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Author: Prosper Mawuli Archer

The independent Study Committee:

Advisor

(Dr. Apitep Saekow)

Committee Member

(Dr Kelvin C.K Lam)

Committee Member

(Dr Chompunuch Jittithavorn)

(Dr. Apitep Saekow)

Dean, Graduate School

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FACTORS AFFECTING THE PATRONAGE OF LIFE INSURANCE IN GHANA

Prosper Mawuli Archer

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ABSTRACT

The study on "Factors affecting the patronage of life insurance in Ghana". Basically the main objectives of this study will seek to examine the following (1) Factors determining the patronage of life insurance policies or products.(2) To determine the level of knowledge of the general public life insurance products policies .(3) To propose vital recommendations that can improve the operations of life insurance companies in Ghana This research is basically quantitative in nature that was conducted to reflect the main factors that are affecting the patronage of life insurance in Ghana. Using questionnaires to collect data from 150 samples. The respondent of this study consisted of Ghanaians who are living in the capital city Accra with the age range of 20yrs and above. The data collected were compiled and analyzed through computer software for the data analysis. Thereafter a multiple regression was used to predict if age, religion educational level, occupation have effect on the patronage of life insurance products.

The results showed that Religion has a negative relationship with patronage of life insurance policy Occupation also came as a factor which significantly predicts individual's choice of life insurance policy the result indicated that people who are employed would patronized insurance policy than those unemployed. The result also indicated that educational level has a positive relationship with patronage of life insurance policy; it suggests that education is a factor that can predict Individuals' willingness to patronize life insurance policy. The results revealed that age is a significant predictor of individuals' willingness to patronize life insurance policy. This study is one of the several researches about the life insurance market of Ghana. It therefore adds more to literature and opens the debate for more empirical studies in this area of life insurance underwriters.

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CHAPTER ONE

INTRODUCTION

Background

The uniqueness of the insurance industry within the financial sector is clearly differentiated from the fact that “insurance” is a sought after products while other products or services in the financial sector are not sought after product. Insurance plays an important role in the economic development and well being of a nation. It is therefore quite understandable that the government of Ghana and Ghana National Insurance Commission (NIC) has put in much effort, within the last couple of years supporting the industry to grow and play its expected role.

According Albert Gamegah (2010), the micro insurance market is very new and unresearched in Ghana. This foundation study is therefore very original and a most valuable guide to commercial insurance companies which want to venture into this huge untapped opportunity in the Ghanaian informal sector. In spite of this government’s policy objectives to broaden the scope of the capital markets and to create the enabling environment to attract private investment, the insurance industry is yet to realise its optimum potential to become a key player in the mobilization of long-term capital for the economic development of the country. There are many advantages, which a developing nation like Ghana can derive from a vibrant insurance industry. With respect to life business, the major advantages includes but not limited to the following:

Life Insurance can contribute to social stability by helping individuals minimize financial stress and worry resulting untimely death of loved ones and or breadwinners. Life Insurance assists individuals in meeting some of their unfulfilled obligations to those who financially depend on them. Life insurance can reduce the financial burden on the state

(Government) in caring for the aged and for those made financial despitte because of the death of a family breadwinner.

Though the accumulation from thousands of policy holders of small amounts of private savings, life insurers can accumulate sums to be invested in the public and private sectors. This can benefit an economy by creating a source of financial opportunity for new businesses, re-capitalization or expansion of existing ones and for new homeowners, etc.

Life insurance can permit more favorable credit terms to borrowers both individual and business as it can decrease the risk associated with default. It can also minimize the financial disruption to business caused by the death of key employees and owners. By making available a variety of employees benefit plans, life insurance companies can promote better employee/employer relations. Such as employment related groups insurance programs provide low cost benefits to a broad spectrum of persons who may otherwise have been unable to obtain such protection and Life insurance can also serve as a vehicle through which individual can save money for emergencies, retirement and educational endowment policies. (Hansell, 1984).

The above clearly demonstrates that the contribution of life insurance market to a nations' vibrant economy cannot be under estimated. However, compared with the insurance population, the purchase in the country is very low. It is estimated that only about 5% of the insurance population actually take life insurance policies (national insurance commission file(2011.) It is the view that, Ghanaian consumer is not well informed of these benefits as the marketing communications have not affected the consumer. If given the right exposure and information, the consumer may be in a better position to make informed choices of such an investment opportunity. The life insurance market has had a long stay in the introductory stage of its product life cycle. The fact is, it is still in this stage, though close to entering the growth stage.(national insurance commission file2011).

HISTORY OF LIFE INSURANCE

The year 1583 marked the first real evidence of Life insurance policy in Britain when the first policy was taken on the life of William Gibbons for an assured sum of one Hundred Pounds. (£100.00) (Dickson, 1986). This short-term policy by Gibbons was typical of the type issued in the early days. The provision of short-term Life Policy continued for over a century followed by the emergence of mutual associations, which had similar policy in design to the ancient burial societies, where members contributed to a common fund out of which payments were made on the death of members. One such prosperous association was the Amicable Society for a perpetual insurance Office founded in 1705 and transacted business on traditional lines with a guaranteed sum payable on death. (Dickson, 1986).

Around the turn of the eighteenth century, Edmund Halley and James Dodson developed what became known as the Mortality table. The objective as Halley wrote is "that price of insurance on lives might be regulated by person on whose life insurance is made." On the other hand, Dodson determined to form a new society after being refused Life insurance based on his age contributed to the establishment of Equitable Life Assurance Society in 1762. (Dickson, 1986). The Equitable is to transact Life insurance business on level premium bases, dependent on the age of the person when the policy was taken. The next landmark in the development of Life Insurance was the passing of the Life insurance Act 1774, an Act for regulating insurance on lives and prohibiting all such insurances except in the cases where persons insuring shall have interest in the life or death of the insured. By the end of the eighteenth century, several companies were formed, spearheaded by Westminster Society in 1772 and the Pelican Life Office in 1797. (Dickson, 1986).

Further to that, emerged the industrial Life insurance, which contrasted with the ordinary Life policies. This came about as a result of the industrial revolution, which in turn produced the beginnings of industrial classes. Industrial workers were thus allowed some cover for sickness and funeral expenses by friendly societies that transacted Life insurance that suited their needs and pockets.

Although modern insurance was introduced to Africa from Europe, there were already in existence some organized indigenous forms of life insurance, peculiar to Africa before the arrival of the early Europeans. (Irukwu, 1977). Apart from the extended family system, this

by its nature a social security scheme in existence was the age graded and clan unions, which acted as mutual insurance societies similar to the English ancient guilds. (Irukwu, 1977). Until the late 1950s, there were no wholly owned indigenous African Life Offices and prior to the incorporation of the first set of African Life Insurance Companies, the business had been underwritten by offices which were basically agencies or branch offices of European insurance companies. (Irukwu, 1977). As a result of political independence and economic involvement of West African governments in all sectors of the economy caused a few West African Companies to emerge between 1960 and 1974, whose operations included total insurance business including Life insurance.

An Overview of the Life Insurance Industry of Ghana

The global insurance market is forecasted to have a value of \$4,608.5 billion in 2012 an increase of 24.9% since 2007. Life insurance dominates the global insurance market, accounting for 59.7% of the market's value. The performance of the Ghanaian insurance industry is in trend with the global industry. Greater percentage of total industry premiums are generated from the non-life sector. For instance, whereas the non-life sector grew by 53 percent in 2010, the life business recorded a growth of 37 percent. In other words, the growth rate of the life sector is less than twice that of the non-life business (NIC, 2010). Despite the enhanced growth in premiums from both sectors of the industry, insurance penetration continues to be far below the desired benchmark. The contribution of total insurance premiums to GDP, which measures insurance penetration, in real terms, is 1.89 percent as against 14.8 percent in South Africa; 7.3 percent in Namibia; 2.8 percent in Kenya and 4.8 percent in Malaysia (Swiss Re, 2010). Table 1 represents the gross premium income and insurance penetration from 2001 to 2010.

Table 1:Gross Life and Non-Life Premium Income and Insurance Penetration.

Gross Life and Non-Life Premium Income and Insurance Penetration. Year	Premium Income (GH¢)	Growth Rate (%)	Insurance Penetration (%)
2001	32,251,600	26.0	0.85
2002	47,205,989	46.3	0.95
2003	71,283,978	51.0	1.08
2004	92,583,146	29.8	1.16
2005	122,925,795	24.7	1.26
2006	164,207,266	33.5	1.40
2007	209,554,718	27.6	1.49
2008	278,255,336	22.7	1.39
2009	342,703,760	23.0	1.40
2010	458,694,769	22.0	1.00

Source: National Insurance Commission Annual Reports for 2005, 2007and 2012

As at December 2010, the NIC has licensed twenty-one non-life insurance firms, seventeen life assurance companies and two reinsurance companies. The industry also has forty-six brokerage firms, one reinsurance broking company and one loss adjuster. The details of all the licensed insurance entities are presented in Table 2.

Table 2 : Market share of insurance companies in Ghana

Company	Percentage of Market Share (%)						
	2006	2007	2008	2009	2010	2011	2012
State insurance company limited	22	24	26	29	32	30	26
Gemini life insurance company LTD	18	16	15	14	16	13	11
Enterprise life Assurance company	8	10	12	13	15	17	21
Star Life company LTD	13	10	10	7	8	9	10
Metropolitan life insurance LTD	14	10	9	7	7	7	6
Vanguard Life Assurance	6	8	4	9	6	6	9
Others	19	22	24	21	16	18	17

Source: National Insurance Commission Annual Reports for 2005, 2007,2010 and 2012

The growing competition has exposed the industry to harmful effects such as undercutting, unethical underwriting and marketing practices and the excessive dependence on credit to manage the competition (National Insurance Commission, 2010). The industry has also witnessed increased complaints against virtually every insurer from the general public. Over the past six years the Complaints and Settlements Bureau has received an average of 295 complaints per year from the general public against various insurers for reasons such as

- (i) differences between benefits promised by insurers and from what is stated in policy documents;
- (ii) insurers failure to stop deductions of premiums after policy has been surrendered
- (iii) payment of rather low surrender values;
- (iv) delays in paying claims (NIC, 2010).

Table 3. shows the number of complaints from 2007 to 2012

Number of Complaints against Insurers Year	Number Of Complaints
2007	312
2008	262
2009	245
2010	245
2011	260
2012	445
Total	1769
Average	294.8

Source: National Insurance Commission Annual Reports

In order to address these challenges confronting the industry, the NIC has intensified its supervision by initiating

- i. new prudential returns,

- ii. new solvency framework,
- iii. corporate governance
- iv. risk management code and an accounting manual.

It has also proposed the re-capitalization of every insurance company from the current US\$1 million to US\$5 million by the end of 2013. The NIC has also taken significant steps to adopt a risk-based supervisory approach to evaluate the likelihood and severity of material risks affecting insurers and some powerful controls put in place by insurers to minimize the probability of the occurrence of such risk events or the severity of the impacts(NIC, 2010). It is envisioned that all of these initiatives will re-equip the industry underwrite the emerging risks in the economy especially the risks associated with the ongoing oil and gas exploration in Ghana.

Aside this robust mechanisms by National Insurance Commission(NIC) to hold the insurance companies to live up to expectations the patronage of life insurance in Ghana is still very low and this research is going further to identify the various factors that are causing this huge problems in the insurance industry.

STATEMENT OF PROBLEM

According to National Insurance Commission file(2010), it was estimated that only 3% of the insurable population take life insurance policies. This has become a great problem for the industry because life insurance income is used to cushion losses made by the huge claims of non-life insurance. National insurance commission journal (2009)

Despite the huge advertisement made by the insurance industry for the last eight years, the patronage is still low.

OBJECTIVES OF THE STUDY

The study will examine the following objectives

1. Factors determining the patronage of life insurance policies or products.
2. To determine the level of knowledge of the general public life insurance products policies.
3. To propose vital recommendations that can improve the operations of life insurance companies in Ghana,

Research Questions

This project work shall seek to answer the following questions

1. What is the importance of life insurance product to the policy holder
2. What are the factors affecting the patronage of life insurance products
3. Does advertising increase the patronage of life insurance?

SCOPE OF THE STUDY

Basically the research focuses on the factors affecting the patronage of life insurance among the people living in the capital city Accra, Ghana. Furthermore the research aims to know the attitudes of consumers in Accra towards buying life insurance by providing various factors to investigate.

Organization of the Study

The study is organized in five chapters.

Chapter one deals with introduction to the project work. It contains the background of the study, statement of the problem, research questions of the study, significance of the study.

Chapter two contains the literature review, which presents the theoretical and conceptual framework and the concept of insurance in Ghana that will relate to the area of study.

Chapter three contains the methodology of the study; it contains the research design, target population, sample size, statistical tools, statistical analysis, and data collection methods.

Chapter four contains the data presentation and analysis. It discussed the findings.

Chapter five is the concluding chapter of the work, which sets out the summary, conclusion and recommendations based on the findings for implementation.

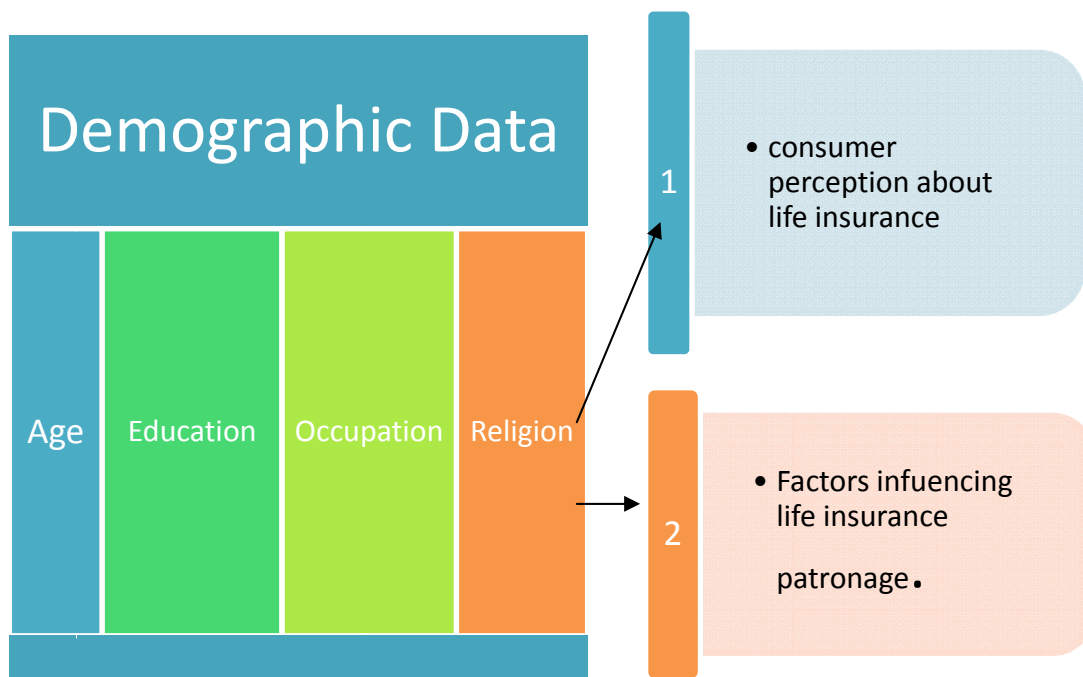
Significance of the Study

The result of this contribute to the enhancement of the already existing factors that have been identified as contributing to the determination of life insurance products. Further, Police markers and implements may use the findings from this study as a guideline to improving issues relating to the study undertaken. Knowledge from this study will be made available to academic institutions for the purpose of enhancing research.

CONCEPTUAL FRAMEWORK

Independent variable

Dependent variable



Hypothesis

The research sought to investigate whether religion, occupation, educational level and age have any significant relationship with patronage of life insurance products. In this regards, using standard Multiple Regression the following hypotheses will be tested:

1. H1: There is a relationship between religion and patronage of life insurance policies
H₀: There is no relationship between religion and patronage of life insurance policies
2. H1: There is a relationship between educational level and patronage of life insurance products.
H₀: There is no relationship between educational level and patronage of life insurance products.
3. H1: There is relationship between occupation and patronage of life insurance products
H₀: There is no relationship between occupation and patronage of life insurance products.
4. H₁: There is a relation between age and patronage of life insurance products.
H₀: There is no a relationship between age and patronage of life insurance.

DEFINITION OF TERMS

- Consumer** - Refers to the ultimate of a product or service
- Customer** - A person who buys goods or prays for a service
- Insurance** - An agreement with a company, society, etc. to pay out an Agreed sum in event
Of sickness, death etc, in return for Regular payments
- Insured** - A person or organization that had taken an insurance Policies
- Insurer** - A company that offers insurance polices
- Agents** - A person who acts especially in business for another for commission
- Premium** - The money paid for an insurance policy.
- Insurance policy** - An insurance agreement especially between a person and an insurance company.
- Indemnity** - It is a legal principle that specifies that an insured should not collect more than the actual cash value of a loss but should be restored to approximately the same financial position as existed before the loss
- Broker** - An organization or person paid by the policyholder to manage insurance on behalf of the policyholder.
- Claims** - It is a request for a payment of a loss under insurance policy.

CHAPTER 2

LITERATURE REVIEW

This chapter discusses literature review which comprised of theoretical and empirical review. Theoretical review refers to theories or hypothesis rather than practical consideration, or it is related to an experiment that is speculative but has not been proven. (Dictionary reference.com)

The empirical literature refers to relying on experience or observation alone often without due regard for system theory or it basis it finding on direct observation as its test of reality (R.A Fisher, and webmaster online Dictionary).

The theoretical literature presents and attempts to explain theory on the history of life insurance, the concept of life insurance in Ghana and universal life insurance in Ghana. While the empirical review describes the research that people have already done on life insurance and their findings.

Empirical literature

Definition and Meaning of Insurance

There is no single definition of the term insurance. Various writers and experts in the field of insurance over the years attempted various definitions in different contexts to explain the meaning of the term. To look at insurance at financial point of view, Dorfman (2008), defined insurance as a "financial arrangement that redistributes the cost of unexpected losses". Thus, insurance involves the transfer of loss exposures (or uncertainty of loss) to an insurance pool and the redistribution of the cost of losses among the members of the pool. Loss as in insurance term is defined by Pal, Bolda, and Garg (2007) as an "unintentional decline in or disappearance of value arising from a contingency"

An insurance system redistributes the cost of losses by collecting premium payment from every participant (insured) in the system. In exchange for the premium payment, the insurer promises to pay the insured's claims in the event of a covered loss (Dorfman, 2008).

Insurance companies bear risk in return for a fee called premium. In other words, insurance

companies are risk bearers and accept or underwrite the risk in return for an insurance premium. Accordingly, the term insurance may be defined as a co-operative mechanism to spread the loss caused by a particular risk over a number of persons who are exposed to it and who agree to ensure themselves against that risk (Pal et al., 2007).

In legal term, Marples (2008) cited the definition of insurance in the Merriam Webster Dictionary "as coverage by contract whereby one party undertakes to guarantee another against loss by a specified contingency" . Pal et al. (2007) further argue along Marples' line that insurance is that which a sum of money as premium is paid by the insured in consideration of the insurer's bearing the risk of paying a large sum upon a given contingency.

They summarized their argument into four postulates: insurance is a contract whereby;

- i. certain sum, termed as premium, is charged in consideration,
- ii. against the said consideration, a large amount is guaranteed to be paid by the insurer, who received the premium,
- iii. a compensation will be made to the insured in a certain definite sum, i.e. the loss or the policy amount whichever may be, and
- iv. The payment is made only upon a contingency.

Even though there are lots of definitions for the term insurance, the basis of insurance is guarantee against loss.

According to National Insurances Commission journal (2012), the patronage of the life insurance products has been declining in recent times, based on this information, Darko, Rosemond Awuah (2001) from the business School of University of Ghana undertook a research about how to sell and market life insurance products.

The researcher said, life insurance products can be well marketed and sold if communication centers are used. The communication centers include the use of the communication tools such as advertising, publicity and public relations, personal selling and sales promotion. The researcher highlighted that, if these communication tools are not used well and integrated the awareness of life insurance products will continue to be low leading to a fall in patronage of life insurance products.

Another researcher called Awuah Esther Sesime (leader of a research group of SIC) in 2002 undertook a research on life insurance policies concerning how to solve the problem of the low patronage. The researcher's findings indicated that 80% of the low patronage comes from the Agent. The researcher found out that agents convince the public to take up life policies in order to earn their commission. The agents have been misinforming the public)

Oscar Joseph Akotey,(1990), also conducted a research on the patronage of life insurance and upon his investigation using "the probit model "it was identified that how flexible the premium is as well as income level and occupation has significant impact on insurance demand. Insurance knowledge, trust and marital status were also found to have positive and significant impact on the demand for insurance. Interestingly analysis shows that formal education and one's level of insurance knowledge has a positive and significant impact on insurance demand.

" The demand for life insurance in a country may be affected by the unique culture of the country " (Douglas and Wildavski, 1982). Henderson and Milhouse (1987) argue that" an individual's religion can provide an insight into the individual's behaviour; and understanding religion is an important component of understanding a nation's unique culture".

Also, Zelizer (1979) notes that religion historically has provided a strong source of cultural opposition to life insurance as many religious people believe that a reliance on life insurance results from a distrust of God's protecting care. Until the nineteenth century, European nations condemned and banned life insurance on religious grounds. Zelizer also states that" religious antagonism to life insurance still remains in several Islamic countries".

In similar vein, Wasaw and Hill (1986) tested the effect of Islam on life insurance consumption using an international data set. The results of their study indicate that, consumers in Islamic nations purchase less life insurance than those in non-Islamic nations. This becomes more evident in the fact that there is comparatively very low ratio of Muslims in developed countries with the majority residing in medium to low human development countries. From the thirty-five low human development countries as defined by the Human

Development Report (2004), seventeen have a majority Muslim population and a further five have a Muslim population of over 20 percent. Muslims around the world are commonly faced with low-income levels, and lack access to social security systems, healthcare, education, sanitation, and employment opportunities (Patel, 2004). The above assertions have been corroborated in another related study of insurance penetration in Nigeria, a developing nation where the marketing of an interest-free insurance scheme gained the support and patronage of the Muslim population (Yusuf, 2006). This becomes attractive mainly because the scheme is interest free, hence it is regarded as having religious backing

According to Omar (2005) assesses consumers' attitudes towards life insurance patronage in Nigeria and found out that there is lack of trust and confidence in the insurance companies. Other major reason for this attitude is lack of knowledge about life insurance product. An opinion suggested by the researcher is the call for a renewed marketing communication strategy that should be based on creating awareness and informing the consumers of the benefits inherent in life insurance so as to reinforce the purchasing decision.

Fortune (1973) also analyzed the implications of expected "utility hypothesis" of choice under uncertainty for demand for life insurance and concluded that demand depends on income, non-human wealth and the rate of discount. They studied that the effects of short run financial market behavior and consumer expectations on purchase of ordinary life insurance and developed structural determinants of life insurance demand.

They considered three different sets of variables

1. Variables stimulating demand as a result of insurer efforts (e.g. industry advertising expenditure, size of the sales force, new products and policies, etc.),
2. Variables affecting household saving decision (e.g. disposable, permanent and transitory income, expenditure expectation, number of births, marriages, etc.)
3. Variables determining ability to pay and size of potential markets, (e.g. net savings by households, financial assets, and consumer expectation regarding future economic condition).

They concluded that life insurance demand is inelastic and positively affected by change

in consumer sentiments; interest rates also play a vital role in both short and long run.

Beenstock et al. (1988) found that "marginal propensity to insure differs from country to country and premium vary directly with real rates of interest". The study tried to examine the relationship between property liability insurance premium and income. Truett et al. (1990) discuss the growth pattern of life insurance consumption in Mexico and United States, during the period of 1964 to 1984. They assumed that at the normal level, demand depends upon the price of insurance, income level of individuals.

Further, they experimented with demographic variables like age of the insured and size of population within the age group 25 to 64 and also considered education level of the population under study to examine its bearing on insurance consumption decision. Their results show the existence of higher income inelasticity of demand for life insurance in Mexico at low income levels.

Browne and Kim (1993) conducted the research on 6 Muslim countries including Pakistan on the demand of life insurance from 1980 to 1987. Different economic and demographic factors were used like, income, expected inflation rate, education level, dependency ratio, life expectancy, religion, policy loading charge and social security. They found that life insurance was directly linked with national income and social security and inversely related with inflationary expectations. Study also suggested that economic development and stability largely enhanced life insurance consumption.

Furthermore Osterville (1996) did a cross sectional analysis on life insurance demand on 48 less developed economies for the period 1986 and highlighted the fact that financial development and price stability in the insurance market of the country affected the demand. Study considered the variables such as; agricultural status of the country, health status of the country, percentage of labour force with higher education, the level of financial development with two dummy variables of level of competition in the local market and abroad insurer participation. Results showed that the life insurance demand was significantly directly linked to personal disposable income and the country's financial development level

Hwang and Gao (2003), examined the elements for life insurance demand in China by

explaining the huge growth in this industry after the economic reforms of 1978. Study found that the basic element that have effected people to buy insurance policies are positively related

to upper stages of economic security, the rise in the education level and the modification in social structure. However, this study had not found an inverse influence of inflation on life insurance consumption; even China faced large inflation in the mid-1990s.

Beck and Webb (2002) highlighted the issues of finding the reasons behind the variations in life insurance consumption by using unbalanced panel data of 68 countries from 1961 to 2000. They employed four various proxies of consumption, economic, demographic and institutional factors. Results cleared that countries with large income per capita, stable banking sector and lower inflation tend to use huge quantity of life insurance. In addition to it life insurance consumption was observed to be directly affected by private savings and real interest rate. Demographic elements such as education, urbanization, life expectancy, young and old dependency ratio had not any robust effect on the life insurance consumption. Finally Nesterova (2008) explored the modifications in life insurance demand for 14 countries of former Soviet Union, Central and Eastern Europe including Ukraine from 1996-2006. He concluded that economies with greater life expectancy at birth, income and education level, old dependency ratio had larger life insurance consumption while, financial development, inflation and real interest rate decreased the life insurance demand across countries.

Theoretical Literature

Concept of Life Insurance

Life insurance is a contract binding a life insurance 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. Life insurance is used to protect the economic value of a human life with regards to those who may be financially dependent on it.

Life insurance, in its simplest form, can be described as:

1. An individual enters into a contract with an Insurance Company under which the Insurance Company agrees to pay a sum of money to the individual's estate on his death.
2. In return for this benefit, the individual makes a one-off payment or a series of payments at

regular intervals, to the Insurance Company.

Life Assurance is essentially a plan under which a group of individuals share the burden of loss from death by providing funds to the nominated beneficiaries of those who die. The policyholder is required by the insurance contract to pay a contribution called premium into a fund either once or periodically- the level or amount of premium being dependent on such factors as age, gender, medical history and the amount level of Life insurance cover chosen. The insurance, in effect, spreads the risk through pooling, in that; loss by an individual policyholder is compensated for at the expense of all other policyholders insured for the risk in question.

Life insurance has been a useful means for attaining financial security and protection for the individual or group of individuals. Modern day Life insurance has however, extended beyond pure protection, and many Life policies are now taken for investment purposes. (Marshall, 2000)

TYPES OF POLICIES

Most policies are single life policies, with only one life assured. The life assured is a person on whose life the policy depends. When that person dies the policy will payout.

The insured is the name given to the person who affects the policy and is the original owner. This is the person who is entering into the contract with the Life office.

The insured and the Life insured is frequently the same person. For example, when Mr. A takes out a policy on his own life, this is called own life policy.

However, the insured does not have to be the same as the Life insured. Mr. A can take out a policy on the life of Mr. B or a company C can take out a Life Policy of an employee B,

subject to having insurable interest. This is called Life of another policy (Marshall, 2000)

Basic types of Life Policy

There are three basic types of Life Insurance Policy:

Term Insurance

This is the most basic form of Life Insurance.

Term Assurance policies just provide cover against death within a specified period. The Cover is pure **protection with no investment element**. A payout is possible but not certain, i.e. the Life assured may not die during the term of the policy. If the Life insured survives no payment is made and the policy expires. (Marshall, 2000)

Whole Life Policies

A whole Life policy is a simple policy, which pays out the sum assured whenever Life Assured dies. Unlike Term insurance, Whole Life insurance is a permanent policy, not limited to an expiry date. The policy only expires when the Life Assured dies.

Premium will be more expensive than the Term insurance because a claim is certain. Whole

Life policies are substantive policies and can often be used as a security for a loan either from the Life office or from other lenders. (Marshall, 2000)

Endowment Policies

The third basic type of policy is the endowment insurance. Here, the sum assured is payable on a fixed date-the maturity date- or on the Life insured earlier death.

Endowment insurances are substantive contracts and can be used as security for loans either from the Life office itself or from other lenders.

Level premiums are payable for the duration of the contract. Premiums for endowments are generally more expensive than whole Life Insurances because claim payments are generally made earlier payments and death benefit. The death benefit may be increased subject to insurability or decreased, and the premiums can also be increased or decreased as well as skipped. Universal Life insurance policies may be purchased with one or two death benefit

options. One is a level death benefit and second is an increasing death benefit. Although premium payments are flexible, a universal Life policy will usually have a target premium which is the suggested annual premium payments. The target premium for some companies is sufficient to keep the policy in-force to age hundred (100); however this is not guaranteed. Universal Life insurance policies also accumulate cash value on a tax-deferred basis. These cash values tend to be interest-sensitive and can be used for a variety of options:

- i. The policy can be surrendered at anytime for cash surrender value.
- ii. The policy owner can take out a loan and use the cash value as collateral.
- iii. The policy can be changed to a reduced amount paid -up whole Life policy.
- iv. The cash value may be used to pay premiums for a certain period of time.
- v. The cash surrender value can be used to supplement retirement income.

Universal Life insurance policies are valuable because they can provide permanent protection and accumulate cash values that can be used for emergencies or for meeting specific objectives. For those who prefer flexibility, Universal Life provides more options than Whole Life Insurance.

Most people are familiar with the Unit-Linked Life Insurance product. This product is very similar to a Unit Trust where policyholders pay premiums, a portion of which will be invested in a unit (or investment) account. The policyholder will be entitled to receive this Unit account back on maturity along with any investment gains or losses that have been made on the investable portion of his money. On an early surrender, the policyholder will usually receive his unit account less certain surrender penalties. (Reekie, 2000).

The shorter the term of the endowment, the higher the premium for a given sum assured because it will be payable for a smaller period. (Marshall, 2000)

TYPES OF ENDOWMENT INSURANCE

Non-Profit Endowments: These are the most basic form of endowment with level premiums and a payout of only a fixed guaranteed sum assured on maturity or **earlier death**.

With-Profit Endowments: - The amount payable on maturity or earlier death is the guaranteed sum assured plus bonuses.

Low-Cost Endowments:- This utilises a combination of a ‘with-profits’ endowment and a decreasing Term insurance. There are two sums assured plus bonuses and guaranteed death sum assured.

Low-Start Endowments:- This is basically a low-cost endowment but with premiums starting at low levels and rising gradually over a number of years to the full premium. This type of policy is aimed at the house buyer who is working on a very tight budget but who has expectations of pay rises in future years. (Marshall, 2000).

Flexi-Endowments/Open-ended Endowments:- the drawbacks to the traditional endowment plans with its fixed maturity date and low surrender value led to the introduction of this type of policy. These policies can be cash in without the normal surrender penalty at any time after years. (Chris Marshall, 2000)

UNIVERSAL LIFE INSURANCE IN GHANA

Universal Life insurance is permanent Life insurance. As long as premiums are paid, a death benefit is paid to the beneficiary. These policies are different from whole Life insurance policies because they offer the policy owner some flexibility to change the premium payments and death benefit. The death benefit may be increased subject to insurability or decreased, and the premiums can also be increased or decreased as well as skipped. Universal Life insurance policies may be purchased with one or two death benefit options. One is a level death benefit and second is an increasing death benefit. Although premium payments are flexible, a universal Life policy will usually have a target premium which is the suggested annual premium payments. The target premium for some companies is sufficient to keep the policy in-force to age hundred (100); however this is not guaranteed. Universal Life insurance policies also accumulate cash value on a

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Unit-Linked policies were sold in the United Kingdom and the United States of America many decades ago and in some African countries (including South Africa) as long as 30 years ago. The original unit-linked policies were sold as an investment vehicle, sometimes with add-on riders such as Life cover (on a level term or decreasing term basis).

One of the main reasons why investment policies moved from traditional with-profit endowments was that it was far easier for a policyholder to understand investment return commiserate with market rates on his pool of investment than it is for him to understand a much lower bonus on a sum assured (which for many years is much higher than the amount he has invested). The universal Life policy evolved from Unit-Linked policy as a result of administrative systems becoming more powerful and, in particular, computing power becoming more available.

(Reekie, 2000).

Like other insurance markets in developing countries; Ghana's insurance sector is essentially a Non-Life market. Life insurance accounts for just over 14% of the total gross *premium* income from insurance..(Marshall, 2000)

The Life market has been dominated by traditional Life policies until August 1997 when the Metropolitan Insurance Company introduced a universal Life product, the Metropolitan's Gold Plan. The product has since caught on well with the other insurance companies.

In Ghana, the universal Life policy accounts are debited with the cost of all insurance charges.

The ranges of benefits available usually include the following:

i. Death Benefit: in most of the policies in Ghana, the Life insurance cover, which is the sum assured is added to the Accumulation fund/Investment fund but for others the greater of the two would be paid.

i. Waiver of contribution benefits during disability or death

iii. Income protection benefits

iv. Facility to suspend premium payments

v. Accidental death benefits

VI. Critical illness covers

Vii. Option to add a further Life assured

viii. Annual indexation option to automatically adjust the death benefit in line with consumer price Index.

Most contracts provide for the regular premium, usually monthly, which can be increased or reduced as required, and also allow single premiums to be paid in whenever desired. (Marshall,2000)

This is demonstrated by an array of universal Life products currently on the market, including the following:

State Insurance Companies, 'Family Income Benefit',

Metropolitan Insurance Company's

Gold Plan', Provident Insurance Company's 'Special Investment Plan',

Gemini Life "' Insurance Company's End-of-Service Benefit Plan,' as well as CHD's Multi Plan,'

Star Insurance Company's 'Cash Builder'.

Others include Done well Insurance Company's

Personal Pension Plan' and Vanguard Assurance Company's 'SMART PLAN'.

UNIVERSAL LIFE PRODUCT CHARACTERISTICS

A Universal Life Policy may be viewed as a traditional Life insurance policy with a simplified internal structure where investment, expense and mortality elements are separately and specially defined.

Policyholders are allowed to select a particular death benefit cover and pay related premiums from which the insurance company deducts defined expense charges. The remaining amount is credited to the policyholder's cash value from which mortality charges are deducted and interest is credited at rates based on current investment earning. From a policyholder's point of view, the cycle can be summarized as the model below:

Cash value at End of Period = Cash value at beginning of period + Premium Paid - Expense Charge - Cost of Insurance Charges + Interest Credits

With this structure, policyholders can easily trace the accumulation of their policy's cash value. The policy's cash value is also directly related to changes in interest rates, premium and benefit levels, and mortality charges. (Marshall, 2000)

Unlike traditional Whole Life or Term Insurance policies, Universal Life Policies do not have standard predetermined 'plans' of insurance. Policyholders may select, for example, specific premiums, death benefits, premium-paying periods and benefit periods, rather than having such features predetermined, as is the case with a more traditional policy. (Marshall, 2000)

Flexible Premiums

While substantial flexibility for the premium payments is provided under universal Life, certain restrictions on premium flexibility are generally established. For example, minimum premium is normally required; however at any time after payment of this minimum initial premium, the policyholder may change the amount, payment date, or frequency of subsequent premiums.

Also, a policyholder may discontinue and subsequently resume premium payments at any time without going through the forfeiture and reinstatement process. This policy will remain in force, however only as long as the cash value is significant to pay costs of insurance and expense charges. When the cash value falls below that level, the policy terminates. (Marshall, 2000)

Expense and surrender charges

Significant expense charges are deducted from gross premium to determine the amount of net premiums applied to the cash value.

Generally, expense charges are established between 5% and 10% of the gross premium on an on-going basis. When a policyholder no longer wants the policy or for some reason cannot continue with payment of premiums, he can ask for the surrender value. As a result, a surrender charge is levied.

The surrender charge, which declines over time, may be in the form of percentage of the cash, value or related to the sum insured. (Marshall, 2000)

Interest Credits

Universal Life policies guarantee a minimum interest rate. Any interest credit in excess of guaranteed rates is determined solely at the option of the company. Generally, they are

based on current and expected future investment experience.

Policy Loans

Universal Life policies have policy loan provisions, which are not available in the Social Security and National Insurance Trust's (SSNIT) Pension Scheme and other traditional Life policies.

Insurance Charges

Monthly term Life Insurance charges are made to the policyholders account based on the amount of Life Assurance at risk. It could either be the current death benefit less the accumulated current value under one option, or just the current death benefit at any time. The mortality charges deducted monthly is calculated by actuaries.

Partial Withdrawals and Surrenders:

Partial withdrawals or partial surrenders from Universal Life's cash value can be made an option to the policyholder and most companies would normally not apply any charges.

Additional Benefits

Universal Life products could include additional benefit coverage. Examples of which include accidental death, family coverage, and 'cost of living' riders, just to mention a few (Marshall, 2000).

MAIN FEATURES OF UNIVERSAL LIFE POLICIES

According to Reekie (2000), Director, there are a number of pertinent features to Universal Life policies; however, many of these will depend on the complexity of the actual product offered by a given Life office. The policyholder has the right to choose

how much of his premium goes towards investment and how much goes to purchasing risk cover.

The premium going towards risk cover can be utilized for different types of benefits: such as Life cover, dreaded disease cover, disability cover and hospital cover among others.

The terminology used to describe the relationship between the expected maturity value and the Life cover under Universal Life policies differs from country to country. However the following definitions are probably the most commonly used.

No Cover

Such a policy will offer no Life cover, and will thus be a Pure Investment Policy.

Standard Cover

The expected maturity value will be the same as the Life cover during the term of the policy. It is important to note that the actual maturity value will differ from the expected maturity value depending on the actual investment and other experience of the portfolio during the term of the policy.

Maximum Cover

Life offices in Africa rarely offer maximum cover. Maximum cover is when the expected maturity value is zero at the end of the term of the policy, with a given level of Life cover being offered. The danger here is that in the event of experience being worse than expected, the actual maturity value will be negative; however, it is not possible for the Life office to go to the policyholder at maturity and say, "your maturity value is below zero, so please pay an additional premium?"

Random Cover

Such cover refers to any combination of expected maturity value and Life cover which does not fall into the above categories. Life offices where quotations are done by brokers

or agents using computers, can theoretically offer any level random cover.

ADVANTAGES OF universal LIFE POLICIES TO LIFE OFFICES

a. Risks are Minimized:

Investment risks under these policies are usually passed to the policyholder(s). This means that if the investment performs well then the policyholder gains and if investment performs badly then the policyholder loses out. This is handled through an investment account which will increase with positive investment returns and decreases as a result of investment losses. The converse of this is that the company does not always gain much from good investment performance.

However, this is usually seen to be more advantageous than the fact that the company may lose out if investments perform poorly. Under many insurance products, the mortality risk increases over time. This is often due to bonuses being added to the sum assured, in conjunction with increasing age meaning that the policyholder is more likely to die. The mortality risk for Universal Life policies often decrease over time. Indeed, the above does not always hold true.

For instance a more complex universal Life policy may have a sum assured which increases each year. (Reekie, 2000).

B.Charges as variable:

The main reason why risks are minimized for the Life office under a universal Life policy is that, most of the charges tend to be variable at the discretion of the Life office (on the advice of the actuary). As most charges are made by means of

deductions from the Investment Account or deductions from premiums before the balance is invested in the investment Account, the policyholder will not be directly affected by the varying charges in as much as his premiums will not change. However, the policyholder is impacted if charges are increased in that this will ultimately mean that his investment benefits (maturity or surrender) will be lower. Essentially, Universal Life policies allow the company to disguise the fact that they are changing the premiums for certain portions of the benefit. The following are examples of charges which may be changed by the insurance company (and reasons for those changes):

- i. A management fee is usually charged as a percentage of the investment Account each year. Should investment (and other) expenses increase the company may consider increasing the management fee.
- ii. The company would normally monitor its mortality experience each year. Mortality (and other) risk charges can be varied. These charges (C) are usually made as deduction from the Investment Account (IA), and are calculated in the form qx multiplied by (Sum Assured minus Investment Account) i.e. $C = q \cdot (SA - IA)$ where SA means Sum Assured and qx is a factor which varies by age. The table of qx factors will be updated by the actuary based on the experience of the policy class over the preceding years. (Reekie, 2000).
- iii. The policyholder will receive his Investment Account on maturity, and usually the Investment Account less a charge on earlier surrender. This means that from an investment point of view, the important element for the policyholder is the Investment account. The Investment Account is usually built up by very complex formulae, which in

essence can be simplified to the following:

Let **IA_e** represent Investment Account end of month

IA_b represents Investment Account beginning of month

P represents Premium

P_t represents Policy fee allocation percentages

R_e represents Risk Charges

I_e represents Investment Earnings

M_f represents Management Fee

S represents Shareholder Profit Charges

Then $IA_e = IA_b + (P - Pr) - Re + Ie - Mf - S$ (Reekie, 2000)

From the above, it can be seen that if any of the charges are increased (e.g. the risk charges) then the ultimate result will be a decrease in the policyholder's maturity benefit. Thus, it is also in the company's interest to try to keep the charges at a reasonable level in order that maturity benefits (and illustrative values) are reasonable to the public and good for marketing purposes

c. One product structure can be used for all policy types:

Many companies have found universal Life policies to have the major advantage that the same product structure can be used for all different policies. This means that at the end of the day, one administration system can handle all product types with only the parameters changing. It can also make pricing relatively easy since one full range of benefits has been priced, it can simply be packaged in different ways to offer different products which may be marked differently, but have the same underlying structure

d. Any number of riders can be attached:

The last advantage from the Life office's point of view is that in theory an infinite number of additional rider benefits can be attached to the Universal Life product. This can be seen as an advantage or a disadvantage. For instance, there are companies in South Africa with 60 or 70 rider benefits attached to the Universal products as options, (Reekie, 2000). This makes their administration very complicated. Nonetheless with careful planning, the freedom offered by universal Life products can be a huge advantage

ADVANTAGES OF UNIVERSAL LIFE POLICIES TO POLICYHOLDERS

Reekie, (2000) is of the view that when designing Life Insurance products, it is important to remember that there are two parties whose needs should be considered; these are the shareholders and the policyholders. A policy will only be successful if it makes money for the shareholders and at the same time is perceived by the policyholder to provide value for money and meet their needs. Reekie, (2000) indicated that advantages of Universal Life product to the policyholder can be summarized into two main words, namely "Clarity" and "Flexibility"

The main advantages to the policyholder are as follows:

i. Regular and understandable benefit statement can be issued;

Policyholders often see insurance companies as a black hole. They can be feeling that the money which they are paying to the insurance company completely disappears. Hence, if one wants to keep one's policyholders happy, an important concept is to communicate with them frequently. Since communication also allows one to advertise one's insurance company and possibly sell additional products to existing policyholders. It is common practice for insurance companies to

issue policyholders benefit statements at the end of each year (after the declaration of a bonus).

However, policyholders have often felt that these benefit statements are not easily understandable.

The question is often asked with regards to With-Profit policies, 'why do I only get a 3% bonus on my sum assured even though investment returns are, perhaps, 16%.' It follows that Life Insurance professionals will know that, the reason for this is that the sum assured far exceeds the premiums that have been invested to-date, hence a small increase in the sum assured is equivalent to a much larger increase in the money invested, which in some instances is not clear to the policyholder.

However, Reekie (2000) is of the view that benefit statements for Universal Life policies can be made much more understandable. A typical benefit statement could include the following:

- a. The Investment Account at the beginning of the period (stating the policy inception date, or the previous benefit statement date);
- b. Details of the accounts invested in the Investment Account over the period;
- c. Details of investment earnings added to the Investment Account over the period;
- d. Details of risk charges that are charged against the Investment Account (and the amount of cover given).

The above items should build up exactly to the closing Investment account balance which should be shown along with the current surrender value on the policy.

It is relatively common practice for shareholder charges and management fees not to be shown explicitly, but for the investment return to have these netted off already and noted to be made to this effect.

Benefit statements will also often include items such as illustrative maturity values on one or two assumed future investment returns.

ii. The policyholder may have complete flexibility in terms of benefits and

investment portfolios:

From a sales point of view, the key to Universal Life policies is their flexibility. The policyholder will usually have a choice of investment portfolios for his money to go into. The complex universal Life policies will even allow the policyholder to invest in more than one investment portfolio; however, it is not advisable that this option be given to begin with, as administering this option can be very simple.

Insurance companies in South Africa offer anything from 5 investment portfolios to 60 investment portfolios. However it is advisable that a company establishing a Universal Life policy should focus on two or three portfolios to begin with.

These portfolios could be a Cash Portfolio, a Treasury bills portfolio and Growth portfolio (which could include equities, where available, treasury bills, cash and even a small amount of property). (Reekie, 2000)

The policyholder can also be offered flexibility in terms of the benefit granted for the premiums paid. In situations where the broker (or agent) has access to a computer quotation package, then the policyholder could choose any two of the following three and the third item would be calculated; Annual premium, Life cover and Expected Maturity value (note this is not guaranteed!). Indeed there will be some scenarios, which would not be possible for instance if the prospective policyholder chose Life cover in conjunction with a premium which resulted in a negative expected maturity value, then this policy could not be offered.

However, for Life offices where a computer quotation package would not be available to the company's agents, number standard options like Standard Cover, No Cover, and Cover which is the expected maturity value is twice the Life cover and the expected maturity value is 50% of the Life cover.

The investment build up is easy to understand:

As long as good marketing literature is produced, these policies can be relatively easily explained to prospective policyholders in as much as, the policyholder can see what he is being charged for risk benefits and can also be shown an illustrative investment Account build-up which is easy to understand. Similarly, as long as annual benefit statements are being produced the policyholder will continue to understand the policy and its benefits throughout the term of the policy. This can assist in keeping withdrawals down.

CHAPTER THREE

METHODOLOGY

Introduction

This chapter considers the methods that were used in the data collection for the research. It highlights the research design and sources of data. It also identifies the target population for the study, the sample Size and, sampling technique and how data obtained from the research was analyzed. This research is primarily intended to provide a better insight and understanding of factors affecting the patronage of life insurance or policies in Ghana. Respondent of this study consisted of Ghanaians who are living in the capital city Accra with the age range between 20years and above.

Research Design

This research is both Longitudinal and Conclusive Cross-sectional Descriptive Research Design to study the key dimensions in life insurance sector. The survey instrument was a servqual type questionnaire relevant to insurance industry.

This part consists of 26 statements for both expectations and perception scores, regarding various aspects of life insurance. These aspects were identified by a detailed exploratory identification process. This included five focus group discussions with 40 life insurance policyholders eight in-depth interviews with three branch managers and five with agents of various life insurance companies .Content analysis of focus group discussions and depth interviews was performed. In content analysis, the responses (oral as well as written) were categorized and classified.

Census approach was also used, thus consisting of all firms in the insurance industry 3 firms were sampled from the industry. Then they are coded for tabulation purpose. There after a multiple linear regression was used to analyze and predict if age, religion, educational level and occupation have effects on the patronage of life insurance products. The method deployed was qualitative content analysis (inductive category development and deductive category application)

Data Collection Method

POPULATION AND SAMPLING

Saunders *et al.* (1997) indicated that "the size of the sample and the way in which it is selected will definitely have implication for the confidence you can have in your data and the extent to which you can generalize it".

A sample size of the study therefore consisted of 400 respondents. They comprise of people of varied ages, religion, occupation and educational background. This choice of the sample size was made because life insurance product or policies are meant to cut across all section of the population and it was necessary to obtain from this varied group.

To determine the adequacy of the sample size the researcher used the population in the capital city Accra with approximately 2,296,000 million people(Ghana Demographics Profile 2013).The study of this research will apply the TARO YAMANE formula to determine the adequacy of the sample size compared to the population size.

$$n = N/1+Ne^2$$

where, n = sample size,

N = population size

e = incorrect level

$$\text{Population in Accra} = 2,269,000 / 1 + (2,296,000)(0.05)^2$$

The result from the calculation will be 395 so basically at least sample size is 400.

Instrument

The study made use of purely primary data (questionnaires) and secondary data(interviews). and no specific research Instruments were used in gathering the data

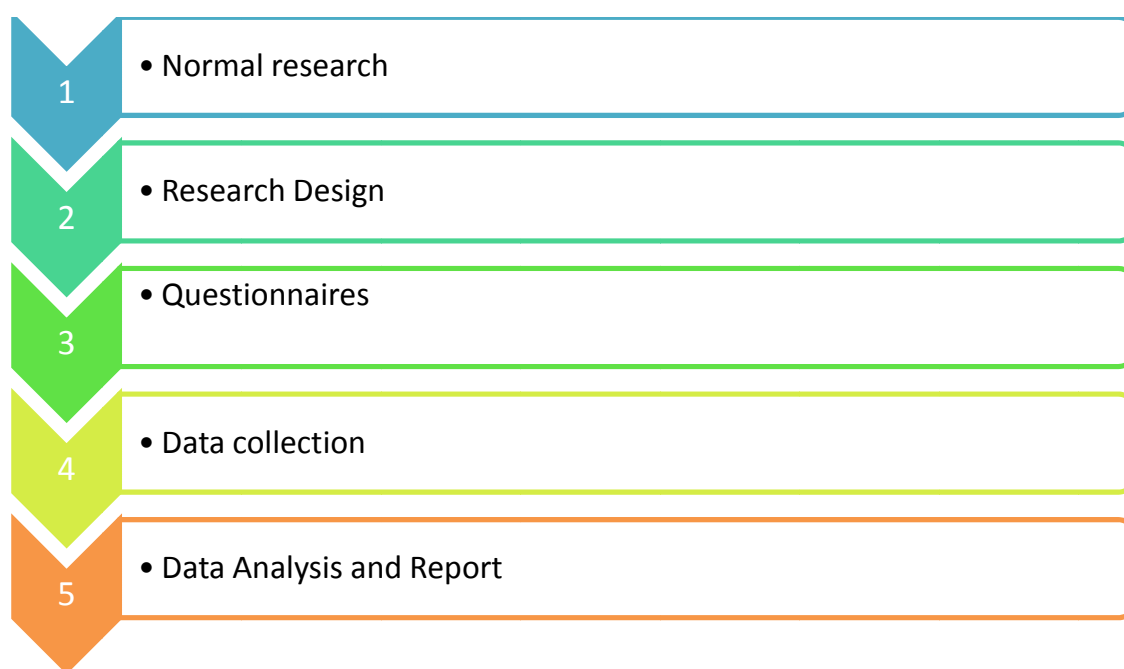
Data Analysis

The questionnaire survey and assessment data was entered into the a software programme Thereafter a multiple regression was used to predict if age, religion educational level, occupation have effect on the patronage of life insurance products. A multiple regression was used because it yields an emotion in which two or more independent variable such as age, religion; educational level and occupation predict the independent variable that is "patronage of life insurance products".

Analytical Tools

The survey and assessment data was entered into the Statistical Package for Social Source, Version 12(SPSS) for the data analysis.

Research Procedures



Time line

Basically the study plan to be made during the month of June to September 2013. The study will be made up of 400 samples from Accra who have life insurance.

Steps of work	procedures	Start Date	Duration	End Date
1	Normal Research	20/06/2013	2 weeks	03/07/2013
2	Research Design	05/07/2013	2 weeks	20/07/2013
3	Questionnaire	24/07/2013	3 weeks	05/08/2013
4	Data Collections	06/08/2013	4 weeks	05/09/2013
5	Data Analysis& report	03/09/2013	2 weeks	16/09/2013

Fig 1.show steps of works ,procedures. Duration start Date,and End Date.

BUDGET

Table 4

Activities	Expenses
1.Stationary	\$ 50
2.Data Collection/Transportation	\$150
3.Report	\$85
TOTAL	\$285

CHAPTER FOUR

This chapter focused on presentation of data and the analysis of result and responses from data collected. The total number of 400 questionnaires was administered for the analysis.

Results of the Study

Table 5. Distribution of respondent by their religion

Religion	Frequency	Percent
Christian	75	74.3
Muslim	26	25.7
Total	101	100.0

From table 1 above, 75 (74.3%) of the respondents were Christians whereas 26 (25.7%) were Muslims. **Fig 1 Distribution of Respondents by their Occupation**

UNEMPLOYED	5
CIVIL SERVICE	30
SELF EMPLOYED	45
PRIVATE CORPORATIONS	3

From the figure above, most of the respondents were self employed, 54 (52.4%), 34(33%) were civil servants, 10(9.7%) work in private organization whereas 5(4.9%) were unemployed.

Fig 2 Age distribution of respondents

Age group

18-24	0
25-29	24
30-39	33
40-49	39
50-59	10

From the distribution above most of the respondents were within the ages of 40 to 49.

Table 6. Distribution of respondents by their educational background

	Frequency	Percent
No education	17	3.9
Basic education	65	15.5
Diploma	21	55.3
First degrees	26	25.2
Total	103	100.0

From the table, most of the respondents were diploma as their level of education: 57 (55.3%) had first degrees and only 4 (3.9) had on education.

Awareness of life insurance policy

Table 7. Distribution showing whether respondents are aware of life insurance products.

	Frequency	Percent
Yes	55	53.9
No	47	46.1
Total	102	100.0

The results indicate that 55 (53.9%) are aware life insurance products whereas 47 (46.1%) are not aware of any insurance policy

Table 8. Distribution indicating whether respondents have taken a life policy before

	Frequency	Percent
Yes	27	26.5
No	75	73.5
Total	102	100.0

Table 9. From the results 75 (75.5%) have never taken any life insurance policy before.

	Frequency	Percent
Fear of medical examination	26	34.2
Inadequate monthly income	27	35.5
Religious belief	5	6.6
Don't trust insurance companies	11	14.5
Not adequately informed	6	7.9
Other	1	1.3
Total	76	100.0

Table 10. Responses of respondent indicating how likely they would take a life insurance policy.

Response	Frequency	Percent
Very likely	28	39.5
Very unlikely	21	29.5
Not sure	22	30.9
Total	71	100.0

From the table above, 28 (39.5%) are very likely to take life insurance policy, 21 (29.6%) are very unlikely whereas 22 (30.9%) are not sure on the likelihood to take a life insurance policy.

Table 11. Distribution of respondents indicating what would make them a life policy

	Frequency	Percent
Adequate fund	16	22.2
Finances improve	11	15.3
Assurance	22	30.6
Not subjected to medical examination	15	20.8
Others	8	11.1
Total	72	100.0

Table 12. Responses of those who have taken insurance policy and why they took it.

	Frequency	Percent
Savings		10.3
Financial support		20.7
Guarantee		27.6
Supplement to SSNIT		17.2
Other		24.1
Total		100.0

Table 13. Distribution of respondents who have ever taken a life policy and whether they still operate the life policy.

	Frequency	Percent
Yes	24	77.4
No	7	22.6
Total	31	100.0

From the table above, 31 have ever taken life policy. 24(77.4%) still operate the policy whereas 7 no longer operate them.

Table 14. Distribution showing sources of information about life insurance policy

	Frequency	Percent
Family	6	5.8
Brochures	9	8.7
Insurance company	10	9.7
TV	16	15.5
Newspapers	14	13.6
Friends	13	12.6
Radio	15	14.6
Agents	12	11.7
Total	103	100.0

From the table above most of the respondents 16 (15.5%) have mainly heard of insurance through the insurance companies themselves.

Attributes of Life Insurance Policy

This section enumerated on the attributes or characteristics of life insurance policy for the respondents to indicate whether they were aware (3), not very sure (2) or not aware (1). From the table below, most of the respondents indicate they were not very sure (2) of each of the attributes enumerated. On each attribute, the respondents who are not very sure range from 54% to 65% of the total respondents. This indicates that respondents do not know the attribute of life insurance policies.

Table 15. Responses on life insurance policy being a life cover

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid not aware	24	23.3	23.3	23.3
Not very sure	56	54.4	54.4	77.7
Aware	23	22.3	22.3	100.0
Total	103	100.0	100.0	

Table 16. Responses on policy giving good returns on savings

	Frequency	Percent
Not aware	25	23.3
Not very sure	56	54.4
Aware	23	22.3
Total	103	100.0

Table 17. Responses on whether life policies provide protection for the future

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1	19	18.4	18.4	18.4
2	59	57.3	57.3	75.7
3	25	24.3	24.3	100.00
Total	103	100.0	100.0	

Table 18 Life policies have flexibility

	Frequency	Percent
1	17	16.5
2	59	57.3
3	27	26.2
Total	103	100.0

Table 19. Responses to indicate that life policies allow one to withdraw part of the investment before retirement.

	Frequency	Percent
1	17	16.5
2	67	65.0
3	19	18.4
4	103	100.0

Table 20. Policy holder has the right to settlement option.

	Frequency	Percent
1	17	16.5
2	65	63.1
3	21	20.4
Total	103	100.0

Table 21. Life policy can be made to suit anybody

	Frequency	Percent
1	29	28.2
2	51	49.5
3	23	22.3
Total	103	100.0

Table 22: The policy provides annual financial statement

	Frequency	Percent
1	18	17.5
2	59	57.3
3	26	25.2
Total	103	100.0

Table 23. After 10 years you can surrender your life policy for all the cash

	Frequency	Percent
1	23	22.3
2	57	55.3
3	23	22.3
Total	103	100.0

Hypotheses Testing

The research sought to investigate whether religion, occupation, education level and age have any significant relationship with the patronage of life insurance. The following hypotheses were tested.

1. Religion has a negative relationship with the patronage of life insurance policy.
2. Occupation has a positive relationship with the patronage of life insurance policy.
3. Educational level has a significant positive relationship with the patronage of life insurance policy.
4. Age has a positive relationship with the patronage of life insurance policy.

The results are presented in below.

Table 24. A standard multiple regression of the patronage of life insurance product on religion, occupation, education level and age.

Variables	R-Square	Changed	Standardized	F
	.089*	.089*		7.567*
Religion			0.632**	
Occupation			.321*	
Education			.462**	
Age			.537**	

*p < 0.05 and **p < 0.01

Discussions of Results

The result from the standard regression shows that the whole model is significant [F=7.567,p<.01]. All accounted for 8.9% of the variance [Changed R=Square=.089]

With regard to the predictive power of the individual variables, the results show that religion was a significant predictor of individuals' patronage of life insurance products. Religion has a negative relationship with patronage of life insurance policy [B=.631,p< .01]. It means that the religious a person is the less likely the person would patronize life insurance product and vice versa. This is explained by the fact all staunch religious practitioner believe their object of hope is capable of giving them hope and security. Hence in times of crises they turn to their faith and symbol of power to assist them.

Occupation also came as a factor which significantly predicts individual's choice of life insurance policy. From the result occupation has a significant positive relationship with the patronage of life insurance policy [B-.321, p<.05] it indicates that people who are employed would patronized insurance policy than those unemployed. Even in employment, those with good pay would most probably, patronize life insurance products than those who are not well paid in their jobs.

From the result educational level has a positive relationship with patronage of life insurance policy [B=.462,p<.005]. it suggests that education is a factor that can predict Individuals' willingness to patronize life insurance policy. This is so for the reason that people who are highly educated may be generally be informed on issues including life insurance policy, hence their likelihood to patronize life policies.

The results revealed that age is a significant predictor of individuals' willingness to patronize life insurance policy. Age has significant positive relationship with the patronage of life insurance products [B=.537,p <01.] it means that younger people are not insurance conscious even though they take a lot or risks, however as people get older they become insurance conscious, therefore, they patronize life insurance products.

CHAPTER FIVE

DISCUSSIONS, SUMMARY, CONCLUSION, AND RECOMMENDATIONS.

Discussion

The hypothesis result found out that all the factors such as the Age, Occupation, Education and Religion had a high impact on the patronage of life insurance. This result is in conformance with a lot of research being done by some researchers. Examples of them are,

This result was matched with the concept of *Zelizer (1979) notes that religion historically has provided a strong source of cultural opposition to life insurance as many religious people believe that a reliance on life insurance results from a distrust of God's protecting care. Until the nineteenth century, European nations condemned and banned life insurance on religious grounds. Zelizer also states that religious antagonism to life insurance still remains in several Islamic countries.* This research is in line with Zelizer's concept because from this research Religion was a major predictor on the patronage of life insurance. So therefore the more religious people are the less they will patronize life insurance and vice versa.

Result from hypothesis find out that educational level influence the patronage of life insurance in Ghana. Furthermore this research result was in conformance with the concept of **Hwang and Gao (2003)**, examined the elements for life insurance demand in China by explaining the huge growth in this industry after the economic reforms of 1978. Study found that the basic element that have effected people to buy insurance policies are positively related to upper stages of economic security, the rise in the education level and the modification in social structure. This means that education level has a great impact on the patronage of life insurance, so therefore this result from this research is absolutely in conformance with Hwang and Gao concept.

Results for the hypothesis finds demographic data such as age, education, occupation and income as well as marital status influence consumer attitudes towards the patronage of life insurance in Ghana. This result is in conformance with the concept with **Beck and Webb (2002)** highlighted the issues of finding the reasons behind the variations in life insurance consumption by using unbalanced panel data of 68 countries from 1961 to 2000. They employed four various proxies of consumption, economic, demographic and institutional factors. Results cleared that countries with large income per capita, stable banking sector and lower inflation tend to use huge quantity of life insurance. Demographic elements such as education, urbanization, life expectancy, young and old dependency ratio had not any robust effect on the life insurance consumption. This research finding is in line with the hypothesis of my research so therefore all these demographic factors have an impact on the patronage of life insurance in Ghana.

Summary

This research has attempted to examine or provide an insight into factors affecting the patronage of life insurance products in Ghana. The study commenced with the role insurance plays in the economic development of the country. In spite of government's policy to broaden the scope of the capital market and to create the enabling environment to attract private investment, the insurance industry is now realizing its potential as a key player in the mobilization of long-term capital for the economic development of the country.

There are numerous advantages that can be derived from life business but these have suffered a severe setback in the country due to lack of awareness, low disposable income, life insurance product misinformation by agents, ineffective means of collecting premium, public policies. It went on to talk about how insurance. The awareness of life insurance products and knowledge about insurance were captured by questionnaire. Informal discussions with major players in the industry coupled with the response the questionnaire have revealed some major findings, which

if properly addressed would put the life business in a good platform to mobilize long-term friends for the insurance industry.

Conclusion

In conclusion, The Ghanaian insurance industry is saddled with a number of challenges. Notable among them is low level of public awareness. One important means by which the insurance industry can demystify this challenge is to regularly update the public about their operations and progress in the industry. Performance measurement has therefore become an important tool to rely on in order to create awareness among Ghanaians.

This study empirically aimed at identifying the factors affecting life insurance patronage in the Ghanaian insurance industry and how the result can be used to address issues affecting the industry in order to improve upon the industry performance.

Insurance companies today should aim at total customer satisfaction .This can be done by building on the positive perception of customers and eliminating the negative perceptions. This will lead to not getting new customer but also keeping them. The key to retaining customers is relationship marketing. That is adding financial and social benefits to products or the creation of structural ties between the insurance companies and its customers.

The industry must therefore ensure that they deliver marketing quality among side production quality. As a result, each marketing research, sales, training, advertising, customer service and so on must be performed to high standard.

Recommendations

Based on the research findings, informal discussion with stakeholders in the insurance industry and personal observation made during the course of the study. It has been established that there is a high level of awareness of life insurance products but patronage is not high. Some reasons such as low disposable income, public education, lack of effective marketing strategies, lack of product knowledge by agents, effective means of collecting premium have been indicated as some cause of the low patronage of life insurance products.

In the light of these facts, and findings made. I wish to offer the following recommendations to the insurance companies. Insurance is normally sold through intermediaries (agents). These agents serve as the company's personal link to the customers. It is the sales force that brings back the much needed information about the customers.

The agents therefore need to be properly recruited and trained on the products they market. It is only when the agents have a very good knowledge about the product that they would be able to convince the customer of patronage the products.

- I therefore recommend that the training should be on regular bases to enable agents renew their skills and also learn about new products. This is because, if the promises they make are not delivered, it would lead to customer dissatisfaction. The agents need to be motivated and encourage by giving them financial rewards and recognition and also involve them in product development.
- It is recommended that the adverts should not only create awareness but the message should go ahead to educate the public and also have an emotional appeal that will motivate purchase.

- The insurance companies should select efficient communication channels to carry the message. The research has indicated that the most powerful channels are the television, radio and newspapers. The message should be repeated several times to remind the general public about the products.
- The payment of monthly premium is quite difficult if it is deducted at source from the policy holder salary. The payment of monthly premium is quite difficult if it is deducted at source from the policy holder salary. It is therefore very crucial for the insurance firms to devise an appropriate means of collecting the premium. We wish to recommend that the firms should form relationship with banks or post officers for premium payments as being done by the utility companies for commission.
- High claims payments has been one of the major reasons for instability in gross premium income in the Ghanaian insurance industry. Insurance companies should include risk management services in their operations to educate clients in risk management in order to minimize losses leading to payments of claims.
- Workers who receive their salaries through the Accountant General's Department (AGD) have their premium deducted at source but this usually delays. We recommend that the firms should create a cordial working relationship with the AGD to speed up the inputting or data in order to have their policy documented on time. This should be done for a commission to encourage consumers to take up more of the polices or products.
- Public confidence in the insurance industry should be enhanced with the presence of a good regulatory body, the National insurance commission (NIC) should ensure that insurance companies transact business to the satisfaction of the public. Effective and efficient

- regulation of the insurance sector would ensure that there are stronger financially sound companies to protect business and the general from losses.
- Undercutting of premiums to attract large customer base is another reason why the growth rate in premium income of the industry is unstable. National Insurance Commission must ensure insurance companies make their products meaningful and easily understandable to the public by the use of simple language. They must also improve their marketing skills to encourage them to take up insurance policies especially in life insurance.

Limitations of the Study

The limitation of the preparation of this project was greatly affected by the sample size and the following factors.

- The general reluctance of some officials to give out certain information and the general negative attitude of the Ghanaian public towards interviews and questionnaires.
- There is also little relevant literature and statistics on consumer perception/attitude and factors determining the patronage of life insurance policies in Ghana.
- The time at hand to conduct this study and money to do follow ups were also limited.

Suggestions for Further Studies.

The suggested topic for further studies is “the effects of claim payment on insurance patronage in Ghana

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APPENDIX

QUESTIONNAIRE

The Study of Factors Affecting the Patronage of Life Insurance in Ghana.

QUESTIONNAIRE

STAMFORD INTERNATIONAL UNIVERSITY

FACTORS AFFECTING THE PATRONAGE OF LIFE INSURANCE IN GHANA

Dear Sir/Madam,

We are a team of MBA students from Stamford International University who are conducting a research into factors affecting the patronage of life Insurance in Ghana.

Kindly take a few minutes to answer the following questions. Your opinion will help us understand your needs as a consumer in developing good insurance policies or product to satisfy your needs. Your answers would be confidentially analyzed with others. Please circle the appropriate letter of alphabet to indicate your answer. If you are sure about the answer category.

Please write in your response by the other (WRITE IN): Thank you

General Information

1. Religion

a) Christian

b) Moslem

c) Traditional

d) Other (WRITE IN)

.....
.....

2. Occupation.....

3. Age Group

18-24

25-29

30-39

40-49

50-59

60-69

4. Your educational background

a) No Education

b) Basic / Secondary

c) Diploma

d) HND

e) University (First Degree)

f) Post Graduate

g) PHD

h) Others (Write In)

.....
.....

Part 2: **Respondent understanding of life insurance attitudes and purchase behaviour towards life insurance.**

5. Are you aware of Life Insurance Product?

Yes No

6. Which of Life Policy are you aware of?

.....
.....

7. Have you ever taken a Life Policy?

Yes No

8. [if No to Q7] why have you never taken a life policy?

- a) Fear of going through medical examination
- b) Inadequate monthly income
- c) My religious belief does not permit me to take life policy
- d) I don't trust the insurance companies when it comes to the payment of claims
- e) I am not adequately informed about its benefits
- f) Others (WRITE IN)

.....
.....

9. [If No to Q7] how likely would it be for you to take policy in future?

- a) Very Likely b) Very unlikely c) Not sure

10. [If No to Q7] what will make you take a life policy in future?

- a) When I have adequate information on the benefit vis-à-vis other investments
- b) When my financial circumstances improves
- c) When I am assured the procedure for claim is not cumbersome
- d) When I am assured I will not be subjected to medical examination
- e) Other (WRITE IN)

.....
.....

11. [If Yes to Q7] which insurance company?

.....

12. [If yes to Q7] why did you take that policy?

- a) As a form of savings
- b) As a financial support for my children or dependents on my death
- c) As a guarantee to secure my financial assistance in future
- d) As a supplement to my SSNIT pension
- e) Other (WRITE IN)

.....
.....

13. Do you still operate the life policy?

Yes

No

14. If No, why have you stopped operating the life policy?

- a) Difficulty of where and when to pay the monthly premium
- b) The returns on my investment was below my expectation
- c) Psychological feeling that I was preparing for my death
- d) My income could not support the payment of monthly premium
- e) Others (WRITE IN)

.....
.....

Source of information / advertisement

15. From which sources have you had information about life insurance policies?

(YOU CAN CIRCLE MORE THAN ONE ANSWER)

- a) TV
- b) Newspapers
- c) Friends
- d) Insurance Company
- e) Agents
- f) Brochure / Handout
- g) Family
- h) Radio
- i) Others (WRITE IN)

.....
.....

16. Have you ever seen or heard any advertisement on life insurance policy?

Yes No

17. What was the main message of the adverts?

.....

18. Here is a list of statement about life insurance policies. For each statement, please indicate if you are aware, not sure or aware of it. There are no rights or wrong answers.

We are only interested in your opinion.

1= Not very sure

3=Aware

	Statement	Not Aware	Not Very Sure	Aware
1	The life policy is a life cover that is in the event of your death, the policy pays out the sum assured.	1	2	3
2	The policy provides god returns on savings	1	2	3
3	When I take a life policy, I have protection for the future	1	2	3
4	Life polices allow for flexibility in terms of contribution, that is you are offered the ability to start, stop and resume	1	2	3

	premium payments at any time.			
5	A policy can be used to supplement SSNIT and other pension scheme	1	2	3
6	You are allowed to withdraw part of your Investment even before retirement	1	2	3
7	The policy holder at retirement has the right to decide which settlement option to adopt	1	2	3
8	You can always increase or decrease the premiums Paid each year	1	2	3
9	A life policy can be tailor made to suit anybody	1	2	3
10	Taking a life policy without going in for a Medical Examination	1	2	3
11	After 10 years, you can surrender your life policy for all the cash value or your account without any charge	1	2	3
12	A life policy has an advantage over savings account as your withdrawals are controlled	1	2	3
13		1	2	3

