recommendation arrangement, an agency association has the merit of preparing the bank staff to sell assurance products after receiving good training in agreement with the program prescribed for the purpose. The guidelines restrict banks to enter into business agency arrangement with only one life financier and one non-life underwriter. Banks becoming a corporate agent need to entitle a senior executive to be the nodal point with accountability to account for devotion to the terms of the insurance rule. From a supervisory perspective, we would prefer that cover firms go in for a more formal company agency model rather than the recommendation model.

5.6 Recommendations for Further Research

The study suggests that this research should be done on all insurance firms on their views regarding alternative and emerging new distribution channels in relation to insurance penetration.

Moreover, further studies should be carried on factors affecting profitability of insurance firms in Kenya.
REFERENCES


APPENDICES

APPENDIX I: Questionnaire Guide

Section A: General Information

1. Company:.............................................................................................................................

2. Staff cadre
   Operations [ ]
   Management [ ]
   Customer service [ ]

3. Gender: (Tick whichever is appropriate)
   Male [ ]
   Female [ ]

4. Age bracket: (Tick whichever is applicable)
   Below 20 Years [ ] 21 – 30 Years [ ]
   31 – 40 Years [ ] 41 – 50 Years [ ]
   51 - 55 Years [ ] Above 55 Years [ ]

6. Marital Status: (Tick whichever is appropriate)
   Single [ ] Married [ ] Widowed [ ] Divorced/Separated [ ]

7. What is your highest level of education? (Tick whichever is appropriate)
   Primary [ ] Secondary [ ] Diploma [ ] University
   Other (Please specify)...........................................................................................................

8. For how long have you served in your position?
   Less than 5 years [ ] 5 – 10 years [ ] 10 – 15 years [ ] above 15 years [ ]
Section B: Bancassurance Adoption and Market Share Assessment

1. To what extent does your organization use the platform of bank remittances from clientele into premiums information system? Please tick your response using the scale 1 to 5, not at all = 1 very much = 5

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

2. To what level do you agree with the following statements about the extent of use of bancassurance system in carrying out insurance businesses in your institution and rise in market share? In each case, please tick your response using the scale 1 to 5, not at all = 1 very much = 5

<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>My organization has premiums-remittance links with banks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My organization liaises with banks to solve client issues</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My organization liaises with banks to accept client bargains</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My organization liaises with banks to initiate insurance sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My organization liaises with banks to make promotional sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My organization liaises with banks to give client incentives</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My organization liaises with banks to offer after-sales service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My organization liaises with banks to communicate bulletins</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My organization liaises with banks to make policy adjustments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My organization liaises with clients to reach out to banks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My organization liaises with clients to woo popular banks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My organization liaises brokers’ sales to banks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My organization liaises with clients to appreciate banks’ efforts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3. What is the level of impact on adoption and implementation of cost cutting tactics owing to the use of bancassurance information system in your institution? In each case, please tick your response using the scale 1 to 5, not at all = 1 very much = 5

<table>
<thead>
<tr>
<th>Factor</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is reduction of operational staff due to bank-based sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>There is reduction of office space and equipment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>There is reduction in marketing staff numbers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>There is a fall in promotional expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>There is cost-cutting in logistical and operational expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>There is less need in hiring or leasing technical capacity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4. Any other comment on Cost Reduction and Bancassurance information system in your institution?

...............................................................................................................................
...............................................................................................................................
Part C: PROFITABILITY AND LIQUIDITY

1. To what extent has your institution experienced rising sales (liquidity) that facilitates profitability?

   In each case, please tick your response using the scale 1 to 5, not at all = 1 very much = 5

<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>My organization has witnessed rising sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>There has been no credit period problems with suppliers due to liquidity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We have no negative comments from external auditor on liquidity ratios</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We meet our claims on time due to proper liquidity levels</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My organization has good profitability ratios since bancassurance adoption</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My organization has good liquidity ratios since bancassurance adoption</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A bancassurance system allows financial managers to learn from experience</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Experimentations on bancassurance services to new banks are allowed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. To what extent does your organization exhibit the following characteristics? In each case, please tick your response using the scale 1 to 5, not at all = 1 very much = 5
<table>
<thead>
<tr>
<th>Characteristics</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rising Earnings Per Share since adoption of bancassurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rising market share owing to bancassurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost reduction since adoption of bancassurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rising Profitability since adoption of bancassurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rising bancassurance sales since its adoption</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3. Please rate the degree to which you agree/disagree with the following regarding the bancassurance platform. In each case, please tick your response using the scale 1 to 5, not at all = 1 very much = 5

<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>Information is shared and is accessible</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Learning is emphasized and valued</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mistakes or failures are not punished</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>People are expected to learn constantly</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4. How often does your organization change its bancassurance guidelines or policies to manage change? Please tick your response using the scale 1 to 5, not at all = 1 very much = 5

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Once per year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Once per two years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Once in more than two year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Never</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
5. In your view does bancassurance information system contribute significantly to the growth of your institution as an insurance organization? Elaborate

PART D. RELATIONSHIP BETWEEN BANCASSURANCE AND THE FINANCIAL PERFORMANCE

PART A: CAPITAL ADEQUACY

1. Kindly indicate risks your insurance firms faces in the market

.............................................................................................................................................................
.............................................................................................................................................................
.............................................................................................................................................................

2. To what extent do you agree with the following statement concerning capital adequacy in insurance firms? Use a scale of (1 No extent, 2=Less Extent, 3= Moderate Extent, 4=Great extent 5= very Great extent

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protecting the interests of insurance firms</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Establishing prudential regulation of insurance firms</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enhance transparency and accountability in insurance firms</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ensure risk mitigation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ensure insurance firms complies with the insurance governing laws</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Please tick where appropriate.

3. To what extent does capital adequacy affect profitability of this insurance firms since the adoption of bancassurance?


<table>
<thead>
<tr>
<th>Issues</th>
<th>Very great</th>
<th>Great</th>
<th>Moderate</th>
<th>Little</th>
<th>No extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum amount of capital (insurance firms capital requirement)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core capital (tier 1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplement capital (tier 2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity capital</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**PART B: MANAGEMENT QUALITY**

How does management quality affect profitability of insurance firms?

1. To what extent does the bancassurance reduce risk involved in its insurance company’s operations?

   Very great extent [ ]
   Great extent [ ]
   Moderate extent []
   Little extent [ ]
   No extent [ ]

2. To what extent do insurance firms offer auxiliary services to employees since adoption of bancassurance?

   Very great extent [ ]
   Great extent [ ]
   Moderate extent []
   Little extent [ ]
PART E: LIQUIDITY

1. To what extent has your insurance company given loan to customers?
   i. Very great extent [ ]
   ii. Great extent [ ]
   iii. Moderate extent [ ]
   iv. Little extent [ ]
   v. No extent [ ]

2. To what extent do you agree with the following statements about how liquidity affects profitability of insurance firms?

<table>
<thead>
<tr>
<th>Statements</th>
<th>Very great extent</th>
<th>Great extent</th>
<th>Moderate extent</th>
<th>Little extent</th>
<th>No extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>The insurance company raises liquid holdings in order to reduce liquidity risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The insurance company meets its short term obligations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance company enhances loan disbursement to customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3. Please provide the following information on firm’s performance.
<table>
<thead>
<tr>
<th>Criteria</th>
<th>Unit of measurement</th>
<th>5 Year Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2009</td>
</tr>
<tr>
<td>A. Financial (For Finance Rep Only)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on Investment</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>Gross Sales</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>B. Customer perspective</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer satisfaction index</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>Customer complaints resolution</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>C. Internal Business Processes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost efficiency</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>Capacity Utilization</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>D. Employee Dynamics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee productivity</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>Employee satisfaction</td>
<td>%</td>
<td></td>
</tr>
</tbody>
</table>

3. Please rate the degree to which you agree/disagree with the following regarding the bancassurance platform. In each case, please tick your response using the scale 1 to 5, not at all = 1 very much = 5

<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>Information is shared and is accessible</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Learning is emphasized and valued
Mistakes or failures are not punished
People are expected to learn constantly

4. How often does your organization change its bancassurance guidelines or policies to manage change? Please tick your response using the scale 1 to 5, not at all = 1 very much = 5

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Once per year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Once per two years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Once in more than two years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Never</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5. How often does your organization change its bancassurance guidelines or policies to manage change? Please tick your response using the scale 1 to 5, not at all = 1 very much = 5

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Once per year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Once per two years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Once in more than two years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Never</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
6. How often does your organization change its bancassurance guidelines or policies to manage change? Please tick your response using the scale 1 to 5, not at all = 1 very much = 5

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Once per year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Once per two years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Once in more than two year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Never</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### APPENDIX II: Sample Insurance Firms

<table>
<thead>
<tr>
<th>Company</th>
<th>Target Population</th>
<th>Target population</th>
</tr>
</thead>
<tbody>
<tr>
<td>UAP</td>
<td>Senior Management</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Middle Level management</td>
<td>132</td>
</tr>
<tr>
<td>CFC Heritage</td>
<td>Senior Management</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Middle Level management</td>
<td>218</td>
</tr>
<tr>
<td>APA</td>
<td>Senior Management</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Middle Level management</td>
<td>133</td>
</tr>
<tr>
<td>Jubilee</td>
<td>Senior Management</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Middle Level management</td>
<td>112</td>
</tr>
<tr>
<td>Kenindia</td>
<td>Senior Management</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Middle Level management</td>
<td>144</td>
</tr>
<tr>
<td>Britam</td>
<td>Senior Management</td>
<td>5</td>
</tr>
<tr>
<td>ICEA Lion</td>
<td>Senior Management</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Middle Level management</td>
<td>88</td>
</tr>
<tr>
<td>Kenya Re</td>
<td>Senior Management</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Middle Level management</td>
<td>113</td>
</tr>
<tr>
<td>Madison</td>
<td>Senior Management</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Middle Level management</td>
<td>231</td>
</tr>
<tr>
<td>Old Mutual Insurance Firms</td>
<td>Senior Management</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Middle Level management</td>
<td>117</td>
</tr>
<tr>
<td><strong>Total Population</strong></td>
<td></td>
<td><strong>1,323</strong></td>
</tr>
</tbody>
</table>