FACTORS AFFECTING ACCESS TO INSURANCE PRODUCTS AMONG THE YOUTH IN NAIROBI: A CASE OF WESTLANDS DISTRICT

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ABSTRACT

This study aimed to investigate factors affecting the accessing of insurance products among the youth in Nairobi's Westlands District. Though youth make up about one third of the Kenyan population, their lives and business face many challenges which are evident in terms of: income ratios, incomes stability, access to credit, ownership of assets as well business sizes. Studies are replete with constraints youth face in regard to employment, entrepreneurship, access to insurance products, access to finance and income security. This study was therefore examining the challenges the youth face in accessing insurance products which in turn affect growth and development of the one third of the Kenya population as well as the GDP. Currently, there are 41 licensed insurers in Kenya who offer various insurance products. However, there has been low penetration of insurance among the youth in Kenya. This study was carried out in Westlands District one of the nine Districts in Nairobi County. The study sought find out whether the costs of insurance products, the attitude and perceptions of the youth, the information asymmetry and technology had an effect on the youth in accessing the various insurance products currently available in the market. The study population consisted of all the youth in Westlands District. A representative sample was obtained by simple random sampling technique. Data was collected from this sample using a structured questionnaire. The data was then analyzed using the Logistical Regression and Statistical Package for Social Science (SPSS) and data interpretation was ranged on sample descriptive statistics such as percentages and frequency distribution. The study concluded that inadequate information and finances had major reason for youths not to have much interest on insurance policies. Majority of the youths do not believe in insurance or they don't have the capacity to buy the various insurance policies to safeguard their futures. The study recommended that the insurance industry put into consideration pricing strategies of insurance products. It was apparent that cost of insurance product variable contributed fairly strong towards access to insurance in that due to lack of competitive prices of insurance products youths found it hard to access insurance products. This study recommended that youth targeted prices on insurance product should be strategized in the insurance industry in order to spur easy access.

Key Words: *insurance, insurance products, Kenyan youth*

Introduction

Insurance in different parts of the world has a specific association as viewed by the clients. Universally, insurance is perceived in regards to risks be it fire, accident, health or life. Consequently, insurance is made up of two divisions, life and non life insurance, with the non life insurance comprised of health, motor, accident as the major products all over the world (Capgemini, 2008). The non life and life insurance are viewed and appreciated differently depending with the economy and level of incomes as well as the policies in a country (FCAC, 2011).

A global survey on insurance in major economies reveals variations in penetration, densities and important statistics in connection to these products of insurance as regards to this present study. This study aims to find out the factors that challenge the accessibility of insurance products among the youth in Nairobi Westlands District. With the fast rising globalization status in the world, many of the ideas and ideals have changed from a traditional perspective to a modern international platform where IT, social computing, mobile phones and internet present new marketing options for businesses. The banking sector, the air industry, music and entertainment, health and transport have changed their systems by establishing online channels hence stamping their presence. In this process they have created connection with the youths that identify with their brands and hence serve as links to potential loyal customers at a later date (CEA Statistics, 2011).

Insurance as one of the pillars of business service in almost all economies of the world has been impacted largely by this new phenomenon. The youth are described by their search for instant gratification and satisfaction and therefore the insurance industry grapples with this line to offer solutions to this volatile market. The 2009 Kenya Human Developmental Report (KHDR) (2009) recognizes the youth face difficult challenges related with education, health, income and employment thus they make choices with the available disposable income.

By not coming in the lives of the young persons as well as the kids creates a situation that leads to information asymmetry much like in accessing finance for small enterprises. As the young grow the banks have identified ways to interact with them by having children tailored products, and sponsorships. This makes it easy to exchange and present their products information to this crucial generation hence penetration rates are so high as compared to the insurance industry. Due to issues in traditional approach of the market and lack of innovation the insurance industry works to solve symptoms in the market rather than the root cause of these problems (Deloitte Research Survey, 2011). Only two insurers in Kenya have come up with products designed to specifically targeting the youth. Madison Insurance has an investment and protection product dubbed ‘Bima Dada’ for women and ‘Bima Chali’ for men while Jubilee Insurance offers life insurance to university and college students through a product named ‘Baada ya Campo’. These products have had a slow uptake.

Theoretical Review

Demand and Supply Theory

From the literature, the law of demand and supply fits to expound access to insurance products in this research study context. According to this market law, the base line states that an increase in supply leads to a decrease in demand while a decrease in supply leads to increased demand when other factors remain constant. In this research the interest will focus on other factors of this law in regard to insurance industry. The demand side will apply to the youth in need of insurance products while the supply will refer to the insurance industry made up of insurance companies. At equilibrium the youth should access insurance products adequately in all their ventures while the insurance industry should gain more than 51 percent

of their premiums written for the youth (Aryeetey, et al., 1994).
On the same breadth, the supply side in this study made up of the insurance industry remains irrelevant to the modern technological issues in service provision. The carriers concentrate on traditional methods of distribution and sales as compared to banks, air and car industries as well as entertainment industries. In regard to policies the insurance industry has treated symptoms rather than root cause of problems thus it concentrates in operational efficiencies and talent management without incorporating research and data analysis of behaviour in consumption (Modurch & Karlan, 2010). These insurance corporations are perceived to have low risks and low administrative costs due to their standard nature of operation and performance. The problem with traditional insurance is that it fails to appreciate that all over the world, the youth are highly recognized since they support a great part of the world economy. This is true of developing and developed countries (World Economic Forum, 2012).

Adverse Selection and Moral Hazard Theory

In regard to factors of supply and demand as above the insurance has traditionally used adverse selection and moral hazard to lock out the young generation from accessing insurance products (Carter et al., 2007). Due to the information asymmetry factors between the youth and the insurance sector the latter classifies the former as riskier persons who may fail in paying premiums. As such the insurance industry places preferences on older generations who have stable income and have established themselves in stable environments.
At the same time the insurance industry adopts systems deductibles and coinsurance towards the youth oriented insurance products. Due to high operations costs and processes in regard to youth insurance products the adverse selection and moral hazard theory clearly leads to inaccessibility of these products to the youth. This is especially true where the insurer does not observe the efforts nor the inherent riskiness of the youth (Carter et al., 2007). According to Banerjee and Newman (1993) insurance uses deductibles and co-insurance to expose the customer to enough risks so that it works as an incentive to work hard and hence limit bad outcomes.

Conceptual Framework

A conceptual framework is a theoretical structure of assumptions, principles, and rules that holds together the ideas comprising a broad concept (Smyth, 2004). The conceptual framework of the study will consist of the Independent Variables and Dependent Variables. The Independent Variables of the study will include; cost of the insurance products, attitude and perceptions, information asymmetry and technology while the dependent variables will include access to insurance products. Senkara (1992) observes that variables differ on different occasions for the same object, thing or person or differs at the same time for different objects, things and persons.

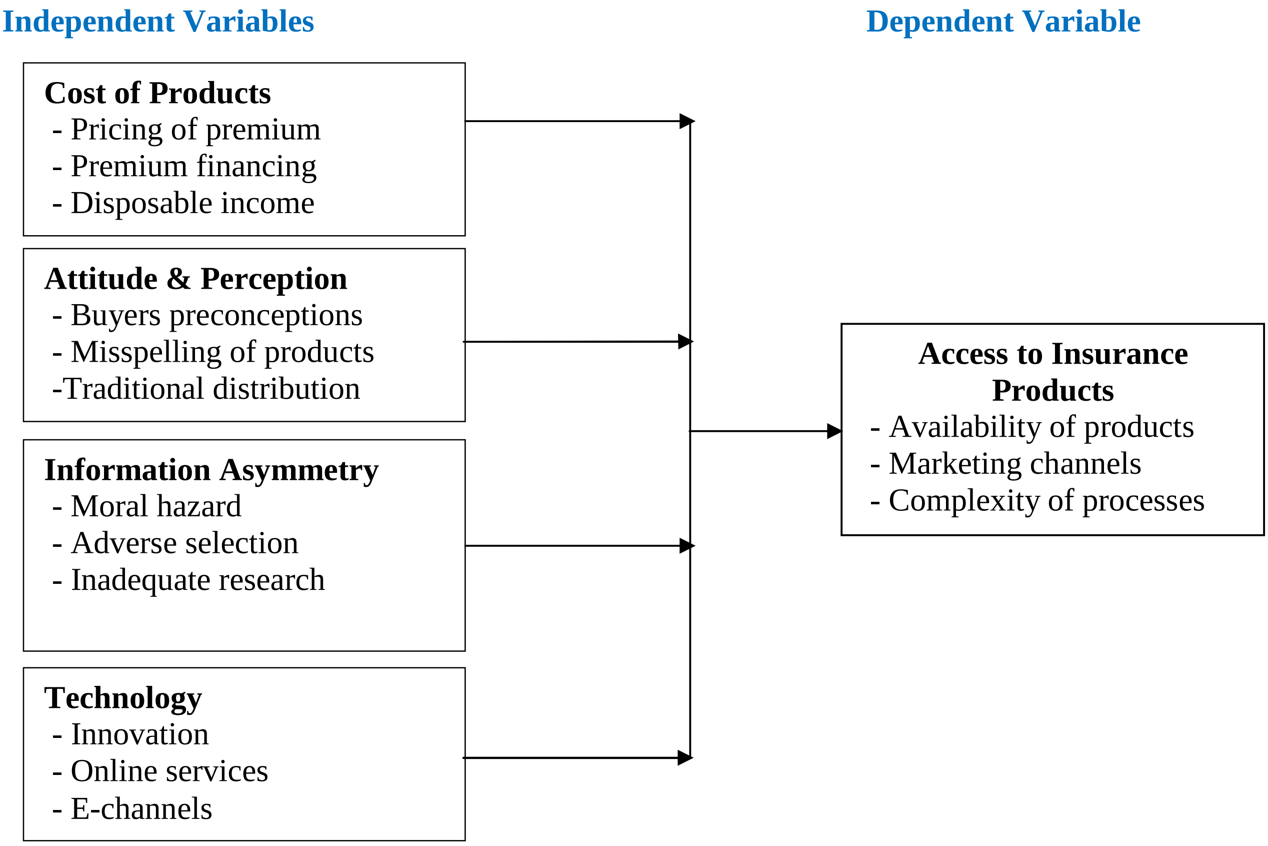

Figure 2.1: Conceptual frame work

Research Gaps

In Kenya the history of economic strength is well known in East Africa. The insurance industry by 2002 had 41 registered insurers in life and non-life sectors. In terms of quality, responsiveness, empathy to customers and low technological innovation of insurance products present unique challenges in accessing insurance products by the youth. This has constrained development and growth of the insurance sector hence affecting access to insurance products among the youth and other demographic profiles in the country.

Many third world countries stand at a point of losing the growth that emanates from access to insurance products. Most of their carriers have reported no growth in their portfolios' hence the need for more strategic investment and management (World Insurance Report, 2008). Research and empirical studies indicate that inaccessibility to insurance products to the youth hampers growth of the economy and affects GDP. As such young persons according to this study experience constrains in accessing insurance products as a result of the following: a) High costs of insurance products, b) Attitude towards insurance industry, c) information asymmetries and d) Inadequate technological innovation in the insurance industry.

Research Methodology

This study adopted descriptive research design. The descriptive research process targets to describe the characteristics of the population identified in a study by using interviews and questionnaires to get an overall "picture" of the investigation(Orodho and Kombo, 2002). In this research, the study population consisted of all youth in Westlands District and the target population consisted of all the youth in Westlands District who fall in the range of 18 to 35 years of age and are either in colleges, self-employed or in formal employment. This study adopted simple random sampling technique to select a sample size of 144 youths from the district to represent the 3 divisions of Westlands District. A structured 5 point Likert scale type questionnaire was used for primary data collection. The primary data was collected by a self-administered questionnaire. A pilot survey was done on 10 youths randomly picked from the population to help evaluate the reactions of respondents, discovery of errors in the instrument, sampling procedure based on how instructions are followed and procedure for data processing and analysis. The questionnaires were used to collect primary data and the data was analyzed using Statistical Package for the Social Science (SPSS) software. The data presentation was done using graphs, frequency distribution tables and charts.

Results

The research targeted all youth in Westland's who fall in the range of 18 to 35 years of age and were either in colleges, self-employed or in formal employment. The data collection instrument, which were the questionnaires were issued to 144 youths. However, out of the 144 questionnaires sent, only 138 questionnaires were received back fully completed making a response rate of 95.8%.

Reliability Analysis

Reliability of the questionnaire was evaluated through Cronbach's Alpha which measures the internal consistency. Cronbach's alpha was calculated by application of SPSS for reliability analysis. The value of the alpha coefficient ranges from 0-1 and may be used to describe the reliability of factors extracted from dichotomous and or multi-point formatted questionnaires or scales. A higher value shows a more reliable generated scale. Cooper & Schindler (2008) has indicated 0.7 to be an acceptable reliability coefficient. Table 4.3 shows that Attitude and perceptions had the highest reliability (α=0.871) followed by Information asymmetry (α=0.814), then Cost of insurance products (α = 0.791) and technology (α=0.783). This illustrates that all the four scales were reliable as their reliability values exceeded the prescribed threshold of 0.7.

Scale	Cronbach's Alpha	Number of Items
Cost of insurance products	0.791	8
Attitude and perceptions	0.871	9
Information asymmetry	0.814	8
Technology	0.783	9

Cost of the products

From the findings on whether the respondents had an insurance policy, the study established that majority of the youths do not have any insurance policy and incase they have it's a general policy not a life policy which was represented by 78% response level. This is an indication that majority of the youths do not believe in insurance or they don't have the capacity to buy the various insurance policies to safeguard their futures. The study further established that majority of the youths are unable to buy the insurance products as represented by a mean of 2.34.It further established that insurance products are not affordable to the youths since the youths have no source of income. Inadequate finance has been a major impediment for the youths in acquiring insurance product and they cannot afford to pay their premium by installments. The study also established that the youths do not believe that they can use insurance products to protect life & property. High Costs of premiums on insurance products are a characterization of the absence of enough finance among the youth and other segments to afford such premiums. At the same time poor pricing and roll out strategies in the insurance industry are informed from decisions that are not researched and policy formulated. As a result the industry may hike the prices to lock out the youth and thus focus on the older generation who have a steady flow of income and are wired to savings culture.

Attitude & Perceptions Factors

The study further revealed that insurance companies have a trend to dispute any claim as shown by a mean of 3.68 and in most cases the insurance companies do not honour claims. Most of the young people believe that insurance products are best suited for those with families. It was also established that insurance products are readily accessible but the prices not friendly to the youths who have meagre earnings. The study also revealed that the youths do not take into consideration the importance of insurance since they believe they have nothing to protect. The study also revealed that most of the youths are not satisfied with the services they receive from their insurer. Youth's attitude to insurance is already formed and therefore access to insurance products is challenged from this section in the society. As a result this attitude prevents young people as well as other demographics to shun insurance at all costs either due to experience or from other sources of information.

Information Asymmetry Factors

The studies also revealed that majority of the youths do not know the different categories and classes of insurance as shown by a mean of 2.04 and most of the youths do not understand parts of their insurance policy. The study also revealed there is inadequate information given to youths in regard to most of insurance products especially in their tender age. It was also established that claim cannot get paid unless the insurer is sued hence making majority of the youth's a bit reluctant in buying these insurance products. It was further revealed that majority of the youths have no idea of the insurance claiming process and the processing of an insurance product. The study also established that majority of the insurance brokers and sales people are not conversant with the products they sell. Inadequate research in the insurance industry leads to traditional methods of selling insurance which is out of favour with the young generations. In developing countries insurance market failures since allocation of resources in order to have relevant information accessibility is considered costly. Thus through biasness a young person may be biased against in regard to insurance product like life insurance as compared to an older generation. Factors in steady income may be used to lock out a capable youth since informational asymmetry places the young person in a particular classification.

Technology

The study also found out that insurers do not sends policy renewal through email and youths do not have tailored insurance products and they are never contacted for a regular survey of an insurance product/service by an insurance company as shown by a mean of 2.12.It was also revealed that the youths cannot access insurance product from their banks and that the information need is never supplied by the insurer within 24 hour via their contact centre. Insurance product information is not easily accessible from the company's and they cannot access to insurance product through their mobile/ipad application. Insurance in major parts of the world as well as emerging market relies on direct sales and traditional distribution patterns which are not highly favoured by the youth in the world. In the few markets where the insurance online presence is available the industry has received enormous boosts in premiums as it is accessible to the millions who spend their days on the internet.

Access to Insurance Products

Finally the study established the youths do not access the insurance products from their banks. It was also found out that youths have to pay high premiums to access insurance products. Accessing insurance products by the youths is hampered by poverty since most of these products are costly. Therefore information asymmetries as well as income asymmetry are challenging factors in penetration and access to insurance products is relevant to the formation and regulation of effective new products and their distribution.

Regression Analysis

The Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.859[a]	.738	.726	.07833

From the findings in the above table the value of adjusted R squared (co-efficent of determination) was 0.726 an indication that there was variation of 72.6% on the access to insurance product by the youths is due to changes in cost of products,attitude and perception,information assymetry and technology at 95% confidence interval . This shows that 72.6% changes in access to insurance product by the youths could be accounted for by changes in cost of products,attitude and perception,information assymetry and technology. The study also established that there is strong postive relationship between access to insurance product by the youths and cost of products,attitude and perception,information assymetry and technology as shown by correlation coefficent of 0.859.

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.264	2	.132	3.619	.050[b]
	Residual	28.755	135	.213		
	Total	29.019	137			

From the ANOVA statistics in table above, the processed data, which is the population parameters, had a significance level of 5% which shows that the data is ideal for making a conclusion on the population's parameter as the value of significance (p-value) is less than 5%. It also indicates that the model was statistically significant.

Coefficients of determination

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.454	.155		2.939	.010
Cost of product	-560	.148	.554	-3.794	.001
Attitude and perception	.295	.140	.308	2.109	.042
Information asymmetry	.011	.133	.013	.085	.033
Technology	.091	.150	.091	.605	.049

The established regression equation was

$Y = 0.454 -0.560\ X_1 + 0.295\ X_2 + 0.011\ X_3 + 0.091X_4$

From the above regression equation it was revealed that holding cost of products,attitude and perception,information assymetry and technology to a constant zero access to insurance product by the youths would be at 0.454 , a unit increase in cost of products would lead to a decrease in the access to insurance product by the youths by a factors of 0.560, unit increase in attitude and perception would lead to increase in access to insurance product by the youths by factors of 0.295, a unit increase in information assymetry would lead to increase in access to insurance product by the youths by a factor of 0.011 and unit increase in technology would lead to increase in access to insurance product by the youths by a factors of 0.091. This clearly shows that there is a negative relationship between access to insurance product by the youths and cost of products and a positive relationship between access to insurance product by the youths and attitude and perception,information assymetry and technology.All the variables were found to be significance since their p-value were less than 0.05 indicating that the entire variables were statistically significant.

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Conclusions

Insurance products have seen unprecedented low levels of uptake especially among the youth throughout the world. The study also concludes that insurance products are readily accessible but the prices not friendly to the youths who have meagre earnings. The study also concludes that that the youths do not take into consideration the importance of insurance since they believe they have nothing to protect.

The study also concludes that there is inadequate information given to youths in regard to most of insurance products especially in their tender age. It was also concluded that claim cannot get paid unless the insurer is sued hence making majority of the youth's a bit reluctant in buying these insurance products.

Finally the study concludes that the youths do not take into consideration the importance of insurance since they believe they have nothing to protect. The study also concludes that most of the youths are not satisfied with the services they receive from their insurer.

Recommendations

The study recommends that insurance companies needs to build a different insurance brand with a positive, emotional image. The study recommends that the insurance industry put into consideration pricing strategies of insurance products. This study recommends that youth targeted prices on insurance product should be strategized in the insurance industry in order to spur easy access. The recommendation is to allow insurance industry to organize, revive and plan policies, issues, offices styles, and modes of operations as well as advertising targeting the youth and especially in Westland. This study recommends that the insurance industry find alternative creative channels like constant public messages or advertisements, forums, seminars or conferences in the target to spur youth insurance product uptake.

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