

**THE DETERMINANTS OF THE DEMAND FOR LIFE INSURANCE
PRODUCTS IN GHANA- A SURVEY OF SELECTED LIFE INSURANCE
COMPANIES IN THE KUMASI METROPOLIS.**

BY

WIREKO DANIEL (B. A. Hons.)

**A THESIS SUBMITTED TO THE SCHOOL OF BUSINESS, KWAME
NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY (KNUST) IN
PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE DEGREE OF
MASTER**

OF

(BUSINESS ADMINISTRATION-FINANCE)

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY
COLLEGE OF HUMANITIES AND SOCIAL SCIENCES
KNUST SCHOOL OF BUSINESS**

NOVEMBER 2015

DEDICATION

This work is dedicated to my lovely wife, Jemimah Appiah-Kubi for her love and support throughout the two year Masters in Business Administration program at KNUST. It is also dedicated to my mother, Esther Nyarko for the toil and investment made in my education and for her encouragement and advice.

ACKNOWLEDGEMENT

Scholarship is a co-operative enterprise, and I have made use of the help of several people in the preparation of this work. I owe first a debt of gratitude to the Almighty God who by His Grace has seen me through this MBA program successfully. I wish to register my deepest appreciation to my supervisor, Dr. Kwame Mireku of KNUST School of Business for his careful reading through the manuscript, the valuable suggestions and insightful comments I received from him. You have really transformed me in this area of academic training. I am very grateful, sir.

I also thank Mr. Opoku Tweneboah George for his immense contribution and support throughout this activity. And to all researchers both in academia and institutional the world over, whose works served as a foundation and reference point for this work, I say thank you and well done.

I owe a considerable debt of gratitude to Mr Osei Adomako Frederick (Snr Oket) whose words of encouragement and inspiration has brought me this far and to all the “Wankyi- Boss” family who made it happen and made it worthwhile. To them all I say thank you and may God richly bless you.

ABSTRACT

The main objective of this study was to ascertain the determinants of the demand for life insurance products in Ghana from the perspective of consumers. In this study, one Logit regression model was estimated to help investigate the determinants. The Logit regression coefficients, the z-values and the p-values were used for the evaluation and statistical significance of variables in the model estimated. The Statistical Package for Social Sciences (SPSS) 16.0 was used to evaluate the descriptive statistics- bar charts and pie charts, while STATA 5.0 version was used for the analysis of the Logit regression model specified. The Logit model was evaluated or analyzed with both p-values and the coefficients for the purpose of statistical significant of the explanatory variables in the model. Results of the study showed that 61.33% of the respondents mostly subscribe to Endowment policy followed by Term insurance policy (26.33 %) and then Whole life policy (12.33%). Consistent with previous results the Logit regression indicates a significant positive relationship between income level and the demand for life insurance products. The study found negative insignificant association between both the market rate of interest and level of savings and the demand for life insurance products. Price of insurance (level of premium) appeared to have no robust influence on life insurance consumption as showed by insignificant negative coefficient. Inflation on the other hand had an indirect association with life insurance consumption with statistically significant values. Education, employment status and the age of consumers had significant positive influence on life insurance consumption. But family size had statistically insignificant positive effect on demand. Overall, life insurance demand is better explained when the economic and socio-demographic factors are considered jointly.

TABLE OF CONTENTS

CONTENT	PAGE
DECLARATION.....	ii
DEDICATION.....	iii
ACKNOWLEDGEMENT.....	iv
ABSTRACT.....	v
TABLE OF CONTENTS	vi
LIST OF TABLES	ix
LIST OF FIGURES	x
CHAPTER ONE	1
INTRODUCTION.....	1
1.0 BACKGROUND OF THE STUDY	1
1.1 PROBLEM STATEMENT	4
1.2 RESEARCH OBJECTIVES	5
1.3 RESEARCH QUESTIONS	5
1.4 SIGNIFICANCE OF THE STUDY.....	6
1.5 THE SCOPE AND LIMITATIONS OF THE STUDY.....	7
1.6 ORGANIZATION OF THE STUDY	8
CHAPTER TWO	9
LITERATURE REVIEW	9
2.0 INTRODUCTION.	9
2.1 THE CONCEPT OF LIFE INSURANCE	9
2.2 TYPES OF LIFE INSURANCE.....	11
2.2.1 Term Insurance	11
2.2.2 Whole Life Insurance.....	14
2.2.3 Endowment Policy	15
2.4 LIFE INSURANCE AND DEMAND - THE FUNDAMENTAL CONCEPTS.	17
2.5 THEORETICAL PREDICTIONS OF LIFE INSURANCE DEMAND.	18
2.5.1 The Expected Utility Theory	18
2.5.2 Permanent And Life Cycle Income Hypothesis.....	21
2.6 FACTORS THAT DETERMINE THE DEMAND FOR LIFE INSURANCE 23	
2.6.1 ECONOMIC FACTORS	23

2.6.2 SOCIO- DEMOGRAPHIC FACTORS	25
2.7 REVIEW OF EMPIRICAL STUDIES	28
CHAPTER THREE	32
RESEARCH METHODOLOGY	32
3.0 INTRODUCTION	32
3.1 RESEARCH DESIGN	32
3.2 THE TARGET POPULATION	33
3.3 SAMPLE SIZE AND SAMPLING TECHNIQUE	33
3.4 SOURCES OF DATA.	34
3.5 DATA COLLECTION PROCEDURE AND INSTRUMENTS	34
3.5.1 QUESTIONNAIRES	34
3.5.2 INTERVIEWS	35
3.6 RELIABILITY AND VALIDITY	35
3.7 DATA ANALYSIS	36
3.8 MODEL ESTIMATION	37
3.8.1 The Logit Regression Model.	37
3.8.2 Variables Description.....	37
3.8.3 Specification Of Logit Regression Model	38
3.9 EXPECTED SIGNS OF COEFFICIENTS OF THE VARIABLES IN THE MODEL.....	39
3.10 ETHICAL CONSIDERATIONS	40
CHAPTER FOUR.....	42
RESULTS AND DISCUSSION	42
4.0 INTRODUCTION	42
4.1 ANALYSIS OF THE TYPE OF LIFE INSURANCE PRODUCTS PURCHASED BY CONSUMERS.	42
4.2 QUANTITATIVE/PARAMETRIC ANALYSIS OF THE RELATIONSHIP BETWEEN ECONOMIC FACTORS AND DEMAND FOR LIFE INSURANCE PRODUCTS.	44
4.3 ANALYSIS OF THE RELATIONSIP BETWEEN SOCIO - DEMOGRAPHIC FACTORS AND LIFE INSURANCE DEMAND.	50
4.4 SOME CHALLENGES FACING LIFE INSURANCE POLICY HOLDERS.	52

CHAPTER FIVE	61
SUMMARY OF FINDINGS AND POLICY RECOMMENDATION	61
5.0 INTRODUCTION	61
5.1 SUMMARY OF FINDINGS	61
5.2 CONCLUSION.....	63
5.4 SUGGESTION FOR FURTHER RESEARCH:	65
REFERENCES.....	66
APPENDICES	79

LIST OF TABLES

TABLE	PAGE
Table 3.1 Expected signs of coefficients of the variables in the model.....	40
Table 4.0: The logit regression results from the estimated model.....	49
Table 4.1 Socio- Demographic Information of respondents.....	52

LIST OF FIGURES

FIGURE	PAGE
Figure 4.0: Type of Life Insurance Policy Mostly Held By Respondents/ Consumers	43
Figure 4.1.Gross Disrespect for Customer Service Ethics.....	53
Figure 4.2: Customers Frequently Queuing For Customer Service.....	54
Figure 4.3 Quality of internet/online services.....	55
Figure 4.4: Delays in claims processing at maturity period.....	56
Figure 4.5 Transparency in service delivery.....	57
Figure4. 6. Administrative charges from service providers.....	58
Figure 4.7: The bureaucratic challenges	59

CHAPTER ONE

INTRODUCTION

1.0 BACKGROUND OF THE STUDY

Risk and uncertainty are inevitable in life. Calamities of one kind or the other have befallen man since creation. People are exposed to misfortunes, disasters and catastrophes even before the advent of Western civilization in Ghana. Most people living in Ghana bear the financial burden of catastrophes themselves without access to insurance or government assistance. The Ghanaian society, through cultural orientation adopted its own mechanisms of dealing with exposure to mishaps as casualties suffered from such events have been fatal. For example, a farmer who lost all his productive assets due to a devastating bush fire and was still sitting on an outstanding loan, heave a sigh of relief when family members contributed to pay off his loan. Traditionally, the family is the critical focus in providing support when members become old and are threatened by economic deprivation, disability and social isolation (Gockiel, 1996).

At times, assets are sold, savings are used and families depend on donations from well-wishers to settle debts associated with funerals. Remittances from relatives and friends are also relied upon to defray debts resulting from contingencies. Thus, the traditional Ghanaian society put in place measures to address major contingencies through collective security and mutual help to one another. Apart from the reliance on the extended family system for security in times of emergencies, dependence on God's protection to prevent calamities was also prevalent.

In contemporary times however, especially with the decline in the extended family system there has been a gradual shift away from complete dependence on the extended family system towards dependence on more formal institutionalized social security system. The insurance industry serves as a complementary channel through which protection against the hazards of life can be sought. This is supported by The International Labor Organization (ILO) report that the public social security systems and safety nets have become weak and often cover less than 10% of the population in developing countries (ILO 2001). Thus, Life Insurance is seen as an effective tool that prevents households from engaging in insufficient and costly alternative ways of coping with shocks (Lena Giesbert, 2011).

Moreover, in the face of increasing urbanization, population mobility and formalization of economic relationships between individuals, families and communities, Life Insurance has assumed higher relevance as a way for individuals and families to manage income risk (Beck and Webb 2003). The protection from financial losses that households, groups and the larger community enjoy in periods of incapacitation and old age is what insurance programs seek to achieve. Insurance is thus a risk-sharing arrangement (Leppert et al, 2012). Insurance is a contract between two parties whereby one party called the insurer agrees to indemnify the other party, called the insured on the occurrence of a certain event.

The industry has a huge potential which has barely been scratched. Prospects in the Life Businesses are yet to be fully harnessed although the life insurance market has been growing rapidly in Ghana in recent years. A report by KPMG (kpmg.com/Africa) indicates that the average growth of the insurance sector in Ghana was an impressive 30% during 2006-09 with the life sector being responsible for most of this expansion. This, according to the report, is attributed to strong levels of

economic growth and the development of the oil and gas sector. Patronage of life insurance products is improving surprisingly as agents of insurance companies keep on invading work places, markets, religious organizations and schools in a bid to capture more clients. This is against the background of one of the long-standing maxims about Life Insurance business which states that Life Insurance products are sold but not bought. Given life's uncertainties, it is reasonable to think that people will consider buying Life Insurance products to reduce losses in the event of unexpected circumstances. But this is not the case in a relatively conservative Asian society where people find it taboo to even discuss about misfortunes. Life Insurance products therefore remain financial products that many people will never take the initiative to purchase unless it is compelled by law such as auto insurance or the individual is approached by an insurance sales agent or wealth planner (Loke and Goh, 2012).

The National Insurance Commission (NIC, 2011) indicates that only 5% of the Ghanaian population has an insurance product. This excludes those with the National Health Insurance Scheme (NHIS). A study by Fin Mark Trust, commissioned by the National Insurance Commission (NIC), found that more than 23million Ghanaians (out of a total population of 25.4million) are living without any form of insurance (kpmg.com/Africa). This suggests that life insurance products are the least consumed financial products in Ghana. Nurul and Sarah (2013) commented that financial planners and representatives of Life Insurance companies attest that many individuals feel reluctant to allocate funds in Life Insurance and failed to see its underlying benefits as a personal risk management tool. According to them, this phenomenon is evident in a report by the Life Insurance Association of Malaysia (LIAM, 2011) which stated that only 42% of the total Malaysian population is insured-implying that

the remaining 58% of the population are still vulnerable to life's risks. Given this apathy on the part of consumers to patronize the services of insurance companies, some insurance products especially those from the life business, have been so ingeniously crafted that it is difficult to resist their appeal. This research looks at the major determinants of the demand for life insurance products in Ghana with reference to selected life insurance companies in the Kumasi Metropolis.

1.1 PROBLEM STATEMENT

The Life Insurance market in Ghana is made up of eighteen (18) companies. Gross Premium income grew from GH¢122million in 2009 to GH¢343million in 2010 with a growth rate of 52%. Over the last decade the Life Insurance industry in Ghana has recorded an average growth of 50%, increasing its market share from 35.7% in the year 2009 to 40.7% in 2010. There was a market growth rate of 43% in the year 2011 (NIC, 2011). It is against this background that this research investigates the factors that influence the demand for life insurance products that translate into upsurge in the premium income and continuous growth in the market share of the Life Insurance sector in Ghana. Although the Life Insurance industry in Ghana is not that new, previous research attempts to find out the determinants of the demand for Life Insurance products have been very minimal or virtually absent and that we do not understand fully what drives the demand over time in Ghana, hence the motivation to research into this area of study.

While there is growing interest in the study of insurance in general, empirical contributions from academia in Ghana are still limited and have mainly concentrated on the analysis of the uptake of micro insurance and health insurance. This study therefore intends to fill the gap in research into the circumstances and conditions within which Life Insurance consumption occur in Ghana. A number of authors

across the globe have proposed a variety of economic and socio-demographic factors as possible determinants of life insurance consumption. Limited data sample in Ghana however, have constrained the testing of theoretical hypothesis.

The thesis improves on the existing literature in several ways .The contribution of this research to literature rests in the new effort to understand the drivers of Life Insurance consumption in Ghana given that there is limited empirical study in this area in the country. The incentive to undertake empirical research in this subject is therefore grounded on the general need for investigation into the factors that influence the demand for life insurance products in Ghana.

1.2 RESEARCH OBJECTIVES

The main objective of this study is to ascertain the determinants of the demand for life insurance products in Ghana. Specifically the study seeks:

- 1 To identify the type of life insurance product that consumers normally buy.
- 2 To find out the level of association between economic factors and the demand for life insurance products.
- 3 To establish whether socio-demographic factors influence the demand for life insurance products.
- 4 To find out the challenges that consumers of life insurance products face in Ghana.

1.3 RESEARCH QUESTIONS

This research aims at finding answers to the following questions.

1. What type of life insurance products do consumers normally buy in Ghana?

2. What is the level of association between economic factors and the demand for life insurance products?
3. To what extent do socio- demographic factors influence the demand for life insurance products?
4. What challenges confront the buyers of life insurance products in Ghana?

1.4 SIGNIFICANCE OF THE STUDY

The significant role played by the life insurance sector in economic development of Ghana 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 vibrant areas of the fast growing financial service sector in Ghana. 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 Ghana 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 Ghana. 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.

The study seeks to add to knowledge and fill research gap in the subject of life insurance. 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 investigations and research work. It will also be used by researchers and practitioners as a reference material.

1.5 THE SCOPE AND LIMITATIONS OF THE STUDY

This research work investigates the major factors (economic and socio- demographic) that determine the consumption of life insurance products in Ghana. Coverage of the study will also include the review of relevant topical themes such as types of life insurance and the theoretical predictions of life insurance consumption. Empirical studies conducted by earlier researchers on the topic will be taken care of.

The main limitations of this research are time and financial resource constraints. The limited time span to complete this study as well as financial challenges, the study is confined to the Kumasi Metropolis. More life insurance companies should have been studied to make the results of the study more representative. The study is also limited by the lack of time series data that will enable the researcher study the trend of the critical factors that impact strongly on the demand for life insurance products in Ghana or to study the degree of association between the various factors and life insurance consumption over the years. The study is therefore restricted to the use of

interviews and questionnaires as the only sources of data. There are bound to be challenges with this form of data collection with regards to responses of human subjects.

1.6 ORGANIZATION OF THE STUDY

This research is arranged into five main chapters as follows: Chapter one deals with the introduction of the study which involves a discussion of the background of the study, the problem statement, research objectives and research questions. Other topics covered by this chapter are the significance of the study, the scope of the study and limitations as well as the organization of the study. In Chapter two, related literature relevant to the study is thoroughly reviewed. Relevant sub themes are selected from books and journals. The full description of the methodology used to collect data is captured in chapter three. The sources of data, target population, sample size and sampling procedure are dealt with in this chapter.

Chapter four covers presentation and analysis of data, the discussion of the information and responses from respondents. Chapter five presents the findings, conclusions and recommendations for policy implementations. It also addresses the challenges encountered during the collection and analysis of data and the opportunity for future research on the topic.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION.

This chapter throws light on the relevant examinations on the subject of determinants of consumption of life insurance products in Ghana. It provides a general discussion of the concept of life insurance, its types and related concepts. Theoretical predictions of life insurance demand along with insights from empirical studies on the factors that drive life insurance consumption are covered in this chapter.

2.1 THE CONCEPT OF LIFE INSURANCE

The most common motive for the demand for Life Insurance product is safeguarding the economic interest of the insured when he/she dies. The accumulated cash value is used to cover funeral and other expenses. It is also invested to offer returns in replacement of the lost earnings (Hakansson, 2009). Additional purposes for taking out a life policy include real estate planning [mortgage protection] and planning for retirement, since the death of the insured can be monetary advantage to the buyer of the product; the policyholder must legally be interested in the insured's life. The **"insurable interest"** simply means the legitimate reason for insuring the other person's life (Frederick, 1999).

Life Insurance is an agreement in which the insured transfers, and the insurance company assumes, the risk of death for a specified period of time (Zietz, 2003). Just like other insurance businesses, policyholders shift the risk to the insurance company, and in return obtain policy document upon payment of the initial sum agreed upon. Apart from the insured and the insurer, there is usually a beneficiary who has been

named to collect the policy income should the insured event (death) occurs within the policy period (Hakansson, 2009). One could also purchase a life insurance policy on the life of someone else. For instance, if a husband buys a life policy on behalf of his wife, he is the owner of the policy but she is the insured. It should be noted that the beneficiary of a life policy is not a co-signer to the contract. He is only chosen as such by policyholder. The owner could even change the beneficiary if he wishes, except for policies that have irrevocable beneficiary clauses. In an irrevocable insurance contract, the recipient is obliged to consent to any alterations in provisions of the receiver's contract terms such as the assignment clause or borrowing of cash value before such changes can be effected.

A life insurance contract is an official agreement which specifies the provisions and circumstances of the risk assumed (George, 2003). Exceptional clauses such as suicide clause that renders the policy null and void in case the policyholder commits suicide during the period of operation of the contract are enshrined in the agreement. Any falsification by the buyer on the application is also a ground for nullification. The face value of the policy is usually the amount paid when the policy matures, even though contracts may offer bigger or smaller sums. There is no obligation on Life insurance companies in the underwriting process or providing life insurance coverage for anyone. The term **premium loading** is used to refer to a situation in which life insurance companies raise the premiums in order to be able to provide coverage for additional risks for an insured (Lena Giesbert, 2011). Payment of accumulated cash value of life policies is made as a lump sum or on monthly installment basis and when the company is able to confirm death of the insured, claims are then paid (Nurul and Sarah, 2013).

An aspect which many individuals regard puzzling concerns the terms “**Insurance**” and “**assurance**” (Leppert et al, 2012). How different or similar? “Insurance” generally refers to providing cover for an event that may or may not take place, but “**assurance**” refers to the provision of protection against an incident which is likely to occur (e.g. death). In recent time, the distinction between the two terms has become blurred, this is principally due to many companies offering both types of policy and rather than refer to themselves using both insurance and assurance titles, they simply settle for one.

There are **five major lines of business in the life insurance industry**- individual life, individual annuities, group life, group annuities, accident and health (Loke and Goh, 2012). The most important lines of business in terms of both revenues and profits are those involving asset accumulation products i.e. individual life, individual annuities and group annuities. Group life, accident and health insurance are mainly indemnity [rather than asset accumulation] products. The importance of asset accumulation products is particularly noteworthy, because this is the market where insurance faces the most vigorous competition from banks and investment advisory firms.

2.2 TYPES OF LIFE INSURANCE

Life insurance policies are of many variations but they can be grouped into three main types as outlined by George (2003). The three types according to the author are Term insurance, Whole life insurance and Endowment insurance.

2.2.1 Term Insurance

This offers a specified amount of life insurance protection for a specified time period. Currently, the accessible policy maturity periods for this policy are one year, five

years, ten years and fifteen years. It provides protection for mortality risk within a given period of time. Term life insurance is the simplest type of life insurance (George 2003). In case the policyholder passes on while the policy is still in force, the company will pay the face value of the policy. But if he/she outlives the duration of the contract, the policy expires and nothing is paid. It is among the less costly forms of life insurance being offered in numerous varieties. 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. It provides coverage for a temporary period such as one, five, ten or twenty years or until the insured is 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. Zietz (2003) identifies five different types of term life insurance policies. These are: Single-year term policies which promise to pay if the insured dies within the one-year policy term; Five year term policies, which also pay death benefit if the insured dies within five years of the policy period; Longer term policies may last for ten, fifteen and twenty years; Term to a specified age (such as 60 or 65) policies. These policies pay if death occurs before the designated age; Multi-year term policies. This may have benefits that decrease, increase or remain at the same level. A Decreasing Term Policy, according to Zietz provides the beneficiary with low proceeds each year the policy is in force. That is, if death occurs in the policy year, the beneficiary receives the full-face amount, but if death occurs in a subsequent year, the proceeds will be low etc. With the Increasing Term Policy, the proceeds increase each year. If death occurs in the first year, the insurer pays the face amount of the policy. The Level-Term Policy however pays the same amount of benefits if death occurs while the policy is in force. George (2003) in

discussing types of term life insurance products or policies varies a bit from Zietz's categorization of products. George also identifies five types of term life insurance policies namely: Yearly Renewable Term; Five, Ten, Fifteen, or Twenty Year Term; Term to age 65; Decreasing Term; Increasing Term and finally, Re-Entry Term.

The first three types of the term life insurance policies are the same as those described by Zietz. But George sees the last one, re-entry term, as another type of term life insurance which was not considered by Zietz. According to George (2003), the re-entry term policy (also called revertible term), the renewal premiums are based on selected mortality rates (lower rates) if the insured can periodically prove evidence of insurability. To remain on the least rate schedule, the insured must periodically show that he or she is in good health and is still insurable. Prove of insurability is a general requirement at intervals of one to five years, subject to the amount of insurance, policy type and the company.

Both Zietz (2003) and George (2003) agree on the **weaknesses** associated with the term insurance policy. George believes that term insurance is more fitting for younger ages, but it is not appropriate for life time coverage. Some individuals need substantial amounts of life insurance even beyond age 65 or 70 and therefore term insurance is not good for the older ages. The premiums for single term life insurance increase with time and ultimately reach higher levels. As a result of the premium increase, some insured would drop their term insurance policies. Thus, after years of premium payments, they may die uninsured.

Frederick (1999) discussed the **flaws** of term insurance and outlines three main 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 he emphasizes. The second limitation he stresses is the increasing cost of term insurance. The cost of renewing term insurance is on the ascendancy he notes. The absence of cash value is the third major limitation. According to him other types of life insurance products include 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.

2.2.2 Whole Life Insurance

This is a permanent insurance policy which offers security for a lifetime. It pays the recipient anytime death happens, "Till death do us part" is the policy's pledge. George (2003) outlined two main types as Ordinary Life and Limited-Payment Life Insurance. **Ordinary Life Insurance** (sometimes known as straight life or continuous premium whole life) offers lifetime security till one is hundred years with a high degree of death claims. Again, premiums do not soar with age. One feature of this is that, insured are overpriced in terms of premiums in the early years and underpriced in later years. George additionally asserts that ordinary life insurance is embedded with investment or savings component referred to as cash surrender values. The policy may be surrendered for its cash values or the cash may be borrowed under a loan provision. Cash values are comparatively minimal in the early years, but increases with time till they become significant. **Limited life policy** is the second form of whole life insurance. It is a lasting product that offers life time shelter. Limited payment contracts mostly cover periods of ten, twenty, twenty-five, or thirty years. Zietz (2003) on the other hand, categorizes whole life insurance policies based on the

method of premium payment. Based on this criterion, he identifies three forms of whole life insurance as Single premium, Continuous premium and Limited payment.

With the single premium policies, in exchange for one payment, the company promises to reimburse claim anytime whenever death take place. The premium is relatively large and because it is large, consumers who need much life insurance generally cannot use the single premium method he observes. The continuous type demands the policy holder to make equal premium payment tillthey reach age hundred. These policies are also called level-premium whole life and straight premium whole life. The premium takes into account both compound interest and the possibility of the insured's death. The third type of whole life insurance policy is limited payment whole life which lies midway between Single-premium and continuous premium policies (Zietz 2003). For limited-payment policies, premiums are paid simply for a specified period, such as ten or twenty years, or until a specific age is reached, such as 60 or 65. The amount of each premium payment depends on the times it will be paid. Thus for a man who is 35 years old ,a-ten-year life policy will be larger than the payment needed for whole life policies chosen by consumers who want long-term death protection but do not want to continue to pay life insurance premiums, especially during retirement. These policies are also relevant to people who want to combine more savings with their life insurance purchase. The "secret" of the limited-payment whole life policy is that, the insurer is willing to accept a smaller number of large payments, and as a result, greater compound interest earned to the continuous premium plan.

2.2.3 Endowment Policy

Endowment policies are basically savings contracts that contain pure protection components such that should the policyholder dies prior to the savings schedule is

accomplished, the insurance company continues and finish the plan. Endowment contracts have two main subdivisions which are the Limited-Term Endowment Policy and Retirement Income Policy. Limited term endowment policies extend for a given number of years, typically five, ten, twenty, or thirty years. A very common period is 20 years. Endowment policies are normally meant for savings to cater for education or retirement. The second category is Retirement Income Policy. This type is like the first one only that the previous one is planned in such a way that the cash values is equivalent to a sum of money enough to offer monthly retirement income until age 65 (Greene and Trieschman, 2005).

2.4 LIFE INSURANCE AND DEMAND - THE FUNDAMENTAL CONCEPTS.

The concepts of demand and supply are critical in market economy analysis. In this thesis, the focus of the investigation is on the demand side of this basic economic equation. Demand represents the quantity of a given product consumers are willing and able to buy at a given price. Thus, in economic theory the major factor for the demand for a given product is its price. However, besides the price of a product there are other factors that can influence the demand for a product. Salient factors are preferences, income, and number of consumers in a market as well as prevailing interest rates and prices of complementary or substitute products. Altogether these factors determine the level of effective demand which is the quantity consumers are willing and able to buy of a given product (Mankiw, 2008).

In the life insurance market in particular, the price elasticity of demand is considered of lesser importance. Life insurance is “characterized as a ‘sold good’ not a ‘bought good’” (Babbel, 1985). This notion is supported by two reasons: first, the initiative in a life insurance transaction comes from the seller and not the buyer (Zultowski, 1979); second, the complex nature of pricing in life insurance contracts makes comparisons difficult for buyers (Auxier, 1976; Crosby & Stephens, 1987). In a survey amongst insurance agents, it was found that less than 20 percent of sales are initiated by the consumer (Zultowski, 1979).

The complexity of life insurance pricing, or insurance premium, lies in its combination of actuarial value and loading factor. Actuarial value is the expected payoff from an insurance policy. Following this definition, a risk-averse person will always be better off by entering into an actuarially fair insurance coverage (Hofmann, 2009). But the provision of insurance is also costly. The second price component, the loading factor of a policy premium usually includes a safety buffer, taxes, and all the

administrative expenses associated with the provision of life insurance contract (Vaté & Dror, 2002). Thus, besides the complexity in actuarial valuation of a policy and differences in models across insurance companies, the load factor is a considerable price component with potential for differentiation.

While demand for life insurance is negatively correlated with its price (Mantis and Farmer, 1968; Campbell, 1980; Babbel, 1985; Browne and Kim, 1993), the costs of insurance provision can be expected to significantly decrease with high volumes. Diamond 1992, for example, finds that the load factor on insurance for fewer than five persons insured is 40 percent, whereas the load for a group of 10,000 or more insured is at 5.5 percent. Therefore, an understanding of the other factors influencing demand for life insurance is of utmost importance.

2.5 THEORETICAL PREDICTIONS OF LIFE INSURANCE DEMAND.

The key objective in this section is to re-examine soundness of opinions emanating from the accessible theoretical researches on the factors that considerably give details of the nature of present and future consumption of life insurance products.

2.5.1 THE EXPECTED UTILITY THEORY (EUT)

This theory was put forward by John von Neumann and Oskar Morgenstern (Varian, 1993). It is a conjecture of decision making in conditions of risk and posits that individuals make decisions under uncertainty on two factors - the utility of the outcomes and their relevant chances. In this theory, an individual selects events or plans which ensure maximization of estimated satisfaction. But, satisfaction is a function of the individual's preferences. Consumers possess varying choices against varying amounts of risk.

Individuals having diverse uniqueness may tolerate different amount of risk, leading to varying intentions to patronize life insurance or not and the quantity to consume. Risk-averse households are more likely to purchase life insurance for eliminating the risk of premature death of the main wage earner in the household. Modern empirical research that have investigated the consumption of life insurance is based on the theoretical work of Yaari (1965), Mossin (1968), Hakanson (1969), Fischer (1973), Lewis (1989) and others as these studies represented the upgraded version of life insurance demand investigations.

Using the pace-setting theory of Yaari (1965) and Hakansson (1969), greater number of the previous theoretical studies concentrate on the intention to buy life insurance by the breadwinner, who maximizes the weighted sum of her own lifetime utility from consumption and that of bequests. According to the Yaari's life-cycle model, an individual having unpredicted life expectancy buys life insurance to boost his/her anticipated utility. His model is given by the equation below.

$$E[U(T)] = \int_0^T \alpha(t)g[c(t)dt + \beta(T)\Phi[S(T)]$$

where T is a random variable that has certain probability that shows the individual's lifetime, $u[c(t)]$ is the present utility c at a given time t, and $\phi[S(T)]$ is the present utility of bequests. $\alpha(.)$ and $\beta(.)$ indicate the discount factors which is a constant by which future consumption is discounted. β is therefore regarded as a subjective weighting function for bequests expected to rise when the individual marries and have children and assumes a hump-shape curve, since the need for bequests becomes prevalent if the individual dies young. In this model, the demand for insurance depends on current wealth and the anticipated future income over the lifetime, the size of premiums (including the loading factor), rate of interest for present over future

consumption, and the individual's lifetime possibility. In a world where life insurance is available, the consumer is able to separate the consumption decision from the bequest decision and the consumption of life insurance can be beneficial to an individual who is interested in leaving any bequest. The bequest motive is not further expounded in Yaari's model.

Lewis (1989) extended Yaari's framework by partially endogenizes changes in the consumption of insurance by introducing preferences of the dependents and beneficiaries in the equation. Consequently, dependants consume life insurance as they face an unsure flow of income obtainable from parents' uncertain lifetime. He stated the utility maximization equation for the dependant and partner differently and indicated that the sum of life insurance possession can be given below:

$$(1-lp)F = \max \left\{ \left[\frac{1-lp}{l(1-p)} \right]^{1/\delta} TC - W, 0 \right\}$$

Where l is the policy loading factor (proportion of extra cost of an insurance product to its actuarial value), p is the possibility of breadwinner dying, and F is the face value of all insurance written on that persons' life. The parameter δ is an indicator of dependants' risk aversion, TC denotes the demand of partner from the present time to the estimated end of his lifetime and that of the offspring from the present time until he moves away from the household, and W represents the households' wealth net of the spouses own bequest at a certain age.

It must be observed that the fundamental theory illustrated above applies exclusively to the mortality risk aspect of life insurance, called term life insurance. But the drivers of the savings and annuity aspects of life insurance contracts may vary. Pissaridis (1980) stated that in a life-cycle model, apart from the motive for a bequest there is

also the motive of saving for retirement. In developed economies, investigations of life insurance consumption usually include features that serve both motives simultaneously. When people live until retirement age, they regard life insurance buying as “pension”, and the bequest rational is fulfilled by the fact that, in substitute for reduced pension, the insured sum becomes available to the person’s offspring by the insurance company in case the policy owner dies before retirement.

2.5.2 PERMANENT AND LIFE CYCLE INCOME HYPOTHESIS

This theory was propounded by Milton Friedman. It posits that the spending behavior of individuals depends on the present level of wealth (income) and the long-run anticipations of income (Friedman, 1957). This hypothesis maintains that individuals plan consumption and saving decisions using potential of future income flows. Even though individuals look forward to variations in present income in course of their lifetime, consumption trends continue to be stable as a ratio of their anticipated permanent income. Hence, people transfer income from times of high income to times of low income so as to maintain consumption trends stable (Bryant, 2006). Per this theory, consumption trend of individuals rise and fall in course of lifetime, and income is expected to decline considerably throughout retirement. To maintain constant consumption pattern throughout lifetime, individuals must borrow from the future and save towards retirement. Individuals therefore have the incentive to purchase life insurance to shield dependents from financial privation when premature death occurs. Clearly, life insurance provides financial security against huge variations in household’s consumption trends. Furthermore, cash value life insurance products have saving component which enables consumers have access to their cash value through policy loans or surrender value thereby providing uninterrupted income in the period of retirement. This model assumes that permanent income depends on an

individual's worth such as the present value of non-human net-wealth (bonds, stocks, real estate, and other property minus liabilities) and returns on human assets like expected future income through education, training, long service and experience. Consequently, we can logically presuppose that human capital of individual, including education and employment status, can affect life insurance consumption.

In 1963, Ando and Modigliani theorized the **life cycle hypothesis**. Similar to the permanent income proposition, this theory assumes that saving and consumption decisions made by individuals are functions of current and potential income. Key assumption of this theory hinges on the fact that people begin with small income when they start working and improves before reaching maximum level before retirement and retirement income becomes significantly smaller. Since term life insurance is comparatively cheaper, it may be appropriate for individuals who don't have enough incomes but greater desire for insurance. Hence, it may be demanded by young households who don't earn huge sums of money.

Conclusively, fundamental theoretical representation assumes that the intention to buy life insurance in a simple setting in the absence of information asymmetries depends on a household's risk aversion, savings level as well as anticipated income of the individual's lifetime, the predictable lifetime-ie the chance of risk, the expenses (the loading factor as a proxy for a policy) and the individual's intensity for bequests.

From the theories reviewed, price has been cited as a major driver of life insurance demand. To sum up, theoretical examination conducted indicates factors such as income, rate of interest, recent consumption and accumulated savings as determinants of life insurance uptake. Socio-demographic factors were also incorporated in the theories and their potential effects on a household's life insurance uptake intentions

were examined. Sections that follow present the major factors that informed the objectives of this study as well as empirical research works to emphasize the significant factors that affect life insurance demand.

2.6 FACTORS THAT DETERMINE THE DEMAND FOR LIFE INSURANCE

A thorough examination of both theoretical and empirical studies revealed the following economic and socio-demographic factors as possible drivers of life insurance consumption in emerging as well as developed economies. To direct and guide the attainment of the objectives of the study, the links existing in the various factors and demand for life insurance is also explored in greater length in this section.

2.6.1 ECONOMIC FACTORS

Income: Income is the most frequently tested factor and consistently found to be of significant influence. Findings from previous studies indicated income as relating strongly with life insurance consumption. An increase in income levels has been shown as serving as an impetus for recognizing substitutes for individual life insurance on the financial market (Hammond, Houston & Melander, 1967) and as income levels improve life insurance becomes comparatively more cheaper (Brown & Kim, 1993). Empirical confirmation from Cyprus revealed that for every C£100 million rise in GDP, life insurance premiums increase by C£10 million (Savvas, 2006).

Inflation: The general price level in an economy is regarded as one of the economic variables that affect life insurance consumption in many countries. Buyers have been observed as very sensitive to anticipated and current inflation rates through reduced consumption of life insurance products (Babbel, 1981). Conclusion can be drawn that life insurance purchases reduce with expected rate of inflation as the cost of life

insurance protection goes high. Other studies indicate the link between inflation and life insurance consumption is insignificant (Neumann, 1969; Fortune, 1973; Cargill & Troxel 1979). This has been explained as due to the fact that inflation itself can wear away the value of life insurance, making it a less attractive product (Brown & Ki); Redzuan, Abdul Rahman & S.H.Aidid, 2009) and rendering it less 'beautiful' financial product (Fortune, 1973).

Interest Rate: Many authors have investigated the rate of interest as a factor in consumption of life insurance products. The attention on this variable has enable researchers ascertain if purchasers of life insurance products consider this variable in their buying decisions. In the literature, mixed findings have been reported about the interest rate variable. Whereas some authors reported significant positive relationship (Lim & Haberman, 2004; Haiss & Sumegi, 2008; Sen, 2008; Redzuan et al and others recorded insignificant negative association with life insurance consumption (Savvides, 2006; Li, Moshirian, Nguyen & Wee, 2007; Nesterova, 2008; Sen, 2008). It has been argued that an increase in real domestic interest will redirect savings from long term funds to short term funds that which decreases life insurance consumption (Ibiwoye, Ideji, Oke 2010). Again, individuals are naturally unattached by lower prices to boost consumption of life insurance products, but are concerned about higher real rates so as to cut down investments in life insurance. The real rates are indicators of preference for present as against postponed consumption (Li, Moshirian & Nguyen, 2007). Confirmations from earlier studies indicate individual preference for investment in other assets over life insurance products (Nesterova, 2008).

Savings: Various mechanisms of savings available on the financial market serve as rival products competing with life insurance. In this light Sen, 2008, argues that consumption of life insurance is enhanced when saving components are embedded in

life insurance policies. Empirical results indicate indirect association between the two variables (Beck & Webb, 2003; Savvides, 2006; Redzuan et al. Buyers have preference for saving substitutes if return on life insurance product is lower relative to the substitutes (Redzuan et al). Savvides, 2006 also maintain that when individuals accumulate high savings, the incentive to purchase life insurance products reduces thereby replacing life insurance consumption with private savings.

The Price of Insurance: The association linking price of insurance and life insurance consumption has seen empirical attention been studied in the earlier period. Past Studies have shown positive relationship between price of insurance and life insurance consumption. (Mantis & Farmer, 1969; Depamphills, 1975; Outreville, 1996; Ward & Zurbruegg, 2002); but studies that employed the fixed effects model illustrated statistically insignificant positive association between price of life insurance and demand for life insurance whereas in the pooled cross-sectional models, insignificant negative relation is reported (Hwang & Greenford, 2005). These researchers have opined that the lesser the price of insurance, the higher its expected demand. While a different study by Sen & Madheswaran, 2007 concluded that price does not affect life insurance demand at all.

2.6.2 SOCIO- DEMOGRAPHIC FACTORS

Education: Results from literature on the association between life insurance consumption and education revealed positive impact. These conclusions were captured from the works of Savvides, 2006; Lin & Grace, 2007; Nesterova, 2008; Yusuf, Gbadamosi & Hamadu, 2009 and Curak & Gaspic, 2011. Some other studies have shown rather negative relation between the two variables. Duker, 1969; Anderson & Navin, 1975; Auerbach & Kotlikoff, 1989 are among those authors who found such results. Higher education improves life insurance consumption since

individuals may be in a superior position to recognize various classes of life insurance products offered on the market. Truet & Truet, 1990 and Baek & Devaney, 2005 posited that higher education may equip people with the willingness to offer financial security to dependents. It has also been cited in some studies that higher education enhances the insurance mindedness of people thereby encouraging them to patronize life insurance products more objectively (Hau, 2000). The educational attainment of individuals also reflects encouraging outlook toward life insurance purchase (Yusuf, Gbadamosi & Hamadu, 2009). This may imply why highly educated individuals have superior consciousness of life insurance leading to improved acceptance of the importance of life insurance (Savvides, 2006, Lin & Grace, 2007; Nesterova, 2008; Curak & Gaspic, 2011). The educational level has been shown as insignificant variable in life insurance consumption since individuals may have acquired the knowledge about life insurance through life insurance sales agents and not through official education structure (Tan, Wong & Law, 2009).

Age: The findings from literature show direct relationship between age and life insurance consumption (Yusuf, Gbadamosi & Hamadu, 2009; Tan, Wong & Law, 2009; Liebenberg, Carson & Hoyt, 2010). This is because a higher age may show improved attitude toward insurance participation and employees who are toward the end of their working life may exhibit consciousness of life after retirement (Yusuf, Gbadamosi & Hamadu, 2009). However, it has been shown that as individuals mature they show better understanding of the necessity for life insurance but this consciousness reduces as people attain certain age limit. Empirical work confirms age as having indirect effect on life insurance purchase (Savvides, 2006; Hau, 2000; Liebenberg, James & Randy, 2010; Goldsmith, 1983). Older individuals may be less likely to plan for long term.

Household Size/Family Size/Number of Children: Scientific research has revealed direct association between life insurance consumption and the size of the household or the number of children in a household. (Hammond, Houston & Melander, 1967; Shower & Shotick, 1994; Savvides, 2006). The number of children is a positive significant determinant since families that have greater number of children tend to buy more life insurance products, all things being equal (Ferber & Lee, 1980; Burnett & Palmer, 1984). It has been stated that if the household size increases by one person, the existing buyers of life insurance may also raise *certaris paribus* (Shower & Shotick, 1994).

Employment Status: Findings from empirical studies on the association between life insurance consumption and employment status show positive encouraging outcomes (Black & Skipper, 1993; Savvides, 2006). Empirical proof has it that both full and part time work related positively with impact life insurance demand (Gandolfi & Miners, 1996). Again, newly employed individuals were more prone to buying life insurance products (Liebenberg, James & Randy, 2010). This phenomenon has been interpreted as because higher employment position of people reflects how individuals perceive their future and their level of financial complication and again it indicates their willingness to educate their wards (Duker, 1969); this may account for a greater consciousness of the necessity for life insurance (Hammond, Houston & Melander, 1967).

Fundamentally, we cannot have the “right” number of factors to incorporate in the representation of life insurance demand equation since the factors are country and environmentally determined. Thus the factors differ from country to country due to differences in socio-economic settings among various countries. In conclusion, the review of theoretical and empirical studies show that life insurance consumption is

influenced by both micro and macroeconomic factors like income level, interest rate, wealth, inflation and financial development, and socio- demographic variables such as age, education employment status, number of children among others. However, in this study the researcher introduced transaction cost (time and liquid cash) as new economic variables into the model and access to claims payment in the model to determine impact on life insurance demand. Again, this work went ahead to investigate the challenges that consumers of life insurance products face when patronizing life insurance products in Ghana.

2.7 REVIEW OF EMPIRICAL STUDIES

This section presents the empirical research and highlights the most relevant findings in the field of life insurance demand. An attempt is made to find out the relative impact of the factors that influence life insurance consumption as empirical studies of earlier research work have identified and how these factors are applicable from consumers' perspective in the Ghanaian setting.

Fortune (1973) studied the United States insurance market for the seven years beginning 1964 to 1971. The study revealed high degree of association between the consumption of life insurance, income and the real rate of interest. His work examined the expected utility hypothesis of choice under risk for life insurance demand. The study established that the consumption of life insurance is determined by income, non-human assets and the interest rate.

Truett et al. (1990) did a comparative study of the demand for life insurance in Mexico and United States for twenty-year period. They found that at low income levels, the degree of income responsiveness in Mexico is three times higher than the

USA and demographic factors such as age, level of education and income were major factors that influence life insurance consumption in the two countries.

In 1993, Browne and Kim carried out investigation into the uptake of life insurance on six Islamic nations within the period 1980-1987. The main variables used are income, anticipated inflation rate, education level, dependency ratio, life expectancy, religion, policy loading charge and social security were employed. The study revealed a direct association between life insurance and Gross Domestic Product (GDP) and social security whereas an inverse relationship with inflation was found.

Gandolfi and Miners (1996) studied the relationship between macroeconomic factors and the general outlook of life insurance in the US in the year 1984. Income was found to be the most important influencer of life insurance consumption. Age, education, home ownership, and family size were also found to have impact on consumption of life insurance.

Rubayah and Zaidi (2000) evaluated the life insurance uptake for a period of twenty-six years beginning 1971 through to 1997, using the quantity of policies an individual has as dependent variable and a number of macroeconomic indicators as independent variables. The findings showed a direct relation between income and life insurance demand whereas statistically positive relationship existed between inflation and the consumption of life insurance. Moreover, significantly indirect relationship was found between personal savings, short-term interest rate and life insurance demand, but there was no strong impact on life insurance consumption of current interest rate.

Beck and Webb (2002) investigated the causes of disparities in life insurance demand from the period 1961- 2000. They employed unbalanced panel data of 68 nations. The study used the variables of consumption, economic, demographic and institutional

factors. The findings indicated nations that have larger per capita income; relatively steady financial segment development as well as lesser inflation utilizes more life insurance products. Again, life insurance demand was revealed as having direct relationship with individual savings along with interest rate. Demographic variables such as education, life expectancy, young and old dependency ratio had no strong effect on life insurance demand.

In 2007, Sen and Madheswaran assessed the impact of economic and political factors on the demand for life insurance in six Asian and two economies in the China sub region for the period 1994-2004. The dependent variables were insurance penetration and density. Results from the study indicated incomes, savings and inflation as the major factors that determine life insurance uptake. The work again conducted time series analysis of life insurance consumption in India for the period 1965- 2004. The results revealed income (GDP per capita), financial development, and unit price of insurance policy as well as the realrates of interest as very influential drivers of demand.

Nesterova (2008) explained changes associated with life insurance consumption in fourteen nations in the period starting 1996 to 2006. Among the variables employed include income, education and life expectancy at birth. Panel results proved significant relationship between life insurance demand and education, income and life expectancy at birth. On the other hand, the development of the financial sector, inflation and real interest rate had decreasing impact the life insurance consumption.

By employing Co integration and Error Correction Model (ECM) in 2010, Ade Ibiwoye, Joseph O. Ideji and Babatunde O. Oke studied life insurance demand in Nigeria for the period 1970 to 2005. Co-integration output showed directly strong and

significant influence on life insurance consumption of gross domestic income. Further, the findings indicated inverse but statistically significant association between interest rate and life insurance demand. However, the investigation revealed inflation as an insignificant determinant of life insurance demand.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 INTRODUCTION

This chapter describes in detail the methods used, specific steps taken, the tools employed in the collection and analyses of data needed to address the research problems. Methodology includes the theoretical and philosophical assumptions upon which research is based and the implications of these for the method or methods adopted. The methods specifically refer to the techniques and procedures used to obtain and analyze data.

3.1 RESEARCH DESIGN

A number of approaches through which data (primary and secondary) is gathered exist for scientific research. According to Saunders et al, (2007) the most common methods includes questionnaire, interviews (semi-structured, in-depth and group) and observation. In this work, survey and interview were used. Data collection instruments were questionnaire and semi-structured interviews.

The pivot around which research exercise revolves is the design adopted that serves as the blue print of the whole project and at the same time the glue that holds firmly all the supporting parts of the work together. Among the most notable designs popularly found in literature is exploratory, descriptive and explanatory research. Others include case study, survey, qualitative and quantitative methods. This study is basically a survey research that aimed at describing and explaining the drivers of life insurance consumption in the Kumasi metropolis. As indicated already, questionnaire was the main instrument of data collection along with face-to-face interview.

Qualitative and quantitative research approaches were also employed. Key among the qualitative analysis used was summary of the demographic characteristics of the variables used and bar graphs as well as pie charts. To be able to investigate the factors of life insurance demand in Ghana, one Logit regression model was estimated. This ensured determination of the level of statistical significance of the variables in the model using the regression coefficients the z-values and the p-values and the interrelationship that existed among them.

3.2 THE TARGET POPULATION

Population, according to Saunders et al 2007, refers to the overall sum of cases from which a sample is chosen. The population of this study comprised the consumers of life insurance products in the Kumasi Metropolis who are basically the clients of the life insurance companies. The total number of clients of the selected companies is approximately 1300 out of which the sample was drawn.

3.3 SAMPLE SIZE AND SAMPLING TECHNIQUE

The sample size is a component of or a unit within the larger population that may be simply thought of as a subset of the universal set” used to represent the total population for the purpose of convenience and simplification. The selection of accurate and precise sample is critical in drawing important and statistically predictive inferences from the study. This research used a sample size of about 300 customers of selected life insurance companies in the Kumasi Metropolis. Primarily, customer information was used for the analysis since the investigation is more a demand-side focused than supply factors. The sampling method was **convenience** sampling procedure. This is a statistical method of drawing representative data by selecting people because of the ease of their volunteering or selecting units because of their availability or easy access. This method makes data more available and quickly to

collect, enabling the researcher organizes data within shortest possible time and it is cost effective as well as making the sampling procedure very simple. Using this approach, information was elicited from respondents who had visited the companies to transact business and who were prepared and volunteered to provide the relevant information by willingly completing questionnaires within the limited period of time of their visit.

3.4 SOURCES OF DATA.

Both primary and secondary sources of data were employed for this study but great deal of primary data sources with the use of questionnaire was significant. Primary data was obtained from the clients of the life insurance companies whereas secondary data was obtained from recent article publications in academic journals on life insurance demand. Valuable source of data also came from websites of the selected companies and that of the national insurance commission.

3.5 DATA COLLECTION PROCEDURE AND INSTRUMENTS

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 was 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. In this study, face to face interview and questionnaire administration were used in collecting the data.

3.5.1 QUESTIONNAIRES

Questionnaires are organized group of questions used to elicit information from respondents. In setting the questions, the researcher used simple and unambiguous

language to the understanding of respondents. In the survey, the Likert-type scale system was applied to formulate the questionnaires to elicit information needed for the study. The questionnaires developed for this study fundamentally contained closed-ended questions with alternative answers for the respondents to select from. Structured questionnaires were used to elicit appropriate information from the respondents.

3.5.2 INTERVIEWS

The kind of interview carried out for the study was a face-to-face type which was one-on-one and which was done concurrently with the questionnaire administration. The research objectives of the study provided the guidelines for the conduct of the interview. The responses from the interview were very diverse from one respondent to the other across the insurance companies in the Ashanti region of Ghana with specific reference point to Kumasi Metropolis.

3.6 RELIABILITY AND VALIDITY

The study was determined to collect precise information which would enable the researcher produce a research which reflects the true situation on the ground and give more accurate empirical evidence from the study being conducted for more credible statistical inferences. For reliability of the work, the researcher made sure that the information obtained from the customers of the companies through the interview was cross-checked with that on the institution's website, brochures and other journals relating to this topic under consideration. Data obtained were cleaned by sorting and resorting and questionnaires were given special codes for easy identification to avoid unnecessary mix-ups during analysis of the information gathered, which can generate misleading results for the study and wrong conclusions and recommendations drawn from this study. Again, the information from customers was also double-checked by

conducting informal interviews with some customers of the service who were not given questionnaires to answer. Before the interview was conducted, the researcher establishes a good rapport with some of the offices by visiting them on few occasions to ask few questions on the research work. This guided the design of the questionnaires adopted for the study. As a result, the researcher enjoyed good co-operation from the respondents. Simple language was used in the questionnaires to facilitate understanding of questions and avoid any ambiguity.

In terms of validity of the study, the purpose and the nature of the questions administered directly assess the issues raised in the research questions. The interview was conducted at the time the customers were less busy in order to enjoy the fullest cooperation from respondents. When gathering information from respondents, the researcher made sure that data was verified from different sources, that is why questionnaires were designed and interview conducted to assess the major determinants of the demand for life insurance product in Ghana. All these activities were undertaken to make the data more valid and more reliable to help meet the objectives set for the study.

3.7 DATA ANALYSIS

With regards to the use of primary data for estimation, STATA 11.2 version was the main instrument employed to analyze the Logit regression results. To determine the statistical significance of the independent variables in the regression equation, the p-values and the coefficients of the variables were analyzed.

3.8 MODEL ESTIMATION

3.8.1 The Logit Regression Model.

Consumption of life insurance products is determined through ownership of a life insurance policy and its demand becomes a binary choice variable. Assuming γ_i (Binary Dependent Variable) is the observed reaction of each sample population (ith observation). Hence, $\gamma_i = 1$ represents the consumption of or demand for Life Insurance Product (DLIP); and $\gamma_i = 0$ for no demand for the product. Thus, the dependent variable used in probing the drivers of the demand for life insurance is considered a binary dummy variable having a value of one (1) if the individual possesses a life insurance policy and having a value of zero (0) if the individual does not have a life insurance policy. The logistic regression model used is stated as below:

$$\text{Prob} (\gamma= 1/X) = f(X,\beta)$$

$$\text{Prob} (\gamma= 0/X) = \{1- f(X,\beta) \}$$

$$f (X,\beta) = X' \beta$$

In which X is the significant impact and β represents the parameters.

3.8.2 Variables Description

γ_i , the Demand for Life Insurance Product, is the dependent variable in the model.

The demand for Life Insurance Product depends on the following variables (Choice of variables was informed by literature). X_1 = Income level of policy holder of LIP; X_2 = Market rate of interest on financial assets; X_3 = Transaction cost of LIP (Time and liquid cash); X_4 = Level of education of policy holder; X_5 =Nature of Employment of policy holder; X_6 = the age of the policy holder; X_7 = Family size of the policy holder; X_8 = Rate of inflation on the market; X_9 =Level of savings; X_{10} =Flexibles terms of

premium payment; X_{11} = Easy access to customer claims; X_{12} = Premium level/Price of insurance.

3.8.3 Specification Of Logit Regression Model

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + X_7 + X_8 + X_9 + X_{10} + X_{11} + X_{12} + \epsilon$$

Y_i , the binary dependent variable, is a dummy variable which equals to one (1), if customers demand for Life Insurance Products takes the level YES and zero (0) otherwise.

X_1 = Income level of policy holder of LIP is dummy variable equal to one (1) if the income level of policy holder influence their demand for LIP, and zero (0) otherwise.

X_2 = Market rate of interest on financial assets is a dummy variable equals one (1) if market rate of interest on financial assets influences the demand for LIP, and zero (0) otherwise.

X_3 = Transaction cost of LIP (Time and liquid cash) is a dummy variable equals one (1) if Transaction cost of LIP (Time and liquid cash) influences the demand for LIP, and zero (0) otherwise.

X_4 = Level of education of policy holder is a dummy variable equals to one (1) if the Level of education of policy holder influence the demand for LIP, and zero (0) otherwise

X_5 = Nature of Employment, is a dummy variable equals one (1), if the nature of work of policy holder influences his decision to demand LIP, and zero (0) otherwise.

X₆= The age of the policy holder is a dummy variable equals one (1), if the age of the policy holder influences the demand for LIP and zero (0) otherwise.

X₇= Family size of the policy holder is a dummy variable equals one (1) if Family size of the policy holder influences his demand for LIP, and zero (0) otherwise.

X₈= Rate of inflation on the market is a dummy variable equals (1) if the prevailing inflation rate influence consumers demand for LIP, and zero (0) otherwise.

X₉= Level of savings is a dummy variable equals one (1) if the accumulated savings of the consumer influences his demand for LIP, and zero (0) otherwise.

X₁₀= Flexible terms of premium payment is a dummy variable equals one(1) if the terms of premium payment by the consumer influences his demand for LIP, and zero (0) otherwise.

X₁₁=Easy access to customer claims is a dummy variable equals one(1) if the Easy access to customer claims influences his demand for LIP and zero (0) otherwise.

X₁₂= premium level/ price of insurance equals one (1) if consumers consider the premium they pay before buying life insurance and zero (0) if they do not. ϵ is the Error-term that represent the other influencers of demand for LIP in Ghana but were not captured in the modeling of the regression equation.

3.9 EXPECTED SIGNS OF COEFFICIENTS OF THE VARIABLES IN THE MODEL

The predicted signing of coefficients of these variables in the model ie: **X₁, X₃, X₄, X₅, X₆, X₇, X₁₀ and X₁₁**) were positive, implying that the demand for LIP improves with an increase in these variables in the life insurance market; all things being

equal. The coefficient of X_2 , X_8 , X_9 and X_{12} were expected to be negative. This implies that the demand for LIP decreases with an improvement in these factors. The table below gives the summary of the signs of these variables.

Table 3.1 Expected signs of coefficients of the variables in the model

Coefficient	Interpretation	Expected Sign
X_1	Income of policy holder	+
X_2	Interest rate on other financial assets	-
X_3	Transaction cost (Time and liquid cash)	+
X_4	Level of education of policy holder	+
X_5	Nature of employment	+
X_6	Age of policy holder	+
X_7	Number of children/Family size	+
X_8	Rate of inflation on the market	-
X_9	Level of accumulated savings	-
X_{10}	Flexible terms of premium payment	+
X_{11}	Access to claims	+
X_{12}	Premium level/Price of insurance	-

Source: Researcher's construct 2015.

3.10 ETHICAL CONSIDERATIONS

Ethics is the suitability of performance relative to the right of its subjects. According to Saunders et al 2009, the design of the study must protect respondents from inconveniences, harm and prejudice. In view of this, the information obtained from respondents was reserved private and was strictly used for the intended purposes only. The purpose for which information was sought from respondents was made known to

them and their right to deciding participation was guaranteed and as such respondents took part without coercion of any form throughout the study period. The study made sure there was fair representation of both sexes in sampling to help avoid any discrimination against a particular gender which may result to a bias conclusion for the study. The identities of respondents were protected for ethical reasons and no specific information/data was associated with specific respondents or personal opinions of individuals and the researcher finally remains committed to ensuring that the appropriate research reporting standards are strictly adhered to, in order to avoid any biases in this study.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.0 INTRODUCTION

This chapter is devoted to the presentation, analysis and discussion of data collected for the study. It shows the findings of the study; provides answers to the research questions in line with the objectives of the research. Analysis of the main issues of the study which include, analysis of the type of life insurance policy normally purchased by consumers, demographic characteristics of respondents, analysis of economic and socio-demographic determinants of life insurance demand. A cursory look is also made at the challenges that consumers of life insurance products face in Ghana.

4.1 ANALYSIS OF THE TYPE OF LIFE INSURANCE PRODUCTS PURCHASED BY CONSUMERS.

The figure below shows the type of life insurance policy mostly subscribed by the respondents sampled for this study. From the sampled population obtained, 61.33% of the respondents mostly subscribe to the Endowment policy; which is meant for savings purposes towards education, retirement etc. Next to this, was the Term insurance policy which provides a certain amount of life coverage for a specific maturity period, say one year, five years, and ten years. This category constituted 26.33%. Whole life insurance was the least subscribed policy according to the survey conducted. This constituted about 12.33% of the total respondents. The characteristics associated with term life insurance may help the researcher draw inferences with regards to the correct time suitable to its applicability. Rejeda (2004) and Trubey (1999) asserted that term life insurance is appropriate when policyholders have insufficient income. For example it is more convenient to young employees who may

not have larger families. To the authors, term life insurance may also be appropriate when the necessity for coverage is short-term, such as saving for children’s education or paying off a mortgage or other debts if the family head dies prematurely. With the majority of respondents (38%) aged averagely 45 years, the need for retirement income may override temporary protection embedded in term insurance and hence they will buy more of endowment policy making term life insurance a second choice. Again, majority of respondents (68%) are full time workers which may indicate the level of affordability and income availability all things equal and so preference for endowment life policy may be higher than any other type of life product.

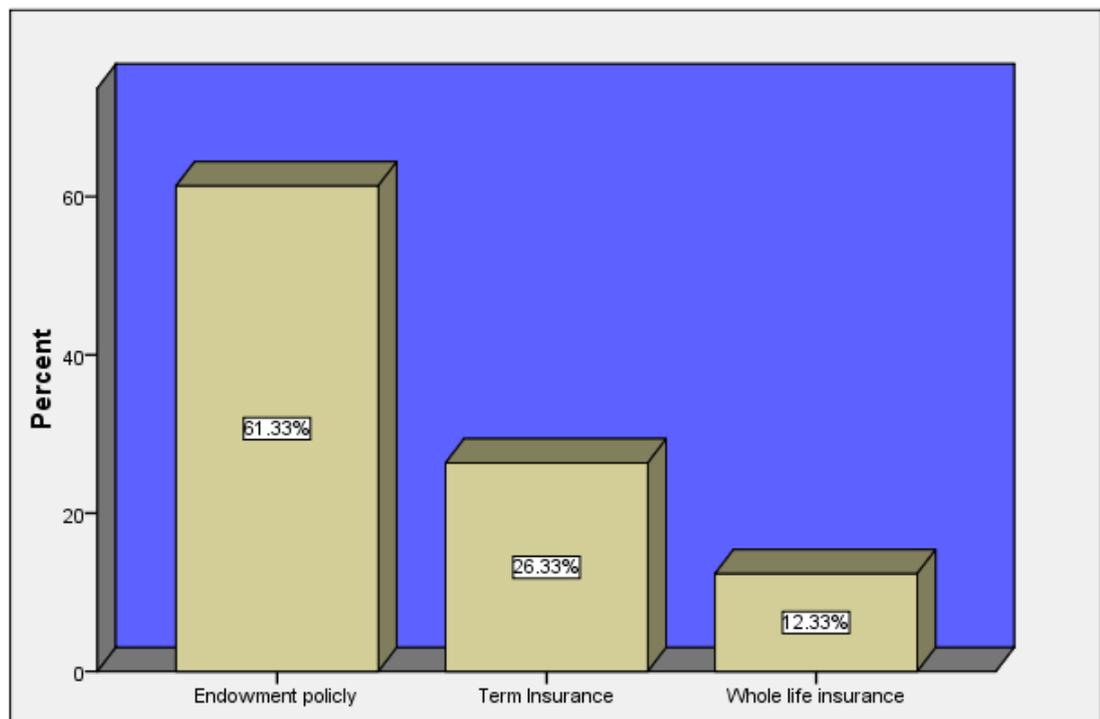


Figure 4.0: Type of Life Insurance Policy Mostly Held By Consumers

SOURCE: Researcher’s Survey Data (2015)

4.2 PARAMETRIC ANALYSIS OF THE RELATIONSHIP BETWEEN ECONOMIC FACTORS AND DEMAND FOR LIFE INSURANCE PRODUCTS.

Here, one Logit regression model was estimated and the coefficients, Standard Errors and P-values reported for analysis. A positive coefficient means the probability for the dependent variable increasing is high when the independent variable increases. A negative coefficient decreases the chance that the dependent variable will raise when the independent variable has risen. Largely, the tests of significance of the model implied that it was statistically significant. With an LR of 69.55 and ρ -value of 0.0000, the variables in the equation together have influence on the demand for life insurance products in Ghana.

Table (4.0) represents the regression results as estimated in the Logit model.

The dependent variable, the demand for Life Insurance Product (LIP), depends on all the explanatory variables (Income Level of Policy Holders, Interest on Financial Assets, Low Cost of Transaction, Level of Education, Nature of Employment, Age level of policy holder, Family Size of Policy Holder, Inflation Rate on The Market, Level of Savings, Terms of Premium Payment, Easy Access To Claims, The Level of Premium).The majority of the anticipated signs of the regression coefficients were satisfied.

The coefficient of β_1 , (0.4425317) was likely to be positive and this anticipation was fulfilled and was statistically significant at 0.001 error level, given the P-value of 000. The positive coefficient means that the likelihood of the customers to buy Life Insurance Policy (LIP) increases when the individual's income level improves compared to when there is low level of income, all things being equal. This result

agrees with that of Brown and Kim, 1993 which stipulated that as income increases life insurance become relatively more affordable.

The coefficient of β_2 (-0.159048) was projected to be negative which means that the possibility for the purchase of Life Insurance Policy falls if market rate of interest on other financial asset is high. This expectation was met- demand for LIP fall with the increase in the interest rate on other financial assets. This may be as a result of customers desire to take advantage of high interest rate on other assets, so as to make financial gains from the high interest rate, instead of subscribing to insurance policy. An increase in the price of capital, interest rate will divert savings from long term funds to short term funds which tends to reduce life insurance demand. Individuals are naturally not attracted by lower interest rates when investing in the buying of life insurance products; instead they prefer higher rates of return from other financial assets. The expected coefficient in the regression equation was statistically significant at 0.05 error level; given the P-value of 0.031.

The projected coefficient of β_3 (0.1399214) was positive. This projection was satisfied at a statistically significant error level of 0.05 at a P-value of 0.007. The meaning of this is that the likelihood that the consumption of life insurance policy may increase when there is low transaction cost for life insurance product, compared to when the cost of transaction is high on the market. Transaction cost is the new variable that this study introduced in the model. Specifically, it tested the influence of low transaction cost, in terms of time and liquid funds that consumers incur on the consumption decision of life insurance products.

The coefficient of β_4 , (2.156287) was predictable to be positive and this prediction was satisfied at a statistically significant error level of 0.001 at a P-value of 0.000. This implies that there is the likelihood for the demand for life insurance policy

to increase as the education level of the individual improves; this may be due to proper appreciation of the significance of insurance policy for better life in future. Literature suggests that higher education increases the demand for life insurance since individuals can better discover the types of life insurance products obtainable on the market. Again, higher education may enable people to have the aspiration to offer security for dependants against risks and safeguard their standard of living.

The anticipated sign of β_5 , (1.035328) was satisfied at a significant error level of 0.05 and a P-value of 0.029. The implication is that the likelihood of the consumers patronizing Life Insurance Policy rises if the individual is employed (either in full time or part time), compared to when the individual is not employed. This result is also consistent with previous findings that the status of employment indicates people who are future focus and who are enlightened about their economic and financial situations. Significant positive association linking employment status and the demand for life insurance policy can also be an indication of consumers' degree of affordability.

The coefficient of β_6 (1.887331) was projected to be positive. This gives an indication that there is the chance for the consumption of Life Insurance Policy to increase as the individual advances in age. This expectation was satisfied at a statistically significant error level of 0.05 and a P-value of 0.003. This is an indication that customers demand for the LIP is a positive function of age- as age increases demand for LIP increases. This may be as a result of the need for the individual to secure his future with a solid insurance policy from the market and to accumulate income for retirement purposes.

The coefficient of β_7 , (0.279508) was predictable to be positive and this anticipation was satisfied. Statistically however, it was insignificant at a P-value of 0.639.

According to empirical studies, the size of the household has strong positive impact on purchase of life insurance (Burnett and Palmer, 1984). All things equal, as the size of household increases by one person, the desire to have life insurance coverage to cater for children's education may increase, and thereby promoting life insurance demand.

The coefficient of β_8 (-1.298323) was likely to be negative according to literature. This anticipation was fulfilled at a statistically significant error level of 0.05 at a P-value of 0.027. Negative relationship means that the possibility of individuals to demand Life Insurance Policy (LIP) falls as general price levels of goods and services increases. This may be as a result of high cost of living during high inflation periods in the economy and that individuals will like to keep their extra cedis to meet transaction motives rather than to demand an insurance product which does not yield immediate financial interest to boost private consumption, all things being equal. The inverse relationship between inflation and life insurance demand may also confirm that expected inflation reduces the worth of economic resources hence the beauty of life insurance products declines when prices of goods increase.

The expected sign of β_9 (0-.1801888) was satisfied at statistically insignificant error level of 0.05 at a P-value of 0.708. The negative relation may occur if the expected reward of an insurance policy is smaller relative to those obtainable on other saving mechanisms. This supports previous findings that talks about income-replacing consequence implying the substitution of life insurance for private savings. Therefore, as the accumulated savings of an individual increases, the lower the incentive to hold life insurance policy to complement economic assets so as to get to an estimated income rank for retirement or for bequeaths (Savvides,2006). It can also be expected that accumulated personal savings may have inverse relationship with life insurance

sales, all things being equal, as a person may have other investment alternatives along with the demand for life insurance.

The coefficient of β_{10} , (0.3474501) was likely to have a positive sign. This anticipation was fulfilled at a statistically significant error level of 0.05 given the P-value of 0.017. The implication is that there is the likelihood for the consumption of life insurance products to enhance if the terms of premium payment improves and get more flexible; this may be due to the fact that premiums are deducted from customers' salaries at source or from their bank accounts through standing orders. The flexibility in premium payment, all things being equal, may have accounted for reduced transaction cost that consumers of life insurance products incurred thereby having positive association with demand.

The coefficient of β_{11} (0.7528552) was projected as positive. This means that there is the chance for the consumption of life insurance policy to increase if claims processing procedures are made less cumbersome and takes lesser time. This expectation was met. The projected coefficient in the equation was significant statistically at 0.05 error level at a P-value of 0.005. Here, customers will increase their demand for the LIP, when claims processes are made more flexible and less time consuming from customers perspective.

The coefficient of β_{12} (-0.1397208) was signed negative implying a negative relationship between the price (premium level) of insurance product on the market and the consumption of life insurance products. This conforms to the fundamental demand law. However, this coefficient was statistically insignificant at 0.05 error level, given the P-value of 0.817 meaning that policy decisions cannot be based on this variable. This result is in agreement with some previous studies that suggest that

the lower the price of insurance the higher the expectation of demand (Hwang and Greenford, 2005).

Table 4.0: The logit regression results from the estimated model

DEMAND FOR LIP	COEFFICIENT	STANDARD ERROR	P-VALUE
Income Level of Policy Holders	.4425317***	.4252497	0.000
Interest on Financial Assets	-.159048**	.4621517	0.031
Low Cost of Transaction	.1399214**	.4527263	0.007
Level of Education	2.156287***	.4386717	0.000
Nature of Employment	1.035328**	.4743019	0.029
Age level of policy holder	1.887331**	.6310986	0.003
Family Size of Policy Holder	.279508	.5943854	0.638
Inflation Rate on The Market	-1.298323**	.5871681	0.027
Level of Savings	-.1801888	.4802272	0.708
Terms of Premium Payment	.3474501**	.5367458	0.017
Easy Access To Claims	.7528552**	.5805893	0.005
The Level of Premium	-.1397208	.6054198	0.817

Legend: * p<0.01; **P<0.05 * p<0.001**

SOURCE: Researcher's Survey Data (2015)

4.3 ANALYSIS OF THE RELATIONSHIP BETWEEN SOCIO- DEMOGRAPHIC FACTORS AND LIFE INSURANCE DEMAND.

From the table below, it is noted that majority of the respondents (62%) were male with frequency of 186, and the female counterparts constituted 38% of the total respondents with frequency of 114 of the total respondents of 300. This may imply that in the Ghanaian setting it is solely the duty of men to take care of children with little support of women. They therefore use life insurance as one means of financing the future education of their wards and that in comparative terms the men who took part in the survey may be more financially enlightened than their female counterpart. The age category of respondents indicated that the category that has the majority is the age group 40-50 years with 38% of total respondents and a frequency of 114. This is followed by the age bracket 51- 60 years having 27.7% of the total respondents and a frequency of 83. Respondents in the age group 26-39 years and those above 60 years follow with 18.3% and 14.7% with frequencies of 55 and 44 respectively. At same time, the respondents with the least frequency was those category of between 16 years and 25 years, this constituted about 1.3% of total respondents with frequency of 4 out of 300 sampled. Literature has indicated that as individuals get closer to retirement they become more real with life after retirement, implying that with less than fifteen years to retirement an employee aged averagely 45 years may resort to retirement income endowment policy so as to accumulate funds to supplement other sources of future income. This may be one of the reasons why endowment policy is the most preferred/purchased type of life insurance products among the respondents surveyed. The need for life insurance is relatively low for young and single individuals whose financial responsibilities are relatively limited. Given this background, it is expected

that respondents aged between 16 and 25 years would show the lowest frequency and percentage for life insurance demand.

One hundred and sixty- six (166) of the total sample of 300 respondents was recognized as possessing tertiary level education qualification constituting about 55.3% as against 3.0% of those without formal education, with frequency of 9. Literature has once again indicated that increase in the level of education plays a critical role in increasing the insurance mindedness of individuals which helps them patronize life insurance policies with high level of impartiality.

With the employment category, majority of the respondents were full time employees with the frequency of 204, constituting 68%. This was followed by part-time employees with frequency of 87, constituting 29% of the total respondents sampled. Employment status has shown in some studies as indicative of people affordability and concern about providing quality education for their wards. This may be a reason for the high appreciation for life insurance .The result of this study has confirm this since 68% of respondents who are full time workers may be thought of as being capable of paying for life insurance products.

In the family size category, a family of four (4) to six (6) had the highest frequency of 141, constituting about 47% of the respondents. This figure was followed by the category two (2) to four (4) family size with 36% of the respondents. Since one of the key reasons of life insurance is to provide cover and financial security for one's offspring against financial loss should premature death of the bread winner occur, it may be anticipated that as the number of children increases the need for life insurance also rises all else remaining constant. For this reason, this study suggests a positive link between household size and life insurance consumption.

Table 4.1 Socio- Demographic Information of respondents

VARIABLES	FREQUENCY	PERCENTAGE
GENDER		
Male	186	62.0
Female	114	38.0
AGE		
16-25years	4	1.3
26-39years	55	18.3
40-50years	114	38.0
51-60years	83	27.7
61 and above	44	14.7
LEVEL OF EDUCATION		
None	9	3.0
Basic	23	7.7
Secondary	102	34.0
Tertiary	166	55.3
EMPLOYMENT STATUS		
Full-Time	204	68.0
Part-Time	87	29.0
Others	9	3.0
FAMILY SIZE		
2-4	108	36.0
4-6	141	47.0
6-8	40	13.3
8-10	11	3.7

SOURCE: Researcher's Survey Data, (2015).

4.4 SOME CHALLENGES FACING LIFE INSURANCE POLICY HOLDERS.

Gross disrespect and poor attitude towards customers: The figure below illustrates respondents' perception about customer service experience they have had with life insurance companies. From the chart, it can be observed that 69.33% agreed that customer care is not the best in their various institutions; this was made up of 37.33% who agreed there is gross disrespect for customers, while 32% strongly agree. However, 23.67% disagreed with the assertion. While 7% were indifferent about this assertion.

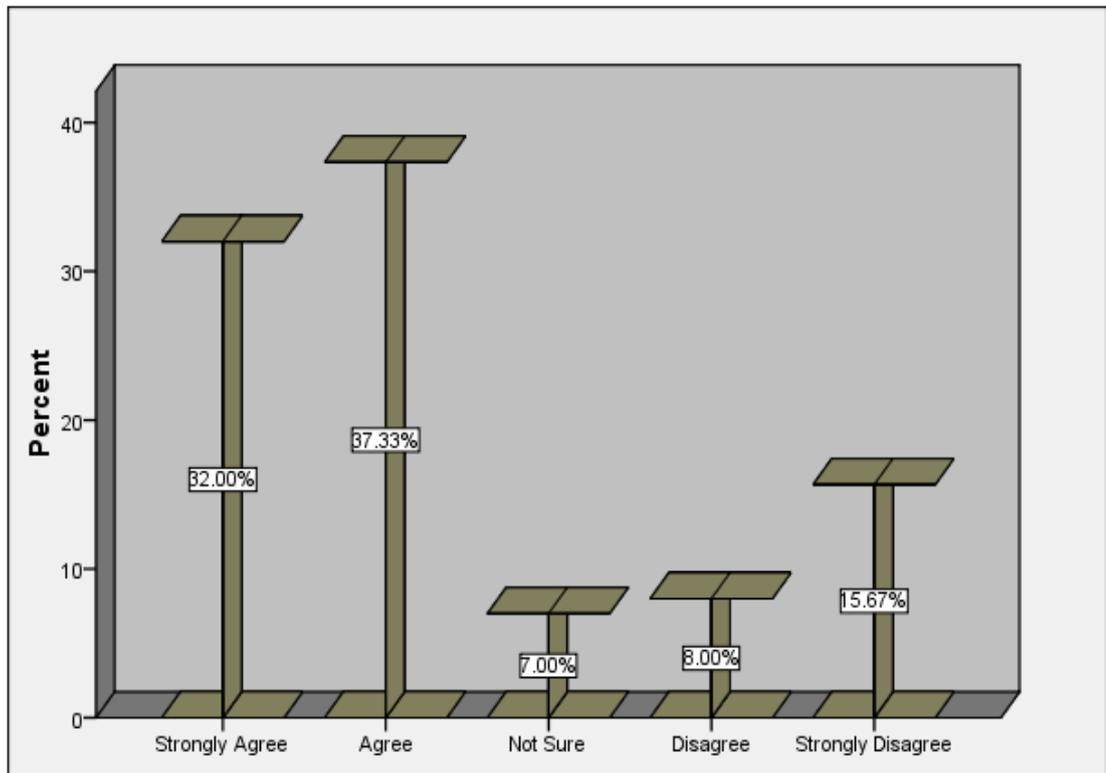


Figure 4.1. Gross Disrespect for Customer Service Ethics

SOURCE: Researcher’s Survey Data (2015)

Customers frequently queuing for customer service: The figure below shows customers responds with respect to queuing for insurance service in the surveyed companies. It could be observed that greater part of the respondents have the same opinion with the assertion that there are long queues making customers spend more hours for services. Here, about 79% agreed to this argument. This figure was made up of 36.33% of respondents who agreed and 42.67% strongly agreeing to the long queues argument. However 10.33% disagreed, which was also made up of 7% and 3.33% disagreed and strongly disagreed respectively. Eye witness evidence from the business offices of life companies in the metropolis show that on daily basis customers spend more than three hours in queues before they are served. This outcome may have the effect of discouraging customers and increase their desire to shift to an insurer whose services are comparatively less stressful.

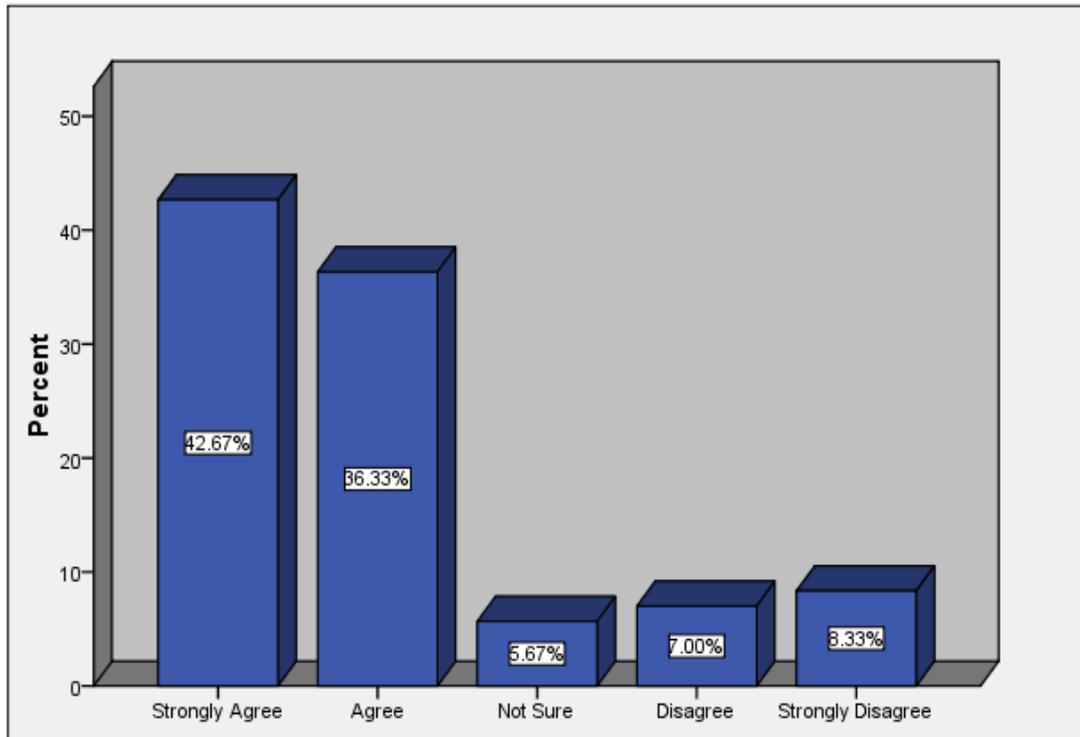


Figure 4.2: Customers Frequently Queuing For Customer Service

Source: Researcher's Survey Data (2015)

Quality of internet/online services: The figure below represents the nature of online services/internet services available for the consumers of life insurance products. The analysis revealed that internet services provided to customers was not the best. From the chart, it can be observed that about 77% of the respondents were of the view that in general, internet services are poor. This was made up of 32.33% who agreed and 44.57% who strongly agreed with the statement. Meanwhile, 19.3% of the respondents disagreed with the assertion that internet services are poor with the institutions; and 3.67% were indifferent, could not take any specific stance on the argument. These responses were mostly based on personal experiences and the location of customers/ availability and access to internet facilities.

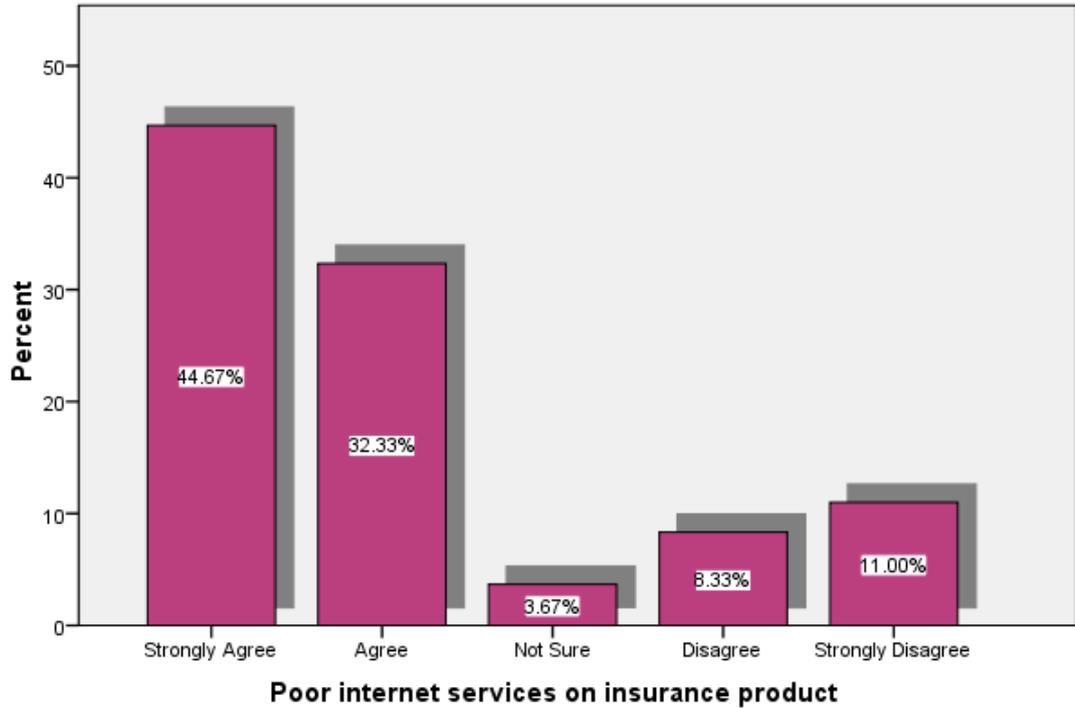


Figure 4.3 Quality of internet/online services.

SOURCE: Researcher’s Survey Data (2015)

Delays in claims processing at maturity: The figure below indicates the responses on the argument of “whether there is a delay in the payment of claims at policy maturity” from the respondents sampled for this study. From the sampled population obtained, 72% of the respondents agreed that there are unnecessary delays in claims processing, this was made up of 46.33% who strongly agreed and 25.67% who also agreed. However, 17.66% disagreed with the argument, that there is a delay in claims processing. This was also made up of 8.33% who disagreed and 9.33% who strongly disagreed. These levels of agreement and disagreement reflect individual experiences with claims processing in the life companies surveyed. The minimum duration (in number of days) before claims are paid varies from one company to the other. Respondents confess in an interview that whereas some companies pay claims within

7 to 14 days, others do so in 30 days. Too much documentations and requirements were cited as probable reasons for the delays in claims processing and payment.

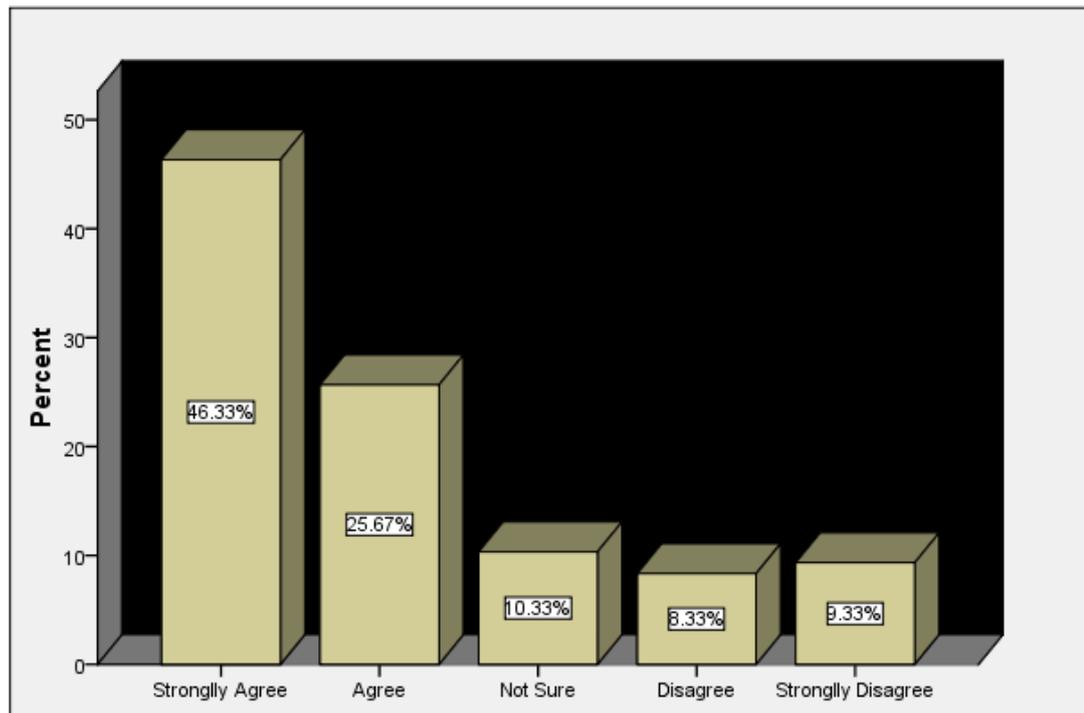


Figure 4.4: Delays in claims processing at maturity period

SOURCE: Researcher's Survey Data (2015)

Transparency in service delivery: The following figure represents the level of transparency of transactions with the institutions. The analysis revealed that there is not enough transparency when it comes to business transactions with these institutions. From the chart, it can be observed that about 66.66% of the respondents were of the view that in general, there is no enough transparency in transactions with regards to policy charges, surrender charges and how interest on accumulated fund is computed. It also came up during interview that customers are not informed of changes (administrative and policy specific) that may be implemented by life companies. This was made up of 31.33% who agreed and 35.33% who strongly agreed with the statement. Meanwhile, 25.67% of the respondents disagreed with the

assertion that there is no enough transparency during transactions with the institutions.

Here, 7.67% where indifferent.

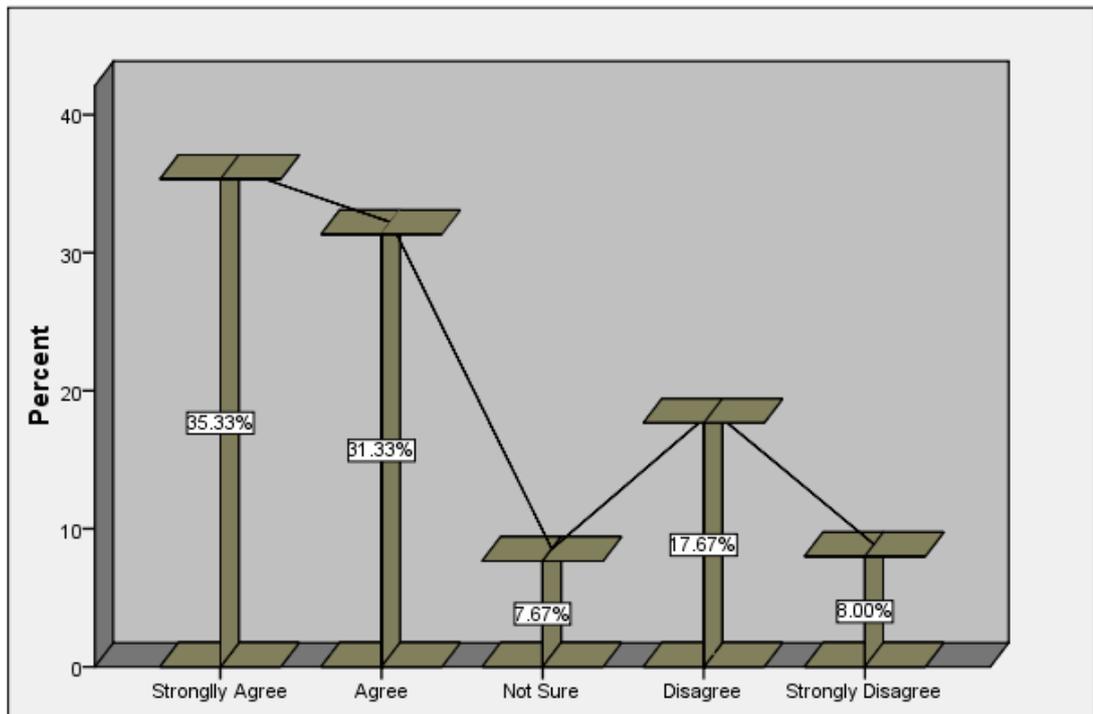


Figure 4.5 Transparency in service delivery.

SOURCE: Researcher's Survey Data (2015)

Administrative charges from service providers: The figure below shows customers responds with respect to administrative charges on insurance services provided in the selected institutions. It could be observed that greater part of the respondents have the same opinion with the assertion that administrative charges by service providers were on the high side. Here, only 38% agreed to this argument. This figure was made up of 13.67% agreed and 24.33% strongly agreeing to the high administrative cost argument. However 62% disagreed that the administrative charges are on the high side; this was also made up of 16.67% and 45.33% disagreed and strongly disagreed respectively. The reason why those strongly disagree with this may be that they do not

actually understand what constitute administrative charges or they might not have experienced the situation where surrender value is less than cash value accumulated.

High administrative charges from staff

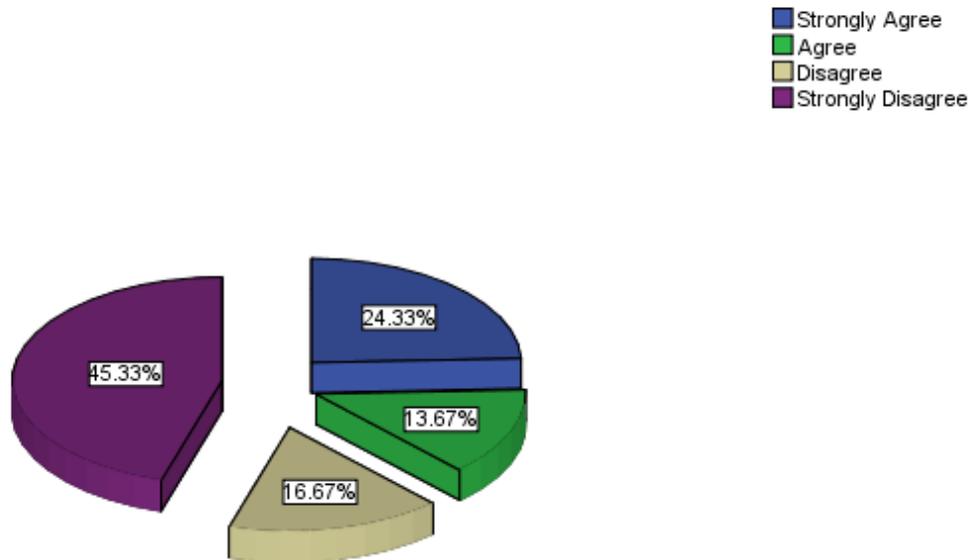


Figure4. 6. Administrative charges from service providers.

SOURCE: Researcher's Survey Data (2015)

The bureaucratic challenges: The figure below shows customers responds with respect to bureaucratic tendencies with the insurance service providers in the selected institutions. It could be observed that greater part of the respondents concur with the assertion that there are so much bureaucratic tendencies during service delivery. Here, about 80% agreed to this assertion. This figure was made up of 33% agreed and 47% strongly agreeing to the bureaucratic tendencies argument. However 16.67% disagreed, which was also made up of 8.0% and 8.67% disagreed and strongly disagreed respectively.

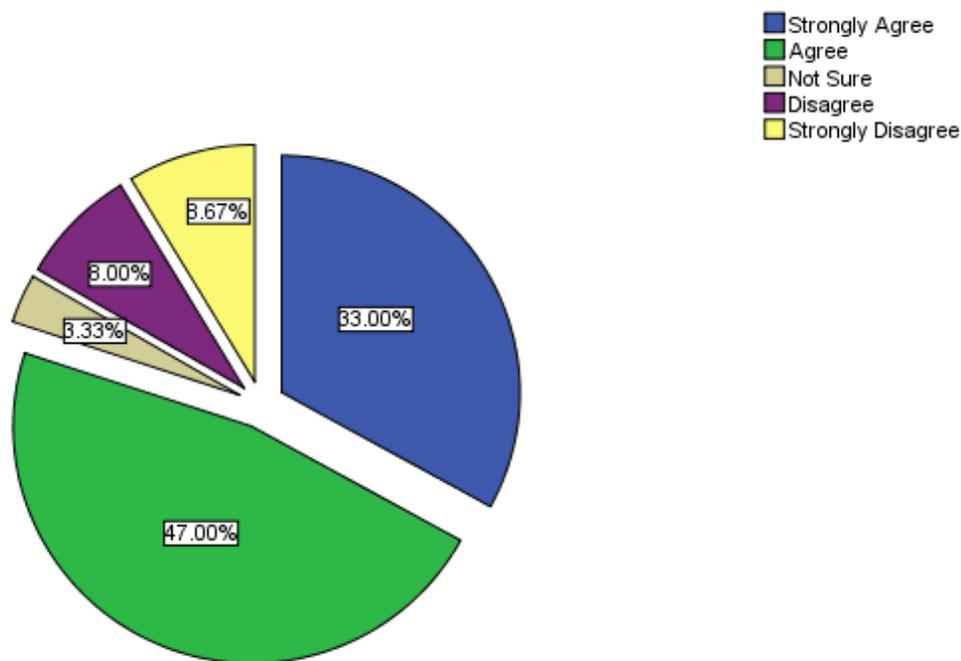


Figure 4.7: The bureaucratic challenges

SOURCE: Researcher's Survey Data (2015)

The process of information dissemination: The figure below shows customers responds with respect to information dissemination processes on insurance services provided in the selected institutions. It is noted that majority of the respondents agree with the assertion that there is poor information dissemination to customers in the companies. Here, only 81.34% agreed to this argument. This figure was made up of 51.67% agreed and 29.67% strongly agreeing to the poor information dissemination challenge. This was also made up of 9.337% and 5.33% disagreed and strongly disagreed respectively.

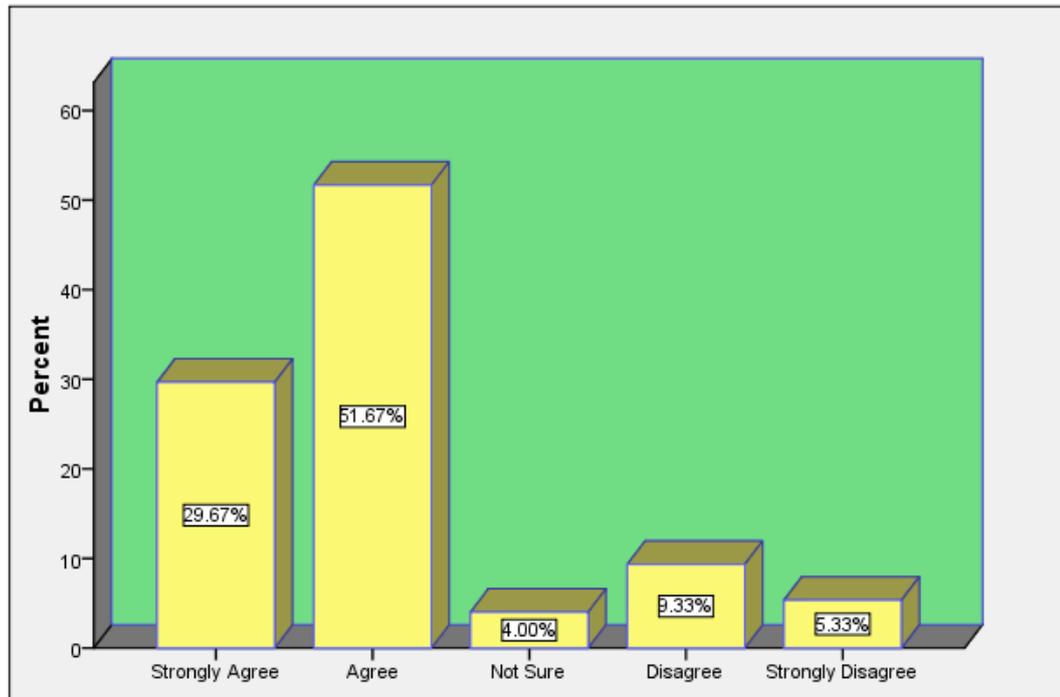


Figure 4.8The process of information dissemination

SOURCE: Researcher's Survey Data (2015).

CHAPTER FIVE

SUMMARY OF FINDINGS AND POLICY RECOMMENDATION

5.0 INTRODUCTION

This chapter sums up the outcome of this research and highlights the findings emanated from the statistical analysis of the data. Recommendations and policy applications resulting from the study and proposals for further research work on the subject investigated are presented here.

5.1 SUMMARY OF FINDINGS

This research indicated that out of the three **types of life insurance policies**, **endowment insurance policy** was the most subscribed to by customers according to the survey conducted. This constituted about 61% of respondents' choice in the study and was followed by the Term insurance with 26%. Whole life insurance was the least subscribed policy according to the survey conducted. This constituted about 12.33% of the total respondents. It can be inferred from the demographic data that majority of respondents (62%) are male whose average age is 45 years (38%) and who have tertiary level of education (55.3%) – which indicate the level of awareness and understanding of the need for life insurance as a vehicle for financial and retirement planning. With endowment policies as savings for retirement purchased for varying periods such as ten, twenty and thirty years, 45- year olds are more likely to subscribe to it since it can help them provide or support monthly retirement income when they retire in the next fifteen years. An equally important conclusion that can be drawn is that the majority of the respondents (68%) are in full time employment- an indication of their degree of affordability of endowment policy for the future education of their

children all else constant. Employment status may also show how future oriented people are and the extent of their financial sophistication.

On **economic determinants**, the study revealed that there is a positive relationship between the demand for life insurance product and inflation, income and transaction cost. The expected signs of income and inflation were met. This result is consistent with previous studies of Redzuan, Abdul Rahman and S. F. Aidid (2009) which states that when income increases life insurance becomes more affordable and the demand increases. This finding is however contrary to that of Browne and Kim (1993), who concluded that inflation and demand for LIP are inversely related. The study also found an inverse relationship between price of insurance (the level of premium), the level of savings and the market rate of interest on other financial assets and the consumption of life insurance products. The anticipated signs of these variables were met and the results followed what had been done in the literature.

Among the **socio-demographic factors** age, education and the nature of employment have a significant positive influence on the demand for life insurance product. The expected signs of these factors were met and in conformity with literature. These findings confirm the results of Savvides (2006) as well as Truet et al (1990). The results further showed a negative relationship between the number of children/ family size and the demand for life insurance products. This disagrees with what others have found in the literature.

The **key challenges** that consumers of life insurance products face in the Kumasi Metropolis include poor customer care- about 69% were of the view that there is gross disrespect for customer ethics in the selected companies; forming long queues for insurance services also came up as a major challenge to customers, 79% of the

sampled population agreed that queuing for longer times is a challenge to customers of the companies; poor internet services constituted about 77% of the response. Customers agreed that the online services are a major challenge due to poor connectivity and insufficient customer information online on insurance products. Others are unnecessary delays in claims payments and this was made up of 72% of responses received from customers; lack of transparency and bureaucratic bottlenecks which were made up of 66% and 80% of responses respectively; poor information dissemination or insufficient information to customers creates adverse selection condition and the problem of moral hazards in the insurance service provision. Here, about 81% were of the view that information dissemination to customers is poor.

5.2 CONCLUSION

The study set out to explore the drivers of life insurance participation and consumption with a case study of some selected insurance companies in the Kumasi Metropolis in Ghana, by using descriptive and parametric methodology for the research. The study can wrap up that poor customer service, delays in claims processing, and poor information dissemination are serious challenges facing customers of life insurance firms. The public will demand more life insurance product/ services if education and income levels improve generally in the economy. Consumers will demand more insurance product when they can enjoy flexible terms of premium payments and have easy access to claims at maturity period. However, insurance premium/prices and individual family size are not major determinants of demand for the insurance product, according to the study conducted.

5.3 POLICY RECOMMENDATION

Based on the objectives and outcomes of the study, management of life insurance companies must introduce practical procedures and action plans that will increase the demand for their products so as to expand their market shares and premium income. In view of this, the following recommendations are put forward for management consideration.

The study recommends that customer services be improved through improvement in communication and information flow to customers, addressing customer queries appropriately and on time, hiring customer service and marketing professionals, continuous training of sales agents by companies offering insurance service for higher customer satisfaction and loyalty. The notion that serving the customer is a “favor” to the customer must be discarded. Customer service must be seen as a special feature of the company’s image which can help increase market share and volumes of transaction for higher profits on the insurance market.

The endowment policy and terms insurance are the most preferred choices by customers for now. It is therefore recommended that other insurance products like whole life insurance and others must be redesigned with more attractive features to attract customers or improve customer satisfaction; this in the long run increase customer base and improve profit level, as the current subscription is mostly on the endowment which alone attracts about 61% of customers.

Income and the level of education were identified as significant factors influencing the demand for life insurance product on the insurance market, it is therefore recommended that in an attempt to market the product to the prospective customer, a marketing strategy should be designed to be able to identify the regular income

earners and those with formal and higher education. This will help increase subscribers and market share. However, the size of family and the price of insurance have no significance influence on the demand for the insurance product; customers will subscribe when there is value for money.

Unnecessary delays in claims payment customer unfriendly premium payment terms came up as a major disincentive to customer. The study therefore recommends that mechanisms be put in place to reduce days/time of claims processing and make terms of premium payment more attractive and flexible to customers. This will help improve customer satisfaction and also have the potential to attract more customers to the insurance market.

5.4 SUGGESTION FOR FURTHER RESEARCH

The study suggests that additional investigations must be carried out on how portfolio diversification and information asymmetry affects profit levels on the insurance market. Other areas of life insurance that should be investigated include: Market forces, hindrances and challenges confronting the growth of life insurance business in Ghana. It is also worthwhile to investigate the condition of national policy and regulation on life insurance activities in Ghana? Factors that affect life insurance quality, consumer satisfaction and behavioral intentions may also be investigated. Another area worthy of research is life insurance business and economic growth in Ghana.

REFERENCES

- Ade Ibiwoye, Joseph O. Ideji and Babatunde O. Oke (2010). The Determinants of Life Insurance Consumption in Nigeria: A co integration Approach.” International Journal of Academic Research Vol. 2.No. 4.Pp.351-358.
- Anderson, D. R., & Navin, J. R. (1975). Determinants of Young Marrieds' Life-Insurance Purchasing Behaviour: An Empirical Investigation. Journal of Risk and Insurance, 42(3), 375-387. <http://dx.doi.org/10.2307/251694>
- Ando, A., & Modigliani, F. (1963). The life-cycle hypothesis of saving: Aggregate implications and tests, American Economic Review, 53, 55-84.
- Anyanwookoro, M., & Obinna, D., M. (2014). The Causal Relationship Between Life Insurance Business and Economic Growth in Nigeria. International Journal of Innovation and Scientific Research. (ISSN :2351-8014), 4 (2). July, 2014 pp. 100-109
- Arena, M. (2008). Does Insurance Market Activity Promote Economic Growth? A Cross-Country Study for Industrialized and Developing Countries. Journal of Risk and Insurance, 75, 921-946. <http://dx.doi.org/10.1111/j.1539-6975.2008.00291.x>
- Auerbach, A. J., & Kotlikoff, L. J. (1989). How Rational is the Purchase of Life Insurance. National Bureau of Economic Research, 1-44
- Auxier, A. L. (1976). A Test of the Usefulness of Policy Information in Ranking Life Insurance Alternatives. The Journal of Risk and Insurance , 43, 87-98.

- Babbel, D. F. (1981). Inflation, Indexation, and Life Insurance Sales in Brazil. *Journal of Risk and Insurance*, 48(1), 111-135. <http://dx.doi.org/10.2307/252655>
- Babbel, D. F. (1985). The Price Elasticity of Demand for Whole Life Insurance. *Journal of Finance*, 40(1), 225-239. <http://dx.doi.org/10.2307/2328057>
- Baek, E., & DeVaney, S. A. (2005). Human Capital, Bequest Motives, Risk, and the Purchase of Life Insurance. *Journal of Personal Finance*, 4(2), 62-84.
- Beck, T. and Webb I (2003), Economic, Demographic and Institutional Determinants of Life Insurance Consumption across countries, *World Bank Economic Review* 17(1); 51 – 88 Retrieved from <http://www.iifdc.org/pubs/Beck+Webb.pdf>
<http://dx.doi.org/10.1093/wber/lhg011>
- Beenstock, M., G. Dickinson and S. Khajuria (1986), “The Determinants of Life Premiums: An International Cross-Section Analysis,” *Insurance: Mathematics and Economics*, 5, 261- 270
- Beenstock, M., G. Dickinson and S. Khajuria (1988), “The Relationship between Property- Liability Insurance Premiums and Income: An International Analysis,” *Journal of Risk and Insurance*, 55, 259-272.
- Berekson L.L. (1972). “Birth Order, Anxiety, Affiliation and the Purchase of Life Insurance”, *The Journal of Risk and Insurance*, Vol. 39, No. 1, pp. 93-108.
- Black, K. Jr. & Skipper, H.D. Jr. (2000). *Life and Health Insurance*, 13th Ed, Prentice Hall.

- Browne, J. Mark & Kim, K. (1993), International analysis of life insurance demand
.The Journal of Risk and Insurance, Vol. 60, No. 4 (Dec., 1993), pp. 616-634.
- Browne, M.J., J. Chung and E.W. Frees (2000), “International Property- Liability
Insurance Consumption,” Journal of Risk and Insurance, 67, 73-90.
- Bryant, W.K., & Zick, C.D. (2006). The economic organization of the household. (2th
Ed.) New York, NY: Cambridge University Press.
- Burnett J.J. and Palmer B.A. (1984).“Examining Life Insurance Ownership through
Demographic and Psycho- graphic Characteristics”, The Journal of Risk and
Insurance, Vol. 51, No. 3, pp. 453-467.
- Campbell, R. A. (1980). The Demand for Life Insurance: An Application of the
Economics of Uncertainty. Journal of Finance, 35, 1155-1172.
<http://dx.doi.org/10.2307/2327091>
- Cargill, T. F., & Troxel, T. E. (1979). Modeling Life Insurance Savings: Some
Methodological Issues. Journal of Risk and Insurance, 46(3), 391-410.
<http://dx.doi.org/10.2307/252455>
- Carson, J. M. (1996). Determinants of Universal Life Insurance Cash Values. Journal
of Risk and Insurance, 63(4), 673-681. <http://dx.doi.org/10.2307/253477>
- Chang, D. H. (1995).Economic Analysis of the Development of Universal Life
Insurance in the 1980s. Journal of American Society of CLU & ChFC, 49(1),
82-87.

- Chen, R., Wong, K. A., & Lee, H. C. (2001). Age, Period, and Cohort Effects on Life Insurance Purchases in the U.S. *Journal of Risk and Insurance*, 68(2), 303-327. <http://dx.doi.org/10.2307/2678104>
- CIA. (2011). The World Factbook. [www: https://www.cia.gov/library/publications/the-worldfactbook/rankorder/2172rank.html?countryName=Argentina&countryCode=ar®ion Code=soa&rank=34#ar](https://www.cia.gov/library/publications/the-worldfactbook/rankorder/2172rank.html?countryName=Argentina&countryCode=ar®ionCode=soa&rank=34#ar)
- Crosby, L. A., & Stephens, N. (1987). Effects of Relationship Marketing on Satisfaction, Retention, and Prices in the Life Insurance Industry. *Journal of Marketing Research*, 24(4), 404-411.
- Curak, M., & Kljakovic, M. (2011). Economic and Social Determinants of Life Insurance Consumption— Evidence from Central and Eastern Europe. *Journal of American Academy of Business*, 16(2), 216-222.
- Depamphilis, D. M. (1977). Variation in Individual Life Insurance Premium Revenues: An Econometric Approach. *Journal of Risk and Insurance*, 44(1), 67-76. <http://dx.doi.org/10.2307/251857>
- Diamond, P. (1992). Organizing the Health Insurance Market. *Econometrica*, 60(6), 1233-1254.
- Duker, J. M. (1969). Expenditures for Life Insurance among Working-Wife Families. *Journal of Risk and Insurance*, 36(5), 525-533. <http://dx.doi.org/10.2307/251159>

- Ferber, R., & Lee, L. C. (1980). Acquisition and Accumulation of Life Insurance in Early Married Life. *Journal of Risk and Insurance*, 47(4), 713-734. <http://dx.doi.org/10.2307/252292>
- Finmark Trust. 2011. —FinScope Ghana 2010 Report. Accra, Ghana.
- Fischer, S. (1973). A life cycle model of life insurance purchases. *International Economic review*. 14(1), 132-135.
- Fisher, Irving (1930): *The Theory of Interest*, Macmillan, New York.
- Fisher, S. (1973), "A Life Cycle Model of Life Insurance Purchases," *International Economic Review*, 14, 132-52.
- Fortune, P. (1973), "A Theory of Optimal Life Insurance: Development and Tests," *Journal of Finance*, 28, 587-600.
- Fredrick A. C. (1999) "Insurance, Principals and Practice". 2nd Edition, John Wiley & Sons Incorporated.
- Friedman, M. (1957). *A theory of the consumption function*. Princeton, NJ: Princeton University Press for the National Bureau of Economic Research.
- Gandolfi, A. S., & Miners, L. (1996). Gender-Based Differences in Life Insurance Ownership. *Journal of Risk and Insurance*, 63(4), 683-693. <http://dx.doi.org/10.2307/253478>
- Gockel, A. F., 1996, *The Formal Social Security System In Ghana*, Friedrich Ebert Foundation, Accra, August, 1996.

- George E. R (2003), "Principle of Risk Management & Insurance" Harier Collins Publishers incorporated
- Giesbert, L. (2010) Uptake of Micro-Life Insurance in Rural Ghana. Chronic Poverty Research Centre 2010 Conference - Ten Years of 'War against Poverty': What have we learned since 2000 and what should we do 2010-2020? , University of Manchester, 8-10 September 2010.
- Giesbert, L., Steiner, S., & Bendig, M. (2011). Participation in Micro Life Insurance and the Use of Other Financial Services in Ghana. *The Journal of Risk and Insurance*, 78, 7-35.
- Goldsmith, A. (1983). Household Life Cycle Protection: Human Capital versus Life Insurance. *Journal of Risk and Insurance*, 50(3), 473-485. <http://dx.doi.org/10.2307/252438>
- Greene D. & Treschman R. T., (2005), "Risk & Insurance" South Western Publishing Company, Cincinnati, Ohio
- Greene, M.R. (1963). Attitudes toward risk and a theory of insurance consumption. *Journal of Risk and Insurance*, 30, 165-182.
- Haiss, P., & Siimegi, K. (2008). The Relationship between Insurance and Economic Growth in Europe: A Theoretical and Empirical Analysis. *Empirica*, 35(4), 405-431. <http://dx.doi.org/10.1007/s10663-008-9075-2>
- Hakansson, Nils H. (1969). "Optimal Investment and Consumption Strategies under Risk, and under Uncertain Lifetime and Insurance," *International Economic Review*, Vol.10, No.4, pp. 43-66

- Hammond, J. D., Houston, B. D., & Melander, R. E. (1967). Determinants of Household Life Insurance Premium Expenditures: An Empirical Investigation. *Journal of Risk and Insurance*, 34(3), 397-408. <http://dx.doi.org/10.2307/250854>
- Hau, A. (2000). Liquidity, Estate Liquidation, Charitable Motives, and Life Insurance Demand by Retired Singles. *Journal of Risk and Insurance*, 67(1), 123-141. <http://dx.doi.org/10.2307/253680>
- Hawariyuni, W. (2006). The determinants of demand of Syarikat Takaful Malaysia Berhad (STMB): autoregressive distributive lag (ARDL) Approach of Co integration.
- Headen, R.S. and J.F. Lee (1974), "Life Insurance Demand and Household Portfolio Behaviour," *Journal of Risk and Insurance*, 41, 685-698.
- Hofmann, A. (2009). *Imperfect Insurance Markets - An Economic Analysis of Externalities and Consumer Diversity*. Karlsruhe: VerlagVersicherungswirtschaft.
- Hwang, T., & Greenford, B. (2005). A Cross-Section Analysis of the Determinants of Life Insurance Consumption in Mainland China, Hong Kong, & Taiwan. *Risk Management & Insurance Review*, 8(1), 103-125. <http://dx.doi.org/10.1111/j.1540-6296.2005.00051.x>
- Hwang, Tienyu. & Gao, Simon. (2003), "The determinants of the demand for life insurance in an emerging economy – the case of China", *Managerial Finance*, Vol. 29 Iss: 5/6, pp.82 – 96.

ILO (2001). Social Security: A new consensus. International Labor Organization, Genf.

Neumann, and O. Morgenstern. Theory of Games and Economic Behaviour, 2nd.edition, 1947, Princeton University Press.

Kpmg.com/Africa, Sector Report, Insurance in Africa.

Kumar V. and Prakash, V. (2012), Indian Insurance and Economic Development. VSRD International Journal of Business and Management Research, Vol. 2 No. 11 November 2012

Leppert, J., P. Degens and L.M. Ouedraogo (2012). "Emergence of Micro Health Insurance in Sub-Saharan African", in H. J. Rosner, G. Lepert, P. Degens and L. M. Ouedraogo. (Eds.) Handbook of Micro Health Insurance in Africa". (pp.37-58), Berlin: LIT Verlag.

Lewis Frank, D.(1989) "Dependents and the demand of life insurance". American economic Review 79: 452 – 466.

Li, D., Moshirian, F., Nguyen, P., & Wee, T. (2007). The Demand for Life Insurance in OECD Countries. Journal of Risk and Insurance, 74(3), 637-652. <http://dx.doi.org/10.1111/j.1539-6975.2007.00228.x>

LIAM. (2011). Teamwork: The Way Forward. In Malaysian Insurance Institute feature interview by Ghazali, Z. and Seow, M. L. Retrieved from <http://insurance.com.my/download/Pages%20from%20Insurance%2009%20011%20%5BAug-Sep%5D%20Web%20Pg%2016-17.pdf>

- Liebenberg, A. P., Carson, J. M., & Hoyt, R. E. (2010). The Demand for Life Insurance Policy Loans. *Journal of Risk and Insurance*, 77(3), 651-666.
- Liebenberg, A. P., Carson, J. M., & Dumm, R. E. (2010). A Dynamic Analysis of the Demand for Life Insurance. *Journal of Risk and Insurance*, 1-28.
- Lim, C. C., & Haberman, S. (2004). Macroeconomic Variables and the Demand for Life Insurance in Malaysia. mimeo, 1-21.
- Lin, Y., & Grace, M.F. (2007). Household life cycle protection: Life insurance holding, financial vulnerability, and portfolio implications. *The Journal of Risk and Insurance*, 74(1), 141-173.
- Loke, J., & Goh, Y. (2012). Purchase Decision of Life Insurance Policies among Malaysians. *International Journal of Social Science and Humanity*, 2 (5), 415-420.
- Mankiw, N. G. (2008). *Principles of Economics*. Florence: Cengage Learning Emea.
- Mantis, G., & Farmer, R. N. (1968). Demand for Life Insurance. *Journal of Risk and Insurance*, 35(2), 247-256. <http://dx.doi.org/10.2307/250834>
- Meng, Xingguo (1994), *Insurance Markets in Developing Countries: Determinants, Policy Implications, and the Case of China*, dissertation, Temple University.
- Mossin, J. (1968), "Aspects of Rational Insurance Purchasing," *Journal of Political Economy*, 79, 553-568.
- National Insurance Commission (2007-2011), Annual Report.

- Nestersova, D. (2008), Determinants of the demand for life insurance: Evidence from selected CIS and CEE countries.
- Neumann, S. (1969). Inflation and Saving Through Life Insurance. *Journal of Risk and Insurance*, 36(5), 567-582. <http://dx.doi.org/10.2307/251163>
- Nurul, S.M and Sarah, M.P.V. (2013).The Determinants of Life Insurance Demand: A Focus on Saving Motives and Financial Literacy. *Journal of Asian Social Science*.9 (5), April 27, 2013.pp.274.[URL:http://dx.doi.org/10.5539/ass.v9n5p274](http://dx.doi.org/10.5539/ass.v9n5p274).
- Outreville, F. J. (1996). Life Insurance Markets in Developing Countries. *Journal of Risk and Insurance*, 63(2), 263-278. <http://dx.doi.org/10.2307/253745>
- Outreville, J.F. (1990), “The Economic Significance of Insurance Markets in Developing Countries,” *Journal of Risk and Insurance*, 62, 487- 498.
- Pissarides, C. A. (1980). The Wealth-Age Relation with Life Insurance.*Economica* , 47(188), 451-457.
- Redzuan, H., Rahman, Z. A., & Aidid, S. S. S. H. (2009). Economic Determinants of Family Takaful Consumption: Evidence from Malaysia. *International Review of Business Research Papers*, 5(5), 193-211.
- Rejda, G. E. (2004). *Principles of risk management and insurance*. (9th ed.). New Jersey: Pearson Education.
- Rubayah, Y. and Zaidi, I., (2000), *Prospek industry insuranshayatabad ke-21*, Utara Management review, vol. 1, no. 2, pp. 69-79.

- Saunders, M., Lewis, P. & Thornhill, A. (2009) Research methods for business students, 5th ed., Harlow, Pearson Education
- Savvides, S. (2006). Inquiry into the Macroeconomic and Household Motives to Demand Life Insurance: Review and Empirical Evidence from Cyprus. *Journal of Business and Society*, 19, 37-79.
- Sen, S. (2008). An Analysis of Life Insurance Demand Determinants for Selected Asian Economies and India. Working Paper, 36, 1-44. [Online] Available: <http://www.mse.ac.in/pub/working%20paper%2036.pdf>
- Sen, S. and Madheswaran, S. (2007) Are Life Insurance Demand Determinants valid for Selected Asian economies and India? Working Paper No. 36: Madras School of Economics. Paper Presented at the 11th Annual Meeting of APRIA, NCCU Taipei. July 22-25 2007.
- Sen, Subir. 2007. Are Life Insurance Demand Determinants valid for Selected Asian Economies and India? Institute for Social and Economic Change.
- Showers, V. E., & Shotick, J. A. (1994). The Effects of Household Characteristics on Demand for Insurance: A Tobit Analysis. *Journal of Risk and Insurance*, 61(3), 492-502. <http://dx.doi.org/10.2307/253572>
- Swiss Reinsurance Company (2005), World Insurance In 2004: growing premiums and stronger balance sheets, sigma No.2/2005.
- Tan, H. B., Wong, M. F., & Law, S. H. (2009). The Effect of Consumer Factors and Firm Efficiency on Malaysian Life Insurance Expenditure. *International Journal Business and Society*, 10(1), 59-73.

- Tom, et al (2012). Factors Affecting Insurance Consumption In AkwaIbom State, Nigeria. *Journal of Research in Business and Management*. (ISSN:2251-0028), 2(12), December, 2012, pp.323-328. Available online @ <http://www.interestjournals.org/JRIBM>.
- Trubey, T. (1999). *Life Insurance Suitability*. Chicago: Dearborn.
- Truett, Dale B. and Lila J. Truett. 1990. The Demand for Life Insurance in Mexico and the United States: A Comparative Study. *The Journal of Risk and Insurance*. Vol. 57, pp. 321-328.
- Varian, H.R. (1993). *Intermediate microeconomics*. (3th ed.). New York, NY: Norton & Company, Inc.
- Vaté, M., & Dror, D. M. (2002). To Insure or not to Insure? Reflections on the Limits of Insurability. In D. M. Dror, & P. A. S., *Social Reinsurance: A New Approach to Sustainable Community Health Financing* (pp. 124-152). Washington D.C.: World Bank.
- Ward, D. and R. Zurbruegg (2002). *Law, Politics and Life Insurance Consumption in Asia*. Geneva Papers on Risk and Insurance. Vol. 27; pp 395-412.
- Yaari, M.E. (1964), "On Consumer's Lifetime Allocation Process," *International Economic Review*, 5, 304-317.
- Yaari, M.E. (1965), "Uncertain Lifetime, Life Insurance, and the Theory of the Consumer," *Review of Economic Studies*, 32, 137-150.

- Yin, R. K. (2003a) Applications of case study research, 2nd edition, London, SAGE Publications. Yin, R. K. (2003b) Case study research: Design and methods, 3rd edition, London, SAGE Publications
- Yusof, T. O., Gbadamosi, A., &Hamadu, D. (2009). Attitudes of Nigerians towards Insurance Services: An Empirical Study. African Journal of Accounting, Economics, Finance, and Banking Research, 4(4), 34-46.
- Zietz, E.N. (2003) Perspectives of An Evaluation of the Demand for Life Insurance, Risk Management & Insurance Review 6(2); 159 – 171
- Zultowski, W. H. (1979). The Extent of Buyer-Initiated Life Insurance Sales. The Journal of Risk and Insurance , 46(4), 707-714.

APPENDICES

APPENDIX I

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

COLLEGE OF ART AND SOCIAL SCIENCES

KNUST SCHOOL OF BUSINESS

(DEPARTMENT OF ACCOUNTING AND FINANCE)

QUESTIONNAIRE ON THE TOPIC:

THE DETERMINANTS OF THE DEMAND FOR LIFE INSURANCE PRODUCTS IN GHANA (A Survey of Selected Life Insurance Companies in the Kumasi Metropolis).

This research is being conducted in partial fulfillment of the requirements for the award of Master in Business Administration degree (KNUST School of Business). All information received would be used only for academic purposes and treated with strict confidentiality. Please tick in the box where appropriate

.You may also be required to complete the open ended questions in the spaces provided. Thank you.

SECTION A: DEMOGRAPHICS

1) Age a) 16- 25 b) 26 - 39 c) 40 -50 d) 51-60 e) 61+

2) Sex a) Male b) Female

3) Level of Education: a) None b) Basic c) Secondary

d) Tertiary

4) Marital Status: a) Married b) single c) divorced

e) widowed

5) Status with institution: a) Management Staff b) Customer

6) Occupation/ Employment Status: a) Full Time Job b) Part Time Job c) Any Other (*please specify*).....

7) Number of Children /Family Size: a) 2-4 b) 4-6 c) 6-8 d) 8-10

SECTION B: DETERMINANTS OF LIFE INSURANCE DEMAND

This section tries to measure/assess the major determinants of the demand for life insurance products in Ghana. Please indicate with YES or NO the degree of your agreement or disagreement with the following statements by ticking the appropriate number against each question using the scale between zero (0) and one (1) below.

8) Do you hold a Life Insurance Policy with any life insurance company? YES =1
NO =0

9). If YES, What type of life insurance policy do you have? *Please tick as many as applicable.*

A. Endowment Policy (meant for savings purposes like education, retirement etc)

B. Term Insurance (provides a certain amount of life insurance coverage for a specified maturity period say 1year, 5years, 10years etc.

C. Whole Life Insurance (provides lifetime protection –ie promises “till death do us apart”)

Which of the following is/are the major determinants for your decision to buy the life insurance policy with the company? Please tick as many reasons/determinants as applicable.

YES NO

10) Income level of policy holder =1 =0

11) Market rate of interest on financial assets =1

12) Low level of transaction cost of insurance (time and liquid cash) =1 =0

13) Level of education of policy holder =1 =0

- 14) Nature of employment of policy holder =1 =0
- 15) The age level of policy holder =1 =0
- 16) Family size of policy holder =1 =0
- 17) The prevailing inflation rate on market =1 =0
- 18) Current level of savings from income =1 =0
- 19) Flexible terms of premium payment =1 =0
- 20) Easy access to customer claims when due =1 =0
- 21) The price (premium level) of insurance =1 =0

SECTION C: This section tries to evaluate some of the challenges facing Life Insurance Policy Holders. Please indicate the degree of your agreement or disagreement with the following statements by ticking the appropriate box against each question using the Likert Scale below from the table below.

	ITEMS	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
22	Gross disrespect and poor attitude towards customers					
23	Frequent queuing for customer services in the company					
24	Poor online/internet services for customers on insurance products					
25	Unnecessary delays in claims payments when policy matures and claims are due					

26	Inadequate transparency and accountability in service delivery.					
27	High administrative charges from companies					
28	Bureaucratic bottlenecks					
29	Poor information dissemination to customers.					

THANK YOU

APPENDIX II

DESCRIPTIVE TABLES

DEMOGRAPHICS

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	16-25	4	1.3	1.3	1.3
	26-39	55	18.3	18.3	19.7
	40-50	114	38.0	38.0	57.7
	51-60	83	27.7	27.7	85.3
	61 and above	44	14.7	14.7	100.0
	Total	300	100.0	100.0	

Sex

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	186	62.0	62.0	62.0
	Female	114	38.0	38.0	100.0
	Total	300	100.0	100.0	

Level of Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	None	9	3.0	3.0	3.0
	Basic	23	7.7	7.7	10.7
	Secondary	102	34.0	34.0	44.7
	Tertiary	166	55.3	55.3	100.0
	Total	300	100.0	100.0	

Employment status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Full-Time	204	68.0	68.0	68.0
	Part-Time	87	29.0	29.0	97.0
	Others	9	3.0	3.0	100.0
	Total	300	100.0	100.0	

Number of children/family size

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2-4	108	36.0	36.0	36.0
	4-6	141	47.0	47.0	83.0
	6-8	40	13.3	13.3	96.3
	8-10	11	3.7	3.7	100.0
	Total	300	100.0	100.0	

APPENDIX III

LOGIT REGRESSION RESULTS

```
logit holdpolic1 incomel intasset1 costrans1 educal emplynat1 age1 famsize1
inflation1 savings1 flexrms1 claims1 inspx1
```

Iteration 0: log likelihood = -169.79029

Iteration 1: log likelihood = -141.96235

Iteration 2: log likelihood = -140.03666

Iteration 3: log likelihood = -140.0173

Iteration 4: log likelihood = -140.01729

```
Logistic regression                Number of obs   =           300
LR chi2 (12)                       =           69.55
Prob> chi2                          =           0.0000
Log likelihood = -140.01729         Pseudo R2      =           0.7754
```

```
-----
```

holdpolic1	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]
incomel	.4425317	.4252497	1.04	0.0001	.276006 .3909424
intasset1	-.159048	.4621517	-0.34	0.031	-.7467526 1.064849
costrans1	.1399214	.4527263	0.31	0.007	.027249 .7474057
educal	2.156287	.4386717	4.92	0.000	3.016068 1.296507
emplynat1	1.035328	.4743019	2.18	0.029	.1057139 1.964943
age1	.887331	.6310986	2.99	0.003	3.124262 .6504006
famsizel	.279508	.5943854	-0.47	0.638	-1.444482 .8854659
inflation1	-1.298323	.5871681	2.21	0.027	.147495 2.449152
savings1	-.1801888	.4802272	-0.38	0.708	-1.121417 .7610393
flexrms1	.3474501	.5367458	0.65	0.017	1.399453 .7045524
claims1	.7528552	.5805893	1.30	0.005	1.890789 .3850789
inspx1	-.1397208	.6054198	-0.23	0.817	-1.326322 1.04688

```
-----
```