

# **FACTOR AFFECTING SALE OF LIFE INSURANCE POLICIES IN KENYA**

## **A CASE OF SELECTED INSURANCE COMPANIES IN NYERI COUNTY**

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**June, 2018**

## **DECLARATION**

### **Declaration by the Student**

This research report is my original work and has not been presented in any other institution of learning for an award of a degree in Business Management or any other award.

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### **Declaration by the Supervisor**

This research report has been submitted for defense with my approval as the student's appointed supervisor.

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I thank God almighty for the gift of life and strength to go through the entire course and in particular this research. I am grateful to my supervisor Dr. P.Kithae who professionally and skillfully supported me in this project with his input. My sincere gratitude goes to the management and lecturers of M.U.A for their patience and efforts to guide me through the course. I am debited to the management of the Insurance companies for allowing me access to carry out the study. Last but not least, I am grateful to my colleagues for their support during the research exercise.

## **DEDICATION**

I dedicate this report to my beloved parents, my husband and children.

## **ABSTRACT**

The main objective of the study was to determine the factors affecting the sales of life insurance policies. The study interviewed sales managers, unit managers, and sales representatives of the three leading insurance companies in Nyeri town. This target group was chosen because it would offer vital and immediate information and easier to access. This study was undertaken from June to November 2017. A cross-sectional survey design was adopted in this research. The target population was 120 employees of the three insurance Companies out of which 30% representing 36 respondents was sampled out as a sample size. The study used simple random sampling design because the design allows and gives equal chances to all individuals in a population to be selected. A questionnaire was used as main data collection instrument. To assess the validity of the questionnaires, a pilot study was conducted at Britam, Sanlam and Jubilee Insurance companies where 10 questionnaires was used to test whether they are able to give the required information related to the problem under study. Data collected was analyzed using quantitative and qualitative methods then presented using various statistical tools such as tables, graphs, pie chart and in percentages. This study showed that, through public awareness, disposable income and clients' attitude affect life insurance sale. As seen from the study, majority of the respondents indicated that the awareness and income of buyers and the attitude of employees in the insurance industry are the greatest effects on the uptake of life insurance. Again, a well-managed sales process helps in assuring high sales. For this reason, the study would urge players in the sector to undertake training for their staff in more significant way. At the same time, the companies must fund the sales process adequately if life insurance policy sales are to be increased.

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## **ACRONYMS AND ABBREVIATIONS**

**ACLI:** American Council of Life Insurers

**AKI:** Association of Kenya Insurers

**GDP:** Gross Domestic Product

**GNP:** Gross National Product

**LIFE:** Life and Health Insurance Foundation for Education

**LIMRA:** Life Insurance Marketing and Research Association

**OECD:** Organization of Economic Co-operation and Development

## **DEFINITION OF TERMS**

- Cash value:** The cash amount offered to the policy owner by the issuing life carrier upon cancellation of the contract.
- Disposable income:** Amount of income remaining after deduction of taxes and social security charges, available to be spent or saved as one wishes
- Insurance:** This an arrangement by which a company or the state undertakes to provide a guarantee of compensation for specified loss, damage, illness, or death in return for payment of a specified premium
- Insurance covers:** Insurance coverage is the amount of risk or liability that is covered for an individual or entity by way of insurance services.
- Life policy:** This is a life insurance policy
- Policyholder:** This is a person or a group of persons in whose name an insurance policy is held
- Premiums:** this is the amount to be paid for a contract of insurance
- Tax liability:** A tax liability is the amount of taxation that a business or an individual incurs based on current tax laws.

## CHAPTER ONE

### 1.0 Introduction

The chapter deliberates on the background of the study, statement of the problem, the general specific objectives of the study, the research questions, justification, drawbacks and scope of the study.

### 1.1 Background of the Study

Life Insurance offers the twin benefits of savings and security. Mark (2002) termed life insurance as a key sector whose contribution to the development of Kenya's economy cannot be overemphasized. Besides giving security to the assured against acquaintance to risk, life insurance organizes home savings, indoctrinates the culture of thrift, and supports growth revenue and generate riches.

Life insurance plays an important role in individuals' and families' financial lives because it is a hedge against the loss of income following the death of an earner. It has been proposed that life insurance should be used to insure against lifetime uncertainty resulting for the mortality risk of individuals. Although mortality rates in Kenya have been declined since independence, the risk of premature death of person is still high given the many risks facing individuals.

According to Kemenju (2005), the premature death of a family head can bring serious financial consequences for the surviving family members because the family head's earnings are lost forever leaving unfulfilled financial obligations, such as dependents to support, children to educate, and debts to repay. Kemenju (2005) argues that Life insurance allows individuals and families to share the risk of premature death with many others and to alleviate the financial loss from the premature death of the primary wage earner. From these arguments, from above it can

be realized that one of the key motives for the acquisition of life insurance is to offer financial security for the household and other dependents. There is more to it, however; people also buy life insurance as a medium to long-term tax favored savings and investment vehicle.

There are two methods to provide life insurance protection: term insurance and cash value insurance (Rejda, 2004). Term life insurance provides protection for a limited period but permits the policyholder to refurbish the policy lacking proof of insurability if the policy is guaranteed renewable. The right to renew, however, is limited to a specified age and the premiums increase with age as the probability of death increases. The benefits from term life insurance are paid only if the insured dies within the period of validity. Cash value life insurance not only pays the death benefit to the beneficiaries of the insured but also has a saving component built into the policy. In many cash value policies, the premium remains level throughout the life of the policy. The premiums paid in the early years are excessive relative to current death claims, whereas the premiums paid in the later years are inadequate relative to the probability of death. The excess premiums paid in the early years are invested by the insurance company at a compound rate of return to accumulate cash, and the accumulated funds are then used to supplement the inadequate premiums paid during the later years of the policy. The manner of investing and building up the cash value is regulated by contract and law, and is usually referred to as a legal reserve. The variance amongst the face amount of the policy and the lawful reserve is called the net amount at risk or, literally, the insurance. Thus, a cash value life insurance policy combines an element of protection (the net amount at risk) and an element of savings (the legal reserve). The policyholder has the right to borrow the cash value or surrender the policy for the cash value without tax liability.

The purchase of lifetime insurance is one of the utmost significant acquiring decisions for individuals and families (Anderson & Nevins, 1975) and it is a critical component of a long-term financial plan (Delaney & Keaton, 1994). Although almost 75% of USA reach agreement that lifespan insurance is the top way to guard contrary to the premature death of a primary wage earner, the report in 2006 prepared by Life Insurance Marketing and Research Association (LIMRA) revealed that consumers consider the purchase of life insurance to be a complex process and eight in ten find it difficult to decide how much and what type of life insurance to buy. The worry about making an incorrect decision becomes an excuse for not buying life insurance. This issue creates interest in examination of the consumer demand for life insurance. It is necessary for financial planners to understand consumer life insurance purchasing behavior in order to help consumers to buy suitable life insurance.

According to the Insurance Association of Kenya (IAK), individual life insurance is the most widely used form of life insurance, accounting for 53 percent of all life insurance in Kenya. Life coverage is agreement wherein an indemnification firm promises to compensate an individual in the event of a specified loss. In life insurance, a large number of people pay some money (premiums) into a fund managed by Insurance Company. The insurance company promises to pay to an individual or beneficiary a specified amount of money from the fund on the happening of an event. The event would be the expiry of the insurance policy, disability of the insured or the death of the insured before the expiry of the policy as per the terms of the policy.

According to Yaari, M. (2009), when one buys a life insurance policy, there is a contract between an individual and the insurance company. The buyer, on one hand, agrees to pay premium for a period of time and, in return, the insurance Company, on the other hand, agrees to pay the individual, nominee(s) or state a sum of money upon the occurrence of the specified

events. In the event that the individual suffers total and permanent disability or loss arising from any other specified situation or maturity of savings/investment policy, the payment will be made to the insured. In case of the total and permanent disability, the money is usually paid in installments.

According to Kaguma, G. (2011), Life insurance reduces individual's over-dependence on the community. This, according to Kaguma is through the provision of income to meet individual needs for example funeral expenses and disability care which would have been otherwise borne by the community. Life insurance insurances a kid's schooling in case of the event of death of the assured.

### **Public awareness**

Public awareness in the purchase of lifespan cover facility In Kenya, the market research done by the Association of Kenya Insurers, (2014) recognized absence of consciousness on merchandises. Those that erstwhile strategies displayed a universal deficiency of information on cover aids.

### **Disposable personal income (DPI)**

Disposable personal income (DPI), also known as disposable income, is the amount of finance that homes have accessible for expenditure and saving after income taxes have been accounted for. Personal income is frequently scrutinized as one of the numerous important economic meters applied to measure the general public of the economy in both official and self-employment.

Clients Assertiveness in the direction of lifespan cover and acceptance of lifetime cover Provision



Lack of trust in the industry, limited knowledge on its products, its limited reach to the informal sector; the perception that insurance is expensive, and the fear of not being able to service it continuously, are some of the factors hindering uptake of life insurance the service.

### **Customer attitude**

Consumer attitude refers to the study of persons, groups, or administrations and entire events linked with the acquisitions, use and disposal of properties and services, comprising the purchaser's emotional, psychological and attitudinal replies that come first or follow these activities.

## **1.2 Statement of the Problem**

The insurance industry in Kenya offers many products. However, according to the Kenya association of Insurers (AKI) insurance industry report (2011), the level of uptake of life insurance in Kenya is 1.03% against a population of over 40 million. This is very low compared alike nations for instance South Africa which has the maximum infiltration level in Africa at 14% counter to a people of 44 million. With so numerous lifetime cover products existing, it is value finding out why the majority of Kenyan population does not have any life policy. This study therefore seeks to establish the factors affecting the uptake of life insurance in Kenya. It has never been more important to understand why despite the role insurance plays in the social and economic life in Kenya, there is so little uptake of life insurance. There must be some factors that inhibit the uptake of life insurance in Kenya. This forms the basis for the study.

### **1.3 Objectives of the Study**

#### **1.3.1 General Objectives**

The overall purposes of the study was to define the features affecting the sales of life insurance policies.

#### **1.3.2 Specific Objectives**

The specific objectives for the study are;

- i. To determine how public awareness affects buying of Life Insurance Policies.
- ii. To investigate the effect of disposable income on the buying of Life Insurance Policies.
- iii. To investigate how client attitude affects the buying of Life Insurance Policies.
- iv. To investigate how efficiency in claims settlement affects the buying of life insurance

### **1.4 Research Questions**

The following question will guide the study

- i. How does public awareness affect buying of Life Insurance Policies in Kenya?
- ii. What is the relationship between disposable income and buying of Life Insurance Policies?
- iii. To what extent does client attitude affect buying of Life Insurance Policies?
- iv. How does the efficiency in claims settlement affect the buying of Life Insurance?

### **1.5 Justification of the study**

More insurance industries have started introducing life business in their companies meaning more awareness to the public on buying of Life Insurance Policies. Above variations have

brought about as a result of many claims on non- life business thus companies making a lot of losses. The study will help the management of Association of Kenya Insurer and all other Insurance Companies doing life business will be able to develop competitive strategies that will help buying of life insurance easier and accessible to all. It will also be of significance to the marketing Departments of Insurance Companies that do life Business who may be facing the similar situation would compare this work with their experience and help come up with strategies to help improve buying of life insurance policies in their companies. The study will be a contribution to the field of Life Marketing Management and other scholars and students carrying our research on the same area can borrow a leaf from it. The study will lay a foundation for future researchers either to build on the research findings or investigate some other area that affect the insurance industry, which the researcher may not incorporate in the findings.

## **1.6 Scope of the Study**

The scope of this study was narrowed to three well known In insurance Companies in Nyeri Town that do Life Business, these are; Jubilee, British America, Sanlam. The researcher interviewed the managers, unit managers, and sales representatives. The researcher targets these group because they would offer vital and immediate information and easier to access. This study was undertaken from June to November 2017.

## **1.7 Public awareness**

Public awareness in the sale of lifetime cover provision In Kenya, the market research done by the Association of Kenya Insurers, (2010) recognized that there is absence of responsiveness on merchandises. Those that failed guidelines revealed a broad deficiency of information on cover reimbursements.

### **Disposable personal income (DPI),**

Disposable personal income (DPI), also known as Disposable income, is the sum of currency that homes have accessible for expenditure and saving later income taxes have been accounted for. Disposable income is repeatedly scrutinized as one of the countless main economic signs used to measure the inclusive national of the economy in both formal and self-employment.

### **Customers Attitude in the direction of lifetime cover and uptake of life security Service**

Nonexistence of conviction in the commerce, partial knowledge on its merchandises, its restricted reach to the casual sector; the insight that insurance is costly, and the terror of incapable to service it unceasingly, are more or less factors deterring acceptance of lifetime insurance cover.

### **Customer attitude**

Consumer attitude is the study of persons, clutches, or system of government and all the doings related to the acquisition, consumption and disposal of products and services, comprising the purchaser's expressive, psychological and attitudinal comebacks that precede or follow these activities.

## **1.8 Chapter Summary**

This chapter has discussed the background to the study, the research questions and justified the study. The chapter has been able to clearly spell out the problem that is under study and why, in the author's view, it is important to carry out the research as it will be beneficial to the general public, scholars and the general public.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **1.0 Introduction to the Chapter**

This chapter reviews the various theories that inform the understanding of employee productivity. The chapter presents the empirical literature that explains how various factors affect the purchasing of life insurance in Kenya. The assessment of literature is on the features persuading acceptance of life insurance. The literature assessment deep into at all the likely features considered international in dissimilar republics and overtime. It concern with the circumstances in industrialized countries, emergent economies and the developing economies. It provides the reports of most important insurance business companies and also investigation results of other academics in the same area. The

literature review deliberates how other academics' did their studies and their findings, gaps/critiques and provides a perfect understanding on what energies the acceptance of life expectancy insurance merchandises.

## **2.1 Theoretical Literature Review**

The insurance industry occurs since individuals are willing to pay a price for being insured. There are various theories that try to explain why the insured are willing to pay a premium larger than the net premium. One such theory is the so customer perceived value theory.

### **2.2.1 Customer perceived value theory**

Client perceived value is the dissimilar among the potential client's valuations of all paybacks and all the costs of subscription and the perceived alternatives. According to the theory, customer perceived theory (CPV) is equal to what customer gets (benefits) less what the customer gives (costs). Accordingly, Total customer benefit (TCB) is the apparent financial worth of the package of economic, useful and mental remunerations clients expect from a specified souk offering since goods, services, persons, and image intricate. At the same time, Total customer cost (TCC) is the perceived bundle of costs customers expect to incur in evaluating, obtaining, using, and disposing of the given market offering, including monetary, time, energy, and psychological costs (Kotler and Armstrong, 2010).

The writers clarify that generating trustworthy clients is at the heart of every industry since the solitary worth that an institute will always generate is the value that originates from current and forthcoming clients. Clients suggest an implementation of the up-to-date

client focused on association chart as contrasting to the old business chart. Kotler and Armstrong, (2010) explain that the traditional organization chart is a pyramid with the president at the top, management at the middle, frontline people and customers at the bottom while the modern customer oriented organization chart is inverted placing customers at the top, followed by frontline people who meet customers then middle managers who support the front line people and at the base is the top management whose job is to hire and support middle managers. Assurance corporations have broadly functioned the old-style industry chart. This means that customer perceived value has remained very low hence affecting the growth of life insurance both in Kenya and other African countries, Kaguma (2011). Generating trustworthy client is at the core of every industry. Companies flourish by getting, possession and developing clients. Customers are more educated and informed than ever and they need to feel they are getting value for their investment, (Kotler and Armstrong, 2010)

### **2.2.2 Theory of life insurance**

According to this theory, the conventional explanation for purchasing life insurance is to transfer risk of dying and the attendant problems to another party. Psychologists, have revealed that this clarification is not matching with real behavior. Green, 2006) clarifies clearly that folks normally desire the danger of no damage at all to the inevitability of a minor actuarially corresponding damage, a condition precisely opposed to the one symbolized by the acquisition of insurance. Yet, individuals do acquire insurance, therefore clarification must be there rather than hazard transfer for acquiring insurance.

Yaari,M. (2009) argues that irrespective of hazard matters, individuals will be more likely obtaining lifetime cover when the amount paid is little likened to the cost of the

coverage to the buyer. Decent danger increases the amount paid, as doe's antagonistic variety. The existence of one of those makes the acquisitions of cover a reduced amount of likely. The tax subsidy can lessen the effective premium to a lesser amount of compared to the really fair price of insurance with lifetime cover. This would upsurge the probability that health insurance is bought. In conclusion, since of the rate we attached on our well-being, we wish allowance to a full variety of health care. Well-being cover is frequently the only reasonable approach of obtaining allowances to this maintenance, given the large charges of variety of these processes. However, life insurance

### **2.2.3 Collective Risk Theory**

According to this theory, the corporate of cover is theme for two fundamentally dissimilar kinds of dangers-Business risks and cover risks. Frequented to most corporate initiatives, profitable dangers comprise risks like those associated upon general economic variations and deprived reserves, but insurance risks are *sui generis* and are connected to risk variations as determined by the change among claim sums and predictable claim totals. Professor Crammer has categorized these cover dangers into two classes, exterior dangers include weighty surplus mortality leading from battles and epidemics, and the danger of random variations not attributable to any sure reason and subsequent from a great figure of claims or from above altogether, high claim totals or both. To examine the random variations and to explore the linked with scientific risk, European actuaries have established a significant organs of mathematics recognized as the philosophy of danger, which eventually try to find out how to recommend how an cover corporate might be secured from the negative impacts of these variations.



The two facts of assessment from which peril philosophy may be put into place, the collective and the separate or standard. To examine the get or do not on an entire collection, person danger philosophy continue first by putting in place the got or loss on each person policy; then by adding these single person gains or losses it provides evidence on the total gain or loss on all the strategies in the collection. Separate risk philosophy has been deliberated by Crammer

## **2.3 Empirical review**

### **2.3.1 Challenges facing the sale of life insurances crosswise the nations**

Diversity of issues impacts the distribution of cover, which would be predictable to impact countrywide usage. They are inclusive of, though are limitless to, organizational guidelines concerning creditworthiness, trade barriers, and the availability of capital, technical expertise, substructure that lets for the advertising and servicing of life cover policies. Continuous availability of data, an examination of cover ingesting in a wider example of nations would similarly lead to a superior knowing of cover need. Further, a time series study of demand could potentially lead to a greater knowledge of the uptake and maturation of insurance markets. (Mark and Kihong, 2003). According to the research findings by SBO research on behalf of Association of Kenya Insurers, the main reasons for lack of insurance cover in Kenya are: Lack of awareness on products, levels, Perceived low rate of returns for life policies, cumbersome claim settlement procedures, Lack of trust in the insurance industry, and Expensive premiums (SBO Research2010). Though the international cover souk, particularly the life cover souk, has developed speedily and the globalization of the cover corporate is flattering more extensive, these parts have not yet been significantly explored. Mark J.B, Kihong K (2003).Bernheim

(2001) demonstrates that bequest represents a powerful motive for saving among American households. Campbell (2010) emphasizes that bequest motives and risk aversion should not be confounded although they may have similar effects. To clarify the issue, Lewis (2009) analyzes the problem from the perspective of the insurance beneficiaries rather than the perspective of the wage earner, on whose life the insurance contract is written.

Numerous factors can impact person separate demand. Burnett and Palmer (2004) examine psychographic and demographic factors and find that work ethic and religion as well as education and income, among other characteristics, are significant factors of life insurance ownership. Monetary shock situations contribute an important part in temporary need, as does the presentation of substitute reserves. Using a cost index developed in Babbel and Staking (2003), Babbel (2005) demonstrates that the price has a negative influence on insurance demand. Considering that life insurance products are typically packaged as investment products offering life insurance benefits, Fortune (2003) argues that life insurance is a substitute for traditional financial assets such as equities and bonds. Headen and Lee (2004) documents that short-term demand for life insurance is influenced by consumer sentiment, interest rates, and savings rates.

Using a set of 10 developed economies, Beenstock, Dickinson, and Khajuria (2006) show that dependency ratio, life expectancy, and disposable income have a positive influence; whereas social security expenses decrease insurance demand.

In Browne and Kim's (2003) survey of a larger set of developed and developing Countries, dependency ratio, national income, social spending, and anticipated inflation rate are found to influence the country's average life insurance consumption. In another

cross-country analysis, Osterville (2006) underlines the importance of market structures and finds that monopolistic market conditions appear to prevent the uptake of life insurance. Constant with earlier results, families' nonrefundable income and the nation's level of fiscal progress and price rises proportion are definitely linked with life assurance ingesting. Beck and Webb (2003) confirm the positive influence of income and dependency.

### **2.3.2 Public awareness in the sale of life insurance service**

Kenya for instance, the market study done by the Association of Kenya Insurers, (2010) brought about that there is deficiency of awareness on merchandises. In case there is lapsed policies in the country signaled a general deficiency of information on cover benefits. Thus, this is one of contributing feature to their choice to lapse insurance. However, there is alertness of cover on overall among the insurable residents a great proportion does not have a appropriate understanding of what the effect it possibly will have. Most of the already insured respondents cited a lack of interest in reading policy documents especially if a claim does not occur at all, SBO research (2010).

Alertness limit stretches the duration of reliance. As a result, nations where people are alert over a lengthier duration of time there ought to be a better demand for lifespan cover. Furthermore, a greater level of schooling may possibly lead to a superior grade of danger dislike and additional alertness of the requirement for lifetime cover in common. Consequently, schooling is imagined to have positive relation to lifetime cover ingesting. Argument behind level of education is absolutely and positively connected to life cover usage. There is no consistent finding concerning the effect of the level of education on the demand for life insurance (Osterville, 2006; Browne and Kim, 2003; Ward and

Zurbruegg, 2002). For instance, several studies suggest that highly educated people are more willing to accept that life insurance provides economic security for the family, and thus tend to spend more on life insurance (Hammond, Houston, and Melander, 2007; Truett and Truett, 2000). Increasing figure of learned persons in the Chinese regions would be anticipated to escalate demand for life cover since there is necessity for further fiscal providing for dependent relative. The rise in the level of learning yearned produce greater need for economic security. Truett and Truett (2000) argue that a higher level of education is associated with a stronger desire to protect dependents and safeguard their standard of living. Browne and Kim (2003) explain that a higher level of education results in a greater awareness of life's uncertainties and hence highlights the benefit of life insurance coverage. Osterville (2006) also supports the view expressed by Browne and Kim (2003). Moreover, range of learning is allied with the period of the progeny's dependence, leading in an enlarged essential for defensive recipients through assurance on life.

### **2.3.3. Disposable income in the sale of life insurance**

Lewis (2009), Hankinson (2009), Fischer (2003), Fortune (2003), and Campbell (2000) have shown that the demand for life insurance is positively correlated with income. Continuous growth personal revenue leads to life insurance becomes more reasonable. On top of that, the need for life insurance rises with income as it guards beneficiaries counter to the damage of predictable upcoming income as a result of untimely demise of the income breadwinner. Using aggregated national data, Fortune (2003), Beenstock, Dickinson, and Khajuria (2006), and Truett and Truett (2000) have demonstrated that life insurance premium expenditures and national income are positively correlated. Preceding

worldwide studies of life insurance usage have used gross national product (GNP) and gross domestic product (GDP) as methods of revenue.

In the research on OECD Countries by Donghui, Fariborz and Pascal (2007), Disposable Income is a central variable in insurance demand models that positively affects life insurance consumption (Fortune, 2003; Campbell, 2000; Lewis, 2009). In addition to rising of the affordability of life insurance merchandises, a great revenue consequences in a better forfeiture of predictable usefulness for the dependent relative in the occasion of the assured demise. Therefore it influence upsurges the worth of life assurance coverage, and as a result accelerates to the optimistic association with revenue. Working on household level data, Fitzgerald (2007) shows that insurance demand increases with the husband's future earnings (and decreases with the wife's future earnings). The study done in Kenya by SBO approves that affordability was a main anxiety amongst the assured, those who have lapsed and the un-insured. Generally, the subject of ability to buy was originate to be more of a insight than the actuality as a result of poor and insufficient communication on the real price of assurance rules. Many respondents received Ksh.20,000 and below. Cover businesses have to attempt to ensure that it give room to various class of prospective clients by scheming appropriate cover answers. Normally, revenue heights were inferior amongst the reserves likened to town areas. More of respondents were eager to spend a smaller amount of Ksh500 and below and desired by means of cash payment means. Insurance companies can utilize cash transfer options through mobile telephony (Mpesa) to Tele) to increase penetration.

Although the relationship between economic development and insurance market development varies across countries (Tienyu and Brian, 2005), there is a link (Osterville,

2006; Ward and Zurbrugg, 2000). Studies conducted by them in China territories exposed that the growth in salary heights go together with fast economic uptake could be the leading motive for the rising demand for economic safety. Ever since 1997, Hong Kong and Taiwan have been once again group as “advanced economies” while they were previously long ago known as “industrial countries.” The regrouping reveals their fast economic expansion, and they currently portion a figure of significant features with the extremely advanced nations, as well as comparatively more-pay limits, finely honed financial souks, and tall grades of fiscal intermediation and varied economic constructions with quickly rising service subdivisions (International Monetary Fund, 2007).

The limits of infrastructures growth is assumed to be positively linked to life cover consumed in the area. The finding of there search in China, Taiwan and Hong Kong illustrate that the growth in pay levels go along with change in social structure, and an upsurge in the level of knowledge has nourished a need for economic safety in mainland China, Hong Kong, and Taiwan. The alteration in the level of economic growth leads to discrepancy in life cover ingesting all over the regions. Forward-thinking economies such as Hong Kong and Taiwan have more insurance spending.

In addition, even though these three Chinese regions demonstration rising in life assurance in universal, the diverse phases of their souks agree to the diverse limits of lifetime assurance consumption. The research discoveries variances in earnings springiness of the request for lifetime assurance transversely the regions, in that mainland China, a low-income nation, has the resilient earnings elasticity comparative to Taiwan and Hong Kong.

## **2.2.4 Customers Attitude towards life insurance and uptake of life insurance**

### **Service**

Lack of trust in the industry, limited knowledge on its products, its limited reach to the informal sector; the perception that insurance is expensive, and the fear of not being able to service it continuously, are some of the factors hindering uptake of life insurance the service, SiddharthIyer (2010).

According to a research report by SBO research for Association of Kenya Insurers (2008),

The Association was concerned with low market penetration of insurance in Kenya and the poor public perception of insurance by the general public.

The study discovery was that the little earnings and relaxed subdivision souk has slight entree to recognized fiscal services for the administration of hazards. The assurance business is pretentious by the determined underprivileged community image, that led suspicion amongst prospective clients. Main cause is due to absence of organized branding creativities and the dependence on mediators who may perhaps change their undesirable picture to the assurance enterprises they signify and to the business as an entire.

Widely held of the respondents have an undesirable boldness in the direction of mediators, SBO (2008).

The leading task middlemen encounter are unfriendliness from clients and absence of consciousness about cover merchandises. The undesirable pictures of the cover business brands it problematic for middlemen to efficiently advertise insurance. The limits of

exercise of representatives is underneath optimal limits. Many agents have neither the experience nor the professional expertise in the business,

SBO research (2008).

Poor corporate governance has directed to the portable up of numerous cover companies, which thereafter has affected undesirably on the segment. The cover companies has been blamed of involving in plentiful misconducts. Which as in turn directed to the undesirable insight presently allied with the cover business.

Enlarged lawsuit and sluggish argument resolve procedures, deceitful does in the cover firms are approximately of influences for deprived copy, IRA (strategic plan2008-2012).

### **2.3 Summary and Research Gaps**

Life insurance policies are important covers which every individual should invest in it but before this can be achieved, there is need for players in the industry to give customers the much needed confidence to enable them have interest and everyone who has some earning is a prospect. Unlike in general business where one has to own some property to insure before thinking of any kind of insurance, Life insurance is a long-term cover and contributors start benefiting from it after three years. In order to change consumers attitudes towards life insurance policies, the players should for instance, disclose the material facts before closing a sale and give after sales service to clients.

To promote consumer awareness, insurance companies should embark on extensive advertising and proper training for potential clients by organizing for training and seminars so that they get to know the benefits of these products. The organization should design quality products, which are affordable and tailored to customer needs.

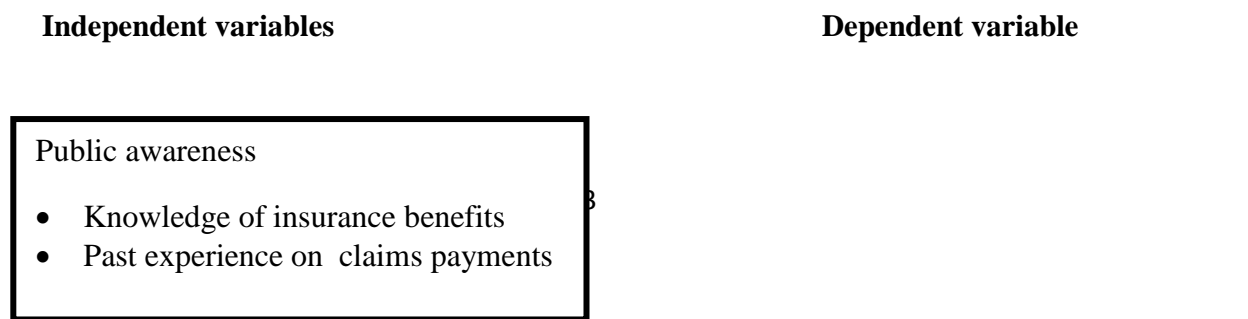


Although several studies have been conducted as review above, none account directly for the factors affecting the sales of life insurance merchandises. Therefore it is of important to underline that there are numerous other features that poses a challenge to the sales of life insurance policies for example lack of proper training, poor product development, late payments of claims, government interferences, retrenchment and downsizing etc. Hence, other study ought to be done in these field. Studies conducted on this research are just associated to the topic of the research and none locally has been conducted in this area. The study will bridge gap in existing knowledge of this area and would strive to identify the specific problems in life insurance.

## 2.4 Conceptual Framework

The conceptual frame work summaries the independent, dependent, moderating and intervening variables. The independent variables effects and define uptake of life cover. The independent variables are: Negative insights held by the individuals towards lifetime assurance, little limits of the earnings, little convenience of cover services, absence of alertness of insurance paybacks and low schooling levels, cost of life cover services, and spiritual theories held by the individuals. The dependent mutable is the acceptance of life cover. The curbing mutable is the Directive and administration of cover by the rule, economic policy and Tax relief. Superseding variables are the variables presented to assistance develop on the dependent mutable. These are: Advertisements, escalation distribution networks, innovative merchandises.

**Figure 2.1: Conceptual Framework**



**Source: Author (2017)**

### **Explanation of variables**

#### **Public awareness**

This is the study of an even or events regarding publicity through several avenues of communications. This practice that involves plans to let the public get the right details of your undertakings for ease of spreading of your products and services, Ruddul, (2006). It reduces resistance since they are already aware of. Take for example while selling insurance products to some villages that have never been aware what is insurance in the first place, it is difficult. It helps the public clear the wrong beliefs about insurance and adopt the real meaning; it kills fear and instills confidence.

#### **Disposable income**

Disposable income, also known as disposable personal income (DPI), is the amount of money that households have available for spending and saving after income taxes have been accounted

for. Disposable personal income is often monitored as one of the many key economic indicators used to gauge the overall state of the economy in both formal and self-employment.

### **Customer attitude**

Consumer attitude is the study of individuals, groups, or organizations and all the activities associated with the purchase, use and disposal of goods and services, including the consumer's emotional, mental and attitudinal responses that precede or follow these activities. Consumer attitude emerged in the 1940s and 50s as a distinct sub-discipline in the marketing area. Consumer attitude is an inter-disciplinary social science that blends elements from psychology, sociology, social anthropology, ethnography, marketing and economics, especially attitudinal economics. It examines how emotions, attitudes and preferences affect buying attitude.

## **2.6 Chapter Summary**

The chapter looked at factors influencing uptake of life insurance uptake internationally and then in Kenya. The factors of life insurance uptake are many and complex. They tend to vary across country boundaries. In Kenyan market, lack of awareness on products, low income levels, perceived low rate of returns for life policies, cumbersome claim settlement procedures, lack of trust in the insurance industry, and expensive products were some of the factors looked at. Households' disposable income and the country's level of financial development and inflation rate are positively associated with life insurance consumption. Disposable Income is a central variable in insurance demand models that positively affects life insurance consumption. As income increases, life insurance becomes more affordable. The level of economic development is taken to be positively related to life insurance consumption in the area. Higher level of education

leads to better understanding of insurance benefits and more awareness and therefore higher uptake of life insurance.

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.0 Introduction**

This chapter details how the proposed study was carried out. It covers the design that was adopted to conduct the study, how data was collected and eventual analysis of the data in order to generate research findings for reporting. This section describes the research design, target population, sampling design and sample size, and the data collection methods that were used. The chapter also discusses validity and reliability of research instruments, data collection method and procedure, analysis and presentation techniques and the ethical considerations of this study.

#### **3.1 Research Design**

The study adopted a descriptive research design. Cooper and Schindler (2003), define descriptive research design as being concerned with finding out who, what, where, when and how variables. Cross-sectional studies form a class of research methods that involve observation of all of a population, or a representative subset, at one specific point in time. This study established the factors affecting the successful uptake of life insurance by surveying a sample of selected insurance companies offering life insurance policy in Nyeri town.

### 3.2 Target Population

The target population was all the employees of the three insurance Companies in Nyeri town. The human resources department of the three companies indicated that the total number of employees is 120 in number. The target population was thought sufficient to allow for generalizations on the factors affecting the uptake of life insurance in the three branch offices located in Nyeri town. The target population of the study is illustrated below in table3.1

Table 3.1 Target Population

Category of Staff	Target Population	Percentage
Middle management	18	15
Supervisors	42	35
Junior Employees	60	50
<b>Total</b>	<b>120</b>	<b>100</b>

Source: Author (2017)

### 3.3 Sample size and Sampling Design

Sampling design is the research method used by a researcher to determine the sample size of the study. To determine the sample size for small populations, we use the normal approximation to the hyper-geometric distribution, similar studies (Morris, 2014) have adopted the hyper-geometric distribution due to its ability to estimate sample sizes from small populations accurately. The sample design enables a researcher to come up with a small number of individuals or subjects under which the researcher gathered data from because it is not possible to undertake a research on an entire population, Mugenda and

Mugenda (2003). The study will use stratified random sampling design because the design allows and gives equal chances to all individuals in a population to be selected. The target population was 120 respondents out of which 30% representing 36 respondents was included in the sample. The sample size distribution and size is as shown below in table 3.2. The population was divided into categories as shown in table 3.2 below.

**Table 3.2: Sample Size**

<b>Category of Staff</b>	<b>Target Population</b>	<b>Sample size (30% of target population)</b>	<b>Percentage of sample</b>
<b>Middle management</b>	18	5	13.9
<b>Supervisors</b>	42	13	36.1
<b>Junior Employees</b>	60	18	50.0
<b>Total</b>	<b>120</b>	<b>36</b>	<b>100.0</b>

**Source: Author (2017)**

### **3.4 Data Collection instrument**

Questionnaires were used as a major data collection instrument. A questionnaire is a research instrument consisting of a series of questions and other prompts for the purpose of gathering information from respondents. The reason for using the questionnaire as data collection instrument is because it assists in the collection of information from the respondents without affecting their schedules in their jobs and answers the questions at their own free time. A distinction was made between open-ended and closed-ended questions. An open-ended question asks the respondent to formulate his/her own answer, whereas a closed-ended question has the respondent pick an answer from a given number of options. The response options for a closed-ended question should be exhaustive and

mutually exclusive. The researcher used both the open-ended and close-ended questionnaires.

### **3.5 Data Collection Procedure**

#### **3.5 Reliability and Validity of Data**

To assess the validity of the questionnaires, a pilot study was conducted at Britam, Sanlam and Jubilee Insurance companies where 10 questionnaires were sent there to test whether they are able to give the required information related to the problem under study. Pilot study enabled the researcher to make corrections that may be necessary which helps to ensure that the data collected is reliable and validity for the study.

##### **3.5.1 Validity**

A pilot study was conducted to help establish content validity of the questionnaire. The questions were carefully constructed and refined after the pilot study. The research instrument was also reviewed and amended by experts in the area of study

##### **3.5.2 Reliability Test**

To establish the reliability of the questionnaires the instrument was provided to a total of 35 respondents (at least 10% of the sample size) at the county government. The reliability respondents were repeatedly asked the same questions and the answers were eventually used in the construction of the final questionnaire.

### **3.6 Data Analysis and Presentation**

This section explains the methods of data analysis, interpretation and presentation of data collected in the research study.



### **3.6.1 Data Analysis**

The collected data was summarized and analyzed using the Microsoft Excel program. These methods were used to analyze the collected data depending on the type of questions answered. Qualitative data was analyzed manually and comparisons made with existing literature to establish areas of agreement and disagreement.

### **3.6.2 Data Presentation**

Tables, charts, graphs and other measures of central tendency were used to present qualitative data while grids and tables were used to present quantitative data. These presentation methods are preferred because they are easy to understand and summarize. They also make the analysis work easier..

### **3.7 Ethical Considerations**

The researcher obtained an authorization letter from MUA and from the CUE giving her permission to conduct research. The researcher carried the letter during data collection and presented it to appropriate authorities to be allowed to conduct research. The respondent in this study were not required to use their names or provide any form of identification.

Full consent of all respondents was sought before the questionnaires were administered. All subjects were assured of total confidentiality and the data obtained was to be used for research purpose only. The study tried to avoid creating any form of risk to the participants. There were no direct benefits to the respondents but the results are expected to be of value to the entire organization.

### **3.8 Chapter Summary**

The chapter has discussed the methodology used in conducting this research. The questionnaire is the primary tool used to collect data from the field. The study used a target population of 120 individuals who are employed by the three insurance companies (Britam, Sanlam and Jubilee Insurance companies). From this population, a sample comprising 36 individuals was drawn on a stratified random basis to ensure that all individuals in category had a chance of being selected into the sample. Data analysis was computerized. Every question responded to by an individual was analyzed individually and interpreted accordingly. The analyzed data is presented in terms of charts and tables.

The study has considered all relevant ethical and logistical aspects and this has been taken care of to ensure that individuals' rights are not violated and they are not inconvenienced.

## CHAPTER FOUR

### DATA ANALYSIS, PRESENTATION AND INTERPRETATION

#### 4.0 Introduction

This chapter focuses on data analysis of the findings of the research work. In this chapter data is interpreted and results presented graphically by the use of tables, columns and pie charts, percentages and descriptive statistics.

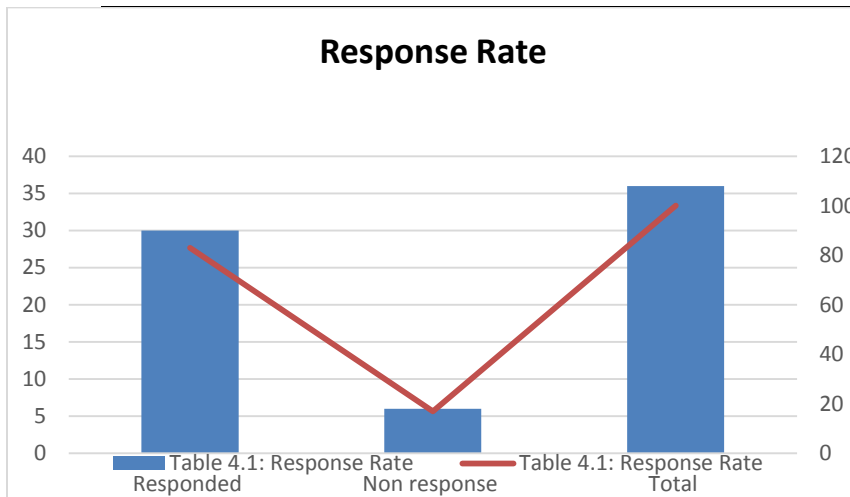
#### 4.1 Presentation of Research Findings

In this section, answers are provided through questionnaires issued to the sample population and then tabulated to provide comparison of response.

##### 4.1.1 Response rate

**Table 4.1: Response Rate**

Response	Frequency	Percentage
Responded	30	83
Non response	6	17
<b>Total</b>	<b>36</b>	<b>100</b>



From table 4.1, the response rate was 83% of the respondents while non-response was 17% which shows that majority of the questionnaires were returned. Majority of

respondents cooperated well in the exercise since they seemed to understand the importance of the life insurance practice. Therefore, this rendered the results acceptable.

#### 4.1.2 Gender Representation

Table 4.2 Gender representation

Response	Frequency	Percentage
Male	20	67
Female	10	33
Total	30	100

Figure 4.2 figure gender presentation

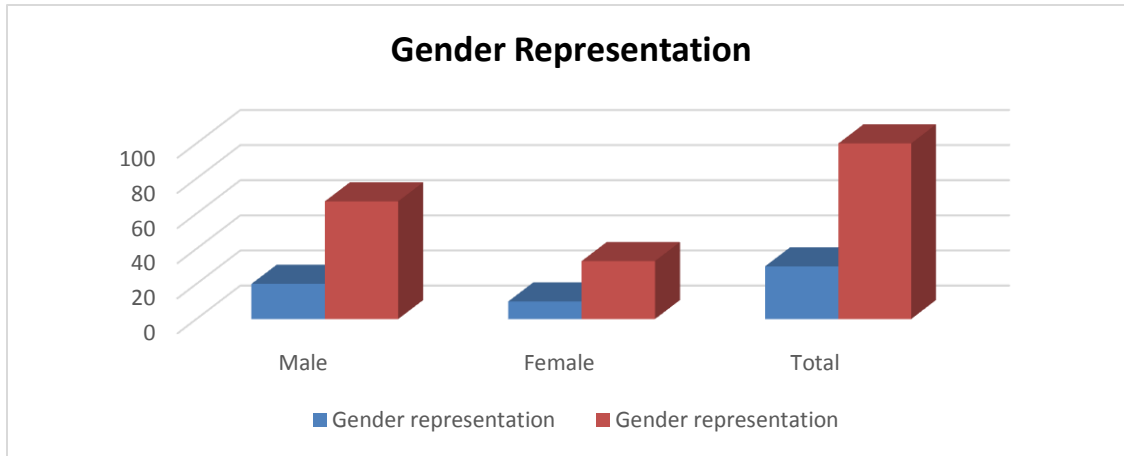


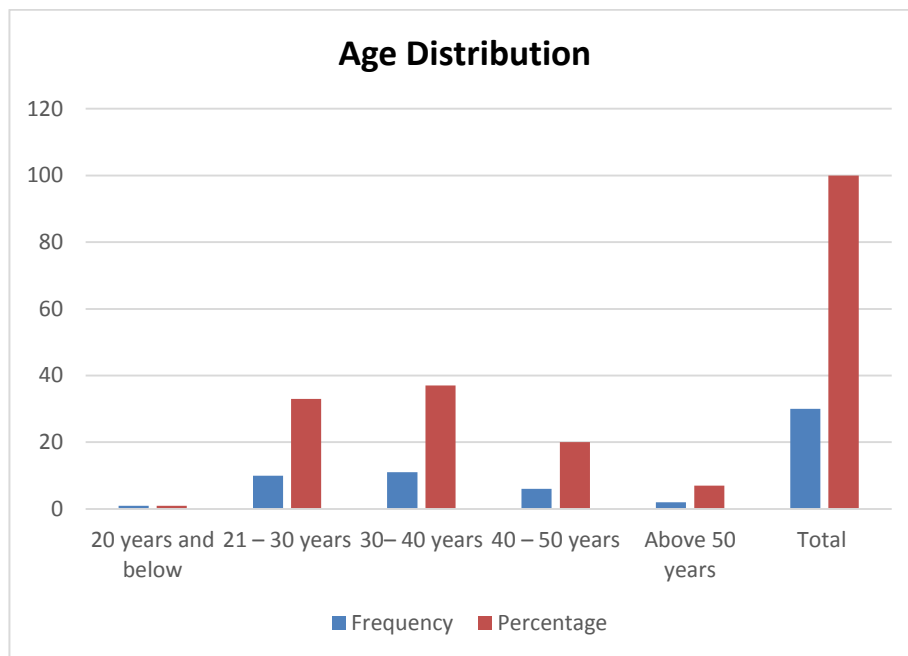
Table 4.2 indicates the gender balance whereby 67% of the respondents were male while 33% of the respondents are female. This, therefore, shows that all genders are represented

#### 4.1.3 Age Distribution

Table 4.3 Age Distribution

Age group	Frequency	Percentage
20 years and below	1	1
21 – 30 years	10	33
30– 40 years	11	37
40 – 50 years	6	20
Above 50 years	2	7
Total	30	100

Figure 4.3 Age Distribution



**Source Data: Survey (2017)**

Table 4.3 represents the age distribution. Most of the respondents are aged between the ages 31 - 40 years (38%). This shows energetic, teachable and young employees are undertaking their duties for better performance of the insurance sales. This age bracket was followed by respondents of ages 21 – 30 at 34%, ages 41 – 50 at 19%. Also ages above 50 represented 1% and finally those of below 20 years represented 7%. This shows

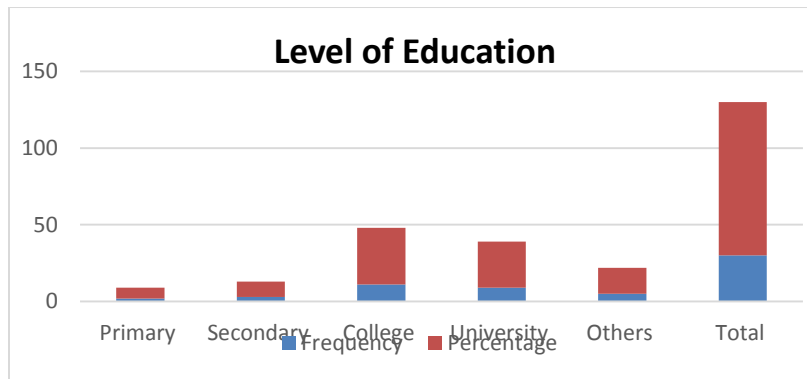
that those about to retire are few and be succeeded by those behind them whereas those of 21 – 30 years are gaining experience to take charge of other higher duties. This analysis implies that there is labor succession plan which may affect the insurance sale positively.

#### 4.1.4 Level of education

**Table 4.4 Level of Education**

Education Level	Frequency	Percentage
Primary	2	7
Secondary	3	10
College	11	37
University	9	30
Others	5	17
<b>Total</b>	<b>30</b>	<b>100</b>

**Figure 4.4 level of education**



**Source data: Survey (2017)**

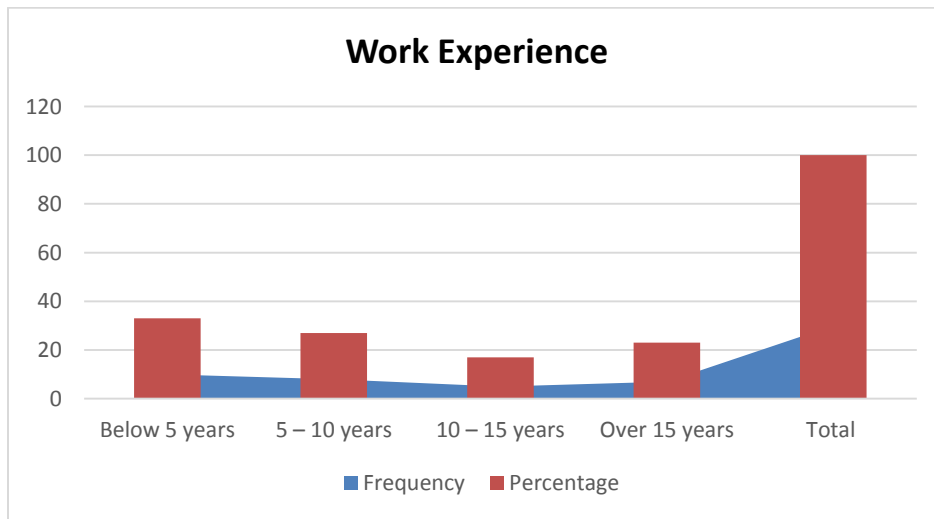
Majority of the respondents had college education (37%), followed by those with University education (30%). Others with qualifications such as technical schools constituted 17%, those with secondary school education constituted 10% and finally those with just primary school education were 7% of the population. This shows that all levels of education are represented thus avoiding bias.

#### 4.1.5 Working experience for Life insurance staff

**Table 4.5 Work experience**

<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
Below 5 years	<b>10</b>	<b>33</b>
5 – 10 years	<b>8</b>	<b>27</b>
10 – 15 years	<b>5</b>	<b>17</b>
Over 15 years	<b>7</b>	<b>23</b>
<b>Total</b>	<b>30</b>	<b>100</b>

**Figure 4.5 work experience**



**Source data: Survey (2017)**

Majority of the employees have been with the establishment for periods below five years (33%). Those with 5-10 years are 27% of the population while those with 15 years' experience constitute 23 % of the population. There is a minority (17%) with 11-15 years' experience.

The implication is that there is a high employee turnover. The transfer of experience from one age group to another which is very important is severely affected. When those

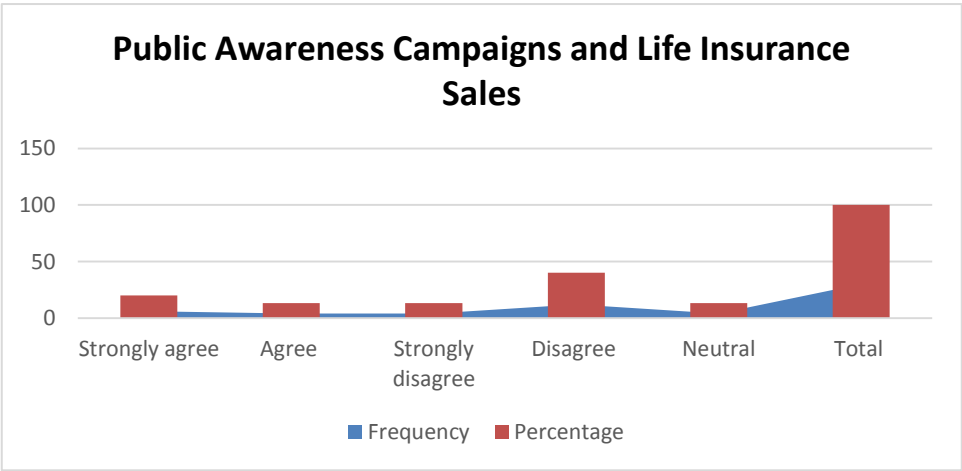
experienced in the sales train others, sales of life insurance would rise. This implies that a lot of time is wasted in training and learning the trade by the new staff. This negatively affects the sales of life policies.

**4.1.6 Public awareness campaigns and life insurance sales**

**Table 4.6: “The Company conducts public awareness exercises”**

Response	Frequency	Percentage
Strongly agree	6	20.0
Agree	4	13.3
Strongly disagree	4	13.3
Disagree	12	40.0
Neutral	4	13.3
Total	30	100.0

Figure 4.6 The Company conducts public awareness exercises



From the foregoing, there is strong evidence that companies surveyed hardly carry out public awareness campaigns on life insurance. The majority (40%) disagree with the statement “The Company conducts public awareness exercises”. However, a strong minority of 20% of the respondents are in strong agreement with the statement. The



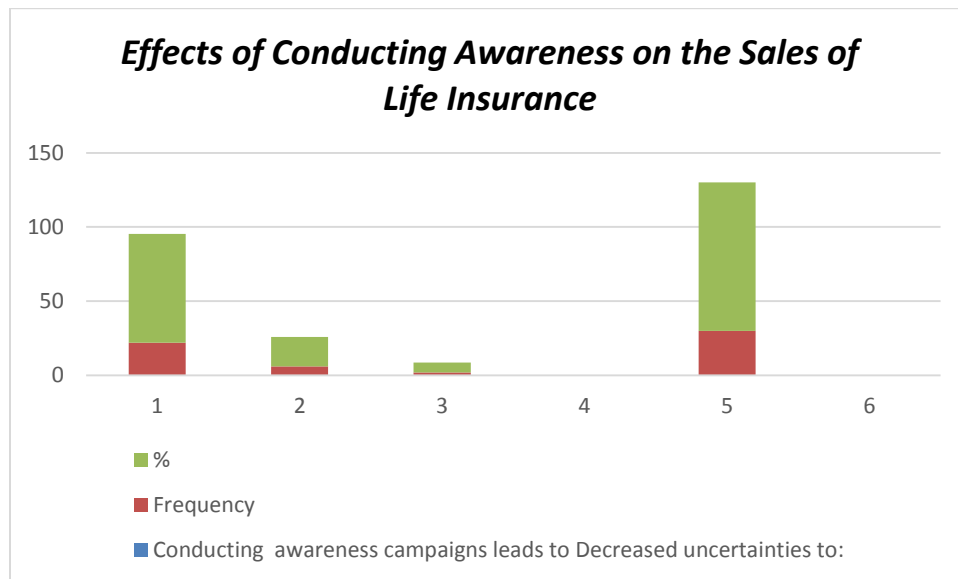
indication is that many potential clients are lost simply because they are not aware of the existence of such policies and their benefits.

#### 4.1.7 Effects of conducting awareness on the sales of life insurance

Table 4.7 Conducting awareness campaigns leads to decreased uncertainties

Conducting awareness campaigns leads to Decreased uncertainties to:	Frequency	%
A Great extent	22	73.3
A Moderate extent	6	20.0
A little extent	2	6.7
Has No effect	0	0.0
Total	30	100.0

Figure 4.7 Conducting awareness campaigns leads to decreased uncertainties



Source data: Survey (2017)

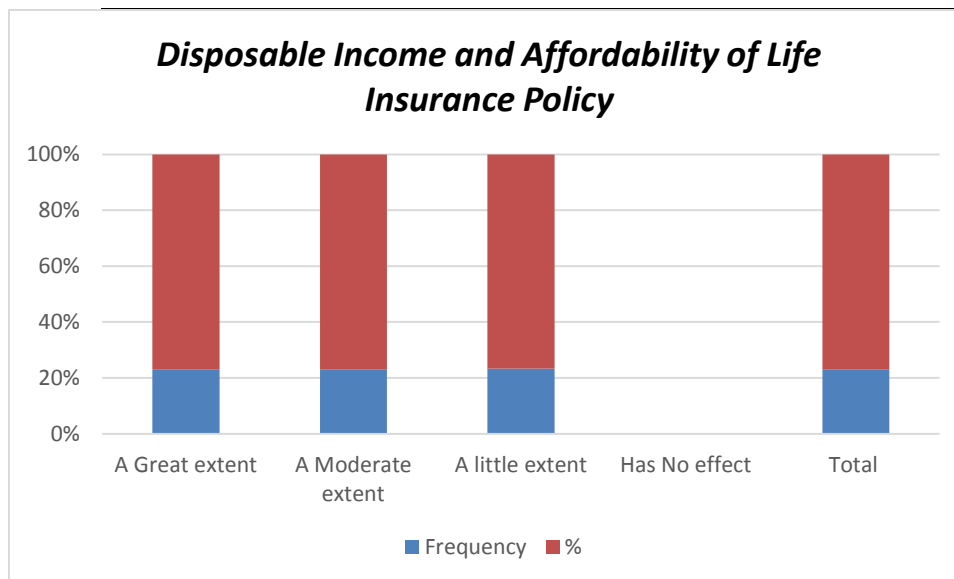
Creating awareness of life policies would lead to a decrease in uncertainties that clients have on life insurance. This is the opinion of the majority (73%) who state that such action leads to decreased uncertainties by a great extent. A small minority agree that such action decreases uncertainties by a moderate extent. No one is in disagreement with the

same statement meaning that there is general agreement that creating awareness leads to a reduction in uncertainties customers may have over life insurance policies.

#### 4.1.8 Disposable income and affordability of life insurance policies

**Table 4.8 Disposable income and affordability of life insurance policy**

Disposable income affects affordability of life insurance policy	Frequency	%
A Great extent	23	76.7
A Moderate extent	6	20.0
A little extent	1	3.3
Has No effect	0	0.0
Total	30	100.0



**Source data: Survey (2017)**

Disposable income is an important factor in the sales of life policies. According to the majority (76.7%), disposable income affects the affordability of life policies. As such, if the disposable income is high, more life policies would be sold while the reverse is true. A small minority (20.0%) are in agreement only that they state that the effect of disposable income on sale of life policies is moderate. At the same time, a very small

number are of the opinion that disposable income affects the sales of life policies by a little extent (3.3%).

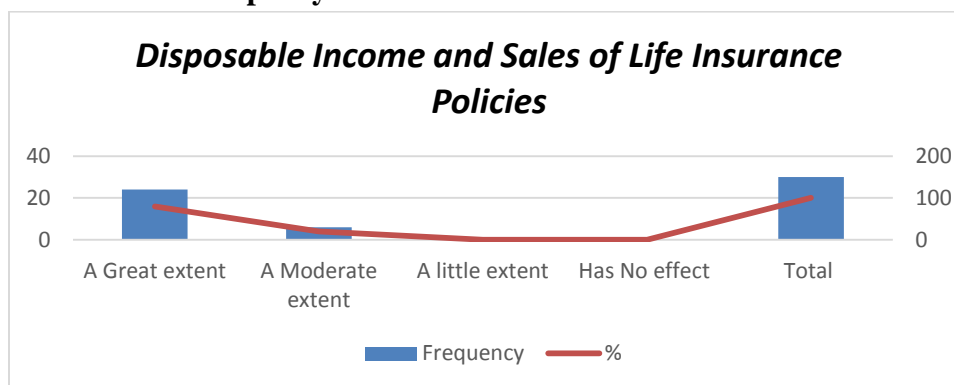
This would mean that if the disposable income available to prospective clients is significantly large, more life policies can be sold. The reverse is true as far as the data collected and analyzed is concerned.

### Disposable income and sales of life insurance policies

**Table 4.9 Effect of disposable income of target customers on sales of life insurance policy**

Disposable income affects influences sales of life insurance policies to:	Frequency	%
A Great extent	24	80
A Moderate extent	6	20
A little extent	0	0
Has No effect	0	0
<b>Total</b>	<b>30</b>	<b>100.0</b>

**Figure 4.9 Effect of disposable income of target customers on sales of life insurance policy**



**Source data: Survey (2017)**

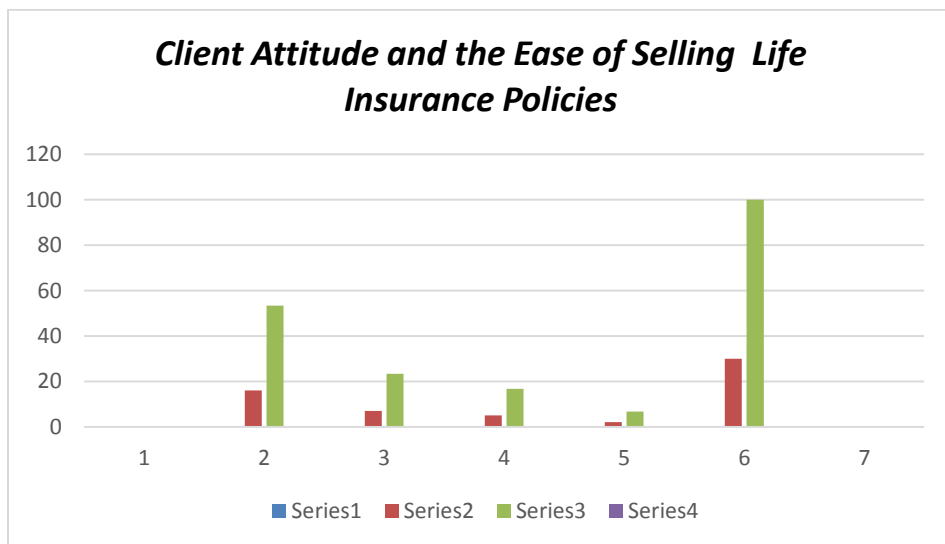
As shown in the foregoing argument, there is more evidence to support the fact that disposable income affects sales of life policies to a very great extent. There is a majority (80%) who clearly state that the Disposable income affects influences sales of life insurance policies to a Great extent.

#### 4.1.9 Client's attitude and the ease of selling life insurance policies

4.1.10 Table 4.10 Effect of customer's attitude on sales of life insurance policy

A positive attitude by the client makes it easy to sell insurance policies by:	Frequency	%
A Great extent	16	53.3
A Moderate extent	7	23.3
A little extent	5	16.7
Has No effect	2	6.7
<b>Total</b>	<b>30</b>	<b>100.0</b>

Figure 4.11 Client's attitude and the ease of selling life insurance policies



Source data: Survey (2017)

Where the client has a positive attitude towards life insurance, it becomes much easier to sell the same to such clients. This is the opinion of the majority 53.3% who opined that a positive attitude by the client makes it easy to sell insurance policies by great extent. A significant number argue that the extent of the influence of the client's attitude is only moderate (23.3%) while 16.7% are of the view that the attitude of the customer influences the ease of sales by a little extent only. The indication is that the attitude of the customer

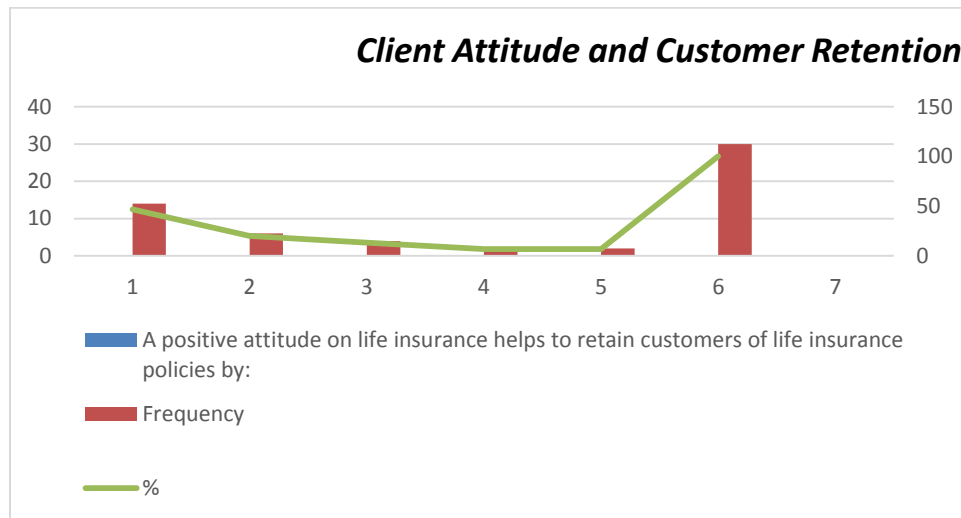
is a major determinant of the ease in which sales of life policies are done. It is imperative to cultivate a positive attitude for selling life policies to become easier. This way more sales may be achieved.

#### 4.1.11 Client attitude and customer retention

**Table 4.11** Effect of customer’s attitude on sales of life insurance policy

<b>A positive attitude on life insurance helps to retain customers of life insurance policies by:</b>	<b>Frequency</b>	<b>%</b>
A Great extent	14	46.7
A Moderate extent	6	20.0
A little extent	4	13.3
Has No effect	2	6.7
<b>Don’t know</b>	2	<b>6.7</b>
<b>Total</b>	<b>30</b>	<b>100.0</b>

**Figure 4.11** Effect of customer’s attitude on sales of life insurance policy



**Source data: Survey (2017)**

If it is easy to make a sale because the client has a positive attitude, then it is conclusive that a positive attitude towards life insurance increases the sales of life policies. This is supported by data collected and analyzed. Majority of respondents (46.7%) opined that a positive attitude on life insurance helps to retain customers of life insurance policies by a

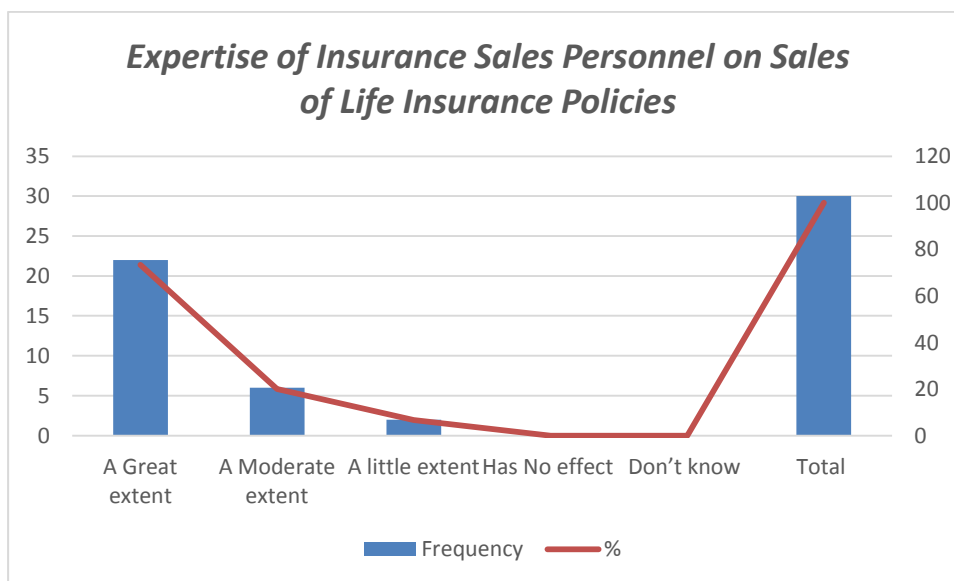
large extent with a significant minority (20%) saying that the effect is only moderate. It is instructive to note that none of the respondents is in disagreement with the statement. Retaining customers means increased sales or uptake of insurance.

#### 4.1.12 Expertise of insurance sales personnel on sales of Life Insurance Policies

**Table 4.12: Effect of Level of Training**

The level of training of insurance sales personnel affects the sales of life insurance by:	Frequency	%
A Great extent	22	73.3
A Moderate extent	6	20.0
A little extent	2	6.7
Has No effect	0	0.0
Don't know	0	0.0
<b>Total</b>	<b>30</b>	<b>100.0</b>

**Figure 4.12 Effect of Level of Training**



**Source data: Survey (2017)**

It is clear from the data collected and analyzed that the expertise of the sales people is crucial in the increase of sales of life insurance. Majority (73.3%) of the respondents is of the view that the level of training of insurance sales personnel affects the sales of life insurance by a great extent, and 20% say that the extent is moderate. Better trained sales

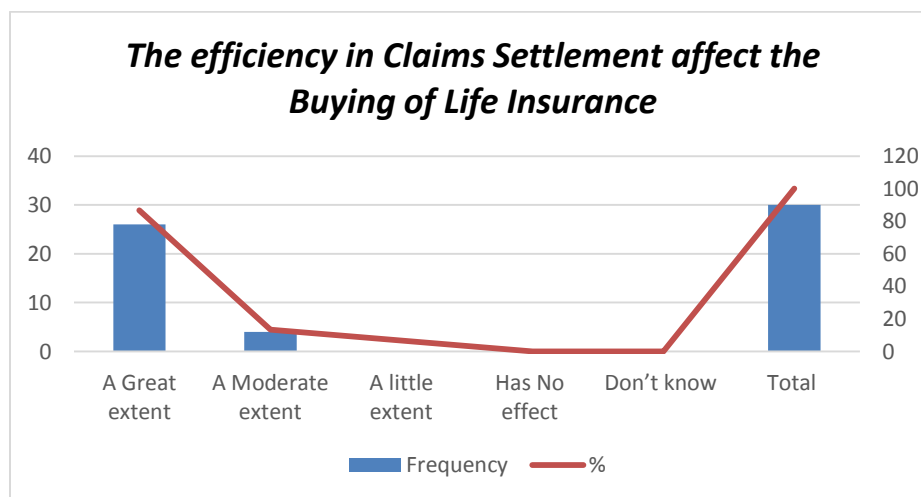
personnel would increase the uptake of policies by a large extent while poorly trained sales people would achieve significantly less.

#### 4.1.13 The efficiency in claims settlement affect the buying of Life Insurance?

Table 4.13: Effect of Level of claims settlement on Life Insurance sales

Level of funding affects sales of life policies by:	Frequency	%
A Great extent	26	86.7
A Moderate extent	4	13.3
A little extent	0	6.7
Has No effect	0	0.0
Don't know	0	0.0
<b>Total</b>	<b>30</b>	<b>100.0</b>

Figure 4.13 Effect of Level of claims settlement on Life Insurance sales



**Source data: Survey (2017)**

According to the majority, the level of funding of the life policy sales activities is greatly affected. According to the majority (86.7%), the level of funding affects sales of life policies by a great extent, and 13.3% moderate extent. The implication is that the higher the funding, the greater would be the sales and vice versa. Low sales of life policies

would indicate that the company budget for the sales effort is not as large as it should be. This makes funding a factor that affects the extent of sales of life policies.

## **4.2 Limitations of the Study**

The researcher encountered some problems of understanding this research study which may include lack of co-operation from the respondents affected the depth of the research but the management gave good support after explaining the reason for their study. Not all selected may be keen on giving information that is instrumental to the study, to overcome this, the researcher. Some managers may be uncomfortable that agents and customers may give some revelations that may not be positive about them that the information obtained was for academic purposes. The management was uncomfortable that some managers may give some revelations that were not positive, and which may then be used by other competitors to hit on them.

## **4.3 Chapter summary**

Chapter four has presented the analysis of the raw data in terms of charts and tables and also given the major and minor statistics for every response to every question. The data is presented as per the research questions as the research questions are designed to meet the research objectives after analysis. There is an interpretation of what the statistics mean or indicate.

The chapter has also discussed the limitations as encountered during the study. The researcher also explains how such limitations were handled to enable him to make the conclusions and therefore complete the study.



## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.0 Introduction to the Chapter**

This chapter covers the findings obtained after analyzing the data collected through questionnaires from respondents in the selected insurance companies. It further contains the study's conclusion, discussion and also recommendations and suggestions for further research.

#### **5.1 Summary of Findings**

This section presents a summary of the important elements including the purpose of the study, research questions or specific objectives, findings and results.

##### **5.1.1 Public awareness**

Public awareness according to the study plays a major role in determining the uptake of life insurance policies. Where public awareness is created on life insurance, the extent to which sales or uptake of policies rises because of the fact that prospective clients become aware of the existence of the various products offered as life insurance packages. The most significant reason is that uncertainties associated with life policies are largely reduced as per the majority, (73%).

##### **5.1.2 Disposable income**

According to the majority (76.7%), disposable income affects the affordability of life policies. As such, if the disposable income is high, more life policies would be sold while the reverse is true. This means that the disposable income of prospective clients as well as existing clients is a major determinant of the level of sales of life insurance. Again, a

majority of the respondents (80%) state that the Disposable income influences sales of life insurance policies to a Great extent. This makes the level of disposable income a significant factor in determining how much insurance is sold.

### **5.1.3 Clients' attitude**

In this study, from analysis, the ease to which sales people can make sales to clients is a factor of the client's attitude towards life insurance. A positive attitude from the client's side makes it easy to make a sale by the sales men and women. At the same time, it is important that the level of training of the sales force be high enough because there is a relationship between the level of training of the salesperson and the level of sales. That awareness is highly dependent on in clients' attitude and that was determined by a representation of 53.7% of the respondents, followed by knowledge by 23%.

### **5.1.4 Level of Funding**

Sales activities funding affects the level of sales for life insurance policies. The level of funding affects sales of life policies by a great extent, and 13.3% moderate extent. The implication is that the higher the funding, the greater would be the sales and vice versa. Low sales of life policies would indicate that the company budget for the sales effort is not as large as it should be. This makes funding a factor that affects the extent of sales of life policies.

## **5.2.6 Answers to research questions**

### **5.2.6.1 How does public awareness affect the life insurance sales?**

Considering the responses and interpretation of the data above, public awareness play a major role in determining the sale of insurance and it was noted that when employees are well trained and funded, the uptake of life insurance is increased by a large extent

#### **5.2.6.2 What are the effects of disposable income in the sale of life insurance?**

Looking at the analysis in the study, majority of the respondents indicated that the effects of disposable income are directly correlated with the level of sales. Where disposable income is high, more policies can be sold and vice versa.

#### **5.2.6.3. How does clients' attitude affect the sale of life insurance?**

A positive attitude helps the seller to make the sales much easier. This translates to increased sales of the same product. This means that, we can expect to sell more where the customer has a favorable attitude toward the product.

#### **5.2.6.4 How does the company's funding of life policy sales activities affect the sales of life insurance policies?**

Funding the life policy sales activities would enhance the overall sales. From the data it is clear that good funding for these activities will result to higher sales of life policies. On the other hand, when these activities are poorly funded, the result would be very poor sales. As such the companies involved should ensure that there is an adequate budget for these activities.

### **5.3 Conclusions**

Disposable income is essentially about what a person has available for purchasing their needs. Accordingly, the higher the disposable income, the more a person may afford. As such, disposable income becomes another significant factor in determining how much

insurance can be sold to clients. With regard to the effects of disposable income levels on life insurance sales, the study findings are in agreement with (Betts, 2004) who found that higher disposable income levels has a direct relation with level of sales because people with high disposable incomes can have a higher chance of taking up insurance covers than persons drawn from poor backgrounds with low disposable incomes.

Clients' attitude is another key factor in determining how much life insurance can be sold. A well informed sales person who is aware of the client's attitude can help the client to make a decision by the client and clients are willing to support the action.

The other big problem life insurance company's face is being able to train and fund employees who can handle the highly skilled jobs of life insurance.

From the above findings and analysis, it can therefore be concluded that public awareness, disposable income and clients' attitude affects the sale of life insurance hence affect the organization performance. As insurance companies work towards achieving their mission and vision through the new sales tactics, they have to look at the awareness of employees and clients, funding of the sales activities, training of the sales force as well as funding the sales process adequately. They will also have to look at the clients' attitude as key resources in ensuring the efficient and successful life insurance sale of the set target.

#### **5.4 Recommendations**

The study concludes that the sales of life insurance policies are a factor of various things. The study has demonstrated that creation of public awareness would go a long way in enhancing the sales of insurance policies in Kenya. This is because the doubts and

uncertainties would be cleared and more prospective clients would be identified. There is evidence from other areas that people are generally not aware of the many life policy products and the benefits that might accrue from them. The study has also demonstrated that insurance companies hardly conduct any public awareness campaigns. This can be a cause of the low sales of life insurance policies. It is therefore recommended that insurance companies conduct awareness campaigns and explain their products and benefits if the level of sales is to be enhanced. At the same time, the study recommends that insurance companies should push and market policies that provide for both risk coverage and savings component and make the customers aware of existence of these products. these because that what the customers prefer., improve on agents integrity, improve on customer service, have product variety, have country wide presence to improve the penetration of insurance in Kenya.

Another finding from the study has to do with the level of disposable income of the clients. Unless the level of disposable income is raised, insurance sales will remain low as it has been shown that the lower the disposable income, the lower the sales. In this area, insurance companies can introduce policies that will ultimately raise the level of income for clients such as savings schemes from where future sales of life policies can be expected. Otherwise, the low levels of disposable income will continue hurting the uptake of life insurance policies. The insurance companies should also lower the cost of premiums, have efficient claims settlement as the level of disposable income does not encourage the taking of expensive policies and cannot also tolerate delayed claims settlements.

Insurance sales personnel need to be well trained to enhance the sales or uptake of insurance policies. The study has found out that the retention of experienced staff is low

and as such we always have new people handling the sales and processing of policies. To allay this, there needs to be a well-coordinated training program for insurance personnel to handle the clients. For this reason, the study would urge players in the sector to undertake training for their staff in more significant way. At the same time, the companies must fund the sales process adequately if life insurance policy sales are to be increased.

### **5.5 Suggestions for further research**

The aim of the study was to investigate the factors affecting uptake of life insurance in Kenya. The study found out that high cost of premiums, inefficiency in claims settlement, poor agents integrity, poor customer service in life insurance, most Kenyans not having enough disposable incomes to buy life insurance, lack of product variety, the complicated nature of life insurance products, lack of country-wide presence and life distribution channels has led to low penetration of life insurance in Kenya. There are many other factors that affect the uptake of life insurance in this study, due to its limited scope, the impact of e-insurance was not critically dealt with, the issue of public perception of insurance and its effect to the industry was also not dealt with and also further research should be taken to understand the impact of multinational insurance firms on the local firms. Future studies should put this into consideration.

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## APPENDIX II: QUESTIONNAIRE

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### Dear Respondent

I am a student Management University of Africa and currently conducting factors affecting sale of insurance. The study is conducted at selected insurance companies in Nyeri. Your input by filling in this questionnaire is not only critical to the study but also highly appreciated. All information received will be handled with confidentiality and for academic purpose only and consists of two parts; kindly answer all the questions by ticking in the appropriate box or filling in the spaces provided.

### Section A: Background Information

#### 1. Gender

- A. Male
- B. Female

#### 2. Age (taking into account of full year)

- A. 20 years and below
- B. 21-30
- C. 31-40
- D. 41-50
- E. Above50 years

#### 3. Experience (taking into account of full year)

- A. 1-2 years
- B. 3-4 years
- C. 5 Years and Above

**SECTION B: Public awareness and its effect on the sale of insurance**

4. Does public awareness affect the sale of insurance?

Yes [ ]

No [ ]

If yes explain

.....  
.....

5. What are the effects of public awareness?

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

6. To what extent do you agree with the following statement?

“This Company conducts public awareness campaigns on life insurance sales “.

A. Strongly agree

B. Agree

C. Disagree

D. Strongly disagree

E. Neutral

7. How do the public awareness challenges affect the sale of insurance?

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

8. In your own words explain how the management can improve public awareness on the sale in insurance.

.....  
.....

9. Indicate by ticking the extent to which conducting awareness leads to the following effects on the sales of life insurance

Conducting awareness campaigns leads to:	Extent			
	Great extent	Moderate extent	little extent	No extent
Decreased uncertainties				
Improved service delivery				
Increased sales of life insurance policies				

**SECTION C: EFFECT OF DISPOSABLE INCOME AND IS EFFECT ON THE SALE INSURANCE**

9. How does disposable income affect the sale of insurance?

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

10. To what extent does disposable income affect sale of insurance?

- Highly effective [ ]  
 Moderately effective [ ]  
 Effective [ ]  
 Less effective [ ]  
 Not effective [ ]

11. Please indicate whether you either strongly agree (SA), agree (A), undecided (UD), disagree (D) or strongly disagree (SD) with the following statements about ways in which disposable income affect sale of insurance sale.

Statement	SA	A	U	SD	D
Disposable income affects affordability of life insurance policy					

Disposable income determines sales of life insurance policies					
---	--	--	--	--	--

12. How do the disposable income challenges affect the sale of insurance?

.....

.....

.....

13. In your own words explain how the management can improve disposable income on the sale in insurance.

.....

.....

**SECTION D: Effect of client’s attitude affects the sale of insurance**

14. Does client’s attitude affect the sale of insurance?

Yes [ ]

No [ ]

If yes, explain

.....

.....

15. How does client’s attitude affect the sale of insurance?



.....

.....

.....

16. To what extent does clients' attitude affect sale of insurance?

Highly effective [ ]

Moderately effective [ ]

Effective [ ]

Less effective [ ]

Not effective

17. Please indicate to what extent client's attitude towards life insurance affects the sale of life insurance.

Strategies	To a great extent	To some extent	Not at all
A positive attitude by the client makes it easy to sell insurance policies			
A positive attitude on life insurance helps to retain customers of life insurance policies			

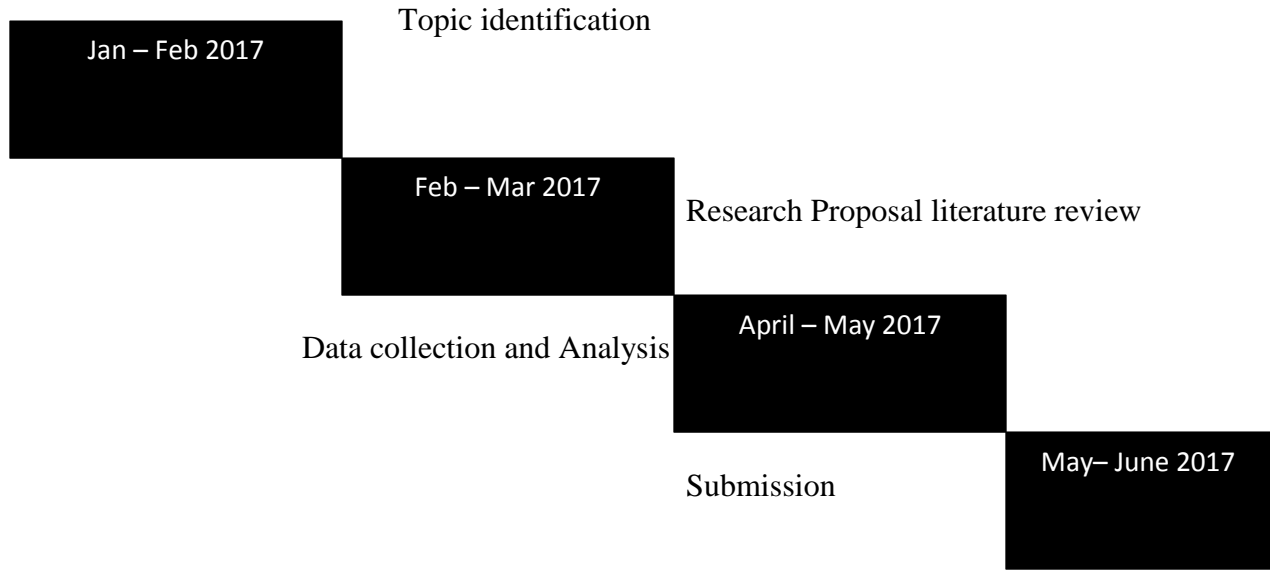
18. In your own words explain how can clients attitude can be handled to improve the sale of insurance.

.....

.....

.....

### APPENDIX III: RESEARCH WORK PLAN



#### APPENDIX IV: ESTIMATED RESEARCH BUDGET

<b>TASK/ACTIVITY</b>	<b>COST KSH</b>	<b>COST DESCRIPTION</b>
Proposal development	15,000	Administration costs
Questionnaire Printing	8,000	Copies of questionnaires
Field data collection	8,000	Research assistants cost
Data sorting coding & transport	10,000	Research assistants cost
Printing & binding thesis report	10,000	Copies and binding research copy
Transport	20,000	researcher and research assistants
Contingency budget	8,000	Other research activities arising
<b>Total</b>	<b>79,000</b>	