

FACTORS THAT INFLUENCE THE PURCHASE OF LIFE ASSURANCE BY  
THE ACADEMIC STAFF OF THE UNIVERSITY OF NAIROBI

BY

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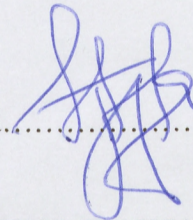
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A MANAGEMENT RESEARCH PROJECT PROPOSAL SUBMITTED IN PARTIAL  
FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF  
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OCTOBER 2003

**DECLARATION**

This Research Project is my Original work and has not been presented for a degree in any other University.

Signed.....

Date.....10/2/04.....

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.....

This Research Project has been submitted for examination with my approval as the University Supervisor

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## ACKNOWLEDGEMENT

### DEDICATION

This project is dedicated to my two children, Eunice Njeri And Bedan Njoroge, whom I love so much for their patience and understanding during the long hours of my absence. Thank you so much.

Secondly, my sincere thanks go to my Supervisor Dr. Martin Ogutu for accepting to supervise this work. His persistent guidance and encouragement is highly appreciated.

Thirdly, my sincere thanks go to my adoring father, Bedan Njenga Karari for initiating me to join the programme and financing the entire programme. My mother, Eunice Njenga support financially, especially during my first trimester is highly appreciated.

Fourthly, I wish to thank my brother-in-law, Wycliffe Karari, for his financial support, Mr. George and Elizabeth Njengwa for their valuable time typing and editing my work.

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God bless all my friends, family, friends who had helped me during the course of my study. I wish to thank my wife, Eunice Njenga Karari for her understanding and support during the long hours of my absence. Thank you so much for your patience and understanding during the long hours of my absence. Thank you so much for your patience and understanding during the long hours of my absence.

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## ABSTRACT

This study had one objective, which was to identify the factors that are important in influencing the University of Nairobi academic staff in their purchase of a life assurance policy. To do this, a survey was conducted on 93 academic staff members of the University of Nairobi using structured questionnaires with both close and open-ended questions. The data collected was presented using tables.

The most important factors that influenced the purchase of life insurance to both the persons with and without life assurance policies were spouses, children, attitude towards insurance, perception towards insurance, amount of premium, reputation of the company, fast handling of claims, quality of customer service, benefits offered on maturity, other non-life insurance covers, and lifestyle while the least important factors were the societal or tribal norms, advertisement and members of the religion.

The main factors used in the study were cross tabulated with the following variables namely, age, income groups, education level, designation, marital status, gender, number of children and colleges of the respondents. The results of the tabulations were that amount of premium, reputation of the company, fast handling of claims and quality of customer service were the most important factors. These factors were in relation to the activities of the insurance companies. The least important factors again were the societal or tribal norms, advertisement and members of the religion.

The major difference that was noted between those who had life assurance policies and those who did not have was that those who did not have would be most influenced to purchase the same by the reputation of the company. There is opportunity for further research especially on other factors that can pressure decisions regarding the purchase of life assurance than the ones I came up with. Additional study can also be done on other reference groups and their influence on the life assurance purchase places and comparisons made. A correlated study could be carried out on organizations providing the life assurance to identify the factors they think influence the purchase of life assurance.

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background

Death to every human being is a right and not a privilege unlike old age. The mystery surrounding death in spite of it being definite is its timing, which makes it accidental and therefore qualifies as an insurable risk. Lawrence (1991).

The term Assurance as opposed to Insurance is therefore adopted for this study since when a person is taking out a life policy he is assured that the risk he is guarding against will eventually take place. The gift of life, one full of vitality and a healthy body devoid of sickness and disability gives man his greatest joy, as he is able to engage in his day-to-day activities. Death, old age, unemployment and disability on the other side, are events that plague man's ability to earn an income and life assurance is the cure since it is designed to cover two risks namely, premature death and superannuation. The insurance industry in Kenya classifies its business into life and general business. The scenario in Kenya is that more business is generated from the general than from life and this was the focus of the study.

The business environment in Kenya has experienced great changes in the last two decades. An environment that was predictable and relatively stable has changed totally. Companies have been caught up in this web of changes and they have had to adapt to the changes. Some have had to close down due to the intense competition in the environment. Globalization and liberalization are some factors that have necessitated these changes. In the insurance industry, liberalization brought new entrants into the market. Some companies have

adapted to these changes by merging with outside companies for instance, in the year 2000, Pan Africa and Africa Life-Assurance Company of South Africa. Pan Africa Insurance Company wanted to benefit from the vast experience of Africa Life Assurance Company in exploiting the Life Assurance business in Kenya.

Regionalism has also intensified the competition within the industry and some companies have had to set their goals while taking into account not only the internal but also the external customers. This change has been reflected in mission statements of some companies like Blue Shield Insurance Company.

Technological advances have also been responsible for the intensified competition. E marketing has been on the increase and most consumers have viewed it as a more faster, economical and convenient way of transacting business. The insurance companies have adopted these technological advances and created their websites, email addresses and have computerized their services adopting efficient systems, e.g. Kenindia and Jubilee insurance companies.

The political environment in Kenya recently saw the transition of power from KANU government to the NARC Coalition. The Kenyan people had longed for change in government, and they demonstrated their right and feeling in the general elections. The new governors have set up bills to ensure corruption is eradicated and insurance firms are set to benefit in terms of reduction in the number of fraudulent cases. The industry will also receive some support in the form of tax concessions. Nyong'o, "Tax relief on insurance to continue", Daily Nation April 3' 2003. Insecurity has risen and its effects are life threatening therefore there is the need to safeguard against premature death.

The social environment has been affected by the HIV/ AIDS pandemic, which has led to the death of many people. The insurance companies have had to pay

many death claims. It is yet to adopt the effects of HIV/AIDS in their policies, an issue that is receiving a lot of attention like the recent seminar organized by Kenya Reinsurance Company in May 2003, which intended to sensitize them on the effects of AIDS. The demographic structure has also changed due to the HIV/AIDS scourge and many elderly people are finding themselves taking care of their grandchildren following the death of their parents. Insurance especially Life Assurance should be marketed more aggressively so that elderly people can benefit in such situations. It is a challenge to them now to make HIV/AIDS an inclusion in the policies and charge affordable premiums in order to attract a big market.

Internally, the insurance industry has witnessed a lot of undercutting in premiums as a result of the intense competition. The insurance brokers and agents have also increased. The insurance industry in relation to other saving mechanisms also faces a lot of problems and customers are now opting out of Life Assurance and others taking out only the third party insurance in the motor insurance in order to comply with the law. (Makove 2002)

Kimura (2002) insists that the insurance market is not saturated in spite of the many players present in the insurance industry. He further compared the Kenyan insurance penetration ratio in relation to the gross domestic product, which was 0.34% as compared to South Africa's, which was 12.4% in the year 2002. He also commented on the lopsidedness of the insurance industry in Kenya citing that there are more premiums generated from general business as compared to the Life Assurance.

Consumer awareness in Kenya is very high. There has been an outcry on the provision of information to enable them make an informed decision. Thus the insurance companies need to integrate the promotion mix elements other than personal selling in the marketing their services. The insurance firms need also to come up with customerised products with the help of the Commissioner of

Insurance relevant to the changing needs of the consumer necessitated by these erratic changes in the micro and macro environment.

The University of Nairobi was known as the royal technical college until 1964 when it became the University College of Nairobi. It has since developed and currently it has six campuses namely, the Main Campus where the college of architecture and engineering is located, Lower Kabete Campus which accommodates the faculty of commerce, Upper Kabete Campus which comprises of the college of agriculture and veterinary sciences, Parklands Campus which houses the faculty of Law, Kikuyu Campus where the college of education and external studies is located, Kenyatta National Hospital Campus which houses the college of health sciences, and Chiromo Campus which accommodates the college of biological and physical sciences.

The University also has several institutes located within the various campuses namely Institute of African studies, Institute of Computer Science, Institute of Development Studies, Institute of Diplomacy and International Studies, Population Studies and Research Institute, Institute of Nuclear Science, Housing and Building Research, Institute of Dry land Research, Development of Utilization, School of Journalism, Center for International Programmes and Links. (University of Nairobi calendar 2001-2003)

## **1.2 Problem statement**

The high rate of insecurity, the negative attitude towards insurance, the effects of the HIV/AIDS and the technological advances have posed new challenges to the insurance industry. These factors in relation to Life Assurance have presented a new question as to whether it should cater for old age or be a measure of guard against premature death.

Several studies were found in relation to other aspects of Life Assurance but none focused on the factors influencing its purchase. Mirie (1987), studied the marketing of insurance service and found that there was a lot of information in the proposal forms that customers were not aware of, Usenge (1987), investigated the attitudes towards Life Assurance by the middle class in Nairobi and majority of whom held negative attitudes towards insurance, Angima (1987), studied the adequacy of life assurance in Kenya. Several others studies focused on the factors that influenced the purchasing of physical products and services, which were quite different from Life Assurance. Maina (2001) studied the factors that influenced the selection of place of purchase while Mbatha (2001), investigated those that influenced the decision to pursue MBA degree.

The Life Assurance policy is a unique product since it cater for the risk against the most important asset that an individual possesses, which is the ability to earn income. The threats facing this asset revolve against the breadwinner and they include unemployment, premature death, disability caused by diseases or accidents, old age and forced retirement and living so long that one's financial assets are exhausted. The primary purpose of life assurance is to safeguard the individuals or family against these misfortunes. Dorfman (1982).

The Life Assurance business in Kenya in relation to other countries is very low and out of the total insurance premiums generated in the industry, 75% is from general insurance while 25% is generated from Life Assurance. The following tables illustrate the premium growth rates in Kenya for both general and long-term insurance and the Insurance penetration of other countries.

**Table 1: Insurance Penetration In Kenya**

	2000	1999	1998	1997
Long Term Premium (Ksh Bn)	5675	4776	4324	3581
General Premiums (Ksh Bn)	15078	15679	15057	14846
Total	20753	20455	19381	18427
GDP (Ksh Bn)	788917	740330	690842	623235
Long Term Premium (Ksh Bn) to GDP	0.7%	0.6%	0.6%	0.6%
General Premiums (Ksh Bn) to GDP	1.9%	2.1%	2.2%	2.4%
Total Premiums to GDP	2.6%	2.8%	2.8%	3 %

Source: Economic Survey 2001

From the foregoing in table 1, it is noticeable that long-term business contributes less premium income than the general insurance business. It is also notable that in the year 1998 and 1999 there was a slight drop in the premium margins in the general business. A steady increase is also observed in the life business line. Additionally, table 1 indicates that the insurance penetration in Kenya in long-term life assurance business falls below 1% of the gross domestic product (GDP).

**Table 2: Insurance penetration rate in other countries**

Insurance Penetration - Premiums As % of GDP (1999)

Country	Long-term	General	Total
South Africa	13.92	2.62	16.54
United Kingdom	10.3	3.05	13.35
Switzerland	8.06	4.78	12.84
South Korea	8.39	2.89	11.28
Japan	8.87	2.3	11.17
Ireland	7.26	2.57	9.83
Australia	6.43	3.39	9.82

It is also worthwhile noting that in the more developed countries, long-term business contributes more premium income than the general insurance business as shown in table 2. When comparing the total business as a percentage of the GDP in Kenya versus the other countries it is obvious that the Kenyan rate is very low. In fact the life business contribution to the same is less than 1%.

Out of a total number of 1266 academic staff of the University of Nairobi only 97 members are in the insurance check off system as at the August 2003 payroll, though others may be having different payment arrangements. The academic staff members travel a lot and some face great threats to their lives as they carry out their duties, which warrant that they receive some risk allowance. They are a unique group of people with diverse cultures, professions, work ethics and outlooks towards different issues that include insurance. They form good examples of reference and social groups that affect purchase patterns.

In view of the above statistics and the uniqueness of the Life Assurance, it is not possible to use the previous studies cited for the purpose of this study. Thus the question that this study will address is “what are the factors that influence an individual’s purchase of life assurance?”

### **1.3 Objective of the study**

To identify the factors that are important in influencing the university of Nairobi academic staff in the purchase of a life assurance policy.

## CHAPTER TWO LITERATURE REVIEW

### 1.4 Importance of the study

It was hoped that the findings of this study would benefit among others life Assurance companies, other marketers and academicians.

The insurance companies will be able to market their life assurances products in line with the needs of the consumers and they will come up with new products reflecting the important factors that influence the purchase of their products.

Other marketing managers will enhance their understanding on the factors that influence an individuals' purchasing decisions and apply the knowledge in their organization.

Academicians and other researchers will get the insight on the factors that influence the purchase decisions. The study will be an empirical basis for further studies in the consumer purchase decision process in Kenya.

## CHAPTER TWO

### LITERATURE REVIEW

This chapter reviewed the relevant literature available which main focus was the concept of consumer behavior, consumer buying decision and more important the factors affecting this process. The concept of risk and risk management and life assurance were also reviewed.

#### **2.1. Consumer behavior**

Consumer behavior has been defined as the behavior that consumers display in searching for purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs. Craven et al (1996).

Zeithaml and Bitner (2000) define satisfaction as the consumer's fulfillment response. The term consumer refers to two different kinds of consuming entities. They are personal consumers who buy goods and services for their own use and organizational consumers who include profit and non-profit businesses, government agencies and institutions and all buy products. The word consumer in this study will be referring to personal consumers and the term product will refer to a service, good or an idea.

Kibera (1998) defines consumer behaviors as a complex decisions process by individuals' consumer over time. It identifies psychological and physiological activities, which may influence similar transactions in future.

Consumer behavior is a relatively new field of study that dates back to the late 1960's. It borrowed heavily from other scientific disciplines like anthropology, economic psychology and sociology. The initial thrust was from the managerial perspective where managers wanted to know the specific causes of consumer behavior.

They were interested in knowing how people receive, store and use consumption related information in order to design and make strategies, which could influence their consumption decisions. This approach where consumer behavior was predicted and influenced became known as positivism in contrast to interpretivism where scholars wanted to understand the consumption behavior and the meaning behind such behavior. The factors that led to the development of the study include expansion of the size of the consumer market, changing of consumer preference, changes in industrial market where buyers exhibited diversified preferences and less predictable purchase behavior, the swift pace of technological advancement, which enhanced the rate of new products, the growth of consumer movement, environmental concerns, growth of non-profit and international marketing. Craven (1996).

### **2.1.1 Consumer buying decision**

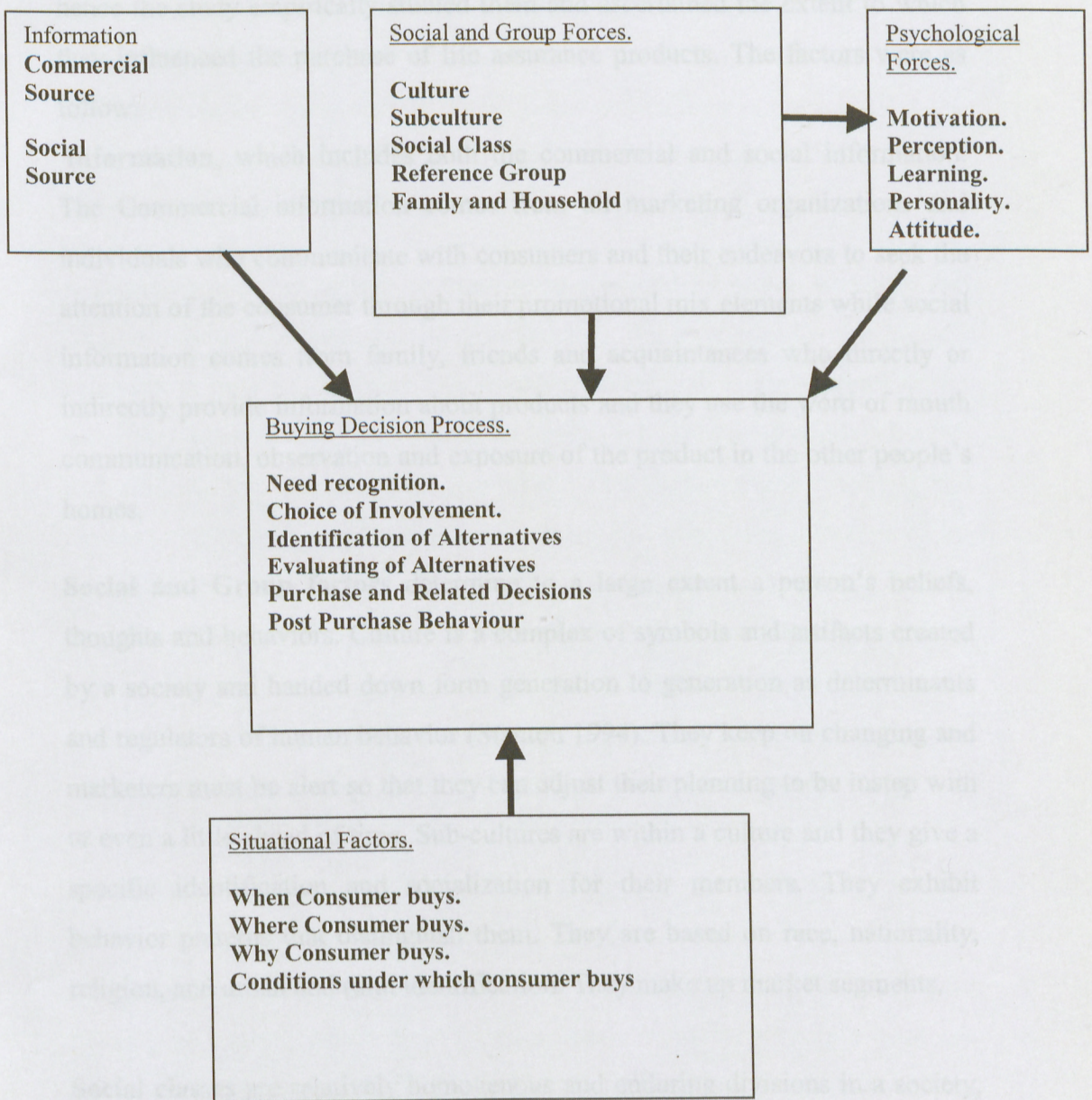
Kotler (2000) states that the starting point of understanding a buyer's behavior is the stimulus response model where he identifies marketing and environmental stimuli, which enters a buyer's consciousness and the buyer's characters and the decision process lead to certain purchase decisions. The marketer has to understand what happens from the time a stimulus arrives up to the time the purchase decision takes place and influence it.

The buying decision process has several stages that marketers can influence with their promotional mix elements. They include the need recognition stage where a consumer recognizes a need, which if not fulfilled, creates tension and discomfort. He therefore takes an action to fulfill this need, which is stimulated by internal or external factors. The choice of an involvement level stage is where the consumer decides to consider his limiting factors like the money and time that he has to invest in attempting to fulfill his need. This leads to the identification of alternatives stage where the consumer evaluates the different brands and products that can fulfill his needs and collects information about them. The consumer then evaluates the alternatives by weighing the pros and cons of buying and not buying and undertakes other decisions concerning to the purchase. The consumer then displays the post purchase behaviors where the consumer seeks other people's opinion on whether his decision is the correct one. It's worth noting that some steps in the process can be overlapped, reversed or skipped depending on the type of goods or services being purchased.

The buying decision process is influenced by the following roles played by consumers. The initiator is the one who originates the purchase process. The influencer is one whose influence over the purchase decision is significant or authoritative. The decider is one who determines what the outcome of the purchase will be. The purchaser is the one who physically carries out the purchase transaction. The user is the one who receives, consumes or uses the product purchased. Consumers also possess different buying decision behaviors namely, the complex, dissonance reducing, habitual and variety seeking buying behavior.

## 2.1.2 Factors influencing the buying decision process

Figure 1: Consumer buying decision and the factors that influence it.



Source: Stanton W.J.; Etezel M.J.; Bruce J.W. (1994), Fundamentals of Marketing 10<sup>th</sup> edition, McGraw Hill Co. Singapore. pg 154

Stanton (1994) has recognized the importance of the following factors and hence the study empirically studied them and ascertained the extent to which they influenced the purchase of life assurance products. The factors were as follow:

**Information**, which includes both the commercial and social information. The Commercial information comes from all marketing organizations and individuals who communicate with consumers and their endeavors to seek the attention of the consumer through their promotional mix elements while social information comes from family, friends and acquaintances who directly or indirectly provide information about products and they use the word of mouth communication, observation and exposure of the product in the other people's homes.

**Social and Group factors** determine to a large extent a person's beliefs, thoughts and behaviors. Culture is a complex of symbols and artifacts created by a society and handed down form generation to generation as determinants and regulators of human behavior (Stanton 1994). They keep on changing and marketers must be alert so that they can adjust their planning to be instep with or even a little ahead of time. Sub-cultures are within a culture and they give a specific identification and socialization for their members. They exhibit behavior patterns that distinguish them. They are based on race, nationality, religion, and urban and rural identification. They make up market segments.

**Social classes** are relatively homogenous and enduring divisions in a society, which are hierarchically, ordered and whose members share similar values, interests and behaviors. Kotler(2000). The indicators include education, occupation, areas of residence and income. They are not an indication of spending capability rather an indication of preference and life style. Stanton (1994).

**Reference groups** are those that have a direct (face to face) or indirect influence on the person's attitude or behavior. Membership groups have a direct influence on a person and can either be primary such as family, friends and co-workers or secondary such as religious, professional or trade unions groups. The influence can extend to the decisions to purchase a product as well as the choice of a particular brand. These groups have opinion leaders and marketers should target them because of their characteristics that influence other people. Stanton (1994).

**A family** is a group of two or more people related by blood, marriage and adoption living together and its influences is the strongest on the buyer's behavior. A household relates to a dwelling rather than a relationship. Kotler gives two types of families, a family of orientation that includes one's parents and siblings and the other of procreation that includes one's spouse and children. The marketers' focus is on the roles played and the influence of the husband, wife and children in the purchase of products and services. A role consists of the activities that a person is expected to perform. Each role carries a status and people chose products that communicate their roles and status in a society. Marketers thus need to position their products in line with these roles and status through the use of relevant symbols and advertisements.

**Psychological factors** have significant influence on the buying decision process. Motivation helps marketers to understand why persons act at all even before understanding why they behave in a certain manner. Behavior starts because of a need, which must be stimulated. A motive directs a person to seek satisfaction. Kotler (2000) identifies three theories that have been of use to marketers and have different implications for consumers analysis and marketing strategy. They are Hertzberg, Maslow and Sigmund theory. These theories show that needs arise from state of tension that are either physiological e.g. hunger, thirst, and psychological e.g. need for recognition and self-respect.

**Perception** is the process through which a person selects, organizes and interprets information input to create a meaningful picture of the world as received by our five senses. Kotler (2000). It occurs quickly and with little information but it's a powerful factor in decision-making. It depends on a selective attraction, selective distortion and retention and marketers have to work hard to get their messages through to the consumers.

**Learning** refers to the changes in behavior resulting from observation and experience. It plays a role at every stage of buying decision process. Kotler and Armstrong (1996), Stanton, concur that there are five factors that are fundamental to learning namely drives, cues, response, reinforcement and punishment.

**A belief** is a descriptive thought that a person holds about something and can be based on knowledge, faith or opinions (Kotler 2000). Beliefs make up products and brand images that affect buying behavior and if they are wrong beliefs, the marketers need to correct them or adopt them in their advertising companies in order to stimulate sales.

**An attitude** is a learned predisposition to respond to an object or class of objects in a consistently favorable or unfavorable way. (Stanton 1994). Attitudes have five characteristics in common in that they are learned they have an object, and have direction and intensity. They tend to be stable and generalize. They are very hard to change and a marketer faced with unfavorable attitude can either change it to be compatible with the product or change the product to match with them.

**Personality** is an individuals' pattern of traits that influence behavioral responses, e.g. self-confidence and aggressiveness. Self-concept or self-image relates to peoples possession and how they contribute to and reflect to their identities

**Situational factors** are important and marketers need to address how the buying behavior is affected by the seasons, week, day or hours. The impact depends on past or present events on the purchase and consumption of the product. This will help them in strategizing their promotion messages to match with the stages of the buyer decision process. The physical surrounding includes lights, smells, weather and sounds, which influence the buyer's behavior and marketers, should match their packaging, decorate the offices inline with consumers taste. Social surrounding are the number, mix and actions of other people at the purchase site. For instance, bidding requires the presence of many people and bidders. The terms of purchase are the terms and conditions of sale, transaction related activities that buyers are willing to perform affect consumer buying. Marketers have transferred the function to the consumers.

## 2.2 Marketing mix variables

Morden (1999) defines marketing mix as the combination of detailed strategies, tactics, operational policies, programme techniques and activities to which resources may be allocated such that the company's objectives are achieved. He further describes the variables on the basis of the 4Ps namely, price, product, place and promotion. Product being something can satisfy a customer's already existing or latent needs or wants. Price is defined as the value or sum of money at which a supplier of a product and buyer agree to carry out a fixed or negotiable exchange transaction. Place are the channels of distribution which provide the link between production or supply and consumption. They make the product accessible to customers or buyers.

Promotion. They include the controllable and non-controllable methods, which an organization uses to promote their products to potential customers.

### **2.3 Marketing of services**

“A service is an activity which has some elements of intangibility associated with it, which involves some interaction with customers or with property in their possession, and does not result in a transfer of ownership. A change in condition may occur and production of the service may or may not be closely associated with a physical product.” Payne (1993).

#### **2.3.1 Life Assurance**

Kotler (2000), has identified five categories of offerings, pure tangible goods like soap or salt, tangible goods with accompanying service for example, cars and show rooms or repair and maintenance, hybrid, which consists of equal parts of goods and services, for instance people patronizing a hotel for both food and service, major service with accompanying minor goods and services, for example, passengers buying transport services and gets tangibles like magazines, food and drinks and pure service offers like, babysitting or massage. Payne (1993) identifies four characteristics of a service as being intangibility, heterogeneity, and inseparability and perish ability.

### **2.4 Risk Management**

Risk can be defined as the possibility, uncertainty and chance of a loss. Vaughan and Vaughan (1995). Risk can be understood in two main elements, stake and uncertainty. Clarke and Varmas (1999). They also identified that the tree of modern risk management has its roots in a number of unrelated disciplines; personal and commercial risks generated the insurance and actuarial approach to risk management. According to the Chartered Institute of Insurance Journal (1995) Risk management is the identification, analysis and

economic control of those risks, which can threaten the assets, or earning capacity of an enterprise. Risk can be categorized in different ways, financial versus non-financial risks, static versus dynamic risks, fundamental versus particular risks and pure versus speculative risks. The pure risks for an individual or a business can be classified under personal risks. The personal risks are the possibility of loss of income or assets as a result of the loss of the ability to earn an income. There are five ways of handling risks which include; risk retention, risk transfer, risk avoidance, risk sharing and risk reduction. Vaughan and Vaughan (1995).

## **2.5 Life Assurance**

According to Vaughan and Vaughan the first modern Life Assurance policy can be traced to June 18, 1536 when a group of marine underwriters in London issued a one-term policy to a Mr. William Gybbon in the amount of \$400. Gybbon died that year and the underwriters paid \$400 to his dependants. In 1693, Edmund Halley prepared the mortality table that was perfected 100 years later to predict mortality accurately. The Society for the Assurance of widows and orphans founded in 1699 was the first modern Life Assurance Company. In 1757, Amicable Society guaranteed a minimum sum payable on death. The oldest active Life Assurance Company in the world is known as the Corporation for Relief of poor and distressed Presbyterian ministers and the poor and distressed widows and children of Presbyterian ministers. It presently insures only Presbyterian clergy and lay persons. In 1762, Equitable Society of Assurance of life and Survivorship was established. In 1774, Life Assurance Act was passed. The first mutual life company was New England life founded in 1835.

Life Assurance is a contract binding a Life Assurance company to compensate a beneficiary for the death of a person insured. If the insured dies the company will provide cash payment to the beneficiary.

It is used to protect the economic value of a human life with regards to those who may be financially dependent upon it. Life Assurance is an essential part of financial planning. The money provided by Life Assurance meets several urgent expenses like funeral and medical expenses, paying off debts owed, education expenses and needs during the adjustment period. The family therefore does not need to sell assets to pay outstanding bills and debts.

Dorfman (1968) identified the most important asset owned by an individual as the ability to earn an income, whose major threats include unemployment, premature death, disability caused by diseases and accidents, old age, forced retirement and living so long that one's financial asset are exhausted.

According to him, the primary purpose of life assurance is to safeguard the individuals or family against these misfortunes. Life Assurance is designed to provide protection against two distinct risks namely, premature death and superannuation that arises from the uncertainty concerning the time of death. Life Assurance endowment and annuities protect the individual and his dependant against the undesirable financial burden caused by premature death and superannuation. Vaughan and Vaughan (1995).

Lawrence (1991), has outlined several types of assurance, Term Assurance being the oldest form of assurance and provides for the payment of the sum assured on death, provided death occurs within a specified time. If the life assured survive to end of the term then the cover ceases and no money is payable. Whole life is where the sum assured is payable on the death of the assured whenever it occurs. Endowment Assurance is where the sum assured is payable at the end of a given term of years or on earlier death. These contracts are taken out as savings plans for the future with the added attraction of life cover being included. He clarifies that an annuity is a method by which a person can receive a yearly sum, in return for the payment to an insurance company of a sum of money and it is based on actuarial principles.

### 2.5.1 Life Assurance in Kenya

The insurance industry in Kenya has forty insurers, fourteen of them who deal with non-Life Assurance, two who deal with life business only, twenty two are composite insurance companies and two are in the re-insurance business. It also has 186 insurance brokerage firms and over 3,000 agents. Mwaura (2001). The industry is governed by the Insurance Act and is regulated by the Commissioner of Insurance. The companies that carry out life business can transact any or all of the four classes of long term insurance business namely bond investment, industrial life, ordinary life, and superannuation.

Khamallah (1984), found out that in Kenya a whole range of life assurance are offered which include, credit life, group life, individual life, industrial life annuities, endowments and pensions. The major lines being pension, individual life and group life. They can be grouped into term insurance and cash value policies. Term insurance provides pure Life Assurance protection while cash value policies include a saving or investment element. Other services offered by the industry include policy loans, mortgage loans, participation in profits and offering of insurance advice. He found out that the chief problem facing the industry is the lack of knowledge among Kenyans about Life Assurance.

Angima (1987) found out that many policyholders have assured for the figures of Kshs 100,000- Kshs 20,000 showing there is under-insurance in the areas of life since people have assured a half of their needs. This is because insurance firms do not assist clients to match their needs with sum assured. She also identified that income and age are two factors that influence the amount of life cover.

Vaughan and Vaughan states that the amount of Life Assurance that an individual should purchase is properly determined by the needs approach which determine the amount of Life Assurance required based on the analysis of the needs that would have to be met by dependants should the income provider die. They further argue that while the life value approach focuses on the income that would be lost, the need approach attempts to identify the allocation of that income and determines the purposes to which it would have been put. The distinction between the two approaches can be seen while different lifestyles are considered and how they affect the need for Life Assurance. The needs to be matched according to them are cash needs that include funds for last expense and death, emergency funds, mortgage payment funds and educational funds and the income needs which include funds for readjustment, dependency period income, life income for spouse.

There are two types of Life Assurance offered in Kenya. Term insurance, which provides protection for a specific period of time. The sum insured is payable to the dependents in the event of death of the insured within a specified period. Upon the maturity of the policy, the insured is given the sum insured.

Permanent insurance is a cover that provides life long protection. The policy is designed and priced for one to keep over a long period of time. There are different types but the one offered locally is whole or ordinary life, whereby premium is paid periodically in the amount indicated in the policy. The premium amount remains constant and is paid by the life assured till death or a predetermined age. The benefits under the policies are not paid before the death of the life assured.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1 Research Design

The survey research design was used. This is because, the survey method is less time consuming and able to capture a lot of data within the constraints of time and resources. More so survey design has been used in similar study in the past, for instance Nyaga (1998), Swaleh (2002).

#### 3.2 Population of the study

The population of interest comprised of the 1266 academic staff of the University of Nairobi comprising of 39 tutorial fellows, 79 Assistant lecturers, 646 Lecturers, 281 Senior Lecturers, 152 Associate Professors and 69 Professors according to the August 2003 payroll availed from the central finance office.

#### 3.3 Sample Size

The sample size of consisted of 150 members of the academic staff comprising of 25 members sampled from each of the six colleges.

#### 3.4 Sample Selection

The proportionate stratified random sampling method was used where the members were selected from the six colleges. The members of the academic staff in each college were arranged alphabetically and then randomly selected using the simple random number tables.

### 3.5 Data Collection

Primary data was collected using a questionnaire that had both open and closed ended questions. The questionnaire was administered on a 'drop & pick-up later' basis. In some cases, personal interviews were conducted to get an in-depth understanding in the subject matter. A letter of introduction was given to each respondent prior to the research questionnaire. The questionnaire was divided into two parts. Part A captured the bio-data of respondents while Part B indicated the factors considered important when purchasing a life policy product.

### 3.6 Data Analysis

The questionnaires were carefully edited for consistency and completeness. Descriptive statistics was used to analyze the data, which helped to establish the mean, mode, percentages and bar graphs from the data. Factor analysis was also be used to find out the factors, which influenced the purchase of life assurance policies.

Table 3.1 Age profile of respondents

Age	Frequency	Percentage
20	28	23.3
25	45	37.5
30	37	30.8
Total	110	100

## CHAPTER FOUR

### RESEARCH FINDINGS

#### 4.0 Introduction

This chapter is divided into two main sections that are related to the main objective of the study. The first section seeks to capture and analyze the bio data of the respondents. The second section presents the factors that influenced the purchase of the persons with life policies (Users), and the factors that would influence the purchase of life assurance policies by those persons who do not have them (Non-users). All of these sections were drawn from the objective of the research, which sought out to identify the factors that influenced the purchase of life assurance policies by the academic staff of the University of Nairobi (UoN). In this study, 150 respondents were interviewed randomly picked from the six colleges of the UoN of which 93 academic staff members out of the 150 responded. This accounted for a 62% respondent rate. The users were 67 while the non-users were 26.

#### 4.1 Bio –Data of Respondents

This section looks into the bio-data of the respondents to enable us understand the scope of the study and draw relevant conclusions in line with the research objectives. It identifies the nature of the respondents by analyzing them as a group irrespective of them being users or non-users.

**Table 3: Age profile of respondents**

Age	Frequency	Percentage
31-40	22	23.7
41-50	49	52.7
51-60	21	22.6
61&above	1	1.1
<b>Total</b>	<b>93</b>	<b>100</b>

The age profile of respondents was wide and varied. Most respondents were the ages of 41-50 years constituting 52%. 31-40 years compromised 24%. Respondents between

51-60 constituted 23%. The least respondents came from age group above 61 years and above amounting to only 0% meaning they were insignificant.

**Table 4: Colleges of the respondent**

College	Frequency	Percentage
College of Agriculture & Veterinary Sciences	16	17.2
College of Biological & Physical Sciences	13	13.9
College of Humanities & Social Sciences	26	28
College of Health Sciences	19	20.5
College of Education & External Studies	8	8.6
College of Architecture & Engineering	11	11.8
<b>Total</b>	<b>93</b>	<b>100</b>

The colleges of respondents were varied. Most respondents were from College of humanities and social sciences that contributed 28%. College of health sciences formed 24% while respondents from College of biological and physical sciences constituted 14%. The least respondents came from the college of College of education and external studies amounting to only 9%.

**Table 5: Religion of respondent**

Religion	Frequency	Percentage
Christianity	88	95.7
Islam	4	4.3
<b>Total</b>	<b>92</b>	<b>100</b>

The highest number of respondents was Christians who constituted 96%. The Muslims formed the other 4%.

**Table 6: Income of the Respondent**

Income (Ksh)	Frequency	Percentage
Below 30000	1	1.1
30001-40000	7	7.5
40001-50000	41	44.1
50001-70000	29	31.2
70001-90000	11	1.8
90001 and above	4	4.3
<b>Total</b>	<b>93</b>	<b>90</b>

The highest number of respondents came from the class that earned between 40,000 to 50,000 that contributed to 44% followed by the income earners between 50,001 and 70,000 that contributed 31%. The highest income earners respondents constituted only 1%. This data shows that all the income groups were encapsulated by the study.

**Table 7: Education level of respondents**

Education	Frequency	Percentage
Bachelors	2	2.2
Masters	51	54.8
Doctorate	40	43
<b>Total</b>	<b>93</b>	<b>100</b>

In sequence with the above tables, the highest number of respondents came from the respondents with masters degree which was 55% followed by the respondents with Doctorate who constituted 43% and the least percent was from the respondents with Bachelor's degree who had only 2%.

**Table 8: Race of the Respondent.**

<b>Race</b>	<b>Frequency</b>	<b>Percentage</b>
African	92	98.9
European	1	1.1
<b>Total</b>	<b>93</b>	<b>100</b>

The highest numbers of respondents were Africans because they constituted 98.9% of the research findings while the Europeans constituted only 1.1%.

**Table 9: Designation of the Respondent**

<b>Designation</b>	<b>Frequency</b>	<b>Percentage</b>
Professor	15	16.1
Associate professor	11	11.8
Senior lecturer	20	21.5
Lecturer	34	36.6
Assistant lecturer	7	7.5
Tutorial fellow	6	6.5
<b>Total</b>	<b>93</b>	<b>100</b>

In regard to the above table, Lecturers accounted for the highest percentage 36.6%, followed by the senior lecturers with 21.5%, professors with 16.1% closely follow them.

**Table 10: Gender of Respondent**

<b>Gender</b>	<b>Frequency</b>	<b>Percentage</b>
Female	38	40.9
Male	55	59.1
<b>Total</b>	<b>93</b>	<b>100</b>

From the above analysis its is clear that the majority respondents were male who constituted 59.1% .The female respondents constituted the rest 40.9%.

## 4.2 FACTOR ANALYSIS

The purpose of this analysis was to establish the relative importance of each of the factors analyzed in this study in influencing the purchase of life assurance policies by users and non-users. The results revealed both the most and the least factors that influenced the purchase of life assurance policies. The cross tabulation took into consideration the users and the non-users. This analysis is presented in the tables below, which have used the following abbreviations to represent the factors.

### Factors

- |   |  |
|---|--|
| A. Societal / tribal Norms              | M. Fast handling of claims                           |
| B. Friends                              | N. Quality of customer service                       |
| C. Colleagues                           | O. Benefits offered on maturity                      |
| D. Parents                              | P. Advertisement                                     |
| E. Spouse                               | Q. Other non – Life Assurance covers                 |
| F. Children                             | R. Persuasion of sales person                        |
| G. Other family members/<br>Relatives   | S. Matching of the product<br>benefits to your needs |
| H. Members of your religion             | T. Your lifestyle                                    |
| I. Your attitude toward<br>Insurance    | U. The HIV/AIDS pandemic                             |
| J. Your perception towards<br>Insurance | V. Your attitude towards old age                     |
| K. Amount of premiums                   | W. Your attitude towards death                       |
| L. Reputation of the company            |  |

The tables below show the mean scores of the users and the standard deviations of the users. For the meaning of the abbreviated factors please refer to Page 28.

**Table 11: Users mean scores for factors influencing purchase of life Assurance policy**

Factor	Mean	Standard Deviation
A	1.73	0.937
B	2.9	1.143
C	2.99	1.121
D	3.24	1.28
E	3.99	1.094
F	3.85	1.282
G	2.51	1.201
H	1.99	1.135
I	3.7	1.732
J	3.59	1.33
K	4.23	0.989
L	4.37	0.832
M	4.22	0.982
N	4.25	0.876
O	3.7	1.255
P	2.37	1.341
Q	3.54	1.428
R	3.39	1.402
S	3.43	1.196
T	3.76	1.01
U	3.46	1.283
V	3.3	1.279
W	3.28	1.289

Using the results above, it is evident that the factors considered important by the users are spouses, children, attitude towards insurance, perception towards insurance, amount of premium, reputation of the company, fast handling of claims and quality of customer service, benefits offered on maturity and lifestyle. The least important factors are societal or tribal norms, members of the religion and advertisement.

**Table 12: Non-users mean scores for factors influencing purchase of life****Assurance policy**

Factor	Mean	Standard deviation
A	1.77	1.142
B	2.85	1.461
C	2.81	1.327
D	3.19	1.47
E	4.04	1.038
F	3.92	1.23
G	2.19	1.132
H	1.77	1.032
I	3.58	1.2358
J	3.69	1.225
K	4.15	0.784
L	5.92	8.015
M	4.42	0.758
N	4.27	0.827
O	3.5	1.273
P	2.35	1.263
Q	3.52	1.159
R	3.38	1.627
S	3.42	0.945
T	3.6	1.08
U	3.5	1.364
V	3.46	1.174
W	3.42	1.301

The non-users mean revealed that the most important factors were, spouses, children, attitude towards insurance, perception towards insurance, amount of premium, reputation of the company, fast handling of claims and quality of customer service, benefits offered on maturity, other non-life insurance covers and lifestyle and the HIV pandemic. The least important factors are societal or tribal norms, members of the religion and advertisement.

**Table 13: Combined Mean Scores for Factors Influencing Purchase of Life Assurance Policy**

Factor	Users mean (U)	Non users mean (N)	Difference (U - N)
A	1.73	1.77	-0.04
B	2.9	2.85	0.05
C	2.99	2.81	0.18
D	3.24	3.19	0.05
E	3.99	4.04	-0.05
F	3.85	3.92	-0.07
G	2.51	2.19	0.32
H	1.99	1.77	0.22
I	3.7	3.58	0.12
J	3.59	3.69	-0.1
K	4.23	4.15	0.08
L	4.37	5.92	-1.55
M	4.22	4.42	-0.2
N	4.25	4.27	-0.02
O	3.7	3.5	0.2
P	2.37	2.35	0.02
Q	3.54	3.52	0.02
R	3.39	3.38	0.01
S	3.43	3.42	0.01
T	3.76	3.6	0.16
U	3.46	3.5	-0.04
V	3.3	3.46	-0.16
W	3.28	3.42	-0.14

The above table shows that to the users and non-users, spouses, children, amount of premiums, reputation of the company, fast handling of claims, quality of customer service were the most important factors that influenced the purchase of life assurance policies since they had the highest mean scores as highlighted. The least important factors are societal or tribal norms, members of the religion and advertisement.

The following table reveals the results of the cross tabulations of the factors with respective variables indicated in the titles. For the meaning of the abbreviated factors please refer to Page 28.

**Table 14: Factor mean scores and Gender of users and non-users**

Factor	Male		Female	
	User	Non user	User	Non user
A	1.56	1.64	2	1.92
B	2.83	2.64	3	3.08
C	2.83	2.64	3.23	3
D	3.2	3	3.31	3.42
E	4.15	4.07	3.73	4
F	4.07	3.5	3.5	4.42
G	2.54	2.07	2.46	2.33
H	2.02	2.07	1.92	1.42
I	3.56	3.93	3.92	3.17
J	3.59	4	3.6	3.33
K	4.34	4.21	4.04	4.08
L	4.41	4.5	4.31	7.58
M	4.32	4.5	4.08	4.33
N	4.29	4.36	4.19	4.17
O	3.78	3.79	3.58	3.17
P	2.47	2.57	2.2	2.08
Q	3.41	3.85	3.73	3.17
R	3.37	3.36	3.44	3.42
S	3.44	3.64	3.42	3.17
T	3.75	3.85	3.78	3.33
U	3.51	3.86	3.38	3.08
V	3.34	3.93	3.23	2.92
W	3.29	3.93	3.27	2.83

In this table the respondents were grouped together according to their gender and their status of having a policy or not. The results shows that to all of them the amount of premium, reputation of the company, fast handling of claims and quality of customer service were the most important factors. The males and the non- user females concurred on the spouse and children as being important in contrast with the female users. The nonuser males considered the attitude towards insurance and old age as important. The least important factors are societal or tribal norms and members of the religion for both groups.

**Table 15: Factor mean scores and Education Level of users and non-users**

Factor	Bachelors	Masters		Doctorate	
	User	User	Nonuser	User	Nonuser
A	1	1.57	1.71	1.96	1.83
B	2.5	2.81	2.57	3.04	3.17
C	4.5	2.78	2.64	3.14	3
D	4	3	2.71	3.5	3.75
E	3	4.16	3.93	3.82	4.17
F	4	3.84	3.86	3.86	4
G	3.5	2.28	2.14	2.74	2.25
H	1.5	1.81	1.79	2.25	1.75
I	2.5	3.7	3.64	3.79	3.5
J	2.5	3.75	3.86	3.46	3.5
K	5	4.14	4.07	4.32	4.25
L	3.5	4.3	7.21	4.54	4.42
M	3.5	4.22	4.5	4.29	4.33
N	3.5	4.22	4.29	4.36	4.25
O	3	3.65	3.64	3.82	3.33
P	1.5	2.6	2	2.14	2.75
Q	4	3.62	3.38	3.39	3.67
R	4	3.49	3.21	3.22	3.58
S	2	3.7	3.79	3.18	3
T	3.5	3.91	3.69	3.58	3.5
U	4.5	3.49	3.57	3.36	3.42
V	2	3.51	3.71	3.11	3.17
W	2	3.51	3.71	3.07	3.08

When the factors were tabulated with the education level of the respondents, it became clear that they all recognized the following factors as important namely, spouses, children, the amount of premium, reputation of the company, fast handling of claims and quality of customer service. The users who had masters and doctorates also identified the attitude towards insurance as important. There were no non-users with bachelors. The users who had with bachelors considered in addition to the ones mentioned, parents and colleagues as important. Those with masters regarded the perception towards insurance and lifestyle as important. The least important factors are societal or tribal norms, members of the religion and advertisement for both groups.

**Table 16: Factor mean scores and marital status of users and non-users**

Factor	Marital status							
	Single		Married		Separated		Divorced	
	User	Nonuser	User	Nonuser	User	Nonuser	User	Nonuser
A	1.6	1.88	1.81	1.64	1.4	2	1.33	2
B	2.55	2.5	2.88	2.93	3.4	2.67	3.67	5
C	2.91	2.5	2.9	2.93	3.6	2.33	3.67	5
D	3.09	3.13	3.19	3.29	3.8	3	3.67	3
E	3.55	4	4.04	4.07	4.2	4.67	4.33	2
F	3.45	3.88	3.83	3.71	4.8	4.67	4	5
G	2.73	2.5	2.46	2.14	2.6	2	2.33	1
H	1.91	1.63	2.02	1.86	1.8	2	2	1
I	3.18	3.88	3.92	3.64	3.4	2.67	2.67	3
J	3.27	4.13	3.74	3.57	3.6	3.33	2	3
K	3.91	4.75	4.21	4	4.8	3.33	4.67	4
L	3.82	4.63	4.44	4.43	4.8	17	4.67	4
M	3.91	4.5	4.27	4.5	4.4	4	4.33	4
N	4.09	4.5	4.27	4.36	4.2	3.67	4.67	3
O	3.55	3.88	3.79	3.43	3.2	3.33	3.67	2
P	2.1	2.88	2.38	2.21	2.4	1.67	3	2
Q	3.91	3.87	3.5	3.23	2.8	3.33	4	5
R	3.27	3.88	3.43	3.14	3.6	2.67	3	5
S	3.27	3.63	3.5	3.36	3	3.67	3.67	2
T	4	4	3.7	3.57	3.6	2.5	4	3
U	3.82	4.63	3.35	3.07	3.4	3	4	2
V	3.45	3.88	3.35	3.21	2.4	4	3.33	2
W	3.27	3.88	3.74	3.14	3.6	4	2	2

When the factors were cross tabulated with the marital status of the respondent the findings were as follows, all the groups with the exception of the separated and divorced nonusers came up with the important factors as the amount of premium, reputation of the company, fast handling of claims and quality of customer service. The spouse factor was equally important to all groups except single user and divorced non-users. Societal norms and friends, other non-life insurance covers persuasion of the sales persons would influence the divorced nonuser. The single group members and divorced users identified lifestyle factor as important while to the separated nonuser attitude towards death and old age were important. The divorced users identified HIV pandemic as important. The single nonusers considered the perception towards insurance as important. The least important factors are societal or tribal norms, members of the religion and advertisement for both groups.

**Table 17: Factor mean scores and Age profile of users and non-users**

Factor	Age profile						
	31-40 User	31-40 Nonuser	41-50 User	41-50 Nonuser	51-60 User	51-60 Nonuser	61&above User
A	1.42	1.44	1.78	2	1.82	1.75	2
B	2.54	2.33	3.03	3.15	2.94	3	2
C	2.85	2.56	2.97	3	3.18	2.75	2
D	2.69	2	3.5	4.08	3.12	3	3
E	4.08	3.78	4.25	4.38	3.41	3.5	3
F	3.46	3.56	4.22	4.46	3.35	3	4
G	2.08	2.11	2.5	2.38	2.76	1.75	4
H	1.38	1.78	1.86	1.77	2.59	1.75	4
I	4.23	4.33	3.53	2.85	3.65	4.25	4
J	3.31	4.44	3.63	3.08	3.73	4	4
K	3.85	4.33	4.34	3.92	4.29	4.5	4
L	3.92	9.22	4.39	4	4.65	4.75	5
M	3.69	4.78	4.28	4.08	4.47	4.75	5
N	3.85	4.67	4.22	3.85	4.59	4.75	5
O	3.62	4.22	3.56	2.77	4	4.25	5
P	2.62	2.22	2.35	2.46	2.24	2.25	2
Q	3.31	3.63	3.78	3.54	3.24	3.25	3
R	3.38	2.67	3.51	4.15	3.29	2.5	1
S	3.38	3.89	3.5	3.08	3.35	3.5	3
T	3.62	3.89	3.85	3.42	3.69	3.5	4
U	3.54	3.67	3.39	3.38	3.47	3.5	5
V	3.54	3.89	3	3.15	3.65	3.5	5
W	3.62	3.89	3	3.08	3.53	3.5	5

The results of the age cross tabulation with the factors the important factors were the amount of premium, reputation of the company, fast handling of claims and quality of customer service to all age groups. The different age groups revealed diverse factors that were important as highlighted in the table above

**Table 18: Factor mean scores and number of children of users**

Factor	Number of Children						
	One	Two	Three	Four	Five	Six	Seven
A	1.14	1.47	1.95	2.15	2	1.4	1
B	2.63	2.8	3.37	2.77	3	2.2	1
C	2.88	2.8	3.37	3	3	2.4	1
D	2.75	3.07	3.26	3.62	3	4	1
E	3.13	4.33	4.05	4.15	4	4.4	1
F	3.5	4	3.89	3.69	4	4.6	1
G	2.25	2.29	2.47	2.42	3	2.6	5
H	1.75	1.67	2.16	2.15	2	2	1
I	3.38	4.4	3.37	3.92	5	3	2
J	3.5	3.8	3.38	3.92	5	2.8	2
K	4.37	4.29	4.05	4.46	5	4	5
L	4.25	4.27	4.26	4.85	5	4.4	5
M	4.13	4.07	4.26	4.62	5	4.4	1
N	4.25	4.13	4.16	4.62	5	4.2	3
O	3.63	3.6	3.53	4.23	5	3.4	1
P	2.5	2.71	2.42	2.23	1	2	1
Q	3.88	3.73	3.42	3.77	4	2.4	1
R	3.63	3.67	3.56	3.15	1	3	5
S	3.5	3.6	3.32	3.69	4	2.2	4
T	4.25	3.93	3.44	3.54	4	4	4
U	4	3.27	3.16	3.62	4	3.6	3
V	3.5	3	3.32	3.38	4	3	3
W	3.5	3.07	3.32	3.38	4	3	1

From the foregoing, the same trend as with the other factors that were cross tabulated, it is evident that the amount of premium, reputation of the company, fast handling of claims and quality of customer service came out as the important in relation to the number of children belonging to the users. Other factors considered important are highlighted.

**Table19: Factor mean scores and number of children of nonuser**

Factor	Number of children					
	One	Two	Three	Four	Five	Six
A	1	1.33	2	1.2	2	3
B	2.75	2	3	2.8	3.67	2
C	2.75	1.67	3	2.8	3.67	2
D	2.5	3	3.17	3.2	4.67	4
E	4.25	4.67	3.83	3.6	4.67	4
F	4.75	4.67	3.5	3.8	4.33	4
G	2.75	1.67	2.17	1.8	2.67	3
H	1	1.67	2	1.8	2	1
I	4.5	2.33	3.67	3.4	3	3
J	4.5	2.33	3.67	3.2	3.67	3
K	4.75	3.67	3.67	4	4	5
L	4.75	17.33	4.33	4.2	4.33	5
M	4.75	4	4.5	4.2	4.33	5
N	4.5	4	4.17	4.2	4	5
O	2.75	3.33	3.67	3.2	3	3
P	2.75	2.67	2	2.8	1.67	1
Q	4.33	3.33	3.17	4	3.33	3
R	3.25	2.67	3.17	3.6	3.67	5
S	3	3.33	3.33	3.2	3.33	4
T	5	2.33	3.33	3.8	2.5	4
U	4	2.67	2.83	4	2.67	3
V	4	3.67	3.17	3.8	2	3
W	4.25	3.67	3	3.6	2	3

For the nonusers, the same factors namely, the amount of premium; reputation of the company, fast handling of claims and quality of customer service came out as the important in additions to spouse and children. Other non-life insurance policies, attitude towards insurance, death and old age and perception towards insurance would influence those with one child. Those with six children would be influenced by the lifestyle, persuasion of the sales person and benefits to your needs factors.

**Table 20: Factor mean scores and designation of users**

Factor	Designation					
	S/L	L	P	A/L	A/P	TF
A	2	1.33	2	2	1.64	2
B	2.91	2.62	2.67	3.14	3.45	3
C	3	2.52	2.92	3	3.55	3.8
D	4.27	2.48	3.25	2.71	3.64	4
E	4.55	3.95	3.75	3.71	4.09	3.6
F	4.45	3.38	3.75	3.86	4.09	4.2
G	3	2.2	2.83	2	2.5	2.6
H	2.45	1.71	2.42	1.43	2	1.8
I	3.27	4.1	3.67	4.71	3.09	3
J	3.5	3.57	3.73	4.71	3.1	3
K	4.55	4.05	4.33	4.29	4.55	3
L	4.45	4.38	4.75	4.29	4.64	2.8
M	4.36	4.24	4.67	4	4.18	3.2
N	4.27	4.29	4.58	4	4.36	3.4
O	3.36	3.86	3.92	3.43	4	3
P	1.82	2.86	2.09	2.67	2.27	2
Q	3.73	3.52	3.5	4	3.09	3.6
R	3.18	3.38	3.33	3.71	3.5	3.4
S	3.45	3.67	2.92	4	3.6	2.4
T	3.78	3.86	3.64	4.17	3.73	3.2
U	3.36	3.43	3.83	63.43	318	3.6
V	3.09	3.71	3.5	3	3	2.6
W	3.09	3.76	3.5	3	2.83	2.6

**Key:**

- P = Professor
- AP = Associate professor
- SL = Senior lecturer
- L = Lecturer
- AL = Assistant lecturer
- TF = Tutorial fellow

In the cross tabulation of the factors with the designation of the users, the same factors namely the amount of premium, reputation of the company, fast handling of claims and quality of customer service came out as the important with the exception of the tutorial fellows who identified with the spouse and children factors. Parents would influence the senior lecturers and the tutorial fellows while the assistant lecturers would be influenced by persuasion of the sales person, other nonlife insurance covers, matching of the benefits to your needs lifestyle and the HIV pandemic.

**Table 21: Factor mean scores and designation of nonusers****Table 22: Factor mean scores and college of the users**

Factor	Designation				
	S/L	L	P	A/P	TF
A	1.78	1.42	2.33	1	5
B	2.89	2.42	4	2	5
C	2.89	2.42	3.67	2	5
D	3.33	2.75	4	5	3
E	4.22	3.92	4	5	3
F	3.44	4.14	4	5	4
G	2.44	2.08	2	3	1
H	2.33	1.08	1.67	4	3
I	4	3.5	3	3	3
J	4	3.58	3	3	5
K	3.67	4.42	4	5	5
L	4	8.08	4.33	5	3
M	4.22	4.67	4.33	5	3
N	4.11	4.42	4.33	5	3
O	3.89	3.17	3.33	3	5
P	2.33	2.33	2.67	2	2
Q	3.11	4.09	3.33	3	2
R	3.22	3.33	4.33	4	2
S	3.56	3.33	3	3	5
T	3.44	3.82	3.33	4	3
U	3.78	3.17	3.33	4	5
V	3.78	3.58	2.67	3	2
W	3.78	3.58	2.67	2	2

**Key:**

- P = Professor
- AP = Associate Professor
- SL = Senior Lecturer
- L = Lecturer
- TF = Tutorial Fellow

With regards to the designation of the non-users, the same factors were observed to influence their decision to purchase life assurance policies. However it worth noting that professors and assistant professors considered friends, colleagues, parents, spouses and children as being important while the senior lecturers considered the HIV pandemic, attitude towards death and old age likewise. It is worthy noting that there was no assistant lecturer who was a non-user.

**Table 22: Factor mean scores and college of the users**

Factor	Colleges					
	CA/VS	CB/PS	CHS	CEES	CHSS	CA/ES
A	1.58	2	1.67	2.17	1.55	1.86
B	2.5	2.78	3.23	2.83	2.8	3.43
C	2.67	3.11	3.54	2.83	2.75	3.14
D	2.67	3.67	4.15	3.17	2.8	3.29
E	4.42	4	4.38	3.83	3.75	3.29
F	2.92	4.11	4.62	4.17	3.8	3.57
G	2.42	2	2.67	2.83	2.35	3.14
H	1.83	1.56	2.31	1.5	1.95	2.71
I	4.5	3.22	3.08	3.67	3.6	4.43
J	4.64	3.11	3.17	3.67	3.2	4.43
K	4.58	3.67	4.17	4.67	4.1	4.71
L	4.58	4.11	4.15	4.67	4.3	4.57
M	4.58	4	4.15	4.67	3.9	4.71
N	4.58	4	3.92	4.5	4.15	4.57
O	4.42	3.44	3.31	3.67	3.35	4.57
P	3.5	1.5	2.23	1.67	2.25	2.67
Q	4.25	2.44	3.31	4.33	3.45	3.71
R	4.42	2.78	3.25	3.17	3.55	2.43
S	4.17	3	3	3.17	3.5	3.57
T	4.08	3.22	3.25	4	4.06	3.86
U	3.5	3.33	3.15	3.33	3.6	3.86
V	3.83	3.11	3.15	2.67	2.95	4.43
W	3.83	3.11	3.15	2.67	2.9	4.43

**Key:**

- College of Agriculture & Veterinary Sciences
- College of Biological & Physical Sciences
- College of Humanities & Social Sciences
- College of Health Sciences
- College of Education & External Studies
- College of Architecture & Engineering

The results of the cross tabulation of the factors and the colleges of the users the trend observed was that the amount of premium, reputation of the company, fast handling of claims and quality of customer service were the most important. The divergent factors considered important are as highlighted.

**Table 23: Factor mean scores and college of non-users**

Factor	Colleges					
	CA/V	CB/PS	CHS	CEES	CHSS	CA/E
A	2	2.25	1.67	1	1	2.75
B	2.75	3.25	3.5	1	2.33	3.25
C	2.5	3	3.5	1.5	2.33	3.25
D	2.75	4	4	2.5	2.83	2.5
E	5	4.25	4	4	3.83	3.25
F	3	4.25	5	4.5	3.5	3.25
G	2	2.25	2.5	4	1.33	2.25
H	1.75	1.5	1.67	2	1.5	2.5
I	4.5	3.25	3	3.5	3.5	4
J	4.75	3.25	3.33	3.5	3.5	4
K	4.5	3.5	4.17	4	4.33	4.25
L	4.5	3.5	11.33	4.5	4.5	4.5
M	4.5	4	4.67	4.5	4.33	4.5
N	4.5	3.75	4.33	4.5	4.17	4.5
O	4.25	3	2.67	4	3	5
P	4.25	1.75	1.83	2	2.17	2.25
Q	4.25	2.75	4	3	3.6	3
R	4	4.25	4.17	3	2.67	2
S	4.5	3	2.83	3	3.5	3.75
T	4.25	3.5	3.2	4	3.33	3.75
U	4.25	3.25	3	5	2.5	4.5
V	4.25	3.5	2.83	4.5	2.83	4
W	4.25	3.5	2.67	4.5	2.83	4

**Key:**

- College of Agriculture & Veterinary Sciences
- College of Biological & Physical Sciences
- College of Humanities & Social Sciences
- College of Health Sciences
- College of Education & External Studies
- College of Architecture & Engineering

In cross tabulating the factors and the colleges of the non-users, the trend was the same with the users in that they were influenced by the same factors.

### CONCLUSION, SUMMARY AND RECOMMENDATIONS

#### 5.0 Introduction

This chapter gives a brief summary of the findings as well as conclusions gathered from the analysis of chapter four. In addition, the chapter also incorporates the various suggestions and comments given by the respondents in the questionnaire. Most importantly, the findings are summarized alongside the objectives of the study.

#### 5.1 Summary

The study revealed that the most important factors that influenced the purchase of life assurance policies were spouses, children, attitude towards insurance, perception towards insurance, amount of premium, reputation of the company, fast handling of claims and quality of customer service, benefits offered on maturity and lifestyle. The least important factors were societal or tribal norms, members of the religion and advertisements.

#### 5.2 Conclusion

The study aimed at determining who influences the purchase of life assurance and the factors determining this place of purchase.

The findings revealed that the marketing of life assurance policies revolved around the company activities. It also revealed that most of the life assurance products were made for family members in regards to spouses and children.

### **5.3 Limitation of the study**

The research was inhibited in a number of ways. Firstly, most of the respondents were not accessible and those who were accessible some of them were unwilling to answer the questionnaires citing that they were busy entering marks for the students who were graduating while others declining due to their health problems that could not allow them to take out any life policies and other cited their negative attitudes towards insurance. Additionally the cost of dropping and picking questionnaires in the different colleges was a bit dear on my side. Another constraint was that lack of knowing dons in the different colleges and also the issue of not understanding the questionnaire whereby most respondents made mistakes in answering the questionnaire. Also the time for collecting data wasn't enough since I had to hand out more than 50 questionnaires to different respondents in different colleges and their response time was rather slow.

### **5.4 Recommendations for further research**

There is opportunity for further research especially on other factors that can pressure decisions regarding the purchase of life assurance than the ones I came up with. Additional study can also be done on other reference groups and their influence on the life assurance purchase places and comparisons made. A correlated study could be carried out on organizations providing the life assurance to identify the factors they think influence the purchase of life assurance.

## APPENDIX i:

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LETTER OF INTRODUCTION

Zeithaml, A.Z& Bitner, M.J. (2000) **Service Marketing**. Integrating Customer Focus across the Firm, 2<sup>nd</sup> edition, McGraw-Hill Company.

University of Nairobi,

**University of Nairobi calendar 2001-2003**

Department of Business Administration,

P.O. Box 30197,

Nairobi.

Dear Respondent,

REP. REQUEST FOR RESEARCH ASSISTANCE

I am a postgraduate student at the University of Nairobi. In partial fulfillment of the requirements for the award of the degree in Masters of Business Administration, I am currently conducting a study entitled "FACTORS THAT INFLUENCE THE PURCHASE OF LIFE ASSURANCE BY ACADEMIC STAFF MEMBERS OF THE UNIVERSITY OF NAIROBI".

I wish to collect data using the questionnaire method. I shall therefore be grateful if you kindly complete the relevant questionnaire for me. Please rest assured that this information is purely for the purpose of my MBA project work and I pledge it shall be treated with strict confidence.

Thank you for your anticipated cooperation. If there are any issues that require clarification, kindly get in touch with the researcher (Jennifer Njeru) on Tel 0742-870177.

Yours faithfully,

Jennifer Njeru  
MBA student

Dr. Maria Opara  
MBA Project Supervisor

APPENDIX ii:

LETTER OF INTRODUCTION

Jennifer Wanja Njenga,  
University of Nairobi,  
Faculty of Commerce,  
Department of Business Administration,  
P.O. Box 30197,  
Nairobi.

Dear Respondent,

**REF: REQUEST FOR RESEARCH ASSISTANCE**

I am a postgraduate student at the University of Nairobi. In partial fulfillment of the requirements for the award of the degree in Master of Business Administration, I am currently conducting a study entitled “ **FACTORS THAT INFLUENCE THE PURCHASE OF LIFE ASSURANCE BY ACADEMIC STAFF MEMBERS OF THE UNIVERSITY OF NAIROBI**”.

I wish to collect data using the questionnaire method. I shall therefore be grateful if you kindly complete the relevant questionnaire for me. Please rest assured that this information is purely for the purpose of my MBA project work and I pledge it shall be treated with strictest confidence.

Thank you for your anticipated cooperation. If there are any issues that require clarification, kindly get in touch with the researcher (Jennifer Njenga on Tel 0722-370173)

Yours Faithfully,

Jennifer Njenga  
MBA student

Dr. Martin Ogutu  
MBA Project Supervisor

QUESTIONNAIRE

SECTION A

- Q1. Please indicate your gender Male { } Female { }
- Q2. Which is your race? African { } Asian { } European { }  
Others (specify) \_\_\_\_\_
- Q3. Which is your \_\_\_\_\_  
i) Area of Specialization \_\_\_\_\_  
ii) College \_\_\_\_\_  
iii) Faculty & Department \_\_\_\_\_  
iv) Designation \_\_\_\_\_  
v) Administration Responsibilities. \_\_\_\_\_
- Q4. What is your marital Status? Single { } Married { } Separated { }  
Divorced { }  
Others (specify) \_\_\_\_\_
- Q5. Please indicate the number of your children. \_\_\_\_\_
- Q6. How many other members of your family or relatives depend on your income?  
\_\_\_\_\_
- Q7. What is your religion? Christianity { } Islam { } Others  
(specify) \_\_\_\_\_
- Q8. Please tick the age bracket into which you fall.
- |                |     |
|----------------|-----|
| Below 30 Yrs   | { } |
| 31 - 40 //     | { } |
| 41 - 50 //     | { } |
| 51 - 60 //     | { } |
| 61 - and above | { } |

Q9. What is your approximate gross income per month in Kenya shillings?

Below 30,000 { }

30001-40,000 { }

40,001-50,000 { }

50,001-70,000 { }

70,001-90,000 { }

91,000 and over { }

Q10. Please indicate your highest academic qualification.

\_\_\_\_\_

## PART B

1. Do you have any general insurance policy? Yes { } No { }

If yes, Please Indicate which one?

(Ones) \_\_\_\_\_

Please specify the company (ies) which have insured you.

\_\_\_\_\_

Have you ever switched companies to which you are insured?

Yes { } No { }

If Yes, Give reasons why and the company you switched to.

(a) \_\_\_\_\_

(b) \_\_\_\_\_

Please state the

(a) Company switched from \_\_\_\_\_

(b) Company switched to \_\_\_\_\_

2. Do you have a Life Assurance or an education policy? Yes { } No { }

If no, go to Question 5.

3. If Yes, Specify the company (ies) that have insured you.

4. To what extent did each of the following factors influence your decision to purchase the policy? Use a five point scale where, 1 = Not at all and 5 = very great extent

	5	4	3	2	1
1. Societal / tribal Norms	{ }	{ }	{ }	{ }	{ }
2. Friends	{ }	{ }	{ }	{ }	{ }
3. Colleagues	{ }	{ }	{ }	{ }	{ }
4. Parents	{ }	{ }	{ }	{ }	{ }
5. Spouse	{ }	{ }	{ }	{ }	{ }
6. Children	{ }	{ }	{ }	{ }	{ }
7. Other family members/ relatives	{ }	{ }	{ }	{ }	{ }
8. Members of your religion	{ }	{ }	{ }	{ }	{ }
9. Your attitude toward Insurance	{ }	{ }	{ }	{ }	{ }
10. Your perception towards insurance	{ }	{ }	{ }	{ }	{ }
11. Amount of premiums	{ }	{ }	{ }	{ }	{ }
12. Reputation of the company	{ }	{ }	{ }	{ }	{ }
13. Fast handling of claims	{ }	{ }	{ }	{ }	{ }
14. Quality of customer service	{ }	{ }	{ }	{ }	{ }
15. Benefits offered on maturity	{ }	{ }	{ }	{ }	{ }
16. Advertisement	{ }	{ }	{ }	{ }	{ }
17. Other non – Life Assurance covers	{ }	{ }	{ }	{ }	{ }
18. Persuasion of sales person	{ }	{ }	{ }	{ }	{ }
19. Matching of the product					
Benefits to your needs	{ }	{ }	{ }	{ }	{ }
20. Your lifestyle	{ }	{ }	{ }	{ }	{ }
21. The HIV/AIDS pandemic	{ }	{ }	{ }	{ }	{ }
22. Your attitude towards old age	{ }	{ }	{ }	{ }	{ }
23. Your attitude towards death	{ }	{ }	{ }	{ }	{ }

**Thanks for your co-operation**

5. If you were to purchase a life or education policy, to what extent would each of the following factors influence your decision to purchase the policy? Use a five point scale where, 1 = Not at all and 5 = very great extent

	5	4	3	2	1
1. Societal / tribal Norms	{ }	{ }	{ }	{ }	{ }
2. Friends	{ }	{ }	{ }	{ }	{ }
3. Colleagues	{ }	{ }	{ }	{ }	{ }
4. Parents	{ }	{ }	{ }	{ }	{ }
5. Spouse	{ }	{ }	{ }	{ }	{ }
6. Children	{ }	{ }	{ }	{ }	{ }
7. Other family members/ relatives	{ }	{ }	{ }	{ }	{ }
8. Members of your religion	{ }	{ }	{ }	{ }	{ }
9. Your attitude toward Insurance	{ }	{ }	{ }	{ }	{ }
10. Your perception towards insurance	{ }	{ }	{ }	{ }	{ }
11. Amount of premiums	{ }	{ }	{ }	{ }	{ }
12. Reputation of the company	{ }	{ }	{ }	{ }	{ }
13. Fast handling of claims	{ }	{ }	{ }	{ }	{ }
14. Quality of customer service	{ }	{ }	{ }	{ }	{ }
15. Benefits offered on maturity	{ }	{ }	{ }	{ }	{ }
16. Advertisement	{ }	{ }	{ }	{ }	{ }
17. Other non – Life Assurance covers	{ }	{ }	{ }	{ }	{ }
18. Persuasion of sales person	{ }	{ }	{ }	{ }	{ }
19. Matching of the product	{ }	{ }	{ }	{ }	{ }
Benefits to your needs	{ }	{ }	{ }	{ }	{ }
20. Your lifestyle	{ }	{ }	{ }	{ }	{ }
21. The HIV/AIDS pandemic	{ }	{ }	{ }	{ }	{ }
22. Your attitude towards old age	{ }	{ }	{ }	{ }	{ }
23. Your attitude towards death	{ }	{ }	{ }	{ }	{ }

*Thanks for your co-operation.*