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Factors affecting insurance penetration in Kenya - an insurance agents' view

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FACTORS AFFECTING INSURANCE PENETRATION IN KENYA - AN INSURANCE AGENTS' VIEW

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DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other university. To the best of my knowledge and belief, the dissertation contains no material previously published or written by another person except where due reference is made in the dissertation itself.

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ABSTRACT

Insurance is a critical component of any country's economic system. Insurance penetration is one of the measures of relative importance of the insurance sector to the specific country. Insurance penetration in Kenya has been very low at below three percent irrespective of the significant focus by regulators, policymakers and the insurance industry players. The factors impacting insurance penetration in Kenya have been studied over the years. While various studies have been carried out focusing on the corporate insurance industry players, this study sought to investigate the factors affecting insurance penetration in Kenya from the view of insurance agents who intermediate insurance products to the masses. The study conceptualized these factors as national culture, customer service, regulatory environment and public awareness. The specific objectives focused on examining how national culture, customer service, regulatory environment and public awareness impact insurance penetration in Kenya from the view of registered insurance agents. The theoretical perspective of the study was consistent with the Hofstede five dimensions of national culture, the service qualify model of measuring and capturing service quality and the agency model which defines the relationship between principals and agents. The methodology involved a descriptive approach in a cross-sectional study. The population for the study was the insurance agents approved by the Insurance Regulatory Authority (IRA). A sample of insurance agents was targeted and data was collected using a questionnaire administered manually at the insurance agents' meetings at their branches in the respective insurance companies. The data was then presented using tables. The study achieved a response rate of seventy one percent. The study revealed that regulatory environment, public awareness, customer service and national culture impact insurance penetration in Kenya to a marginal extent of just above one percent. Only two of the independent variables (public awareness and customer service) had a significant impact on the dependent variable, insurance penetration. The study concluded that there are other factors which impact the remainder of insurance penetration in Kenya. Other factors should be considered in future research to establish their effects on insurance penetration.

Key words: *Insurance, insurance penetration, national culture, public awareness, public awareness, regulatory environment.*

DEDICATION

This dissertation is dedicated to my spouse, partner, encourager, companion and above all my best friend, Mary Njeri Muinamu.

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ABBREVIATIONS / ACRONYMS

AKI	Association of Kenya Insurers
CBK	Central Bank of Kenya
COI	Commissioner of Insurance
GDP	Gross Domestic Product
GWP	Gross Written Premium
IRA	Insurance Regulatory Authority
ISPS	Internet Service Providers
KNBS	Kenya National Bureau of Statistics
MIPS	Medical Insurance Providers
OECD	Organization for Economic Co-operation and Development
RRA	Relative Risk Aversion
USD	United States Dollar

OPERATIONAL DEFINITION OF KEY TERMS

Insurance	This is a contract, represented by a policy, in which an individual or entity receives financial protection or reimbursement against specified losses from an insurance company. The consideration for these contracts is called premium.
Insurance agents	These are individuals licensed by IRA under Section 184 of the Kenyan Insurance Act. They act as intermediaries between the insurance companies and the insuring public and earn a commission which is a proportion of the premium paid for the insurance products they sell.
Customer service	Customer service refers to how a customer perceives the level of service provided by an organization. The service quality model has been used as the basis of determining the measures of customer service. This study considered the overall satisfaction level, customer retention, likelihood of recommendation and average resolution time for customer queries as constructs for customer service.
Insurance penetration	Insurance penetration refers to the ratio of insurance premiums to the GDP. In this regard, insurance penetration is driven by increased uptake of insurance products, enhanced awareness of insurance products which creates public knowledge on benefits of acquiring insurance products and ultimately through increase in insurance premium.
National culture	Culture refers to the complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of society. In this study, Hofstede five dimensions model as presented in figure 2.2 has been used to conceptualize national culture.

Public awareness

Public awareness refers to how well the population understands a given product, concept or service. For this study, the measures of public awareness for insurance products were how well the insurance industry has covered the insuring public through the insurance agents, whether the insuring public recognizes insurance companies and their products and also whether the insuring public recalls insurance products and insurance companies.

Regulatory framework

The regulatory framework refers to how the industry is supervised, managed and coordinated by the designated regulator. The framework comprises of six outcomes-based key performance indicators (KPIs) which include; regulators do not unnecessarily impede the efficient operation of regulated entities; communication with regulated entities is clear, targeted and effective; actions undertaken by regulators are proportionate to the regulatory risk being managed; compliance and monitoring approaches are streamlined and coordinated; regulators are open and transparent in their dealings with regulated entities; and regulators actively contribute to the continuous improvement of regulatory frameworks (TGA, 2015). This study considered the insurance agents' assessments of IRA's efficiency in operations, IRA's communication on whether it is clear, targeted and effective and IRA's efforts for continuous improvements.

CHAPTER ONE: INTRODUCTION TO THE STUDY

1.1 Background information

Insurance is a contract, represented by a policy, in which an individual or entity receives financial protection or reimbursement against specified losses from an insurance company. The insurance company pools clients' risks to make payments more affordable for the insured (AKI Insurance Guidebook). The insurance industry is a critical component of global economic activity as was acknowledged by the creation of the Insurance Committee by the Organization for Economic Co-operation and Development (OECD) in 1961 (OECD, 2016). OECD is a group of member countries that discuss and develop economic and social policy. Insurance also refers to the use of contracts to reduce and redistribute risk. In an insurance contract, the insurer accepts a fixed payment, or premium, from the insured, and in return undertakes to make payments if certain events occur. These events include death in life insurance, fire or theft in property insurance or medical expenses or loss of earnings in medical insurance (Myles Hashimzade & Black, 2017).

1.1.1 Insurance industry in Kenya

Insurance business in Kenya has developed from nothing to the largest in East Africa. The history of the insurance business in Kenya goes back to the colonial period during which the country was ruled by the British. The colonial masters invested in Kenyan land especially through their farming and agricultural activities. These investments brought up the need for protection against various forms of risks. They established insurance agencies. During this period, the insurance industry players were owned by the British. The earliest insurance companies include; Pioneer Assurance Society 1930, Jubilee Insurance Company 1937, Pan Africa Insurance 1946 and Provincial Insurance Company Limited 1949. By the time of Kenyan independence in 1963, the insurance institutions had been upgraded to full insurance companies. Before independence, the insurance business in Kenya had no established insurance legislation and was regulated by the Companies Act. However, the Insurance Ordinance of 1960 was promulgated after the United Nations Conference and Trade Development helped Kenya realize the need for legislation to control the growth of insurance business. Its main function was to

control the establishment, financing and working system of the insurance companies. Subsequently, the Insurance Act cap 487 was enacted in 1986 and enforced in January 1987. The Act provided for a regulator as well as registration requirements for insurance and reinsurance companies and other players including insurance agents and insurance brokers.

The insurance industry in Kenya also has other players in addition to the insurance companies. These included 4 reinsurance companies, 221 insurance brokers, 11 reinsurance brokers, 31 medical insurance providers, 142 insurance investigators, 126 motor assessors, 32 insurance surveyors, 32 loss adjustors and 9,348 insurance agents as of 2017 (IRA, 2017). The insurance agents referred to included 28 agents carrying out bancassurance business.

The industry is regulated by the Insurance Regulatory Authority (IRA) whose mandate as per the Insurance Act is to regulate, supervise and promote the development of the insurance industry in Kenya (IRA, 2017). The insurance companies have an umbrella industry body, Association of Kenya Insurers (AKI) which protects, promotes and advances the common interests of its members (AKI, 2016).

The Kenyan insurance sector has received significant investments from local and foreign investors over the years. In 2014, Britam acquired Real Insurance for Shs 1.4 billion (Britam, 2015). In 2015, the following transactions were completed, UAP Holdings Limited was acquired by Old Mutual Group, South Africa, Gateway Insurance Company Limited was acquired by Pan Africa Insurance Holdings (part of Sanlam Holdings from South Africa) and First Assurance Company Limited was acquired by Barclays Plc, Africa (AKI, 2016). Other global insurers, for example, Prudential which was set up in 1848 in London and had assets under management amounting to 599 billion Sterling Pounds as at 31 December 2016 had set base in Kenya (Prudential Life, 2017). Most of these foreign insurance groups are household brands which have been very successful in their countries of origin.

1.1.2 Distribution of insurance products

According to IRA (2016), insurance companies use a number of channels to distribute their products. These channels include direct sales, digital platforms, tied agents, bancassurance, independent agents and brokers. The Kenyan Insurance Act requires that all the intermediaries

are licensed and approved by IRA and require annual licenses to operate. Brokers are usually well established corporate organisations with a pool of experts who are able to handle large and complex corporate insurance business. Brokers are also independent and are not tied to any insurance company. On the other hand, insurance agents who are licensed by IRA under Section 184 of the Insurance Act generate sales from the larger retail market and their transactions are mostly based on personal networks and personalized customer contact, mostly from referrals. These insurance agents are either licensed as individual agents in their natural names or as agencies in their business names. However, agencies are not corporate entities but business names with the owner or proprietor as the registered insurance agent. Most of the insurance agents are tied through contracts by specific insurance companies but they can generate insurance business for up to three insurance companies by law. However, the nature of insurance business they can intermediate is not different. The intermediaries provide a link between the insurance companies and the insuring public. Feedback from these intermediaries provides input for innovation in product, business portfolio balance and formulation of organizational policies (Hayes, 2010).

1.1.3 Insurance comparison among countries

Insurance comparison among countries provides a measure of relative importance of the insurance sector to the specific country. The commonly used methods for insurance comparison among countries are premium income method, insurance density method and insurance penetration method (Wei, Yongdong & Yiting, 2009; Browne, Chung & Frees, 2000 and Han, Li, Moshirian & Tian, 2010).

The premium income method measures the overall scale of the insurance market in each country. The main drawback of the premium income method is its failure to consider the population factor and thereby does not represent the true level of insurance growth (Wei, Yongdong & Yiting, 2009). This method is also referred to as premium volume method and considers the market share of a country's premium income compared to global premium volumes (Browne, Chung & Frees, 2000).

The insurance density method (premium / population) measures the per capita premium thereby considering the population factor (Wei, Yongdong & Yiting, 2009). In their study on the

relationship between insurance development and economic growth, Han et al., (2010) considered insurance density as the indicator of comparative insurance industry growth. They computed insurance density as annual premium payments divided by the population and converted into USD for comparability. It often better reflects the true level of insurance growth in comparison to the premium income method. However, the insurance density method does not consider the economic development of the country and therefore it fails to take into consideration the relationship between the insurance industry and the economy (Wei, Yongdong & Yiting, 2009).

The insurance penetration method is superior to the other two since it considers the relative contribution of an insurance industry within the economy. Insurance penetration provides an indicator of the relative size and importance of insurance in the domestic economy, and is calculated as the ratio of direct gross premiums to Gross Domestic Product (GDP) (Wei, Yongdong & Yiting, 2009).

The study focused on the insurance penetration method since it is superior to the other two and considers the relative contribution of an insurance industry within the economy.

1.1.3 Insurance penetration concept

Insurance penetration is the ratio of gross insurance premiums and the GDP. It measures how deep the insurance sector is within a given economy. A high penetration rate reflects a higher contribution by the insurance sector to the country's economy. Insurance spurs economic development by spurring savings, decreasing the level of unnecessary precautionary savings and translating dormant capital into free capital by providing risk mitigation for players in the various sectors within the economy (Liedtke, 2007). Individuals, businesses and governments are able to control their exposure through insurance covers against damages, liability lawsuits or natural disasters which would normally be catastrophic without any risk transfer mechanisms. Insurance encourages investment through mobilizing savings and promoting financial stability. Personal and social insurance enhances the wellbeing of citizens and enables workers to remain healthy and financially stable between jobs. A government is also able to incentivize business development by directly providing insurance cover to individuals and businesses or by partnering with the insurance industry (Din, Angappan & Baker, 2017).

Lucia (2015) describes insurance penetration as a synthetic indicator which shows the contribution of insurance to Gross Domestic Product (GDP). According to Ernst & Young's global insurance trends analysis 2016, global insurance penetration (Gross Written Premium (GWP) as a percentage of GDP) in 2015 was 6.2% compared to 6.9% in 2010. During the same period, total insurance GWP increased from USD 4.3 trillion to USD 4.5 trillion. Life insurance premiums accounted for more than 5% of GDP in many European countries for example, France, Italy, Switzerland, and the United Kingdom and in some Asian countries for example Japan, Korea, Singapore. The penetration rate is even higher (above 10%) in South Africa and Ireland. In Latin America, life insurance penetration is below 2% in all reporting countries, with the exception of Chile (OECD, 2016). Non-life direct gross premiums exceeded 5% of GDP in only three countries in 2015: Korea, Puerto Rico and the United States. The lowest levels of penetration of non-life insurance are found in Latin American and Asian countries (OECD, 2016).

The 2016 overall insurance penetration in Kenya was 2.75% compared to 2.78% in 2015. According to AKI (2016), the target penetration rate by 2020 is 6.0% by taking on the existing untapped opportunities for insurance business in areas such as real estate, oil and gas, bancassurance, infrastructure, agriculture and micro insurance (AKI, 2016). The strategic focus of the Kenyan insurance industry is to achieve a 6.5% penetration rate, Shs 10,000 premium per head (density) and Shs 500 billion in industry revenue by 2020 (AKI, 2016).

1.1.4 Growth trends in insurance penetration

The global insurance industry growth was moderate in 2016 as demonstrated by the slight slowdown in premium income in both emerging and advanced economies. Life insurance premiums at the global level increased by 5.4% in real terms in 2016 compared to 5% in 2015. Non-life insurance premiums at the global level increased by 2.4% in real terms in 2016 compared to 3% in 2015 (AKI, 2016). Life insurance premium at the Africa level slumped by 1.1% in 2016 compared to a growth of 2.8% in 2015. During the same period, non-life insurance premium in Africa barely grew compared to growth of 1.3% and 1.2% in 2015 and 2014 respectively. In South Africa, growth slowed to an estimated 0.3% in 2016 compared to 2.3% and 4.6% in 2015 and 2014 respectively (AKI, 2015, 2016).

Insurance premiums in Kenya grew by 12.3% in 2016 largely driven by growth in life insurance. This was an accelerated growth compared to 9.9% growth recorded in 2015. Life insurance premiums grew by 19.3% compared to 8.5% growth in non-life insurance premiums. Non-life insurance business contributed 62.5% (Shs 121.67 billion) while long-term insurance business contributed 37.5% (Shs 73.06 billion) of the total premium written by insurers during 2016 (IRA, 2016).

The trend continued in the first half of 2017 where insurance premium growth recorded was 13% compared to 9.2% growth recorded in the first half of 2016. Life insurance business continued to growth at a much faster rate of 26.1% compared to a 6.3% growth in general insurance business. However, the percentage contribution for general insurance business remained higher at 62.3% (Shs 67.93 billion) compared to 37.7% (Shs 41.11 billion) for long-term insurance business (IRA, 2017).

Swiss Re (2017) projected that the global economy would grow moderately over the next two years, supporting continued growth in insurance premium volumes. Swiss Re projected that growth in global non-life premiums would fall slightly from 2.4% in 2016 in real terms to 2.2% in 2017, and accelerate to 3.0% in 2018. In the life sector, global premiums were projected to grow by 4.8% in 2017 and 4.2% in 2018. The growth in both life and non-life sectors was projected to arise from emerging markets, in particular emerging Asia supporting by stable economic growth, growing populations, urbanization and a rising middle class. China was expected to make a significant contribution to global insurance industry growth with the government targeting an increase in insurance penetration from 3% in 2014 to 5% by 2020 (Swiss Re, 2017).

1.1.5 Factors affecting insurance penetration

The low insurance penetration rate in Kenya has been attributed to a number of factors including the following: prohibitive regulatory environment, low public awareness, poor customer service, non-supportive culture, low levels of disposable income, marketing channels, poor claims settlement and pricing (Barasa, 2016). These factors have been conceptualized as regulatory environment, customer service, public awareness and culture for purposes of this study.

The regulatory environment relates to the set of rules and regulations defined by the government or its agencies to ensure fair trade and consumer protection in a given industry. There are issues concerning fraudulent companies, nonpayment of claims and total mismanagement of insurance companies in Kenya which have hampered the growth of insurance business in Kenya (Mudaki, Wanjere, Ochieng, & Odhiambo, 2012).

Customer experience, while commonly used by companies does not have a clear and commonly used definition. It is sometimes used to refer to interactions on digital platforms like websites or mobile applications, customer service or the turnaround times at a call center. Customer experience refers to the totality of how customers engage with a company and brand at the various touch points throughout the entire customer journey (Richardson, 2010). Service quality is defined as the customer's impression of the relative inferiority / superiority of a service provider and its services (Bitner and Hubert, 1994). Kotler and Keller (2006) contends that ''Satisfaction is a person's feeling of pleasure or disappointment resulting from comparing a product's performance (outcome) in relation to his or her expectation''.

Public awareness refers to the processes of developing and communicating factual information for the general population in order to increase their levels of awareness of disaster risks and their understanding of how they can act to reduce their exposure and vulnerability to hazards. The greatest challenge for the Kenyan insurers is that the insuring public lacks information about the insurance products or if they have any, it has been distorted by those charged with the responsibility of disseminating the information (Mudaki, Wanjere, Ochieng, & Odhiambo, 2012).

Culture is "the collective programming of the mind that distinguishes the members of one category of people from those of another. Culture is composed of certain values, which shape behavior as well as one's perception of the world" (Hofstede & Bond, 1988). Tyler, a British anthropologist defined culture as "that complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of society".

1.2 Problem statement

There has been significant growth in the insurance premium in Kenya from Shs 36.3 billion in 2005 (COI, 2005) to Shs 194.7 billion in 2016 (IRA, 2016). Despite this significant growth in premium income, insurance penetration has remained low indicating a low contribution of insurance to the GDP. According to AKI (2016), there were 52 operating insurance companies, 186 licensed insurance brokers, 29 medical insurance providers (MIPs) and 6,481 insurance agents at the end of 2016.

Insurance penetration in Kenya grew from 2.3% in 2001 to 2.6% in 2005 (COI, 2005) and to 2.79% in 2015 and 2.75% in 2016 (AKI, 2016). The penetration rate which stood at 3.4% in 2013 was negatively affected by the rebasing of the GDP upwards. The low penetration is an indication of untapped opportunities for insurance business in Kenya. It has had negative implications whenever disasters, for example, road accidents, fires and natural disasters have occurred where the affected have no insurance cover against them. Even though the insurance industry in Kenya is very promising and has received significant investments over the last decade, the uptake of insurance has been very low compared to banking services and also compared to other countries around the world.

While the area of insurance penetration in Kenya has been extensively studied, the various studies have considered factors affecting insurance penetration from the view of insurance companies and other corporate stakeholders in the insurance sector including brokers and medical service providers. A study focusing on the insurance agents would provide insights on insurance penetration in Kenya from the individuals who interact with the direct customers in the population. This general public makes up a high volume but low value insurance market and would be critical to the insurance market expansion which would in turn provide a key component of expanded insurance penetration. This study sought to fill this research gap by considering the impact of the factors affecting insurance penetration in Kenya from the view of insurance agents who have the highest reach in terms of the mass market.

1.3 Research objectives

1.3.1 Main research objective

To investigate the factors affecting insurance penetration in Kenya from the view of insurance agents:

1.3.2 Specific objectives

i) To establish the influence of regulatory environment on insurance penetration in Kenya from the view of insurance agents.
ii) To determine the relationship between customer service and insurance penetration in Kenya from the view of insurance agents.
iii) To assess the effect of public awareness on insurance penetration in Kenya from the view of insurance agents.
iv) To establish the role of national culture on insurance penetration in Kenya from the view of insurance agents.

1.4 Research questions

i. How does the regulatory environment influence insurance penetration in Kenya from the view of insurance agents?
ii. What is the relationship between customer service and insurance penetration in Kenya from the view of insurance agents?
iii. What is the relationship between public awareness and insurance penetration in Kenya from the view of insurance agents?
iv. What role does national culture play on insurance penetration in Kenya from the view of insurance agents?

1.5 Significance of the study

A low insurance penetration rate negatively impacts earnings for intermediaries (insurance brokers and agents) as well as investors in the insurance industry. First, the findings of this study will guide policy makers in coming up with strategies, policies and regulations aimed at improving the insurance penetration rate in Kenya. Second, the findings will benefit the general

public who are negatively impacted by lack of insurance coverage whenever misfortunes in the form of death, injury, disease, disability, accidents, burglary, theft, fire among others occur. Third, the findings of the study will provide input to the Insurance Regulatory Authority (IRA) who regulates the insurance industry in Kenya on what can be done to deepen the insurance market and improve the penetration rate. Finally, the findings of the study will also be useful for future scholars on this area and others relevant to the insurance industry.

1.6 Delimitation / scope of the study

The study was limited to licensed insurance agents within the Kenyan insurance industry irrespective of the insurance business they are involved in. The focus was not on insurance companies they work for since they are not tied to any. The study focused on insurance agents operating within Nairobi County since most of the insurance business in Kenya is sourced from there. The study did not focus on insurance brokers, since they are corporate entities whose views on insurance penetration would not be materially different to those from insurance companies which have already been covered in earlier studies.

1.7 Chapter summary

This chapter looked at the general aim of the study and provided a background of the local, regional and global insurance industry. The terms in the general objective and specific objectives were then defined and put in the context of the study. Finally, the low penetration rates and the factors affecting insurance penetration in Kenya were stated in the problem statement.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The first section of this chapter contains a review of the theoretical background to this study. In the second section of the chapter, a review of empirical literature relevant to the study problem has been performed. The third section provides a summary of the research gap. The conceptual framework based on the reviewed empirical evidence and the operationalization of the variables have been included at the end of this chapter.

2.2 Theoretical review

The study was anchored on the theories and models discussed further in the sections below:

2.2.1 Agency Theory

Insurance agents, among others, intermediate between the insurer and the insured in line with IRA's guidelines. Agency theory is the foundation of this intermediary relationship. Agency theory is a management and economic theory that attempts to explain relationships and self-interest in business organizations. It describes the relationship between principals and agents and delegation of control. It explains how best to organize relationships in which one party (principal (P)) determines the work and which another party (agent (A)) performs or makes decisions on behalf of the principal. According to agency theory terms, the insuring public would constitute the owners or principals and the insurance agents would constitute the managers or agents. There is an agency loss which is the extent to which returns to the residual claimants, the owners fall below what they would be if the principals, the owners, exercised direct control of the corporation (Jensen & Meckling, 1976).

There is a low trust on the insurance industry by the insuring public (IRA, 2012). On the back of this low trust, the insuring public engages agents in the form of insurance agents and insurance brokers to act on their behalf while entering into insurance contracts. This is aimed at enabling the insuring public to utilize the agents' and brokers' bargaining power in the delivery of the insurance promise when claims or benefits under the insurance contracts become due.

Insurance agents, just like insurance brokers are licensed by IRA and they act as intermediaries between the insurance companies and the insuring public. They earn a commission which is usually based on the premium paid by the insureds for the insurance products acquired.

2.2.2 Hofstede's cultural dimensions model

The effect of national culture on insurance penetration has been considered using the Hofstede's cultural dimensions model. Hofstede's 2011 model is the most widely used in the review of national cultures in business literature as it considered a large number of country observations. The dimensions include power distance, individualism vs. collectivism, uncertainty avoidance, masculinity vs. femininity and long-term vs. short-term orientation. Power distance considers how a culture views power relationship between people. High power distance cultures view power as unevenly distributed according to a hierarchy. Masculinity vs. femininity refers to the extent to which a culture is focused on achievement or nurture. Femininity relates to a culture in which social gender roles overlap. Collectivism refers to a culture where people are loyal to their inner group such as an extended family and a local community. Uncertainty avoidance refers to the extent to which a culture is tolerant to ambiguity and how well the people deal with the unexpected, unknown or inconsistent with the status quo. The long-term versus short-term orientation refers to the extent to which a culture connects the past with the current and future actions (Hofstede, 2011). The constructs used to measure national culture in this study were derived from the Hofstede's cultural dimensions model.

2.2.3 The Service Quality Model or SERVQUAL model

Measurement of customer service levels for provision of services is quite a daunting task. It is qualitative and has a dependency on the person providing the specific service. The Service Quality Model or SERVQUAL model has been applied to capture and measure the service quality levels experienced by customers. The model has ten dimensions of service quality consisting of reliability, responsiveness, competence, access, courtesy, communication, credibility, security, knowing the customer and tangibles. Another smaller version of this model considers five gaps as follows; knowledge gap, standards gap, delivery gap, communications gap and satisfaction gap (Parasuraman, Zeithaml & Berry, 1985 and Zeithaml, Berry & Parasuraman,

1996). The constructs used to measure service quality in this study were derived from the Service Quality Model or SERVQUAL model.

2.3 Empirical review on factors affecting insurance penetration

In this section, a review of empirical studies performed in the area of study has been performed. The review of previous studies is aimed at identification of the already existing body of knowledge including the gaps these studies identified.

The drivers for growth in the insurance industry are favorable demographic changes, alternative distribution channels, technological innovations, enhanced regulatory and compliance requirements as well as the expanded insurance product offerings (IRA, 2015). These factors have been conceptualized for this study as; regulatory environment, culture, public awareness and customer service.

2.3.1 Regulatory environment and insurance penetration

Kenya has the most sophisticated insurance sector and regulatory framework in East Africa. The country also has the highest level of insurance penetration. In the other East African countries, awareness of the importance of insurance for economic and social progress is growing, and governments and regulators are increasing their efforts to foster growth of an effective insurance industry (IRA, 2015). Among the areas of regulatory activities are elimination of malpractices, such as non-payment of legitimate claims, elimination of fake insurance policies / companies, and the enforcement of a “cash and carry” principle where an insurer may only issue a policy after he has received the premium payment. (IRA, 2015).

Insurance regulations cover registration of industry players, approvals of insurance products, delivery channels, minimum capital requirements and intermediary market (Makove, 2011). The goal of the regulatory environment is ensuring that the interests of the policyholders are safeguarded while maintaining the stability of the insurance companies.

Morrow (1992) refers to open competition and prior approval as the two broad regulatory environments. In a prior approval environment, the regulators exert control over the insurance companies including setting rates whereas in an open competition environment, insurance

companies self-regulate. The rates for insurance covers are determined through market forces. During the study period of 1973 to 1989, Morrow concluded that none of the regulatory environments created the desired balance between insurance profitability and customer value (Morrow, 2012). In Morrow's view none of the regulatory models is better than the other. However, since the regulators are funded by the taxpayers, there is no cost benefit justification for a prior approval regulatory system.

On the other hand, Kwon (2013) concluded that there was lower insurance consumption in countries with an exclusive insurance regulatory authority. Life insurance consumption was higher if the regulatory agency was part of the government or there was another jointly responsible agency. Market exit regulation, solvency regulations and use of standard forms resulted in increased insurance consumption while market entry regulations achieved the opposite (Kwon, 2013).

2.3.2 Public awareness and insurance penetration

The level of insurance awareness and information needs in the Kenyan population is impacted by the negative perception and general lack of knowledge of insurance. This is a major hindrance to growth in the insurance industry in Kenya (IRA, 2015). In one of its surveys in 2015, IRA found out that the level of insurance awareness in Kenya is roughly 67%. The survey noted a couple of information gaps with regard to the benefits of insurance to the consumers and the process of claiming benefits. Additionally, the study established that there is a negative perception that insurance is for the rich. The survey recommended adoption of partnership and coordination frameworks with various stakeholders in educating the public on insurance and continued monitoring of behavioral change in the uptake of insurance (IRA, 2015).

Insurance contracts are complex even for the knowledgeable clients. They are not easily identifiable compared to other financial services, for example, banking services which customers interact with on a regular basis. The insurance industry in Kenya needs to provide more consumer education focusing on shifting the attitude towards insurance and to enhance the general insurance knowledge of the public (IRA, 2015). A reasonable level of insurance awareness among the populace is required to enhance insurance penetration (Nirjhar, 2015). Nirjhar noted the role played by insurance in offering the much needed social security to the

population and that insurance remained a preserve of the urban populace. He noted that where insurance penetration had grown, the government had made considerable efforts in popularizing insurance products.

Various studies have been carried out to consider the correlation between risk aversion and the level of education. Outreville (2015) concluded that it is not clear that there is a positive correlation between risk aversion and the level of education. His research indicated that the positive and significant relationship between insurance demand and the level of education is reflecting another issue, not risk aversion. The correlation is also challenged by the fact that there is growing interest in the insurance sector in emerging and developing countries.

Generally, knowledge about a product has an impact on the customer perceptions of the product. Significant positive relationship was identified between the level of education of the household head and the probability of involvement in health insurance schemes in both urban and rural populations in India. The marginal effects were higher for rural populations. (Chakrabarti & Shankar, 2015).

According to Pandit (2015), marketing insurance to the rural population is challenged by lack of financial literacy, low per capita income, lacklustre attitude of the population and apathy of intermediaries to visit far off places. He recommends that insurance companies need to take a long term view, design products that are suitable for the rural population and consider the characteristics of the rural population (lifestyles and pattern of earnings) to penetrate the rural sector.

Available data from the Economic Survey done by Kenya National Bureau of Statistics (KNBS) suggests that Kenyan consumers are technology savvy. In 2015, mobile telephone subscriptions increased to 37.7 million subscribers, resulting to a penetration rate of 85.4 per cent. Internet subscriptions increased significantly from 16.4 million in 2014 to 23.9 million in 2015. The number of licensed Internet Service Providers (ISPs) increased from 177 in 2014 to 221 in 2015. Data speed for computer modems and transmission carriers increased by 66.9 per cent to 20,293 bits per second per capita (BPs/person) owing to accessibility of fiber optic (KNBS, 2017).

Digital and mobile supported marketing channels have gained significance in the last decade. The Central Bank of Kenya (CBK) annual supervisory report 2015 data shows that mobile payments have overtaken all the electronic card payments combined in terms of the number of customers and the overall value of the payment transactions (CBK, 2016). Mobile platforms are being employed in every aspect of human life. These aspects include using mobile money for payment of insurance premiums, onboarding of new insurance customers and payment of claims within the mobile money thresholds among others. According to AKI (2015), adoption of alternative distribution channels and use of technology are also set to boost insurance penetration in the Country.

2.3.3 National culture and insurance penetration

Previous studies have identified culture as a determinant in purchase decisions for both goods and services. According to Park and Lemaire (2012), consumers may respond to requests to acquire insurance products from a cultural standpoint not merely on economic considerations.

Chui and Kwok (2008) considered the impact of national culture on consumption of life insurance across 41 countries based on data between 1976 and 2001. Their study focused on four cultural principles as introduced by Hofstede (1983, 2001); individualism / collectivism, masculinity / femininity, uncertainty avoidance and power distance. They concluded that individualistic countries have higher life insurance consumption than collectivistic countries. However, they found a negative relationship between life insurance consumption and the power distance, the level of uncertainty avoidance as well as masculinity / femininity.

On the non-life insurance, a study on the impact of culture on consumption in 82 countries over a ten year period was conducted by Park and Lemaire (2012). They concluded that there was a negative relationship between non-life insurance consumption and the fraction of population with Islamic beliefs. However, there was no significant impact on insurance consumption from the fraction of population with Christian or Buddhist beliefs. Their view on the impact of religion on insurance consumption was consistent with the view that religion has opposed life insurance (Zelizer, 1979). Most religions teach followers to trust a supreme being (God) for protection which is in direct contrast with what insurance provides for, personal protection.

Park and Lemaire (2012) also concluded that there was a negative relationship between non-life insurance consumption and power distance. However, they noted a positive relationship between non-life insurance consumption and individualism and uncertainty avoidance. Their results on masculinity / femininity were not conclusive but contrary to Chui and Kwok (2008), the masculine side was dominant for non-life insurance consumption. Park and Lemaire (2012) concluded that possibly masculine societies are goods oriented, hence consume more non-life insurance while feminine societies are more sensitive to death risks, and hence consume more life insurance.

The risk appetite for consumers determines their consumption of insurance products. Demand for goods and services is a function of wealth (or total assets), expected income, expected rate of returns on alternative choices, and subjective discounting functions to evaluate these choices. Previous studies have concluded that education, income and wealth are highly correlated. Francois (2015) noted that as wealth is increased across households, a greater (smaller) proportion of wealth is held in the form of risky assets, households are said to exhibit decreasing (increasing) relative risk aversion (RRA), that is, they are relatively less (more) risk averse. Culture impacts risk aversion.

During 2015, IRA conducted a study on the influence of culture, beliefs and values on the uptake of insurance products in selected communities in Kenya. The study was conducted in Machakos, Kajiado, Nakuru, and Murang'a. While the results of the study are yet to be scaled to the national level, the results indicated that the sampled communities mostly use traditional practices such as forming groups (chamas) to deal with risk as opposed to purchasing insurance (IRA, 2015).

2.3.4 Customer service and insurance penetration

The insurance industry just like any other business operating in Kenya is faced with the challenge of satisfying an increasingly knowledgeable and sophisticated consumer. IRA (2015) introduces the need initiatives around innovation, focus on the customer and collaboration to facilitate sustainable growth and tap into the emerging opportunities.

Taizan, Erwin and Guy, 2010 proposes that "a service is a (market) offering by one party (the provider) to create value for another party (customer) through interaction in a co-production

process (with the consumer)". They contend that managing service quality necessitates an explicit understanding of service and service quality as well as a way to measure service quality. In their view, environment quality, outcome quality, interaction quality and integration quality form the dimensions of service quality. In their view, the service provider's processes, activities and capabilities impacts the customers' experience, outcome, interaction and value creation.

In an earlier study, Ghobadian, Speller and Jones, 1994 considered reliability, credibility, responsiveness, competence, customization, courtesy, access, security communication tangibles and understanding or knowing the customer as the various service dimensions. Subsequently and specifically for life insurance, Masood and Tripti (2010) proposed a six dimensional framework consisting of personalized financial planning, assurance, corporate image, competence, tangibles and technology. Their study concluded that service quality dimensions impact customer satisfaction with the company, their agents as well as the customer's overall satisfaction.

In their study on Ghana insurance industry, Duodu and Amankwah (2011) concluded that the service dimensions of reliability and responsiveness had a significant impact on the determination of customer satisfaction with the insurance industry. They identified a link between customer satisfaction and customer behavior intentions including lapsing, purchase of additional products and probability of recommendation. Their study also concluded that price, image quality and technical quality had no material impact on customer satisfaction in the insurance industry. The conclusions on reliability and responsiveness were also identified as key service quality dimensions in the Indian insurance market (Ramamoorthy, Gunasekaran, Roy, Rai & Senthilkumar, 2018).

As a practitioner in the Kenyan insurance industry, insurance customers expect claims payments on a timely basis, regular communication from insurance companies, security, responsiveness to queries and concerns raised about the product, processes, payments among others and reliability of information and assertions made right from the point of purchase all through to the delivery of the promised benefits.

2.4 Research gap

There was inconclusive evidence as to whether regulatory environments impact insurance penetration (Morrow, 2012). However, Kwon (2013) concluded that there was a link between the regulatory environment and insurance consumption in countries. From the studies conducted by IRA (2015), Nirjhar (2015) and Chakrabarti and Shankar (2015), there is a relationship between awareness of a product, customers' perceptions of the product and their eventual adoption of the product. This study sought to consider the relationship between public awareness and insurance penetration in the Kenyan insurance sector from the view of insurance agents.

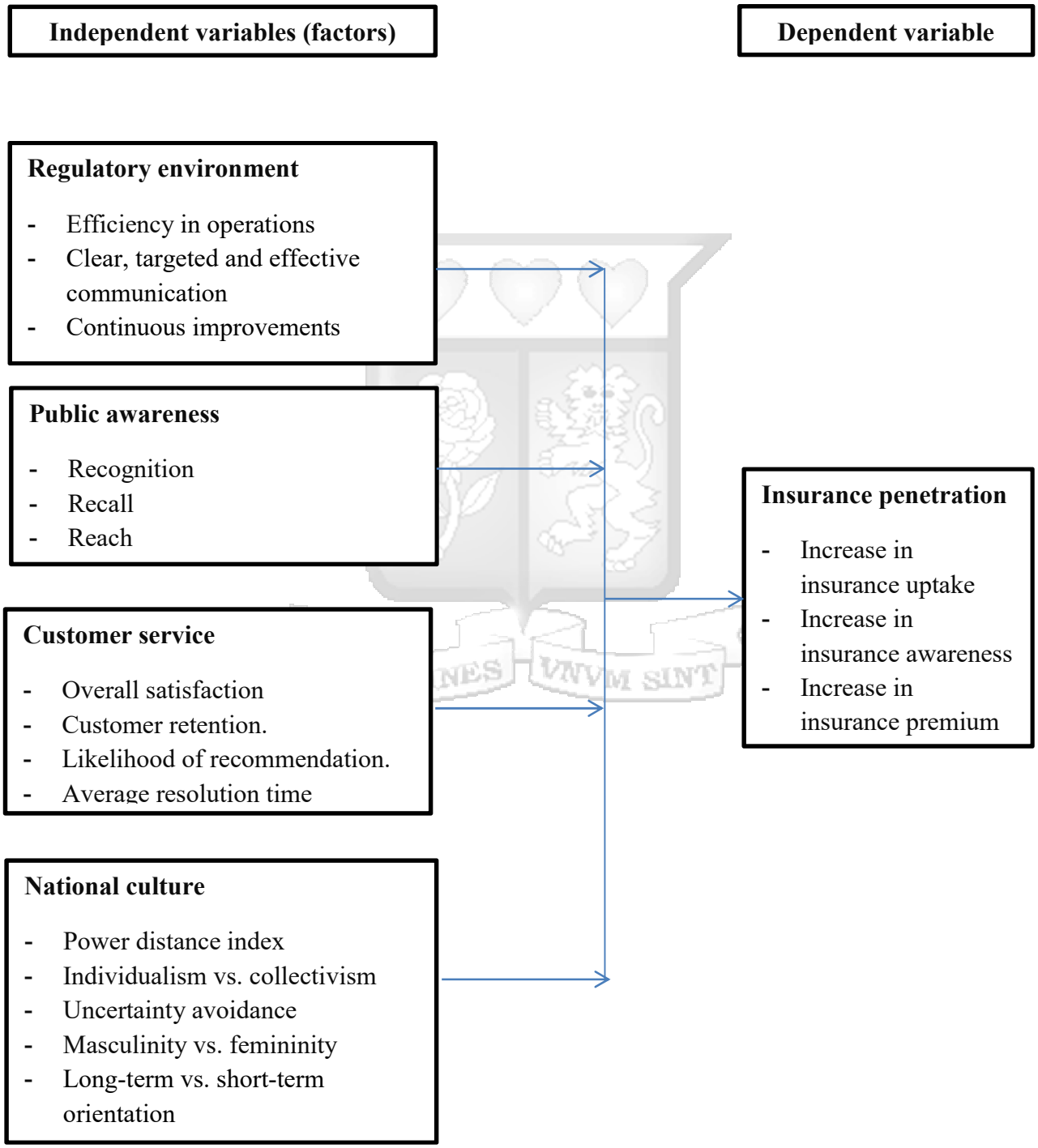
According to the studies conducted by Park and Lemaire (2012), Chui and Kwok (2008), Francois (2015) and IRA (2015), culture impacts purchase decisions. There are mixed results on the impact of culture on insurance penetration with some cultural dimensions having a positive impact and others the opposite. This study sought to consider the impact of culture on insurance penetration in the Kenyan insurance sector from the view of insurance agents.

Masood and Tripti (2010) concluded that service quality dimensions impact customer satisfaction with the company, their agents as well as the customer's overall satisfaction. Duodu and Amankwah (2011) and Ramamoorthy etal (2018) in their studies on Ghana and India insurance industries respectively also concluded that customer service dimensions of reliability and responsiveness were key in purchase and recommendation decisions. This study sought to consider the link between customer service and insurance penetration in the Kenyan insurance sector from the view of insurance agents.

2.5 Conceptual framework

The interdependencies between the various variables in this study are summarized in Figure 2.3:

Figure 2.1 Conceptual Framework



The various drivers for growth in the insurance industry have been conceptualized for this study as regulatory environment, culture, public awareness and customer service. The level of measurement and the method of analysis for each of these variables is summarized in Table 2.1 below:

Table 2.1 Operationalization of Variables

Dependent variable	**Level of measurement**	**Method of analysis**	**References**
Insurance penetration			
Increase in insurance uptake	Ordinal	Descriptive	Liedtke (2007) and Din, Angappan and Baker (2017).
Increase in insurance awareness	Ordinal	Descriptive	
Increase in insurance premium	Ordinal	Descriptive	
Independent variable	**Level of measurement**	**Method of analysis**	
Regulatory environment			
Efficiency in operations	Ordinal	Descriptive	TGA (2015)
Clear, targeted and effective communication	Ordinal	Descriptive	
Continuous improvements	Ordinal	Descriptive	
Public awareness			
Recognition	Ordinal	Descriptive	Nirjhar (2015) and Outreville (2015)
Recall	Ordinal	Descriptive	
Reach	Ordinal	Descriptive	
Customer service			
Overall satisfaction	Ordinal	Descriptive	Parasuraman, Zeithaml and Berry (1985) and Zeithaml, Berry and Parasuraman (1996)
Customer retention	Ordinal	Descriptive	
Likelihood of recommendation	Ordinal	Descriptive	
Average resolution time	Ordinal	Descriptive	
Culture			
Power distance index	Ordinal	Descriptive	Hofstede (2011)
Individualism vs. collectivism	Ordinal	Descriptive	
Uncertainty avoidance	Ordinal	Descriptive	
Masculinity vs. femininity	Ordinal	Descriptive	
Long term orientation vs. short term orientation	Ordinal	Descriptive	

2.7 Chapter summary

This chapter has looked at the concepts, theories and models on the various insurance penetration concepts. The empirical studies on the various factors affecting insurance penetration were also reviewed. The conceptualization and operationalization of the various independent variables was also covered. A conceptual framework for the study was developed in this chapter.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter focused on the methodology that was followed in the course of the research in investigating the factors affecting insurance penetration in Kenya from the view of insurance agents. The chapter consists of the research design, population and sampling procedures, data collection methods, data analysis, the reliability and validity tests and the ethical considerations that were taken into account in the course of the study.

3.2 Research Design

According to Savage (2015) the choice of framework for an investigation is dependent upon the research question and the object evaluated. There is a clear correlation between the breadth of the target and the type of research framework used in an investigation and it is common that there is some overlap of research frameworks within a research protocol (Knudson & Morrison, 2002).

This study applied a descriptive approach based on the nature of the research questions and the objectives of the study. A descriptive research design is used when data is collected with a view to describe persons, organizations, settings, or phenomena (Creswell, 2002). The study used a cross sectional survey design as it considered the relationships at a specific point in time. The descriptive approach was considered appropriate as the study involved both qualitative and quantitative data. These methods were considered an efficient way of obtaining information needed to assess the relationship between the identified factors and insurance penetration in Kenya. These methods also have the advantage of helping obtain data from each of the insurance agents sampled which then provided greater accuracy and reliability.

3.3 Population and Sampling

The population of study refers to the complete set of cases or group members (Saunders, Lewis & Thornbill, 2016). The population for this study was the insurance agents registered by IRA and operating in Nairobi. Insurance agents are licensed by IRA under Section 184 of the Insurance Act. There were 9,320 registered insurance agents in Kenya as at end of 2017 (IRA, 2017). The study applied a sample as a census would not be time and cost effective. The study

considered a sample of 365 registered insurance agents in line with the guidance for determination of sample sizes for research activities by Krejcie and Morgan (1970).

The respondents were drawn from the pool of insurance agents licensed by the Insurance Regulatory Authority (IRA) who are directly involved in the distribution of insurance products across Kenya. These insurance agents were considered to have all the information regarding the insurance products sold in Kenya, their customer needs as well as the various factors affecting insurance penetration in Kenya affecting the various insurance sector players. The research targeted insurance agents who are focused on different segments in the retail insurance sector.

The agents operating in Nairobi were chosen since most of the insurance business is sold in Nairobi and they were considered to have the relevant information regarding factors and challenges affecting insurance penetration. Nairobi County, which hosts the capital city in Kenya, is also the most advanced in terms of insurance customers' sophistication and technological advancement. Moreover, most of the insurance agents operate from or sell in Nairobi County. The location is also considered more accessible and thereby creating a more efficient and cost effective data collection process. The unit of analysis was the insurance agents. The sample was drawn using non-probability sampling. Convenience sampling was adopted in this study. This sampling method enabled the researcher to obtain information from registered agents as and when they were available within the selected region, Nairobi.

3.4 Data Collection Methods

The study utilized primary sources of data for analysis. This primary data was collected using questionnaires with close ended questions. These questionnaires were administered to insurance agents during their regular agency meetings at their assigned branches in the various insurance companies. These were provided in hardcopy and agents filled them by themselves to achieve reliability, accuracy and efficiency in the data collection process. This was because all insurance agents are required to demonstrate a reasonable level of education and proficiency before they are registered by IRA. The questionnaires were standard to ensure consistency in the data collection tool since the insurance agents operate in the same market and serve similar clients. The questions were used for collection of quantitative data. This data collection method was

considered efficient and effective due to minimal involvement of the researcher in administering the questionnaires.

3.5 Research Quality

In academic research it is important to confirm what we want to measure for purposes of the study. The study established quality by testing validity, reliability and piloting the study.

3.5.1 Validity

Patton (2002) defines validity as "an accurate reflection of the analysis to what has occurred or that the protocol measures what it is supposed to measure". The study established content, face and criterion validity.

3.5.2 Reliability

The study sought to improve the reliability of the data by using standard questionnaires and administering the questionnaires offline. The study achieved accuracy by framing questions in a way that necessitated accuracy and independent coding of the data. Reliability of the research instrument was determined using the scale of Cronbach's coefficient alpha indicated in Table 3.1.

Table 3.1 Reliability Tests

	Cronbach's Alpha	Split-Half (odd-even) Correlation	Split-Half with Spearman-Brown Adjustment	No of Items
Regulatory Environment	0.902	0.889	0.941	260
Public Awareness	0.533	0.799	0.532	260
Customer Service	0.911	0.786	0.880	260
National Culture	0.502	0.504	0.670	260

Source: Author (2019)

The value of Cronbach's alpha for the variables were above 0.5, which means that the constructs were reliable for predicting insurance penetration. Similarly, all the adjusted Spearman Browns coefficients were above 0.5. This implies that individual constructs were reliable for measuring the parameters of 260.

3.5.3 Piloting

The questionnaire was piloted with 20 insurance agents using a convenience sample. This trial was important in ensuring that the data collection instruments were designed accurately and any challenges or gaps were identified and resolved before full data collection.

3.6 Diagnostic Tests

3.6.1 Linearity Tests

The use of regression analysis involved making an assumption that there existed a linear relationship between the dependent variable (insurance penetration) and the independent variables (regulatory environment, public awareness, customer service and national culture). To assess this assumption, linearity test was performed as suggested by Greene (2012) and Cohen, West and Aiken (2013). Apart from using the Pearson's Correlation Coefficient between insurance penetration and regulatory environment, public awareness, customer services and national culture, the procedure also involved testing for the significance of the deviation from linearity. Testing for the significance of deviation from linearity implied testing the expectation that deviation from linearity is not significant. The decision is to reject the linear relationship expectation whenever p-value is less than .05. The latter method was applied and the results were as summarized in Table 3.2.

Table 3.2 Linearity Test

Descriptive Statistics			
N	Significance of deviation from Linearity (p-values)	Observation	Conclusion
Regulatory Framework	.937	Deviation from Linearity not significant	Linear
Customer Service	.635	Deviation from Linearity not significant	Linear
Public Awareness	.849	Deviation from Linearity not significant	Linear

National Culture	.541	Deviation from Linearity not significant	Linear

Source: Author (2019)

Table 3.2 shows that all the independent variables, deviation from linearity was not significant since all the p-values were greater than .05. This implied that there was a linear relationship between the dependent variable and the independent variables irrespective of the nature (strong, moderate or weak) or the type (negative or positive) of the relationship (Field, 2009).

3.6.2 Homoscedasticity Test

Homoscedasticity or homogeneity of variance assumes that the variance of the dependent variable is the same at all levels of the independent variable. This test was performed using Levene's test. This statistic measures whether or not the variance between the dependent variable and independent variables are the same. If the test is not significant (calculated probability ≥ 0.5), the two variances are not significantly different and thus approximately equal (Gastwirth, Gel & Miao, 2009). Results are as tabulated in Table 3.3.

Table 3.3 Homoscedasticity Test Based on Regulatory Environment as a factor

Test of Homogeneity of Variance					
		Levene Statistic	df1	df2	Sig.
Insurance Penetration	Based on Mean	.113	2	32	.894
	Based on Median	.116	2	32	.891
	Based on Median and with adjusted df	.116	2	31.981	.891
	Based on trimmed mean	.110	2	32	.896

Source: Author (2019)

Table 3.3 indicates that the variables had Levene's statistic whose p-values were greater than .05. This was an indication that the variances of the dependent variable across all levels of the

variables were equal. Warner (2008) recommends that the probability for the Levene's statistic should be greater than .05 to meet the variance homogeneity assumption. Hence, the homoscedasticity assumption was satisfied. Therefore, the regression model for this study was suitable for analysis.

3.6.3 Collinearity

Collinearity involved determining whether there was correlation between the study variables apart from the dependent variable. Collinearity increases the standard errors of the coefficients. Collinearity therefore makes some otherwise significant variables statistically insignificant. The impact of Collinearity was established using Tolerance values and Variance inflation factors (VIF). As explained by Field (2009), a small tolerance value indicates that the variable under consideration is almost a perfect linear combination of the independent variables already in the equation and that it should not be added to the regression equation. However, a tolerance value of less than 0.1 indicates existence of Collinearity. VIF measures how much variances of the estimated coefficients are increased over the case of no correlation among the independent variables. From SPSS outputs, if no two independent variables are correlated, then all the VIFs were 1. If VIF for one of the variables is around or greater than 5, there is collinearity associated with that variable and, therefore, the variable must be removed from the regression model (Field, 2009).

Table 3.4 Collinearity Analysis

Model		Collinearity Statistics	
		Tolerance	VIF
1	Public Awareness	.881	1.135
	Customer Service	.851	1.175
	National Culture	.961	1.040

a. Dependent Variable: Regulatory Environment

Source: Author (2019)

Table 3.4 indicates that all the VIFs of the variables were less than 10 and Tolerance greater than 0.1 respectively. According to Landau and Everitt (2004), VIFs of at least 10 or tolerance of at most 0.1 suggests presence of collinearity. A high VIF was observed in customer service (VIF = 1.175) while a low VIF was observed in national culture (VIF = 1.040). Public awareness yielded the least tolerance value at 0.851 and national culture generated the highest tolerance value at 0.961. This implies that there was no collinearity and thus all the predictor variables were maintained in the regression model, as this was consistent with the threshold recommended by Landau and Everitt (2014).

3.7 Data Analysis

The raw data collected from the administered questionnaires was coded, labeled and grouped for analysis. The analysis of the data collected from the questionnaires was done using descriptive and inferential statistics. This entailed using frequencies, measures of central tendency and measures of variability. The analysis has been presented using tables. The aim of the study was to establish if there is a link between the independent variables of public awareness, national culture, regulatory environment and customer experience and the dependent variable of insurance penetration in Kenya from the view of insurance agents.

Descriptive statistics that were used incorporated frequencies, means and standard deviations. The investigation utilized a multiple linear regression equation to measure the interrelation between the dependent and independent variables. This was done objectively in the multiple linear regression model below:

$$Y = b_0 + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4 \varepsilon$$

Where:

Y = insurance penetration

{bi; i=1, 2, 3, 4} = The coefficients for the various independent variables

X_1 = regulatory environment

X_2 = public awareness

X_3 = customer service

X_4 = national culture

The study used multiple linear regression model to test the effect of the independent variables on the dependent variable. Various diagnostic tests were done on the data collected to meet the basic assumptions of regression so as to estimate regression models accurately. The tests applied included an assessment of the assumptions of linearity, homoscedasticity and collinearity.

3.8 Ethical Considerations

Ethics relate to the moral principles held by a group and which guide their conduct (Barasa, 2016). Ethics in research relate to the moral principles that guide the planning, conduct, and reporting of research (Patton, 2002). This has become increasingly necessary for the protection of human and animal subjects in research and to stem unethical practices like plagiarism, malpractice and duplication in educational research. The various groups involved in this study were treated ethically. Appropriate introduction was provided to the participants informing them that the study was specifically for academic purposes and was aimed at building the body of knowledge on the area of insurance penetration in Kenya. The participants in the research project were entitled to privacy, anonymity, confidentially and the data collection process avoided harm, betrayal or deception. Additionally, it was clarified that the research findings would be availed to the respondents upon request. The results of the study would be made available through academic journals, articles in business journals and on emails for agents upon a formal request as part of their involvement in the data collection process.

CHAPTER FOUR: PRESENTATION OF RESEARCH FINDINGS

4.1 Introduction

The main objective of this study was to investigate the impact of regulatory environment, national culture, public awareness and customer service on insurance penetration in Kenya from the view of insurance agents. This chapter presents the findings of the study. It is organized into sections which provide the overall rate of response from the respondents, the demographics of the respondents, the descriptive and inferential statistics. SPSS Version 20 was the tool used for data analysis.

4.2 Response Rate

Response rate measured how well the targeted sample size was achieved. It refers to the actual number of respondents expressed as a percentage of the actual number of respondents sampled for the study. Since response rate is related to sampling fraction, which is the ratio of the sample size to the population size, the higher the response rate the higher the sampling fraction and consequently, a good sample representation. High response rates minimize the risk of obtaining biased statistics and consequently, make study findings valid and reliable. The study focused on the population of 9,320 insurance agents registered by IRA as of 2017. A sample of 365 registered insurance agents operating in Nairobi was selected. The study was conducted in March and April 2019. The researcher expected to obtain 365 questionnaires. However, completed questionnaires were obtained from 260 registered insurance agents. This represented as 71% response rate as shown in Table 4.1 and was computed using the formula below:

Response Rate = (Filled and returned questionnaire / Administered questionnaire) x 100

Table 4.1 Response Rate

	Frequency	Percentage
Returned Questionnaires	260	71%
Unreturned Questionnaires	105	29%
Total	365	100%

Source: Research data (2019)

Mugenda and Mugenda (2003) considered a response rate of 50% to be sufficient and over 60% to be great. The response rate achieved in this study was great. After data cleaning, screening and verification 260 questionnaires out of the targeted 365 were completed. The achieved response rate of 71% was above the recommended threshold of 70%. According to Mugenda and Mugenda (2003), a response rate of 70 percent is acceptable as a good representation of a targeted population. The high response rate in this study, therefore, implied that the study used instruments and procedures that were clear, precise and within the recommended threshold. Rogelberg and Stanton (2007) assert that when cross – sectional studies of survey design are conducted at the individual level, the expected response rate is 50%. Ibid (2007) furthermore argues that for those studies carried out at the organizational level, the appropriate response rate is between 35 – 40%. The response rate achieved in this research was appropriate for drawing conclusions on the study objectives.

4.3 General Information

This section gives the findings on the specific attributes of the respondents. The section gives information about the respondents regarding their duration of service as insurance agents, number of policies sold per annum, total monetary values of insurance sales per annum and the percentage of insurance policies still in force one year from the point of sale. This is summarized in Table 4.2.

Table 4.2 General Information

	Valid	Frequency	Percent
Duration as an Insurance agent	1-3 Yrs	87	33.5
	3-10 Yrs	50	19.2
	Below 1 Yr	98	37.7
	Over 10 Yrs	25	9.6
	Total	260	100.0
Total Number of Policies	1-12	100	38.5
	12-60	146	56.2
	Over 60	14	5.4
	Total	260	100.0
Total Monetary Value of Policies Sold per year	Below Shs 500000	100	38.5
	Between Shs 500000 - 5000000	146	56.2
	Over Shs 5,000,000	14	5.4
	Total	260	100.0
% Still in force after 1 Year	0ver 75%	107	41.2
	Between 51%-75%	64	24.6
	Below 25%	89	34.2
	Total	260	100.0

Source: Research Data (2019)

The study sought to determine the duration that the respondents had served as insurance agents. As indicated in Table 4.2, 19.2% of the respondents had worked as insurance agents for between 3 to 10 years while 37.7% had been in the industry for less than 1 year. Only 9.6% of the respondents had been in the industry for over 10 years as insurance agents. This showed that most of the respondents had below 10 years work experience as shown in Table 4.2. However, the respondents had worked in the industry reasonably long enough to understand the dynamics and factors affecting insurance penetration.

The study sought to determine the total number of policies sold by the agents per year. The findings as summarized in Table 4.2 indicated that 56.2% of the respondents had sold between 12-60 policies per year, 38.5% had sold between 1-12 policies per annum whereas only 5.4% sold over 60 policies per annum. These findings imply that the level of activity in the insurance industry in Kenya is still low and this presents an opportunity that insurers can take advantage of.

The study sought to determine the total monetary value of all policies sold by the insurance agents per year. The findings as summarized in Table 4.2 indicated that 56.2% of the respondents had annual premium of between Shs 500,000 and Shs 5,000,000 while 38.5% made annual premium of not more than Shs 500,000. Only 5.4 % made over Shs 5,000,000 worth of annual premium. The findings indicated that insurance business in Kenya was still largely underdeveloped with the low number of insurance agents achieving above Shs 5,000,000 annual premium.

The study sought to determine the opinion of the respondents regarding the percentage of insurance policies still in force one year after inception of the policies. The respondents were requested to respond by ticking what they perceived to be the percentage of insurance policies still in force after first year from point of sale. As indicated in Table 4.2, 41.2% of the respondents were of the opinion that over 75% of the insurance policies were still in force one year after the policy inception. 34.2% of the respondents indicated that the insurance policies still in force one year after the policy inception were below 25%. 24.6% were of the opinion that those insurance policies still in operation one year after sale were between 51% to 75%. The findings imply that the respondents believe that the rate of lapsing of insurance policies is low. This meant that in the view of insurance agents, most insurance policies remained in force for more than one year after their inception.

4.4 Insurance Penetration

The dependent variable of the study was insurance penetration. The results of the study are presented in Table 4.3.

Table 4.3 Insurance Penetration

Descriptive Statistics				
	N	Mean	Std. Deviation	Variance
Insurance services are available country-wide	260	2.34	1.319	1.740
Insurance Agents are available country-wide	260	2.35	.968	.938
Majority of Kenyans have at least an insurance policy	260	2.87	1.174	1.378
Valid N (listwise)	260			

Source: Research Data (2019)

4.5 Regulatory Environment and Insurance Penetration

4.5.1 Descriptive Statistics

The first independent variable of the study was regulatory environment. The results are presented in Table 4.4 below. The regulatory environment was measured using factors such as efficiency in operations, clear targeted and effective communication and continuous improvements initiated by the regulator (IRA). The study sought to determine the effect of the Kenyan insurance regulatory environment on insurance penetration in Kenya. The respondents rated on a five point Likert scale the extent to which they agreed with each of the statements on regulatory environment. Six indicators of regulatory environment were tested. The results are shown in Table 4.4.

Table 4.4 Regulatory Environment

Descriptive Statistics					
	N	Mean		Std. Deviation	Variance
	Statistic	Statistic	Std. Error	Statistic	Statistic
The current regulation supports penetration	260	2.07	.069	1.113	1.238
Regulation creates a conducive environment	260	1.94	.059	.957	.915
Regulatory compliance offers incentives	260	2.34	.082	1.319	1.740
Regulator is efficient and effective	260	2.19	.066	1.062	1.129
Actions are consistent with risks	260	2.30	.061	.987	.974
Regulator provides timely and relevant information	260	2.05	.037	.594	.353
Valid N (listwise)	260				

Source: Research Data (2019)

The findings obtained indicated that the mean responses for all indicators were lower than 2.5. The highest mean rating was 2.34 whereas the lowest mean rating was 1.94. The findings

imply that regulatory environment had insignificant effect on insurance penetration.

4.5.2 Influence of Regulatory Environment on Insurance Penetration

The study sought to establish the influence of the Regulatory Environment on Insurance Penetration in Kenya. Pearson's correlation tests and regression analysis were carried out on the independent variable of regulatory environment. The results are shown on table 4.5

Table 4.5 Influence of Regulatory Environment on Insurance Penetration

Pearson Correlation Test					
		Insurance Penetration			
Regulatory Environment (N =260)	Pearson Correlation	-0.049			
	Sig. (2-tailed)	.063			
Regression Statistics					
Multiple R	**R Square**	**Adjusted R Square**	**Standard Error**	**Observations**	
0.049	0.002	-0.001	0.997	260	
	Coefficients	***Standard Error***	***t Stat***	***P-value***	***Lower 95%***
(Constant)	4.012	0.153	26.108	2.24	3.708
Regulatory environment	-0.056	0.071	-0.792	0.428	-0.198

From the correlation tests, the results show an insignificant negative effect of regulatory environment on insurance penetration *Pearson's =.-0.049, sig =.063>.05*. The results show that there is a weak negative association between regulatory environment and insurance penetration.

Based on the above findings, the regression equation is as shown below:

$Y = 4.012 – 0.056X_1 + 0.153$

The regression results represented above indicate that regulatory environment explains 0.2% (R2 = .002) variations in insurance penetration. The remaining 99.8% variation is explained by other

factors not considered in the model. The result also showed that regulatory environment had a negative non-significant association with insurance penetration (*Pearson's*=-0.049*, Sig* = 0.063>*.05*).

The results of the coefficients section above also indicated a constant α = 4.012 which was not significantly different from 0 since the p-value 2.24>.05. The beta value was (β) = -0.056 and was not significantly different from 0 since the p-value 0.428>.05. This indicated that there was no statistically significant positive effect of regulatory environment on penetration of insurance. A unit change in regulatory environment will not result in any significant change in insurance penetration.

4.6 Public Awareness and Insurance Penetration

4.6.1 Descriptive Statistics

The study sought to establish the effect of public awareness on insurance penetration. Seven indicative Likert type questions were posed in the questionnaire and mean responses tabulated. The findings are summarized in Table 4.6.

Table 4.6 Public Awareness and Insurance Penetration

Descriptive Statistics					
	N	Mean		Std. Deviation	Variance
	Statistic	Statistic	Std. Error	Statistic	Statistic
Insurance information is readily available	260	2.55	.055	.884	.781
The public has knowledge of benefits	260	3.41	.050	.802	.644
Public has knowledge of insurance companies	260	2.40	.061	.983	.966
Insurance products are not complex to public	260	2.90	.068	1.087	1.181
Insurance products are properly differentiated	260	2.28	.063	1.014	1.027
Insurance products have countrywide reach	260	2.81	.065	1.047	1.096
Public awareness supports penetration	260	2.23	.079	1.281	1.640
Valid N (listwise)	260				

Source: Research Data (2019)

Results in Table 4.6 indicated variation in responses. 4 out of the 7 questions posed had mean responses above 2.5. This implies that a lot needs to be done to sensitize the public and educate them about the value and importance of insurance.

4.6.2 Effect of Public Awareness and Insurance Penetration

The study sought to establish the effect of public awareness on Insurance Penetration. Pearson's correlation and regression analysis were computed and the results tabulated as shown on Table 4.7.

Table 4.7 Effect of Public Awareness on Insurance Penetration

Pearson Correlation Test					
			Insurance Penetration		
Public Awareness (N =260)	Pearson Correlation		0.026		
	Sig. (2-tailed)		.002		
Regression Statistics					
Multiple R	**R Square**	**Adjusted R Square**	**Standard Error**	**Observations**	
0.026	0.001	-0.003	0.998	260	
	Coefficients	***Standard Error***	***t Stat***	***P-value***	***Lower 95%***
(Constant)	3.972	0.181	21.827	.001	3.614
Public Awareness	0.028	0.064	-0.423	.002	-0.155

Source: Research Data (2019)

The correlation tests results show a significant positive correlation of public awareness on insurance penetration *Pearson's = 0.026, sig =.002<.05*. The results show that there is a moderate positive association between public awareness and inurance penetration.

Based on the above findings, the regression equation is as shown below:

$Y = 3.972 + 0.028X_2 + 0.181$

The regression results represented above indicated that public awareness explains 0.1% (R^2 = .001) variations in the penetration of insurance services. The remaining 99.99% variations are explained by other factors not considered in the model. The result also showed that public awareness had positive significant association with insurance penetration (*coefficient*= 0.028*, Sig* = .002<*.05*).

The results of regression co-efficient indicated a constant α = 3.972 which was significantly different from 0 since the p-value 0.002<.05. The beta value was (β) = 0.028 and was significantly different from 0 since the p-value 0.002<.05. This indicated that there is statistically significant positive effect of public awareness on insurance penetration. A unit change in public awareness will result in change in insurance penetration by 0.028 units.

4.7 Customer Service and Insurance Penetration

4.7.1 Descriptive Statistics

The study sought to establish the relationship between customer service and insurance penetration in Kenya. Seven indicative Likert type questions were administered and the mean responses for each question computed in SPSS. The results are summarized in Table 4.8.

Table 4.8: Customer Service and Insurance Penetration

	N	Mean		Std. Deviation	Variance
	Statistic	Statistic	Std. Error	Statistic	Statistic
Public has trust toward the industry	260	3.43	.050	.806	.649
Customers satisfied with level of service	260	3.02	.066	1.065	1.135
Customers feel value for their money	260	2.50	.057	.920	.846
Consumers would introduce family and friends	260	2.52	.052	.845	.714
Insurers solve queries fast	260	2.83	.068	1.102	1.214
Insurers solve queries conclusively	260	2.68	.067	1.088	1.183
Insurers retain their customers over time	260	2.67	.069	1.111	1.235
Customer services supports more penetration	260	2.87	.073	1.174	1.378

Valid N (listwise)	260				

Source: Research Data (2019)

The findings obtained indicated that all variable indicators had significant mean ratings of over 2.5 on the Likert scale. The highest mean rating was 3.43 whereas the lowest mean rating was 2.50. The findings imply that customer service is key in determining attractiveness of the insurance service hence leading to greater insurance penetration.

4.7.2 Relationship between Customer Service and Insurance Penetration

The study sought to find out the relationship between customer service and insurance Penetration. Pearson's correlation tests and regression analysis were carried out on the dependent variable of customer service. The results are shown on Table 4.9.

Table 4.9 Relationship between Customer Service and Insurance Penetration

Pearson Correlation Test					
		Insurance Penetration			
Customer Service (N =260)	Pearson Correlation	0.077			
	Sig. (2-tailed)	.001			
Regression Statistics					
Multiple R	**R Square**	**Adjusted R Square**	**Standard Error**	**Observations**	
0.077	0.006	0.002	0.996	260	
	Coefficients	***Standard Error***	***t Stat***	***P-value***	***Lower 95%***
(Constant)	4.103	0.175	23.515	.004	3.759
Customer Service	0.070	0.055	-1.245	.002	-0.179

The Pearson's correlation coefficient (0.077) show a significant positive correlation of customer service on insurance penetration *Pearson's =.0.077, sig =.001<.05*. The results showed that there was a moderate positive association between customer service and inurance penetration.

The regression co-efficients are shown in the equation below:

$Y = 4.103 + 0.070X_3 + 0.175$

The regression results represented above indicated that customer service explained 0.6% (R^2 = .006) variations of insurance penetration. The remaining 99.4% variations was explained by other factors not considered in the model. The result also showed that customer service had a positive significant association with insurance penetration (*Co-efficient*=0.070*, Sig* = .002<*.05*).

The regression co-efficient results above indicated a constant $\alpha = 4.103$ which was significantly different from 0 since the p-value .004<.005. The beta value was (β) = 0.070 and was significantly different from 0 since the p-value .002<.05. This indicated that there was a statistically significant positive effect of customer service on insurance penetration. A unit change in customer service will result in a significant change in insurance penetration by 0.070 units.

4.8 National Culture and Insurance Penetration

4.8.1 Descriptive Statistics

The research sought to establish the role of national culture in promoting insurance penetration. National culture was measured using eight indicative Likert type questions. Respondents were asked the extent to which national culture promotes insurance penetration through the aforementioned indicators. Averages of the scores in each indicator were computed and summarized as shown in Table 4.10.

Table 4.10: National Culture and Insurance Penetration

Descriptive Statistics					
	N	Mean		Std. Deviation	Variance
	Statistic	Statistic	Std. Error	Statistic	Statistic
Kenyans are individual than group oriented	260	1.94	.061	.981	.961
Unequal distribution of power in organization	260	1.82	.038	.619	.383
Kenyans are open to change	260	2.35	.060	.968	.938
Kenyans are focused on achievement and success	260	2.02	.071	1.139	1.297
Kenyans are focused on Co-operation and good quality of life	260	2.26	.086	1.392	1.937
Kenyans Honor and Keep traditions	260	2.30	.056	.909	.827
Kenyan culture supports insurance penetration	260	2.97	.077	1.245	1.551
Valid N (listwise)	260				

Source: Research Data (2019)

Results in Table 4.10 showed that the mean response for all indicators except one were lower than average. However, the last indicator was a direct question whose answer had more weight than all the rest. The mean response for the direct question was 2.97. The highest and lowest means were 2.97 and 1.82 respectively. The low standard deviation in these variables, compared to previously discussed variables, shows that national culture has a very important role in promoting insurance penetration. This explains why some countries have higher penetration than others.

4.8.2 Role of National Culture on Insurance Penetration

The study sought to determine the role of national culture in insurance penetration. Regression and Pearson's correlation tests were performed on the dependent variable of national culture. Table 4.11 shows the results as computed.

Table 4.11 Role of National Culture in Insurance Penetration

Pearson Correlation Test					
		Insurance Penetration			
National Culture (N =260)	Pearson Correlation	-0.062			
	Sig. (2-tailed)	.089			
Regression Statistics					
Multiple R	**R Square**	**Adjusted R Square**	**Standard Error**	**Observations**	
0.062	0.004	-2.8E-05	0.997	260	
	Coefficients	***Standard Error***	***t Stat***	***P-value***	***Lower 95%***
(Constant)	4.014	0.130	30.895	1.128	3.758
National Culture	-0.049	0.049	-0.996	0.319	-0.146

Source: Research Data (2019)

From the correlation tests, the results show an insignificant negative effect of national culture on insurance penetration *Pearson's=.-0.062, sig =.089>.05*. The results show that there is a weak negative association between national culture and insurance penetration.

The regression co-efficients are shown in the equation below:

$Y = 4.014 – 0.049X_4 + 0.130$

The regression results represented above indicated that national culture explains 0.4% ($R^2 = .004$) variations in insurance penetration in Kenya. The remaining 99.6% variation was explained by other factors not considered in the model. The result also showed that national culture had a negative non-significant association with insurance penetration (*Pearson's*=-0.062*, Sig* = .089>*.05*)

The regression co-efficient results indicated a constant α = 4.014 which was not significantly different from 0 since the p-value 1.128 >.05. The beta value was (β) = -0.049 and was not significantly different from 0 since the p-value 0.319>.05. This indicated that there was no statistically significant positive effect of national culture on insurance penetration. A unit change

in national culture will not result in any significant change in insurance penetration.

4.9 Overall Regression Analysis

This section gives the overall regression analysis regarding the relationship between insurance penetration and the four predictor variables of regulatory environment, public awareness, customer service and national culture. Regression analysis was also carried out and outputs Model summary and regression coefficients tables obtained.

4.9.1 Overall Regression Model

Regression analysis was done on the dependent and independent variables to establish the relationship between insurance penetration in Kenya and the independent variables of regulatory environment, public awareness, customer service and national culture. The regression model summary and coefficients is shown in Table 4.12.

Table 4.12: Regression Coefficients Model Summary

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.263	.244		17.501	.000		
	Regulatory Environment	.197	.169	.171	1.167	.244	.179	5.573
	Public Awareness	.025	.073	-.024	-.349	.007	.800	1.250
	Customer Service	.138	.089	-.153	-1.540	.001	.392	2.551
	National Culture	-.122	.087	-.153	-1.395	.164	.321	3.115

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.116[a]	.014	.002	.998

Source: Author (2019)

The results showed that the combined effect of; regulatory environment, public awareness, customer service and national culture, explain only 1.4% of the total variation in insurance penetration ($R^2 = 0.014$). The remaining 98.6% of the total variation in insurance penetration was explained by other factors not included in the model. The adjusted R-square value was found to

be 0.002. The explained variation in the relationship was found to be significant for only two out of the four independent variables (p – value < 0.05). The regression coefficients showed that only customer services (p= .001) and public awareness (p=0.007) were significant (p – values < 0.05). Regulatory environment (p=0.244) and national culture (p=0.164) were found to be insignificant and they were therefore omitted in the equation. Thus, the model that gives the effect of the independent variables on insurance penetration is expressed as follows;

Insurance Penetration = $4.263 + 0.025X_2 + 0.138X_3 + 0.244$

4.10 Chapter summary

The chapter provided the results of the analysis of the data collected. It provided the response rate of the study. Consistent with the objectives of the study, the chapter further examined the collected research data. The study applied a mix of descriptive, correlation and regression analysis in testing the link between the dependent variable of insurance penetration and the independent variables of regulatory environment, public awareness, customer service and national culture. The results of the research were presented using tables. The overall results of the study indicated that 1.4% ($R^2 = 0.014$) variations in insurance penetration were explained by the combined effects of regulatory environment, national culture, public awareness and customer service. The coefficients of the regression indicated that only customer service and public awareness had a positive significant effect on insurance penetration while regulatory environment and national culture had no significant impact on insurance penetration in Kenya from the views of insurance agents.

CHAPTER FIVE: SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMENDATIONS

5.1 Introduction

This chapter entailed the summary of the study, discussion of findings, conclusions and recommendations for further research based on the objectives of the study. The study focused on the role of regulatory environment, public awareness, customer service and national culture on insurance penetration in Kenya from the view of insurance agents.

The purpose of this study was to establish the role of regulatory environment, public awareness, customer service and national culture on insurance penetration from the view of insurance agents. The study targeted 365 registered insurance agents in Nairobi and questionnaires were submitted to the respondents who were asked to rate on a Likert scale the extent to which the four independent variables impact insurance penetration.

The first objective of this study was to analyze the influence of regulatory environment on insurance penetration in Kenya from the view of insurance agents. Based on this objective the findings revealed that for every unit change in regulatory environment, there was an insignificant negative change in insurance penetration by 0.056 units (p-value = 0.429). Clearly, the p-value of 0.429 is greater than the maximum threshold of 0.05. This indicated that there was no significant effect of regulatory environment on insurance penetration in Kenya from the view of insurance agents.

The second objective was to analyze the effect of public awareness on insurance penetration in Kenya from the view of insurance agents. Based on this objective the findings revealed for every unit change in public awareness, there is a significant positive change in insurance penetration by 0.028 units (p-value = .002). This is an indication that public awareness is a significant factor in determining the insurance penetration in Kenya from the view of insurance agents.

The third objective was to analyze the relationship between customer service and insurance penetration in Kenya from the view of insurance agents. Based on this objective, the results showed that there was a moderate positive correlation between customer service and insurance penetration in Kenya. For every unit change in customer service, there is a corresponding

positive change in insurance penetration in Kenya by 0.070 units (p-value = .002). This clearly indicated that customer service significantly affects insurance penetration in Kenya from the view of insurance agents.

The fourth and final objective was to analyze the role of national culture on insurance penetration in Kenya from the view of insurance agents. Based on this objective, the results showed that there is an insignificant negative relationship between national culture and insurance penetration in Kenya. For every unit change in national culture, there was a corresponding negative change in penetration of insurance services by -0.049 units (p-value = 0.319). This clearly indicated that national culture has no significant role in insurance penetration in Kenya from the view of insurance agents.

The overall findings indicated that the independent variables of regulatory environment and national culture have no significant effect on penetration of insurance services in Kenya. However customer service and public awareness have a strong positive correlation with insurance penetration. The combined effect is that changes in customer service and public awareness by 0.025 and 0.138 units respectively, leads to a corresponding unit change in insurance penetration. The research findings further indicated that regulatory environment and national culture are not important factors in insurance penetration in Kenya from the view of insurance agents. The combined impact of the four independent variables of regulatory environment, public awareness, customer service and national culture only explain 1.4% of the total variations in insurance penetration in Kenya from the view of insurance agents.

5.2 Discussion of Findings and Conclusion

Insurers consider customer services and public awareness a precedent to customer satisfaction. Satisfied customers recommend insurance services to others hence increased competitiveness which translates to profitability (Kotler 2010). Despite a conducive regulatory environment in the insurance industry in Kenya, various researchers (Brander-Brown & McDonnell, 2012; Atkinson & Brander-Brown, 2015; Harris & Mongiello, 2011) have pointed to poor cultures and traditions as one of the greatest impediment to insurance penetration in the country.

As shown in table 4.12, regulatory environment and national culture had no significant effect on insurance penetration in Kenya from the view of insurance agents. However public awareness and customer service had positive significant effect on insurance penetration by 0.025 and 0.138 units respectively. The four variables were regressed to establish the relationship between the dependent and the independent variables. Regulatory environment and national culture had p values greater than 0.05 (table 4.12) indicating lack of statistical relationship between the two independent variables and the dependent variable. The results were therefore consistent with Kotler (2010) but inconsistent with the findings of other researchers regarding the impact of regulatory environment and culture on insurance penetration.

Based on objective one, the study findings indicated that there is no significant relationship between regulatory environment and insurance penetration. This concurs with the findings of Osoro (2016) that revealed a negative effect of regulation on growth of insurance in South Africa.

Based on objective two and three, the findings revealed that public awareness and customer service had a direct positive relationship with insurance penetration in Kenya from the view of insurance agents. This is an indication that as public awareness increases, penetration of insurance services also increases proportionately. Similarly as customer service improves, there is a corresponding proportionate increase in penetration. This is in agreement with Waigwa (2017) and Ronoh (2015) who conducted studies on the factors affecting absorption of life insurance services in Kenya; and drivers of uptake of education insurance in Kenya respectively.

The findings of objective three indicate that National culture has no significant relationship with insurance penetration. This contradicts the findings of Omollo (2016), which showed that the national culture of ujamaa and pooling funds through fundraising forums (Harambees) is the main reason for slow uptake of education and life insurance services in Tanzania.

The study concluded that there was an insignificant negative impact of regulatory environment on insurance penetration. A unit change in the regulatory environment will result in no significant change in insurance penetration. From the view of insurance agents, the study noted that customer service had a significant positive effect on insurance penetration in Kenya by

0.025 units. A unit change in customer service will result in 0.025 unit change in insurance penetration.

The study further noted that there was a significant positive relationship between public awareness and insurance penetration in Kenya from the view of insurance agents. From the analysis in table 4.12, a unit change in public awareness will result in 0.138 unit changes in insurance penetration. On the role of national culture on insurance penetration in Kenya from the view of insurance agents, the study noted a negative insignificant relationship. For every unit change in national culture, there was no corresponding change in insurance penetration.

On the overall, the independent variables of regulatory environment and national culture had no significant effect on penetration of insurance services in Kenya. The other variables of public awareness and customer services explained only 1.4% of the total variations in insurance penetration in Kenya from the view of insurance agents. However, customer service and public awareness had a strong positive correlation with insurance penetration. The study concluded that changes in customer service and public awareness by 0.025 and 0.138 units respectively, leads to a corresponding unit change in insurance penetration in Kenya from the view of insurance agents.

5.3 Recommendations

On the basis of the findings of the study the following recommendations can be made:

The Association of Kenya Insurers (AKI) must sensitize its members on the best training opportunities to ensure that the services offered to clients by the sales and customer service staff are value adding and are implemented in the best possible way. Customer services can be improved through call centers and well trained customer care representatives who operate 24 hours.

The insurance companies should ensure proper sales promotion and pricing of products for value maximization to their policyholders and potential clients. The insurance agents should work hard and competitively to ensure penetration of their services even to the most remote areas of the country. All industry players should organize education to members of the public to demystify people's perception about insurance policies and compensation.

The Insurance Regulatory Authority (IRA) should enforce regulations on compensation to create public confidence about insurance services. Proper regulation of the sector would ensure a level playing field and rid the industry of unethical practices. There is also need to ensure prudent insurance practices through stringent regulation to insulate the clients from fraud.

This study made use of two models; Hofstede's cultural dimensions model and The Service Quality or SERVQUAL model. Hofstede's cultural dimensions model explains the spirit of Harambee (pooling funds) as a common cultural practice in Kenya. Ironically, this study reveal that contrary to expectation the variable of national culture has no significant effect on insurance penetration. In contrast, customer services are key in determining insurance penetration as explained by SERVQUAL model.

5.4 Limitations of Study

Lack of a proper communication system was a great challenge during data collection. Some respondents were afraid of accepting the questionnaire for fear of losing their jobs just in case the management of the agents and insurance companies was not happy about it. The management was also afraid that the staff were not competent enough to respond to questions regarding insurance penetration in Kenya. The study surveyed insurance agents in Kenya, therefore the study may not be generalized outside the insurance industry in Kenya. The selected respondents who are insurance agents are usually very busy and therefore some found it difficult to find time in their busy schedules in order to fill in the questionnaires. The challenge was overcome by giving the respondents the questionnaires and agreeing to their time frame request to fill the questionnaires. Not all questionnaires were returned leading to a response rate of 71%. Although this was considered adequate for the study, 100% response would have been more preferable.

5.5 Areas for Further Research

It was established from the study that only two out of the four factors lead to increased insurance penetration of insurance in Kenya from the view of insurance agents. These factors are public awareness and customer service. It was also established that regulatory environment and national culture did not have any significant impact on insurance penetration in Kenya from the view of insurance agents. However, these are not the only factors affecting insurance penetration in Kenya. There are other factors not investigated in this study such as level of income, education

level and risk profiles of the population. This study therefore recommends that income, education level and risk profiles of the population among other factors should be studied to establish whether they have any significant effect on insurance penetration in Kenya. Parasuraman et al. (2013, 2014), suggests that income is among the important factors influencing penetration of insurance services.

Further studies should be conducted to find out the reasons for the low adoption of insurance services in Kenya. Insurance agents need to be aware of the effects of good customer services and public awareness. Therefore, there is need for further studies to measure the level of insurance consumption in Kenya using other insurance comparison methods like insurance density.

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APPENDICES

Appendix 1: Letter of introduction
(Date)

(Name of insurance agent)
NAIROBI

Dear [name],

Re: Introduction letter

I would like to introduce Moses Mwangi Kang'ethe to you. Moses is one our Masters of Business Administration (MBA) students at Strathmore Business School in Strathmore University. He is expected to carry out a research study in his area of interest and specialization as a requirement of the MBA.

His study focuses on the analysis of the factors affecting insurance penetration in Kenya from the view of insurance agents. This research will aid the Kenyan insurance industry players including the regulators, policymakers and the insurers identify factors affecting insurance penetration and defining strategies which can be adopted to deepen the same.

Your participation in the study is important to obtain insights into the topic and we would appreciate about twenty minutes of your time to respond to the questionnaire. All the responses to the questionnaire will remain confidential and the data collected will be solely for academic purposes. The data will not be released or published in any form that could identify you.

In the event that you have any questions, do not hesitate to contact me on +254 702 098 104 and/or the Administrator at Strathmore Business School on +254 703 034 414 / +254 703 034 000/200/300 or +254 730 - 734000/200/300.

Yours faithfully,

For: **Strathmore Business School**
Dean, School Of Graduate Studies

Appendix 2: Questionnaire

The information sought in this questionnaire will be used by the researcher in collecting data considered necessary to analyse the factors affecting insurance penetration in Kenya from the view of insurance agents.

The data collected will be treated with the highest levels of confidentiality and at no time will the respondent be required to indicate their names or identification details on the questionnaire. The information collected will be used solely for academic purposes and if need be, the results of the study can be provided to the respondents.

Instructions

1. Please answer all the questions in all sections of the questionnaire.
2. Kindly share your honest opinions regarding the questions in the questionnaire.
3. Feel free to enquire from me on areas which are not clear in the questionnaire.

The survey should take you at most 10 minutes.

Section 1: Demographic data

a) How long have you been an insurance agent:

Below 1 year ( ) 1 – 3 years ( ) 3 – 10 years ( ) Over 10 years ( )

b) Number of policies sold per annum

1 - 12 policies ( ) 12 – 60 policies ( ) Over 60 policies ( )

c) Value of policies (in premium terms) sold per annum

Below Shs 500,000 ( ) Shs 500,000 to Shs 5,000,000 ( ) Over Shs 5,000,000 ( )

d) Percentage of business still in force after the first year from point of sale

Below 25% ( ) 26% to 50% ( ) 51% and 75% ( ) Over 75% ( )

Section 2: Factors, challenges and strategies for insurance penetration in Kenya

Kindly indicate by ticking inside the box which best describes the extent to which you agree with the following statements regarding insurance penetration in Kenya by using a scale of 1-5, where:

1 = strongly agree, 2 = agree, 3 = neither agree nor disagree, 4 = disagree and 5 = strongly disagree.

a) Regulatory environment and insurance penetration

Statement	**Strongly agree**	**Agree**	**Neither agree nor disagree**	**Disagree**	**Strongly disagree**
The current regulatory framework supports better insurance penetration					
The regulatory framework creates a conducive environment to support insurance penetration					
Regulatory compliance offers incentives towards broadening the insurance penetration					
The regulator is efficient and effective in running the insurance industry					
The actions taken and regulations issued by the regulator are consistent with the risks being managed by the regulator					
The regulator readily provides timely and relevant information on the insurance sector to Kenyans					

b) Public awareness and insurance penetration

Statement	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
Information regarding the availability of insurance products and services is readily available to the public					
The public has knowledge of the benefits of different insurance policies					
The public has knowledge of the various insurance companies and the types of insurance products they provide					
Insurance products are not complex to the public					
Insurance products are properly differentiated					
Insurance products have a countrywide reach					
Public awareness supports better insurance penetration					

c) Customer service and insurance penetration

Statement	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
The public has trust towards the insurance industry					
Insurance consumers are satisfied with the level of services provided by insurance companies					

Statement	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
Clients feel value for their money on purchase of insurance products and services					
Existing insurance consumers would recommend family and friends to their current insurance companies and insurance products					
Insurance companies resolve their customers' concerns / queries within reasonable time (kindly indicate what you consider reasonable)					
Insurance companies resolve their customers' concerns / queries conclusively					
Insurance companies retain their customers over time					
The current levels of customer service support better insurance penetration					

d) National culture and insurance penetration

Statement	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
The Kenyan public is more individual oriented than group oriented					
Power is distributed unequally in Kenyan organizations and institutions					
The Kenyan public is open to change, the unknown, the unexpected					

Statement	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
Kenyans are a society that is focused on heroism, achievement, assertiveness and material rewards for success					
Kenyans are a society that is focused on cooperation, modesty, caring for the weak and quality of life					
Kenyans honor and keep traditions					
The Kenyan national culture supports better insurance penetration					

e) Insurance Penetration

Statement	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
Insurance services are available country-wide					
Insurance Agents are available country-wide					
Majority of Kenyans have at least an insurance policy					

THANK YOU

Appendix 3: List of Approved Insurance Agents

Due to the voluminous nature of the list of approved insurance agents in Kenya, a link is provided for online access to the list. The link was accessed on 20 May 2019 and is provided below:

https://www.ira.go.ke/index.php/licensed-agents