

Research Topic

**Factors for The Underwhelming Response to Life Insurance among Zambians –
a case study of Lusaka**

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A Thesis Submitted to The University of Zambia-Institute of Distance Education

**Presented in the Partial Fulfilment of the Requirements for the Degree of
Masters of Business Administration**

The University of Zambia

March 17, 2017

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Certification

This is to certify that Peter Kalikeka Nkhata has carried out his research work on the topic entitled “Factors for the underwhelming response to life insurance among Zambians – a case study of Lusaka under my supervision. This work is original in nature and it is suitable for submission for the award of degree for Masters of Business Administration

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Abstract

The study is intended to determine the factors for the underwhelming response to life insurance among Zambians – a case study of Lusaka. The study focuses on the influence of seven selected independent variables (income, level of education, age, culture, religion, family background and marital status) on the decision to purchase life insurance. The researcher used primary data collected from the respondents from the hundred (100) administered questionnaires. The approach for this study is both qualitative and quantitative research approach. To display the responses, the researcher used frequency distribution tables, histograms, pie charts and cross tabulations tables. To statistically determine the influence of the factors on the decision to hold life insurance, the research used analysis of variance. The probability value of income, culture, level of education, age and marital status is less than 0.05 indicating that the factors influence the decision to hold life insurance. While religion and family background have probability value greater than 0.05 which indicates that the factors do not influence the decision to hold life insurance.

Acknowledgments

First, I would like to thank my supervisor Dr Kelvin Mambwe, for his fruitful support, expert guidance, helpful criticism and encouragement at every stage during the completion of this work. It was pleasant and inspiring experience for me to work under his guidance. So, I always remain grateful and thankful. My thanks also goes to employees at Barclays Bank life insurance section in particular for helping me by providing the required information. It is also my pleasure to thank members of the public in Lusaka, who gave me their time to take part in the study which is very much valuable for this study. Moreover, I thank my dear wife, Mrs. Mweemba K Nkhata, for her priceless support and day to day general comments. Further, I add a special note of admiration and gratitude to my family and friends for their valuable moral support, and for all those who stood by my side during this work. Finally my gratitude goes to Barclays Bank Zambia Plc for sponsoring my study for 2 years 6 months at The University of Zambia. Above all, thanks to the Almighty God for what I have achieved in life and everything I am.

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CHAPTER ONE

1.0 INTRODUCTION

The chapter introduces the study on determining the factors for the underwhelming response to life insurance among Zambians. This chapter provides a brief history of life insurance, general background on life insurance, the general aim and specific objectives of the study. It also highlights the significance of the study and the problem statement.

1.1 A BRIEF HISTORY OF LIFE INSURANCE

The origins of the concept of life insurance, as it is known, can be traced to ancient Rome. Caius Marius, a Roman military leader, created a burial club among his troops, so in the event of the unexpected death of a club member, other members would pay for the life insurance expenses. Many similar clubs originated in this era. Romans believed anyone who was improperly buried would become an unhappy ghost, so the clubs were embraced by the government and military because of the deep conviction that it was absolutely essential for each person, regardless of social standing, to be buried in the correct manner. The clubs later evolved to also provide a stipend to the survivors of the deceased. In 1759 the Presbyterian Synod of Philadelphia sponsored the first life insurance corporation in America for the benefit of Presbyterian ministers and their dependents. Episcopalian ministers organized a similar fund a decade later.

In 1930 Group life insurance was born when Equitable Life Assurance Society (now AXA Equitable) wrote a policy covering all 125 employees of the Pantasote Leather Company without requiring individual applications or medical exams. In 1912, Equitable organized a department to promote group coverage and soon began insuring employees of Montgomery Ward. Life insurance sales rose dramatically after World War I, peaking at \$117 billion of insurance in force in 1930. By the eve of the Great Depression, there were more than 120 million life insurance policies equivalent to one policy for every man, woman and child living in the United States at the time.

1.3 LIFE INSURANCE IN ZAMBIA

The insurance industry in Zambia has recorded an overall increase of 18% in terms of Gross Written Premium (GWP) turnover during the year ended 31 December 2015. In monetary terms, GWP increased to K2.10 billion in 2015 from K1.83 billion recorded in 2014. The Insurance Penetration Ratio (GWP to GDP ratio) stood at 0.67% in 2015 compared to 1.5% in 2014. The GWP in general insurance stood at K1.38 billion in 2015 from K1.21 billion in 2014. Under long term insurance, the GWP turnover as at December 2015, stood at K717 million from K650 million in 2014. However, life insurance accounts for a very minimal percentage contribution, Zambia's life insurance market is underdeveloped, with a penetration rate of 1.3% and total premiums equivalent to only US\$20 per capita (KPMG, 2016).

According to Pensions and Insurance Authority, there is no specific period that can be said to have been the time that the insurance industry was born in Zambia except that the industry has been growing steadily from 1971 when the industry became nationalized and monopolized by the Zambia state insurance corporation. In 1991, after liberalization, professional insurance and Madison insurance entered the insurance market in Zambia. The advent of life insurance in Zambia can only properly be traced in 2005 when the government of Zambia amended the Insurance Act, a move which led to the split of life insurance also known as long term insurance and general insurance. The history of life business in Zambia is difficult to isolate and write on as it only fully occurred in 2006. To date the penetration levels of life insurance in Zambia are lamentably low.

From the introduction of life insurance in Zambia, a number of service providers have emerged on the market offering the product to their different clientele. However, this proposal, focuses on life insurance provided by Barclays as one of the service providers in Zambia.

1.4 BARCLAYS AS A LIFE INSURANCE SERVICE PROVIDER

The conclusion of the takeover of ABSA by Barclays Global by early 2011 led to the introduction of all ABSA products in all Barclays' business channels across Africa. The banking services were amalgamated with insurance services to provide the clients with a total financial services package as a business. This led to the creation of Barclays life the underwriters of Barclays insurance products in Zambia and the first Barclays insurance product called umoyo family protection policy was launched in October 2012. Umoyo family protection policy is a funeral protection cover that has been on sale ever since.

There are mainly two major reasons for the introduction of insurance by Barclays as a group in Zambia. The first is that by virtue of ABSA being a subsidiary of Barclays group and a pioneer in insurance, all its products would be introduced in the Barclays business after its takeover. Secondly, the low penetration levels for insurance indicate that the market is still much untapped and Barclays as a business so an opportunity to diversify and grow its business. However for easier collection of premiums, it is important to note that Barclays insurance clientele as at now is restricted to Barclays account holders only as the mode of insurance in this case is strictly banc assurance. Barclays Bank Zambia has been chosen by the researcher being the employer and the known commercial bank offering life assurance product to its customers.

1.5 PROBLEM STATEMENT

The insurance industry has tremendously grown in Zambia with general insurance accounting much of the growth. Over the period of 6 years, general insurance has grown by 23% surpassing the industry's growth rate. On the other hand, life insurance over the same period has marginally grown by 1.5%. This is despite the country having strong GDP growth prospects, 2000 deaths annually related road accidents and the thriving insurance industry (RTSA, 2016). The country also has a relatively good financial sector by African standards, a factor that stands the insurance industry in good stead. According to the GCI, Zambia is ranked 46th in the world in terms of financial market development. Despite these strong indicators for a robust life insurance market, the rate at which life insurance has been growing in comparison to other types of insurance and in particular general insurance, is a concern. It is for this reason that the study was designed in order to explore the factors

that may be contributing to the current rate of growth for life insurance in Zambia and in particular the case of Barclays Bank Zambia which is one of the service providers.

1.6 MOTIVATION

Death or illness by nature is unpredictable. Given that this is a life fact and that none has control over their own life or the life of their close family members. It is therefore imperative that persons are prepared financially particularly for the emergencies that may rise to avoid the financial stress during such unforeseen hard times. It is for this reason that this paper seeks to investigate the factors that inhibit the potential of life insurance in Zambia as well as promote public awareness about the immense benefits of life insurance. The study will equally help life insurance providers to tailor life insurance products to the satisfaction of their potential customers. The paper will also add to the board of knowledge on life insurance in Zambia for future study.

1.7.1 GENERAL AIM

The general aim of this study is to determine the factors for the underwhelming response to life insurance among Zambians.

1.7.2 SPECIFIC OBJECTIVES

- a) To determine whether culture and education influences people's perception about life insurance.
- b) To establish whether income impacts the decision on buying life insurance and verify whether family background set up affects people's perception about life insurance
- c) To ascertain whether religious beliefs and age influences people's perception about life insurance.
- d) To find out whether marital status impacts people's perception about life insurance.

1.7.3 RESEARCH QUESTIONS

- a) Does culture and education influence people's perception on buying life insurance?
- b) What is the effect of income and family background on an individual's decision to buy life insurance?
- c) Do religious beliefs and age of an individual influence decision in buying life insurance?
- d) Does marital status impact an individual's decision to buy life insurance?

1.7.3 SIGNIFICANCE OF STUDY

The significant role played by the life insurance sector in economic development of Zambia cannot be overemphasized. Life insurance serves as a vehicle for saving mobilization, a product for risk protection, a medium for long-term investments and contributes to the gross domestic product (GDP) of the country. The insurance industry has become highly competitive with the influx of private life insurance products to the consuming public. It is one of the potential areas of the fast growing financial service sector in Zambia. It has experienced reforms over the past decade in an attempt to meet customers at their point of need. This study focuses on the factors that influence the consumption of life insurance products. The study seeks to add to knowledge and fill research gap in the subject of life insurance by focusing on Zambia where the subject is virtually unexplored. Thus, the available literature on life insurance will be built on and improved upon with this research as well as serving as the basis for further research work. It will therefore enable practitioners and competitors in the industry gain an understanding and appreciation of these factors and customer characteristics that affect them.

The results of the study is expected to assist policy makers identify the economic and socio-demographic influences on the demand for life insurance products in Zambia. Outcome of the study, it is hoped, may prescribe new plans for building promising Life Insurance markets so as to increase the reach of life insurance products to a larger market. It is envisaged that the study will provide the

framework and the guiding principles for new entrants in the life insurance industry for designing their products so as to capture a fair share of the market. It is hoped that the findings of this study will enable life insurance companies revise their distribution strategies and develop new ones that best meet the needs of the sophisticated customer.

1.7.4 DEFINITION OF KEY TERMS

Age: The number of years a respondent has lived as of last birth day

Barclays Bank: Commercial bank operating in the Zambian financial sector offering financial products

Culture: The upbringing of an individual either in a traditional customs and beliefs or western style

Education: an individual's learning and training; instruction as imparted in schools, colleges and universities.

Family background: the upbringing of an individual either in a nucleus or extended family set-up

Income: a respondent's monetary earnings from either formal work or informal

Life insurance: is a contract between the insurer and the policy owner whereby a benefit is paid to the designated beneficiaries if an insured event of life, illness or death occurs which is covered by the policy

Marital status: the state of being single, married, separated or widowed

Pensions and Insurance Authority: the Zambian regulatory board mandated to regulate firms in the pensions and insurance sector

Religious beliefs: An individual's belief and understanding of God the Creator

Underwhelming: Negative response or attitude to something.

1.8 SUMMARY

This chapter has introduced the study on determining the factors for the underwhelming response to life insurance among Zambians. The chapter has highlighted the general aim, specific objectives, justification and the problem that has been observed.

CHAPTER TWO

LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

2.0 INTRODUCTION

This chapter highlights the views of different academicians, researchers and scholars that have been advanced in the field of life insurance. The chapter presents the theoretical, empirical and conceptual framework on life insurance.

2.1 GENERAL REVIEW OF EXISTING LITERATURE ON LIFE INSURANCE

Hussels et. al. (2005) have shown that the level of insurance demand within an economy can be influenced by a number of variables which can be categorized into economic, legal, political and, social. Among the important economic factors found to significantly affect demand for life insurance are incomes, inflation, price of insurance and social welfare provisions. The legal factors have been identified as good investors' protection, better creditors' rights, more vigorous law enforcement and better accounting information. Political environment refers to the degree of stability of a country's socio-political environment, measured by average number of revolution and coup per year. Another political factor identified is income inequality. Social factors relate to variables such as culture, religion, dependency ratios, life expectancy and education. The demand of life insurance usually decreases during volatile economic times. Black and Skipper, (2000). In contributing to the determining factors for the demand of life insurance, Beck and Webb (2003), suggested that if the effective return within a policy compares favourably with the returns of other savings instruments, life insurance will look more attractive to prospective savers, against its other features such as the protection it provides.

Doherty and Singer (2002) argued that a secondary market for life insurance enhances the liquidity to life insurance policyholders by eroding the monopsony power of the carrier. This will increase the surplus of policyholders and in the long run will lead to a larger primary insurance market. On the other side, life insurance companies, as represented by the Deloitte Report (2005), claim that the life settlement market, by denying them the return on lapsing or surrendered policies, increases the costs

of providing policies in the primary market. They allege that these costs will have be passed on to consumers, which would ultimately make the consumers worse off.

A key issue in the contention between the opposing sides is the role of lapsing or surrendering in the pricing of life insurance in the primary market (Daily, 2004). There are a variety of situations in which policyholders may choose to lapse or surrender. First, the beneficiary for whom the policy was originally purchased could be deceased or no longer need the policy; second, the policyholder may experience a negative income shock (or a large expense shock) that leads him to favor more cash now than to leave a bequest.⁶ In the absence of the life settlement market, when a health-impaired policyholder chooses to lapse or surrender its policy, the life insurance company pockets the intrinsic economic value of these policies, which potentially allows the life insurance company to offer insurance at a lower premium. In the presence of the life settlement market, these policies will be purchased by the life settlement firms as assets, thus the primary insurance company will always have to pay their face amount if the original policyholder dies within the coverage period.

Truett and Truett (1990) on their comparative study on the demand for life insurance in Mexico and the United States identified that age, education, and level of income affect the demand for life insurance and that the income elasticity of demand for life insurance is much higher in Mexico than in the United States. Furthermore, Li et.al (2007) analyzed the determinants of aggregate life insurance demand on a cross-section of developed economies. They found that income plays a major role in the consumption of life insurance products. An increase of 1 percent in aggregate income can be expected to induce at least a 0.6 percent increase in aggregate life insurance demand. In particular, the demand for life insurance decreases with the average life expectancy (lower probability of death) and increases with the dependency ratio (number of dependents).

Education level is positively related to life insurance demand, whereas the influence of social security expenditure is significantly negative. On the other hand, inflation significantly decreases the demand for life insurance. High real interest rates do not persuade households to purchase more insurance, but actually stimulate them to reduce their purchase either because of higher expected benefits for the same invested amount or because of higher preference for immediate consumption relative to deferred consumption (Hussels et. al., 2005).

2.3 TYPES OF LIFE INSURANCE

In a study done by George (2003) on the factors affecting demand of life insurance in Sweden, there are many types of life insurance products available to meet the differing needs of many individuals and families. That is to say life insurance policies are of many variations but these are classified into three basic types. According to, George (2003), the three types are: Term insurance, Whole life insurance and Endowment insurance.

Term Insurance Term Life insurance provides a specific amount of life insurance coverage for a designated time period. Presently, the available policy lengths for Term Life insurance are one year, five years, ten years and fifteen years. Term Life Insurance covers the mortality risk for a stated length of time. It is the simplest type of life insurance (George, 2003). If the insured person dies within the time frame in which the policy is in effect, the insurance company pays out the face value of the policy. If the insured person lives longer than the term of the policy, the policy expires and would pay nothing.

Term Life insurance does not build any type of equity is often one of the least expensive types of insurance and is available in several forms. Term Life insurance is typically purchased as a means of temporary protection or when an individual can't afford the cost of other forms of Life insurance. Some people prefer to invest their own money elsewhere and feel they can obtain higher yields without having to use a Life insurance plan. Term insurance has several characteristics. It provides protection for a temporary period such as one, five, ten or twenty years or until insured reached a certain age such as 65 years or 70 years. George stresses that the policies can be renewed for additional periods without evidence of insurability. The premium is increased at each renewal. A wide variety of term insurance products are sold today (George, 2003).

The first three types of the term insurance policies are the same as those discussed by Zietz. However, George considers re-entry term as another type of term insurance, which was left out by Zietz. In the opinion of George (2003), the re-entry term policy (also called revertible term), the renewal premiums are based on select mortality rates (lower rates) if the insured can periodically demonstrate acceptable evidence of insurability. To remain on the low rate schedule, the insured must periodically show that he or she is in good health and is still insurable. Evidence of insurability

generally is required at intervals of one to five years, depending on the company, amount of insurance and type of policy.

Both Zietz (2003) and George (2003) point out the drawbacks or limitations of the term insurance policy. In the view of George, term insurance is good for younger ages, but it is not suitable for life time protection. For some individuals, the need for substantial amounts of life insurance will continue beyond age 65 or 70 and therefore term insurance is not appropriate at the older ages. Single term insurance premiums increase with time and eventually reach prohibitive levels. Because of the premium increase, some insured's would drop their term insurance policies. Thus, after years of premium payments, they may die uninsured.

Frederick (1999) in discussing the limitations of term insurance enumerates three important limitations. The first limitation he identifies is that, term policies expire at the end of their terms, but the need for a protection may continue. The need for continuing protection is especially pressing for policy holders who have developed poor health. The second limitation he stresses is the increasing cost of term insurance. He notes that the cost of renewing term insurance is on the ascendancy. The absence of cash value is the third major limitation Frederick emphasized on. According to him other types of life insurance combine savings with protection, furnishing cash values for emergencies and for retirement income. It is sometimes argued that many of those who buy cash value insurance do so because they fail to consider the alternative of separating their insurance and saving programs or because they are talked into buying the more expensive policies by agents who thereby earn higher commissions.

Whole Life Insurance Whole Life Insurance is a permanent insurance that provides lifetime protection. The policies promise to pay the beneficiary whenever death occurs, "Till death do us part" is the insurance promise. Two types of whole life insurance have been identified by George (2003) namely Ordinary Life and Limited-Payment Life Insurance. Ordinary Life Insurance (also called straight life and continuous premium whole life) provides lifetime protection to age 100 and the death claims are a certainty. If the insured is still at age 100, the face amount is paid to the policy owner. In addition, premium levels do not increase with age. Under whole life policy, the policy owner is overcharged for the insurance protection during the early years and undercharged during the later years. George further asserts that ordinary life insurance also has an investment or savings element called cash surrender values. The cash values are done due to the over payment of the

insurance premiums during the early years. As a result, the policy owner builds cash equity in the policy. The policy may be surrendered for its cash values or the cash may be borrowed under a loan provision. The cash values are relatively small during the early years, but increase over time until they become significant. Limited life policy is the second form of whole life insurance. The insurance is permanent, and the insured has life time protection. The premiums are level but they are paid only for a certain period. The most common limited payment policies are for 10, 20, 25, or 30 years. A policy paid up at age 60 or 70 is another form of limited-payment insurance. Zietz (2003) classifies whole life insurance policies based on the method of premium payment.

2.4 CONCEPTUAL FRAMEWORK

Based on the pertinent literature discussed earlier, a conceptual framework for the determinant of life insurance demand is developed. This study categorizes factors influencing the level of life insurance demand into economic, legal, demographic and social as exemplified below.

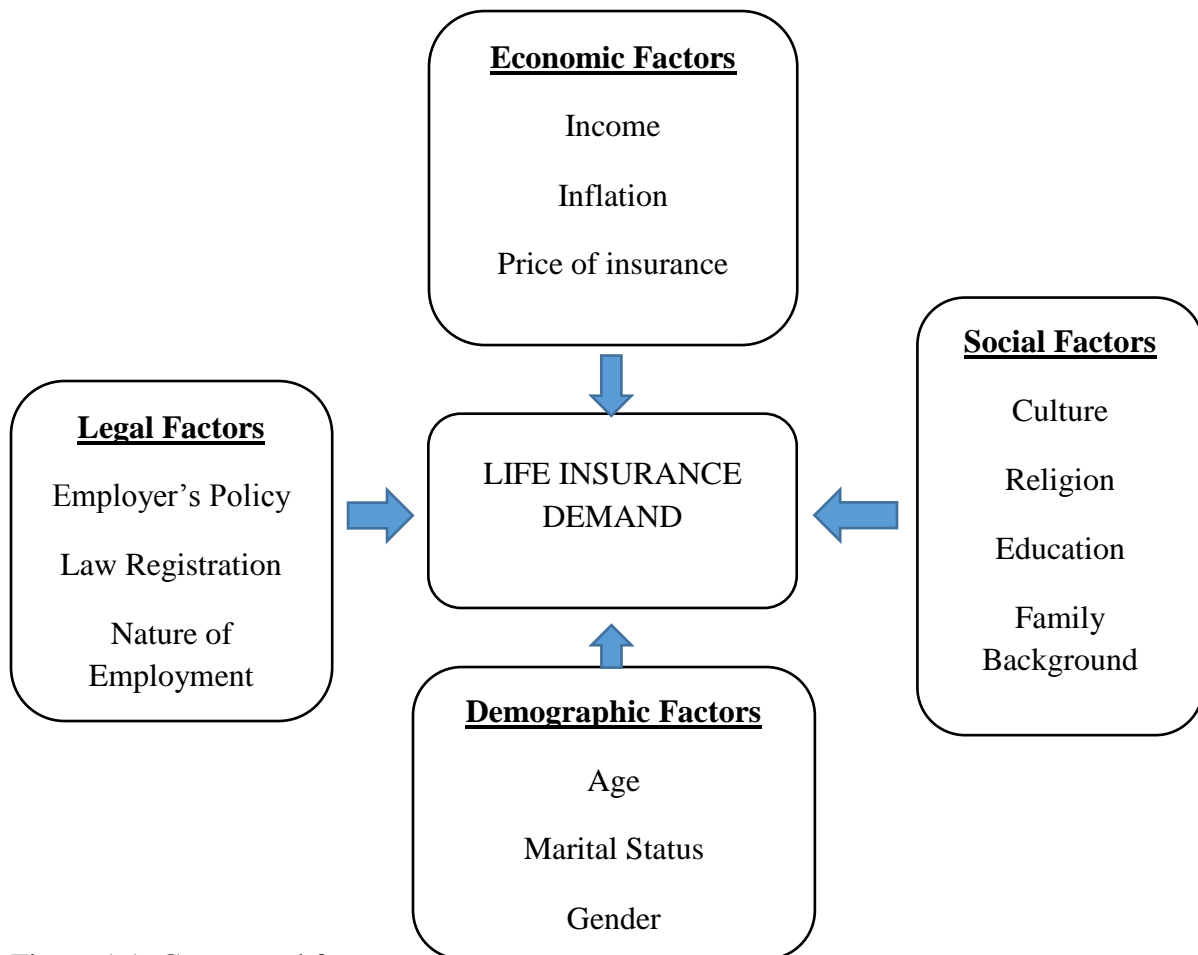


Figure 1.1: Conceptual framework

Among the economic factors that affect insurance demand are income, inflation, price of insurance and interest rate. Demand for insurance is expected to be high when income is high, inflation and the price of insurance is low, and interest rate affect demand for life insurance negatively,

Demographic factors that affect life insurance demand are age, marital status and gender. Life insurance is usually demanded when one has passed a youthfull age, married and females are more likely to purchase life insurance than males.

The social factors affecting life insurance demand are: family background, culture, religion, education and family size. An individual is more likely to demand for life insurance when coming from a family that has acquired life insurance, culture and religion is receptive to life insurance. An educated person is more likely to acquire life insurance and so is a person from a small family size.

Legal Factors affecting the demand for life insurance are: employer's policy, law registration and nature of employment.

2.5 SUMMARY

This chapter presented theories, empirical work on factors determining the demand for life insurance. The chapter contextualized the theories and empirical findings by presenting the factors affecting life insurance demand in the conceptual framework.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 INTRODUCTION

This chapter gives the strategy that was used to accomplish the research undertaking outlined above. It proposed the research design, area of study, target population, sampling size and selection method, data collection tools and methods, data processing and analysis.

3.1 RESEARCH DESIGN

The study utilized an exploratory research design. This is because an exploratory study provides a flexible research design which provides opportunity for considering many different aspects of a problem. Exploratory research is conducted in order to determine the nature of the problem, this type of research is not intended to provide conclusive evidence, but helps us to have a better understanding of the problem (Saunders et al, 2012). This study employed both quantitative and qualitative approach. Qualitative approach to research is concerned with subjective assessment of attitudes, opinions and behavior (Kothari, 2004). Quantitative research is based on the measurement of quantity or amount. It is applicable to phenomena that can be expressed in terms of quantity, in this case income (Saunders et al, 2012).

3.2 STUDY POPULATION

Considering the nature of this study, the study population was the public within Lusaka Town Center. Therefore, data was collected from members of the public resident in Lusaka.

3.3 SAMPLE SIZE

A sample size of hundred (100) was selected to take part in answering the questionnaires. To ensure validity and reliability of the outcome, I scrutinized the respondent before administering the questionnaire whether they understood what insurance is.

3.4 SAMPLING TECHNIQUE

Due to the varied nature of the sample population, systematic random sampling technique was used to select the sample from the public. The members of the public were selected from the main shopping malls at Manda Hill and Levy Park as they came in to do their business. The two shopping malls were chosen due to their central locality and close to business offices. Systematic sample is spread more evenly over the entire population. It is an easier and less costly method of sampling and can be conveniently used even in case of large populations (Brown, 2006).

3.5 DATA COLLECTION PROCEDURE AND INSTRUMENTS

3.5.1 SURVEY TECHNIQUE

The data gathering procedure employed was the survey technique. This method was used since it is most appropriate given the nature of the topic and also the most popular tool in data gathering in the social sciences. The choice is also informed by the extensive review of the literature for the study. Generally, surveys refer to techniques of data collection whereby information is obtained through the use of questions (Saunders et. al., 2012).

3.5.2 QUESTIONNAIRE

In this study, questionnaire administration was used in collecting the data. Questionnaires are organized group of questions used to elicit information from respondents. In setting the questions, I used simple and unambiguous language to the understanding of respondents. The questionnaires fundamentally contained closed-ended questions with alternative answers for the respondents to select from and open ended questions to gather more information. Structured questionnaires were used to elicit appropriate information from the respondents (ibid). The questionnaires were distributed to participants as they came to do their shopping. The researcher attended to each participant until the completion of answering the questionnaire to ensure clarity where there was need.

3.6 DATA ANALYSIS

According to Emory and Cooper (2003) raw data obtained from a research is useless, unless it is transformed for the purpose of decision-making. Data analysis usually involves reducing the raw data into a manageable size, developing summaries and applying statistical inferences. Consequently, the following steps were taken to analyze the data for the study: the questionnaires collected were coded for data entry. The data were analyzed using Statistical Package for Social Scientist (SPSS) computer software program. The results on qualitative data were presented descriptively using frequencies. To statistically determine the significance of the factors in influencing the demand for life insurance, I used analysis of variance to determine the differences in the mean. This was for the purpose of statistically determining the influence of the factors on the decision to buy life insurance policy for the analysis of quantitative data.

3.7 ETHICAL CONSIDERATIONS

I formally sought the consent of all respondents and observed all the necessary protocol. I ensured that information received from respondents was treated with a high level of care and confidentiality. The identities of informants were not disclosed in the report.

3.8 SUMMARY

This chapter presented the procedure the researcher under took in conducting the study. It highlights the research design, sample size, data collection and analysis technique utilized. The chapter explained how qualitative and quantitative data were to be analyzed, and lastly the ethics that the researcher had to adhere to.

CHAPTER FOUR

PRESENTATION OF RESEARCH FINDINGS AND DISCUSSION

4.0 INTRODUCTION

This chapter presents the findings of the study relating to the factors for the underwhelming response to life insurance among Zambians, a case study of selected parts of Lusaka. The findings are presented according to study objectives which were: to determine whether culture and education influences people's perception about life insurance; establish whether monthly income influences life insurance policy holding; verify whether family background set up influences people's perception about life insurance; ascertain whether religious beliefs influences people's perception about life insurance; clarify whether age influences people's perception about life insurance and find out whether marital status influences people's perception about life insurance. The findings are presented as follows.

4.1 DEMOGRAPHIC CHARACTERISTICS OF THE RESPONDENTS

The study investigated the demographic characteristics of the respondents in terms of sex, age and education level. The main aim was to investigate how they influenced the study findings. This was analyzed using the frequencies and percentage to be able to know the most frequent appearing response and make a conclusion based on that.

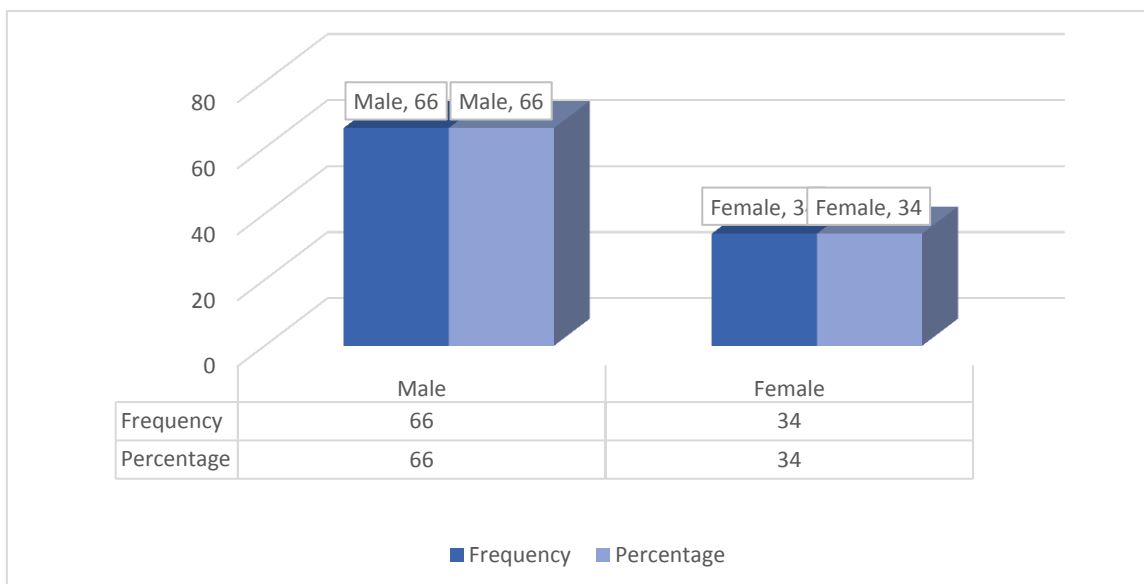


Figure 4.1: Sex of the Respondents

Figure 4.1 shows the

findings on the sex of the respondents. Out of the 100 respondents involved in the study, 66% were male and 34% were female. This means that majority of the views gathered were from male respondents which is likely to present male oriented views that may not be easily generalizable to the other gender counterpart.

Figure 4.2 presents the age of respondents that took part in the study and their respective frequencies.

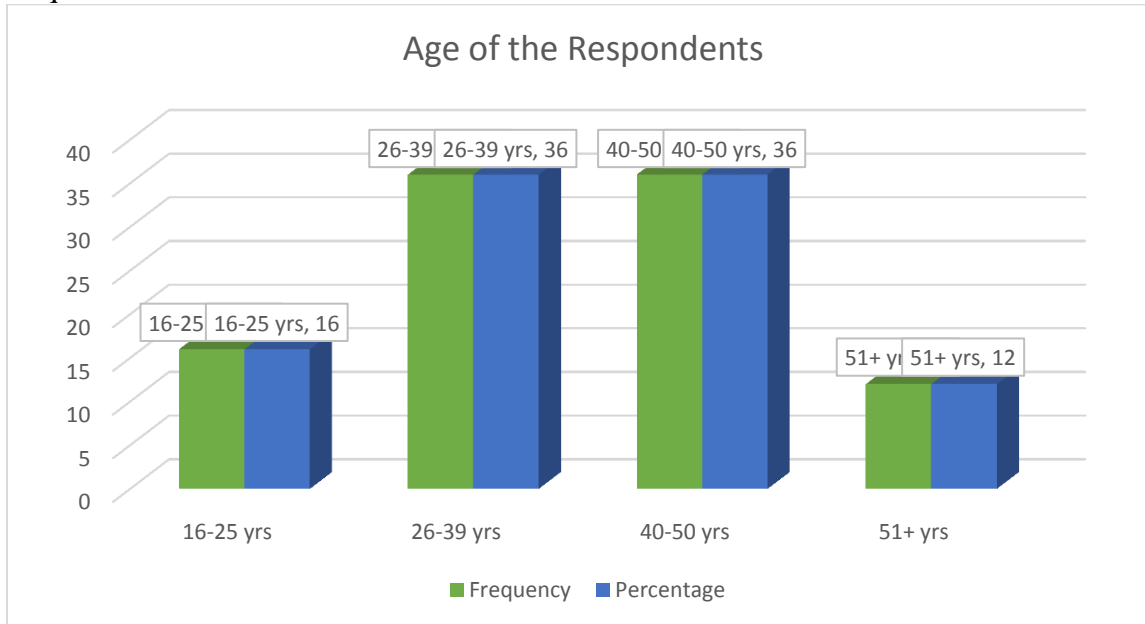


Figure 4. 2: Age of the Respondents

Figure 4.2 above shows the study findings on age of the respondents involved in the study. Out of the 100 respondents involved; 16% indicated 16-25 years, 36% indicated 26-39 years, 36% indicated 40-50 years and 12% indicated 51 years and above. This means that majority of the respondents involved in the study were from respondents aged 26-39 years and 40-50 years.

The figure below presents the frequencies of the highest education level attained by respondents taking part in the study.

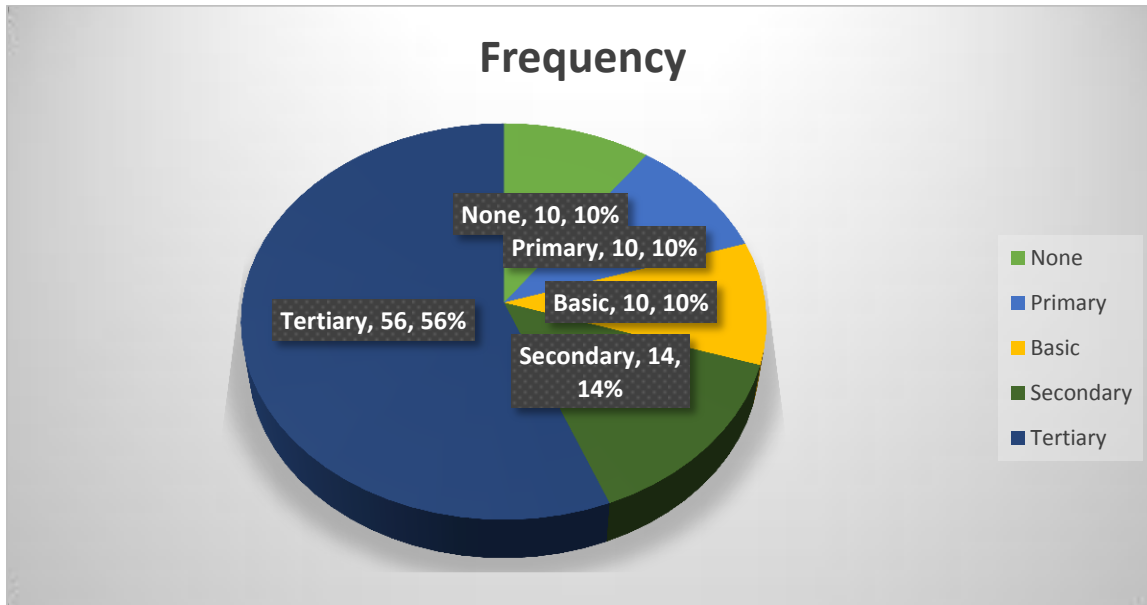


Figure 4.3: Level of Education of the Respondents

Figure 4.3 shows the highest level of education attainment of Respondents; 10% indicate none, 10% indicate primary, 10% basic, 14% indicate secondary and 56% indicate tertiary. This means most respondents attained tertiary, therefore were literate to understand the topic.

The figure below presents the marital status of respondents who took part in the study.

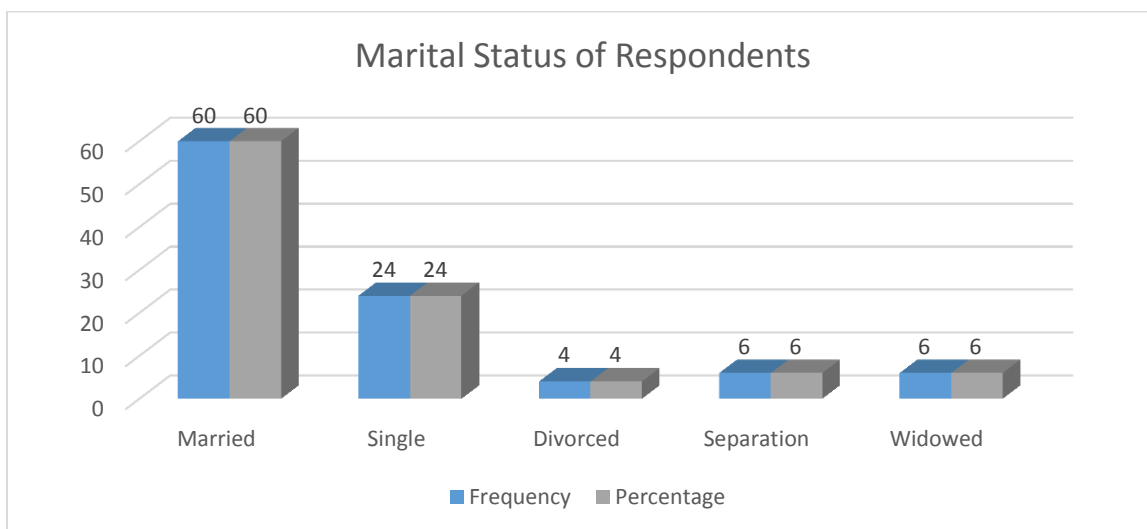


Figure 4.4: Marital status of Respondents

Figure 4.4 presents the marital status of respondents; 60% specify married, 24% specify single, 4% specify divorced, 6% specify separation and 6% specify widowed. The majority of respondents are married, implying they are more likely to take interest in life insurance for their family.

The figure below presents the number of respondents that understand what insurance is.

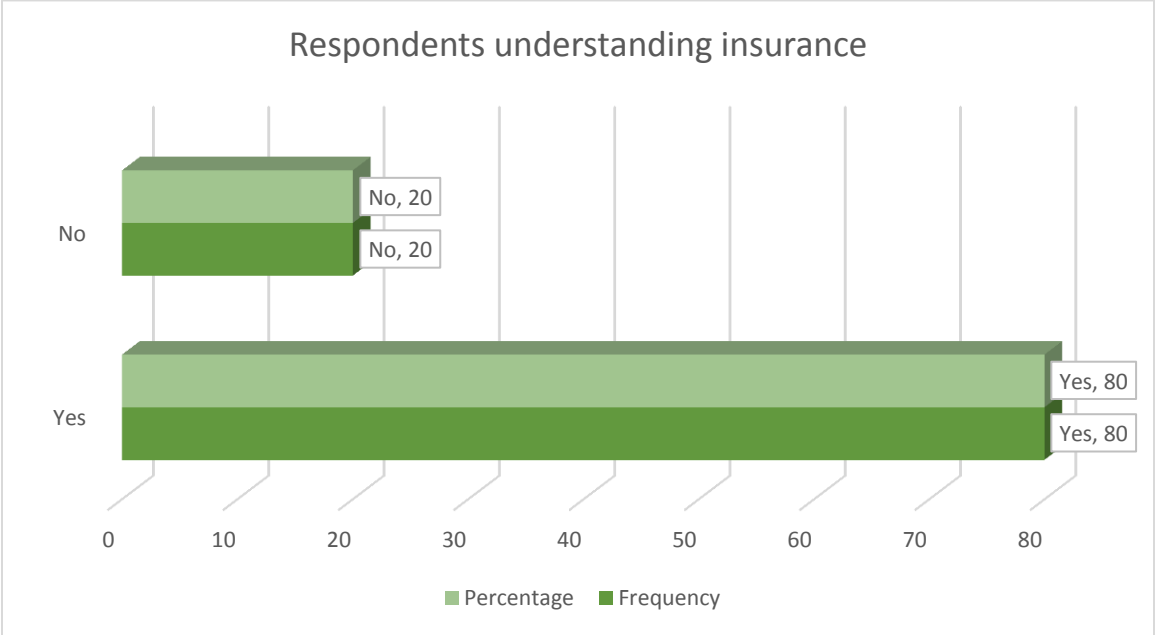


Figure 4.5: Respondents understanding insurance

Figure 4.5 above indicates 80% respondents understanding what insurance is while 20% respondents do not understand what insurance is.

The figure 4.6 below presents the types of life insurance that respondents know

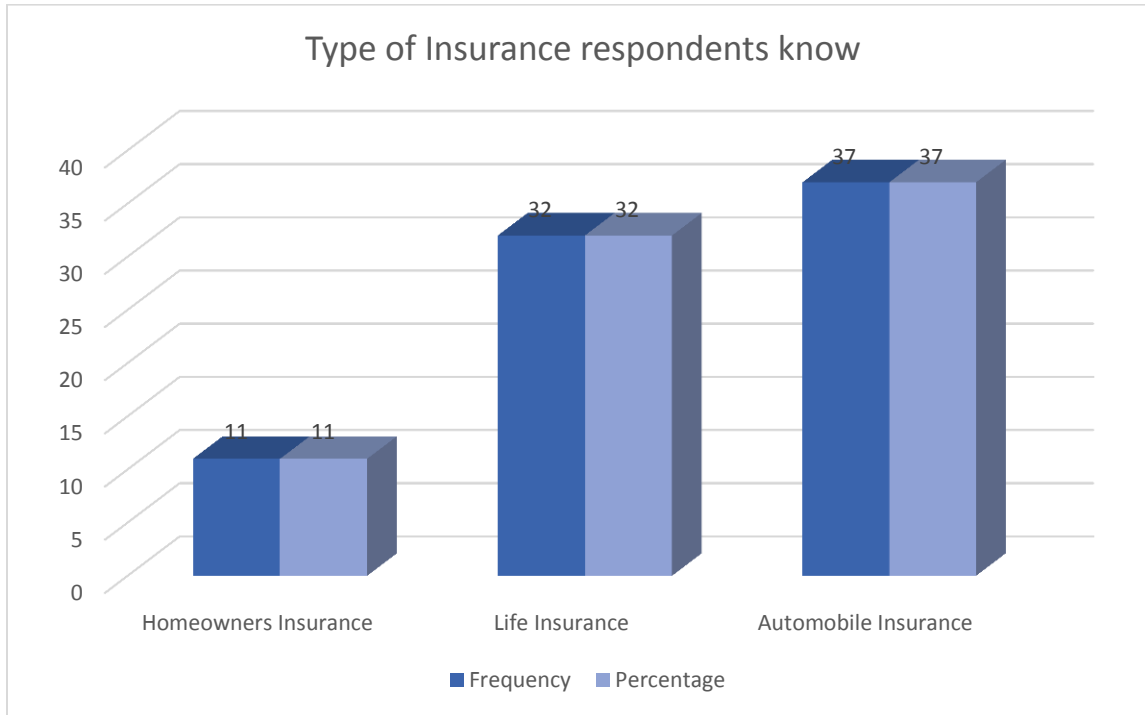


Figure 4.6: Types of insurance respondents know

Figure 4.6 presents the frequency of types of insurance respondents know. 32% indicate life insurance, 11% homeowners insurance and 37% indicate automobile insurance out of the total of 80 respondents who understand what insurance is.

Table 1: Number of respondents holding life insurance

Do you hold a Life Insurance Policy with any insurance company?		Frequency	Percent
Valid	Yes	44	44
	No	36	36
	Total	80	80
Missing	System	20	20
Total		100	100.0

Table 1 above presents the number of respondents holding life insurance policy. 44% indicate holding life insurance while 36% indicate not holding life insurance policy out the total 80 respondents understanding insurance.

Table 2: Life Insurance Endowment policy respondents hold

		Endowment Policy	
		Frequency	Percent
Valid	Yes	15	15
	No	29	29
	Total	44	44.0
Missing	System	56	56.0
Total		100	100.0

Table 2 above presents the number of respondents holding life insurance endowment policy. Out of 44 respondents holding life insurance, 15 hold life insurance endowment policy.

Table 3: Term Insurance policy respondents hold

		Term Insurance	
		Frequency	Percent
Valid	Yes	12	12
	No	32	32
	Total	44	44.0
Missing	System	56	56.0
Total		100	100.0

Table 3 presents the number of respondents holding term insurance policy. Out of 44 respondents holding life insurance, 12 hold term insurance policy.

Table 4: Whole Life Insurance respondents hold

		Whole Life Insurance?	
		Frequency	Percent
Valid	Yes	17	17.0
	No	27	27.0
	Total	44	44.0
Missing	System	56	56.0
Total		100	100.0

Table 4 presents the number of respondents holding whole life insurance policy. Out of 44 respondents holding life insurance, 17 hold whole life insurance term policy.

Table 5: Reasons for holding Life Insurance Endowment policy

Why did you opt for that type of Life Insurance Policy? * Endowment Policy? Cross tabulation

Count		Endowment Policy?		Total
		Yes	No	
Why did you opt for that type of Life Insurance Policy?	Has the potential to build cash value	15	0	15
	Premiums are cheap for a worth coverage when you are young	0	12	12
	Combines life coverage with an investment fund	0	17	17
Total		15	29	44

Table 4.5 presents the reason why holding life insurance endowment policy. 15 out of 44 holding life insurance state the policy of having the potential to build cash value as the main reason of holding life insurance endowment policy.

Table 4.6: Reasons for holding Term Insurance policy

Why did you opt for that type of Life Insurance Policy? * Term Insurance? Cross tabulation

Count		Term Insurance?		
		Yes	No	Total
		Why did you opt for that type of Life Insurance Policy?	Has the potential to build cash value	0
	Premiums are cheap for a worth coverage when you are young	12	0	12
	Combines life coverage with an investment fund	0	17	17
Total		12	32	44

Table 4.6 presents the reason why holding term insurance policy. 12 out of 44 holding life insurance state the policy of having premiums that are cheap for a worth coverage when one is young.

Table 7: Reasons for holding Whole Life Insurance policy

Why did you opt for that type of Life Insurance Policy? * Whole Life Insurance? Cross tabulation

Count		Whole Life Insurance?		
		Yes	No	Total
		Why did you opt for that type of Life Insurance Policy?	Has the potential to build cash value	0
	Premiums are cheap for a worth coverage when you are young	0	12	12
	Combines life coverage with an investment fund	17	0	17
Total		17	27	44

Table 7 presents the reason why holding whole life insurance policy. 17 out of 44 holding life insurance state the policy of combining life coverage with an investment fund.

4.2 OUTCOME ON SPECIFIC OBJECTIVES

Table 4.2.1 Frequency of education influence on decision to hold life insurance

What is your highest level of Education attainment? * Do you hold a Life Insurance Policy with any insurance

company? Cross tabulation

Count				
		Do you hold a Life Insurance Policy with any insurance company?		
		Yes	No	Total
What is your highest level of Education attainment?	None	0	3	3
	Primary	0	5	5
	Basic	0	2	2
	Secondary	4	10	14
	Tertiary	40	16	56
Total		44	36	80

Table 4.2.1 above presents the level of education of participants and whether they hold a life insurance policy with any insurance company. Those with no education, attained primary and basic indicate non holding life insurance policy and were 10 in total. Secondary indicate, 4 holding life insurance out of 14 and Tertiary, 40 holding life insurance out of 56.

4.2.2 Determining influence of education on the decision to hold a life insurance policy

ANOVA

Do you hold a Life Insurance Policy with any insurance company?

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	4.077	4	1.019	14.768	.000
Within Groups	5.143	75	.069		
Total	9.220	79			

Table 4.2.2 above presents the analysis of variance comparing the means between and within groups to determine the significance of the influence of education on the decision to hold a life insurance policy. The F-value of 14.768 and the significance of 0.000 signifies the significant influence of education on holding life insurance policy.

4.2.3 Frequency on whether culture influences the decision to hold a life insurance policy

What form of culture did you grow up in? * Do you hold a Life Insurance Policy with any insurance company?

Cross tabulation

Count		Do you hold a Life Insurance Policy with any insurance company?		
		Yes	No	Total
What form of culture did you grow up in?	Modern	31	18	49
	Traditional	13	38	51
Total		44	56	100

Table 4.2.3 presents the form of culture the participants grew up in and whether they hold a life insurance policy with any insurance company. 49 who grew up in a modern culture, 31 indicate holding a life insurance policy while 13 out of 51 participants who grew up in a traditional culture held a life insurance policy with any company.

4.2.4 Determining whether culture influences one to hold a life insurance policy

ANOVA

Do you hold a Life Insurance Policy with any insurance company?

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	5.001	1	5.001	92.611	.000
Within Groups	4.219	78	.054		
Total	9.220	79			

Table 4.2.4 above presents the Analysis of Variance to determine whether culture influences one to hold a life insurance policy. The F-value = 92.611 and the significance value of 0.000 indicate that culture influences the decision of one to hold a life insurance policy with any company.

4.2.5 Frequency on whether income influences decision to hold a life insurance policy

What is your level of monthly income? * Do you hold a Life Insurance Policy with any insurance company? Cross tabulation

Count		Do you hold a Life Insurance Policy with any insurance company?		
		Yes	No	Total
What is your level of monthly income?	Less k3000	0	24	24
	k3000 - k6000	0	30	30
	k6100 - k10000	9	2	11
	k10100 - k15000	12	0	12
	k15000+	23	0	23
Total		44	56	100

Table 4.2.5 above presents the frequency of respondents with their respective monthly level of income and whether they hold a life insurance policy with any company or not. None of the 24 respondents earning less than k3000 and none of the 30 respondents earning k3000 to k6000 held a life insurance policy with any company. While 9 out of 11 respondents earning k6100 to k10000, all the 12 respondents earning k10100 to k15000 and all the 23 respondents earning above k15000 held life insurance policy.

4.2.6 Establishing whether income influences decision to hold a life insurance policy

ANOVA

Do you hold a Life Insurance Policy with any insurance company?

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	7.791	4	1.948	102.526	.000
Within Groups	1.429	75	.019		
Total	9.220	79			

Table 4.2.6 above presents the Analysis of Variance to determine whether the monthly level of income influences the decision to hold a life insurance policy. As the F-value = 102.526 and the

significance probability level = 0.000 indicate the level of income to influence the decision to hold a life insurance policy.

4.2.7 Frequency on whether family background set up influences an individual's perception about life insurance

How many were you in your parents'/guardian's household? * Do you hold a Life Insurance Policy with any insurance company? Cross tabulation

Count		Do you hold a Life Insurance Policy with any insurance company?		Total
		Yes	No	
How many were you in your parents'/guardian's household?	0 - 2	16	17	33
	3 - 5	18	26	44
	6 - 8	6	11	17
	9+	4	2	6
Total		44	56	100

Table 4.2.7 above shows the frequency of the number of family size the respondent grew up in and whether they hold a life insurance policy with any company. As the table indicates 16 out of 33 from the family size of 0-2, 18 out of 44 from the family size of 3-5, 6 out of 17 from the family size 6-8 and 4 out of 6 from the family size 9 and above held a life insurance policy.

4.2.8: Verifying whether family background set up influences people's perception about life insurance

ANOVA

Do you hold a Life Insurance Policy with any insurance company?

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.660	3	.553	2.709	.059
Within Groups	15.504	76	.204		
Total	17.164	79			

Table 4.2.8 above presents the Analysis of Variance to verify whether family background size of the respondents influences the decision to hold a life insurance policy. As the F-value = 2.709 and the

significance probability value = 0.059 implies that family background size does not influence the decision to hold a life insurance policy.

4.2.9: Frequency on whether religious beliefs influences people’s perception about life insurance

What is your religion? * Do you hold a Life Insurance Policy with any insurance company? Cross tabulation

Count		Do you hold a Life Insurance Policy with any insurance company?		
		Yes	No	Total
What is your religion?	Christian	37	33	70
	Muslim	7	13	20
	Hindu	0	10	10
Total		44	56	100

Table 4.2.9 above presents the frequency of the religion and whether respondents hold a life insurance policy with any insurance company. 37 out of 70 Christians, 7 out of 20 Muslims and none Hindu held a life insurance policy.

Table 4.3.1: Ascertain whether religious beliefs influences people’s perception about life insurance

ANOVA

Do you hold a Life Insurance Policy with any insurance company?

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.667	2	.333	1.482	.240
Within Groups	17.325	77	.225		
Total	17.992	79			

Table 4.3.1 above presents the Analysis of Variance to ascertain whether religious beliefs influences the decision to hold a life insurance policy. The F-value = 1.482 and the significance probability value = 0.240 indicate that religious beliefs do not influence the decision to hold a life insurance policy.

4.3.2: Frequency on whether age influences people’s perception about life insurance

Age? * Do you hold a Life Insurance Policy with any insurance company? Cross tabulation

Count				
		Do you hold a Life Insurance Policy with any insurance company?		
		Yes	No	Total
Age?	16 - 25 years	7	25	32
	26 - 39 years	22	14	36
	40 - 50 years	14	12	26
	51+ years	1	5	6
Total		44	56	100

Table 4.3.2 above presents the frequencies of age with the respondent holding life insurance policy. 7 out of 32 aged 16-25 years, 22 out of 36 aged 26-39 years, 14 out of 26 aged 40-50 years and 1 out of 6 aged 51 years and above held life insurance policy.

4.3.3 Clarifying whether age influences people’s perception about life insurance

ANOVA

Do you hold a Life Insurance Policy with any insurance company?

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	3.720	3	1.240	8.341	.000
Within Groups	11.324	76	.149		
Total	15.044	79			

Table 4.3.3 presents the Analysis of Variance to clarify whether age influences the decision to hold life insurance policy. The F-value = 8.341 and the significance probability value = 0.000 imply that age influences the decision to hold life insurance policy.

4.3.4: Frequency on whether marital status influences people’s perception about life insurance

What is your Marital Status? * Do you hold a Life Insurance Policy with any insurance company? Cross tabulation

Count		Do you hold a Life Insurance Policy with any insurance company?		
		Yes	No	Total
What is your Marital Status?	Married	34	5	39
	Single	10	25	35
	Divorced	0	11	11
	Separation	0	13	3
	Widowed	0	2	2
Total		44	56	100

Table 4.3.4 presents frequencies of the marital status with whether the respondent holds life insurance policy. 34 out of 39 married 10 out of 35 singles and none among the divorced, separation and widowed held life insurance policy.

Table 4.3.4: Finding out whether marital status influences people’s perception about life insurance

ANOVA

Do you hold a Life Insurance Policy with any insurance company?

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	4.678	4	1.169	9.270	.000
Within Groups	9.45	75	.126		
Total	14.128	79			

Table 4.3.4 presents the Analysis of Variance to find out whether the marital status influences the decision to hold life insurance policy. The F-value = 9.270 and the significance probability value = 0.000 implying that marital status influences the decision to hold life insurance policy.

4.3 DISCUSSION

The study has reviewed that income, age, culture, education, and marital status are the factors attributing to the underwhelming response to life insurance among Zambians. The findings is similar to Truett and Truett (1990) on their comparative study on the demand for life insurance in Mexico and the United States identified that age, education, and level of income affect the demand for life insurance. Based on the findings, the underwhelming response to life insurance among Zambians is attributable to low average national income, high illiteracy level, high population of the unmarried and youths and generally the culture of Zambians.

The education levels among most Zambians are a contributing factor for the underwhelming response to life insurance. The majority of Zambians are uneducated, hence see no need to purchase life insurance due to lack of understanding of the benefits life insurance poses.

Increase in the educational level can lead to greater awareness and understanding of the role of life insurance, and is therefore another factor that can drive the increasing demand for life insurance. Because people who are more educated are more aware of the benefits of life insurance, and may possibly have easier access to life insurance through banks and financial intermediaries as opposed to those with low levels of education. Hence, life insurance companies should increase marketing efforts targeted to those less educated and increase access of insurance among these individuals.

Li et.al (2007) analyzed the determinants of aggregate life insurance demand on a cross-section of developed economies. They found that income plays a major role in the consumption of life insurance products. This is basically what was found in the study, income is statistically significant, matching the findings of Truett, Li and others. They confirmed the significant positive relationship of income and demand for life insurance. In this situation, as income arises, insurance become more affordable. Most Zambians earn low incomes, making life insurance unaffordable. As the findings from the study presented in the table below depict the level of income and how many from the income group hold life insurance.

None of the 54 respondents earning ZMK 6000 and below purchased any insurance policy while 44 respondents out of 46 earning above ZMK 6000 purchased insurance cover. This entails that the demand for life insurance is positively dependent on income. Those earning above average income are more likely to purchase life insurance. It means that GDP per capita is the most important factor that influences demand for life insurance. The statistically significant relationship between life

insurance demand and level of income implies that as income of the society arises, life insurance become more affordable.

The high population of the unmarried and youths imply that the majority of Zambians are unsettled and therefore less likely to plan for the stability of their families. The married are more likely to purchase life insurance as they have a responsibility to their immediate families. From the reviewed literature, there is no specific study that has found the status of marriage to affect insurance demand. This positive relationship implies that societies with longer life expectancies should have higher savings through life insurance vehicles and more demand for income consequently it leads to higher life insurance demand. It means that age is one of the factors that influence demand for life insurance.

The culture of Zambians being negative towards planning for one's demise while still alive is another factor for the underwhelming response to life insurance. The Zambian culture encourages one to think positively about their life. Traditionally, it is a taboo to think of dying or any negative event occurring to an individual. This traditional concept in most Zambians is one the factors contributing to the negative attitude towards life insurance. This finding is similar to the findings of Black and Skipper, (2000). They found that social factors relating to variables such as culture, religion, dependency ratios, life expectancy and education affect life insurance demand. However, in this study religion has been found to be statistically insignificant that is it has no effect on the demand for life insurance. This is so because Zambia is a predominantly a Christian nation, therefore there is less variance attributed to religion.

4.4 SUMMARY

This chapter has presented the findings of the study in relation to the objectives. The chapter has also reviewed empirical findings of other studies and relates them to the findings of the study. Furthermore, the chapter has presented a discussion on the findings to address the findings matched to the literature and the findings not inline to the literature.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.0 INTRODUCTION

The basic aim of this chapter is to present the overall overview of the research by summing the main findings of the analysis part and give recommendations for future researchers. Accordingly, the chapter briefly sums up the overviews of the study and its main findings. In section two based on the study finding the researcher highlight some recommendations to stakeholders. Finally, recommendations for future researchers are presented in section three.

5.1 CONCLUSIONS

The study aims to examine the factors for the underwhelming response to life insurance among Zambians. Based on the analysis made in previous chapter on factors that influence the decision to hold life insurance policy the following conclusions are drawn.

From the study done by Truett and Truett (1990) on their comparative study on the demand for life insurance in Mexico and the United States identified that age, education, and level of income affect the demand for life insurance. Based on exploratory research design, a sample size of 100 and collection of data using questionnaires, this study found education to have influence on the decision to hold life insurance policy. Notably respondents attaining high level of education were likely to purchase life insurance policy. Culture was found to affect the decision to hold life insurance policy. Individuals raised in a modern culture are more prone to purchase life insurance than those from a traditional culture. It has been found that income influences the decision to hold life insurance policy. Individuals with lower incomes were found not to purchase life insurance, similarly those with high incomes were most likely to purchase life insurance as indicated by the analysis of variance results. Education, age and marital status equally have been found to influence the decision of purchasing life insurance policy. Those who have either attained higher education, older or

married are more likely to purchase life insurance. However the study has found religion and family size background not to influence the decision of purchasing life insurance policy.

5.2 RECOMMENDATIONS

From the findings of the study, pertaining to the factors for underwhelming response to life insurance among Zambians, I recommend some alternative ways to promote and increase demand for life insurance in Zambia. Hence, the possible and constructive recommendations are forwarded as follows.

- Insurance firms should conduct awareness campaigns on the necessity of purchasing life insurance.
- Insurance firms should innovate life insurance products targeting the unmarried, the young and those from traditional background to tap into this potential market.
- The government should consider setting law requiring minimum life insurance cover for anyone above the age of 25 years. The government should promote an enabling environment for life insurance market to thrive.
-

5.3 RECOMMENDATION FOR FUTURE RESEARCH

Given the key role that the life insurance sector plays in the economy of the country,

- Future research should focus on other factors which are not touched in this study that will provide better insights for concerning management and regulatory bodies.
- Future researchers should include variables like banking sector development, life expectancy and dependency ratio.
- Mixed approach should be used by future researchers in order to investigate the main factors that affect life insurance demand in a better way.

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APENDIX-QUESTIONNAIRE

**THE UNIVERSITY OF ZAMBIA
INSTITUTE OF DISTANCE EDUCATION
MASTERS' IN BUSINESS ADMINISTRATION**

QUESTIONNAIRE ON THE TOPIC

**FACTORS FOR THE UNDERWHELMING RESPONSE TO LIFE INSURANCE AMONG
ZAMBIANS - A CASE STUDY OF LUSAKA**

This research is being conducted in partial fulfillment of the requirements for the award of Master in Business Administration degree from the University Of Zambia. All information received would be used only for academic purposes and treated with strict confidentiality.

Please tick in the box where appropriate. Leave the code box as it is for official use. You may also be required to complete the open ended questions in the spaces provided.

Thank you.

SECTION A: DEMOGRAPHICS

CODE

1. What is your Age?

- 16 – 25
- 26 – 39
- 40 – 50
- 51 +

2. Sex?

- Male

Female

3. What your highest level of Education attainment?

None

Primary

Basic`

Secondary

Tertiary

4. What is your Marital Status?

Married

Single

Divorced

Separation

Widowed

5. What is your Occupation/Employment Status?

Full Time Job

Part Time Job

Self – Employment

None

6. What is your level of Income?

CODE

Less 3000

3000 – 6000

6100 – 10000

10100 – 15000

Above 15000

7. How many Children do you have?

0 – 2

3 – 5

6 – 8

9 +

8. How many were you in your parents'/guardian's household?

0 – 2

3 – 5

6 – 8

9 +

9. What is your religion?

Christian

Muslim

Hindu

None

Other, specify.....

10. What form of culture did you grow up in?

Modern

Traditional

SECTION B: FACTORS INFLUENCING LIFE INSURANCE DEMAND IN ZAMBIA

This section tries to measure/assess the major determinants of the demand for life insurance products in Zambia.

CODE

11. Do you hold a Life Insurance Policy with any insurance company?

Yes

No

12. If YES, what type of Life Insurance Policy do you have?

Please tick as many as applicable.

- A. Endowment Policy
- B. Term Insurance
- C. Whole Life Insurance

13. Which of the following would be the major determinants for your decision to buy the Life Insurance Policy with any company?

Please indicate with YES (1) or NO (2) the degree of your agreement or disagreement with the following statements by writing the appropriate number against each determinant.

- A. Your Income level
- B. Market rate of interest on financial assets
- C. Low level of transaction cost of insurance (time and liquid cash)
- D. Nature of employment of the policy holder
- E. The age of the policy holder
- F. Family size of policy holder
- G. The prevailing inflation rate on market
- H. Current level of savings from income
- I. Easy access to customer claims when due
- J. Flexible terms of premium payment
- K. The price (premium level) of insurance

14. What other factors may affect the demand for Life Insurance Policy?

.....

THANK YOU FOR YOUR PARTICIPATION