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Department of Insurance and Risk Management

AN ASSESMENT OF THE STRATEGIES THAT SHORT TERM INSURANCE COMPANIES CAN IMPLEMENT IN ORDER TO IMPROVE THE UPTAKE OF INSURANCE PRODUCTS IN ZIMBABWE.

BY

MOREBLESSING MUKAYAMI

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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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MIDLANDS STATE UNIVERSITY

P. BAG 9055 | Telephone : (263)54260404/260337

Gweru | Fax: (263)54260233/260311

Zimbabwe

FACULTY OF COMMERCE

DEPARTMENT OF INSURANCE AND RISK MANAGEMENT

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NAME OF AUTHOR: MUKAYAMI MOREBLESSING

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SUPERVISOR: MR. S MASIYIWA

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SIGNED:……………………………… **DATE:………………………**

MIDLANDS STATE UNIVERSITY

FACULTY OF COMMERCE

DEPARTMENT OF INSURANCE AND RISK MANAGEMENT

APPROVAL FORM

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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submitted by Mukayami Moreblessing in partial fulfilment of the requirements for the Bachelor of Commerce (Honours) degree in Insurance and Risk Management.

Supervisor:……………………….   DATE………/………/2016
(Signature)

Chairperson:……………………….. DATE………/………/2016
(Signature

DEDICATIONS

In loving memory of Mrs. Joyce M Mukayami and Mr Jabulani M F Mukayami. The precious times with you have changed and shaped me for the better.

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ABSTRACT

Households and organisations in the world have come to accept that risk is inevitable in every sphere of life. The insurance mechanism has been used to address risks faced by both organisations and households. The purchase of insurance saw many people who have adopted it enjoy a number of benefits it brings. Like many African countries, Zimbabwe has also experienced low insurance penetration rate as a result of a number of challenges. The process of increasing the penetration rate has proven to be a rough walk with challenges which differ from one market to another. This study assessed the strategies that can be implemented in order to increase insurance uptake with particular reference given to the nonlife insurance industry of Zimbabwe. The study covered the period from December 2010 to December 2015. Simple random sampling was used in selecting 10 short term insurance companies out of the 20 registered with IPEC. Structured interviews and questionnaires were used as research instruments. The findings from the study were presented in graphs, charts and tables. Conclusions from the findings of the research showed that the currently implemented strategies are not adequate and hence there is high need for the adoption of strategies that are inclusive of the needs of the consumers. Furthermore, some insurance companies are failing to implement better strategies because of financial constraints. It has been recommended that the regulator be more flexible in regards to authorising the launch of new products and strategies and on the side of the insurance companies, it was recommended that they make products that enable consumers to get more coverage at lower costs since it has been noted that the insuring public has acute shortages of disposable income. Since consumer consumption patterns are changing, it was noted that there was high need for insurance companies to adapt to such changes through tailor making products as well as implementing a highly informative marketing strategy so as to enlighten consumers more about insurance concepts and products.

LIST OF TABLES AND FIGURES

LIST OF ACRONYMS

IPEC	Insurance and Pensions Commission
FCSZ	Finscope Consumer Survey Zimbabwe
GDP	Gross Domestic Product
PDL	Poverty Datum Line
ZINARA	Zimbabwe National Roads Administration
IRA	Insurance Regulatory Authority
HMG	Hotel Management
AKI	Association of Kenya Insurers

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter introduces the study. It goes on to discuss and explain the background of the problem under discussion which gives the reader a clear and basic understanding of the research. This is followed by the problem statement which is the main path under which the research follows. Sub research questions and objectives follow which try to fulfill the main reason for the research. The author goes on to discuss the delimitation, limitations encountered during the research, assumptions as well as justifications for carrying out this research. Last but not least, key terms used are defined.

1.1 Background

Risk is an inevitable element of life that is inherent to every activity that one carries out on their day to day errands be it an individual or an organization. Each group of people faces different types of risks which are associated with its activities. If risk is not well managed, losses suffered tend not to have any mechanism that may assist an individual or an organization to bear the associated costs. The principle of insurance exists to curb for such losses. Bach cited in Gitau (2015), describes insurance as an arrangement by which a company or government agency provides a guarantee of compensation for specified loss, damage, illness, or death in return for payment of a premium. Since risk is inevitable, it simply means that everyone is surrounded by risk and hence insurance becomes a necessity.

According to Majaka (2015) at least 70% of Zimbabwe’s adult population is not insured at all,” which shows that there is a large market for the insurance companies to tap in. According to Finscope Consumer Survey Zimbabwe (FCSZ) (2014), 68% of the 70% say that they cannot afford insurance cover at all. Of the 68% who do not have insurance, 30% claim that insurance is very expensive and not affordable whilst the other 30% believe that they do not need it at all. Another 30% of those who claim to have insurance, it is in the form of insurance cover by burial societies and the other group of 10% is constituted by those people who are clueless of what insurance is. These statistics show that insurance uptake in

Zimbabwe is very low and the current penetration rate is at 2.1% which is the lowest in the region (Makoshori, 2015). This can be further evidenced by the gross premiums written for the year 2010 to 2015.

Table 1.1 Short Term Insurance Uptake: 2010 to 2015

Year-end date	Gross premium written ($m)	Growth (%)	Net premium written ($m)	Growth
2010	117.31	41.00	64.08	46.00
2011	158.97	35.51	82.43	28.64
2012	194.00	22.04	99.91	21.21
2013	209.84	8.16	110.28	10.38
2014	214.91	3.48	119.51	8.37
2015	214.71	3.21	119.47	(0.03)

Source: Adapted from Insurance and Pension Commission Non-Life Insurance Reports

The above table shows that during the post dollarization era, insurance took an upward trend which saw the short term insurance industry writing more insurance business each year compared to previous years. Though gross premium written for each year has been increasing, the rate at which it has been increasing is decreasing gradually as a result of the decrease in the uptake of insurance by the majority of the Zimbabwean population. The insurance industry tends to move in tandem with the economic environment and hence the downward trend of the gross premium written. Furthermore, the emergence of the multicurrency system contributed to a decrease in the uptake of insurance in Zimbabwe by the insuring public, which lost its confidence in insurance as it lost its insurance covers during the hyperinflation era and was hence told to purchase new covers using the new currencies available. This left it with the perception that insurance companies are crooks henceforth felt more comfortable bearing its own risks than passing them on to insurers.

The insurance industry is comprised of the service providers as well as the consumers of the service however, major and most Zimbabwean companies who are part of the major client base of most insurance companies have since downsized or closed down. These companies are the major purchasers of insurance in Zimbabwe and hence the decrease in the uptake of insurance. This follows the reduction of the population that also used to purchase insurance as a result of retrenchments. The insurance industry follows the fortunes of its clients and when their business is going down the industry cannot grow (Mangudhla 2014).

However some short term insurers have resorted to making insurance affordable to the poor since the majority of the Zimbabwean population is living below the poverty datum line. According to Nyakazeya (2014), trying to match the PDL, which is currently pegged at US$505, is too steep for many employers who themselves are struggling with liquidity and capacity utilization challenges. Thus leaving a lot of Zimbabweans with a little of their disposable income to purchase insurance. Makanda (2013) further says that most Zimbabweans view insurance as a luxury and not a priority since they earn very little wages which are not even enough for their minimum life requirements. There are various products that insurers are tailor making in order to make insurance affordable.

1.2 Statement of the problem

There is low uptake of general insurance products in Zimbabwe. The majority of the population has no insurance. Although some clients still purchase insurance, the gross premiums written has been growing at a decreasing rate.

1.3 Research questions

This research will try and answer the following questions:

1.3.1 What strategies can short term insurance companies implement in order to improve insurance uptake in Zimbabwe?

1.3.2 What are the current strategies that short term insurance companies in Zimbabwe are implementing to improve insurance uptake?

1.3.2 What is the impact of the employment of such strategies to the growth of the insurance business written?

1.4 Research objectives

This research will try and follow the following objectives:

1.4.1 To assess the current strategies that short term insurance companies in Zimbabwe are implementing.

1.4.2 To evaluate the effectiveness of employing such strategies to the growth of insurance business written.

1.4.3 To recommend alternative strategies to improve insurance uptake in Zimbabwe.

1.5 Assumptions

The following assumptions will be used during this research:

1.5.1 The sample used during this research will be held to represent the whole population.

1.5.2 At least a questionnaire response rate of 75% will be achieved to make data analysis possible and meaningful.

1.5.3 Respondents will respond accurately and without bias to questions in the questionnaires.

1.6 Importance of the study

This research is important to the following:

1.6.1 To the student

This research is very important to the researcher since it will give the author a better understanding of the area under study. The research is also being done in partial fulfillment of the Bachelor of Commerce Honours degree in Insurance and Risk Management at the Midlands State University.

1.6.2 To the university

This research is also important to the university as it will also be used by other students who would wish to research on the same topic.

1.7 Delimitation

The research will be mostly carried out in Harare where most insurance companies' head offices are located. The research will be carried out during the August 2016 to November 2016 period. The period covered during the research will be December 2010 to December 2015.

1.8 Limitations

The following limitations may hinder the progress of the research:

1.8.1 Time

Time is a very limited resource especially to the researcher who is a full time student and hence has to make time for this research in order to be successful.

1.8.2 Holding of sensitive information

This research may face this limitation as it will be specializing on company performances and hence some companies may withhold such information.

1.8.3 Shortage of finances

The researcher is a full time student and there is no budget for this study. Financial resources will be required for travelling, surfing the internet, typing and printing the research report.

1.9 Definition of terms

1.9.1 Risk

It is the possibility of an unfortunate and unforeseen event happening. Risk entails both uncertainty and exposure (Holton, 2004). Risk is a combination of the chance of a particular event, with the impact that the event would cause if it occurred. Risk therefore has two components that is the chance or probability of an event occurring and the impact or consequence associated with that event. The consequence of an event may be either desirable or undesirable (Sayers et al., 2002)

1.10 Summary

This chapter gave an introduction of the study area in order to give the readers a basic understanding of the research. It discussed the background of the study and defined the problem under study. It also gave the statement of the problem which is the major agenda of the research. Following the statement of the problem sub research questions, study objectives, assumptions, delimitation, limitations faced, and justification of the study were discussed. Lastly, key terms used in this study were defined.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The chapter focuses on the review of literature by many authors who have since written on the strategies that short term insurers can implement in order to improve the uptake of insurance. Literature review is an exhaustive summary and basic investigation of the applicable and non-applicable information and non-research writing on the subject being studied (Hart, 1998).An account of what has already been published on a research topic by accredited authors and its main purpose is to identify gaps in knowledge as well as help determine credibility and feasibility of the research by putting it in a broad framework justifying further research. The literature review was done on wide sources like the internet, textbooks, journals and dissertations.

2.1 Definition of terms

2.1.1 Insurance

Pareto (2010) defines insurance as a type of risk management in which the protected exchanges the expense of potential misfortune known as the premium to another entity in return for money related remuneration. In Balgaria, an insurance contract might legally hold the insurer liable for the losses and risks that the insured may happen to suffer in return for the payment of premium, and upon the happening of an insured event to pay the insured or a third beneficiary party an insurance indemnity or an amount in cash. Nisim (2010) states that insurance offers financial protection from known risks occurring or exposed within a stated period. Insurance is an exceptional product in that a definitive expense is normally obscure until long after the scope time frame (Nisim, 2010). Insurance is thus a risk-sharing arrangement (Leppert et al, cited in Ackah and Owusu 2012). The above definitions support the fact that insurance is an agreement entered into by both the insurer and the insured that in the event of the later having suffered a loss, the former will indemnify the insured in return for a price that is premium. It can therefore be concluded that insurance is a risk transfer mechanism with the misfortunes of a few borne by many in return for a price.

2.1.2 Short term/ nonlife/ general insurance

This branch of insurance specialises in insurance for objects and other tangible properties other than human life such as property, motor, buildings and liabilities that may arise as a result of the use of such. Insurance contracts in nonlife insurance normally run for the time of a year however it can be workable for cover to surpass a year (Geiss and Geiss, 2015). Nisism (2010) takes this type of insurance as an agreement that provides protection against harm to or loss of property caused by various perils, such as fire, damage or theft, legal liability resulting from injuries to other persons or damage to their property, losses resulting from various sources of business interruption, and or losses due to accident or illness. Ohlsson and Johansson cited in Gitau (2015) denotes short term insurance as a contract that provides financial protection against harm to people, loss or damage to property and other assets.

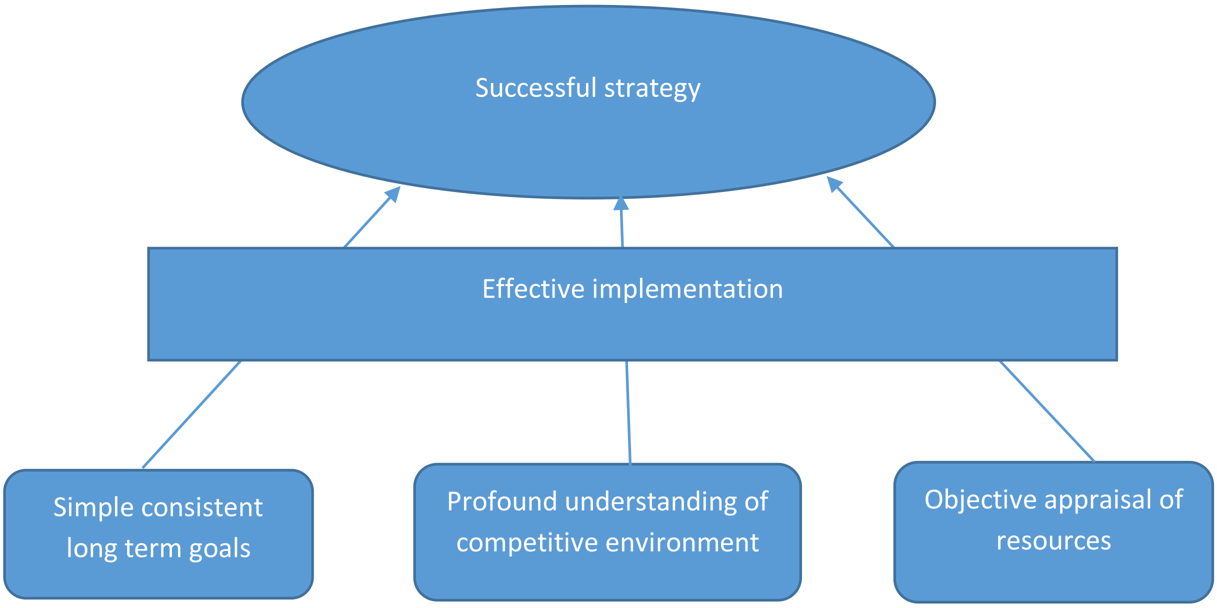
2.1.3 Insurance penetration

This alludes to the proportion of aggregate premiums from insurance products to the GDP of a nation. It is used to measure the uptake of insurance services (Haiss and Sumegi cited in Gitau, 2015).

2.1.4 Strategy

Casadesus-Masanell and Ricart (2009), defines strategy as a business model chosen by an organisation through which it will compete in the marketplace. Strategy can be further defined as a design, process, or sequence of activities for attaining a precise and desired result or objective. A business strategy is not only meant to be formulated but should also be implemented, managed and monitored just as any other business activity is carried out (the real meaning of strategy, 2000). Strategy can be viewed as a long-term route of a business organisation and hence it implies a more inclusive view than some influential definitions (www.catalogue.pearsoned.co.uk). Porter cited in Nickols (2016) argues that strategy is about competitive position, about differentiating yourself in the eyes of the customer, about adding value through a mix of activities different from those used by competitors. Johnson et al. (2008), supports that a strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations. Therefore a strategy can be said to mean that it is a long term path that an organisation seeks to follow in order to achieve its long term plans and goals. It also includes an aspect of the organisation's competitiveness in the market place and how its presence is felt.

Figure 2.1 Common elements of a successful strategy



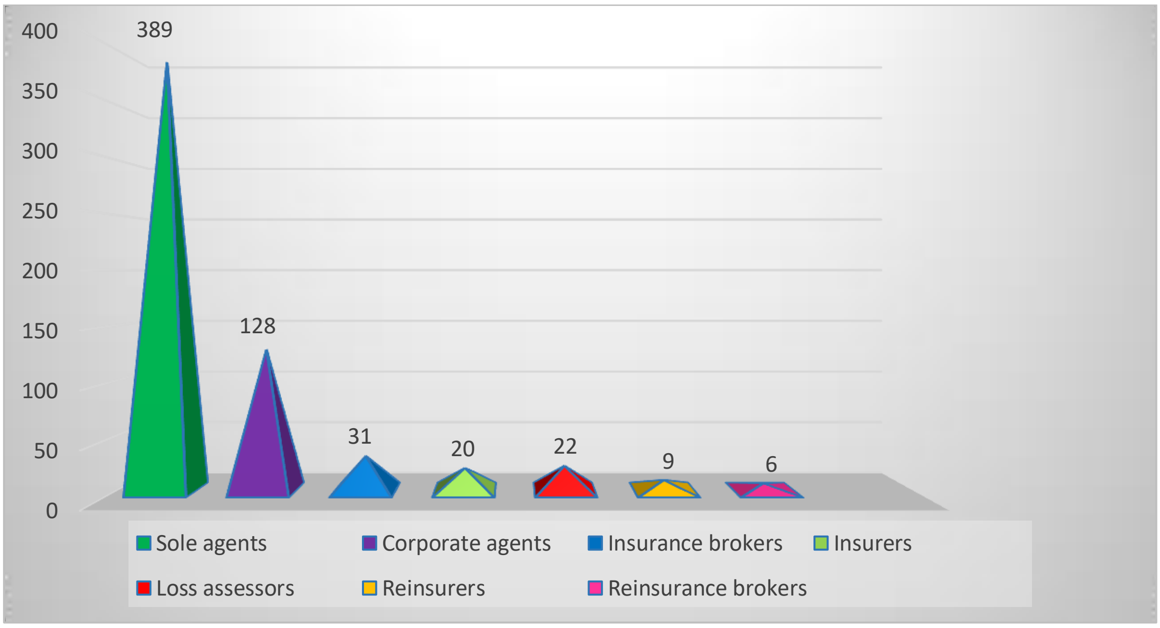
Source: Adapted from Nickols (2016).

From the above diagram, it can be deduced that in order for a strategy to be successful, the organisation has to be devoted enough to follow the laid down strategy in order to be successful. The organisation should be keen to understand the environment in which it will be operating and be geared up to brace up with any changes. Furthermore, a strategy needs the organisation to continue meeting up with new demands of the market by providing enough resources in order to be successful.

2.2 Features of the short term insurance industry of Zimbabwe

There are many players in the Zimbabwean insurance industry like in any other country and these include reinsurers, insurers, reinsurance brokers, insurance brokers, loss assessors as well as agents who all play an important role in the provision of insurance to the general public. Zimbabwe's insurance industry is similar to that of Kenya were there are insurance companies, reinsurance companies, intermediaries such as insurance brokers and insurance agents, risk managers or loss adjusters and other service providers (IRA, 2010). According to IPEC (2015), there are six hundred and five players as depicted on the bar graph below:

Figure 2.2 Short term Insurance Industry Players



Source: Adapted from the Insurance and Pension Commission December 2015 Report

This whole non-life insurance industry in Zimbabwe is regulated by the Insurance and Pension Commission with which the commissioner is responsible for the enforcement of insurance rules and regulations through the enforcement of the Insurance Act of Zimbabwe Chapter 24: 07. This insurance acts regulates the activities that are carried out by all the players in the industry to ensure fairness and smooth competition.

2.3 Short term insurance products

Non-life insurance products includes medical, fire, property, theft, liability, agricultural, aviation and marine insurance, among others (AKI cited in Gitau, 2015).According to the IPEC (2015), the following classes of business are underwritten in the insurance industry of Zimbabwe: motor, marine, fire, health, farming, aviation, liability, accident, miscellaneous accident, hail, bonds and guarantee, engineering and hire purchase.

2.4 Factors affecting the demand or uptake for short term insurance products

2.4.1 Economic factors

2.4.1.1 Price of the product

Chatterjee (2012) in a presentation says that price and in the case of insurance (premium) has a negative impact on the levels of insurance demand. This means that as premiums rise, demand for insurance decreases and that if premium decreases demand of insurance rises. According to a study carried out by Kamau (2013), it was found to be very difficult to comprehend the way insurance products are priced and thus insurance products were said to be very expensive and out of grasp for the vast majority of people living in Africa. Therefore as a result of this study, the cost of insurance is linked to the low penetration rate. It can be greed that low insurance penetration in Kenya is associated with the cost of insurance as supported by (Dowd, 2007 and Tenkorang, 2001, cited in Kamau, 2013). It was further noted that there is great need for insurers' flexibility and convenience in the gazetting of insurance premiums so as to attract more product consumers.

2.4.1.2 Price of substitutes

The extended family systems that are existing in most African countries have been the pillar for informal and social connections that have been seen extending help to defray some pressing needs. According to Ackah and Owusu (2012), these connections have the potential to overshadow the individual‘s sense of vulnerability to financial shocks. The availability of substitutes is negatively related to the demand for insurance. As can be evidenced by many African family setups, extended family mainly cater for the needs of other family members and hence a decrease in the uptake for insurance products.

2.4.1.3 Level of income

The demand for nonlife insurance products is mainly affected by the levels of income among other factors. There is a positive relationship between levels of income and demand for insurance such that in the event of the levels of income having been increased so does the levels of demand since insurance will have become more affordable (Feyer, Lester, and Rocha, 2011). Gross domestic product per capita measures the level of income of a particular country and this measurement influences the consumption of insurance positively thereby increasing the demand for non-life insurance products. Chatterjee (2012) also supports that income levels have a positive impact on the levels of demand for insurance products. (Enz cited in Ranger and Williamson, 2011) supports that there is a positive correlation ship between income and insurance demand.

In his presentation, Nduna (2013) explains that poverty is still rife in most African countries with the majority of the population living on less than US$2 per day. Unemployment is still high in some countries and hence less disposable income is available for the purchase of insurance. Treerattanapun (2011) says that as per all past studies, income is the most important factor influencing purchasing decisions. Obviously, increased income allows for higher consumption in general, makes insurance more affordable, and creates a greater demand for non-life insurance to safeguard acquired property. In this manner, income has a solid, positive effect on non-life insurance demand. Ackah and Owusu (2012) further portrays that it is progressively turning out to be more vital for individuals in third world economies to find financial buffer for times of sudden need Adamba and Owusu cited in Ackah and Owusu (2012), however calls attention to that actually most of the population in Africa are without such financial cushioning and thus a decrease in the uptake of insurance products.

2.4.1.4 Inflation

Mazviona (2014) states that the economic challenges experienced in the country brought about the diminishing levels in the uptake of insurance products as an aftereffect of the hyperinflationary environment in which the industry was operating in. This hyperinflation destroyed into the insureds' commitments and even disintegrated the cover that was there before inflation. This shows that inflation has a negative relationship with the demand for insurance as demonstrated by the above source. This has been further evidenced by the decrease of the gross premium written in Zimbabwean during the post dollarization era backing up the fact that demand for insurance is negatively related to inflation.

2.4.1.5 Urbanisation

According to Treerattanapun (2011), it has been found that the rate of interaction between people in urban territories increments and in this manner urbanization has been seen as an intermediary for misfortune likelihood which implies that if there are high chances of suffering a loss the need for protection in the form of insurance also increases. The fast urbanization that is occurring in Africa will produce a vast pool of white collar purchasers who would require a mechanism like insurance upon which they would spread their risks on (Nduna, 2013). As a result of urbanization, families become smaller and family insurance vanishes, so extra sources of money related security are required. Park and Lemaire (2011) supports that as a result of many African abandoning agriculture and taking on industrialisation, urbanisation is positively related to the uptake of nonlife insurance.

2.4.1.6 Market Concentration

This quantifies the level of business sector rivalry. A high index is associated or rather implies that there will be low insurer concentration in a particular area which means that there will be less competition and also less demand for insurance products. The presence of competition forces premiums down and hence an increase in the demand for insurance. High demand should lead to high competition but the opposite may occur (Treerattapun, 2011). Park and Lemaire (2011) are of the opinion that high market competition forces prices down thereby making insurance more affordable. The absence of competition leaves the insurance sector under a monopolistic insurer who may deliver low quality and costly insurance products thereby reducing the demand for insurance. Therefore market competition has a positive relationship to the uptake of insurance.

2.4.2 Political, regulatory and legal factors

2.4.3.1 The rule of law

Insurance companies have a tendency to have an entrepreneurial conduct clearing path to the abuse of buyer rights along these lines laws are exceptionally pertinent to the security of the formers' rights. Some organisations may refuse to pay claims, or alternatively reduce the investment returns due on a policy. It is argued that a legal framework which places a more prominent accentuation on the effective and efficient fulfillment of debt obligations to creditors as opposed to a system which provides debtors with protection from creditors will improve the value of an insurance contract to a policyholder, thereby increasing demand for insurance (Beck and Webb, cited in Hussels et.al, 2005) . Where there is sufficient assurance of property rights and the implementation of contractual agreements by the legitimate framework, the worth ascribed to insurance services should rise. The authorization of property rights in reality makes a motivating force to gain and safeguard property since government and lawful requirement of property rights shield people from misfortune or harm to the advantage. Esho et al. cited in Hussels et al. (2005) indicate that there is a solid positive connection between the protection of property rights and general insurance consumption. Park and Lemaire (2011) believe that there is a positive relationship between the protection of property rights and insurance consumption.

2.4.3 Socio-cultural factors

2.4.3.1Culture

Hofstede cited in Mazviona (2014) is of the opinion that national culture is one of the determinants that impact the level of insurance demand by people in a particular country as a risk transfer mechanism in an economy however, Esho et al. cited in Maziona (2014) highlights that the demand for insurance is predominantly unaffected by social variables. This is however upheld by Park et al. cited in Mazviona (2014), who neglects to recognize that national culture significantly affects insurance inescapability in a particular country. The accompanying viewpoints clarify contrasts crosswise over cultures as a determinant of demand for nonlife insurance products. There has been general poor insurance culture on the continent, and no negative mental impacts of not having a policy amongst the majority of the population (Nduna, 2013).

2.4.3.1.1 Individualism

Individualism measures the degree to which people in a country prefer to act as individuals rather than as members of groups (Park and Lemaire, 2011). The more individualistic people in a specific country are, the more protection by way of insurance they tend to purchase to secure their riches as they depend less on family or depend less on other individuals. Insurance consumption of a country is positively related to its level of individualism (Treerattanapun, 2011).

2.4.3.1.2 Masculinity

Masculinity clarifies whether natural sex differences impact roles in social exercises. It speaks to the diverse roles of males and females that every general public pictures for itself. In manly social orders, performing, accomplishing, and procuring a living are given principal significance. In female social orders, helping other people and the environment, having a warm relationship, and minding the quality of life are key values. Manly social orders may purchase more insurance to be more in control of the future without bounds, a component that may exceed the more elevated amount of consideration in female social orders (Treerattanapun, 2011).

2.4.3.1.3 Uncertainty Avoidance

Uncertainty avoidance index evaluates the degree to which individuals feel undermined by instability and vagueness, and attempt to stay away from these circumstances. It measures the level of inclination for organized circumstances, with clear standards in the matter of how one ought to act. Uncertainty avoidance is linked to hazard avoidance or risk aversion yet it is not risk aversion. Individuals who are risk averse will take on more risks that they are remunerated to do as such with an objective of expanding utility capacity while individuals with a high level of instability evasion unequivocally lean toward a well-defined unsurprising result. In this manner, the effect of instability shirking on non-life insurance consumption might be uncertain (Treerattanapun, 2011).

2.4.3.1.4 Power distance

Power distance is the level of disparity among individuals which the number of inhabitants in a nation endures. The power index endeavours to catch contrasts in how countries manage disparity in riches, influence, and benefits. High power distance nations acknowledge these imbalances all the more effectively, and consent to a high level of centralization of power and despotic administration. In high power distance countries, people surrender force and power promptly, yet expect consequently their superiors to be aware of their welfare and go out on a limb activities to lessen their danger, in this manner diminishing the need for insurance protection (Chui and Kwok cited in Park and Lemaire, 2011).The impact of power distance is along these lines viewed as negative.

2.4.3.2 Level of education

Education is a demographic determinant that is relied upon to positively affect the demand for insurance. In the scholarly writing, the level of education in a state is used as an intermediary for risk aversion, however there are contrasts in the outcomes got for non-life and life insurance sector. As indicated by Chatterjee (2012) in a presentation, education positively affects the level of demand for insurance. This implies that as the level of education of a country rises, so does the demand for non-life insurance services as individuals will be more edified of the insurance protection system.

As indicated by Nduna (2013), the levels of education and health are decaying creating a reduction in the levels of demand for insurance products which underpins the thought by Chatterjee (2012) that education has a positive connotation with the demand for insurance. Treerattanapun (2011) says that the level of education in a nation is for the most part utilized as a proxy for hazard avoidance. Education expands the consciousness of danger and threats to financial related security furthermore individuals' comprehension of the advantages of insurance. For the non-life insurance industry, the suppositions join towards the possibility that education positively impacts the demand for such products (Curak et al. cited in Treerattanapun, 2011). Park and Lemaire (2011) support the fact that as a country gets more educated so expands the level of demand for insurance as the populace will be all the more acknowledging of the advantages of insurance

2.4.3.3 Types of occupation

Kamau (2013) states that the kind of occupation decides the probability of taking up insurance and that people in certain occupations or professions will probably take up insurance benefits hence, individuals in the informal sector have not held onto insurance as the capacity to pay premium amounts out if one takes up insurance as indicated. Betts (2004) cited to in Kamau (2013) avows that families with higher salary levels have a higher shot of taking up insurance covers than people drawn from poor backgrounds. The discoveries that individuals in some professions will probably uptake insurance is in accordance with Money and Mohan cited in Kamau (2013) who contended that people in professions like specialists, bankers and doctors were more informed about financial aspects than different occupations, for example, farming and henceforth an expansion in the uptake of insurance products.

2.4.3.4 Population

The population is young, growing and the demand for consumer goods and services including insurance is growing (Nduna, 2013).

2.5 Current strategies that short term insurance companies are implementing

2.5.1 Price adjustments

Mazviona (2014) states that there is serious rate undercutting in the insurance industry as all insurers are fighting for a very small cake as a result of massive competition in the industry. Thus, insurance companies are charging rates that are way below the standard industry rate gazetted by the industry commissioner as a way of attracting more customers. This move is however very dangerous in the fact that premiums collected will not be commensurate with the underwritten risk hence causing problems when a loss occurs. Hakutangwi cited in Mazviona (2014) affirms that due to the liquidity constraints and stiff competition in the market, there is urgent need to come up with diversified products as well as realistic premiums and desist from premium undercutting.

2.5.2 Distribution channels

2.5.2.1Authorised representatives and side-line agencies

These comprise of non-insurance companies distributing insurance products for commission (Tucci and Baker, 2005).These incorporate bancassurance, car dealers, postal savings offices, security organisations and railway offices. This channel is generally constrained to the offer of basic, institutionalized individual lines policies identified with their centre business with insignificant/disentangled endorsing or arrangement with the insured. Bancassurance is another type of side-line specialist distributor that is turning into an inexorably imperative wellspring of business to non-life insurance providers. The majority of insurance products circulated through the banks contain individual lines sold to home loan customers of the bank. Insurance companies have however made profits from these business's client's base in this manner increasing market penetration but however some customers have since backed away as they could not get specialised services.

2.5.2.2 Direct sales force

The out-dated distribution strategy for non-disaster insurance in China, transcendently among neighbourhood organizations, is the "direct sales" channel in light of the utilization of salaried in-house sales teams. Salaried sales agents offer insurance products to a scope of clients from large organisations through small little medium enterprises and individual buyers. In the early years of insurance sector improvement, all business was sold through direct deals (Tucci and Baker, 2005).This strategy is likewise conveyed through phone call focuses and web entryways. These have since figured out how to help insurance companies enter the insurance market more profound however insurers have been confronted with high recruiting, training and retaining costs. Another issue that is connected with this channel the propelling and remunerating part which saw a number of insurance companies poaching staff from others keeping in mind the end goal to bolster their own objectives.

2.5.2.3 Brokers and agents

These act as individual agents, intermediaries and corporate specialists who offer insurance products for the benefit of insurance companies for commission (Tucci and Baker, 2005). Individual agents act on behalf of the insurance company to offer their products, normally focusing on people or small to medium organizations. The intermediary channel is imperative for outside insurance companies, particularly for those who do not have the scale and capacity to set up direct business channels. Proficient organizations circulate an extensive variety of products for various insurance entities through their connections with both small and large corporations. This strategy for conveying products and services has ended up being effective in expanding the client base for some guarantors albeit a few insureds have since lost their trust in the insurance sector as a consequence of being misguided by these specialists. Tucci and Baker (2005), states that as a consequence of monstrous cerebrum deplete, a ton of business was lost and inexperienced brokers and agents were left and could not produce great results. This is in regards to the Zimbabwean situation where a lot of educated people left the country in search of greener pastures and hence crippled the insurance industry of skilled labour.

2.5.3 Product and service innovation

Monayery (2013) states that insurance companies should produce and offer new products that are commensurate with the circumstances and levels of financial capabilities of the insuring population. This ranges for the need of worldwide reinsurance with boundless experience in specific lines of risks (Monayery, 2013). Meyer and Tran (2006) supports that insurers are tailoring their strategies to the local context and that they are creating products and brand portfolios that match their competences with local needs. Product features must be aligned with customers' risk profiles and preferences, or customers are likely to migrate to competitor products that are more suitable to their needs. Product innovation based on in-depth customer intelligence and insight is critical for insurers. Relying on the traditional product portfolio is risky due to the dynamic nature of the industry, especially for personal lines of property and casualty products (Singh, 2012). In Zimbabwe, most insurance companies are now offering tailor made insurance products that suit the needs of their customers in terms of coverage and affordability. The business sector members have astoundingly comparative business profiles and there might be potential prizes for those organizations that can create and keep up an alternative business technique (Tucci and Baker, 2005).

2.5.4 Micro insurance

Micro insurance is defined as the security of low income individuals against particular risks in return for standard premium instalments proportionate to the probability and cost of the risk involved (insurance in developing countries, n.d). However, micro insurance is insurance intended for the low income earners and subsequently insurance entities that are as of now utilizing this methodology have contemplated making it feasible for low salary workers to transfer their risks. Considering the current market conditions in Zimbabwe were the majority of the population is uninsured as a result of the unaffordability of traditional insurance products, the insurance in developing countries, (n.d) states that in premium collections are thus irregular compared to those of the traditional insurance. This makes it possible for the population operating in the informal sector to afford insurance. On the other hand micro insurance penetration maybe faced by many challenges including low levels of education and lack of appreciation of insurance. According to Tucci and Baker (2005), it is a key management challenge to comprehend the genuine underwriting aftereffects of the business and be ready to move out of bankrupt lines that are unsustainable at winning premium rates or to force stricter underwriting controls that accurately price and exclude inferior risks. Keeping in mind the end goal to accomplish this control, it is basic to isolate the underwriting and sales departments however, in practice many companies appear to have given the sales function too much authority.

Insurance companies are therefore urged to adjust their procedures towards client knowledge activities that depend on future consumer needs and that insight ought to be organized to make a solitary perspective of the client. Adjust products, distribution channels, and procedures to match buyer inclination and needs, and plan investments in new products or channels that address changes in consumer inclinations. Change front office and other core functions and improve innovative abilities to bolster the requirements and inclinations of future clients.

2.6 Challenges to the uptake of short term insurance products

2.6.1 Transactions costs associated with managing large volumes of small policies

According to the statistics provided in the introductory chapter, it shows that the majority of the Zimbabwean population is uninsured at all as a result of the poor economic conditions that are currently prevailing in the country and hence making a lot of people unable to access insurance. Most households in Zimbabwe have since turned to the informal sector for survival and commercial insurance companies should do the same by taping against this unserved market for survival as well. It is quite a challenge for the commercial insurers to meet heavy costs that are associated with marketing insurance products to the market which is very much unfamiliar with the subject at hand (Churchill, 2007). It is also quite a difficulty for the insurance companies to collect premium from people who do not even possess bank accounts (Churchill, 2007).Insurers have contributed to the decrease in the uptake of insurance as they tend to take longer than normal and expected in paying out claims thereby reducing the insuring public's opinion and confidence towards it (Rejda, 2004).

2.6.2 Distribution channels to informal sector

According to Churchill (2007), brokers, agents and direct sales used by commercial insurers are only suitable for corporate customers and high valued individuals and hence do not reach out to the informal sector. This is a noteworthy test which has seen the uptake of insurance diminishing as the greater part of individuals living in underdeveloped nations are predominantly depending on the informal sector for survival. Insurance brokers and private agents are the ones who are responsible for the selling of insurance products (Kozak, 2011). In Zimbabwe as evidenced by their dominant numbers in the market, insurance brokers play a very important role in increasing the uptake of insurance as they are closely linked to the insuring market. Insurance brokers have been the sole client touch point and this distribution model has led to erosion of customer confidence as many brokers have since misadvised customers on the products and even expected projections of their policies at maturity (Odemba cited in Gitau, 2015).

Agents have also at times misappropriated customers funds; instead of using it to pay premiums, they divert to personal use. Customers are therefore very sceptical in dealing with insurance brokers and business has been lost leading to poor penetration of non-life insurance (Bull cited in Gitau, 2015). Wharton and Cole (2012) argued against other authors that insurance agents give poor advice which are misleading to clients .Gupta (2014) states that insurance agents play a pivotal role in creating awareness and increasing gross premium, they promote the purchase of insurance policies. Karamchandani et al (2011) states that Holland Insurance Group opted to venture into the informal sector and strategized an approach of selling their policies which was different from other insurance companies selling strategies. They may even work in conjunction with retailers where policies can be bought on counters. The training of agents in insurance sector have a positive influence on both profits and gross premium.

The low penetration rates are also attributed to the existence of poor distribution channels. In most African countries, channels of insurance purchase include broker, agents and direct access to the insurance companies themselves by the potential clients. The use of mobile phone technology, the internet and bancassurance, are not yet widespread (Nduna, 2013). Kamau (2013), suggests that there are significant opportunities to widen the reach and become more efficient by using mobile and online technology to deliver education and solutions. Unfortunately, insurance companies have been slow in embracing the use of the internet, mobile phone, social media and contact centres to improve service which has led to customer dissatisfaction leading to poor penetration of life insurance (Gitau, 2015).

2.6.3 Innovation and technology

Technological changes and the need for advanced technology are also buffeting the back office. Mobile and web-based customer interactions increase the potential for companies to use data analytics to customize and price products, yet integrating sales, operations and claims departments can prove difficult. It is worth noting that these are also challenges for insurers in mature markets (waves of change, 2016). Insurance has been slow in using technology to break down organization silos and improve efficiency. In many insurance companies in developing countries, there is a lot of paperwork resulting to inefficiencies. Most companies have not digitalized their filing processes making work slow and cumbersome. In Kenya for instance, the increased growth in banking is largely due to automation (Kaguma cited in Gitau 2016). Lack of proper infrastructure often militates against the effective operation of insurance companies in Africa. Communication is often difficult due to bad roads and poor telecommunications (Nduna, 2013). This means high costs of doing business and limit the products being offered, and some of them becoming expensive. Therefore the lack of technology in the insurance market has led to a lot of mistakes and hence a decrease in customer confidence leading to a reduction in the uptake of insurance.

2.6.5 Products designed by insurers not suitable for low income earners

Low income earners are characterised by irregular cash flows of households with breadwinners in the informal sector and hence insurance becomes too expensive and inaccessible for this market (Churchill, 2007). Policies made by insurers tend to have complex exclusions, inappropriate insured amounts and indecipherable legal policy language which goes in the opposite direction with the basic understanding of a layman and hence creating a gap between insurance acceptability by the low income earners and the product. In Zimbabwe it is estimated that more than 80% of the economic labour force is operating in the informal sector with only less than 20% in the formal sector. This means that the majority have no regular income which permits them to have access to regular financial products. A significant contribution of national income comes from the informal sector. This can be said of most African countries. However there are no suitable products to service this sector implying that a huge chunk of the population is not serviced as far as financial products are concerned (Mazviona, 2014).

2.6.6 Lack of industry data and changing insurance experience

It is true that low income earners are the most vulnerable group in the whole society as they are prone to many risks which they cannot protect themselves against. On the other hand insurers lack the data to correctly interpret this market’s vulnerability and hence tend to build a hefty margin for the error and then make adjustments once claims start to come in. As a result of all this, premiums become unaffordable to the same market which is needed for the improvement of the uptake of insurance. A company may take risk that will cause it to pay large amounts of claims in return of very little amount of premium it receives which is caused by lack of proper actuarial calculations (Abor and Akotey, 2011).

The personnel in the department which receives business may misjudge their calculations and accept very risky business at very lower premium. Richmond (2010) postulates that incorrect and extreme claim settlement have a negative impact on profits and it is as a result of misjudgement by the personnel responsible for scrutinizing the business before its acceptance. Cheng and Weiss (2012) states that some of the risks may be underweighted by insurance companies. This explains that in the day to day running of business insurance companies' staff may erroneously underestimate the risk associated with the product which will in turn cause large volumes of claims. Sometimes there is little reliable information on the potential consumers that exist in the market. Consequently, there is a low uptake of insurance cover at individual and sometimes at corporate levels. There is a general poor attitude towards personal insurance cover in some African markets (Nduna, 2013).

The use of best practice technical approaches to claims reserving and product pricing in China has been significantly hampered as a result of poor data collection practices by insurance companies in the past. While this is slowly improving in the industry, it will be some years before a reasonable volume of historical data is available for such approaches to be used to best effect. Even if data collection techniques are improved, the relevance of historical experience will be questionable (at least in the short term) due to the rapidly changing insurance experience within China as the market grows. A good example of this is in motor insurance where the number of new motor vehicles and new inexperienced drivers is increasing rapidly throughout the country. This rapidly increasing exposure and the likely change in risk profile of insured drivers may mean that future experience will differ significantly from that of the past (Tucci and Baker, 2005).

2.6.7 Lack of awareness and marketing

Gross domestic product and gross domestic product per capita do not show the distribution of wealth, the penetration ratio does not show the spread of the consumption of insurance products (Mazviona, 2014). Education and marketing are viewed as the tools to overcome the uneven spread of insurance consumption. There is also low awareness and lack of knowledge of insurance products. There is a low level of financial literacy amongst the populace. In some cases, there is lack of information about the market (Nduna, 2013). A previous study suggested that lack of knowledge about insurance products, and to an extent misunderstanding of the concept of insurance accounts for the low uptake of insurance among the low-income population in Ghana (Ackah and Owusu, 2012).

2.6.8 Undue interference from the government

Weak regulation results in the poor protection of consumers. In some cases there is ineffective and ill-enforced legal frameworks. In most cases, insurance legislation in Africa does not comprehensively capture how members of the informal sector can benefit from the insurance business. In some countries, bankruptcy laws are not reliable (Nduna, 2013).This can be further contrasted with the laws that are available in Zimbabwe by way of the insurance act which does not stipulate anything in regards to the protection of the insurance consumers.

2.6.9 Low ethical standards by insurers

Pappas cited in Mazviona (2014) defined ethics as a system of moral standards or values. Ethical versus unethical behaviour can be adjusted by the extent to which stress is given to the values of right versus wrong, good versus evil, fair versus unfair, or just versus unjust (Lemare in cited in Mazviona, 2014). Ethical behaviour is the conformance to social norms, such as fair play, honesty, and full disclosure. Ethical behaviour enhances consumer confidence in the products on offer and the company offering them. The insuring public has since lost its confidence in the insurance industry and no longer acknowledge the importance of insurance but instead have confided itself in its own pockets. Therefore there is need for the insurance industry to brace up and restore its image and consumer confidence and the creation of a stable insurance sector (Mazviona, 2014).

2.7.0 Proper Pricing and payment plan

Zhu et al (2013), uncovers that under high hazard and vulnerability some insurance companies which are danger opposed have a propensity of charging over the top costs that will consequently exacerbates inefficiencies, they may abstain from entering high hazard markets and trigger inefficient in the performance of the organisation. The charging of these high premiums by the companies due to risk averse may create a bad image of the company resulting in the company attracting few clients and thereby resulting in the reduction of profits. The situation was supported by HMG Hospitality (2013) when he elaborate that any organisation can build income through a strategy of offering competitive pricing ,quality products and minimize cost of a product, he went on saying that many academic researchers in many countries have discovered that pricing may impose an extra cost to clients. The entity should as well give clients some payments plans for insurance policies to be affordable thus Milhaud (2010) states that most clients prefer to pay their premiums on a monthly basis.

If CBZ Insurance properly price its policies and give affordable payment plan to clients it will realise an increase in profits and business written.

2.7.1 Lack of trust by the insuring public

There is a general lack of trust of insurers by the overall population. In some regions where insurance companies have not performed well by way of closure and where the insuring public has not been treated fairly as their claims have not been settled as agreed, the former are generally perceived negatively. Even when the economy has stabilized, it has been proven very difficult to persuade such people to purchase insurance products leading to a decrease in the uptake of insurance. Insurance market practices are the main pillar and background under which consumer confidence and trust emanate from and hence unscrupulous and unethical conduct by insurers leads to a decrease in the trust and confidence of the insuring public towards insurance (Nduna, 2013). It further emanates from lack of public confidence on how insurance mechanism operates. The joining of corporate administration issues, high moral standards by insurance practitioners a strong regulatory environment that makes an empowering situation, effective utilization of IT frameworks, learning associations, quality administration conveyance and satisfactory capitalisation levels are the building squares to a transparent, proficient and safe insurance market environment. Insurance companies ought not to be used as conduits for professional financial related violations. (Mazviona, 2014).

2.8 Chapter Summary

The chapter gave the basis under which the study is being carried out by the author by narrating the literature review of the problem under study. The author went on to look at each of the strategies the market under study is currently implementing with the agenda of trying to gather the weaknesses and strengths posed by such strategies and their detriment to the uptake of insurance products in Zimbabwe.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter outlines the methods used by the researcher to gather the applicable data and its subsequent analysis. Rajasekar et.al, (2013) defines research as a logical and systematic search for new and useful information on a particular topic. Research is a systematic process of collecting, analysing, and interpreting data in order to increase our understanding of a phenomenon about which we are interested or concerned (Rosnow and Rosenthal, 2008). The research process is systematic in that defining the objective, managing the data, and communicating the findings occur within established frameworks and in accordance with existing guidelines (Williams, 2007). Furthermore, this chapter goes on to discuss the research design, target population and the respective sampling techniques, data collection methods and the research instruments.

3.1 Research design

Kolbaek nako (2014) defines a research design as systematic plans and procedures a researcher develops to study a problem. A research design defines the design type, study type, research questions, data collection methods analysis tools and plans. Beck et.al (2001) defines a research design as the overall plan for collecting and analysing data including specifications for enhancing the internal and external validity of the study. (Burns & Grove, 2009) define a research design as a blueprint for conducting a study with maximum control over factors that may interfere with the validity of the findings. (Parahoo, 2006) describes a research design as a plan that describes how, when and where data are to be collected and analysed. Geisler (2004) also defines a research design as an action plan for carrying out a research. It should encompass the area of study, the population or sample size, variables to be measured or controlled to name but a few. Designing a research design enables the researcher to find information that is relevant to the study problem hence shading more light and thus getting the desired results.

There are three types of research designs which are quantitative, qualitative and the mixed method which a combination of the first two methods (Kolbaek nako, 2014). Creswell (2003) supports that there are three research designs which are quantitative, qualitative and mixed. The researcher uses post positivist claims for developing knowledge, employs strategies of inquiry such as experiments, surveys and collects data on predetermined instruments that yield statistical data under the quantitative method (Creswell, 2003). Quantitative research involves the collection of data so that information can be quantified and subjected to statistical treatment in order to support or refute “alternate knowledge claims” (Creswell cited in Williams, 2007).Creswell, 2003 defines qualitative research design as a design which requires the inquirer makes knowledge claims based on constructivist perspectives meaning that it uses strategies of enquiry such as narratives, phenomenologies, ethnographies and case studies.

3.2 Study Population

According to Saunders et.al (2009), a study population is a full set of cases from which a sample is taken. A population consists of all the subjects you want to study (Yount, 2006).Mugo (2002) defines a study population as a group of individuals persons, objects, or items from which samples are taken for measurement for example a population of presidents or professors, books or students. Therefore from the given definitions it can be drawn that a study population should suit the required criteria from which desired results can be gathered. According to IPEC (2016), there are twenty registered nonlife insurance companies in Zimbabwe which is the study population.

3.3 Sampling

According to Webster cited in Mugo (2002), a sample is a finite part of a statistical population whose properties are studied to gain information about the whole. Mugo (2002) defines sampling as the act, process, or technique of selecting a suitable sample, or a representative part of a population for the purpose of determining parameters or characteristics of the whole population. The sample method involves taking a representative selection of the population and using the data collected as research information (Latham, 2007). The researcher selected ten(10) nonlife insurance companies out of the twenty that are in Zimbabwe that are registered by IPEC which is fifty percent (50%) of the industry’s population.

3.3.1 Sampling Techniques

According to Panneerselvam (2004) the sampling plan can be classified into probability and non-probability sampling plans. Different plans in each of the categories are explained below.

3.3.1.1Random Sampling Method

There are four methods of sampling under the random sampling method which are as follows:

3.3.1.1.1 Simple random sampling

This random sampling technique provides an equivalent possibility of choice of the variable under study drawn from the study population (Hopkins, 2009). According to Teddlie and Yu (2009) a simple random sample is one in which every unit in the accessible population has an equivalent chance of being incorporated into the sample, and the probability of a unit being picked is not impacted by the choice of various units from the open population .Several ways can be utilized in order to come up with a simple random sample which includes picking names or numbers out of a hat or by the use of a computer program to generate a sample using random numbers.

3.3.1.1.2 Cluster sampling

The other method of sampling is called cluster sampling which according to Babbie cited in Creswell (2014) is perfect when it is unrealistic to order a rundown of the components creating the population. Cluster sampling involves isolating the population into groups and is generally used when the population covers an area that can be separated by regions (Allison et al; 2001). The sample elements are then chosen from the different clusters to come up with one sample. Yount (2006) depicts cluster sampling as a technique which involves haphazardly selecting groups, not individuals. It is often difficult to get a rundown of individuals which make up a target population.

3.3.1.1.3 Systematic

The other sampling method is called systematic sampling this is when components are chosen from the population at a uniform interim that is measured in time, order or space. Systematic sampling has similarities with simple random sampling except that the only random selection involved relates to which subject is selected as the first one from the sampling frame (Allison et al; 2001).Systematic random sampling is similar to simple random sampling as it also recognises and awards each element in the population an equal chance of being picked. Two or more random starting points are selected in order to maintain a probabilistic framework. This sampling technique however offers little protection against biases as compared to simple random sampling although it is said to be convenient. Its main purpose is to simplify the process of selecting a sample as well as to ensure the dispersion of sample units.

3.3.1.1.4 Stratified

Stratified sampling grants the researcher to distinguish sub-group inside a population and create a sample which reflects these sub-groups by arbitrarily picking subjects from every stratum (Yount, 2006). Once the strata have been distinguished a simple random sample is chosen from every stratum independently, the sample corresponding to the proportion of the elements in each stratum. Stratified sampling is used when the population is thought to comprise of various littler subgroups or sub populations, for example, male/female, distinctive age/ethnic/vested parties, which are thought to affect the information to be gathered (Allison et al; 2001).

For the purpose of this research simple random sampling is chosen as it ensures for an equal chance of participation. The sample of the study population comprise of operations managers of various insurance companies in Harare. The reason why these managers have been chosen is due to their accessibility as most insurance companies have their head offices in the capital city of Zimbabwe where most decisions are made.

3.3.1.2 Non Random Sampling

Non random sampling provides a range of alternative techniques to select samples based on your subjective judgement (Saunders, 2014). Four methods can be used under non-random probability and these include quota, judgemental, convenience and snowball sampling. The researcher believes that some subjects are fit for a research than others.

3.3.1.2.1 Quota

Quota sampling is where the researcher ensures equal representation of subjects depending on which characteristic is considered as the basis of the quota. Quota sampling is where the respondent selection is in the same ratio as found in the general population. Quota sampling refers to selection with controls, ensuring that specified numbers or quotas are obtained from each specified population subgroup for example households or persons classified by relevant characteristics, but with essentially no randomization of unit selection within the subgroups.

No population list is used, but a quota, usually based on census data, is drawn up (Elder, 2009).

3.3.1.2.2 Judgemental

Judgmental sampling is whereby subjects are chosen to be part of the sample with a specific purpose in mind. Judgmental sampling incorporates elements thought to be illustrative of the population and for this situation the researcher endeavours to come up with sample using judgment and the measure of error relies upon the skill and expertise of the researcher. A purposive sample alludes to the determination and selection of units based on personal judgement rather than randomization. This judgemental sampling is somehow illustrative of the population of interest without sampling at random. One of the commonest uses of purposive sampling is in studies based on very small numbers of areas or sites (Elder, 2009).

3.3.1.2.3 Convenience

Etikan et al, (2016) refers to convenience sampling as a type of nonprobability or non-random sampling where individuals of the target population that meet certain pragmatic criteria, for example easy accessibility, geological closeness, accessibility at a given time, or the readiness and willingness to participate are incorporated with the end goal of the study. It is likewise alluded to the researching subjects of the population that are effectively open to the researcher. Convenience sampling is where the sample is drawn for the convenience of the researcher. Convenience sample only includes those subjects that are immediately to hand (Allison et al; 2001).

3.3.1.2.4 Snowball

Snowball sampling is commonly used when there is a very small population size and when it is hard to distinguish members of the desired population. Not very large population and no population rundown is accessible; individuals from this type of sampling knows each other. It is the most effortless approach to create something close to a list of the whole population when no existing list is available. The impediment is that it requires a great deal of work when the population is large; separated individuals will not be incorporated into the study, which presents some bias (Elder, 2009).

3.3.2 Sample Size

According to Saunders et al (2009) the sample size is determined based on a 95% confidence rate interval, an estimate of margin of error and the total population which the sample was to be drawn. The larger the sample size the lower the margin of error and the smaller the sample size the larger the margin of error. Haralambos and Holbon (2000) specify that at least 33% of the population under study be used as the sample. The targeted number of insurance companies to make up the sample was ten out of the twenty short term insurance companies in Zimbabwe. These ten insurance companies were chosen to represent the whole short term insurance industry.

3.4 Research instruments and Data collection

The researcher used the survey design in which data was gathered using questionnaires and interviews for the purpose of this research. This was done to gain the validity of this research. There are two sources of data namely primary and secondary data sources.

3.4.1 Primary Data Sources

When data is gathered from a particular source for the first time and not from a previous research that is what is called a primary data source. The researcher used the following data sources in carrying out this research:

a) Questionnaires

b) Personal Interviews

3.4.1.1 Questionnaires

Evaluation briefs (2008) describes a questionnaire as a set of questions for collecting information from people by asking predesigned questions. A questionnaire is characterised as a report containing questions and different sorts of things intended to request data suitable for the research (Babbie cited in Acharya, 2010). The researcher designed a questionnaire with a standard number of questions and distributed to ten different short term insurance companies in Zimbabwe.

3.4.1.1.1 Advantages

a) Questionnaires are cheap and the researcher does not incur high travel and convenience costs.

b) They provide anonymity of respondents and along these lines giving certification of their secrecy.
c) Questionnaires are a relatively quick way of receiving a response. Questionnaires could be filled instantly or be collected within a day.
d) They avoid interview bias. Individual questions are regularly all the more eagerly responded as the respondent is not up close and personal with the researcher.

3.4.1.1.2 Disadvantages

a) As questions can't be confused, and should be basic and clear, the lavishness of data that is some of the time gathered with different techniques is lost.
b) You may not receive a spontaneous answer as respondents may discuss the questions with others before completing the questionnaire. As all questions are seen before they are answered, the answers cannot always be treated as independent.
c) Respondents signals and outward appearances could not be observed as these are fundamental correspondence signs that can viably be used to assess responses.
d) The targeted respondents may not complete the questionnaire. For instance, a busy manager may request that a personal assistant complete it for their benefit on their behalf.

3.4.1.2 Personal Interviews

The targeted interviewees were occupied individuals because of the nature and demands of their roles in the organisation. Since the interviewees were busy with their everyday work duties, the researcher had to save on time and used a structured interview where a set of prescribed questions for the interviewees had to be set.

3.4.1.2.1 Advantages

a) The major advantage of an interview is that both parties are presented to an up close and personal discussion and these lines outward appearances and facial expressions can be used by the researcher as a source of data and thus any misconceptions are cleared on point.
b) Interviews take into consideration more engaged dialogs and subsequently the analyst has chance to reword a few inquiries empowering the researcher to get however much information as could reasonably be expected.

c) Interviews allows for the respondent and the researcher to understand each other as the researcher will be checking on the comprehension of the respondent and can in this way empower the respondent on noting the questions asked.
d) Response rates are typically higher than for other methods of questionnaire administration
e) Materials that need to be shown to respondents can be appropriately exhibited.

3.4.1.2.2 Disadvantages

a) They are time consuming and costly as the researcher will spend some time travelling and time taken during interview sessions.
b) Respondents have a tendency to be more one-sided towards the researcher by giving doubtful responses to some questions subsequently stripping the validity of the information.
c) Interviews have the possibility to reduce the scope and sample for data gathering.
d) The results of numerous interviews may contradict each other or be difficult to analyse.

3.4.2 Secondary data

This alludes to data from sources other than the first source, whereby another researcher has accumulated information or data in their own specific research and has filed it for future references or showed it in a more prominent study. This ended up being the most supportive technique and in this manner represents a significant part of the researcher, particularly in the literature review and the investigation areas of this research.

3.4.2.1 The Internet

The researcher got to e-books, e-journals and works by different researchers and associations by means of the internet. Effortlessly, the researcher could look at both difficulties and key achievement components of implementing strategies that increase the uptake of insurance products in Zimbabwe.

3.4.2.1.1 Advantages

a) The internet provides lots of up to date information researcher with current updated information.
b) The Internet is user friendly and provides the researcher with all referencing and cataloguing done electronically.

3.4.2.1.2 Disadvantages

a) Internet speed and efficiency is dependent upon how congested the network server is and the higher the congestion, the slower it will be to retrieve information.

b) The internet is vulnerable to the virus risk. Computer viruses can easily corrupt documents before or after the researcher completes his work.

3.4.2.2 Textbooks and Journals

The researcher made use of various textbooks, journals and articles to name but a few in investigating on the strategies that short insurance companies can implement in order to increase the uptake for short term insurance products.

3.5 Summary

This chapter conferred the research design, study population, sampling techniques, and finally research instruments and data collection techniques used to collect relevant data enough to authenticate the main objective of the research to evaluate the strategies that short term insurance companies can implement in order to increase the uptake of short term insurance products in Zimbabwe.

CHAPTER FOUR

DATA PRESENTATION AND ANALYISIS

4.0 Introduction

This chapter gives an in-depth exploration regarding the findings relating to the strategies that short term insurance companies in Zimbabwe can implement in order to increase the uptake of insurance products. Questionnaires and interviews were carried out and are the basis of the presentations, discussions and analysis. The researcher found it a mandatory idea to use a number of statistical tools such as bar graphs, tables, pie charts and percentages and these have been used to clearly illustrate the findings from both primary and secondary data gathered by the researcher.

4.1 Response rate

According to Evaluation briefs (2010), a response rate is the number of participants who completed a questionnaire divided by the total number of participants who were asked to participate. Therefore two variables are involved when calculating or coming up with a response rate which is the sample size and the number of respondents. This is usually expressed as a percentage from 0% to 100%.De Vaus (2002) defines a response rate as a measure of what number of individuals sampled, really finished the survey expressed as a rate from 0% to 100%. It is typically felt that the higher the response rate, the more probable the outcomes are illustrative of the population given that the sampling is suitable in any case and that individuals who do not respond are generally the same in their perspectives as the general population who do react. Babbie (2010) gives an equation to computing the reaction rate. The formula is given below:

$$\text{Response rate} = \frac{\text{Number of valid responses}}{\text{Total number approached}} * 100\,\%$$

The researcher targeted ten short term insurance companies of the twenty registered companies in Zimbabwe. Out of the 10 questionnaires distributed all of them were filled and returned giving a response rate of 100%. All of the questionnaires were usable. The researcher managed to carry out 3 interviews successfully with operations managers from various insurance companies approached. Therefore the researcher can safely say that the results of the research are highly credible.

Table 4.1 Respondents who participated in the research

Respondents	Questionnaires dispatched	Questionnaires usable	Response rate
Operations managers	8	8	80%
Finance managers	2	2	20%
Total	10	10	100%

Source: Primary data

From the above graph, it can be clearly understood and seen that the research was carried out to the satisfaction of the researcher as all the targeted insurance companies agreed to participate with 80% of operations management as well as 20% of finance management.

4.2 Data Presentation and Analysis

The findings and results of the study are hereby analysed and presented below:

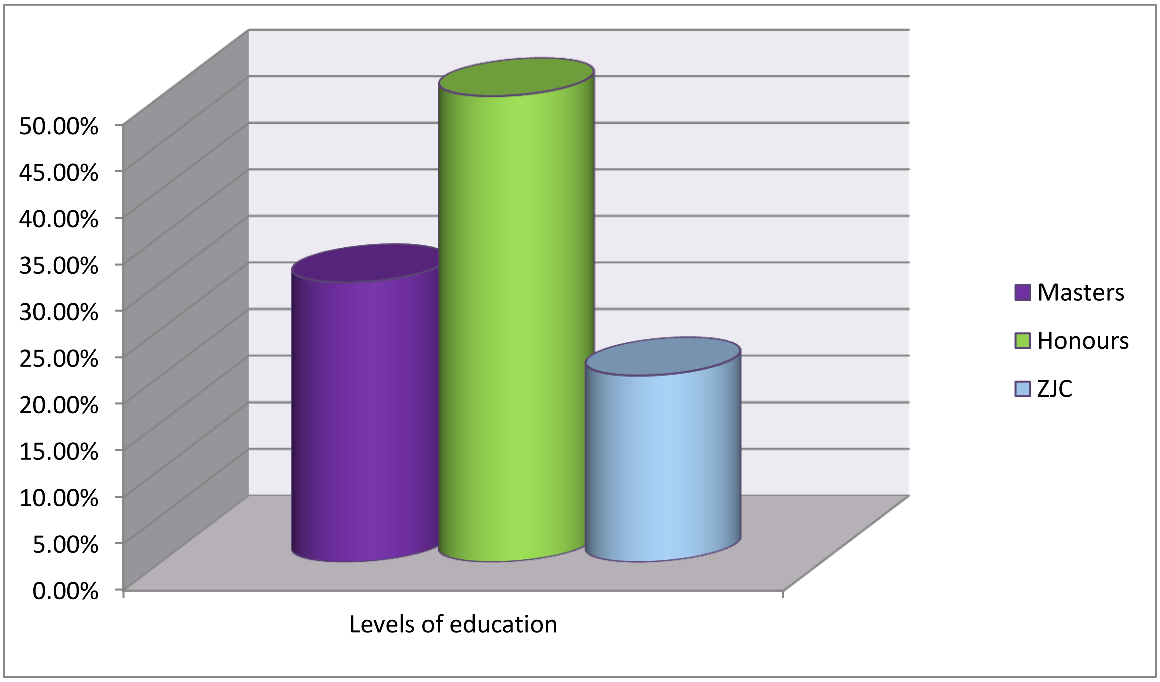
4.2.1 Respondents' level of education

This question was asked in order to ascertain the level of education the respondents had and hence come to see if the results could be credible enough. The level of education held by an individual has a large bearing on how one understands and see things. Therefore according to this study and in regards to this question, 30% of the respondents confirmed to be holders of a Masters degree as their highest level of education whilst 50% of the respondents confirmed to be holders of honours degrees and 20% of the respondents claimed to be holders of a ZJC certificate which is the lowest level of education drawn from this question. The table below has the statistics:

Table 4.2 Respondents highest levels of education

Masters	Honours	ZJC
30%	50%	20%

Figure 4.1 Respondents highest levels of education



Source: Primary data

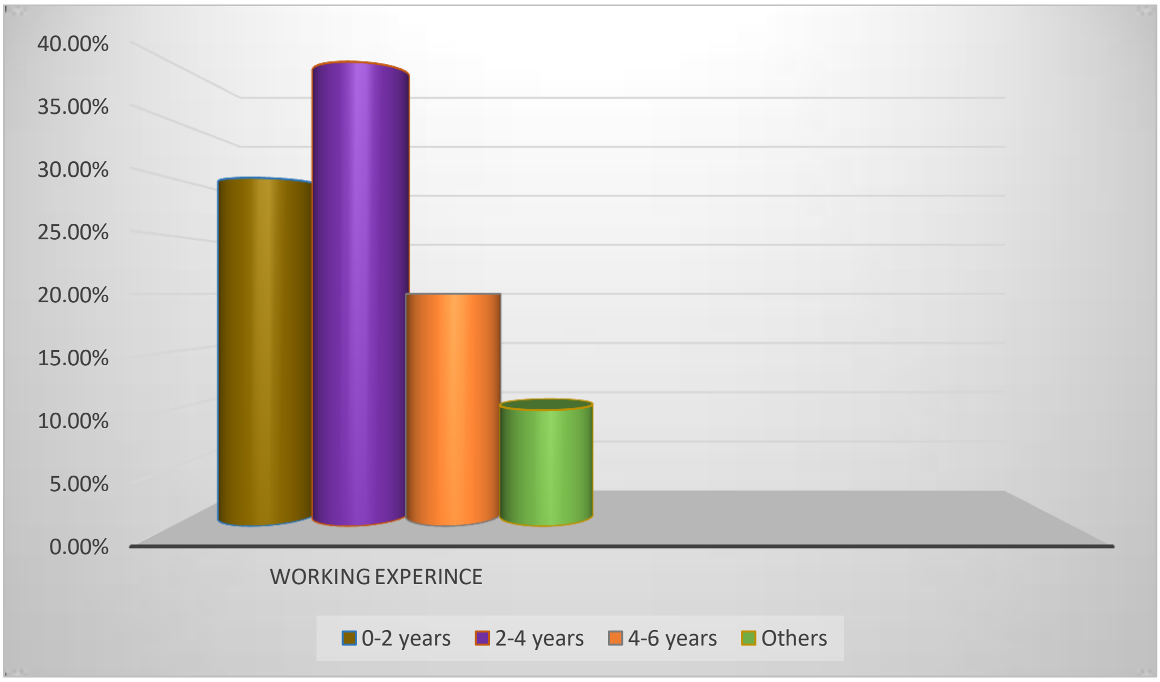
4.2.2 Working experience

This question was asked in order to get to know how much the respondents knew about their organisations as well as the whole insurance industry. The time one has been in the industry and the organisation specifically entails a lot in terms of the experience one has and therefore means that one has witnessed a lot of strategy implementation as well as changes. Vast knowledge that one has can be realised on how the questions were answered during the questionnaire session and can contribute a lot to the credibility of the result.

Table 4.3 Respondents working experience

0-2 years	2-4 years	4-6 years	4-above years
30%	40%	20%	10%

Figure 4.2 Respondents' working experience



Source: Primary data

4.2.1 Reviewing the uptake of insurance products for the past five years

This question was meant to find out whether there were some improvements or decreases in the uptake of short term insurance products for the past five years across the industry. The responses gathered were that 70% of the respondents agreed to the fact that the consumption of insurance has been on the decline for the past two to five years whilst 20% of the respondents highlighted that their companies were even writing more business for the same period and the last 10% could not tell any differences in their business underwritten for the past and the present. However it stands true that the purchase of insurance by the general public has been on the decline since the post dollarization era.

Figure 4.3 Levels insurance uptake for the past five years.

Source: Primary data

The diagram above is a summary of the findings that were gathered by the researcher in regards to the uptake of short term insurance products in Zimbabwe. The data presented is a clear indication that the uptake of insurance is on the decline with 70% of the respondents citing that their organisations have been writing less business compared to the pre dollarization era. This can be further supported by Nduna (2013) who states that poverty is still rife in most African countries with the majority of the population living on less than US$2 per day. Unemployment is still high in some countries and hence less disposable income is available for the purchase of insurance. As a result of the economic meltdown, insurance business underwritten has been on the decline since the post dollarization era.

20% of the respondents cited that they were even writing more business whilst the other 10% said that there were no significant changes to note in regards to the amount of business underwritten during the pre-dollarization era and the post dollarization era. Therefore it can concluded that the majority of the short term insurance companies are writing less business and hence signalling a decrease in the uptake of insurance by the majority of the population.

4.3 The determinants of insurance demand

This question was asked in order to determine the factors that affect demand for insurance products in the short term insurance industry. This could mean factors that may influence people to buy or not to buy insurance. A lot of factors affecting demand for short term insurance products were specified and these are discussed below:

4.3.1 Level of education and awareness

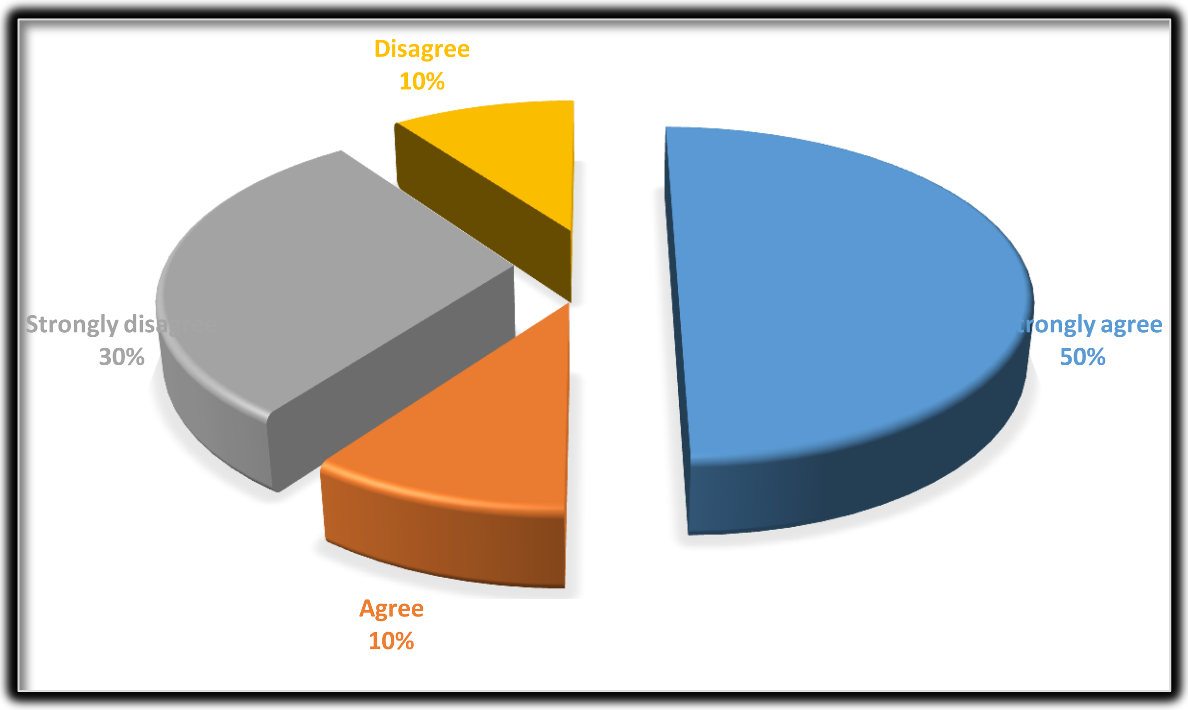
This was one of the major reasons why there has been a decrease in the uptake of insurance among other insurance determinants of demand. Respondents pointed out that the majority of the Zimbabwean population lack basic understanding of insurance and its operations to the extent that a motor third party policy holder may forward a claim for own damage and get disappointed by hearing that the purchased cover does not cover own damage. This has led to many people discontinuing in purchasing insurance and thus tarnishing the image of insurers such that some prospects are shunned away. It is true that one complainant represents ten more who just decide not to lift a finger but decide to do otherwise. In the essence of insurance, if one person complains openly, there will be ten more who would not come to the insurer and complain but rather secretly deal away with the problem thus resorting to not purchasing insurance at all.

It is well known in Zimbabwe that there are high levels of literacy which is very true, but people lack knowledge in regards to the concepts of insurance. Since it is regarded as a rich man's product, many have lost the zeal to learn more about it. The table below is a quick summary of the findings that were gathered from the research which can be further diagrammatically analysed below:

Table 4.4 Effects of the level of education and awareness on demand for short term insurance products

Strongly agree	Agree	Strongly disagree	Disagree
50%	10%	30%	10%

Figure 4.4 Effects of education and awareness as a determinant of demand for short term insurance products



Source: Primary data

An analysis of the data depicted above shows that 50% of the respondents strongly agreed that the decrease in the uptake of insurance is due to the lack of awareness and education about insurance products and another 10% agreed to the same fact whilst 30% of the respondents highlighted that this decrease in the uptake of insurance was as a result of mere ignorance the last 10% of the respondents disagreed as well.

Thus according to the results gathered through this question, it can be concluded that the level of education and awareness of a population contributes to either an increase in demand for insurance or a decrease in demand for insurance products. In the Zimbabwean situation, the lack of education and awareness of insurance has according to the results led to the decrease in demand for insurance. Chatterjee (2012), supports these results as he states that education has a positive relationship with the demand for insurance. Treerattanapun (2011), says that the level of education in a country is generally used as a proxy for risk aversion. Education increases the awareness of risk and threats to financial stability and also people's understanding of the benefits of insurance. Therefore if people lack knowledge and education about insurance products, less of insurance products are purchased.

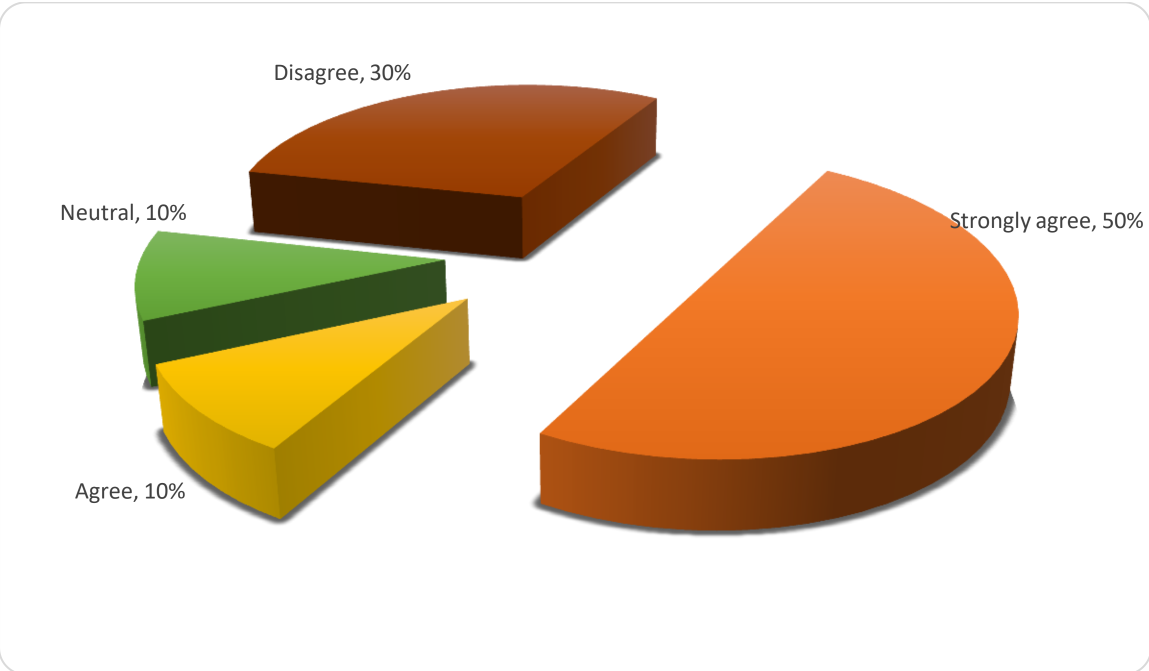
4.3.2 Price of the product

The price of the product plays an important role in the determination of the level of demand for insurance products in Zimbabwe. Due to the unavailability of funds and disposable income, everyone is in a bid to find cheap and affordable commodities. From the data collected, 50% of the respondents were quite confident that the price of the product had a very big influence on the purchasing decisions made by people.30% believed that this determinant was not of great importance to the influence of the purchasing decision arguing that even if the economy has moved to the informal sector, people are still living well regardless of their earnings.10% were of the opinion that price does not have an impact on the demand for insurance products. The other 10% however also supported that price has a great influence in the purchasing decisions that people make. This can be further depicted by use of the diagram below:

Table 4.5 Effects of price on demand for short term insurance products

Strongly agree	Agree	Neutral	Disagree
50%	10%	10%	30%

Figure 4.5 Effects of price as a determinant of demand for short term insurance products



Source: Primary data

As illustrated in the diagram above, it can be concluded that the price of the product to a greater extent determines the level of demand for a product. In the Zimbabwean context, a lot of people are living below the poverty datum line which leaves them with less disposable income to purchase insurance. Chatterjee (2012) in a presentation says that price and in the case of insurance (premium) has a negative impact on the levels of insurance demand. Therefore price has a large reflection on the purchasing decisions made by people. This has seen the amount of insurance purchased decreasing in Zimbabwe as premiums charged are perceived to be very expensive.

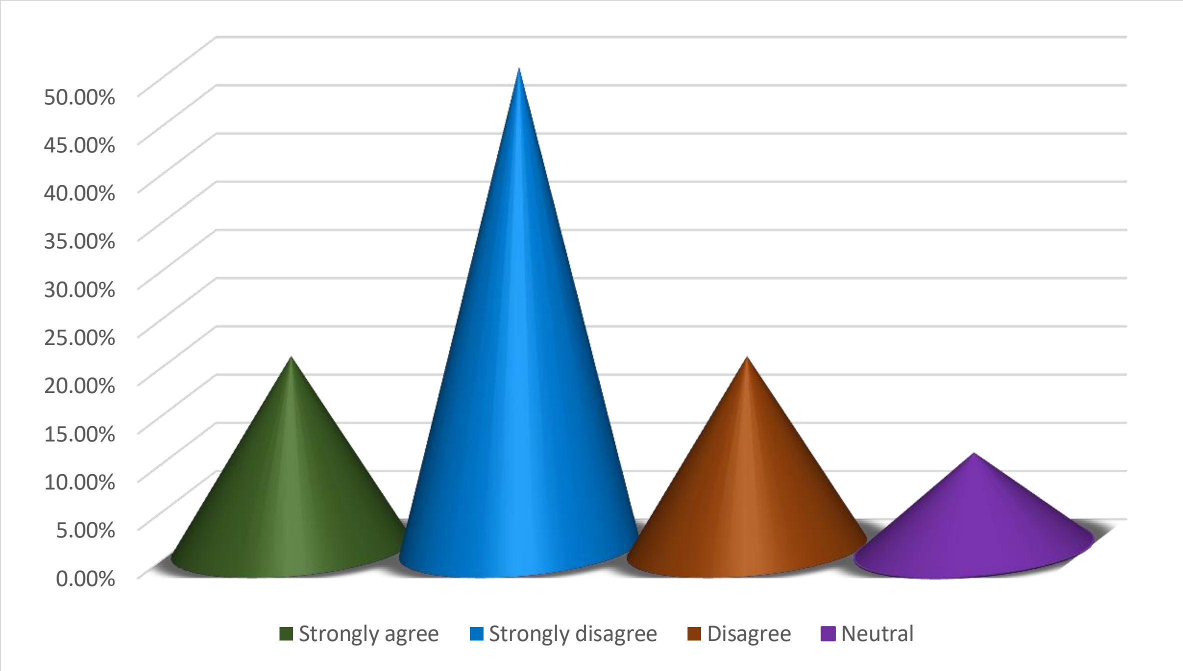
4.3.3 Market concentration

This question was asked in order to determine the level of market concentration as it relates to the level of demand for insurance products in Zimbabwe. There are many players in the insurance industry as cited by the respondents with 70% of them highlighting that their numbers do not reflect on the amount of insurance purchased which is very little compared to the number of insurance companies that are available. This can be further explained that the amount of business underwritten does not reflect on the level of market concentration. 20% of the respondents were of the view that the amount of business underwritten reflects on the number of insurance companies in the industry implying that more insurance companies in the country more purchase of insurance products. The other 10% of the respondents was neutral and hence could not tell the difference. The diagram below summaries the responses gathered from the market:

Table 4.6 Effects of market concentration on demand for short term insurance products

Strongly agree	Neutral	Strongly disagree	Disagree
20%	10%	50%	20%

Figure 4.6 Effects of market concentration on demand for short term insurance products



Source: Primary data

From the results assembled, it can be construed that the level of market concentration does not have a significant impact on the levels of demand for insurance products. Insurance companies however believe that even if there are many or less players, your brand name will always be there to work the miracle regardless of the market concentration. Insurance companies like Old Mutual have been writing more business regardless of the number of insurance companies in the industry which is regarded to be many. The number of players does not have a significant impact on the amount of business underwritten or the amount of insurance purchased. In conclusion, market concentration does not really reflect on the amount of insurance purchased or sold.

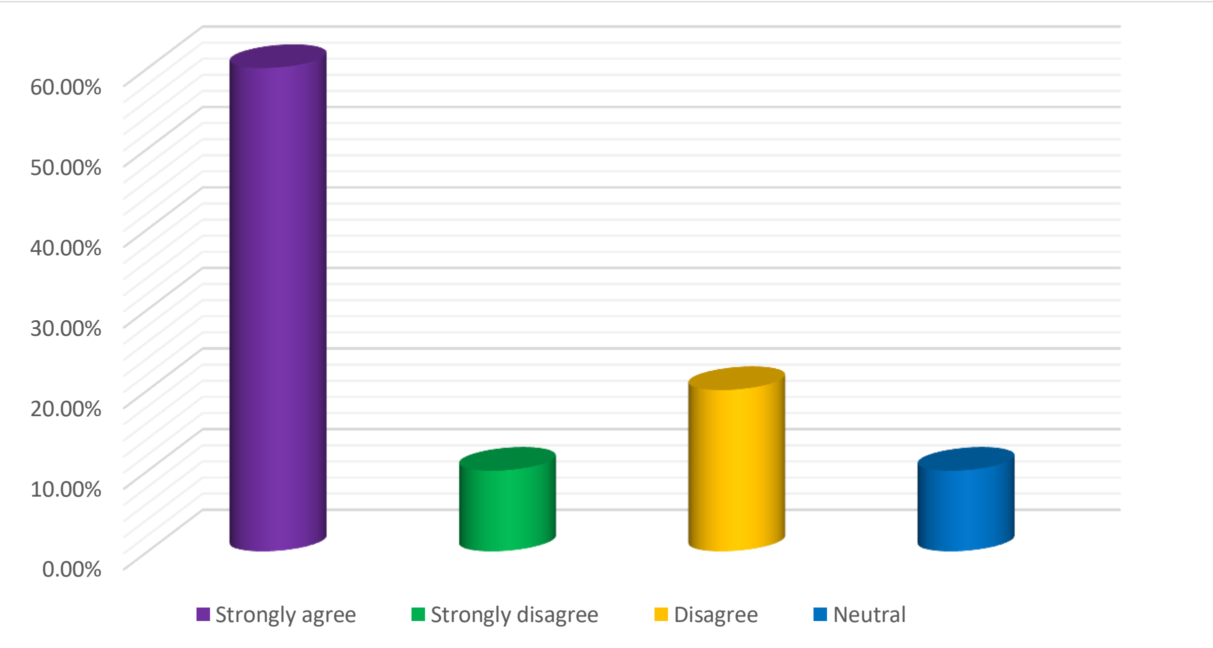
4.3.4 Legal and regulatory factors

This question was meant to get a clear picture onto whether the regulations governing the short term insurance industry had a part to play in the demand for insurance products if yes to what extent. However 60% of the respondents assertively said that the legal framework available in the market has a very big effect onto the levels of demand or rather the level of purchase for insurance products and thus it has the power to stir up demand for insurance or put out the fire for the need for insurance. 10% of the respondents could not really tell any effects the legal and regulatory authority has on the demand for insurance whilst the other 20% were of the opinion that the legal and regulatory authority does not have any effects on the levels of demand for insurance as well as the other 10% who assertively disagreed as well as depicted below:

Table 4.7 Effects of legal and regulatory factors on demand

Strongly agree	Neutral	Strongly disagree	Disagree
60%	10%	10%	20%

Figure 4.7 Effects of legal and regulatory factors on demand



Source: Primary data

It is argued that a legal system which places a greater emphasis on the efficient payment of debts to creditors as opposed to a system which provides debtors with protection from creditors will improve the value of an insurance contract to a policyholder, thereby increasing demand for insurance (Beck and Webb, cited in Hussels et.al, 2005). In the case of Zimbabwe as gathered from the results above, the regulations governing the insurance industry are more directed to insurance companies in regards to how they operate and lack details concerning protection of consumer rights. This is one of the major reasons why there has been a decrease in the uptake of insurance products.

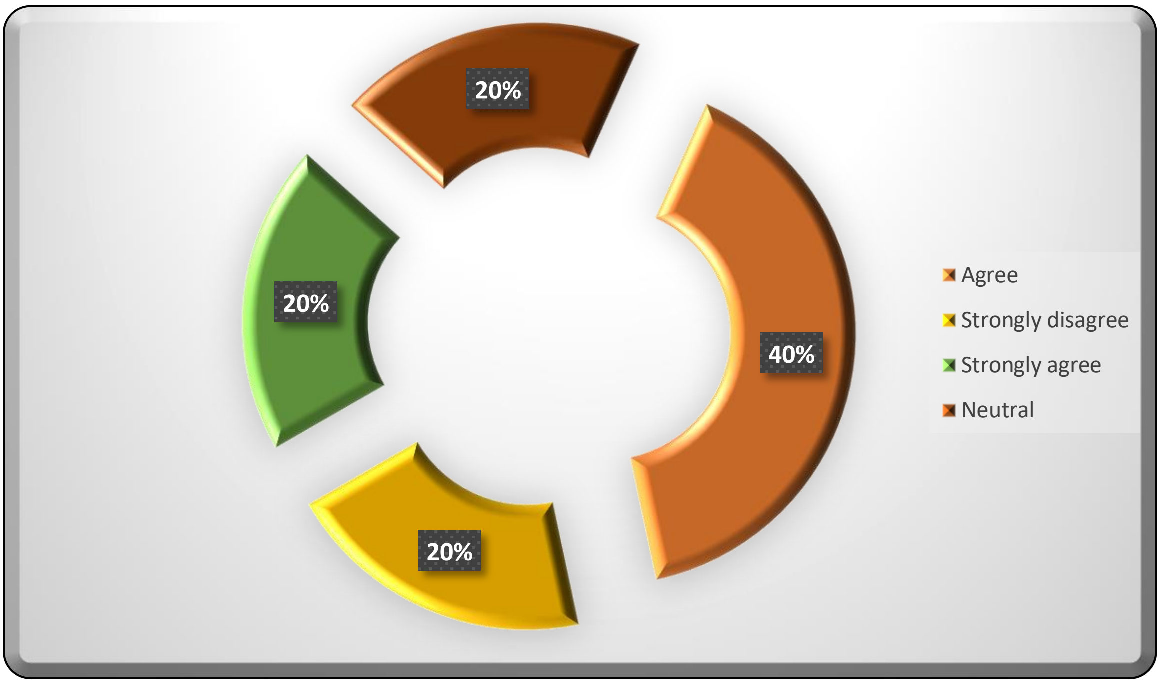
4.3.5 Type of occupation

This question was asked in order to find out the effect of the type of occupation of an individual on the demand for insurance products. Some types of occupations have an impact on the levels of demand for insurance for example civil servants may demand more insurance as they have regular cash flows unlike informal traders who do not know for certain their cash flows. Of the respondents who took part in the research, 20% of them strongly agreed and 40% agreed that the type of occupation has a significant influence on the levels of demand for insurance products.20% of the respondents were neutral and the other 20% strongly disagreed highlighting that it is only in the mind set of an individual in terms of how much value they put on insurance not necessarily the type of a job one has.

Table 4.8 Effects of the type of occupation on demand

Strongly agree	Neutral	Strongly disagree	Agree
20%	20%	20%	40%

Figure 4.8 Effects of type of occupation on demand for short term insurance products



Source: Primary data

Taking into consideration of the data presented above, it can safely be concluded that the type of occupation one has, has an impact on insurance purchasing decisions one makes. Most of the Zimbabwean population is formally unemployed and hence depend on the informal sector for survival which makes it quite difficult for them to purchase insurance as their inflows are irregular. This can be supported by Money and Mohan cited in Kamau (2013) that people in professions like banking, medicine and teaching are more financially informed and hence can purchase more insurance than people in the informal sector. This explains the Zimbabwean situation which has more people in the informal sector than the formal sector and hence the low uptake of insurance products.

4.4 The current strategies

This question was asked so as to establish the extent to which various insurance companies in Zimbabwe are utilising and implementing some strategies for the encouragement of the purchase of insurance products. The researcher sought to find the types of strategies that short term insurance companies are currently implementing in order to increase the uptake of insurance and their effectiveness.

4.4.1 Micro insurance

Micro insurance is one of the new born strategies in the Zimbabwean insurance arena whereby some insurance companies have since started to adopt it. It is true that in Zimbabwe this insurance package has not been well received by many insurance companies since they consider it to be a very high risk in terms of research, development as well as the profile of the risks that comes with it. This can be evidenced by 40% of the respondents who strongly agreed to be using this strategy against 50% who have strongly disagreed to using it let alone attempt as well as a 10% of the respondents who were still not certain of whether to use it or not. Among the insurers who have adopted this strategy, include Old Mutual which has invested in a small to medium enterprise research department which specialises specifically on the needs of this market which is considered to be highly informal in Zimbabwe.

4.4.2 Bancassurance

According to the data collected, 60% of the insurance industry has adopted the use of banking facilities to channel their insurance products to the insuring public.40% of the respondents indicated not using this facility at all. Among the respondents using this facility include Old Mutual using Cabs and Nicoz Diamond using Stanbic bank and FBC Bank.

4.4.3 Corporate social responsibility

This strategy is slightly being implemented by nonlife insurers in Zimbabwe as a result of some economic constraints that they are currently facing. Some insurance companies are even failing to meet their obligations in terms of payment of claims let alone get involved in societal issues all in the name of uplifting their images. Many businesses are struggling to survive as signalled earlier that even the insurance industry has been writing less business than before, this is a clear indication that less income is left for the implementation of this type of a strategy. Of the approached respondents, 20% agreed to be using this strategy for example Nicoz Diamond donates to various children's homes as well as sponsorship of some school activities. 80% of the respondents strongly disagreed to using this strategy.

4.4.4 Constant review of service processes

50% of the respondents strongly agreed to be using this strategy and 10% also agreed to be using this strategy by way of continuously monitoring and reviewing their claims processing periods in a bid to meet customer satisfactions. The other 40% highlighted not implementing this strategy at all as a result of high level of centralisation in their organisations which hinder flexibility in terms of decision making and policy reviews.

4.4.5 Financial stability and credit rating

20% of the respondents agreed to be using this strategy and 20% of them strongly agreed to be using this strategy whilst the other 60% strongly disagreed to be using this strategy. For those using this strategy cited that it was a way of signalling their strength and capabilities to the market hence increasing the number of people who may wish to purchase insurance products.

4.4.6 Unique products

60% of the respondents strongly agreed to be using this strategy by way of offering products that are distinct from those offered in the whole insurance industry. An example includes a product called golfers insurance policy offered by Nicoz Diamond specifically for accidental injuries to golf players. Another typical example is a hospital cash back policy offered by Old Mutual which is a benefit plan whereby the beneficiary of a policyholder can reap benefits from the policyholder's policy as well as own policy without the application of a contribution. THI insurance company is currently offering a fire policy for informal traders who own flea markets as well. 10% of the respondents agreed to be on their way to implementing this strategy whilst the remaining 30% strongly disagreed to using this strategy citing issues that in the Zimbabwean market, there are many copycats that after having invested so much in a certain product, an insurance company may not live to reap the benefits before the whole market steals away the idea. As a result this 30% of insurers resorted to be followers of other innovative insurers.

4.4.7 Internet and social media

This is one of the most utilised strategies as 90% of all the respondents strongly agreed to be using this strategy with only 10% of them on the neutral mark citing that they own websites though they are not fully functional. This shows that the Zimbabwean insurance industry is moving with the times by utilising technology for its benefit.

4.4.8 Promotions

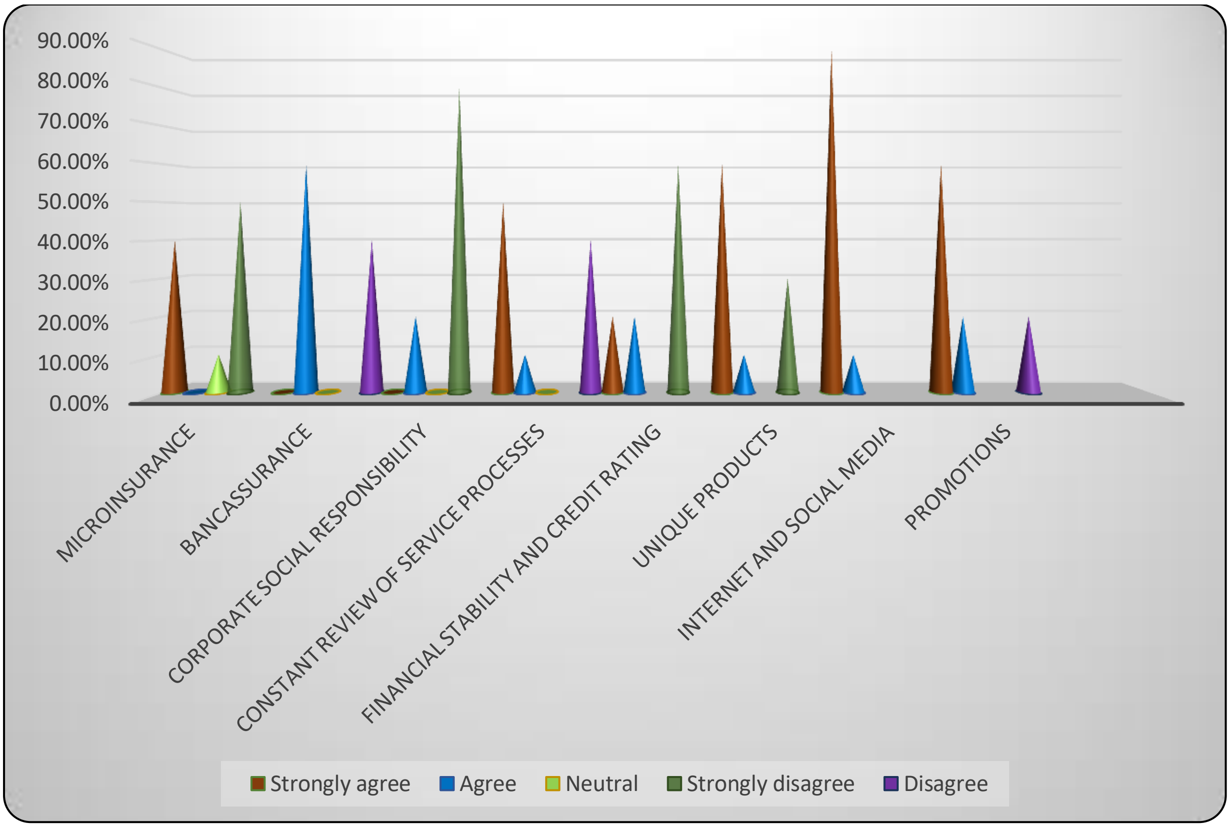
Of the respondents who participated in the research, 60% of them strongly agreed to using promotions as a strategy of increasing the uptake of their insurance products with 20% agreeing to be using the same strategy whilst the other 20% disagreed to using this strategy. The overall conclusion is that the majority of nonlife insurance companies in Zimbabwe use this strategy.

Table 4.9 Strategies that nonlife insurance companies are implementing

Strategy	Strongly agree	Agree	Neutral	Strongly disagree	Disagree
Bancassurance		60%			40%
Corporate social responsibility		20%		80%	
Promotions	60%	20%			20%
Constant review of service processes	50%	10%			40%

Financial stability and credit rating	20%	20%		60%
Unique products	60%	10%		30%
Internet and social media	90%	10%		
Microinsurance	40%		10%	50%

Figure 4.9 Current strategies used in the market



Source: Primary data

4.5 Distribution channels that are in place

The question was asked in order to find out the distribution channels that short term insurance companies are using as they make their products accessible to the insuring public.

4.5.1 Brokers and agents

100% of the respondents cited that they all used agents and brokers as their way of distributing their products to the insuring public. This however is the oldest distribution channel of delivering insurance products to the insuring public.

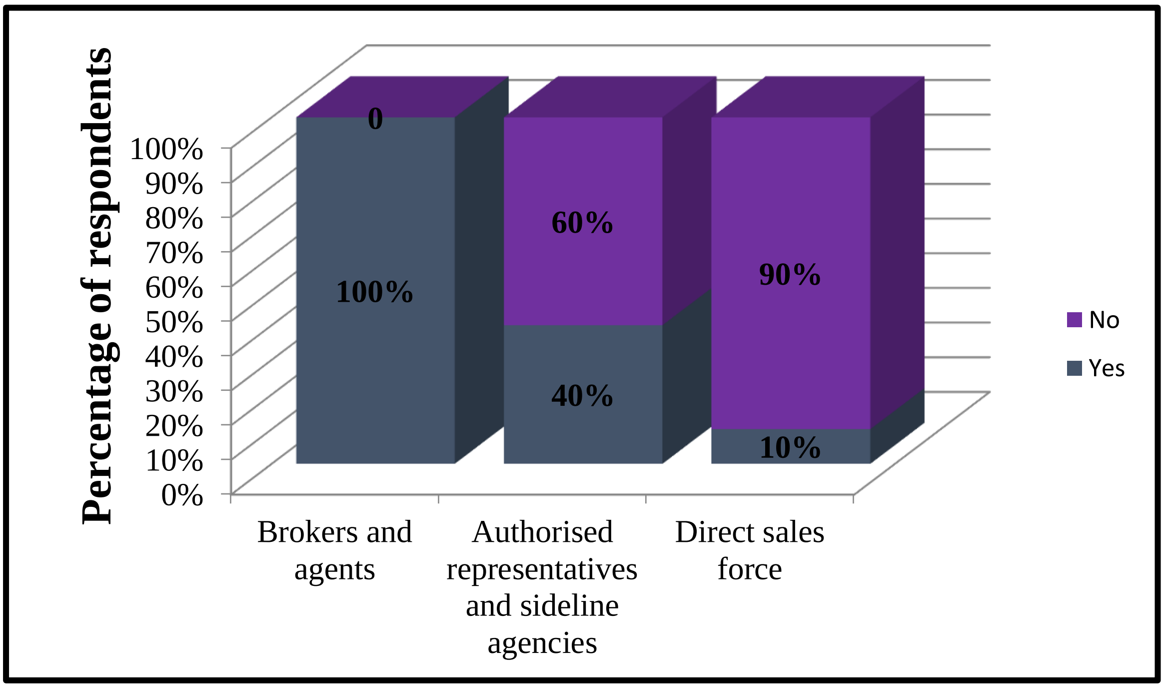
4.5.2 Authorised representatives and side-line agencies

These include churches, post office networks and the banks which insurance companies take advantage of the client bases of these lines of business to offer their products as well. The post office offers a lot of convenience as ZINARA road licences for motor vehicles are also sold there which enables a person seeking a road licence to also get insurance for a vehicle which is required before a road licence is bought. Like Champions insurance companies has adopted this distribution network for its insurance policies. Bancassurance is another example of a platform which insurance companies like Old Mutual, CBZ and Nicoz Diamond have adopted as well. This is enables the provision of various services under one roof. 40% of the respondents confirmed using this distribution channel whilst the other 60% has not adopted this channel.

4.5.3 Direct sales force

90% of the market has since abandoned this strategy whilst the remaining 10% is still using it. This method is only used when there is high need for personal interaction between an insured and the insurer apart from that, insurance companies no longer use this method of distributing their services. Most insurance companies are now adopting the developed world style of doing insurance which involves intermediaries between the insured and the insurer and at times the insured would not even know their insurer. For example some lines of business maybe highly important that insurers may wish to personally handle them rather than pass it on into the care of an agent or a broker who may not perform well to the satisfaction of the insured leading to the loss of business.

Figure 4.10 Distribution channels for insurance products



Source: Primary data

From the diagram above it can be noted that the most utilised distribution channel is that involving brokers and agents with a 100% rate of utilisation which is currently being implemented by every insurance company in Zimbabwe. This is followed by authorised representatives and side-line agencies with a 40% rate of implementation which shows that not all insurance companies are using this distribution channels. For example THI insurance company has only one office in the whole of Zimbabwe but does not use banc assurance, Zimpost outlets and churches but only relies on its insurance brokers and agents for business. The last type of a distribution channel is that of direct sales which is at a staggering 10% rate of utilisation which shows that it is almost in extinction.

4.6 Interview Questions analysis and Presentation

The researcher managed to conduct interviews with three respondents from Old Mutual, Zimnat Lion and THI insurance companies. The responses of the interviews are analysed and presented hereunder.

4.6.1 Reasons for the decrease/ increase in the uptake of insurance

The question was meant to find out the reasons for the decrease or increase in the uptake of insurance in Zimbabwe. All the three respondents agreed to the fact that insurance purchase is on the decline though the industry is still writing more. The main reason highlighted by the operations manager from Old Mutual was that of high economic instability which has resulted in even companies scaling down their operations resulting in high levels of retrenchments hence a decrease in the level of insurance purchased. The other two respondents signalled that the market's lack of knowledge about insurance is one of the major reasons why people do not purchase insurance. They further explained that the insuring public cannot be regarded as poor or lacking disposable income but rather the only challenge is that their incomes are not statistically recorded and hence cannot be determined since they have shifted to the informal sector. Therefore they concluded that their decision not to purchase insurance is due to mere ignorance as a result of an inbuilt idea that insurance is a luxurious product rather than lack of disposable income

4.6.2 Strategies that their companies are currently implementing

The question was meant to get a clear picture of the strategies that short term insurance companies are using at the moment and their effectiveness.67% of the respondents confirmed to be using promotions, micro insurance, banc assurance, corporate social responsibility whilst the other 33% confirmed not be using any of them. 33% of the respondents confirmed to be using rate undercutting as well as instalments as part of its strategies.

4.6.3 Challenges impeding the above named strategies implementation

The question was meant to find out from the respondents the challenges they are facing in implementing the various strategies cited above.

4.6.3.1 The regulator's reluctance in granting authority

However, 33% of the respondents indicated that the main reason why some strategies do not really produce the desired results in the insurance industry is that there are too many copycats who snatch away some organisations' ideas before they are mature and hence get implemented into the market primarily and thus bring out poor results. This poses a bad picture on the market thereby making it very difficult to implement more strategies that can be accepted. 67% of the respondents were of the opinion that the regulator is not forthcoming when it comes to authority granting for the launch of new strategies. This leaves the insurance industry lagging behind in terms of the international standards thereby eroding away the confidence of the insuring public.

4.6.3.2 Insurance fraud

Another challenge cited was that the regulator lacks enough and specific regulations that deal with insurance fraudsters. This challenge centres again on the regulator and this makes it very difficult for insurance companies to implement their strategies to their benefit as fraudsters will also take advantage of any loopholes to their advantage at the disadvantage of the insurer (IRA, 2013)

4.6.3.3 Capitalisation

Shallow financial markets make it difficult to raise enough money to capitalise insurance/re-insurance companies. In Zimbabwe 33% the respondents signalled that the minimum capital required by the regulator was too high and hence found it very difficult for insurance companies to raise which resulted in insurance companies focusing more on survival and investing less in their customers. 67% of the respondents were of the opinion that the minimum capital required was very low leading to too many insurance players who are also unethical in nature and hence leading to a decrease in the demand for insurance products.

4.6.3.4 Skills shortage

All the respondents cited that as a result of the poor economic structures and conditions in the country, a large number of the skilled labour force has since moved to the neighbouring countries like South Africa were they are boosting the insurance industry of that country. This has however left the Zimbabwean industry with an acute shortage of skilled labour crippling the activities of various insurance companies leading to poor outputs and hence a decrease in the demand of insurance.

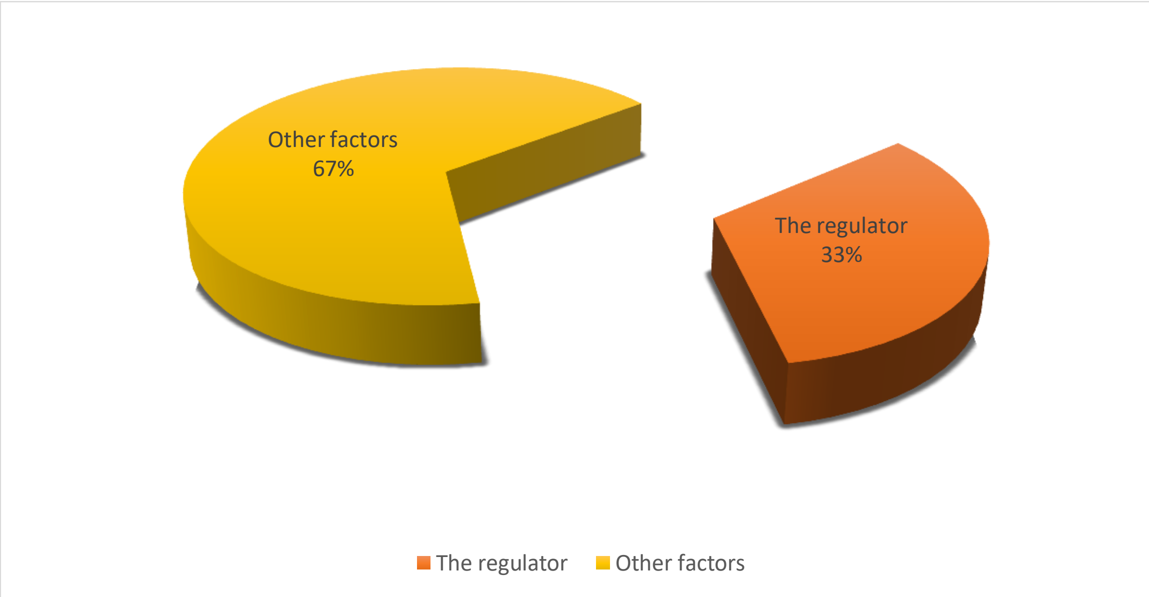
4.6.3.5 Price competition

67% of the respondents assertively agreed to the fact that there was high price competition in the industry as some insurance companies went on to undercut their rates leading to massive competition in the industry. 33% of the respondents highlighted that there was no price competition in the industry in the form of rate undercutting but however put great emphasis on the fact that some insurance brand their products by pricing only.

4.6.3.6 People do not trust financial service providers

All the respondents were of the notion that insurance consumers lack trust of the financial service providers since they lack the appreciation of insurance concepts. Their inbuilt inertia is as a result of the economic meltdown were a lot of people lost their insurance policies as a result of dollarization. This is one of the major challenges that the insurance industry is facing. The respondents highlighted that apart from the challenges described above, the regulations as well as the regulator governing the activities of the insurance industry in Zimbabwe is also another major challenge which has contributed much to the decrease of insurance uptake.

Figure 4.11 Challenges the insurance industry is currently facing



Source: Primary data

As the above diagram shows, the main reason why some strategies do not perform well or rather are not implemented well is due to the available governing regulations. Other factors constitute a 67% compared to other challenges that are connected to the regulations as well as the regulator which are at 33% rate of negative influence on the implementation of the strategies in the whole industry.

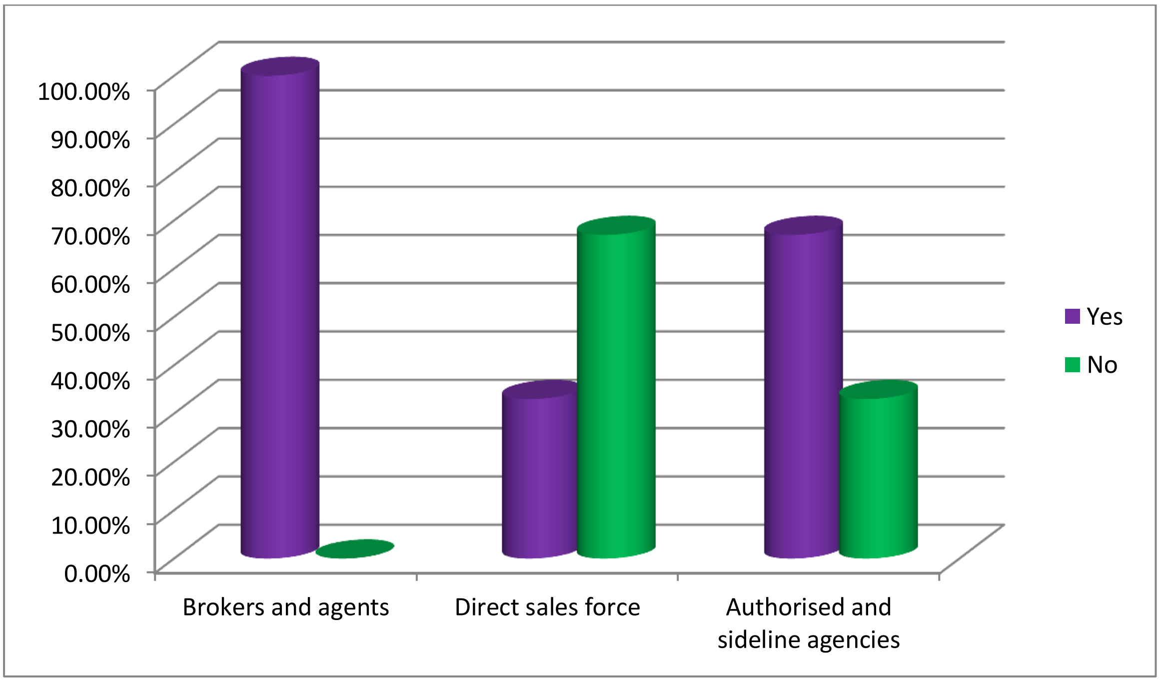
4.6.4 Product features that make them unique and distinct

This question was asked in order to find out the different products and features that their respective organisations offered to the market. All the respondents assertively confirmed that their organisations were offering some new products and even adding some exciting features on their existing ones. They confirmed tailor making products to the requirements of their customers by going out of their way in order to satisfy them.

4.3.5 Distribution channels used

This question was meant to find out the distribution channels that are being implemented currently in the market.100% of the respondents confirmed using brokers and agents and 33% confirmed using direct sales force whilst the other 67% said that they no longer used this distribution channel. 67% confirmed using other authorised and side line agencies whilst the other 33% confirmed not using this channel.

Figure 4.12 Distribution channels implemented in the nonlife insurance industry

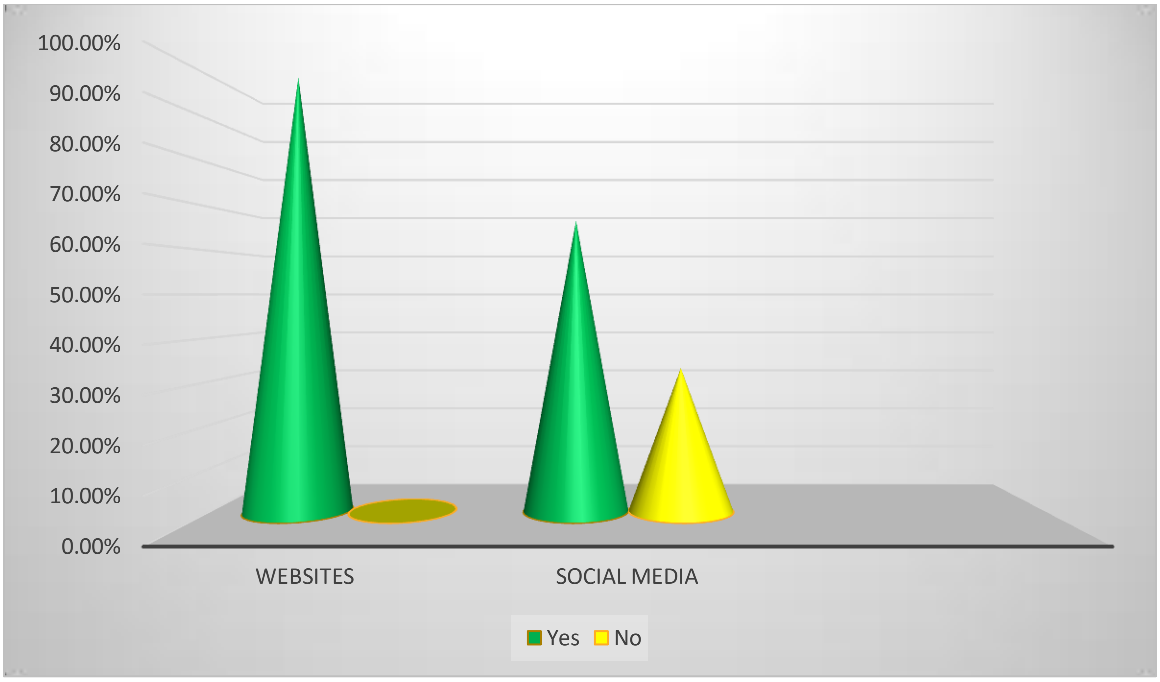


Source: Primary data

4.6.6 The use of internet for marketing

This question was asked in order to gather information on how they market their products to the insuring public. 100% of the respondents said that they used the internet for marketing their products through their websites. Marketing through the social media is one other the way through which the internet can be used for marketing hence 67% confirmed using the social media such as Facebook whilst the other 33% said that they were not yet using social media platforms.

Figure 4.13 Internet marketing used by insurance companies



Source: Primary data

4.6.7 The impact of information technology on the insurance industry

This question was asked to get the opinions of the respondents on information technology is of great importance to the insurance industry.100% of the respondents were of the opinion that with information technology, claims processing and policy underwriting becomes more easy and with less errors that brings out the best for the policyholders. They further narrated that if insurance companies could invest in information technology systems that are specifically designed for insurance products their quality of services would improve which works better for the insureds. They also noted that these systems can improve filing of documents and can also assists in claims consideration calculations with less on no errors. This can also reduce the amount of expenditure in buying stationary like in the paperwork office setups. Information technology thus is very important in the insurance industry.

4.7 Summary

The chapter gave a qualitative and quantitative summary of findings of the study obtained from responses to questionnaires and interviews. The qualitative data acquired was presented and analysed quantitatively. Finally views from interviews were taken into account and analysed as well.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter draws conclusions from the findings of the study from primary and secondary data sources and makes recommendations to address the challenges which are impeding the short term insurance industry from implementing strategies that can increase the uptake of insurance products in Zimbabwe. The theoretical reviews on the subject as well as opinions from the researcher and organization participants were taken on board in the identification of feasible solutions that are recommended. In theory, there can be unlimited views on tackling the challenges of implementing the strategies noted in short term insurance companies in Zimbabwe but practical considerations always draw marked limitations.

5.1 Summary of findings

The research sought to evaluate the strategies that short term insurance companies can implement in order to increase the uptake of insurance products. The study also sought to find out the current strategies being employed in the industry as we speak. From the empirical, practical and theoretical observations made during the study, the following findings were drawn:

5.1.1 Findings on current strategies being implemented

a) It was established that the current strategies employed by short term insurance companies are poor. The industry if failing to service the needs of the informal sector as they are considering it to be a very high risk.

b) It was established that the reliance on the internet for the provision of insurance services draws back or rather act as a hindrance to the performance of the insurance industry. For example the adoption of the computerised system for the motor third party policies is faced with a challenge of internet performance.

c) Findings from questionnaire responses showed that although IPEC is there as the regulator, much has not been done in order to encourage people to buy insurance in terms of the laws that govern the insurance industry which lacks laws that protect insurance consumers.

d) It was established that some insurance companies are acting unethically like undercutting rates way below the stipulated ones across the whole industry thereby not being able to meet large claims as their reserves will be too small hence some companies end up out of business.

e) It was also established that some insurance companies are beginning to shift their focus towards the informal sector and hence have since formulated departments to research specifically on the needs of this unserved market.

5.1.2 Findings on challenges of implementing strategies to boost consumption

a) The regulator is quite lax in terms of the regulations that are put in place especially the minimum capital requirements which are very little leaving the insurance industry with too many players. This however leads to the regulator having problems in supervising the activities of such companies.

b) The market lacks full appreciation of the concept of insurance to the extent that for example a motor third party policy holder may file a claim for own damage and gets very disappointed and hence at the end forbids to take insurance at all.

c) It has been noted that as some insurance companies will be trying to play by the rules by charging the industry gazetted rates other market players will be busy undercutting the rates. For example the standard rate for motor comprehensive cover is currently at 4%, some insurers may reduce their rates by half say 2% for the same package. At the end there will be no uniformity in the industry hence posing a very bad picture of the industry to the insuring public. This in turn prevents the insurers with undercut rates from creating enough reserves to meet future claim thereby shunning away prospectus insureds.

d) Since the insurance industry is moving on to digitalisation, there is a very big challenge in trying to use the internet as all the work relies on its performance. Its non-performance results in insurance companies being not able to meet their levels of performance hence disappointing customer confidence.

e) It was established that there are no laws that govern fraudster activities and also that there is only one regulator which is not sufficient for the performance of insurance industry. The lack of laws governing such activities as fraud makes it easy for insurance companies to act unethically hence posing a bad image onto the insuring public thereby decreasing the demand for insurance.

f) It was noted that due to the economic hardships currently prevailing in the economy marketing budgets for many insurance companies are quite tight that they cannot afford to do promotional activities as well as channel their resources towards a new market with unknown risks.

5.2 Recommendations

The following recommendations are made on the basis of the above findings.

5.2.1 Recommendations towards current strategies

To address efficacy issues in the current strategies the industry is facing, the following recommendations were made.

a) The regulator

Basing on the findings, the regulator has not put laws that govern issues of shareholding in the same lines of business which has seen some insurance companies like Nicoz Diamond which has used vertical integration to acquire a panel beating company. This may be seen as a good strategy but in actual sense, it is not. This leads the manipulation of insured's interest by sort of forcing them to use that garage even if one may not be content to do so. Another risk posed by this strategy is that if the insurance company is hit by a large risk, the effects will spread onto the panel beating garage thereby putting the policyholders' funds at risk as well. The regulator should therefore put in place laws that restrict this practice and encourage insurers to buy shares in parallel lines of business rather than the same lines.

b) Investment in Information technology

According to the findings of this research, some insurance companies are lagging behind in terms of technology. It is well known that almost every insurance company has computers to use which is quite fine but they are largely dependent on the use of the old style of data management which includes paper files, cabinets to name but a few. This has led to numerous errors being made in terms of customer details and miscalculations of claim considerations which has led to some insureds losing confidence in the providers of insurance services. Therefore the researcher strongly recommends that insurers should invest in information system packages designed for insurance only. For example there are vast types of systems which include Agillis, Insure 90, Icecash and Serious. These can be used to the greatest advantage of both the insurers and the insuring public.

c) Internet base selling

It has been noted that the main point of sales is still the direct way which is either face to face with the broker or the insurer's operations personnel which is quite difficult these days.

People are becoming busier by the years as they will be in a bid to make ends meet and fending for their families. Therefore insurance companies should use the internet to sell their products not for advertising only. According to this research it has been noted that all insurance companies have websites where information about their locations as well as products they offer is found. Therefore they should create a customer portal where quick quotations can be made like that being implemented by Old Mutual where one can input risk details and a quotation can be derived from there. This can also be done via mobile operator platforms like the ecocash, telecash, one wallet and also through visas. This helps in encouraging the purchase of insurance products since it saves time in that one can easily purchase insurance wherever they are and under the comfort of their homes.

d) Office setups

This is for insurance companies that are sharing buildings with other business offering non insurance products that they should change their office setups. Traditionally offices have been known to be surrounded by four walls, one roof and one door hindering people who enter the building seeking other services from knowing about the other products available in that same building due to the fact that doors will be closed and only those who already know about the insurance products and office will only be seen entering that office. Therefore the researcher highly recommends that insurance companies create a no office boundary policy such that they become visible to all thereby increasing their chances of selling more business.

e) Offer discounts

It is a market practice in the insurance industry of Zimbabwe that no discounts are offered in terms of premium discounts, no claims bonuses and cash back plans for the insuring public who do not file in any claims in order to encourage them to continue purchasing insurance. This market practice has proved not to be working at all as it increase the number of people who do not see value in purchasing insurance let alone improve their behaviour by trying to reduce their chances of encountering the bad side of risk. Therefore the researcher strongly urges the short term insurance companies to offer such bonuses in order to increase the demand for insurance products as some people have since decreased their uptake as there is no return for good behaviour.

Another reason why insurance companies should offer such price discounts is not only for the encouragement of good behaviour but since people are facing liquidity constraints, there is need for the offering such discounts as well as reduction of transaction costs such that the purchase of insurance may increase (Matul et.al, 2013).Among all these strategies that insurance companies may implement include the provision of options for premium payment which can be associated with increased frequency in which premiums can be collected, change timing and the use of mobile phones for the payment of premiums. This strategy makes it very flexible for people in the informal sector who do not rely on a bank for banking or any employer for the expectation of a salary on a particular date.

g) Add some riders onto the policies

The market lacks innovation in terms of the products that they are designing this tends to leave the whole market full of homogeneous products hence leaving the insuring public with no choice but to do away with insurance. The market should be full of different products which differ in the extensions, exclusions and covers that are offered, lack of these differences makes it boring for anyone to shop for insurance. The tendency of adding some riders onto insurance policies makes it exciting for people to purchase insurance thereby increasing the demand for insurance. These riders may include towing services for broken down vehicles to the nearest garage or emergency fuel refill services.

h) Tailor make products

It has also been noted that insurance companies lack a spirit of innovation and flexibility. Sometimes people may wish to insure their products but may end up not doing so as a result of the rigidity of some management structures in insurance organisations which lacks flexibility. The economic conditions in Zimbabwe are ever changing and if insurance companies are designing insurance products that are not meeting the needs of the people then they should start working towards tailor making products that suit and match the needs of the people thereby increasing the number of people who purchase insurance.

i) Set up market research departments

As has been noted in the research, lack of market knowledge has led to the decrease in the demand for insurance products as insurance companies are failing to meet up with the needs of the insuring public. It is highly recommended that insurance companies should set up market research departments that specifically work very hard towards meeting the needs of the people in Zimbabwe. The economy has gone highly informal, setting up departments that work tirelessly in order to satisfy this market will increase the number of insuring people.

j) Prudent underwriting

Prudent underwriting has always proven to be the best strategy for drawing many people towards buying insurance products. This involves giving back value of peoples' premiums for the services and products the insurance companies offer to the insuring public. Prudent underwriting also involves designing policies that are meaningful in terms of policy coverage and exclusions. Rate undercutting is not the best way to go but rather should be accompanied with the high excesses and exclusions in order for both parties to win in the deal.

k) A shift of focus from brand awareness to brand effectiveness

Insurance companies as providers of a service should walk the talk and not just mere publication of brands which does not exist. People should have a tangible feeling of the service as if it were a product. This means that insurance companies should shift their focus from brand awareness to brand effectiveness and create a good image to the public. It is far mush better to under promise the insuring public and over deliver than to over promise and under deliver.

l) Digital billboard advertising

As a result of high levels of technology around the world, insurance companies should adopt the use of digitalised billboard advertising which can be used to continuously advertise across the whole country. This means that there can be information asymmetry in the whole industry thereby boosting customers' confidence in the insurance companies' products in turn increasing insurance demand.

m) Innovation on processes

Insurance companies should try and improve their processing cycle especially claims turnaround time. This acts as a marketing strategy as the good work the insurer does for only one person will go a long way and many people will believe the confession of another. This has proven to be another powerful strategy.

n) Improve promotional activities

Promotional services should be aimed at increasing customer knowledge as has been identified by this study, people lack knowledge, awareness and trust in insurance products and service providers respectively. To do away or rather to correct this there is high need for insurance companies to invest in promotional activities which are educational that aim at informing the populace of the insurance concepts. Insurance companies may as well conduct financial literacy initiatives that aim at enriching and peoples perspectives towards insuring. This can be done through public workshops and campaigns

In search of efficiency, agility, and flexibility in delivery of products and services, insurers are quickly realizing that their administration systems have become a liability. Complex systems have become a barrier to high performance as insurers increasingly find it difficult to get products to market quickly and deal with the challenges posed by a rapidly changing marketplace. To achieve the goals of operational efficiency, flexibility in delivery and customer service, and to enable greater end-to-end policy management, non-life insurers are looking to replace or modernize their administration systems. The need for administration system replacement or modernization is driven by a few key requirements: More efficient delivery of products and services with a faster speed to market to match the fast changing customer preferences, competitive pressures and frequent regulatory changes. Increased flexibility in delivery and customer service to meet the changing needs of clients. Cost reductions to supporting and enhancing legacy systems

5.3 Areas of further research

In the future the researcher suggests that the followings areas need further research.

a) The basis of selecting a suitable strategy among the available.

b) The difference between strategies implemented in developed and developing economies.

5.4 Summary

This chapter summed up everything surrounding the study project. It drew conclusions from the research findings. Recommendations were made on the strategies that can be implemented by short term insurers in Zimbabwe in order to increase the levels of insurance uptake and how best current strategies employed can be improved

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APPENDICIES

APPENDIX A: INTRODUCTION LETTER

MIDLANDS STATE UNIVERSITY

P.BAG 9055 Telephone: (263)54260404/260337/260667

Gweru Fax: (263) 54 260233/260311

Zimbabwe

FACULTY OF COMMERCE

DEPARTMENT OF INSURANCE AND RISK MANAGEMENT

Date……/…../2016

To whom it may concern

Dear Sir/Madam

Ref: Request for information for a research

My name is Moreblessing Mukayami (Registration Number-R125750G), I am a female student at Midlands State University studying for a Bachelor of Commerce in Insurance and Risk Management Honours Degree. I am currently undertaking a research project for my final year entitled **"AN ASSEMENT OF THE STRATEGIES THAT SHORT TERM INSURANCE COMPANIES CAN IMPLEMENT IN ORDER TO IMPROVE THE UPTAKE OF INSURANCE PRODUCTS IN ZIMBABWE."** To this end l intend to collect data by use of the attached questionnaire. I kindly ask you to complete the questionnaire. I assure you that all the information will be used for purely academic purposes only and confidentiality shall be maintained.

Should you require more information about the researcher, kindly get in touch with the chairperson of the Department of Insurance and Risk Management, Mr. F Makaza on his mobile number, 0774 620 669.

Your co-operation will be greatly appreciated.

Yours sincerely

Mukayami Moreblessing (R125750G) (0784011986 mobymukayami@gmail.com)

APPENDIX B: QUESTIONNAIRE

Instructions

1. You are advised not to write your name on this questionnaire.

2. Please tick the appropriate answer box below your honest answer.

SECTION 1

Introductory questions

1. In which department do you manage?

Operations ☐ Human resources ☐ Finance ☐

2. For how long have you been working in this company?

0-2 Years ☐ 2-4 Years ☐ 4-6 Years ☐

3. What is your highest academic qualification?

A Level ☐ Diploma ☐ Degree ☐ Other (specify) ☐

4. State your position in the organization

Staff ☐ Manager ☐

Section 2

5. When the operations managers are verifying and reviewing the uptake of insurance for the past two to five years, are there any improvements?

Yes ☐ No ☐

6. The following factors affect the demand for short term insurance products?

	Strongly Agree	Agree	Neutral	Strongly Disagree	Disagree
Level of education and awareness					
Price of the product					
Market concentration					
Legal and regulatory factors					
Type of occupation					

7. The company is undertaking the following strategies in order to increase the uptake of insurance?

	Strongly Agree	**Agree**	**Neutral**	**Strongly Disagree**	**Disagree**
Micro insurance					
Bancassurance					
Promotions					
Corporate social responsibility					
Constant review of service processes					
Financial stability and credit rating					
Unique products					
Internet and social media					

8. Does your company use the following distribution channels?

Brokers and agents	Yes ☐	No ☐
Authorized representatives and sideline agencies	Yes ☐	No ☐
Direct salesforce	Yes ☐	No ☐

Your effort and time is greatly appreciated

Mukayami Moreblessing (R125750G)

APPENDIX C: INTERVIEW GUIDELINE

1. What do you think are the reasons for the decrease/ increase in the uptake of insurance products?

2. What strategies do you use in order to increase the uptake of insurance products?

3. What challenges are you currently facing as you are implementing the above named strategies?

4. What do you think makes you products unique and distinct from those of other companies?

5. Which distribution channels do you use for your products?

6. Do you use the internet, for example Facebook to enhance your brand or as a marketing tool?

7. Do you think information technology has an impact on the insurance industry and how?

8. What other strategies do you wish to use or recommend that may help increase the uptake for insurance products?

Your effort and time is greatly appreciated

Mukayami Moreblessing (R125750G