KWAME NKRUMAH UNIVERSITY OF SCIENCE & TECHNOLOGY, KUMASI

INSTITUTE OF DISTANCE EDUCATION

SUSTAINING AN EFFECTIVE MARKETING APPROACH IN THE MICRO-INSURANCE SECTOR OF GHANA – A CASE OF UNIQUE LIFE ASSURANCE COMPANY LTD

ZOGBENU MAWULI (B.A Hons.)

PG 3098409

A Thesis submitted to the Institute Of Distance Learning, Kwame Nkrumah University of Science and Technology in partial fulfillment of the requirements for the degree of

COMMONWEALTH EXECUTIVE MASTERS OF BUSINESS ADMINISTRATION

JULY 2011

DECLARATION

I hereby declare that this submission is my own work towards the Commonwealth Executive Masters in Business Administration (CEMBA) and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

	…………….	…………
Mawuli Zogbenu (PG3098409)	Signature	Date

Certified by:

	………………..	………………
Dr. Samuel K. Buame	Signature	Date

Certified by:

…………………………….	………………….	…...…………
Prof. I.K. Dontwi, Dean, IDL	Signature	Date

DEDICATION

I dedicate this work to my lovely wife Mrs. Florence Zogbenu who has persistently been on me to get this project accomplished in time.

ACKNOWLEDGEMENT

My sincere thanks and gratitude go to God Almighty who in his love, mercies and grace has sustained my health and energy to stand a task as this.

I also express my immeasurable gratitude to my supervisor Dr. Samuel K. Buame of the University of Ghana Business School (UGBS) who has patiently endured the pain in reading through my work and brought to light various weaknesses thereby putting them in the ideal order.

To my mother Madam Minawo Midekor Zogbenu, and brothers and sisters I say thank you for your love, care and the support you gave me both financially and in prayers.

Lastly, to all those whose names have not been mentioned but in various ways have contributed to come out with this work, I say God richly bless you and may you live longer to support other future scholars!

ABSTRACT

This Study investigates the reasons for which most Informal Sector workers of Ghana's initially sign on to micro-insurance products but are unable to continue payment of premiums till maturity, retirement or till the events insured against actually do occur and how this phenomenon is negating against calls for more of the target market to get insured. The study focused on policyholders of insurance companies offering micro-insurance products to the Informal Sector segment of Ghana. A questionnaire was employed to collect data from micro-insurance policyholders of Unique Life Assurance Company Ltd (ULife). A sample of 60 policyholders was taken and 50 useable ones were analysed. The study was to establish the fact that policyholders are unable to continue paying premiums because of eviction resulting in market relocation and PIA's abandoning them, use of appropriate delivery channels and measures to arrest the high rate of traders and artisans' inability to continue with the policy as a result. The results also indicated that the insurance awareness level in the target market is not enough hence the general perception that insurance Companies are only there to swindle traders.In an attempt at improving the performance of the micro-insurance sector through increasing knowledge in marketing of its products, the study suggests that insurers should not rely only on direct sales executives or PIA's but complement this with the involvement of various local cooperative union executives and market queens in collecting premiums and in claims payment as well to reinforce the existing distribution channels and sale of

micro-insurance products to the vulnerable poor. The associated prospects and challenges of rolling out micro-insurance products were also brought to the fore which revealed the perceived risks, benefits and criticisms of this micro-insurance concept.

TABLE OF CONTENTS

CHAPTER TWO: LITERATURE REVIEW

CHAPTER THREE: METHODOLOGY

CHAPTER FOUR: DATA ANALYSIS AND DISCUSSION OF RESULTS

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

LIST OF TABLES

LIST OF GRAPHS AND FIGURES

LIST OF ABBREVIATIONS

AIDS -	Acquired Immune Deficiency Syndrome
AMA -	Accra Metropolitan Assembly
BRAC-	Bangladesh Rural Advancement Committee
GIA -	Ghana Insurers Association
GIC -	Ghana Insurance College
GLICO-	Gemini Life Insurance Company Ltd
GTZ -	German Technical Corporation
ILO -	International Labour Organisation
IRDA -	Insurance Regulatory and Development Authority
MDG -	Millennium Development Goal
MFI -	Micro-Finance Institution
MoU -	Memorandum of Understanding
NGO -	Non-Governmental Organisation
NIC -	National Insurance Commission
NHIS -	National Health Insurance Scheme
PDR -	People Democratic Republic
PIA –	Personal Insurance Advisor
SSNIT-	Social Security and National Insurance Trust
ULIFE -	Unique Life Assurance Company Ltd
SEWA -	Self-Employed Women's Association
UNDP -	United Nations Development Programme

CHAPTER ONE

INTRODUCTION

1 Background of the Study

This chapter introduces the reader to understand a brief background of Micro-insurance and its nature. This is followed by identification and significance of the problem and specific research questions considered for one to appreciate the Micro-insurance concept.

Micro-insurance is a term increasingly used to refer to insurance characterized by low premium and low caps or low coverage limits, sold as part of a typical risk-pooling and marketing arrangements, and designed to service low-income people and businesses not served by typical social or commercial insurance schemes (Churchill 2006).

In many countries across the world, the development of micro-insurance has become a well-accepted component of financial inclusion strategies. It is increasingly being seen as a tool not only for social protection but also for equitable mitigation of risks thereby spurring poverty alleviation and economic development. Access to insurance at an affordable cost to the poor is now seen in many countries as a condition necessary for poverty reduction and social harmony in the financial landscape. Having recognized its huge potential demand, an increasing number of governments and donors have been promoting micro-insurance.

According to McCord (2006), more commercial insurers are becoming active, and informal “insurers” are expanding with some seeking integration into the formal insurance system.

Access to micro-insurance is generally very limited. Compared to some other regions, in Africa, there is still a dramatic lack of micro-insurance available to the low-income market in Ghana.

Even in countries with established microfinance institutions – a common delivery channel for micro-insurance – only few micro-insurance schemes are available and are being run effectively.

With growing markets and new players, an enabling policy environment is a prerequisite for micro-insurance to develop. Sound policies and regulations for micro-insurance encourage innovation, investment, sustainability and growth in the insurance sector while protecting consumers and the soundness of institutions. While the private sector is a key driver of micro-insurance market development, the policy framework is a crucial element.

The Informal Sector of Ghana’s economy forms more than 80% of the total working population (Ghana Statistical Service Report, 2009). However only a scanty percentage of this number have some form of life insurance in one form or the other. Following the passing of the Pensions Act in 2009, it has become mandatory for life insurance Companies and the Social Security & National Insurance Trust (SSNIT) to provide some form of life insurance for this market segment.

Indeed the about 20% workers in the formal sector are the only class of workers who until recently have been contributing mainly towards their retirement to the SSNIT.

These contributions are statutory in character and all employers are required by Law to ensure that payments to SSNIT are effected on behalf of employees towards their retirement. These contributions however have almost invariably not been sufficient to take care of employees when they are out of active service.

Life Insurance Companies, aware of this trend, have designed products similar to what is provided by the SSNIT with more attractive features with the view to supplementing employees' contributions which they would have access to with accrued interest upon retirement. Some of the features which are not typically provided by SSNIT include hospitalization benefits, temporary and permanent disability benefits, partial withdrawals and policy loans. Albeit the efforts made by insurance companies to profitably and financially protect the welfare of such formal sector workers, these efforts are channeled mainly and preferably towards the formal sector at the expense of their counterparts in the informal sector. Because there are no established modes of premium payment by clients / policyholders a good number of them are not easy to locate.

1.1 Statement of the Problem

Many governments have made efforts to provide access to different instruments of social protection for larger shares of the population. Some governments were able to cover additional social groups, but almost all of them have failed to reach low-income earners in the informal sector of the economy. The better-off can afford and have access to market-based instruments such as a bank loan or a private insurance contract. Most countries have social insurance schemes, but they are normally based on formal labour relations and thus not very appropriate for self-employed workers and those in unstable employment. Some governments also run social assistance programmes, which are, however, unable to support significant numbers of the poor. Academics and development practitioners have thus turned to the quest for alternative approaches. Several proposals have been made, one of them being micro-insurance, which can be defined as "essentially risk-pooling tools designed for the benefit and affordability of low-income persons". (McCord, 2001). Thus, the prefix "micro-" does not hint at low numbers of participants or a limited area covered by the schemes. As it is the for micro-credit products, it rather indicates that the contribution rates are affordable for low-income earners. Benefits are therefore limited as well, and that the scheme meets the specific needs of the target group as to the benefit package, the enrolment conditions and the transaction formalities.

Commercial insurance companies suffer from a lack of reliability in the eyes of the target group. Many low-income earners do not trust them, because they are distant in spatial, social and temporal terms. Spatial distance means that commercial companies are normally based in the commercial areas of large towns and thus difficult to reach for low-income earners, who predominantly live and work in informal urban settlements or villages. Social distance means that the staff of commercial companies originate from the middle-income classes and lack an understanding of the needs and problems of low-income earners. Temporal distance, finally, means that insurance benefits are often due a long time ahead, i.e. after a period that low-in come earners, who are struggling for day-to-day survival, are unable to overview (Meessen, Criel and Kegels, 2002, pp. 81-84).

Micro-Finance Institutions, on the other hand, were reflecting how they could

(i) broaden their product portfolio,

(ii) tap additional sources of finance for their credit lines and, at the same time

(iii) protect themselves against loan repayment failure stemming from the occurrence of risks on the side of their clients.

It was found out that micro-insurance can be instrumental for all these three goals. Only now, several years later, are academics laying the theoretical foundations for micro-insurance by analogy to the conceptual literature on micro-credit.

The question is not whether but how and by whom micro-insurance can be organized by way of sustainable approach to marketing of micro-insurance products.

Micro-insurance schemes exist in many parts of the world. The micro level includes individuals within the low-income market. Almost 250,000 people in Ghana have some type of life micro-insurance product. Typically, they are required to purchase it because of another primary demand, such as to obtain credit. Products include term life, life linked savings, disability, funeral, health, and some property. These products are provided by at least six (6) insurers, two (2) of which are working with specialized micro-insurance agencies. Several other delivery channel types are involved in micro-insurance including the use of Microfinance Institutions (MFI's), rural banks, commercial banks, "*Susu"* collectors, non-financial Non-Governmental Organizations (NGOs), specialized Direct Sales Agents, among others.

Micro-insurance products tend to be weaker as compared to traditional insurance, and the market is generally antagonistic towards insurance and insurance companies for that matter. Delivery channels initially appear strong but tend to grow weaker with time than for traditional insurance and limited efforts have been made to sell micro-insurance to clients in that market. Most Insurers have done little to market their micro-insurance products in a way that generates interest from the market.

In recent times however, insurers appear significantly interested in penetrating the low-income market, and the market has strong demands for good risk-management and financial protection products that provide easy access. However, the sustainability of an effective marketing approach has become a major challenge.

1.2 Objectives of the Study

The objectives of the study are:

- To investigate the cause(s) of the high rate of surrenders in the micro-insurance sector in Ghana
- To find out the possible approaches that lead to successful implementation of the micro-insurance concept.
- To find out possible factors that influence the acceptability of the micro-insurance concept in the Non- Life insurance business in Ghana.

1.3 Research Questions

With reference to the above stated research problem, the following research questions have been posed in order to guide the researcher to achieve the purpose of the study:

1. Are Micro-insurance policyholders unable to continue paying premiums because of poor mode of premium collections from insurance Companies?
2. Are Micro-insurance policyholders unable to pay premiums because of poor sales?
3. Is premium collection from micro-insurance policyholders affected by the relocation of policyholders from one market centre to the other?

4. Are Micro-insurance policyholders unwilling to pay premiums because of delays in claims and benefits payment?
5. Is the inability of insurance companies to deeply penetrate the micro-insurance sector due to lack of understanding of insurance by prospective policy-holders?

1.4 Significance of the Study

The results of this study will be of significant value to a number of future researchers as it will serve as a reference book for future researchers who will be interested in knowing about **Micro-insurance** in Ghana and researchers who will be interested in knowing the technicalities involved in adequately and sustainably providing micro-insurance services to the low-income earning worker in Ghana.

The study will provide both policy implication and recommendation for future research needs.

The research also aims at helping management to understand the importance and effects of not properly identifying more stable market centres for operating the micro-insurance Scheme within.

It would help ensure that micro-insurance products rolled out to this target market of low-income earning category of workers are sustained to provide them the needed retirement benefit, death benefit to surviving dependants, Personal Accident cover to mitigate the financial effects they stand to suffer in the event of any of these mishaps.

1.5.0 Scope and Limitations of the Study

1.5.1. Scope

Micro-insurance, like regular insurance, may be offered for a wide variety of risks which include both health risks (illness, injury as a result of Personal Accident, or death) and property risks (damage or loss). A wide variety of micro-insurance products exist to address these risks, including crop insurance, livestock/cattle insurance, insurance for theft or fire, health insurance, term life insurance, death insurance, disability insurance, insurance for natural disasters, etc. For the purpose of this study the researcher's focus would be on **Life Micro-insurance.**

The research would cover the Novotel area market and the Head Office of Unique Life Assurance Co. Ltd in the Greater Accra Region of Ghana.

It is worthy to note that Micro-insurance policyholders of Ulife were ejected from this market which was said to be unauthorized as a result of construction works at the Movenpick Hotels and Resorts. The size of this market comprising mainly market traders and drivers was estimated to reach 1,000 out of which about 350 are Ulife micro-insurance policyholders.

1.5.2 Limitations

It was normal to encounter some challenges during project works of this nature. However, the researcher did not really anticipate much constraints but the following were encountered:

- Time – gathering of information and collating them into readable flow required a lot of time and administrative problems that made time spent on data collection last longer that would not permit a broad study on the subject. Due to academic timelines, the research had to be limited to a small sample size.
- Financial – the ever-increasing cost of transportation, printing and communication (telephone, rechargeable units on mobile handsets) in a way hampered the researcher's efforts.
- Literacy Level of Respondents: Almost all the respondents lacked the ability to read and write their own responses as a result of their rather low or no formal education hence the need to obtain information through interviews and recording their responses; this took a lot of time and effort
- Non-Response – It was predictable that some of the interviewees whose responses were written down by the researcher himself for this study were reluctant to give the researcher audience as they were too busy doing one thing or the other. Their responses could have been useful in drawing legitimate or suitable conclusions.
- Others – the ever-growing pressures at work, family and other social commitments indirectly restricted the amount of work carried out on this research.

These notwithstanding, it is important to note that in spite of these constraints and limitations, the validity of the research findings and conclusions had not been compromised.

1.5.3 Definition of Concepts

Micro-insurance is a term increasingly used to refer to insurance characterized by low premium and low caps or low coverage limits, sold as part of a typical risk-pooling and marketing arrangements, and designed to service low-income people and businesses not served by typical social or commercial insurance schemes. Churchill (2006).

According to Churchill (2006), a micro-insurance scheme is a scheme that uses, among others, an insurance mechanism whose beneficiaries are (at least in part) people excluded from formal social protection schemes, in particular informal economy workers and their families. The scheme differs from others created to provide legal social protection to formal economy workers. Membership is not compulsory (but can be automatic), and members pay, at least in part, the necessary contributions in order to cover benefits.

The expression "micro-insurance scheme" designates either the institution that provides insurance (e.g., the Insurance Company that provides insurance or the insurance service itself provided by an institution that also handles other activities (e.g., a micro-finance institution).

1.5.4 Organisation of the Study

The study is represented in five (5) chapters. Chapter one (1) is made up of the introduction, background of the study, statements of the problem, objectives of the study, significance of the study, scope, organization of the study, limitation and the definitions of the concepts.

Chapter two (2) is the literature review, an examination of existing (both conceptual and theoretical) and empirical studies on the topic.

Chapter three (3) is the account of the methodology, the procedure followed in carrying out this project work. It includes the designing of data collection and the data gathering techniques used.

Chapter four (4) is the compilation of the data analysis and results. This includes sex distribution of respondents, age composition of respondents, socio-demographic characteristics of respondents, nationality of respondents, educational background of respondents, markets respondents are operating in, respondent's perception of micro-insurance, and summary of major findings.

Chapter five (5) is the discussion of results and findings, conclusions, recommendations and suggestions for future research.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter focuses on providing the reader with relevant literature in the scope of study. It seeks to identify the factors required for a successful implementation of a sustainable marketing approach to operating micro-insurance, its benefits and challenges in the life micro-insurance sector in Ghana.

2.1 The Concept

Micro-insurance is insurance for low income people. What differentiates micro-insurance products from normal or traditional insurance products is that they are targeted at low-income market segment that usually have not been the main target of insurance companies. At the moment micro-insurance has attracted interest from a number of development stakeholders. There is a keen interest to support micro-insurance schemes as they are viewed as one way of poverty reduction.

There are a variety of ways to define micro-insurance. A definition based on International Association of Insurance Supervisors' (2007) policy paper on micro-insurance is widely used. In that paper micro-insurance is defined "*as protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved*". Examples of such practice are: risk-pooling instruments for the protection of low-income people, insurance with small benefits, insurance involving low levels of premium or insurance for persons working in the informal sector of the economy. Various definitions have been given for micro-insurance as follows:

Microinsurance is a term increasingly used to refer to insurance characterized by low premium and low caps or low coverage limits, sold as part of atypical risk-pooling and marketing arrangements, and designed to service low-income people and businesses not served by typical social or commercial.

Micro-insurance is a financial arrangement to protect low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved. The author of this definition adds that micro-insurance does not refer to: (i) the size of the risk-carrier (some are small and even informal, others very large companies); (ii) the scope of the risk (the risks themselves are by no means "micro" to the households that experience them); (iii) the delivery channel: it can be delivered through a variety of different channels, including small community-based schemes, credit unions or other types of microfinance institutions, but also by enormous multinational insurance companies, etc.

Micro-insurance is synonymous to community-based financing arrangements, including community health funds, mutual health organizations, rural health insurance, revolving drugs funds, and community involvement in user-fee management. Most community financing schemes have evolved in the context of severe economic constraints, political instability, and lack of good governance. The common feature within all, is the active involvement of the community in revenue collection, pooling, resource allocation and, frequently, service provision.

Insurance functions on the concept of risk pooling, and likewise, regardless of its small unit size and its activities at the level of single communities, so does micro-insurance. Micro-insurance links multiple small units into larger structures, creating networks that enhance both insurance functions (through broader risk pools) and support structures for improved governance (i.e. training, data banks, research facilities, access to reinsurance etc.). This mechanism is conceived as an autonomous enterprise, independent of permanent external financial lifelines, and its main objective is to pool both risks and resources of whole groups for the purpose of providing financial protection to all members against the financial consequences of mutually determined risks.

The definitions above therefore include the critical features of micro-insurance as below:

1. transactions are low-cost (and reflect members' willingness to pay);
2. clients are essentially low-net-worth (but not necessarily uniformly poor);
3. market centres are involved in the important phases of the process (such as package design and rationing of benefits); and the essential role of the network of micro-insurance units is to enhance risk management of the members of the entire pool of micro-insurance units over and above what each can do when operating as a stand-alone entity.

Micro-insurance can be provided formally or informally (Roth et al 2007). In developing countries there exists various informal risk mitigating mechanisms. Indeed, micro-insurance has its historical origin in an attempt to empowering microfinance institutions, self-help groups and community-based organizations.

In his survey of micro-insurance provision in 100 poorest countries Roth et al (2007) gives details of the most common micro-insurance products offered in these countries. The ones they mentioned are: life insurance, disability and loss of limb insurance, health insurance, property and agricultural insurance. If we compare this list to the products offered in Uganda, we can conclude that all these are offered.

In his book 'Downscaling, Upgrading of Linking – Ways to Realize Micro-Insurance, Loewe (2006) argues that Micro-insurance is seen by many as a promising tool to improve the social protection of low-income earners. This assumption is supported by the positive experience of existing micro-insurance schemes. At the same time, however, many schemes have failed to organize sustainable insurance arrangements that are affordable for the poor and near-poor. The question is thus which institutions are best able to arrange for micro-insurance. Formal institutions such as public agencies or traditional commercial insurance companies are usually too distant in social and spatial terms from the target group of micro-insurance and face severe difficulties in downscaling. Informal institutions, however, such as self-help groups or grassroots NGOs, usually lack the know-how, experience and capacities to design and manage insurance arrangements. They need powerful partners to upgrade. An alternative would be that formal and informal institutions cooperate in providing micro-insurance.

Most of the early literature is directed to informal groups and Micro-Finance Institutions (MFI's). (Churchill, 2003). Even in the current micro-insurance operation, protecting the poor, the discussion centres more on grassroots level than in formal level.

The microfinance industry, for example, in providing credit or financial assistance to the poor for the past years has learnt significant lessons. Notable amongst them is the fact that the poor does not only need credit to improve on their livelihood. It is out of these lessons that micro-insurance has become the newest discipline within the microfinance industry which aims at offering protection against risks faced by the poor (Kloppenburg, 2006, Leaftley and Mapfumo, 2006, Llanto, et al, 2007).

2.2 Brief History of Micro-insurance

In the developing countries there was a new wave of cluster of activities known as micro-insurance, within which agriculture and insurance against climatic risk currently play a lagging role, and the leading role is played by life and health insurance. Micro-insurance which has been defined by Churchill (2003) as ‘the protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and risk of cost involved’(Churchill, 2007).The micro-insurance movement has, essentially, three components, each of which springs from a distinctive historical root.

The first is experimental schemes set up by NGOs (or, uncommonly these days, the state) to insure against *single perils* such as property, health and life insurance risks; the scheme operated by FINCA Uganda, is a good example of these. These attempt to draw on the lessons from the failure of multiple-risk schemes, and aim at financial sustainability over the medium term; often they are connected with micro-lending operations, and originate in ‘emergency fund’ life insurance schemes which repay the outstanding balance of a loan in the event that the borrower dies .

The second strand is profit-making schemes set up by the private sector (*Gono Bima* of Bangladesh is one of the largest examples), not specifically to cater for the bottom end of the market, but willing to offer small insurance contracts (especially to cover personal effects, etc.) to low-income borrowers; these derive essentially from a movement down-market by commercial insurance businesses observing the profits to be made out of microfinance.

The third strand, which overlaps with the first, is schemes operated by not-for-profit organisations which explicitly on behalf of disadvantaged groups insure a range of social functions, generally beginning with family health but often extending into a range of personal asset insurances. One of the oldest and most famous of these, for example – SEWA of north-western India – is also a registered trade union, and has aimed since the 1970s to provide 'work and income security, food security and social security' (Sinha 2002: xi); and to supply many of the functions of social protection conventionally supplied by the welfare state in industrialised countries.

2.3 The Need for Micro-insurance

In contemporary times, micro-insurance promotion has become an integral part of poverty eradication programmes to strengthen both the development of the financial, health and social security systems. This is because development experts across the world have come to understand that micro-insurance is a potent tool for complementing micro-credit in the fight against poverty by enabling poor households to pool risks, thereby, preventing them from falling deeper into the poverty trap at the occurrence of unforeseeable shocks. (Wiedmaier-Pfister, Jowett, Portula, Llanto, 2007). The occurrence of an emergency or risk has the tendency to easily erode the hard earned incomes of poor households. This is specially the case when the households have no formal insurance protection for themselves. The role of micro-insurance like any other effective risk management instrument is, therefore, to serve as a shock relief to major risks and ensure that the household involved can continue on their route to escaping poverty (Leaftley and Mapfumo, 2006, Cohen and Sabstad, 2006) or at best mitigating the effects of their inherent precarious situation.

The relevance of micro-insurance, therefore, is to serve as a safe net, with the ability of ensuring that the poor household possesses the ability to deal with a named risk and in addition ensure that these households are prevented from becoming poorer after the occurrence of a risk or an emergency.

Micro-insurance has the ability to help boost the financial stability and security of the poor and vulnerable. The micro-insurance concept was new to the Informal Sector of Ghana and knowledge about demand for this product was limited. This study aims to provide the researcher with background information to effectively market and sustain the growth of the micro-insurance product concept adapted to the needs and preferences of beneficiaries. This research would be preceded by a review of existing marketing approaches adopted by life insurers with focus on Unique Life Assurance Company Limited (Ulife).

Based on the findings of the market research, the researcher was able to define life insurance with a retirement plan component as the most desirable and suitable product for the targeted populations. The survey sought to elicit feedback from existing policyholders on a low cost life insurance concept and assess the demand for specific levels of benefits, coverage, premiums and frequency of payment to sustain the policies.

It also collected socio-economic profiles of potential clients as regards income, age, household size, and family deaths in the last twelve months. Though the response was generally very positive, it was somewhat overshadowed by negative preconceptions about insurance. Respondents were particularly concerned about the integrity and credibility of insurance Companies and the time taken to process claims.

On average, respondents wished to purchase a life insurance policy priced at approximately twenty Ghana Cedis (GHC20.00) per month spread and made payable on daily basis for 20 working days and offering a Sum Assured (claim amount) of GHC500.00 or GHC1,000.00 to cover death by illness and / or accident, Personal Accident (PA), permanent total disability and permanent partial disability. The product should cover their spouses and children and possibly also their parents. In addition they would wish to have access to short-term loans and partial withdrawals from their contributions at least six (6) months into their signing on to the policy.

A successful product should be based as much upon the way the service is provided as on the product provided. Therefore in attempting to meet the requirements expressed by respondents, insurance companies would have to work hard to be transparent, reliable and trustworthy. In addition, claims decisions should be made rapidly, reflecting simple and efficient systems.

2.4 Consumer Ignorance and Ability to Pay

The Micro-insurance Survey tried to assess how respondents view the low-income market in the terms of capacities. The respondents were asked to assess the sophistication of low-income market in terms of literacy, numeracy, honesty, the understanding of insurance, ability to pay premiums and claim benefits. There was very little variation in the answers. The respondents felt that low-income customers were not as proficient in literacy, numeracy and understanding of insurance.

However, their ability to pay premiums and known claim benefits was considered slightly higher. The respondents also evaluated that the customers in low-income market are quite honest.

2.5 Demand For Micro-insurance Amongst the Poor

What happens when a poor family's breadwinner dies, when a child in a disadvantaged household is hospitalized, or the home of a vulnerable family is destroyed by fire or natural disaster? Every serious illness, accident and natural disaster threatens the very existence of poor people and usually leads to deeper poverty. That's where "Micro-insurance" comes in.

Micro-insurance is specifically designed for the protection of low -income people, with affordable insurance products to help them cope with and recover from common risks. It is a market-based mechanism that promises to support sustainable livelihoods by empowering people to adapt and withstand stress. Two-thirds of human beings suffering in the most extreme poverty are women. Often living within $1 per day, they are the most vulnerable according to the World Bank.

But as to whether Micro-insurance will actually help those living in poverty by contributing to sustainable livelihoods is another question. We believe it can, and we decided to test the hypothesis in the real world. The United Nations Development Programme (UNDP) approached Allianz AG about working together on a market potential study to analyze the demand, acceptability and affordability of Micro-insurance products. They immediately saw the value of working in this under-explored area. This public private partnership acquired greater strength when GTZ, with considerable experience in the area of social protection and Micro-insurance, joined the alliance. The partners agreed to analyze demand for Micro-insurance products in India, Indonesia and Lao People's Democratic Republic (PDR) and jointly selected a team of consultants to prepare country studies.

The studies clearly indicate that access to Micro-insurance by the poor and disadvantaged population can contribute significantly to the achievement of the Millennium Development Goals (MDG's), particularly the goals of eradicating extreme poverty and hunger (MDG 1), promoting gender equality and empowering women (MDG 3) and developing a global partnership for development (MDG 8).

Although low-income households are extremely vulnerable, early research on the demand for insurance suggests that the target market may not consider insurance as an appropriate means of managing risks and reducing poverty. Some very poor people may not also want to purchase insurance because they may not consider the expense to be a good use of their limited meager financial resources.

Others actually think that they do not need insurance but strongly believe that insurance is for the poor. An insurance demand study conducted in Zambia clearly revealed that insurance would not be a high priority for many poor people. (Matul 2007, Churchill, Liber, McCord and Roth 2003).

The demand for Micro-insurance has been found to be directly related to vulnerability and it grows out of the risks and risk management strategies of low-income households. Conducting a research on the impact of risk events and on how poor people cope with the shocks gives a better picture of the need and demand of insurance. In the event of crisis occurrence the poor adopts common coping mechanism in order to solve the accompanying challenges (Cohen and Sebsted, 2006). It is, therefore, worth noting that understanding the various coping mechanism of the poor in the event of a risk management is an important lesson needed in accessing demand for micro-insurance.

2.6 Marketing, Policy Administration and Claims Payment Management

In signing on a new applicant, it is important to assess the risk involved. The micro-insurance sector for low-income market now and in the future promises to be a huge sector with enormous potential. However, most Insurers are skeptical in venturing into the business because of difficulties in sustaining their marketing approaches. The four (4) most important obstacles that existed in the market for micro-insurance which resulted in this skepticism are:

i. Consumer ignorance
ii. High administration and distribution costs
iii. a lack of suitable products to offer to low-income market
iv. Dishonest and ineffective intermediaries

The products that the insurance companies offer to low-income markets are also being offered to traditional markets. The only real micro-insurance tailored products were credit life and health insurance.

The use of the mechanism of micro-insurance implies:

- ***Prepayment and resource-pooling***: the regular prepayment of contributions (before the insured risks occur) that are pooled together.

- ***Risk-sharing***: the pooled contributions are used to pay a financial compensation (claims) to those who are affected by predetermined risks, and those who are not exposed to these risks do not get their contributions back.
- ***Guarantee of coverage***: a financial compensation for a number of risks, in line with a pre-defined benefits package.

Micro-insurance Schemes may cover various risks (health, life, Personal Accident etc.); the most frequent micro-insurance products are Life micro-insurance (and retirement savings plans) and Disability micro-insurance.

The institutions or set of institutions implementing micro-insurance are generally insurance Companies offering the Scheme purely on units, windows or departmental basis or through a number of distribution channels mainly the Partner-Agent model where MFI's are made the main distributors. *(Ulife 2007-2013 Business Plan).*

Every insurer must be able to design an insurance contract. The provider must know the average probability of risk occurrence and the expected value of the effects. This information is critical for the provider to assess yearly spending on compensation granted to insurance holders and to calculate what premium rates to ask for.

Moreover, an insurer must have a certain number of clients to be able to pool their risks adequately. The problem with a small risk pool is that several insured persons may be hit by the insured risk at one time. Their claims are likely to deplete the limited reserves of the insurer, because the effective number of claims exceeds the expected (i.e. the mean) number of claims, which is usually the basis for the calculation of contribution rates. In this case, claims cannot be settled because they outweigh the sum of collected premiums. Such a scenario is much less of a problem for larger groups, because with increasing numbers of group members, the actual volume of claims tends to deviate less from the expected mean (“law of large numbers”).

The insurer should also have access to profitable investment opportunities. The providers of most kinds of insurance arrangements have to accumulate reserves so that they are able to cover possible temporary losses, which may result, for example, from the random coincidence of bad claims. One could say that these reserves are necessary to mitigate the insurer’s own risk.

The insurer must appear sufficiently reliable to the target group of potential clients, who are expected to commit their premium payments to the insurer and trust the latter to grant compensation when the insured risk occurs.

Also, the insurer needs at least some basic information about the risk profile and behavior of the clients to control for adverse selection, moral hazard and fraud.

These problems are inherent in the insurance business and result from the fact that potential policyholders are usually better in formed about their own risk pro file and behaviour and able to hide the information (asymmetry of information).

The insurer must be able to offer insurance at a reasonable price (premium). Premiums don’t only have to be affordable for the target group of potential clients in absolute terms but must also appear reasonable in relation to the insurance package offered, which depends much more on the expectations and needs of the potential clients and on their income than on the objective actuarial fairness of the relationship (Brown and Churchill, 1999, Cummins, 1991, Hoogeveen, 2001, Jütting, 2000, Meessen, Criel and Kegels, 2002, Siegel, Alwang and Canagarajah, 2001). The requirements are not a problem for insurers targeting higher-income households in stable employment, but they do constitute a difficulty for any one who wants to insure low-income earners. This explains why commercial insurance companies are usually unable to offer insurance products which fit the needs and capabilities of the poor.

Self-help groups on the other hand, can help one another manage their respective risks by mutual insurance arrangements where every member is an insured and an insurer at the same time. Insurance schemes of this kind can be organized in two ways. Either risks are pooled *ex ante:* all members pay regular contributions into a common fund, out of which compensation is paid to members that were hit by the insured risk; or risks are pooled *ex post* all insurance group members are expected to support one an other when a risk occurs, paying their contributions only after the insured event..

Self-help mutual insurance groups are much better prepared than commercial companies to meet the demand of low-income earners for insurance because they do not suffer from high administration and transaction costs, information asymmetries and the target group's mistrust of them (Morduch and Sharma, 2002).

Their administrative costs are low because they are administered by either the group members themselves or single appointed members or well respected non-members, who receive, at most, very basic salaries for their jobs. Moreover, the group members usually live and work in the same area and meet rather frequently, so that the costs of transactions between them are limited as well.

In addition, knowing one another for long, they have a good idea of the other group members' risk profiles and they can watch what the others do to prevent the insured risks from happening. Group-based insurance systems, with the support of their members, are thus quite well able to control for adverse selection and moral hazard.

Finally, they also benefit from the fact that their members usually originate from one and the same region and social stratum and, hence, feel at ease in dealing with each other. As a consequence, they often trust in mutual insurance agreements more than they trust in the employees of private insurance companies, who definitely have a different social background and may speak a different language. At the same time, however, self-help mutual insurance groups suffer from other, perhaps, more fundamental problems in providing sustainable insurance arrangements.

Their know-how to design an insurance contract, the information needed to calculate sustainable premium rates and the experience to know what they can do to control for information problems such as adverse selection, moral hazard and fraud. (Brown (2001), Meessen, Criel and Kegels (2002).

They are too small to manage any random coincidence of a larger number of bad claims. Whenever many of their members are hit by the insured risk(s) at the same time, their reserve funds are likely to be exhausted and some of the claims cannot be settled.

Mutual insurance clubs, in many countries, enjoy in sufficient political backing. Most governments do little to encourage risk-managing groups to be formed and hardly ever provide financial or technical support for them (Loewe et al., 2001).

One could therefore easily draw a conclusion that a trade-off exists between the respective strengths and weaknesses of different providers of social protection: self help mutual insurance groups are much better prepared than commercial companies to meet the demand of low-income earners, but they struggle to meet some of the more general conditions of providing sustainable insurance arrangements. Neither of the two is able off hand to organise sustainable insurance for low-income earners that are without it (Jütting, 2000).

2.7 Micro-Insurance Products

There are a number of risk-pooling products that are designed to be appropriate for the low-income market in relation to cost, terms and coverage and delivery mechanisms. Micro-insurance, like regular insurance, may be offered for a wide variety of risks. These include both health risks (illness, injury as a result of Personal Accident, or death) and property risks (damage or loss). A wide variety of micro-insurance products exist to address these risks, including crop insurance, livestock/cattle insurance, insurance for theft or fire, health insurance, term life insurance, death insurance, disability insurance, insurance for natural disasters, etc. For the purpose of this study the researcher's focus would be on life **Micro-insurance.**

2.8 Regulatory Requirements

Insurance regulations are meant for the protection of insured persons against misleading selling practices as well as the financial viability of the micro-insurance schemes. If organizations intend to establish an independent insurance business, high capital requirements can obstruct the provision of insurance products to low-income groups. Small premiums cause obstacles to accumulate the required capital for receiving a licence as a formally recognized insurer.

However, in an increasing number of countries including Ghana, specific regulations which are adapted to micro-insurance organizations are designed and implemented.

2.9.0 Nature of Micro-insurance Delivery Models

One of the greatest challenges for micro-insurance is the actual delivery to clients. Methods and models for doing so vary depending on the organization, institution, and provider involved.

Micro-insurance products are supply-driven not demand-driven. The Insurer does not have to wait for the targeted clients to walk into their insurance hall; they must visit them in their stalls).

In general, there are four main methods for offering micro-insurance (Loewe, 2006): the Partner-Agent model, the provider-driven model, the full-service model, and the community-based model. Each of these models has their own advantages and disadvantages.

- **Partner agent model**: A partnership is formed between the Insurance Company providing the Scheme and an Agent usually an MFI. The Insurance Company is responsible for the delivery and marketing of products to the clients, while the Agent retains all responsibility for signing on new prospects, premium collection and customer service. In this model, the Insurance Company benefits from limited risk, but are also disadvantaged in their limited control.

- **Full service model**: The Insurance Company is in charge of everything from the product design, marketing and delivery of products to the clients, administration of the policy, among others. This model has the advantage of offering Insurance Company full control, yet the disadvantage of higher risks.

- **Provider-driven model**: The healthcare provider is the micro-insurance scheme, and similar to the full-service model, is responsible for all operations, delivery, design, and service. There is an advantage once more in the amount of control retained, yet disadvantage in the limitations on products and services.

- **Community-based/mutual model**: The policyholders or clients are in charge, managing and owning the operations, and working with the Insurance Company which in turn pays them commission for their services. This model is advantageous for its ability to collect premiums regularly and design and market products more easily and effectively, yet is disadvantaged by its small size and scope of operations.

This research discusses the different models used for micro-insurance delivery, and begins with stating the key issue of micro-insurance – low cost product. It further explains the various models used for micro-insurance delivery, such as; Partner-agent model and Micro agent model. Partner agent model can focus on core business and expertise and can sell large number of policies with single agreement. This model offers the insurer the access to reinsurance and reduces overhead cost of both the organizations – agent and insurance Company. Micro agent model creates insurance distribution infrastructure in low-income neighbourhoods. It is a commercial entity with financial incentive, long term existence is precarious and it involves direct income to community as micro-agent.

The paper concludes by stating that there is no one model which can be labeled as the best; however, the location and timing of model implementation could be one important aspect to be considered.

In a paper delivered by Roth (2005) on “The Managing Micro-insurance Products: What are the Delivery Options?” he discussed different models used for micro-insurance delivery, and begun with stating the key issue of micro-insurance – low cost product. The paper further explains the various models used for micro-insurance delivery, such as; Partner-agent model and Micro-agent model. Partner-agent model can focus on core business and expertise and can sell large number of policies with single agreement or Memorandum of Understanding (MoU) between the Insurance Company and MFI’s. This model offers the insurer access to reinsurance and reduces overhead costs of both the organizations – agent and insurance company. Micro-agent model creates insurance distribution infrastructure in low income neighborhoods. It is a commercial entity with financial incentive, long term existence is precarious and it involves direct income to community as micro-agent. The paper concludes by stating that there is no one model which can be labeled as the best; however, the location and timing of model implementation could be one important aspect to be considered.

2.9.1 The History of Micro-insurance in Ghana

The micro-insurance industry in Ghana is catching up fast on Ghanaians, with many lessons to learn. The sector formally started in 2004 when CARE International provided support for Gemini Life Insurance Company Ltd (GLICO) to design the first formal micro- funeral insurance policy in Ghana. By the end of 2006 the micro-funeral policy designed by GLICO and distributed through six (6) MFIs was the only known micro-insurance product available for the low-income earners. In 2007 Micro Insurance Agency (Micro Ensure) was registered and incorporated as an insurance intermediary / agent to promote the design, sale and distribution of micro-insurance products by providing strategic collaborations between the traditional insurance Companies, MFIs, NGOs and the targeted clients. (Okoampah, 2009).

The insurance industry has a number of reasons to be concerned with marketing sustainability issues and students preparing for careers in the industry as well as insurers contemplating on such a venture should understand this. While micro-lending continues to grow in popularity, micro-insurance has not garnered the same popular support. The reason for this has nothing to do with the relative merits of either financial service as a tool of economic empowerment –surely, if one is offered a loan from a bank, one should also be able to access other financial services including micro-insurance. Meanwhile, on the margins of the microfinance world, micro-insurance is quietly championed by only a few commercial insurers and members of the non-profit and development communities. Micro-insurance professionals need to tell the story a little bit better if they are going to get people to care. The reality is– "insurance speak" is generally pretty dull. Just as those in the microcredit industry leave the complex details to the professionals, so too can micro-insurance professionals for absolute concentration.

Here in Ghana, one of the goals is to build a community of champions for micro-insurance (NIC Report 2008). It is obvious that some insurance business managers and practitioners today are not aware of the effects of neglecting the important nature of the informal segment of the market that they learn and understand the factors that determine positive premium collection. Depending on how regular a PIA visits a client may further determine the effort they put into the premium mobilization thereby increasing the market share of the Company and ultimately in national economic development.

2.9.2 Micro-insurance Service Providers in Ghana

Some Life insurance Companies in Ghana have designed products / policies purposely for the Informal Sector. They include SICLife Company, GlicoLife, Donewell Life and VanguardLife Assurance, Phoenix Life and Starlife Assurance. It is also on record that the then CDH Life Company now Golden Life Insurance was operating a micro-insurance model until the Company had had to withdraw such products from the market owing to marketing challenges the Company encountered which would form the basis of this study.

Ulife just like any of the Insurance Companies operating the Micro-insurance is equally challenged by unsatisfied micro insurance policyholders due to the Company's inability to administrate the policies through regular and consistent mobilization of premiums from such policyholders most of whom are located and operating from temporary market centres or urban densely populated slums (B& FT, July 2010).

2.9.3 About Unique Life Assurance Company Limited (Ulife)

Unique Life Assurance Company Limited, (Ulife) was incorporated as a private limited liability company under the company's code 1963 (Act179) in August 2007, to underwrite the life business of Unique Insurance company Limited. (A composite company selling life and non-life product) in compliance with the provisions of the new

Insurance Act 2006 (Act724), which requires composite companies to separate their life business from the non-life business.

Thus, in January 2008, ULIFE took over the Life business from Unique Insurance Co. Ltd. Currently, the products offered by ULIFE are divided into three (3) main portfolios, namely,

- Traditional Products which include (Funeral Insurance Policy and Mortgage Protection, Loans Protection Plans).
- Universal/interest-Linked Life Products, made up of (Workers Plan, Pension Plan, School Plan and Prestige Plan).
- Micro-insurance products (*Worseeko and Driver Pa Plans*)

Ulife entered the micro-insurance market in the year 2009 with the establishment of a micro-insurance business unit .The Company after about a year into its operations of the Micro-insurance business received numerous complaints from policyholders in this market segment about the marketing, administration of the policies and its claims payment processes.

Ulife on the other hand suffered the ripple effects of such complaints resulting in the Company experiencing high rate of policy surrenders from its numerous clients a few months after they have signed on to the policies .

To the Company, its reputation and the survival of its micro-insurance business unit may be at stake. The Company's major dilemma is how to maintain and sustain premium collection from its clients / policyholders in this market.

2.9.4 Ulife Micro-Insurance Products

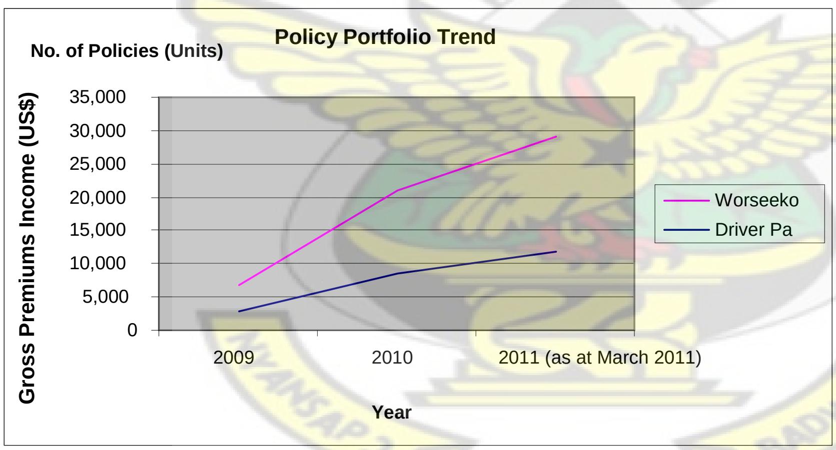
Ulife provides a broad range of life insurance products and services to individuals, Groups and Institutions of which the informal sector of the Ghanaian economy is an integral part. As part of the Company's outlook towards extending its services to all sectors of the Ghanaian economy including Traders and Commercial Drivers, the Company introduced the Ulife *Worseeko* Plan (*Worseeko* is a Ghanaian local dialect which means *'the future'*) and Ulife *Driver Pa* Plan (*Driver Pa* which is also a Ghanaian local dialect meaning *'Responsible Driver'*) to meet growing financial protection needs of petty market traders and commercial drivers respectively ***depicted in Figure 2.1***.

Ulife's motivation for entering into the informal sector market, otherwise known as Micro-insurance market, is in line with its mission and desire to make life insurance products available to every Ghanaian, particularly the financially vulnerable who experience financial disruption when unexpected events such as Death, Accident and prolonged illness befall them.

It is for reasons of the unpleasant issues associated with such financial disruption especially amongst the poor resulting from accident, death, etc that Ulife has intervened by introducing the micro-insurance products *Worseeko* and the *Driver Pa* Plans. These are individual and family life assurance benefit schemes designed to give adequate financial protection during the term of policy with an option for the policyholder to accumulate cash towards retirement / old age or to finance children's education, through regular monthly contributions. The protection benefits include death / funeral assurance benefit, accident indemnity benefit including permanent and temporary disability benefits arising out of accident and hospital confinement benefit.

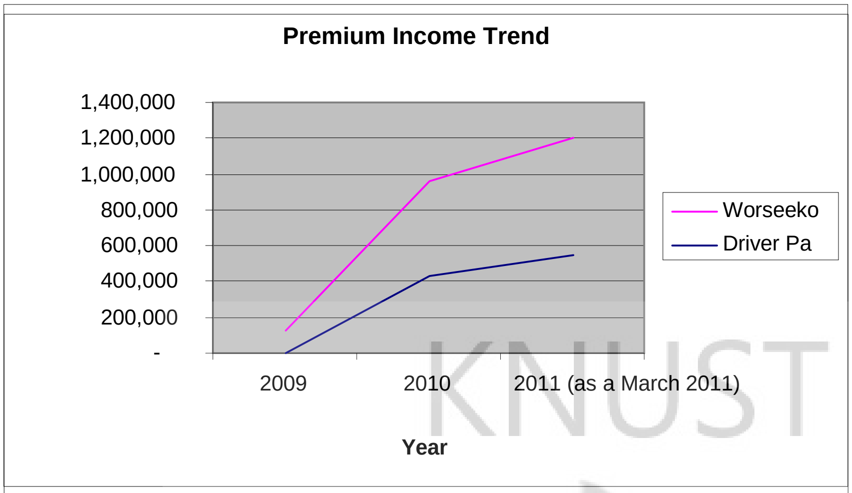
Judging from the peculiar nature of the market segment, the Plans have also been designed to include other short-term benefits such as policy loans, partial withdrawals to policyholders who might need a short-term financial assistance. ***(Please see Figure 2.2).*** The two plans recorded an estimated 29,000 members within two (2) years of its operations. Its premium so far has reached GH¢**1,799,312.23** (**USD1,199.541.49**) as of March 2011 ***as depicted in Graph 1***. The Scheme has paid over GH¢221,274.11 (USD147,516.07) in the form of claims and GH¢510,395.47 (USD340,263.65) as short term loans to policyholders. These figures are represented in **Graphs 2.1 and 2.2 below:**

Graph 2.1:Growth in Membership of Micro-insurance Products 2009-2011



Source: Ulife first quarter report, 2011

Graph 2.2: Growth in premium for life protection and savings towards retirement



Source: Ulife first quarter report, 2011

It is clear in the graphs that the strides being made by ULIFE in its membership and premium growth are significant. However, compared to the number of surrenders and policyholders who are not paying premiums regularly, a lot more measures need to be put in place to sustain premium collection from these markets.

The Ulife *Worseeko* and *Driver Pa* Plans are fully funded by ULIFE in terms of operational activities. Initially, these products have enjoyed greater acceptability among the target market. The Company is in the process of repackaging these Plans with the objective of reaching the rural poor notably farmers. This objective however can only be realized if sustainable marketing approaches to reaching policyholders are adopted.

The Ulife micro-insurance Scheme like any other Scheme has chalked achieved many successes in a number of ways. The factors that drive Ulife's successes are the product package and benefits, intensive and extensive marketing effort / drive and prompt processing and payment of claims.

Notwithstanding the above successes chalked by Ulife in Micro-assurance, the Company has encountered some challenges including untrustworthy and dishonest intermediaries mainly the life insurance agents christened Personal Insurance Advisors (PIA's) and a high turnover of PIA's. Other challenges are the generally poor understanding of the life assurance concept by the masses of clients many of whom perceive the Plans as short-term investments upon which one could fall for short-term loans. Delays in claims and benefits payment also are results of inconsistencies in what PIA's report on and what the Company also has records on; the period between when a claim is made and when they are actually paid is usually used to reconcile the actual premiums paid by policyholders and received from the PIA's.

In spite of the above, the Company has devised means of mitigating the effect of these challenges by identifying more trustworthy and hardworking PIA's. The efforts of these PIA's are being complemented by the involvement of some leaders in selected market centres and this will be replicated in all Regional offices nationwide.

Additionally the Company is in the process of introducing an electronic pay-collect device which has an in-built capacity and functionality to track all transactions that would take place between the policyholder and the PIA. This device has the capability of gathering real-time premium collection information of PIA's as well as gather premium collection information of these PIA's and keep evidence of payments with clients in the form of receipts or statements.

2.9.5 Processes Involved in the Introduction of Micro-insurance Products

In Ghana, the National Insurance Commission (NIC), the regulatory body must approve all new insurance products. This approval covers policy components and description, as well as pricing. An independent actuary would confirm the assumptions and accuracy of the pricing and that with such pricing the insurer will not put capital at significant risk. The product prototype must be submitted to the NIC for a review. Approval must be obtained with possible adjustments to the premium proposed, including a mandated reduction in the commission rates usually (from 30% to 25% in this case).

This was significant because at this point everything has to be deemed ready and the only matter delaying the launching of the pilot test may be the approval. This delay could hold up the pilot test, and force a second round of training since too much time may have gone by to expect a rural bank / Micro-Finance Institution staff to remember the initial training of Personal Insurance Advisors (P.IA's) who introduce the products to prospects and also responsible for premium collections and customer service to policyholders.

The study's findings would be extremely helpful in providing a more sustainable marketing approach for the unstable markets in which most of these informal sector workers operate.

2.9.6 Main Micro-insurance Distribution Channels Employed By Ulife

Two (2) main distribution channels were initially employed to be used: they are the use of direct Sales Executives called Personal Insurance Advisors (PIA's) who introduce the products directly to prospects and also responsible for premium collection and customer service.

The other is the use of Partner-Agent model where a Consultant, Protect proposed to develop the new micro-insurance product using the Partner-Agent model, which is illustrated in Diagram 1 below. This model has gained international recognition as an appropriate mechanism for micro-insurance delivery to the low-income market. The model calls for a Micro-Finance Institutions (MFI's) to act as the agent for a regulated insurer, in this case Unique Life Assurance Company Ltd. ULIFE was to address the technical insurance aspects of the product, while the MFI provides the sales and service interface with the client. Both institutions do what they know best, and the low-income policyholder receives a professional micro-insurance product.

The model that the PROTECT followed as a facilitator between the ULIFE and the MFI's was to research, design and develop the new micro-insurance product and the delivery structure in which it was to be offered, as well as to facilitate the building of a business relationship between the two types of organisations. Initially, the relationship between ULIFE and MFIs flowed directly through PROTECT; however in the last 6 months of project implementation there were efforts to strengthen over time the direct relationships between insurer, ULIFE and MFIs. These relationships were intended to become primary with PROTECT falling out of the intermediary role completely at the end of the project.

However, at the pilot stage of the sale of the micro-insurance products, the response from MFIs was not encouraging. For example, only 11 rural banks expressed the desire to support the project out of a potential of 60 located in the designated project areas. This might be attributable to the lack of knowledge and understanding of the insurance business in general and micro-insurance in particular by financial institutions in Ghana. MFI's that expressed interest were the following:

The main challenge with the lack of commitment and dedication is that the Officers in the banking halls of these MFI's who were trained to introduce the micro-insurance products to their existing clients were not actively doing so as they felt they were full time employees of these MFI's and so were not really under any obligation to help in the success of the project. Additionally there was virtually no motivation by way of commission to the individual officers to ensure the effective sale of the product. There was however a Memorandum of Understanding (MOU) for which the Insurer, Ulife pays the MFI a first year commission / brokerage of 22.5%.

2.9.7 Eviction and Relocation of Informal Sector Workers

Many informal sector workers embark on demonstrations as a result of eviction by city authorities. A typical example was in 2010 when traders and commercial drivers at the Novotel area market embarked on demonstrations petitioning the Government to intervene in the Accra Metropolitan Authority (AMA) directive to evict these traders. This was intended to pave way for the construction of the now Movenpick Hotels & Resorts around the Novotel Hotel. (myjoyonline.com 2010).

Indeed most of the existing policyholders of Ulife had had to spend days, weeks and even months to agitate to ensure that the eviction does not to take place. Most of the market traders went to the extreme to even threaten to go to the extreme of stripping themselves naked in protest against this directive.

2.9.8 Effects of the Eviction on Ulife Micro-Insurance Operations

The eviction of market traders from various markets and the delays in obtaining a favourable response from the Government after the traders' petition had affected premiums expected from this market causing a near stagnation in the operation of the Scheme. Some of the main effects suffered by Ulife include the following:

- It was estimated that a minimum average of three thousand two hundred Ghana cedis (GHC3,200.00) of premium was collected every working day of the week. However, in the heat of the evictions, it was obvious majority could not pay premiums because their sales volumes dropped significantly and the few who were able to pay were mobile telephone credit vendors who numbered about 20 at the market. The average daily premium received during this period was approximately thirty five Ghana cedis (GHC35.00). Source: *ULIFE First Quarterly Report, July, 2011.*
- The policy cover is suspended during the period of default. This could result in Ulife, for instance, repudiating a death claim in the event that it does occur to the life insured.
- The eviction exercise has led to massive surrender requests from these policyholders because their regular flow of income had been curtailed and their contributions with Ulife had become a matter of last resort to enable them take care of themselves and their families.
- The PIA's who were managing clients in the market easily became demoralized as they were no longer receiving enough premiums from the market and majority

of them had had to quit the job almost unceremoniously. This is because their commissions earned are totally dependent on whatever premiums they collected. (Source: Ulife Management Report, April 2011).

There were other policyholders who were still interested in continuing with the policy and rather applied for either short-term policy loans or made partial withdrawals whiles the policy was not in force but suspended with the hope to reinstate them when they were finally relocated and sales volumes improved.

- Some policyholders also gave up the fight against the eviction exercise and rather chose to either remain at home or operated from various unidentifiable locations and mostly with mobile telephone numbers that were either no longer functional or could not be reached.
- Many who finally succumbed to the directive and relocated to other markets and were eventually traced to these locations gave excuses of not making enough sales and asked for more time to enable them settle.

The reality again is that when this happens the insurance and protection components of the policy cease to remain in force, technically and this can have significant effects on further convincing of clients in that market to understand.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter discusses the methodology. The Methodology is the various procedures employed in the conduct of the research. It covers the research design of the study, population, sample population, sampling procedure, research instrument(s), data gathering procedure and procedure for data analysis.

The Concise Oxford Dictionary of Current English (1995) defines the word "method" as a special form of produce especially in any branch of mental activity. It also refers to it as the orderly arrangement of ideas. Kumekpor (2002) sees "method" as involving specified procedures, techniques, ideas and thought processes pursued by a researcher in getting specific things done, and or in achieving particular ends or objectives.

The word "methodology" on the other hand, can be defined as a system or ways of doing, teaching or studying something. Methodology is a way of achieving an end result. It is the method of finding effective means of solving a problem or reaching an objective.

This Chapter, therefore, deals with the methodology chosen as well as the research techniques applied to the study. It starts with the research design; looks at the selection of subjects and explains the sampling methods used. It further describes the data collection instruments used for the study, and ends with data analysis and presentation.

3.1 Research Design

Considering the nature of this study, it was imperative that the appropriate research technique was employed to facilitate the whole process. In this direction, the researcher made use of the survey method and the simple descriptive analysis approach to generalize the research results and draw his conclusions. The survey method was chosen basically due to the following reasons:

1. It is the commonest form of research method used by informing management and policymakers.
2. Questionnaires and interviews are generally used to seek the opinions of individuals in a sample, and
3. Its feasibility and ability to generalize the research result for the whole population under study.

According to Aina (2004), this method is "the commonest form of research method employed by librarians and information specialists. It involves gathering the opinions of respondents on a particular issue or problem". He further explains that "the consensus of opinion of respondents on a particular problem will provide a solution to it".

Using the survey method, self administered questionnaires comprising both structured and open-ended questions were administered to the micro-insurance policyholders involved in the study to complete. Additionally, two (2) top management personnel of the Ulife were also interviewed to enable the researcher ask follow up questions where necessary and probe for further clarification or explanation on certain pertinent issues so as to gain a better understanding and be well informed on the issues concerned.

3.2 Population

The Concise Oxford Dictionary (1995) defines population as “ants of a place, country, etc. referred to collectively. According to Busha and Harter (1980) a population is any set of persons or objects that possess at least one common characteristic.

The importance of the concept of population to any survey research cannot be underestimated. Therefore, the population of this study consisted of micro-insurance policyholders of Ulife. These comprise market women, commercial drivers and other artisans totaling about 70 out of which 60 useable ones were analysed.

Below is the table showing the categorization of policyholders who formed the subjects of the study:

3.3 Sampling Design

A sample is a fine part of a statistical population whose properties are studied to gain information about the whole. According to Fraenkle and Wallen (2000), a sample in a research study refers to any group on which information is obtained. The process of selecting the sample is called Sampling.

Osuala (2005) identified two (2) broad types of sampling methods. These are probability sampling and non-probability sampling. He defined probability sampling as choosing at random each element in a population, where the element of chance governs the selection process. Therefore, a sample selected by chance is known as a probability sample. According to Peil (1995), non-probability sampling is a situation where the sample is not selected chance. Aina (2004) in defining what “purposive sampling” is says “this is when a research deliberately selects certain individuals from a population”. This study therefore used the purposive sampling design which is a non-probability sampling method- to select the subjects of the study. The justification for this lies in the advantage that is derived from it. According to Bailey, (1994), the advantage of purposive sampling is that the researcher can use his or her skill and prior knowledge to choose respondents. Therefore, using this technique, the research deliberately selected and interviewed two (2) senior managers of the Company since their number was reasonable for an interview to elicit relevant information from them; and gave questionnaires to the rest of the selected respondents comprising micro-insurance policyholders of Ulife as indicated early on in this research. The questionnaires were then administered to these categories of policyholders numbering sixty (60) who were located at different market centres and other parts of Accra after an eviction exercise following a directive by the Accra Metropolitan Authority (AMA) to enable the researcher elicit all the relevant information from them for the study.

3.4 Data collection instruments

Data for this study was collected from both secondary and primary sources. The secondary sources were collected mainly from printed materials such as brochures, reports, magazines, etc. As regards the primary source of data, three (3) main data collection instruments - the questionnaire, the observation and structured interview methods-were used by the researcher. In preparing the questionnaire for this survey, consideration was given to some of the suggestions given by several authors.

The questionnaire for the organization consisted of twenty one (21) items and was divided into three (3) sections. The Section A dealt with demographic questions about respondents while Section B dealt with the background information of the topic.

Section C dealt with their opinions and suggestions on the topic.

Documents, concerning secondary data such as, textbooks, journals, Ulife proposals and research publications, business documents, Internet, magazines and newspapers were relied on.

3.4.1 Questionnaire Method

Fraekel and Warren (2000) mentioned four (4) practical standards that all survey questions should respond to:

1. Is this a question that can be answered exactly the way it is written?
2. Is this a question that will mean the same thing to everyone?
3. Is this a question that people can answer?
4. Is this a question that people will be willing to answer, given the data collection procedures?

He stressed that the answers to each of the above questions should be "Yes", or else the survey question should be re-written. Fraenkel and Warren (2000) again pointed out that in a questionnaire, the subjects respond to the questions by writing or, more commonly, by marking an answer sheet. The researcher carefully considered the above suggestions when designing the questionnaire for this study.

Busha and Harter (1980) observed that a close ended or structured question is one that is followed by a list of alternative answers for respondents to choose form. Fraenkel and Warren (2000) also stated that closed-ended questions are easy to use, score and code for analysis on a computer, because all subjects respond to the same questions, hence providing standardized data. The researcher focused on the close ended or structured questions instead of the open ended ones. However, a few open ended questions were asked to enable respondents express their views in a more detailed form regarding some issues concerning the study. The open ended questionnaire allows and encourages the respondents to express their opinion on a number of issues without any restraint.

The questionnaire was used in collecting biographical information, information on general record keeping practices and systems, including back-up system for the organization's data management. The questions also covered the concept of productivity focusing on key issues like staff motivation and morale, management support regarding enhancing the skills and competencies of staff; easy access and retrieval of records which make work faster, easier, rewarding and fun leading to efficiency and effectiveness of employees.

According to Aina (2004), a questionnaire designed must be valid and reliable so that the data collected can be valid. For this reasons, he notes that, "it is usual for a researcher to pre-test his / her instrument. Therefore, the questionnaire was pre-tested on a sample of ten (10) respondents by the researcher. This was aimed at correcting any ambiguity that may be found in the questions, as well as assess the ease of answering the questions by the respondents with the view to ensuring that the responses would be reliable and valid.

3.4.2 Interview Method

The interview method being one of the instruments that is commonly used for data collection in survey researches was also used by the researcher to elicit some pertinent information from the two (2) top management members of ULIFE and also the 60 micro-insurance policyholders of the Company. This enabled the researcher to pose relevant questions on the interviewees directly to which they answered and their responses written down.

3.4.3 Observation Method

The observation method is an instrument that is employed by a researcher in which an individual behavior or situation is observed and recorded. According to Aina (2004), there are two main types of observation techniques: the participant observation where the researcher is directly involved in the observation and non-performance observation where the researcher is not a direct participant in the setting, but he / she is in a position to use observation to collect data. He explains further that there two types of the non-participant observation namely; obtrusive and non-obtrusive. He continues that in the obtrusive non-participant observation, the participant is present at the setting but he/she is not directly involved. Therefore, using the obtrusive non-participant observation, the researcher observed some of the Company's policyholders in the corporate branded souvenir T-shirts and aprons as they went about the sale of their wares and recorded his observations which have been presented as part of the summary of the researcher's report.

In the view of Twumasi (1980) a researcher can use more than one method to collect data for his / her research where necessary in order to get maximum and more credible results. This researcher therefore used all the three (3) methods discussed above to collect data for the study.

3.5 Data Gathering Procedure

Seventy (70) questionnaires were self-administered to policyholders 60 of which were retrieved within three (3) weeks of administration. By the peculiar nature of the market segment that are largely without formal education and could not read and write interviews were extensively used alongside.

3.6 Data Analysis and presentation of Results

All data collected from respondents through the questionnaires were analyzed using SPSS software. By using these procedures, quantifiable data were efficiently generated. The responses received from the respondents through the questionnaires were coded and a value assigned to each response before the analysis of data was begun by the researcher. The assigned value to each response was consistently maintained throughout the coding to ensure that the data imputed remained intact and not affected in anyway. Descriptive statistics such as frequencies, tables and charts as well as percentages were used in the presentation of the analysis and results obtained through the questionnaire, interview and observation methods used for the research.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION OF RESULTS

4.0 Introduction

In this chapter, there is the presentation of data collected from respondents on the causes of surrenders and how to sustain regular and consistent premium collection from the working poor in Ghana.

4.1 Findings

It was indicated through the research that there are two main means of offering the micro-insurance to the target group as employed by Unique Life Assurance Company.

The Company uses its own Agents known as Personal Insurance Advisors (PIA's) who are trained on the Company's main micro-insurance products- *Worseeko and Driver Pa Policies* and offers these products for sale to selected markets. The PIA's are also responsible for the collection of premiums on daily basis from these clients / policyholders.

In this type of linkage, a PIA serves as an intermediary between Ulife and the clients for the sale and distribution of their products. It was also found out that most of the PIA's had problems trying to explain the policy details, terms and conditions to prospects majority of whom mistaken it to be a short term means of savings known in local parlance as "*Susu"*.

Indeed the PIA's whose remunerations are purely commission-based and earns 7.5% of all premiums collected may be tempted to *mis*-sell giving short term benefits impressions in order to make more on commissions. Many a time when the client eventually approaches Ulife to access certain benefits indicated at the inception of sale by the PIA, the latter may have quit the job or insist on having sold the right benefits and policy features to such a client.

Majority of respondents indicated that from what they have realized, they mostly have an inadequate understanding of the product they had purchased. In some cases, as with the return on the retirement package, PIA's simply invented answers and interest rates that never existed.

Many of the respondents have also indicated that most of the PIA's who quit the job at very short or no notice, do so because they might have embezzled some clients' premiums and failed to account properly for them to Ulife.

Ulife introduced an electronic pay-collect device which has an in-built capacity and functionality to track all transactions that would take place between the policyholder and the PIA. This device has the capability of gathering real-time premium collection information of PIA's as well as gather premium collection information of these PIA's and keep evidence of payments with clients in the form of receipts or statements.

By the end of 2009, Worseeko and Driver Policies of Ulife were still very competitive micro-insurance products on the market targeting the low-income or the poor mostly in the informal sector of the economy. The *Worseeko and Driver Pa* micro-insurance products have two components; life (protection) and investment elements.

It was also observed that most clients of the products made claims of partial withdrawals, loans or so soon after the first six (6) months whether or not they really needed money for their operational or personal needs.

Many a time, owing to policy administration challenges culminating into delays in claims payments, dissatisfied clients may wish to surrender and also discourage other prospects with whom they work in their immediate market environments.

Table 4.1 Occupation of Respondents

Occupation	Frequency	Percent	Valid Percent	Cumulative Percent
Market Women	34	56.7	56.7	56.7
Commercial Drivers	14	23.3	23.3	80.0
Auto Mechanics & Electricians	6	10.0	10.0	90.0
Food Vendors, others	6	10.0	10.0	100.0
Total	60	100.0	100.0	

Source: Author’s own construct (2011)

From the table it was found out that the main occupation of the respondents indicated that majority of the respondents were market traders who mainly form the bulk of the active and the other 33.33% being mainly commercial drivers, artisans and auto mechanics. These artisans were made up of respondents with professions such as welders, tailors, seamstresses, and hairdressers.

4.2 Relevance of Insurance among Respondents

Table 4.2: Relevance of Insurance among Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	20	33.3	33.3	33.3
No	40	66.7	66.7	100.0
Total	60	100.0	100.0	

Source: Author's own construct (2011)

In the table above, it was evident from the research that the understanding of the benefit of insurance was influenced by the sensitization by the Informal Coordinators (Sales Managers who supervise the PIA's) of Ulife. It was also revealed that the number of respondents who indicated that insurance had the ability to help them solve life's vulnerabilities or risks had some relationship with the informal insurance systems. They, therefore, concluded that if their welfare groups could provide certain levels of comfort to pay up members then they expected that a formal insurance product designed for the informal sector should be able to provide them with the needed ability to solve a named risk that they may encounter.

However designing micro-insurance products on the modules of formal sector insurance may prove disadvantageous as the immediate needs of the informal sector worker are more characteristic and peculiar to them than it is the case in the formal sector operation.

4.3 Knowledge of Micro-insurance Products

Table 4.3: Knowledge of Micro-insurance Products

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	40	66.7	66.7	66.7
No	20	33.3	33.3	100.0
Total	60	100.0	100.0	

Source: Authors own construct (2011).

Out of the respondents interviewed 66.7% were aware of some insurance products on the market. The remaining 33.3% however, indicated that they were not yet aware of any such insurance products currently being sold on the Ghanaian market but thought what they have or had is "*susu*". It was, however, evident from this research that the knowledge about the micro-insurance products currently available on the market was influenced greatly by a sensitization and marketing drive undertaken by Ulife's competitors namely GLICOLife, SICLife, Donewell Life, Phoenix Life, Starlife and Vanguard Life to their clients in their various market centres. Most of the respondents cited SICLife and SSNIT as providing insurance benefits to them on short term basis. The two (2) Companies run a lot of promotions in this regard targeted at the informal sector. The ability to invest in promotional activities as compared to the other insurance companies stems from the fact that they have a stronger financial wherewithal to do so because they are known to be national in character.

Although most clients had credit life and property policy covers for the loans contracted from some MFI's, they were not aware that they had an insurance cover against loan default resulting from insurable natural disasters. A further investigation revealed that, officials of most MFI's sold the credit life and property as a compulsory product to all their clients and did not communicate the details of the products as well as the benefits available to clients in order to reduce the incidence of moral hazard. Of the majority of respondents who indicated that they were aware of micro-insurance products, most of them indicated that they were aware of the National Health Insurance Scheme (NHIS). Only 12.5% indicated their awareness about the micro-insurance workers / retirement insurance products whilst the remaining 6.5% said they knew only about the compulsory credit life and property insurance and not life micro-insurance even they have purchased such policies from Ulife.

It can also be deduced from the response received that promotion or advertising helps in the awareness creation about the various micro-insurance products and directly increases the knowledge of these products as indicated by the findings.

Micro-insurance products of SICLife and SSNIT which benefited from intensive promotional activities through marketing and sensitization were well known by the respondents as compared to Ulife.

4.4 Risk awareness and Financial Protection

Table 4.4 Risk awareness and Financial Protection

Risk awareness and Financial Protection

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	45	75.0	75.0	75.0
No	15	25.0	25.0	100.0
Total	60	100.0	100.0	

Source: Author's own construct (2011).

From the Table 4.4 above, majority of the low-income earners in the informal sector accept the fact that they or their dependants stand to lose financially in the event of death, retirement without financial planning, personal accident in case proper provision is not made towards their future. Majority of those interviewed were aware that they or their spouses and dependants may experience a mishap that may require emergency approach to handle; and that can inhibit their bid to improve on their livelihood. The analysis, therefore, supports the fact that the poor in the informal sector are risk-conscious as much as workers in the formal sector do.

It can be deduced from the analysis that, the Welfare Groups with informal risk mitigating groups is a clear indication of their preparations for mishaps and the inevitable consequences of death that may occur in the future. 11%, however, indicated that they were aware that they or their dependants may suffer some financial losses but are relying on God's protection. It was interesting to note that 84% of the 11% were, however, members of groups that were contributing monthly dues meant for welfare activities including purchasing of coffins towards the death of a member or their spouses.

It can, therefore, be concluded that though the poor working class may claim not to be aware of any life vulnerabilities, their actions are indirectly indications of their awareness of some life vulnerabilities.

Table 4.5: Risk Management amongst Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Insurance	40	66.7	66.7	66.7
Borrow or depend on Relation	15	25.0	25.0	91.7
Savings & Loans	5	8.3	8.3	100.0
Total	60	100.0	100.0	

Source: Author's own construct (2011)

The essence of this was to find out from the respondents the strategy or strategies they would adopt to manage an emergency or a risk when it occurs. Respondents had the option to indicate as many strategies that may be available to them. 66.7% of the respondents indicated their interest in insurance that helps in the management of a future risk. This was directly influenced by sensitization programmes on insurance organized by the Ghana Insurers Association (GIA) in 2008 at the Market.

25% of the respondents revealed that they will borrow or depend on relations whiles 8.3% indicated that they will depend on their savings and loans from banks respectively to help manage some eventualities. Respondents who indicated their willingness to depend on insurance gave instances of some negative experiences they had when it comes to processing and paying of insurance claims. They also indicated that borrowing from banks or money lenders although was a reliable source; it was expensive and rather exerted too much pressure on their financial inflows.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 **Introduction**

This chapter will seek to analyze and discuss the data collected. The data collected will be compared to the theories within the literature review to for a possible relationship. The discussion will be presented in a way that addresses the five (5) research questions of the study.

5.1 **Summary of Findings**

The study set out to examine the effectiveness of the marketing approach in operating the micro-insurance sector of Ghana using existing policyholders who were previously trading in their wares at the Novotel area market of the Greater Accra Region and Ulife for the case study. The main findings after a critical analysis of the data collected are as follows:

- Most Micro-insurance policyholders are unable to continue paying premiums because of poor mode of premium collections from insurance Companies and their lack of understanding of insurance worsens matters.
- Most informal sector workers need more awareness creation to be able to appreciate the need for life insurance.
- Premium collection from micro-insurance policyholders is significantly affected by the relocation of policyholders from one market centre to the other.
- Micro-insurance policyholders are unwilling to pay premiums because of delays in claims and benefits payment as well as the fact that the duration to access benefits of micro-insurance products are too long.

- The inability of insurance companies to deeply penetrate the micro-insurance sector is due to lack of understanding of insurance by prospective policy-holders.

From the above it's clear that the micro-insurance policyholders of Ulife are right in suggesting that most PIA's abandon the job and then leave the premium collection not collected. This is unfair and poor customer service management on the part of Management. That the Informal Coordinators (Sales Managers) should also know the clients and locations being serviced by their PIA's and this should not be left exclusively for the latter. The reason is that if a PIA abandons the job unceremoniously for whatever reason, the Informal Coordinator would be in the position to handle such clients and market locations and assign other PIA's or in case of an arrangement with a market opinion leader to continue servicing such clients by way of premium collection and prospecting for new clients among others.

They also held that group Schemes would be much easier to administer for group of workers in a particular market or transport station; however the only mode of payment would be on monthly basis. All workers would be made to make contributions on equal basis as per the Agreement on schedule drawn by the Insurance Company.

Given that the high turnover of the PIA's and relocation of policyholders have been key reasons for surrenders vis-à-vis poor and irregular premium payment, it is important for Insurance Companies to review their current sales and marketing approaches with the aim to ensuring that when PIA's are paid better allowances and or higher commissions, they are more likely to be more committed to the job and would regularly attend to their clients for premium collection and also prospecting for new clients.

There should also be the need to introduce the best PIA award and the most honest PIA award to motivate them to give their best. Such improvement and innovations must take place in a conducive working environments and conditions that will promote a peaceful working relationship between the PIA's on one hand and the permanent office workers on another leading to high productivity and the elimination of discriminations. The phenomenon of permanent members of staff disregarding PIA's has led to an increase in the PIA turnover.

With regard to the way existing policyholders discontinue premium payment owing to relocation to other market centres, it would be necessary to have a Customer Service Officer stationed at a Call Centre to be monitoring payments being made by them through telephone calls. Any discrepancies in payment trend should be attributed to some causes and if they are linked to relocation, it would be easier to quickly assign a new PIA in case the initial PIA quits the job unceremoniously. It would be easier to re-establish a more cordial relationship with them this way.

Granted that the PIA has been chasing premiums from affected clients who are unable to pay as they try to settle at the new location whiles starting to build up a new clientele base for themselves, it is advisable to give them some time to do so as a persistent push may seem insensitive on the part of the Management and the PIA.

It is important from the study that companies benchmark the benefit packages with that of their key competitors in order to come out with a policy that will not only elongate the period of contribution but to make it short-term. SICLife and SSNIT are leading the competition because of the short-term nature of their products at a minimum of one year duration for their clients to access all their accumulated net investment amount. By so doing, policyholders will not always think the maturity period is too long and would even be encouraged to pay higher premiums. If this is done, the quantum of premium mobilized would rise faster to meet the objectives for the introduction of the micro-insurance.

Prior to the findings that all respondents want Unique Life Assurance Co. Ltd to introduce a system to keep a more reliable team of PIA's, it was clear that the high rate of surrenders owing to poor customer service is attributed to some PIA's abandoning their jobs unceremoniously and delays in claims and benefits payment.

5.2 Conclusion

As can be seen in the preceding summary of the findings, the study found out that though low-income earners interviewed have a perception that insurance is a relevant risk mitigating mechanism that could provide them with an opportunity to poverty alleviation at their own individual levels, they still had their doubts about the credibility of insurance companies. They indicated their understanding that micro-insurance products will provide a relief for most of them to keep the assets they have acquired over time and also to sustain their families financially in the event of their death or personal accident or even when they need some short-term loans and partial withdrawals.

From the main findings after a critical analysis of the data collected, it is easier to conclude that:

- Most Micro-insurance Policyholders are unable to continue with their policies because of evictions from unauthorized market centres.
- Micro-insurance policyholders are unable to pay premiums because of poor sales owing to seasonal variations.

- Premium collection is affected by the relocation of policyholders from one market centre to the other.
- The high rate of surrenders can be attributed to policy-holders lack of understanding of policy terms and conditions from the inception of sale by the Personal Insurance Advisors (PIA's).
- The leaders of the various market centres want Life insurers to involve them in premium collection to enable them influence their members.
- They also want products to be positioned as short term insurance for six (6) months considering the irregular seasonal nature of their income flow.

All the respondents held that performance of the micro-insurance sector is dependent on a massive education in the media as well as market – to – market education on the policy.

From the above it's clear that the policyholders of Ulife are right on the fact that most PIA's abandon the job and then leave the premium collection to their fate. This is unfair and poor customer service management on the part of Management. That the Sales Managers should also know the clients and locations being serviced by their PIA's and this should not be left exclusively for the latter. The Sales Manager would then be in the position to handle such clients and market locations and assign other PIA's or in case of an arrangement with a market union leader to continue servicing such clients by way of premium collection and prospecting for new clients. They also held that group Schemes would be much easier to administer for group of workers in a particular market or transport station; however the only mode of payment would be on monthly basis. All workers would be made to make contributions on equal basis as per the Agreement on schedule drawn by the Insurance Company. Again there may be a few others who are not members of any recognizable group and for them, the one-on-one retail driven approach should be maintained. That notwithstanding they should be considered as part of a particular market in terms of location. The same processes in administering the policy for such category of clients should remain the same but with insistence on daily collection of premiums while accessing the same benefits.

With regard to the way existing policyholders could discontinue premium payment owing to relocation to other market centres, it would be necessary to have a Customer Service Officer stationed at a Call Centre to be monitoring payments being made by them through telephone calls. Any discrepancies in payment trend should be attributed to some causes and if they are linked to relocation, it would be easier to quickly assign a new PIA in case the initial PIA quits the job unceremoniously.

It was indicative from the response received that, the key players in promoting the knowledge about the various micro-insurance products were the State-owned SICLife and SSNIT and the GIA who during the period of this research embarked on an intensive sensitization programme on insurance to market women at various market including the one under review.

5.3 Recommendations

Stakeholder institutions such as the National Insurance Commission (NIC), The Ghana Insurers Association, SSNIT and SICLife rolled out an intensive sensitization and marketing program by employing the use of the electronic media as well as direct sales staff to provide answers and feedbacks on issues on insurance which were a bother to the targeted clients.

The aggressive sensitization and marketing which were found missing for Companies like ULIFE, Vanguard Life, GLICO Life, Phoenix Life and Donewell Life on micro-insurance funeral, schooling and credit life products) in Ghana and this is negatively affecting the level of knowledge for these products.

From the studies, it is indicative that a heavy reliance on the PIA's of ULIFE in promoting the awareness and knowledge about micro-insurance products will not be enough in helping with the growth and sustainability of the sector and, therefore, should be expanded to cover other intermediaries.

Reliance on partners like Cooperative Union Executives of Transport stations, Market Queens and local radio stations with a focus on local languages as well as a handful of insurance agents should be blended with the distribution and marketing of micro-insurance products. PIA's should provide direct marketing to their clients whiles the Local Cooperative Union Executives and Market Queens are responsible for receiving premiums / contributions from their followers / members at a commission.

The advantage in using the Local Cooperative Union Executives and Market Queens in the marketing of micro-insurance products is that these are influential people who help in asking their members to pay their daily premiums regularly. Because these leaders would be paid commissions on the premiums collected and made available to the PIA or a Field Officer, the motivation to work harder to attract more policyholders would be very high. Since the leader would like to increase his monthly commission, he would discourage members who want to access benefits earlier than they should and also provide education on the need to sustain the policy for longer durations especially towards retirement. They should also be provided basic product knowledge and claims handling training so that they can deal directly with their followers / members.

In view of relocation to other markets, it is recommended that PIA's and the various market leaders should encourage clients to make advance payments such that when it does happen that they would have to be relocated some day to other markets, the advance premiums paid earlier would take care of their protection cover during the transitional period till they settle in their new locations and till sales for them start picking up.

For micro-insurance to fulfill its objective of providing protection against certain perils and serve as a natural complement to other financial and social services for the poor, it is necessary to develop an insurance culture among the low-income market. An insurance culture is a pre-requisite for the success of micro-insurance. NIC and other stakeholders should therefore step up the game to intensify sensitization workshops, seminars, public lectures so that insurance issues and the various micro-insurance products can be added to the main issues to be dealt with for the Informal Sector. This would also go a long way to reduce the high level of surrenders as educating the masses in understanding the long term benefits of insurance.

Insurance needs of the people especially the poor are dynamic and, therefore, changes depending on the current happenings in their communities or countries. Stakeholders in the industry, therefore, should perform frequent market reviews in order to be abreast with the changing insurance needs of the people. This has become necessary as many policyholders at certain market locations may be relocated on the directives of government and this makes sustaining the premium collection a real challenge as indicated in the study.

The Novotel park market area is a case in point as the Accra Metropolitan Assembly (AMA) has directed the relocation of the market women and traders to make way for the construction of the now Movenpick Hotels and Resorts; a situation that has created a huge gap in premiums collected and premiums expected. This is because of the transition period to relocate and to garner a clientele base for the client depending on where the new market centre is located. Some PIA’s may not be motivated by this development and ultimately lose interest in the job. That is why any life insurer seeking to enter into a partner agent model with formal institutions like MFIs should avoid the over reliance on PIA’s.

In order for Ulife to stay competitive in the diversified economy and sustain growth, the researcher proposes the following additional recommendations which are however not exhaustive but worth considering:

For effective and efficient work output and management it is recommended that we do not need too many PIA’s but a few good committed and dedicated ones with attitude, passion and discipline, who would be given a basic allowance with minimum daily targets.

Insurance Companies should involve their Management in the periodic training of PIA's nationwide to equip them better for the market since most of them in the bid to make more commissions mis-sell the products to prospects.

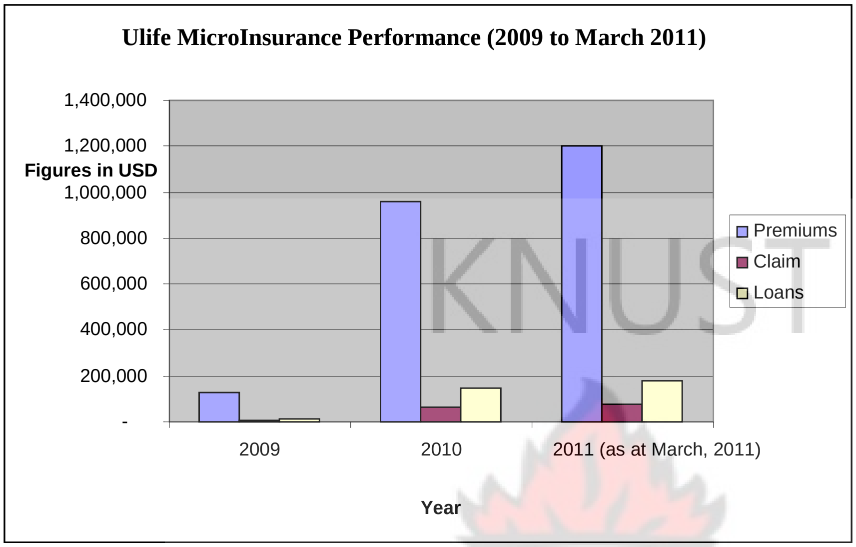
Insurers are already negatively affected by wrong misconception among mainly the market women and commercial drivers in the various market centres that insurers are quick to collect premiums but slow to pay claims.

It is also recommended that since claims payment is actually the main tool to convincing people to take up the policy, it should be decentralized to all the Branch Offices operating the Micro-insurance.

5.3.1 Ulife Micro-Insurance Claims Trend

Aside partial withdrawals, surrenders were the next biggest claims incurred in terms of volume and amount accounting up to 43% above the maturity claims cost and six times the number of maturity claims. The phenomenal increase in surrenders is due to frequent requests from mainly the Informal Sector operations. These surrenders were largely attributed to the failure of most PIA's to visit and provide client service to existing policyholders and *mis*-selling of products as well as delays in processing claims.

Graph 5.1: Premium and Claims Comparative Trend



Source: Ulife first quarter report, 2011

5.3.2 Measures to Reduce Claims & to Keep Existing Policyholders

PIA's should undergo regular training programmes to equip them well for the sale of the products. There is a strong need for effective training of all micro level parties including staff of service providers. However, there is currently no micro-insurance training available in Ghana. In order to provide appropriate and effective training to this level, there is a need to develop training capacity within Ghana. This will include developing training curricula, trainers, systems and structures for training not only in Accra but also around the country. The Chartered Institute of Insurance (CII) courses being offered by the Ghana Insurance College do not make provision for Micro-Insurance Studies.

- There should be routine product presentations at various major market centres to provide after sales service to clients and to provide further education on the products

- The Turn-around Time for claims processing should be limited to three (3) working days as the underwriting and administration of micro-insurance policies do not require an overly-detailed on personal and medical information.

It is recommended that extensive customer service training for all staff on how to handle clients be organised. To complement this is the need for a Call Centre to be talking to existing policyholders on the products and services.

Aside the Sales Managers who supervise the PIA's and the Call Centre Officers, there should be a monitoring and evaluation unit to unravel the problems related to poor attitudes toward work by PIA's which could be solved through training programmes.

The above notwithstanding, there is the need for the Ghana Insurers Association GIA to organize more public lectures as well as media interactions to educate the target market on the need for having life insurance policies whiles they are in active service.

5.4 Suggestions for Future Studies

This study covered the use cooperative leaders of various market centres and transport stations as a model in resolving the high rate of policy surrenders at Ulife which basically can only minimize it to a large extent. Therefore it maybe useful for further research to be conducted into the high degree of impatience of micro-insurance policyholders to accessing the benefits package when it comes to policy maturity.

REFERENCES

Aina, L.O. (2004) *Library and Information Science Text for Africa*, Felele Rab, Ibadan: Sam- Adex Printers

Allianz AG, GTZ and UNDP Public Private Partnership (2006), *Micro-Insurance Demand and Market Prospects - India*

Bailey, K.D. (1994) *Methods of Social Research*, 4th (ed) New York: The Free Press

Bank of Ghana Economic and Financial Review, January 2005, Monetary Committee Papers Ghana Statistical Service.

Brown, Warren and Graig Churchill, 1999, *Providing Insurance to Low-Income Households*, USAID – Microenterprice Best Practices (MBP) Project.

Busha, C.H. and Harter, S. P. (1980) *Research Methods in Librarian: Techniques and Interpretation*. Sam Diego: Academic Press

Churchill, C. Liber, D, McCord, M., Roth, J. (2003), *Making Insurance Work for Microfinance Institutions: A Technical Guide to Developing and Delivering Micro-insurance*. Printed by the International Training Centre of the ILO

Fraenkel, J.R., and Wallen N.E. (2000) *How to Design and Evaluate Research in Education*, 4th ed., Boston: McGraw-Hill

Ghana Statistical Service (GSS) (2000), Poverty Trends in Ghana in the 1990's, Accra Ghana.

Churchill, C. (2006) *Protecting the Poor - A Micro-insurance Compendium*, ILO Geneva

Debraj, R. (2007), *Development Economics*, Princeton University Press

Dercon, Stefan, 2005, *Risk, Poverty, and Public Action*, in Dercon, Stefan (ed.), 2005, *Insurance Against Poverty*, Oxford University Press.

Feldstein, M. (1973), The Welfare Loss Of Excess Heath Insurance. *Journal of Political Economy 8*1(2) 7.

Kumekpor, T.K.B. (2002) *Research Methods and Techniques in Social Research*'; rev.ed. Accra: Son Life Press & Services

Lapenu, C. (2000), *The Role of the State in Promoting Microfinance Institutions***.** A FCND Discussion Paper No. 89

Latorte A, Aude de Montesquieou, with Ward V (2008), *Micro-insurance: What Can Donors Do? Brief CGAP Focus Paper on Micro-insurance*

Llanto G.M, Almario, J. et al (2007), *Micro-insurance Issues, Challenges and Policy Reforms*. Growth and Poverty Reduction Strategy (GPRSII) (2005), for 2006 – 2009.Volume I *Policy framework compiled by the National Development Planning Commission.*

Laura, V., Dejene, A., Luciano, B., Wondwossen, T. (2007), *Risk Management, Financial Innovation and Institutional Development in Rural Areas Evidence from the coffee sector in Ethiopia*. Bergamo University Press

Leaftley, R. (2007), in Micheal Chu and Jean Steege Hazell (2007), *Micro-insurance Agency: Helping the Poor Manage Risk*. A Research Paper for Harvard Business School. N9-307-089. 2318.

Leaftley, R. and Mapfumo, S. (2006), *Effective Micro-insurance Programs to Reduce Vulnerability*. A Paper for Opportunity International Network.

McCord, J.M (2006), *The Partner – Agent Model: Challenges and opportunities*

Michal, M. (2008), McCord, J.M (2007), *Vision of the future of Micro-insurance, and thoughts on getting there.* (Micro-insurance note 9)Institutional author:

Micro-insurance Centre, DAI. A publication produced for review by United State Agency for Development.

Norbert, K.(2006), *Micro-Finance investment funds: Where wealth creation meets poverty reduction in Matthaus- Maier* , Von Pischke, J.D (2006), *Micro- Finance Investment Funds.* Springer Belin. Heidelberg.

Okoampah, R.A. (2009) *Performance of the Micro-Insurance industry in Ghana: the Role of Partner-agent Model*

Osuala, E.C. (2005) *Introduction to Research Methodology*, Onitsa, Nigerian: AFP African- First Publishers Ltd.

Peil, M. (1995) *Social Science Research Methods: a Handbook for Africa* '2nd ed., Nairobi East Africa Education Publishers.

Thompson D. (ed.) (1995) *The Concise Oxford Dictionary of Current English:* Clarendon Press

Twumasi, P.A. (1980) *Social Research in Rural Communities: the Problems of Fieldwork in Ghana*. Accra: Ghana Universities Press

Warren, B., and Churchill, C. (1999), in Vigano Laura, Wondwossen, T. et al (2007), *Risk Management, Financial Innovation and Institutional Development in Rural Areas Evidence from the coffee sector in Ethiopia*. Bergamo University Press.

Von Pischke, J.D., (1986), *Can Crop Credit Insurance Address Risks in Agricultural Lending?*, in Hazell, Peter, Carlos Pomareda and Alberto Valdés (eds.), 1986, *Crop Insurance for Agricultural Development*, Chapter 5, Johns Hopkins University Press

Wiedmaier- Pfister M., Dante, M.J, Potula, O., Llanto G.M (2007), *Micro-insurance Innovations Project(MIP) in the Philippines***.** Pre-Appraisal Report July 2007. On behalf of GTZ within the framework for the Small and Medium Enterprise Development for Sustainable Employment Program

QUESTIONNAIRE

Dear Respondent,

I am a Commonwealth Executive MBA research student conducting a survey for purely academic purpose. The study is designed to assess and identify the views and opinions of existing policyholders of Unique Life Assurance Company Ltd (Ulife) Micro-insurance products, Personal Insurance Advisors (PIA's) of Ulife who deal with such policyholders directly and identify with their problems and how to help address them. Therefore, I solicit for your assistance in completing this questionnaire. You are assured that the information obtained from the study will be treated confidentially and your anonymity is guaranteed.

Thanks for your co-operation.

INSTRUCTION: Please delete the wrong option and leave the correct option to indicate your response. For example if the correct option is YES, please delete the NO option and leave the ''yes'' option, and if the correct option is ''NO'', please delete the ''YES'' option and leave the ''NO'' option. And please fill in the blank spaces provided.

Please tick your age range: 18-30……….. 31-40........... 51-60………..

Please circle: Are you: Male or Female

Number of Dependants……………………………….

Daily Income………………………………………….

Have you experienced any close bereavement in the past 12 months Yes ☐ No ☐

Please tick your highest educational qualification: MSLC, 'O' level / 'A' level /SSS…… HND …. 1st Degree

Occupation: Trader ▢

Driver ▢

Other ▢

1. Do you have a Ulife Micro-insurance Policy or any other? Yes ▢ No ▢
2. If not Ulife, please state the Company……………………………………………
3. If the answer to Q1 is yes, please proceed from section C, Yes▢ No ▢

   if no please continue.
4. Do you know anything about insurance? Yes ▢ No ▢
5. How about life insurance policy? Yes ▢ No ▢
6. Are you still paying premiums on your policy? Yes ▢ No ▢
7. Do you consider an insurance policy important in your risk Yes ▢ No ▢

   Management Decisions?
8. On a scale of 1 to 5, how will you rate the importance that you

   attach to life insurance in your savings and risk management decisions. Where 1 is most important and 5 is least important. 1,2,3,4 and 5
9. Do you concern yourself with when (the time) premiums Yes ▢ No▢

   are paid?
10. Do you pay welfare dues to your local union Yes ▢ No ▢
11. Will you consider surrendering your policy if a PIA stops coming to you for

    premiums? Yes ▢ No ▢
12. Besides 10 above, were there other factors that you considered

    before surrendering your policy? Yes ▢ No ▢

13. If yes, kindly state them below

....

....

....

....

14. How Do You Think You should be made to be paying premiums?

....

....

15. Have you been affected by the recent eviction by the AMA Yes ☐ No ☐

16. If yes, kindly state how it has affected your trading activities

....

....

....

....

17. What can insurance companies do to ensure that there is better awareness creation? ....

……..

....

....

18. Would you wish to continue paying premiums till the next 5 years? Yes ☐ No ☐

19. Have you taken a bank loan which you are paying? Yes ☐ No ☐

20. On scale of 1 to 5, how will you rate the importance that you attach to life insurance in your risk management efforts?

....

....

....

....

21. What are your impressions about Ulife PIA's?

……………......……………………………………………………………...............

……………………………………………………………………...............

Thanks You

APPENDIX 2

Figure 2.2: A Ulife PIA assisting a Claimant

The PIA's role in claims payment.
Source: Ulife First quarter report, 2011.

Figure 2.1: A Ulife PIA Registering a Client

Traders show enthusiasm at the inception of policy (source: Ulife first quarter report, 2011.)