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DEPARTMENT OF INSURANCE AND RISK MANAGEMENT

AN ASSESSMENT OF STRATEGIES THAT HAVE BEEN ADOPTED TO INCREASE LIFE ASSURANCE PENETRATION IN ZIMBABWE

BY

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A DISSERTATION SUBMITTED TO THE FACULTY OF COMMERCE IN PARTIAL FULFILMENT OF THE REQUIREMENTS OF THE BACHELOR OF COMMERCE (HONOURS) DEGREE IN INSURANCE AND RISK MANAGEMENT.

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This serves to confirm that the undersigned has read and recommended to the Midlands State University for acceptance of a dissertation entitled,

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DEDICATION

I dedicate this research project to the Lord Almighty for guiding me and giving me strength to complete my honours degree, my parents Mr and Mrs Mutero and my brothers and sisters for their love and support.

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I truly thank the Lord Almighty for the guidance, protection, wisdom, knowledge and love. He gave me a memorable, fruitful and exciting opportunity to study at Midlands State University, may his grace continue to work over my future studies and have a successful destiny.

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ABSTRACT

The Zimbabwean Insurance and Pension Commission (IPEC) aspire to reach a double digit penetration rate by end of year 2017. Therefore, this research intend to identify factors causing low life assurance penetration, assess the strategies adopted to increase the penetration rate by life assurance companies and recommend alternative strategies that can be implemented to increase life assurance in Zimbabwe. To achieve the set objectives, a descriptive research design was used to gather qualitative and quantitative data about the effectiveness of each strategy. A sample size of 55 respondents with 5 respondents from each company was used. A combination of stratified random sampling and judgemental sampling methods were employed for this study. The primary data was collected using personal interviews and questionnaires. The findings revealed that from the consumer side low life assurance consumption is caused by low income per capita, lack of trust and confidence in the public, low financial literacy or poor saving culture, lack of awareness about life assurance products among other causes. Causes emanating from the supplier side include inappropriate products, lack of reliable data, inadequate financial resources, limited distribution channels, lack of intellectual capital, to mention but a few. Among the strategies adopted micro-insurance, product innovation, bancaasurance, training of agents and aggressive marketing ranks as the most effective penetration strategies given the state of the country`s economic condition. The researcher recommend the following as alternative strategies that can increase life assurance penetration. Prioritisation in implementing strategies, human capital development, collaboration of life assurance companies with IPEC to raise awareness, a reform of the regulatory framework, strategic alliances, mergers and acquisitions as well as government intervention.

LIST OF TABLES AND FIGURES

ACRONYMS

AIO	African Insurance Organisation
GDP	Gross Domestic Product
IASA	International Association of Insurance Supervisors
ICZ	Insurance Council of Zimbabwe
IPEC	Insurance and Pension Commission
KPMG	Klynveld Peat Marwick Goerdeler
LIMRA	Life Insurance Market Research Association
PWC	Price Waterhouse Coopers

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CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter gives a background of the study which attempts to trace the origins of the statement of problem to be investigated. Afterwards, research questions and objectives, the significance of the study, delimitations, limitations, definition of terms, acronyms used in the study and a summary will be presented herein.

1.1 Background of the study

The life assurance industry of Zimbabwe consist of 11 life assurers and 3 life reassurers and the industry is regulated by Insurance and Pension Commission (IPEC) an organisation formed to pursue the requirements of the Insurance and Pension Commission Act of Zimbabwe. The life assurance industry is characterised by stiff competition such that at least 80% of the market share is usually concentrated by the top three companies namely Old Mutual Life, First Mutual Life and Nyaradzo Funeral Assurance whilst the remaining percentage is shared among the rest of the players (IPEC, 2016).

Nduna (2013) define insurance penetration as a ratio of total premiums to Gross Domestic Product (GDP) expressed as a percentage. Insurance density as a ratio of the total insurance premiums to total population. According to Swiss Re (2015) jAfrica's average insurance penetration is 3.5% whilst the global average penetration rate is 6.3%. Ngwerume (2017) states that Zimbabwe currently has an insurance penetration rate of 1.5%. The penetration rate is way below the continent`s average rate and lower than that of other sub-Saharan African countries as shown below.

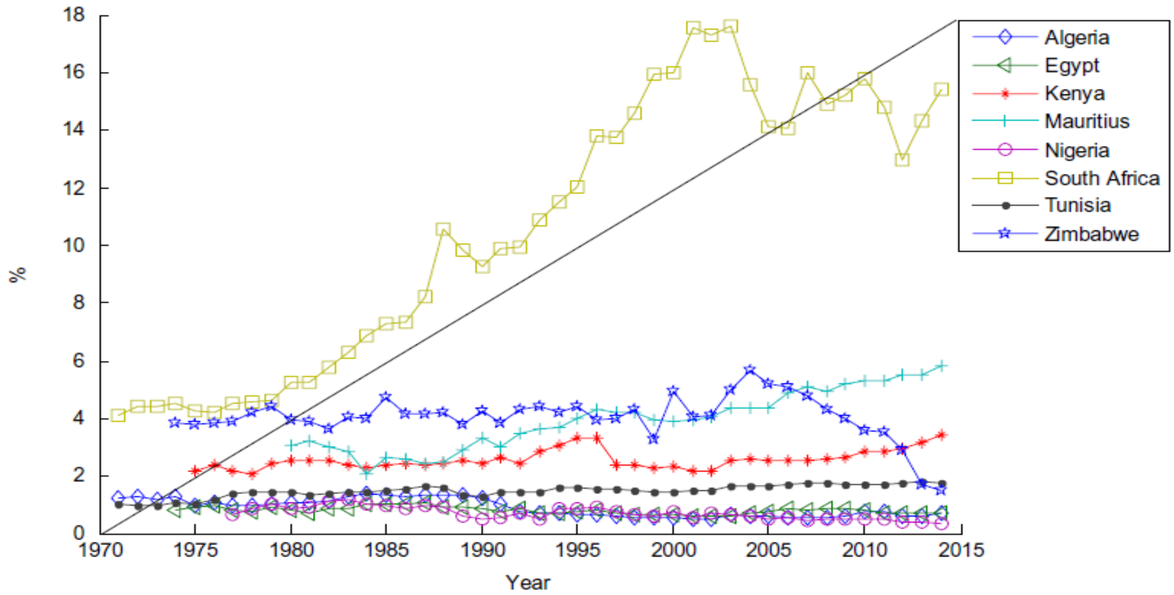
Table 1.1 2016 penetration rates for selected sub-Saharan countries

Country	Population (Millions)	Insurance Penetration rate %
Zimbabwe	15.9	1.5
Botswana	2.3	3
Namibia	2.5	7.6
South Africa	54.9	14

Source: Ernest and Young (2016)

Ngwerume (2017), says the insurance penetration rate for Zimbabwe reached its highest in 2004, since then it has been on a free fall as shown in the figure 1.1 below. The year 2016 marked the worst with 1.5% whereas in 2015 it was 1.7% according to World Bank (2015). IPEC (2014), propounded that the country`s insurance industry is targeting 20% insurance penetration by 2017. This has motivated the researcher to assess strategies being employed in order to increase the penetration rate of Zimbabwe.

Figure 1.1 Trend of insurance penetration for selected African countries



Source: Cogent Economics and Finance (2016)

1.2 Statement of problem

Given the low insurance penetration rate, what strategies can life assurance companies implement to increase the penetration rate?

1.3 Research questions

The study will respond to the following questions:

a) What are the causes of low life assurance penetration in Zimbabwe?

b) Which strategies were adopted by life assurance companies in Zimbabwe to increase the life assurance penetration rate and how effective are they?

c) What other alternative strategies may be recommended in order to increase the penetration rate?

1.4 Objectives of the study

a) To determine the causes of low life assurance penetration in Zimbabwe.

b) To identify and assess the effectiveness of strategies adopted by life assurance companies in Zimbabwe to enhance the life assurance penetration rate.

c) To recommend alternative strategies to effectively increase the life assurance penetration rate of Zimbabwe.

1.5 Significance of the study

The study is helpful to:

a) **The Student/Researcher**

The researcher will gain a lot of experience in investigating a single problem in depth and will also get to know how crucial life assurance is to any economy in this case, the economy of Zimbabwe.

b) **Midlands State University**

The research is likely to build a good relation between the university and other interested parties because of its usefulness. It is also going to be part of the university`s intellectual property that will be used by other students or researchers investing on a similar or related topic/s.

c) **The Life Assurance Industry of Zimbabwe**

The study will benefit the industry in identifying the gaps or areas that needs to be addressed in order to successfully further their objectives.

1.6 Delimitation

The focus of the study is centred on the evaluation of strategies employed by life assurance of Zimbabwe from 2010 to 2016 in order to increase life assurance penetration rate. The research will be carried out from January 2017 to May 2017 in Harare where most of the life assurance companies` head offices are located.

1.7 Limitations

a) Time - the research was conducted in 3 months which is a short space of time considering that the researcher had other classes to attend in that same semester.

b) Financial constraint - financial resources were not enough to enable the researcher travel and have adequate research instruments because she is a full time student.

c) Limited access to information – the research would only get confidential information after begging and proving that it will be used sorely for academic purposes and stress that the respondent is to remain anonymous.

1.8 Definition of terms

Life assurance – is a contract between the assured (policyholder) and the assurance company whereby the assurer pay the promised benefits to the beneficiary upon death or any other event specified in the contract (Marwa, 2007).

Life assurance penetration rate – life assurance penetration is the contribution of life assurance premiums to the Gross Domestic Product (GDP) expressed as a percentage (Nduna, 2013).

Strategy –a plan of action intended to accomplish a specific goal.

1.9 Acronyms

**IPEC - **Insurance Pension and Commission

**GDP - **Gross Domestic Product

1.10 Summary

This chapter contained the background of the study, statement of the problem, research questions and objectives, significance of the study, definition and acronyms of key terms as well as the limitations of the study. The chapter clearly highlighted that the researched is based on examining the causes of low life assurance penetration in Zimbabwe and what can be done to improve the penetration. The next chapter encompasses the literature review.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter reviews literature available on the causes of low life assurance penetration and strategies adopted to increase life assurance penetration rate. The chapter contains views published by various scholars and authors relating to the definition of concepts, strategies implemented by life assurance companies and challenges being faced in increasing the penetration rate. Information was gathered from internet search, newspapers, reference books, journals, organisational reports and research studies on the topic.

2.1 Definition of Concepts

2.1.1 Strategy

A strategy is a plan of action intended to achieve a specific goal or simple an organisation`s winning game plan (Pearce and Robison, 2011). A winning strategy must be suitable for the external and internal situations in ordered to build a sustainable competitive advantage and improve the organisation`s performance (Thompson, Strickland and Gamble, 2007).

2.1.2 Life assurance

According to Beck and Webb (2003), life assurance is a contract between the policyholder and the assurance company to provide cover to beneficiaries upon death in return for an agreed premium. Life policies encourages long term saving and reinvestment of substantial amounts into the private and public sector businesses. Mishra (2010), define life assurance as protection for the financial risk arising from the loss of one`s life, limbs or ability to work.

2.1.2 Life assurance penetration

According to Nduna (2013), life assurance penetration is the contribution of life assurance premiums to the Gross Domestic Product (GDP). It indicates of the level of development of the life assurance industry of a country (Olayungbo and Akinlo, 2016). The contribution is obtained by the ratio of direct premium written to nominal GDP expressed as a percentage, as illustrated below.

Life assurance penetration ratio = Premium written / Nominal GDP *100

2.2 Causes of low life assurance penetration rate in Zimbabwe

2.2.1. Low disposable income (Poverty)

According to the Klynveld Peat Marwick Goerdeler (KPMG) (2012) insurance report, the underdevelopment of the African insurance industry is caused by the fact that most Africans cannot yet afford the premiums. The majority are still struggling to meet their basic needs and other day to day needs therefore, would start to have access to insurance products only when their income levels increases. Beck and Webb (2003) strongly support the view that the demand for life assurance is positively linked to income and that the financial development of a nation has a significant positive relationship to the consumption of life policies.

Enz (2000) came up with the S-curve model which explains the changes in insurance premiums due to changes in the GDP per capita taking into account other factors that influence insurance penetration. It showed that the development of the insurance industry correspond to the lower and higher stages of economic development. The model also proved that income elasticity of demand for life assurance decreases as the GDP grows meaning that at higher level of income consumption becomes less sensitive to income growth.

Leftley (2002), asserts that a low life assurance penetration of a country implies an inherent problem in the economy. According to the DailyNews Live of 8 July 2016, the country is currently struggling with the financial pressure, high rates of unemployment and inflation which have made consumers to view insurance, in general, as a luxury unless it is compulsory. This makes it clear that limited disposable income remains a major determinant of low life assurance penetration (Arena, 2008).

2.2.2 Lack of financial literacy

Financial literacy is the ability to plan finances effectively by utilising savings to accumulate wealth followed by a careful preservation of such wealth against value depreciation and losses as well as the distribution of wealth in the future (Mahdzan and Victorian, 2013). According to Lusardi, Mitchell and Curto (2010), people with lower financial literacy are less likely to plan for retirement and also not to accumulate wealth. Higher financial literate people are believed to be more likely to engage in financial planning as opposed to people with lower financial literacy.

The Zimbabwe National Inclusion Strategy (2016), shows that the country has low financial literacy despite the high general literacy. Shafii, Abiddin and Ahmad (2009) claims that lack of financial literacy is associated with high chances of poor financial decision making whereas better financial literacy creates confidence and higher chances of participating in financial planning activities such as life assurance.

2.2.3 Lack of awareness and education

Choudhuri (2014) says empirical studies shows that in the modern age society with infinite technology, consumers` awareness about a range life assurance product depends on a number of factors such as the situation, culture, nation, industry and over time. The largest populace in Zimbabwe reside in the rural areas where one can barely see a life assurance office due poor infrastructure available in those areas and therefore there is enormous lack of awareness about life assurance products, reported by Majaka (2015) in the DailyNewsLive of 19 February 2015.

Higher formal education is thought to raise need awareness and enable more objective analysis for the life assurance purchase decision (Hammond et al. 2007). Higher educated individuals are assumed to have a stronger preference to protect their dependents by means of life assurance (Townsend, 2000). Kamau (2013) argues that there is no clear linkage between the level of education and low penetration but however education improves the chances to access and understand information on insurance. Beck and Webb (2003) debates that a high level of education in does not necessarily assume an increase in insurance penetration when there is limited access to information about insurance.

2.2.4 Lack of trust and confidence in the public

Ernest and Young (2016) reports that trust and confidence in financial service providers is generally low across the sub-Saharan region. Gwaunza (2014) points out that life assurance has been one of the hardest hit owing to low confidence in the market after life assurance policies were made redundant during the hyperinflation era and this has made life policies less attractive. Basing on the experience during this era, many people`s saving were eroded dismally therefore many of these victims have a negative perception towards life assurance avoid to take any policies.

Lin and Zhen (2005) states that product knowledge spread out on consumer's trust about the product as well as perception about it. Ravipa and Mark (2004) highlights the idea that customer perceive life assurance as a long term investment. Hence, customers want to confirm that they understand how to receive their money back at the maturity date of life policy in the future, or that their family knows how to get it when they have passed on. Most importantly, customers need personal commitment from sales people whom they trust to make sure their money will not be lost because of the poor investment by the insurance company.

The failure of Ecolife a mobile insurance product that was made available by Econet Zimbabwe and partners affected around 1.6 million Zimbabweans such that they lost coverage and where not compensated, a tragic loss that deteriorated consumer trust (World Bank, 2015). According to Beck and Webb (2003) if fraud is common in claims reporting, insurance becomes costly in the eyes of the consumer that may deter them from committing huge sums of money in life assurance products.

2.2.5 Demographic factors

Kamau (2013) discovered that demographic factors have a bearing on the consumption of life assurance policies. He points out that women are less likely to purchase life assurance polices as well as young people unless they are married and also states that people with children are more likely to take up life assurance. He concluded that demographic factors influence the perception and attitude towards insurance that shapes the insurance culture needed in facilitating the successful development of the life assurance industry. Therefore, demographic

Moshirian et al. (2007) establishes that the desire of breadwinners to protect their dependents from financial calamities after they have passed on is the major driving force for purchasing life assurance. However, the consumption of life assurance decreases with an increase in the number of dependants because of the high premium cost. Liebenberg et al. (2012) has the view that aspects such as wedding, buying of a car or house or education for children act as saving motives for people. They also added that, termination of life policies in influenced by events like death, divorce, unemployment and retirement.

2.2.6 Inefficiency and poor service quality

According to the Insurance Council of Zimbabwe (ICZ) chairman Shumba (2016), he believes that the attitude with the consumers is derived from the negative experiences during the claims process and misrepresentation by the sales force. The DailyNews Live of 8 July 2016 states that a number of complaints from policyholders have been reported regarding delays in paying legitimate claims and this has tarnished the image of the life assurance industry as a whole.

Life assurance companies are generally known for slowness in settling claims and that has resulted in companies ending up losing referral value that can be brought by customers. The nature of life assurance products implies a long term relationship between the policyholder and the company therefore dissatisfaction felt by some clients led to slow growth of life assurance business (Rejda, 2004).

2.2.7 Cultural and religious practices

According to Trenholm and Jenson (2000) culture is a set of values, beliefs, norms, customs, rules and codes that socially defines a group of people, binds them to one another and gives them a sense of commonality. In Africa, generally there is a poor culture of saving, many people would prefer to take investment related products rather than pure insurance risk products, such as funeral cover because they are not comfortable to talk about death or prepare for it. According to Black et al. (2013), they claim that the African life assurance industry is still underdeveloped because the saving culture is not yet fully developed, and the cultural beliefs somehow contradict with traditional insurance products.

Yaari (2009), says historically religion has provided a strong source of cultural opposition especially to life assurance. Other religions do no support the idea of having a life assurance policy as it proves one`s distrust of God`s protection care. This has led to a negative psychological effect to the African population making it difficult to sell life policies. Wasaw (2006) verified the effect of Islam on life assurance consumption and found out that, holding other things constant, Islamic nations purchase less life assurance protection than non-Islamic nations proving that religious beliefs influence the consumption of life assurance.

2.2.8 Products offered

Churchill (2007) notes that the lower income populace has already considered life assurance products as expensive and these poor people are ignored by mainstream commercial and social life assurance schemes. Most of the products offered by the life assurers are not suitable to meet the requirements of the informal sector class of people in terms of product features and premium cost. Proparco`s magazine (2016) highlights that insurers in Africa have been slow to design their products and services to suite Africa realities, they have built their products and services along the same lines as those of developed countries.

Manvendra and Arpita (2011) emphasises that the challenge being faced by the life assurance industry is the need for diversification of products better tailored and appropriate to meet the consumer needs. Product packages being offered by life assurers have proven to be inadequate risk covers for the policyholders and that has greatly affected life assurance business. Togarepi (2014) stresses that life assurance companies need products that match low income levels through targeting the rural folk and the informal sector.

Gitau (2015) says, some products have been misunderstood because of the language barrier. She claims that the language can be too technical and confusing to the general public and life assurance products are regarded as complicated in nature. Therefore, many are left unable to distinguish the products and benefits as told by the agents. A situation which shows that life assurance companies are not taking into consideration the lower levels of financial literacy within the market when designing their documents. Lack of clarity therefore affects the decision of purchasing life assurance.

2.2.9 Poor distributions channels

Mashayekhi, et al. (2007) asserts that distribution of insurance services is extremely important for the successful uptake of insurance therefore the existing channels of distribution must be effective and efficient. Engaging in newer distribution channels with low commission costs, such as bancassurance, will enable the firms to charge lower premiums and that will positively affect the life assurance penetration. Bull (2009) says most of the life assurance business is brought by agents and this distribution model has eroded customer confidence because of public distrust towards agents` integrity in terms of advice and premium calculations.

2.2.10 Poor and weak regulations

When no action is taken to address those who breach the rules and regulations, customers lose trust in the insurance sector (Ernest and Young, 2016). According to Nduna (2013), poor and weak regulations results in poor consumer protection. He also observed that in most cases, insurance legislation in Africa does not comprehensively capture how members of the informal sector can benefit from the insurance business. The insurance sector of some African countries are growing slowly due to the regulator`s lack of autonomy, political and economic uncertainty (Mashayekhi, et al. 2007).

2.2.11 Inadequate financial and underwriting capacity

According to Hoto (2014), shallow financial markets in Zimbabwe makes it difficult to raise enough capital. In most African countries they lack long term financial instrument in which life companies can invest the collected premiums (KPMG, 2012). According to the Zimbabwe Independent newspaper of 21 November 2016, it was indicates that Zimbabwe insurance penetration rate remains subdued because of excessive capital requirements that are threatening the viability of the sector. Mashayekhi, et al. (2007) points out that lack of capital limits the retention capacity of insurance industry as a whole and this results in extensive reliance on foreign reinsurers.

Life assurance companies in less developed countries are lagging behind in terms of research and development mainly because the process is costly. An abundance of under-capitalised or financially weak companies has led to excessive competition over price. Low capital does not only discourage insurers from retaining more risk but also result in weak consumer protection. (African Insurance Organisation (AIO), 2016).

Developing countries have been characterised with an operational problem of lower levels of underwriting capacity (Manum, 2013). There is low underwriting capacity to cope with new emerging complex life and health risks mainly because of limited capitalisation (KPMG, 2012). According to Munich Re (2011) in life assurance the strongest defence to anti-selection is underwriting. However, the poor financial soundness of life assurance companies in developing countries has deprived them from successfully combatting the risk of anti-selection.

2.2.12 Lack of expertise and human capital

AIO (2016) indicats that the shortage of human capital, which is believed to be linked with the emigration of the educated young generation, has become the most weakness for many African countries especially Zimbabwe. Shortage of skills is of greater strategic relevance and has the potential to seriously impede further market developments in the long run. Ouloch cited in AIO (2016) says this threat continues to undermine the growth of the life assurance industry in many African countries.

In developing countries there is unavailability of local technical skills such as actuarial and risk management skills which makes it very difficult to do the pricing process, valuation of premium reserves and assess people`s creditworthiness (KPMG, 2012). Ernest and Young (2016) states that generally, the problem of brain drain of expert from different parts of Africa in search for greener pastures has affected the economic development of the continent. The life assurance industry`s development is retard and restricted to cover much ground because besides actuarial, there is shortage in key areas including marketing and sales agents.

2.2.13 Technological backwardness

Price Waterhouse Coopers (PWC) (2016) report indicates that historically the insurance industry as a whole has been lagging behind in terms of technological advancements unlike other financial service providers who are always seeking to acquire new technology in order to meet new customer needs. Many companies have not yet totally appreciated the idea of investing in technology hence they are not fully utilising the power of technology to reach the unserved markets.

The relatively less developed of technological infrastructure in countries such as Zimbabwe which has affected the successful growth of life assurance in the country Nduna (2013). Basically there is poor technological capacity to improve underwriting, distribution channels, claims process and data storage. The limited use of technology by life assurance companies has caused inability to meet the ever changing needs of the insuring public (Ernest and Young, 2016).

2.2.14 Lack of reliable information

Life Insurance Market Research Association (LIMRA) and Milliman (2010) states that in emerging economies life assurance companies are suffering from lack of actuarial data on which to guide their actuarial calculations and tariffs. Life assurers need proper and sufficient records of statistical data on health and life expectancy to calculate premiums. Life assurance companies in less developed countries have found it difficult to provide cover for some emerging complex health risks because of lack of reliable information concerning them.

According to Armstrong et al. (2003) it is difficult for life assurance companies to have access to genetic information. Consumers argue that if life assurers have access to genetic information it results in increased discrimination in terms of premiums and also it discourages proposers to undergo genetic testing. On the other hand life assurance companies are concerned that their financial solvency will be affected unless they have the same access to genetic risk information as individuals. Lack of sufficient and reliable data or access to risk information has also been a challenge for life assurers in fighting the risk of adverse selection because they face substantial financial risks.

2.2.15 Unfavourable Interest rates

Life assurance policies with a savings component are typically assumed to earn interest which is given to the policyholder through policy dividends, cash values on termination or as endowment amounts at maturity. A higher investment return means a larger chances for huge profits for the policyholder (Beck and Webb 2003). Inflation discourages the public to save and it affects the demand for life assurance and many would not want their investments to lose value (Moshirian et al., 2007).

Lenten and Rulli (2006) argues that despite high returns on life assurance policies, consumer may switch to alternative types of money accumulation. Nesterova (2008) declares that an inflationary environment negatively affects the consumption of life assurance and causes monetary uncertainty for the long-run.

2.3 Strategies adopted by life assurance companies to increase penetration rate

2.3.1 Micro-insurance

Micro-insurance is the provision of insurance services to low income people who usually do not have access to insurance policies and adequate social security (Chandani, 2008). Churchill (2007) defines micro-insurance as insurance protection for low-income earners against specific risks in exchange for a regular premium proportionate to the risk involved. Roth et al. (2007) says that in Africa, micro-insurance is still limited and merely 4% (3.5 million) of the whole insured populace of the 100 poorest countries in the world. Also, approximately 1.6 million of those insured are living on less than $2 per day.

World Bank (2015) life assurance companies in Zimbabwe are engaging in micro-insurance activities. Recently launched products include e-FML Mobile Funeral Cash Plan and Ecosure Mobile Funeral Cash Plan which were made available by First Mutual Life Assurance Company and Econet Zimbabwe respectively. The strategy of engaging in micro-insurance has been successful despite the failure of EcoLife, a product once launched by Econet Zimbabwe.

According to Delloite (2016), micro-insurance can supplement and strengthen the implications of micro-finance by protecting the low income earners from inherent risks of entrepreneurial activities. Churchill (2007) recommended that micro-insurance is a vibrant model to increase low penetration rates and to supplement insufficient government protection schemes. He also advocated for simplicity of micro-insurance products especially in regions where there is little financial literacy.

2.3.2 Product development and innovation

According to Black et al. (2012) product development and innovation refers to the steps that incorporates conceptualisation, product design, improvement and marketing of recently introduced and newly rebranded goods and services. Ansoff (2007) recommends product development as a strong marketing strategy which involves coming up with totally new products in the existing market. He also says organisations need to continuously carry out research and development in order to assess the needs of their targeted customers.

LIMRA and Milliman (2010) highlight that most life assurance companies are suffering from a long lead time from the idea generation, product designing, pricing and the launching of new product as well as the dissatisfaction of the quality of innovation. Companies that bring product development resources in place quickly and efficiently will be more able to react to changing product landscape. Koima (2003) states that insurance companies in general have little innovation in product development and design.

Deloitte (2016) stress that companies must be mindful of the danger of lack of innovation because customers may seem comfortable with choices available to them yet many are underserved for products like life assurance. Players in the life assurance industry of Zimbabwe are encouraged to continue competing on products development and innovation in order to increase the penetration rate (IPEC, 2016). According to Mutasa (2013), he believes that despite the effort put to innovate there is still unlocked potential for more innovations and companies need to unpack the potential to improve business performance.

2.3.3 Bancassurance

Klein (2001), bancassurance is a French word which refers to selling insurance through banks. It is distribution channel used by most life assurance companies. According to Munich Re (2001), bancassurance comes in a range of arrangement between the bank and the insurance company, but in all cases it includes the provision of banking services and insurance products from the same source. Swiss Re (2007) indicated that bancassurance models are determined by specific socio-economic, the market structure, consumer preferences as well as cultural and regulatory environment.

Bancassurance has enabled increased accessibility insurance products due to wide spread of bank branches and also the provision of automated teller machines (ATMs). This distribution channel allows customers to have access to information about their bank accounts and insurance on their personal computers (Munich Re (2001). According to Kumar (2010), bancassurance is a full financial service package that intend to satisfy banking and insurance needs simultaneously.

Masiyiwa (2014) says insurance companies in co-operation with banks can influence trust from the public. This strategic alliance has been adopted by various life assurance companies and commercial banks to help distribute insurance products through the use of the huge clientele base. He notes that bancassurance in Zimbabwe is still in its introductory stage and its growth is certain because of the attractive low commission costs and convenience for clients as it provides a “one stop” financial supermarket.

2.3.4 Extensive awareness program and education

Ernest and Young (2016) reports that the intangible nature of life assurance requires companies to do intense education and awareness campaigns to the general public about the benefits of coverage. The one strongest way to gain trust from the public is to educate them (LIMRA and Milliman, 2010). According to OECD (n. d) educating the public and carrying out awareness campaigns enables the consumers to be able to choose the best product that suite their individual needs. Life assurance companies should inform the public about existing products and explain their features thoroughly.

Investment in consumer education is helpful to life assurance companies (Chankova et al. 2008). However, most life assurance companies seem are reluctant to mobilise their representatives to carry out some intense awareness campaigns in rural areas. World Bank (2015) says that Zimbabwe does not have a coordinated financial literacy strategy and no evaluations has been done to check financial capabilities. Masiyiwa (2014) suggests that the Zimbabwean insurance industry players must engage in massive media campaigns to increase insurance awareness especially to those in the informal sector.

According to the International Association of Insurance Supervisors (IAIS) (2015), in low income countries, financial education cannot make the poor afford insurance products hence low insurance uptake is confirmed to be both a symptom and a cause of poverty. Financial education can only ensure that people have adequate and sufficient insurance information such that they can choose insurance products aptly. Insurance awareness reduces the chances of being plunged into poverty there by addressing a cause of poverty through increasing insurance uptake.

2.3.5 Efficiency and service quality

Begam (2014), notes that there is a strong relationship between service quality and the performance of life assurance companies. The life assurance sector should be more vibrant and competitive, with greater efficiency, a range of products and value for customer in order to increase the penetration rate. Customer service quality is a useful strategy in a competitive environment to attain sustainable growth through providing prompt, efficient and relevant services.

According to Gronroos (2004), service quality is divided into two that is technical quality and functional quality. Technical quality relates to the actual outcome of the deal, such as the competence to achieve the best return on investments for the policyholders. The functional quality relates to the how the deal is delivered to the client that is, looking at the quality of interaction between the deliver and the receiver. Therefore, the greater the perceived technical quality and functional quality, the stronger the trust and commitment obtained from clients.

Zeithaml and Bitner (1996), defines service quality as a consumer`s assessment of the service`s overall excellence and superiority. They observed that some customers place a greater importance on the service quality rather than on the price of acquiring that service. Service quality enable the firms to create relationships with customers which are important for the business because the relationships keep them from switching to another provider and it is very difficult for competitors to copy. However, it is not guaranteed that the social bond will tie customers to the organisation permanently.

Stiff competition within the insurance sector has led to increased focus on achieving customer satisfaction and loyalty through improved service quality (Siddiqui and Sharma, 2010). They added that competence, assurance, financial planning personalised, technology, corporate image and tangibles are aspects related to service quality and have been used as instruments to measure customer satisfaction in the life assurance sector. Siddiqui and Sharma suggests that service manager should efficiently allocate attention and resources to these aspects for the purpose of achieving competitive advantage.

Kumari and Murthy (2013), emphasises that customer satisfaction through efficiency and service quality is the pivotal component for enhancing business performance. Quality improvement and compliance to set quality standards is central to the modern concept of marketing of services. Ravipa and Mark (2004, notes that customers are likely to refer others to their life assurer if they have had a good experience with the company regarding the service excellence.

2.3.6 Marketing strategies

According to Powell (2001), marketing strategy involves making a pattern of decisions which aims at identifying and satisfying customer needs in a sustainable way. Kotler (2003), says the most visible and critical form of marketing strategy it that marketing mix model which focuses on tailor making the products, promotion, price and place according to the needs of targeted customers. Marketing strategies are the organisational strategies that combines all of its marketing goals into one comprehensive plan and aims at improving the competitive position of the company.

Marketing mix is the central to the formulation of the marketing strategy (Tapera and Gororo, 2013). The marketing mix model consist of the seven ‘P’s namely product, pricing, place, promotion, people, processes and physical evidence. The combination of these marketing elements and the role played by each of them in delivering the needs of the customers defines marketing mix (Duermyer, 2009). Parry (2010) cited in Tapera and Gororo (2013), defines marketing mix as a framework for constructing a strategic outlook for the business.

2.3.6.1 Marketing mix elements

a) Product or Service

Kotler (2003), view products as the totality of products and services that are offered by an organisation. Zeithaml (2011), says products can be tangible or intangible and are solutions to customer needs as they should be tailored to meet these needs such that products can sell themselves. Life assurance companies are in the service industry thus services are their products (Black et al. 2012). Generally insurance is sold not bought thereby requires aggressive marketing because intangibility of services makes it difficult for life assurers to control and display to consumers. The critical areas that need attention in formulating a product strategy, these include new product development, design, branding and packaging (Kasper et al. 1999).

b) Price

Price portrays the value of the product or service offered to consumers, it can determine the perceived quality of the product or service and its profitability to the firm (Gronroos, 2004). The pricing strategy must be competitive and must bring a profit to the business. Consumers use price as the purchasing decision determinant, an evaluation criteria and as an input to their expectations in terms of service quality. The higher the price the higher the expectations from customers. According to Ross (1984) cited in Tapera and Gororo (2013), effective price changes are based on projected consumer and competitor reactions not on the firm`s costs and circumstances.

c) Place

Place is a marketing element that deals with how the product or services are distributed to the customers (Kotler, 2003). The distribution function shows the capability of the organisation to deliver the product or service to targeted customers. The distribution decision aims at making the service available and accessible to customers when needed. In the Zimbabwean life assurance market, companies have scrambled for strategic alliances with banks in order to widen their distribution channels (Masiyiwa, 2014).

d) Promotion

Communicating to the targeted market with the intention to educate them, persuade, create awareness, remind and influence action describes the promotion element of the marketing mix (Irons, 1997). Promotions enables a firm to remind the market of its existence, competence and help to build a positive corporate image. The aim of promotions in service marketing is to transmit messages to past, current and future customers through various forms of advertising, in life assurance a high degree of importance is placed on the word of mouth. Some companies are now embracing to use of social media in order to capture certain segments of the market. However, promoting life assurance has been challenging because people assume they are forced to confront their mortality, talk about death and invest on what will occur after they have passed on (Manvendra and Arpita, 2011).

e) People

This marketing mix element include the firm`s human capital that is, the employees, customers and other stakeholders (Irons, 1997). The authors believes that the competence, attitude and appearance of the employees have greater influence towards customer perceptions about the service quality. Employees are responsible for the actual delivery of the service.

Zeithaml and Bitner (1996), added that to achieve the desired service standards the human resource and marketing departments of an organisation must work together to establish the hiring criteria, hiring needs, how to attract and retain people who can deliver service excellence. These two departments should also ensure that quality service is delivered. Tapera and Gororo (2013), pointed out that in Zimbabwe many financial institutions have been taking their service personnel through a service employees training to ensure that quality service excellence is uncompromised.

f) Process

The process marketing mix element refers to the system used to deliver the product or services (Chartered Institute of Marketing 2009). The higher the efficiency of the process, the greater the chances of customer loyalty and confidence in the organisation. Efficiency and effectiveness enable a service provider gain competitive advantage. Zeithaml and Bitner (1996), states that a process refers to the actual flow of activities, procedures and mechanisms employed to deliver the service and service processes can be standardised or customised. Technology has played a big role in standardising the processes while customised services requires a highly empowered staff. Therefore, life assurance companies need to have smooth and faster processes to fight competition (Manvendra and Arpita, 2011).

g) Physical evidence

According to Zeithaml and Bitner (1996), physical evidence as a marketing mix function refers to the tangible components that are provided by the company to its customers. Examples include, brochures, letterheads, facilities where services are rendered, business cards and policy documents. The purpose for providing physical evidence to customers is to make the invisible visible and send a positive message about the nature of service being offered.

2.3.7 Digitalisation

According to Singh (2015), digitalisation is the use of innovative technologies and strategies to penetrate new markets and become truly consumer-centric. Technological advancements has resulted in what is called technology based self-service and it has changed how service providers and customers interact. Electronic commerce has become increasingly vital to provide customers with a superior experience from the interactive flow of information (Santos, 2003).

Black et al. (2012), says life assurance has been an unsort product since it is sold and not bought. Technology is increasingly becoming influential on interactions in the marketplace says (Zeithmal and Gilly, 2001). Singh (2015), says some life assurance companies have feel that technology has created a favourable selling environment whilst a few of them are still reluctant to automate their product offering for fear that such complex products cannot sell without human interference.

Figure 2.1 Transformational Digital opportunities and benefits for Life assurers

Source: http://www.towerswatson.com/emphasis-2015-digital-revolution

Singh (2015), notes that online selling has enabled life assurance companies to reach large numbers at lower costs. Digitalisation has adopted in underwriting, for quotations, general administration, live chat, advertising, claims processing and for premium payments.

2.4 Summary

The chapter reviewed published work available on the causes of low life assurance penetration and on strategies adopted to increase the penetration levels. The literature showed how each cause affects the development of life assurance business. It also showed how other scholars and researchers perceive each of the strategies adopted to increase life assurance penetration.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 Introduction

This chapter seeks to provide the information about the techniques implemented by the researcher to gather information from the sampled population so as to answer the research questions and accomplish the research objectives. It includes the research design, population sample, sampling procedures, data collecting instruments and analysis procedures employed.

3.1 Research design

A research design is a method in which the researcher wants to use to investigate the identified problem (Holton, 2008). A research design is used to gather information about the current status describing what exist with respect to variables and conditions in the problem being investigated (Cooper and Schindler, 2003). This research adopted a descriptive cross-sectional survey. The research chose to use a descriptive research design since the study intends to collect qualitative and quantitative data regarding the effectiveness of the strategies adopted by life assurance companies in Zimbabwe to increase the penetration rate.

3.2 Population

The total populace of workers in this area of study is about 170. It include service employees and managers who work only in the head offices of all the 11 registered life assurance companies in Zimbabwe. Managers will be included for this study because they are involved in the devising of the strategies adopted to enhance performance. Service employee will include policy administrators, agents, call centre agents and marketers because they are responsible of the implementation of the strategies.

3.3 Sampling

A sample is a group of people from whom the researcher collected information (Allison, Scott and Russell, 2001). According to Sekeran and Boagie (2009) sampling operates as a short cut to investigate the whole population where data in collected from a small portion of the whole population or sampling pool and is then used to depict characteristics of the entire population. A suitable sampling technique will be employed in order to come up with a representative and statistically relevant sample of the entire population.

3.3.1 Sampling techniques

The researcher used a combination of stratified random sampling and judgemental non-random sampling.

3.3.1.1 Random Sampling

According to Saunders et al (2003) random sampling gives each and every member of the population an equal chance to be selected and it is regarded as the ideal method of generating a representative sample. This sampling technique can be carried out in four different ways namely simple random, systematic, stratified and Cluster random sampling. For this study stratified sampling was used.

a) Stratified random sampling

Sekeran and Boagie (2009) states that stratified random sampling is performed by doing a simple random sampling under identifiable categories. It is useful when the populace is anticipated to be comprised of subgroups with different perceptions regarding the investigation. It was used for this study because the sample comprise of workers in different categories in terms of their job titles and to ensure that each subgroup is represented. Categories in this study include managers, policyholder administrators, marketers and agents.

3.3.1.2 Non-random sampling

Trochim (2006) says non-random sampling can be referred to as non-probability sampling and is divided into two main types that is, accidental and purposive. It does not give every member equal opportunity to be selected for the study. Non-random sampling can be implemented using four methods which include quota sampling, judgmental, convenience and snowballing (Sekeran and Boagie, 2009). For this research judgmental sampling was used.

a) Judgmental sampling

In this sampling method sample member are selected subjectively and deliberately by the researcher to represent the whole population. Judgmental sampling method was used to select candidates to interview as some of the workers are very busy people.

3.3.2 Sample size

Kothari (2004) indicates that a sample size is a group of representatives selected from the bigger population gathered to be descriptive of the whole population. Haralambos and Holbon (2008) defines a sample size as a portion of a larger population gathered to be a representative of that population. They insist that a sample size should be at least 33% of the whole population. Saunders et al. (2003) says the larger the sample, the more accurate the results and the smaller the sample, the less accurate the results. Gratton and Jones (2010) agree that the sample size should be large enough to achieve validity and reliability as well as to capture a variety of responses and assists comparable analysis. Population is a group of people which the researcher is interested in obtaining information and draw conclusions subsequently (Mackzyk et al. 2005).

The researcher used a sample size of 55 respondents from the 11 registered life assurance companies. Among the respondents there are managers, policy service administrators, marketers, agents and call centre agents. Each category comprise of 11 respondents as shown in the table 3.1 below.

Table 3.1 Sample size

Respondents	No. of respondents/ Company	Sample size
Management	1	11
Policy Administrators	1	11
Marketers	1	11
Agents	1	11
Call centre agents	1	11
Total	**5**	**55**

3.3.3 Sample method

The research decided to use a combination of both sampling techniques to collect information. Since most life assurance companies` head offices are located in Harare, only workers in Harare offices were chosen as a sample of the population. The population sample was therefore made up of 5 respondents from each company.

3.4 Research instruments and Data collection

Research instruments are tools or apparatus used to gather and measure variables and information of interest. Examples include surveys, questionnaires or interviews. Data collection instruments saves time and the study`s credibility (Pierce, 2009). For this investigation, the researcher used the survey design in which data was collected. The sources of data used were primary and secondary sources.

3.4.1 Primary data

Primary data refers to information acquired from the main source and not from any pre-existing researches. It is that data collected for a specific purpose (Denzin and Lincolyn, 2002). Instruments employed to collect primary data for this research were interviews and questionnaires.

3.4.1.1 Personal Interviews

Interviews are purposeful face to face discussions between two or more people meant to inquire information or the perception about the issue under investigation (Cooper and Schindler, 2003). Appointments to carry out the interviews were arranged. A structured interview was used in order to save time where a set of prescribed questions had to be set.

Advantages

a) Interview enables the researcher to obtain both verbal and non-verbal information communicated by the interviewee and there is flexibility of language.
b) The researcher has the opportunity to make sure the respondents understood the questions and to ask for clarity on ambiguous responses.
c) Interviews allows to obtain information from other participants who are not comfortable sharing their views in public.
d) Personal interaction creates room for openness and the research is able to control response rate consistency.
e) Documents that need to be revealed to the respondent can be properly presented.

Disadvantages

a) Data collection through interviews is generally time consuming due to the length of time between appointments up to revision of interview notes.
b) The researcher may be biased in selecting respondents.
c) Interviews are relatively costly financially and time wise to the researcher.

3.4.1.2 Questionnaires

A questionnaire refers to printed set of questions to be filled personally by the respondents. It allows collection of reasonably valid information in a cheap, simple and timely way (Browne, 2011). A questionnaire consist of a series of standard questions which intend to address the research questions of the study, the questions are opened and closed ended (White, 2002).

Advantages

a) Questionnaires are relatively cheap to prepare and distribute for the researcher.
b) Data collection using questionnaire is viewed as a humble and faster way to gather information.
c) It also allow respondents to remain anonymous if they do not want to disclose themselves.
d) Questionnaires enables the researcher to get many responses in a short space of time.

Disadvantages

a) Respondents may answer hurriedly if the questionnaire is too long and taking a lot of time to complete.
b) Questionnaires cannot provide the researcher with the non-verbal cues used when answering the questions.
c) It is difficult to measure how truthful the respondent was when completing the questionnaire.
d) The respondent may misinterpret of the questions leading to wrong information being obtained.

3.4.2 Secondary data

Secondary data denotes information other than primary data, however it interprets, describes and analyses primary data. Secondary data sources may include textbooks, journals, newspapers, articles, magazines, organisations` reports and the internet. Most of the materials used were online sources.

3.4.2.1 The internet

The internet helped the research to access all electronic study material such as e-books and e-journals and distribute some questionnaire via emails. It provides a lot of databases with educational materials and communication platforms.

Advantages

a) It is the fastest way to obtain current relevant information from different parts of the world.
b) Easy accessibility because it is user friendly in terms of communication, now that one can browse the internet using different languages.

Disadvantages

a) Information published on some websites is not reliable and accurate hence not recommended for research purposes.
b) It requires network to be accessible. The strength of the network also determines the speed and efficiency in collecting data from the internet.
c) The internet is prone to virus attacks therefore information these may corrupt useful documents for the researcher.

3.4.2.2 Organisational Reports

The researcher used information published in reports of various reputable organisations as reliable literature showing the challenges in the life assurance sector in Zimbabwe and that of Africa. Reports used were from the following organisations: Insurance and Pension Commission (IPEC), Life Insurance Marketing Research Association (LIMRA), Ernest and Young, PWC, KPMG and African Insurance Organisation (AIO).

3.4.2.3 Textbooks and Journal

The researcher used printed and online textbooks for this research, as well as online journals to extract information relevant to this research. Proxy literature was also employed in order to identify strategies used by other financial institutions to improve performance and then assess the effectiveness of such strategies. Also, textbooks and journals from other areas of study other than insurance and financial services was used.

3.5 Summary

This chapter provided the description of the research design, sample size, sampling techniques and the instruments used to gather information that will assist the researcher to attain the objectives of this study. Data collection was done through primary and secondary sources. The next chapter will analyse the collected data to assess the strategies adopted by life assurance companies to increase the life assurance penetration rate of Zimbabwe.

CHAPTER 4

DATA ANALYSIS, PRESENTATION AND DISCUSSION OF FINDINGS

4.0 Introduction

The chapter contains the analysis and presentation of the findings gathered through questionnaires and personal interviews. Results obtained from the respondents are meant to address the objective of this research and that is to identify the causes of low life assurance penetration and to assess the effectiveness of strategies adopted to enhance the penetration ratio. The results will be presented on pie chart, bar graphs and tables for easy interpretation.

4.1 Data response rate analysis

Out of the 55 respondents targeted by the researcher 5 were interviewed and 50 questionnaires were administered. A total of 36 questionnaires were correctly completed and returned, signifying a questionnaire response rate of 72%. The total number of responses obtained from both interviews and questionnaire is 41 out of 55, representing an overall response rate of 74.5%. Kothari (2004) and Mungenda and Mungenda (2003) both agreed that a questionnaire response of at least 50% is good for a descriptive study. The analysis is presented below.

Table 4.1 Overall response rate

Response	Frequency	Percentage
Returned	41	74.5%
Not Returned	14	25.5%
Total	**55**	**100%**

Source: Primary data (2017)

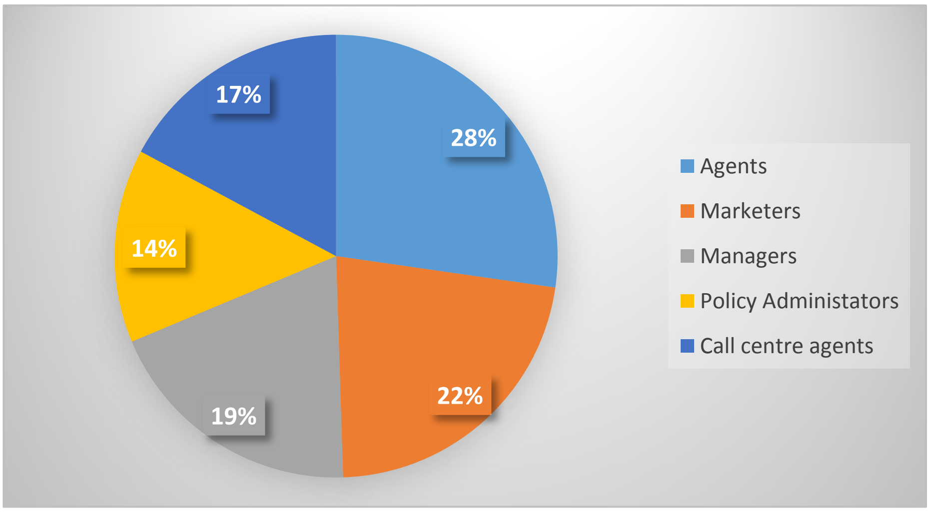
4.2 Characteristics of respondents

This is concerned with organisational positions the respondents holds, gender and also their number of years in service.

4.2.1 Organisational position

The data was collected from managers, policy service administrators, agents, call centre agents as well as from marketers. The researcher targeted 11 respondents from each mentioned category. However, only 8 managers, 6 policy administrators, 7 call centre agents, 9 marketers responded with the exception of direct agents with 11 respondents. The distribution of this analysis is illustrated in the pie chart below.

Figure 4.1 Distribution of organisational positions



Source: Primary data (2017)

4.2.2 Gender

The questionnaire provided a space to indicate gender of the person responding. Both males and females were included as respondents. This is because it is believed that gender differences have influence towards perceptions, behaviour and satisfaction (Hira and Mugenda, 2000).

Table 4.2 Response analysis by gender

Gender	Frequency	Percentage
Female	19	46%
Male	22	54%
Total	**41**	**100%**

Source: Primary data (2017)

The table shows that male respondents are slightly more than female respondents and that may probably assume that there are more males than females in the life assurance industry of Zimbabwe.

4.2.3 Number of years in service

The number of years in service demonstrates the working experience of the respondents. For this study, respondents with different working experience were used. The results shows that 54% are between 1-5 years, 36% are between 5-10 years and 10% have more than 10 years with the firm.

Table 4.3 Number of years in service

Years	Frequency	Percentage
1-5 years	20	54%
5-10 years	17	36%
Above 10 years	4	10%
Total	**41**	**100%**

Source: Primary data (2017)

4.3 Presentation and analysis of findings

4.3.1 Awareness to factors causing low life assurance uptake in Zimbabwe.

The objective of this question was to get confirmation from the respondents that they are familiar with the factors causing low life assurance penetration in Zimbabwe. The results shows that 100% of the respondents accepts that the factors directly affect the performance of their organisation. Interviewees pointed out some factors which they felt are the most contributing causes for low life assurance penetration in Zimbabwe.

They cited the following factors to have significantly affected the life assurance business in the land and these include poverty or low levels of disposable income, poor perception of the life assurance due to cases of fraud and dishonest by sales representatives, a very poor saving culture within the population, unattractive investment returns and low consumer awareness about life assurance products.

4.3.2 Challenges faced in selling life assurance products.

The researcher asked about the problems that different companies encounter when selling their life assurance products. A large portion constituting 80% claimed that there is low acceptance of sales representative because of the negative perception derived from bad publicity of the insurance industry as a whole. They also said despite of the measures taken by companies and the regulator to resolve the unscrupulous behaviours in the industry, the public still have no confidence or is not fully convinced to consider purchasing any insurance products unless it is mandatory.

In addition to that, 73% felt that the products being offered by the life assurers are not in line with the needs of the customers and makes selling difficult. These respondents are worried that given the escalating unemployment rate of Zimbabwe following a series of retrenchments that occurred lately, life assurance products are not meeting the requirements of this expanding informal sector in terms of coverage, prices, payment methods and payment frequency. All the responses from agents and a 50% support from other respondents indicated that low awareness in the general public about other product lines has demanded more time for agents to educate them thereby restricting their coverage distance per day. The other 30% of the respondents mentioned the issue of competition as also a challenge in selling products.

4.3.3 Strategies adopted by the companies to improve life assurance uptake.

Table 4.4 Strategies implemented to boost life assurance penetration in Zimbabwe

Strategy	Frequency	Percentage
Customer service quality	41	100%
Intense marketing	41	100%
Product innovation	16	39%
Bancassurance	9	22%
Micro-insurance	5	12%
Product repackaging	3	7%

Other	4	10%

Source: Primary data (2017)

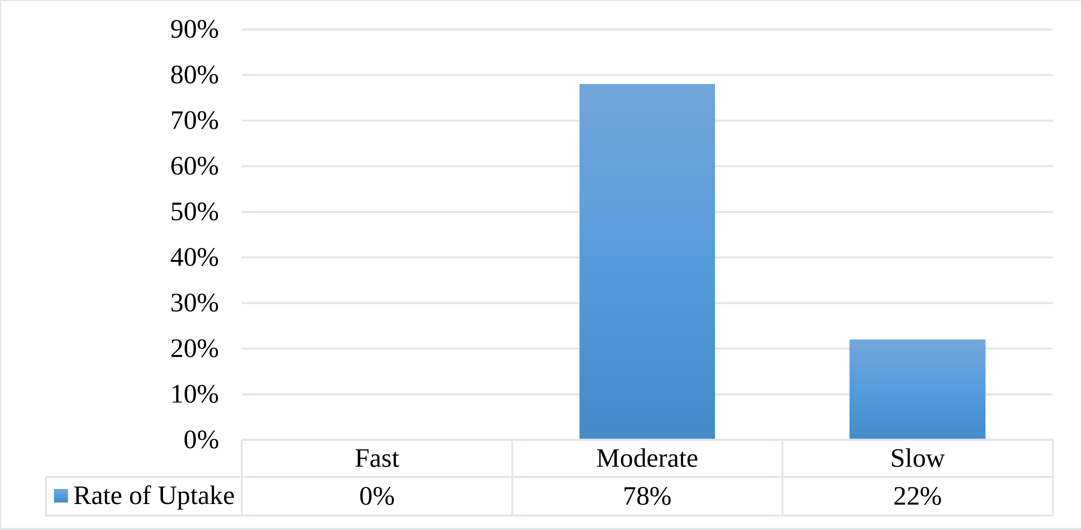
A question was structured such that the researcher can gather information about the strategies adopted by the life assurers in Zimbabwe to increase uptake of policies. All the responses that is 100%, clearly shows that all the life assurance companies employ extensive marketing and continuous improvements in customer service quality. The other 39% of the respondents pointed out that their organisations have engaged in product development and innovation activities, 22% cited bancassurance and only 12% highlighted that their organisations have come up with micro-insurance products to capture the informal populace.

At most 7% acknowledged that there have been some form of product repackaging within their organisations. The findings shows 10% of the respondents that highlighted other strategies which include review of premium charges, opening of satellite branches, training of agents and employees, awareness campaigns and corporate social responsibility and creating a wide range of payment methods. The recent payment methods adopted by all life assurers include Ecocash, Telecash, Paynow (an online payment platform) and Point of sales.

4.3.4 Business improvements noticed since the implementation of the above strategies.

The researcher included a question which intended to inquire about any noticeable evidence of improvements in business since the past 6 years to date. The respondents had to indicate the rate of improvement by ticking slow, moderate or fast. All the 41 respondents agreed that there has been some positive improvements on the rate of uptake of policies for which 78% of them admitted that the uptake of life policies has increased at a moderate rate while the other 22% said that the increase is at a slow rate for the past 6 years. Figure 4.2 below presents the findings.

Figure 4.2 Rate of life assurance policies for the past 6 years



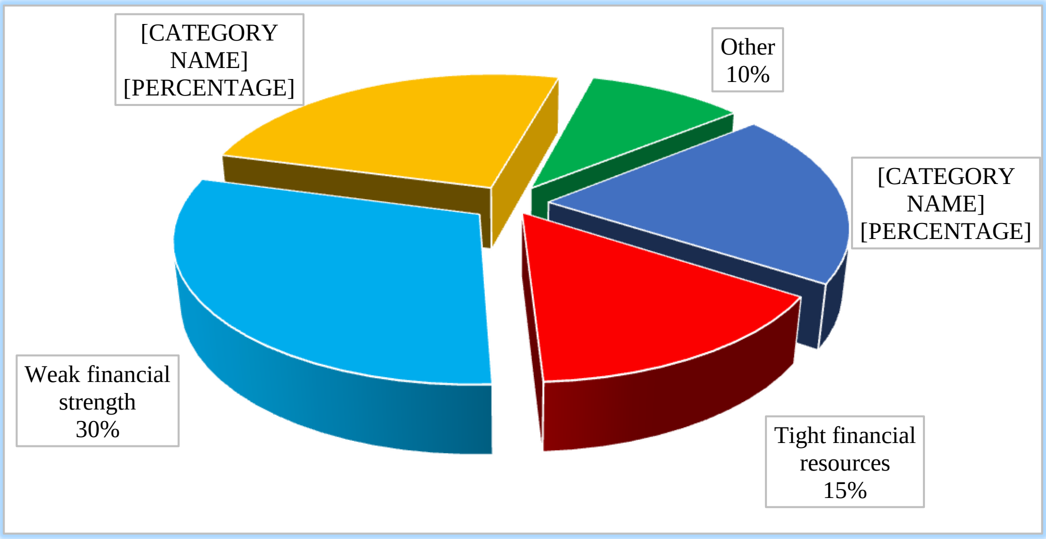
Source: primary data (2017)

4.3.5 Challenges being faced in implementing the adopted strategies.

A question was included to ask about the challenges affecting the successful implementation of the adopted strategies. As clearly shown in figure 4.3 below, 30% of the respondents claimed that the organisations have weak financial muscles as they are striving to meet the required minimum capital. The other 25% said that the reaction or feedback from the public is poor and can be as a result of the negative perception already in the public. These two factors that is, weak financial muscles and poor response from the public, were the most common barriers highlighted by respondents.

Quite a number of respondents, about 20% blame the poor level of commitment in the employees to be have been a barrier to the successful implementation of the adopted strategies. Only 15% specified that their organisations have tight financial resources being caused by the substantial cost management regime therefore affecting financial resources allocation to support the implementation of the strategies. Other barriers cited by 10% of the respondents which include poor research and development, poor communication, slowness in adapting to changes by organisation and the harsh economic environment.

Figure 4.3 Barriers to successful implementation of adopted strategies



Source: Primary data (2017)

4.3.6 Respondent`s evaluation on the on the adopted strategies to boost uptake of policies.

The results shows 75% of the respondents who mentioned that improvements in customer service quality and advertising are important and effective aspects in life assurance. Unfortunately, advertising has become very expensive in Zimbabwe be it on radio, television, electronic billboards or print media, the subscriptions are too high. They added that these two strategies have helped the organisation to maintain their market positions to a greater extent. However, their successful implementation require a great deal of employee commitment and strong financial support on marketing activities.

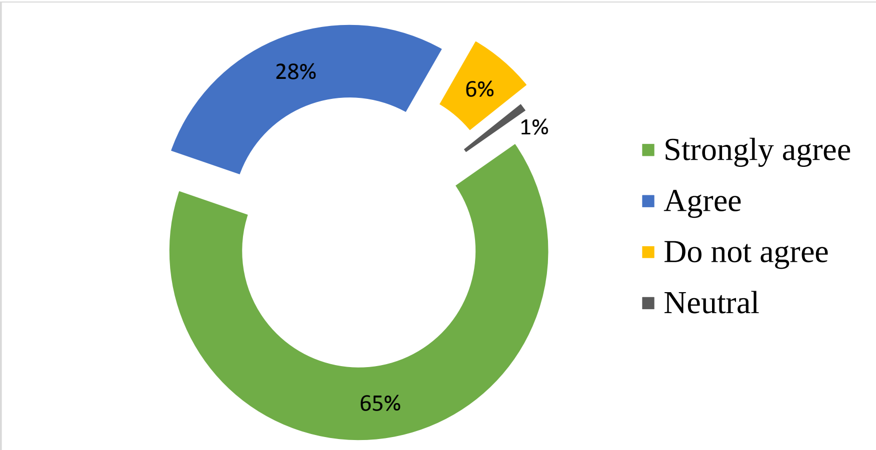
Some of the strategies require a strong financial capacity such as research and development to facilitate product innovation and development, said 35% of the respondents. The findings revealed that 41% declared that bancassurance, micro-insurance and opening satellite branches in remote areas have very much improved life assurance business. At least 20% has the view that training of employees or agents is fairly an effective way to improve life assurance business. Corporate social responsibility and providing a range of payment methods were viewed as good support strategies by 10% of the respondents.

The findings also revealed that 60% said though they are challenges affecting the implementation of the strategies, new business written and retention ratios have been moving in a positive direction. Lastly, 49% are admitting that so far the strategies have helped the organisations to endure the harsh economic situation and stiff competition within the industry but there is still need to review progress otherwise resources will be wasted.

4.3.7 Does increasing distribution of life assurance boost uptake of policies?

The question was designed to make respondents evaluate the effectiveness of the strategy of increasing distribution of life assurance policies using the given criteria. The results of the findings shows that 65% strongly agree that the strategy can boost uptake of life policies, 28% agree whilst 6% disagree of the effectiveness of this strategy. Only 1% of the respondents indicated indifference towards changes in the distribution of life assurance policies. Shown in figure 4.4 below.

Figure 4.4 Increasing distribution as a strategy to boost uptake

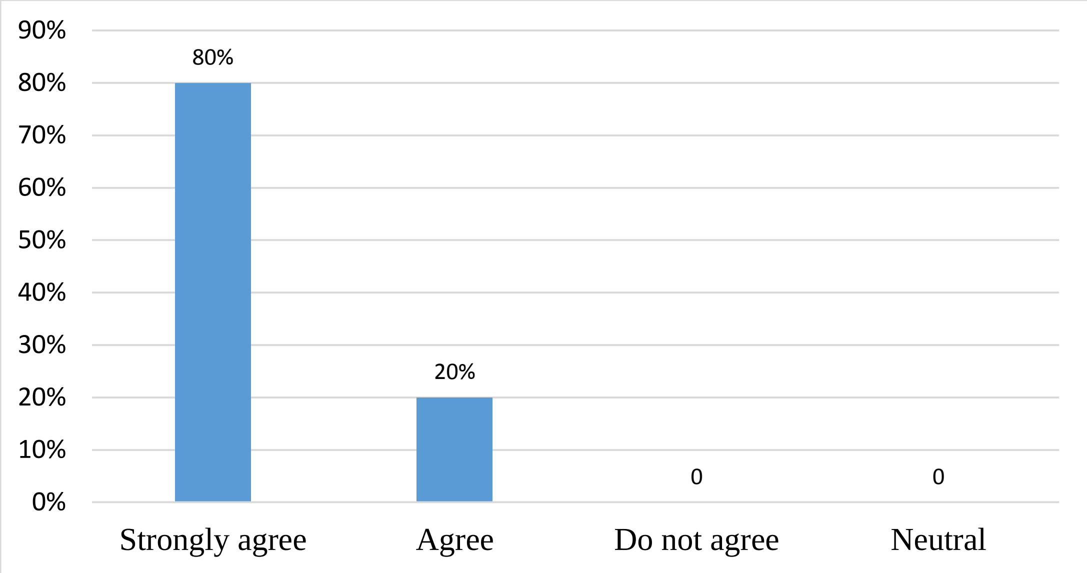


Source: Primary data (2107)

4.3.8 Does low premium products for low income earners help to increase the consumption of life assurance?

This question defined the term micro-insurance such that respondents can easily understand. It was meant to find out about how the respondents assess micro-insurance as a strategy to increase consumption of life assurance. About 80%respondents strongly agree that low premium products for low income earners will help to increase the consumption of life policies. The other 20% just agree to this strategy and none of the respondents disagree or is neutral (not sure).

Figure 4.5 Micro-insurance as a strategy to increase consumption of life policies



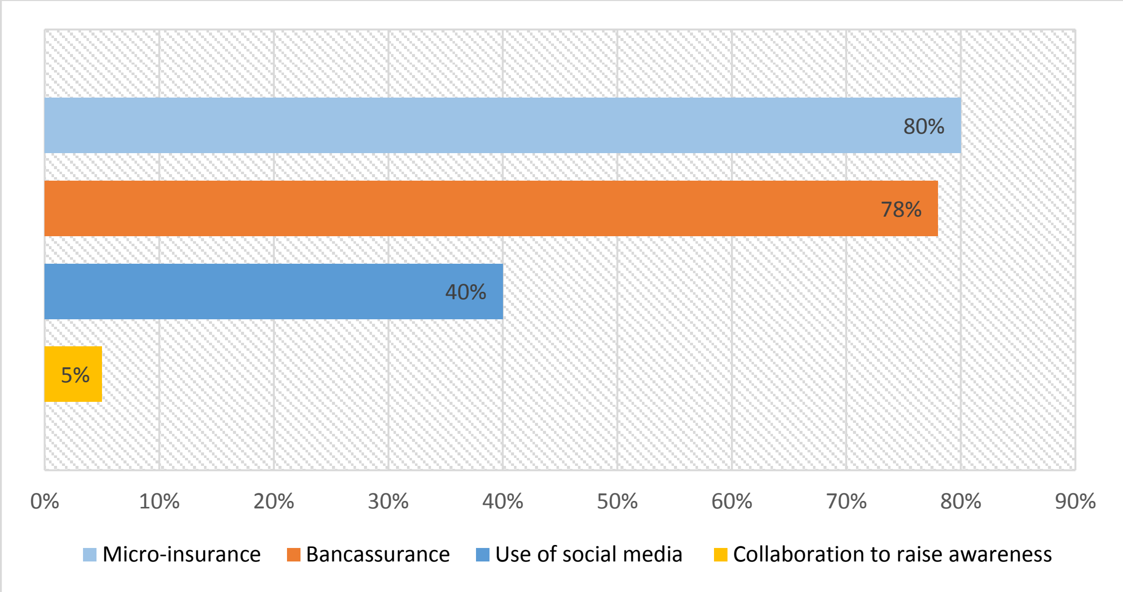
Source: Primary data (2017)

4.3.9 Other suggested strategies that were not implemented or that could have been implemented differently.

A question was designed to ask suggestions on other strategies that can be employed to increase uptake of life policies and ways to improve already applied strategies. The findings shows that 78% respondents would want their organisations to adopt bancassurance like what other companies have done to increase distribution of products. Other respondents, about 80% recommended designing a variety of products for the informal sector to help improve life assurance business.

Alternatively, 40% suggested that life assurance companies may consider making use social media advertising platforms. They advocated for the use of social media as a strategy to raise awareness and education about life assurance products as well as to reach other unexploited market segments. Also, 5% of the respondents emphasised that there is need for life assurers to collaborate with IPEC to educate the public about the benefits of life assurance to individuals, corporates and the country at large.

Figure 4.6 Proposed strategies



Source: Primary data (2017)

4.3.10 Does the following strategies help to increase the life assurance penetration ratio in Zimbabwe?

The respondents were given a list of strategies that may help to increase the penetration ratio in Zimbabwe and had to indicate their opinion by way of ticking either very effective, effective, neutral (means not sure) or not effective.

The table below shows the statistics of those who are in agreement that the listed strategies are very effective and effective. It also shows statistics for respondents who are not sure about the strategy (neutral) and those who think that the strategy is not effective. All the respondents, that is 100%, were in agreement that training and development of agents is very effective and also that aggressive marketing is effective. None of the respondents indicated that any of the strategies is not effective.

Table 4.5 The effectiveness of strategies that may increase the life assurance penetration.

1 -Very effective 2 - effective 3 - neutral 4 - not effective

Strategies to increase penetration	**1**	**2**	**3**	**4**
Micro-insurance	90%	10%		
Bancassurance	35%	55%	5%	
Aggressive marketing		100%		
Consumer education and awareness	70%	30%		
Improving customer service quality	38%	62%		
Digitalisation of the underwriting and other processes	45%	41%	14%	
Simplifying payment methods	78%	22%		
Training and development of agents	100%			
Embracing new technology in life assurance business	80%	20%		
Improving the perception of the public towards the industry	25%	75%		
Does Zimbabwe really need an Insurance and Pension reform	15%	47%	38%	

Source: Primary data (2017)

4.4 Summary

The chapter outlined the quantitative and qualitative findings obtained through personal interviews and questionnaires. The collected data fairly evaluated the effectiveness of strategies adopted by life assurance companies in Zimbabwe to increase their contribution to the Gross Domestic Product (GDP). The findings were collected from managers who devise the strategies and other employees responsible for the implementation of the strategies. Tables, pie charts and bar graphs were used to present the results.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter provides the conclusions drawn from the findings about the effectiveness of the adopted strategies by life assurance companies in Zimbabwe. Therein are also recommendations of alternative strategies that can be employed to increase the life assurance penetration rate.

5.1 Conclusions

The first objective of this study was to determine the causes of low life assurance penetration in Zimbabwe. Secondly, to assess the effectiveness of strategies adopted by life assurance companies to enhance the penetration rate. Lastly, to recommend alternative strategies that can be employed to increase the performance of the life assurance industry.

The following conclusions can be drawn from the findings:

a) Low life assurance penetration in Zimbabwe is linked to lack of trust and confidence in the public towards the industry, low income levels, low awareness about life assurance products, poor saving culture worsened by unattractive investment return, low financial literacy, inappropriate products, unavailability of life offices country wide and bad experiences encountered by customers at claims stage. The study established that the causes of low life assurance penetration in Zimbabwe originate from both the supply (within organisations) and the demand side (consumers).

b) The study revealed that most of the strategies being implemented are effective, however the rate at which these strategies are being carried out is low. The successful implementation of the adopted strategies is affected by some internal and external environmental factors therefore the organisations need to make strategic innovative responses in order to minimise wastage of resources.

c) Aggressive marketing and improvements in customer service quality are the most dominant strategies employed to enhance life assurance business in the country.

These strategies are said to be effective and have assisted all the companies attract and retain customers hence fighting the stiff competition.

d) The population sample agreed that low premium products for low income earners will definitely increase the life assurance penetration rate in Zimbabwe as the country is characterised by extreme levels of unemployment and very low income per capita. Micro-insurance products will certainly attract a large number of customers who understand that they have risk exposures. Nonetheless, the success of the strategy depends on the ability of life assurance companies to design relevant products.

e) Training and development of agents is regarded as the most effective strategies to increase life assurance penetration rate. Most of the life assurance business is brought by agents therefore regular development of the sales force gives a sustainable competitive edge. This would also help the companies improve the negative perception in the general public.

f) Bancassurance and product innovation are very effective strategies which may assist the insurance industry as a whole to meet the penetration rate set by IPEC. Bancassurance improves the distribution of life assurance product in Zimbabwe. It is a relatively cheaper since life assurers pay low commissions and also faster in the sense that there is already built infrastructure. Product innovation helps to switch from traditional service offerings to modern sophisticated service offerings which attract customers.

g) The use of new technology in the life assurance companies has greatly improved the flow of administration processes and claims processes. Online marketing has also managed to attract considerable number of customers as it allows cross selling. The strategy of using technology is very effective but has not yet been fully appreciated because of weak financial strength. The companies admit that there are still more opportunities and benefits that they can enjoy but the problem of inadequate financial resources confine them.

h) Repackaging, reviewing premium charges and opening satellite branches has enabled firms to attract new business. Corporate social responsibility has built customer loyalty. Simplifying payment methods has addressed the inconveniences caused when premiums are due. Finally, most of the respondents said consumer education and awareness is a very effective strategy to increase uptake of life assurance policies.

5.2 Recommendations

5.2.1 Prioritisation

There is need to priorities the strategies being implemented by each organisation. This concept of prioritisation brings out that issues are attended in order of importance and also does the allocation of limited resources. In this case strategies need to be implemented according to their degree of impact and probability of successfulness. This will also help the organisation to effectively utilise the limited resources.

Churchill (2007) suggests that micro-insurance is a vibrant model to increase low penetration rates and to supplement insufficient government protection schemes. Mashayekhi, et al. (2007) says engaging in newer distribution channels with low commission costs, such as bancassurance, will enable the firms to charge lower premiums and that will positively affect the life assurance penetration. Mutasa (2013) believes that despite the effort put to innovate there is still unlocked potential for more innovations that can help increase the penetration rate. So as it stands, micro-insurance, bancassurance and product innovation are strategies which life assurance companies should give more attention as also encouraged by IPEC.

5.2.2 Human capital development

Life assurance companies like other service organisations should train and develop service employees in order to enhance the technical and interactive skills and as a way to motivate the staff. Employees are a vital resource which brings creativity or facilitate innovation in organisations therefore they should be motivated. The firms should encourage good ethics so as to build a good corporate image and boost confidence in the general public. Through training and development of agents, the organisation can manage to erase the controversial mind set in the public regarding dishonesty of agents. The insurance industry in Zimbabwe should be exceptional in terms of the level of competence and discipline.

5.2.3 Collaboration of life assurance companies and IPEC

The regulator (IPEC) and the life companies join forces to raise awareness and educate the public so that the impact can be fruitful and tangible. The regulatory board may also help with research support since companies have insufficient fund to carryout research and development. It is the role of the regulator to educate the public about insurance products and support the industry players with relevant information to ensure growth of the industry.

5.2.4 Insurance and Pension reform

In most African countries including Zimbabwe, there are ineffective and ill-enforced insurance legal frameworks and there is need to revise the insurance legislation (Nduna, 2013). Insurance in Zimbabwe should be a strictly regulated industry such that all stakeholders have no distrust in terms of customer protection, discipline of players, investment and job security. This will help to attract customers and good calibre of employees.

Mashayekhi, et al. 2007 studied that the insurance sector of some African countries are growing slowly due to the regulator`s lack of autonomy, political instability and economic uncertainty. Therefore, IPEC should act in the best interest of all stakeholders. Since we have shallow capital markets in Zimbabwe IPEC should help the industry players by advocating for government policies to be designed in a way which is favourable such that the policies would promote foreign investments.

5.2.5 Strategic alliances

This is a form of external growth strategy which refers to the coming together of two or more firms to achieve a specific objective. Life assurance companies need to look for technical partnerships in order to underwrite complex risks. The distribution channels can be expanded by a partnering with banks and Mobile Network Operators (MNOs) to market and deliver services on a large scale by targeting their enormous clientele. Masiyiwa (2014) recommends that strategic alliances between life assurers and banks may help the former to gain trust from the public.

5.2.6 Mergers and Acquisitions

It is also a form of external growth strategy which can be done in three dimensions, that is vertical, horizontal or conglomerate. Vertical involves going towards the activities of its customers for example, a life assurance company can merge with or acquire a funeral service business. Horizontal involves taking over the competitor at the same level of production. Conglomerate involves taking over a firm in an unrelated sector for example, the life assurance company may purchase a MNO company. Consolidation of entities will boost the balance sheet capacities and reduce competition.

5.2.7 Government intervention

The government should acknowledge the importance of the growth of insurance in Zimbabwe therefore may need to consider making medical and funeral life policies compulsory. This will help to give the nation peace of mind, reduce government expenditures, indirectly encourage an investment culture and support national development. The government should also consider including insurance and risk management related subjects in the Zimbabwean education curriculum as a measure to alleviate the shortage of human capital for the life assurance industry.

5.3 Further research areas

The following questions were raised from this study and seem to be valid for the successful enhancement of life assurance penetration in Zimbabwe:

- **a)** Micro-insurance design, what do customers need?
- **b)** Does Zimbabwe really need Insurance and Pension reform to improve industry performance?
- **c)** Can electronic underwriting reduce the risk of anti-selection in Africa?

5.4 Summary

This chapter has provided the conclusions and recommendation to this research. The recommendations outlined will form as basis on which life assurance organisations will use to revise their activities and take corrective action.

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APPENDICES

APPENDIX 1: Letter of introduction

MIDLANDS STATE UNIVERSITY

P. BAG 9055
Gweru
Zimbabwe

Telephone: (263) 54 260404/260337/260667
Fax: (263) 54 260233/260311

FACULTY OF COMMERCE

DEPARTMENT OF INSURANCE AND RISK MANAGEMENT

Date 27/03/2017

To Whom It May Concern:

Dear Sir/Madam

Ref: Request for information for academic research purposes

My name is Jacqueline Mutero (R2136839H), I am a final year student doing Bachelor of Commerce Honours Degree in Insurance and Risk Management at Midlands State University (MSU). I am kindly requesting for your contribution to my final year project by completing the questionnaire attached to this letter. This project seeks to "***Assess the effectiveness of the strategies adopted by life assurance companies in Zimbabwe to increase the penetration rate***."

Assurance is hereby granted to you that all information collected will be treated with confidentiality and sorely used for academic purposes. Should you require further details concerning the researcher, do not hesitate to contact Mr Makaza the department chairperson of Insurance and Risk Management on his cell number, **+26377 620 669** or telephone numbers provided above.

Your assistance will be greatly appreciated

Yours faithfully

Jacqueline Mutero

……………………………

Cell: +263775885797 Email: jackiemtero@gmail.com

APPENDIX 2: Questionnaire

Designed for Management and Service Employees in Life Assurance.

Disclaimer

This information shall be used sorely for academic purposes and a high degree of confidentiality will be maintained.

Section A

Respondent Profile

Organisational Position………………………………………………………………………….

Department……………………………………………………………………………...

Years in service…………………………………………………………………………….

Gender/Sex………………………………………………………………………......

Instructions

Kindly tick the appropriate box provided and where necessary write an explanation in the space provided. Please complete all the questions here in. You may contact the researcher on 0775 885 797 in case of any queries.

Section B

Questions

1) Are you aware of the factors causing low life assurance uptake in Zimbabwe?

Yes ☐ No ☐

2) Do you agree that these factors directly affect the performance of your organisation?

Yes ☐ No ☐

3) What are the challenges faced by your organisation in selling their products?

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4) What strategies have been implemented by the organisation to improve life assurance uptake?

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5) Are there any noticeable improvements on the uptake of products since the implementation of these strategies?

Yes ☐ No ☐

If yes, please tick the appropriate rate of uptake over the past (6 years).

Fast ☐ Moderate ☐ Slow ☐

6) What are the challenges being faced in implementing the adopted strategies?

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7) What are your evaluations on these adopted strategies to increase uptake of policies?

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8) Do you think increasing distribution of life assurance products will boost uptake of policies?

Strongly agree ☐ Do not agree ☐

Agree ☐ Neutral ☐

9) Do you think offering low premium products for low income earners will increase life assurance penetration in Zimbabwe?

Strongly agree ☐ Do not agree ☐

Agree ☐ Neutral ☐

10) In your own opinion, what other strategies do you feel were left out or that were adopted but could have been implemented differently?

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11) Does the following suggested strategies help to increase the life assurance penetration ratio in Zimbabwe? Please tick where appropriate.

1 -Very effective 2 - effective 3 - neutral 4 - not effective

Strategies to increase penetration	**1**	**2**	**3**	**4**
Micro-insurance				
Bancassurance				
Aggressive marketing				
Consumer education and awareness				
Improving customer service quality				
Digitalisation of the underwriting and other processes				
Simplifying payment methods				
Training and development of agents				
Embracing new technology in life assurance business				
Improving the perception of the public towards the industry				
Does Zimbabwe really need an Insurance and Pension reform				

THANK YOU VERY MUCH FOR YOUR COOPERATION

APPENDIX 3: Interview Guide

1) Are you aware of the factors causing low life assurance uptake in Zimbabwe?
2) Give a shortlist of such factors that directly affect the performance of your organisation.
3) What are the challenges faced by your organisation in selling its products?
4) What strategies have been implemented by the organisation to improve life assurance uptake?
5) Are there any noticeable improvements on the uptake of products since the implementation of these strategies?
6) What are the challenges being faced in implementing the adopted strategies?
7) What are your evaluations on these adopted strategies to increase uptake of policies?
8) Do you think offering low premium products for low income earners will increase life assurance penetration in Zimbabwe?
9) Do you think offering low premium products for low income earners will increase life assurance penetration in Zimbabwe?
10) In your own opinion what other strategies do you suggest or that could have been implemented in a different way?
11) Does Zimbabwe really need Insurance and Pension reform in order to improve its life assurance penetration ratio