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FACTORS INFLUENCING PENETRATION RATE OF GENERAL INSURANCE SERVICES IN NAIROBI, KENYA

Luvisia, S. L.,[*1] & Nzulwa, J.[2]

[*1]Jomo Kenyatta University of Agriculture and Technology [JKUAT], Nairobi, Kenya
[2]PhD., Jomo Kenyatta University of Agriculture and Technology [JKUAT], Nairobi, Kenya

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ABSTRACT

The main purpose of this study was to investigate the factors influencing the penetration rate of insurance services in Nairobi, Kenya. Specifically, the study sought to; establish the influence of product factors, macroeconomic factors, consumer factors and institutional factors on penetration rate of insurance services in Nairobi, Kenya. On methodology the study used a cross-sectional survey. The target population of the study included all the Insurance companies in Kenya, forty seven (47) in number, under the umbrella body of the companies, that is, Association of Kenya Insurers (AKI) and the Regulator, the Insurance Regulatory Authority (IRA). Statistical Package for Social Sciences (SPSS) was used as an aid in the analysis of quantitative data. Qualitative data from secondary sources and open-ended questions was analyzed through content analysis and the results presented in prose thematically. The study found out that; the consumer factors affect market penetration of insurance companies in Kenya especially in relation to convenience of getting the product, consumer's knowledge of the products as well as the benefits associated with the insurance products. Institutional factors affect market penetration of insurance companies in Kenya particularly those concerning the reputation of an insurance company, the pricing of products and adoption of new technologies by insurance companies. Macroeconomic factors that relate to higher income is expected to increase the demand for insurance because of a greater affordability of life insurance products, especially for the higher risk products. However, the possibility that new firms are likely to enter the industry on competition was not a worrying factor of insurance penetration. Product factors affect market penetration for insurance companies in Kenya especially the products offering a saving and investment opportunity as well as the positive characteristics of the insurance product. The study concluded that macroeconomic factors had the highest level of significance, followed by product factors, then consumer factors and lastly institutional factors

Key terms: *Product Factors, Macroeconomic Factors, Consumer Factors, Institutional Factors*

INTRODUCTION

Insurance facilitates investment by reducing the amount of capital that businesses and individuals need to keep at hand to protect themselves from uncertain events. The Kenya economic pillar of Vision 2030 identifies financial services as a priority sector with the greatest potential to drive growth in the Kenyan economy. Insurance being a sub sector of the financial services sector is expected to play a critical enabling role by providing better intermediation between savings and investments (Kenya Economic Report, 2014). Therefore, without the insurance sector, the economy and the wealth creation associated with it can be adversely affected (International Accounting Standards Board, 2007).

However, low penetration of insurance services is one of the challenges facing the insurance industry in the developing countries. Access to insurance only starts to increase quickly in the upper middle-income brackets, but with most Africans still struggling to meet their basic food and other day-to-day needs, insurance is still a long way off (KPMG, 2015).

The existing studies on the insurance do not comprehensively touch on the factors influencing the penetration rate of insurance services in Nairobi, Kenya. To begin with the study by Wachira (2008) on assessment of attractiveness of the Insurance Industry came close to addressing the aspect of insurance penetration, although indirectly (attractiveness of the insurance industry). Gitau (2013) on the strategies adopted by Kenyan insurance companies to alleviate low insurance penetration sought to find out the efforts by insurance companies overcome the challenge of low penetration rate in Kenya.

Another study by Mwangi (2013) investigated the factors that determine financial performance of insurance companies in Kenya. The findings of the study showed that fluctuations in interest rates affect the financial performance of insurance companies both ways. This is because it affects the rate of borrowing as well as the rate of return on investments. Kanana (2014) studied competitive strategies adopted by insurance companies in Kenya. The results indicated that majority of the firms used focus or niche and market penetration strategies to create and sustain competitive advantage.

It was in light of the studies reviewed above that this study sought to obtain information on how product factors, macroeconomic factors, consumer factors and institutional factors influence penetration rate of general insurance services in Nairobi, Kenya.

Objectives of the Study

- To establish the influence of product factors on penetration rate of general insurance services in Nairobi, Kenya.
- To determine the influence of macroeconomic factors on penetration rate of general insurance services in Nairobi, Kenya.
- To ascertain the influence of consumer factors on penetration rate of general insurance services in Nairobi, Kenya.

- To assess the influence of institutional factors on penetration rate of general insurance services in Nairobi, Kenya.

Empirical Review

Product Factors

Wairimu and Okibo (2015) carried out a study on factors influencing micro insurance penetration among middle and low income earners in Kenya; A case study of Kisii county Kenya insurance companies. The findings concluded that there is a significant relationship between the independent variables; distribution channels, professional sales training, government regulations respectively and the dependent variable, penetration. The study recommends collaboration by the various stakeholders in ensuring implementation of strategies that will address the various factors identified as causing low insurance penetration.

Kozak (2011) examined determinants of penetration and profitability of non-life insurance companies in Poland during integration with the European financial system for the period of 2002–2009. The results indicated that the reduction in the share of motor insurance in the portfolio, with simultaneous increase of other types of insurance has a positive impact on penetration, profitability and cost-efficiency of insurance companies. However, offering too broad spectrum of classes of insurance negatively impacts its penetration, profitability and cost efficiency. Companies improve profitability and cost efficiency with an increase of their gross premiums and decrease of total operating expenses. Additionally increases of the GDP growth and the market share of foreign owned companies positively impact penetration, profitability of non-life insurance companies during the integration period.

Ndungu (2013) in his study on challenges of market penetration of general insurance firms in Kenya found out that product offering goes a long way in ensuring that product developments as well as marketing efforts reliably go about with meeting the local demand especially for insurance products. This therefore means that indeed good product offerings as well as effective marketing is likely to bring about successful savings mobilization program, which go a long way in ensuring that there is growth in the institution.

Macroeconomic Factors

Porntida (2012) undertook a study on the impact of macroeconomic factors on non-life insurance consumption in Thailand. The result suggested that four macroeconomic indices, i.e.: Coincident Index (from Business Cycle Index), Employment Rate (from Export Business Situation Index), Consumer Confidence Index, and Export Price Index, were found to have an impact on total non-life insurance consumption in Thailand of around 84%. From this analysis, it can be concluded that some macroeconomic factors have an impact on non-life insurance consumption in Thailand.

Kiplagat (2013) studied the determinants of health insurance choice in Kenya. The findings is that wealth index, employment status, education level and household size are important determinants of health insurance ownership and choice. In addition, lack of awareness prevents many from enrolling in any form of health insurance scheme.

Mukhwana, Ngaira and Mutai (2015) set to out to find out the determinants of uptake and utilization of National Hospital Insurance Fund Medical cover by people in the informal sector in Kakamega County, Kenya. The study established that people in the informal sector with higher income (> Kshs.10, 000) are more likely to enroll (odds ratio 2.21 with 95% CI: 1.07 to 4.03) compared to those with low incomes and similarly, higher level of education was significantly associated with enrolment in NHIF scheme (odds ratio 31.07 with 95% CI: 17.19 to 87.94). Rigid scheme design features create difficulties for people in informal sector to participate.

Consumer Factors

Bryant and Cha (2012) found that women are more likely to have greater overall satisfaction than men in many different industry contexts. One explanation for this finding is that women may be more experienced shoppers with more skill at making attribute comparisons. Experience enables them to identify items that best fit their personal needs and leads to higher overall satisfaction than men. However, these findings may not be the case for the insurance industry context, therefore the present study.

Vijay (2012) undertook a Contemporary Study of Factors Influencing Urban and Rural Consumers for Buying Different Life Insurance Policies in Haryana, making an in-depth study of the factors influencing buyer behavior for buying life insurance policies in Haryana. The survey was conducted in Haryana on 1000 policyholders. The study outlines that the insurance agent was the most influential factor for selecting the life insurance policy among rural and urban policyholders. The other crucial determinants of buying behavior were also identified such as income, economic status, product attributes, agent attributes, and price.

A study by Mittal and Kamakura (2011) found that elderly people are, on average, slower in encoding new information and in retrieving information stored in memory, thus reducing information processing capability. According to them older people may have lower "thresholds of acceptable satisfaction" because information search for a new provider is more costly?

However, research also suggests that age-related differences in product or service evaluations may be due to different expectations, driven by differences in other service-specific factors such as culture at birth, maturation and the type of service patronized (Bryant and Cha, 2012). In general, past research has found that older people are more satisfied than younger people (Mittal & Kamakura 2011; Bryant & Cha, 2012).

The influence of income and educational levels has also been studied by Mittal and Kamakura (2011). The study had it that the low income earners and low levels of education positively correlate with lower satisfaction levels while higher income groups and higher educational levels are associated with higher satisfaction levels. Though there are some differences in the findings on these demographics in marketing literature, it will be expedient to explore the impact of these variables in the insurance service context in developing countries like Ghana to provide both scholars and practitioners with empirical evidence that will serve as basis for marketing strategies and further empirical enquiry.

Institutional Factors

Amina (2013) looked into factors influencing performance of the insurance industry in Tanzania: The Case of Zanzibar Insurance Corporation. The study revealed that performance of ZIC were affected by insured by delaying to pay premium on time, to report fake claim and lack of know how about insurance service. In addition, accessibility and awareness to the insurance services provided by ZIC was not so difficult, therefore most intermediaries and insured were able to obtain and utilize the services. The result also found that operations of insurance company were influenced by Assessors and Investigator due to delaying in producing report on time.

Malik (2011) examined in his paper, the determinants of Pakistan's insurance companies profitability measured by ROA. The study used secondary data for the period of 2005-2009 and the sample was 34 insurance companies of Pakistan. The variables tested in the study are age, size, volume of customers, leverage and loss ratio. Descriptive statistics and multiple regression analysis were performed to describe the profitability among Pakistani insurance companies.

Result showed that there is no relationship between profitability and age of the company and there is significantly positive relationship between profitability and size. Result also shows that volume of capital was significantly and positively related to profitability. On the other hand the analysis suggests that a reverse and significant relationship between leverage ratio and loss ratio as independent variables and profitability.

Insurance Regulatory Authority (2012) undertook an assessment of staff skills and competency levels in insurance companies in Kenya. The findings indicated that the managers are well aware of the extent to which they can access relevant skills and competencies to aid in effective execution of their duties.

Makau (2013) did a study on factors affecting the growth of life insurance business in Nairobi, Kenya. The findings revealed that professional training of life insurance sales staff was lacking in the industry. Additionally, sales promotion is one of the major factors that can lead to growth of life insurance business if done through a combination of different methods.

Life insurance sales staff, at 83%, indicated that life insurance products should be fairly and competitively priced to ensure that the customers achieve the highest value. Proper packaging and pricing of life insurance products are likely to lead to growth of life insurance business. Finally proper government regulation policies are lacking and from the findings a lot needs to be done in this area.

Association of Kenya Insurers SBO Research (2010) noted that there is need for life insurance companies in Kenya to explore alternative channels so as to increase the level of penetration within the market. Some of the alternative channels with high potential in the Kenyan insurance market are bancassurance, internet led channels, worksite marketing, telemarketing, partnering with community based organizations, invisible insurer and virtual marketing.

AKI (2010) continues to note that the Kenyan insurance industry should develop simple standalone products that can be sold easily through other channels. This is because the existing products are complex and thus need human led channels such as brokers and agents.

Research Methodology

This research used a cross-sectional survey design as the variables were tested once and an analysis done to establish the causal relationship. Additionally, the cross-sectional survey design enabled comprehensive analysis by respondents from different insurance companies on factors influencing the penetration rate of general insurance services in Nairobi, Kenya. the population of the study was made up pf all the Insurance companies in Kenya, forty seven (47) in number, the umbrella body of the companies, that is, Association of Kenya Insurers (AKI) and the Regulator, the Insurance Regulatory Authority (IRA).

The study adopted census and purposive sampling technique; census because there are only forty seven (47) insurance companies under the umbrella body of the companies, that is, Association of Kenya Insurers (AKI) and the Regulator, the Insurance Regulatory Authority (IRA). It was therefore possible for the researcher to sample all of them and use purposive sampling to identify the respondents.

Three representatives of each of the industry bodies comprising AKI and IRA were interviewed. From each insurance company, two members of management staff was selected. This gave a total of 94 respondents. This choice of population and respondents was based on the fact that the top management staff is involved in strategic planning and execution at the corporate level.

The lower level managers are the ones who interact with the clients directly and also the distribution channels like the Agents, as well as implementation of strategies at functional level. In addition, they are involved with the implementation of strategies at the operational level. Association of Kenya Insurers and Insurance Regulatory Authority gave information in relation to regulations and industry policies. They provide information on industry initiatives, for example Regulatory framework, and other common undertakings.

Research Findings

The influence of consumer factors on penetration rate of insurance services in Nairobi, Kenya

This section sought to fulfill the first objective of the study regarding the influence of consumer factors on penetration rate of insurance services in Nairobi, Kenya. The respondents were asked a series of questions in relation to this. To begin with, the respondents were requested to indicate whether consumer factors affect the penetration rate of insurance services, to which they unanimously agreed that it did.

The respondents were further probed on the effect of consumer factors on the penetration rate of insurance services by their organization. Majority 92% agreed that the effect of consumer factors was satisfactory while 8% indicated that it was neutral.

The respondents were asked to indicate their level of agreement with the following statements regarding consumer factors affecting market penetration of insurance companies in Kenya. The response was rated on a five point scale on which 1=strongly disagree, 2=disagree, 3=Neutral, 4=Agree and 5 strongly agree. Mean and standard deviation were calculated and the findings shown in table below.

Table 1: Consumer factors affecting market penetration of insurance companies in Kenya

Consumer Factors	Mean	Std
Accessibility of insurance staff		
Vacation and travel incentives are one of the most powerful methods of attracting business, retaining profitable clientele	2.1688	1.35144
Brand Preferences of certain insurance firms	3.4805	1.09557
Survivor support services	3.6447	.66741
Technological benefits that can be derived including; customer satisfaction in return for profit and efficiently satisfying customer needs	3.6494	.66424
The consumers ability to take up an insurance product	3.6623	.82095
Consumers intention to purchase and use the goods	3.6623	.82095
Allowance to withdraw or borrow money, using the cash value of the policy as collateral	3.6753	.80200
Consumers' interpretation of the marketing stimuli	3.6753	.80200
Consumers finding of alternatives between products	3.7145	.76826
Spouse or child term riders	3.7403	.59389
Consumers' exposure and attention to marketing stimuli	3.7403	.59389
Customers perception of the insurance product's value on the basis of its benefits	3.8571	.53099
Waiver of premium	3.8684	.52516
Customers internal and external research undertakings	3.9354	.78846
Quality of service rendered by the insurance company	3.9714	.76826
One Stop Shop for a variety of insurance products	4.2597	1.36114

From the study findings in table 1, majority of the respondents agreed that the most influential consumer factor were; One Stop Shop for a variety of insurance products (x=4.297), Quality of service rendered by the insurance company (x=3.9714). Customers internal and external research undertakings (x=3.9354), Waiver of premium (x=3.8684), Customers perception of the insurance product's value on the basis of its benefits (x=3.8571), Consumers' exposure and attention to marketing stimuli as well as Spouse or child term riders (x=3.7403 each).

The findings indicated Consumers finding of alternatives between products (x=3.7145), Consumers' interpretation of the marketing stimuli and Allowance to withdraw or borrow money, using the cash value of the policy as collateral (x=3.6753), Consumers intention to purchase and use the goods and The consumers ability to take up an insurance product (x=3.6623), Technological benefits that can be derived including; customer satisfaction in return for profit and efficiently (x=3.6494), Survivor support services (x=3.6447), Brand Preferences of certain insurance firms (x=3.4805).

However, the respondents disagreed to the statement that; Vacation and travel incentives are one of the most powerful methods of attracting business, retaining profitable clientele (x=2.1688) and Accessibility of insurance staff (x=2.0779).

This implies that consumer factors affect market penetration of insurance companies in Kenya especially in relation to convenience of getting the product, consumer's knowledge of the products as well as the benefits associated with the insurance products.

3 The influence of institutional factors to penetration rate of insurance services in Nairobi, Kenya.

The second objective of the study was to determine the influence of macroeconomic factors on penetration rate of general insurance services in Nairobi, Kenya. The respondents were also asked a series of questions in relation to this. Firstly the respondents were requested to indicate whether institutional factors affect the penetration rate of insurance services, to which they also unanimously agreed that it did.

Secondly, the respondents were asked to rate the effect of institutional factors on the penetration rate of insurance services by their organization. Based on the findings, majority 98% agreed that the effect of institutional factors was satisfactory while 2% indicated that it was neutral.

The respondents were asked to indicate their level of agreement that the following statements regarding institutional factors affect market penetration for insurance companies in Kenya. Mean and standard deviation were calculated and the findings shown in table 4.3 below.

Table 2: Institutional factors affecting market penetration of insurance companies in Kenya

Institutional Factors	Mean	Std Dev
A particular brand of insurance to which customers had a previous good experience dealing before, during and after the sale has been consummated	3.0868	1.34903
Superior relationship management and customer service processes	3.1818	1.22181
Ability of a marketer to be able to learn about consumer preferences with respect to sales promotion offers	3.4545	.83580

Ability to quickly identify customers' activities through a management information system that accurately reports and monitors such activities	3.4675	.86731
Evaluation of the existing products so as to be able to see if the benefits offered by the product meet the customers' needs	3.6494	.73924
Sales promotion to compete and stimulate sales	3.6623	.80476
A good price in order to achieve the financial goals of the company	3.7143	.64598
Insurance service provider employees' behaviour with the clients, i.e., their complaisance and response.	3.7792	.55306
Investment income generated through property and other asset classes are sufficient to make up for the underwriting losses for insurance companies	3.8312	.57130
Insurance players have been dynamic and fast in adopting to the new alternative channels for both distribution and premium collection	3.8312	.69590
Promotional strategies including personal selling, advertising through printed media and electronics, financial planning seminars, sales promotion to create customer motivation to buy insurance products	3.8701	.71360
A good price that support a product's positioning and be consistent with the other variables in the marketing mix	3.9610	.59475

Majority of the respondents agreed that; a good price that support a product's positioning and be consistent with the other variables in the marketing mix (x=3.9610), promotional strategies including personal selling, advertising through printed media and electronics, financial planning seminars, sales promotion to create customer motivation to buy insurance products (x=3.8701), Insurance players have been dynamic and fast in adopting to the new alternative channels for both distribution and premium collection and he investment income generated through property and other asset classes are sufficient to make up for the underwriting losses for insurance companies (x=3.8312 each), insurance service provider employees' behavior with the clients, i.e., their complaisance and response (x=3.7792),

Respondents agreed that; a good price in order to achieve the financial goals of the company (x=3.7143), sales promotion to compete and stimulate sales (x=3.6623), evaluation of the existing products so as to be able to see if the benefits offered by the product meet the customers' needs (x=3.6494), ability to quickly identify customers' activities through a management information system that accurately reports and monitors such activities (x=3.4675), ability of a marketer to be able to learn about consumer preferences with respect to sales promotion offers (x=3.4545). They moderately agreed to; Superior relationship management and customer service processes (x=31818).

The influence of macroeconomic factors to penetration rate of insurance services in Nairobi, Kenya

The third objective of the study was to ascertain the influence of macroeconomic factors on penetration rate of general insurance services in Nairobi, Kenya. Accordingly, the respondents were requested to indicate whether macroeconomic factors affected the penetration rate of insurance services, to which they all agreed that it did. This was followed by, the respondents being requested to rate the effect of macroeconomic factors on the penetration rate of insurance services by their organization. As per the findings, majority 63% agreed that the effect of macroeconomic factors was satisfactory while 37% indicated that it was neutral.

The respondents were asked to indicate their level of agreement that the following statements regarding macroeconomic factors affect market penetration for insurance companies in Kenya. Mean and standard deviation were calculated and the findings shown in table 3 below.

Table 3: Macroeconomic factors affecting market penetration of insurance companies in Kenya

Macroeconomic Factors	Mean	Std
Effect of the possibility that new firms are likely to enter the industry on competition	2.9221	1.66833
Government controls such as licensing requirements	3.6104	1.35875
Introducing new ways of marketing insurance products	3.6545	1.10674
Early movers preemption of resources such as superior human resources, superior positions in geographical space, technological space, or customer perceptual space	3.6623	1.69061
Initiation of a strategic move first in the insurance industry	3.6623	1.65124
Inflation diminishes the value of insurance policies and makes them less attractive	3.7247	1.09354
Government regulatory actions that force significant changes in industry practices as well as strategic approaches	3.7377	.86770
Affordability of premiums in relation to consumers disposable income	3.8312	.99211

The response with mean close to 1 denotes not at all. In the same continuum, responses with mean close to 2 denotes slightly, 3 denotes fair or moderate agreement, 4 denotes large extent and 5 very large extent.

From the study findings in table 3, majority of the respondents agreed that macroeconomic factors affect market penetration for insurance companies in Kenya to a large extent by; Affordability of premiums in relation to consumers disposable income (x=3.8312), government regulatory actions that force significant changes in industry practices as well as strategic approaches (x=3.7377), Inflation diminishes the value of insurance policies and makes them less attractive (x=3.7247) More agreement from respondents were that; Initiation of a strategic move first in the insurance industry and early movers preemption of resources such as superior human resources, superior positions in geographical space, technological space, or customer perceptual space (x=3.6623 each), introducing new ways of marketing insurance products (x=3.6545), government controls such as licensing requirements (x=3.6104), on the other hand there was slight disagreement in relation to effect of the possibility that new firms are likely to enter the industry on competition (x=2.9221).

The influence of Product Factors on penetration rate of insurance services in Nairobi, Kenya

The last objective of the study was to assess the influence of institutional factors on penetration rate of general insurance services in Nairobi, Kenya. The respondents were requested to indicate whether product factors affect the penetration rate of insurance services, and they all agreed that it did. They were then requested to rate the effect of product factors on the penetration rate of insurance services by their organization. The findings revealed that all respondents agreed that product factors have an effect on the penetration rate of insurance services.

The respondents were asked to indicate their level of agreement that the following statements regarding product factors affect market penetration for insurance companies in Kenya. Mean and standard deviation were calculated and the findings shown in table 4 below.

Table 4: Product factors affecting market penetration of insurance companies in Kenya

Product Factors	**Mean**	**Std Dev**
Amount of money with which the insured participate in paying their own loss).	3.6130	1.41880
The possibility to get back a part of the premiums paid for insurance by declaring one's income.	3.6182	1.14395
Qualitative insurance product.	3.6260	.79429
The expected investment return on the premiums paid for insurance	3.6623	.82095
Acquired purchase and usage experience of a certain insurance service product determines my decision to continue using it.	3.6753	1.11735
When evaluating an insurance service, consumers pay attention to the timing of the benefits to be provided by the insurer	3.7532	.81363
Number of insurable risks.	3.7644	1.00925
The consented discounts.	3.7792	1.17679
Competent help that satisfies personal needs.	3.8052	.58577
Offering of the best deal.	3.8571	.72028
Financial reliability of an insurance service provider.	3.8961	1.64304
Trustfulness of insurer (or its representative).	3.8961	.78781
The ratio of insurance premiums and possible insurance coverage.	3.9221	.77402
Existence of negative opinion about an insurance service by others.	3.9481	.64678
Timely paid insurance coverage.	3.9870	1.72820
Existence of positive opinion about an insurance service by others.	4.0000	.56195
Insurance as a type of savings.	4.1299	.69492
Insurance as an investment.	4.1299	.65596

The response with mean close to 1 denotes not at all. In the same continuum, responses with mean close to 2 denotes slightly, 3 denotes fair or moderate agreement, 4 denotes large extent and 5 very large extent. From the study findings in table 4.5, majority of the respondents agreed that product factors affect market penetration for insurance companies in Kenya to a large extent by; Insurance being an investment and as a type of savings (x=4.1299 each), existence of positive opinion about an insurance service by others (x=4.000), timely paid insurance coverage (x=3.970), existence of negative opinion about an insurance service by others (x=3.9481), the ratio of insurance premiums and possible insurance coverage (x=3.9221).

Majority of the respondents also agreed that; trustfulness of insurer (or its representative) and financial reliability of an insurance service provider (x=3.8961 each), offering of the best deal (x=3.8571), competent help that satisfies personal needs. (x=3.8052), the consented discounts (x=3.7792), number of insurable risks (x=3.7644), the timing of the benefits to be provided by the insurer (x=3.7532), acquired purchase and usage experience of a certain insurance service product (x=3.6753), expected investment return on the premiums paid for insurance (x=3.6623), qualitative insurance product (x=3.6260), possibility to get back a part of the premiums paid for insurance by declaring one's income (x=3.6182) and amount of money with which the insured participate in paying their own loss (x=3.6130).

The findings portray that product factors affect market penetration for insurance companies in Kenya especially the products offering a saving and investment opportunity as well as the positive characteristics of the insurance product. Likewise, Ndungu (2013) in his study determined that good product offerings as well as effective marketing is likely to bring about successful savings mobilization program, which go a long way in ensuring that there is growth in the institution.

Insurance Penetration

The study assessed the level of insurance penetration by requesting the respondents to indicate their level of agreement with statements relating to general insurance premiums and gross domestic product.

Table 5: Insurance Penetration

	Mean	**Std Dev**
The firm's life insurance premiums highly contributed to Kenya's GDP in the past five years	3.81	1.0064
The firm recorded high levels of life insurance premiums in the past five years	3.98	1.0771
The firm's general insurance premiums highly contributed to Kenya's GDP in the past five years	4.19	.996
The firm recorded high levels of general insurance premiums in the past five years	4.2	.821

The response with mean close to 1 denotes not at all. In the same continuum, responses with mean close to 2 denotes slightly, 3 denotes fair or moderate agreement, 4 denotes large extent and 5 very large extent.

From the study findings in table 5, majority of the respondents agreed that market penetration for insurance companies in Kenya was to a large extent because; The firm recorded high levels of general insurance premiums in the past five years (x=4.2), The firm's general insurance premiums highly contributed to Kenya's GDP in the past five years (x=4.19), The firm recorded high levels of life insurance premiums in the past five years (x=3.98), The firm's life insurance premiums highly contributed to Kenya's GDP in the past five years (x=3.81). The findings therefore imply that general insurance premiums had a higher contribution to market penetration as compared to life insurance.

The study verified the above findings by looking into published reports by industry players on the same. According to AKI, the insurance industry has enjoyed stable business volume growth over the last ten years. As at the end of 2015, insurance premiums amounted to KES 174.06 billion, representing an increase of 10.4% from that reported in 2014. General insurance business contributed up to about two thirds (63.8%) of the total premiums.

Table 6: Insurance Performance Relative to Gross Domestic Product (Figures in billions Kenya shillings)

Item	2011	2012	2013	2014	2015
Gross Premium Income	91,806,433	111,911,370	135,384,923	157,732,058	174,064,645
Net Premium Written	75,068,663	87,475,983	105,013,409	126,333,481	140,003,552
General insurance (63.8%)	47,893,807	55,809,677	66,998,555	80,600,761	89,322,266
Gross Domestic Product at Market Prices	3,025	3,440	3,798	5,357	6,224

Regression Analysis of the research

In addition, the researcher conducted a linear multiple regression analysis so as to test the relationship among variables (independent) on insurance penetration. The researcher applied the statistical package for social sciences (SPSS) to code, enter and compute the measurements of the multiple regressions for the study.

Table 7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.709[a]	.503	.473	.17988

a. Predictors: (Constant), product factors, consumer factors, institutional factors, macroeconomic factors

The adjusted R2 is the coefficient of determination. This value explains how insurance penetration varied with product factors, consumer factors, institutional factors and macroeconomic factors. The four independent variables that were studied, explain 50.3% of the the penetration rate of general insurance services in Nairobi, Kenya as represented by the R2. This therefore means that other factors not studied in this research contribute 49.7% of the penetration rate of general insurance services giving room for further research to investigate the other factors.

ANOVA Test

According to Mugenda and Mugenda (2003) ANOVA is a data analysis procedure that is used to determine whether there are significant differences between two or more groups or samples at a selected probability level.

An independent variable is said to be a significant predictor of the dependent variable if the absolute t-value of the regression coefficient associated with that independent variable is greater than the absolute critical t-value. The regression analysis also yields an F-statistic where if the calculated F-value is greater than the critical or tabled F-value, the prediction will be rejected.

Table 8: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	2.192	4	.548	16.939	.000[b]
1	Residual	2.168	67	.032		
	Total	4.360	71			

a. Dependent Variable: penetration rate of general insurance services

b. Predictors: (Constant), product factors, consumer factors, institutional factors, macroeconomic factors

In this study, the significance value is .000 which is less that 0.05 thus the model is statistically significant in predicting product factors, consumer factors, institutional factors and macroeconomic factors. The F critical at 5% level of significance was 2.53. Since F calculated is greater than the F critical (value = 16.939), this shows that the overall model was significant.

Table 9: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	.200	.551		.363	.718
1	CF	.152	.060	.224	2.536	.014
	IF	.142	.070	.179	2.022	.047

MF	.043	.100	.698	7.463	.000
PF	.110	.040	.253	2.725	.008

a. Dependent Variable: penetration rate of general insurance services

Summary of the findings

The study aimed at determining the factors influencing the penetration rate of general insurance services in Nairobi, Kenya.

The study found out that the most influential consumer factor were; One Stop Shop for a variety of insurance products. This was followed by; Quality of service rendered by the insurance company; Customers internal and external research undertakings; Waiver of premium; Customers perception of the insurance product's value on the basis of its benefits; Consumers' exposure and attention to marketing stimuli as well as Spouse or child term riders; Consumers finding of alternatives between products; Consumers' interpretation of the marketing stimuli and Allowance to withdraw or borrow money, using the cash value of the policy as collateral

Other influential consumer factor were; Consumers intention to purchase and use the goods and The consumers ability to take up an insurance product; Technological benefits that can be derived including; customer satisfaction in return for profit and efficiently; Survivor support services; Brand Preferences of certain insurance firms. However, the respondents disagreed to the statement that; Vacation and travel incentives are one of the most powerful methods of attracting business, retaining profitable clientele and Accessibility of insurance staff.

The most influential institutional factor was; a good price that support a product's positioning and be consistent with the other variables in the marketing mix. Coming in next was promotional strategies including personal selling, advertising through printed media and electronics, financial planning seminars, sales promotion to create customer motivation to buy insurance products; insurance players have been dynamic and fast in adopting to the new alternative channels for both distribution and premium collection and he investment income generated through property and other asset classes are sufficient to make up for the underwriting losses for insurance companies;
Other influential institutional factor included; insurance service provider employees' behavior with the clients, i.e., their complaisance and response; a good price in order to achieve the financial goals of the company; sales promotion to compete and stimulate sales; evaluation of the existing products so as to be able to see if the benefits offered by the product meet the customers' needs;

Last but not least, the following factions play a role as influential institutional factor; ability to quickly identify customers' activities through a management information system that accurately reports and monitors such activities; ability of a marketer to be able to learn about consumer preferences with respect to sales promotion offers. They moderately agreed to; Superior relationship management and customer service processes.

Macroeconomic factors affect market penetration for insurance companies in Kenya to a large extent by; Affordability of premiums in relation to consumers disposable income, government regulatory actions that force significant changes in industry practices as well as strategic approaches, Inflation diminishes the value of insurance policies and makes them less attractive, **Conclusion of the study**

The study concludes that consumer factors affect market penetration of insurance companies in Kenya especially in relation to convenience of getting the product, consumers knowledge of the products as well as the benefits associated with the insurance products.

Institutional factors affect market penetration of insurance companies in Kenya particularly those concerning the reputation of an insurance company, the pricing of products and adoption of new technologies by insurance companies.

Macroeconomic factors that relate to higher income is expected to increase the demand for insurance because of a greater affordability of life insurance products, especially for the higher risk products. However, the possibility that new firms are likely to enter the industry on competition was not a worrying factor of insurance penetration.

Product factors affect market penetration for insurance companies in Kenya especially the products offering a saving and investment opportunity as well as the positive characteristics of the insurance product.

At 5% level of significance and 95% level of confidence, consumer factors had a 0.014 level of significance; institutional factors showed a 0.047 level of significance, macroeconomic factors showed a 0.000 level of significance and product factors showed a 0.008 level of significance hence the most significant factor is macroeconomic factors.

Recommendations of the study

There is need to intensify the education of the public on the importance of insurance. People must be educated on the relevance of insurance in their personal and business affairs. Insurance as a subject can be introduced is secondary schools so as to educate the youth about insurance at an early age. Insurance buyers must also be educated on good risk management practices.

There is need to adopt a multi-pronged approach in the distribution of insurance products including the use of tied agents, brokers, direct distribution, Bancassurance partnerships and use of mobile phone and internet platforms. Experts estimate that Africa has more than 316 million mobile phone users and this could be a gateway to reach the potential customers. The development of the retail insurance market needs to be intensified in Africa as a strategy to increase insurance penetration. Insurers must go into strategic alliances with banks, big shops, cooperative societies etc. and use them as distribution channels. The partners chosen will need to be educated on insurance issues.

Measures to inspire the industry require tax incentives that could encourage the middle class to purchase insurance products; given that over half of Kenyans are living below the poverty line.

Other ways of enhancing insurance penetration include; Need based products **:** Simple features, better match to needs**.** Seamless services **–** flexibility in premium payments, simplified claim settlement. Enhanced distribution capabilities **–** Proactive agents, advertisements, local people, local banks, CSC. Higher engagement with local people and organizations, government **–** provide assistance in government initiatives. Establish brand value **–** focus should not be just on LIC

Recommendations for further research

The insurance industry has very few studies conducted in regards to factors that would generate greater growth of insurance industry in Kenya. Most studies carried out in the insurance industry have invested so much on marketing strategies in relationship to competition, thus researchers should try emphasized their research studies on factors that may boost the development and growth of insurance business as well as try study the dominant forces hindering the quick growth rate of insurance services in the country.

Other scholars should venture their research into studying specific insurance products that have been developed by many insurers as a means of increase their market share and generally increasing penetration rate across the country.

As for data collection, in order to ensure the response is real and meets the expectation of the result, respondent should be requested to answer the questions directly to the researchers as they highlight the response of the respondent to save the time and to ensure the answer given is correct.

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