

Factors Affecting Insurance Uptake in Zambia: A Case Study of Lusaka City.

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ABSTRACT:- The Insurance industry is of great importance to the financial system of Zambia as it offers the necessary risk management products and services to customers. The industry has evolved over years and a lot of players have come on board. Despite challenges, the industry has the potential to grow, (Zambia Insurance Industry Survey 2019, 2020.) Due to this growth, insurers have to face up to being creative and be innovative in their product/service supply to meet customer demands and achieving this means having creative strategies to entice new customers, motivating existing customers and reinstating customers that leave.

The aim of the study was to establish factors that influence insurance uptake in Zambia. The specific objectives were to establish whether customer service, access to insurance products /services and sensitization public have an effect on insurance uptake and identify strategies that can help improve insurance uptake in Zambia. The study showed that there was a general mistrust of insurance companies by the public due to poor customer services. The study also showed that insurance isn't as accessible to people that are informally employed as most health insurance policies are only sold to corporations and not individuals. Another factor that was discovered to affect access to insurance was the cost of insurance product/services in Zambia which is seen to be expensive. The study further showed that there is generally low level of knowledge around insurance issues due to insufficient sensitization of the public on insurance issues. Finally, the researchers made some recommendations to help increase insurance uptake in Zambia.

Key words: Customer Service, Insurance, Access, Uptake, Sensitization.

I. LITERATURE REVIEW

Zambia's insurance market

Zambia's insurance industry consists of life and non-life premiums. The non-life sector accounted for the majority of the GWP in 2018 which stood at ZMW 1.9 billion, representing an increase of 6% from the ZMW 1.8 billion in 2017. On the other hand, the life premium grew significantly in 2018 recording a GWP of ZMW 1.3 billion from the ZMW 0.9 billion in 2017, representing 35% growth from 2017. Zambia's insurance market penetration has been insignificant. The industry has experienced a low penetration rate over the past five years of about 1%. However, the penetration rate for the insurance market in Zambia exceeded that of Uganda with recorded 0.84% and Tanzania 0.55%. Kenya had the highest penetration rate which was 2.4%.

Empirical review

Capgemini and EFMA (2007), in their research stated the major themes on which the current insurance focuses on. These factors emphasized on being customer centric, making an improved sales and service tools network possible, executing combined multi-channel strategies, replacement of legacy technology with less rigid systems and improving operational efficiency. The research revealed to insurers how to go about interactions with customers, tie their offering with customer buying standards as well as acting on what leads to customer dissatisfaction, disloyalty and defection.

Banga (2007), in his work tried to examine how effective the marketing strategies being used by insurers are through customer level of satisfaction, various types of pricing and product management strategies as well as the promotional and channels of distribution adopted by insurers to market their products. The research showed that the same product may not be satisfactory to all customers. Services offered by private insurance companies are usually better than those provided by the public sector. As such, the public sector is

required to think in a way that is supporting marketing activities aided by and incorporation with global class professionals. The study also showed that workers and agents working for or with insurance companies lack proper training, leading to slowed business and that the current insurance marketing policies are not able to bring about complete public awareness.

Mulenga (2015), in his study tried to examine the causes of low insurance penetration and growth in Zambia. The findings included reasons why many Zambians don't have access to insurance services, the regulatory framework's impact on the insurance industry and actions to be taken by stakeholders to reverse the tendency. The research revealed that penetration of insurance in the country is low even if the industry in general has grown over the years due to factors such as access to insurance services, affordability of services, awareness and from a regulatory point of view, high capital requirements which has led winding up of a number of firms not meeting the minimum threshold. Other factors included legal ambiguities, agent restrictions and implications for bank assurance, limited consumer recourse and absence of an ombudsman.

Nthenge (2012), in his research aimed to point out challenges that have affected the success of insurance services provisions in Tanzania and find ways of overcoming these challenges. The study identified culture constraints, poor laws and regulation of insurance, low income on the part of citizens, lack of product knowledge of insurance and poor innovation and pricing of products as factors affecting uptake of insurance in Tanzania. The study also pointed out insurance supervision, claims of fraud and corruption, unfair competition, lack of insurance skills, lack of awareness and managing of service providers on the part of insurance providers as challenges facing insurance uptake in Tanzania.

II. RESEARCH METHODOLOGY

The research adopted a case study approach which is more appropriate in gaining concrete and in depth knowledge into the research problem, keeping the focus of research, making it more cost and time effective. Descriptive design was used in order to depict a precise profile of people's behavior, views, belief, and knowledge of insurance issues, (Cooper and Schindler, 2008). The researcher also adopted the explanatory design in clarifying the why and how relation between independent and dependant variables. (Kumar, 2011). Both quantitative and qualitative data were gathered from the respondents using questionnaires. The Questionnaires for primary data consisted of close ended questions that address the research objectives. Open-ended questions were used to give in-depth exploration into aspects concerning the research that the researcher might have over looked but also affect insurance uptake from the respondent's point of view.

The questionnaires had closed questions for quick response options and open-ended questions to give some explanation of the respondent's views. A six-point Likert scale was used for most of the closed ended questions.

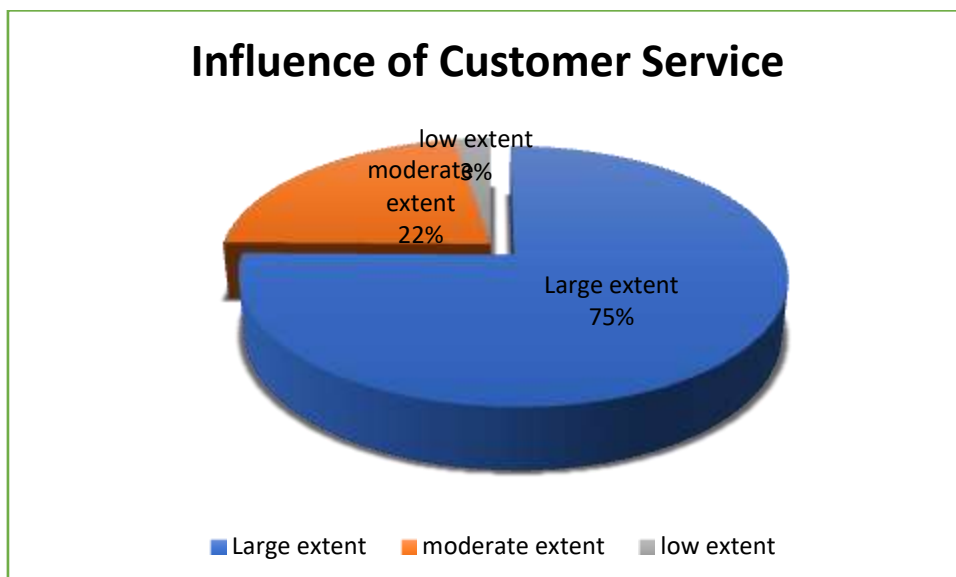
Data analysis was done using Microsoft excel to generate figures. In analysing data, an inductive approach was adopted in order to test whether customer service, insurance sensitization or access to insurance products effect decision to take up insurance or not.

The research used the convenience sampling method where the researchers handed out 120 questionnaires at three strategically selected malls namely, Manda hill mall, Levy mall and East park mall to randomly select people walking in and out of the mall. The study used a sample size of 20% of the total population at the three shopping malls.

III. FINDINGS

Fifty three percent of respondents were female and 47% were male. There were more females that participated in comparison to men. However, gender distribution was balanced as both genders participated. The age of participants ranged between 18 and 46 years. Seventy four percent of them were in formal employment while 26% were in informal employment.

Effect of customer service on purchase decision.



As shown in the figure above, 75% of the respondent's consider customer service as having an effect to a large extent on their purchase decisions, 22% are moderately influenced by customer service and 3% pay less attention to customer service.

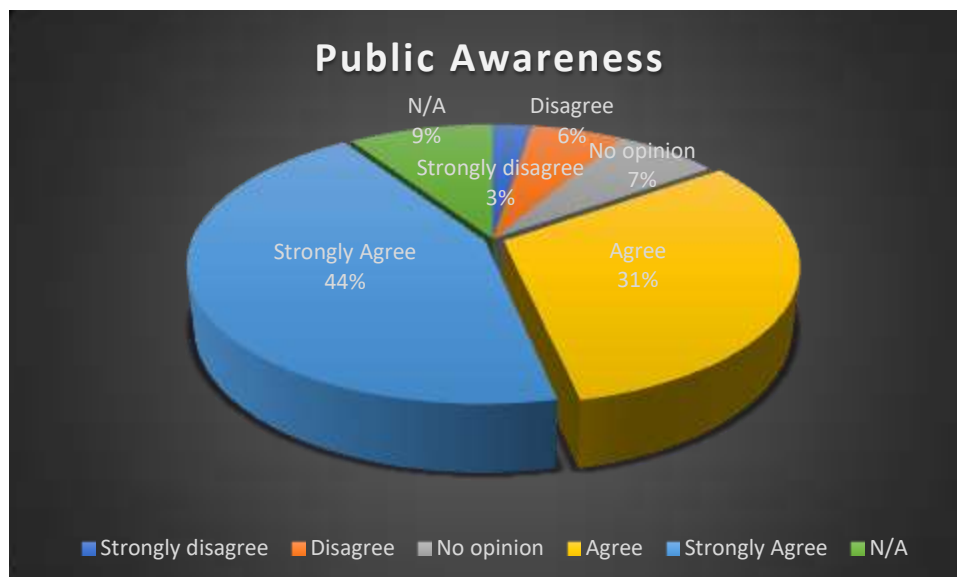
Effect of access to insurance products on insurance uptake.

As shown in the figure below, 77% had no access to insurance products and services, while 23% had access.



Level of public awareness of insurance products and services

Ratings for public awareness of insurance products by respondents were as follows:



As shown in the figure, majority of the respondents agreed that there is low public awareness on insurance products and services with 44% strongly agreeing, 31% agreeing, 3% strongly disagreeing, 6% disagreeing, 7% no opinion and 9% Not Applicable.

IV. DISCUSSION OF FINDINGS

Effect of customer service on insurance uptake

The study showed that customer service has a negative effect on customers' purchase decision of insurance products and services. Payment of claims to customers, incentives and after sale services are all inefficient. This study has shown that low uptake levels of insurance in the country are due to lack of trust of the insurance companies and the industry at large due to poor customer service that many customers have experienced in the past and through hearing from those that have had bad experiences by those uninsured, Gitau (2013).

Effect of access to insurance products and services on insurance uptake

With respect to product accessibility, medical insurance in most insurance companies is only sold at corporate level, disadvantaging individuals that are in the informal sector, thereby affecting uptake levels negatively. In addition, life, funeral and health insurance policies segregate people above a certain age range even when they are interested and can afford it, making access to insurance cover for them difficult or impossible. Insurance in Zambia is viewed as expensive, as a result, the low-income earners struggle to afford it, thereby reducing on uptake levels, Nthenge (2012).

Effect of sensitization on insurance uptake

In relation to public awareness, there is generally a low level of knowledge around insurance by the public. Customers barely know their rights and duties in relation to the policies they hold, and some don't even know the benefits insurance services and products.

This, in most cases has left them thinking that insurance is a scam as they continue paying premiums without seeing it pay off when need arises simply because they lack knowledge around how and when to claim. Also, due to the nature of insurance policies being complex and lengthy contracts, many people in Zambia do not understandings many clauses even after reading through the contracts, resulting in mismatch of expectations and actual policy terms, Murigi (2017),

In addition, insurance companies haven't done much in advertising and promoting their products and services as a way of creating awareness and provide comprehensive knowledge about the different insurance products offered. The regulators have not done much in educating the general public on insurance issues in Zambia compared to other countries such as South Africa where insurance is a culture due sensitization from insurance companies and regulators. Despite having an annual insurance week aimed at educating the public, the regulators and insurance companies in Zambia have not made much effort in ensuring that people learn and appreciate insurance. Worse still, these annual events are dominated by a few people who are mostly insurance company employees themselves.

V. CONCLUSIONS AND RECOMMENDATIONS

Based on the discoveries, the research concluded that there is a general miss-trust of insurance staff by the public resulting from poor customer service, including, slow claim settlement, leaving customers feeling like they are being scammed. Furthermore, insurance agents don't provide customers with proper guidance when selling insurance and has led to a lot of miss-selling. The study goes on to conclude that lack of customer incentives, after sell service/customers checks and lack of properly trained staff to carry on honest insurance conversations with customers have left a lot of customers feeling unsatisfied with insurance and thereby affecting customer's willingness to take on insurance policies, resulting in low insurance uptake.

The research also concludes insurance in general and health insurance in particular, is difficult to access by those that are not formally employed as most health insurance providers only offer health insurance on employer scheme basis, denying individuals cover. Health and life/funeral policies are age biased, as they have age restriction tied to them, making it inaccessible to those that fall above the age limits regardless of whether they are interested and can afford to pay premiums, thereby, reducing on the number of people taking up insurance.

Another reason that has affected insurance uptake in line with access to insurance products in Zambia is the price at which insurance policies are sold, which is viewed to be expensive by the public.

There is generally a low level of knowledge about insurance by the public. Customers barely know their rights and duties as policy holders, the benefits of insurance and in some cases don't even know when or how to make claims when need arises. Additionally, customers find themselves taking on insurance policies without understanding policy terms and conditions. This is because sales agents focus more on making sales to meet target needs for higher commissions rather than properly explaining product offers, terms and conditions to ensure understanding by customers. Even where customers are given terms and conditions to read through, some still miss-understand certain clauses due to the nature of insurance contracts being complex and lengthy, leading to a mismatch in customer expectations and actual policy performance.

The study also concluded that insurance companies and insurance regulators have not done much in sensitizing the general public on insurance and its benefits so as to make the public appreciate insurance and be more insurance cultured. In the same vein, insurance companies haven't done much in advertising and marketing their products as a way of creating awareness about insurance.

Recommendations

In recommendation, insurance companies should work on building public trust by establishing efficient claims settlement systems that meet customer expectations. Insurance companies should also invest in hiring well trained professionals or properly train their existing employees to enable them deliver the insurance message to customers in the best way possible, ensuring clear understanding. The introduction of incentives, after sells service and customer checks are also strategies that can help with delivering good customer service, thereby building trust, resulting in an increase insurance uptake by the public. Insurance companies should consider low-income earners as they price their products to make insurance affordable to everyone. Insurance companies should step out of there comfort zone and invest in research and development of the industry, be more innovative in their products to customers changing demand and utilize changes in technology to their advantage to ease most processes.

Government should ensure that insurance companies revise their policy terms especially for health policies to allow them sell medical aid even to individuals that are not in formal employment to increase sales opportunities and uptake levels for themselves. Government should also ensure that insurance companies become more flexible on age limits for health and life/funeral to cover people even in old age and instead have certain conditions for older people instead of denying them cover altogether.

The study recommends that the insurance regulators and insurance companies should make more effort in creating public awareness of insurance through continuous public sensitization starting with school going children so that they can grow knowing and appreciating insurance and its economic benefits to the country and to policy holders all the way up to the older people out there. Activities such as insurance week aimed at creating insurance awareness should be taken more seriously and advertised aggressively to attract more members of the public to attend and learn, creating an environment that allows the public to freely ask questions about insurance to increase their understanding and knowledge of insurance. Insurance companies should aggressively advertise and promote their products in an effort to create and increase aware about insurance and their different insurance product types.

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