



INSURANCE REGULATORY AUTHORITY

**ANALYSIS OF FACTORS AFFECTING GROWTH OF AGENCY
FORCE IN KENYA**

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LIST OF ABBREVIATIONS

IRA	Insurance Regulatory Authority
SPSS	Statistical Package for Social Sciences
CIC	Corporative Insurance company Ltd.

EXECUTIVE SUMMARY

A survey was conducted in various regions in Kenya on diverse dates; from October 2010 to April 2011 among insurance agents nominated by various insurance companies in Kenya to attend agents forum organised by IRA. The agents' fora were conducted in, Kisii, Uasin Gishu, Meru and Nairobi counties. This survey was majorly to establish some of the factors inhibiting growth of agency force in Kenya in order to develop measures for increasing the number of insurance agents and specifically to:

- i. Identify service satisfaction gaps among licensed agents
- ii. Establish the challenges insurance agents face in their conduct of insurance business
- iii. From i and ii give suggestions and recommendations of some of the ways of growing agency force in Kenya

It was established that, majority of the agents are satisfied with the services offered by IRA (79%) including the licensing requirements (84%), this satisfaction however varies from one county to the other. IRA's little involvement in protecting the policy holders and the agents from exploitation and insufficient training were found to be the key gaps of satisfaction among agents. Some of the challenges faced by agents in the industry are; perception by the public that insurance agents are conmen (22%), competition from other intermediaries (20%), unfair treatment by insurance companies (11%), lack of appropriate information to satisfy the clients (10%), negative reputation of insurance companies(9%), low commissions and dealing with dissatisfied customers (6%) among others.

1.0 BACKGROUND

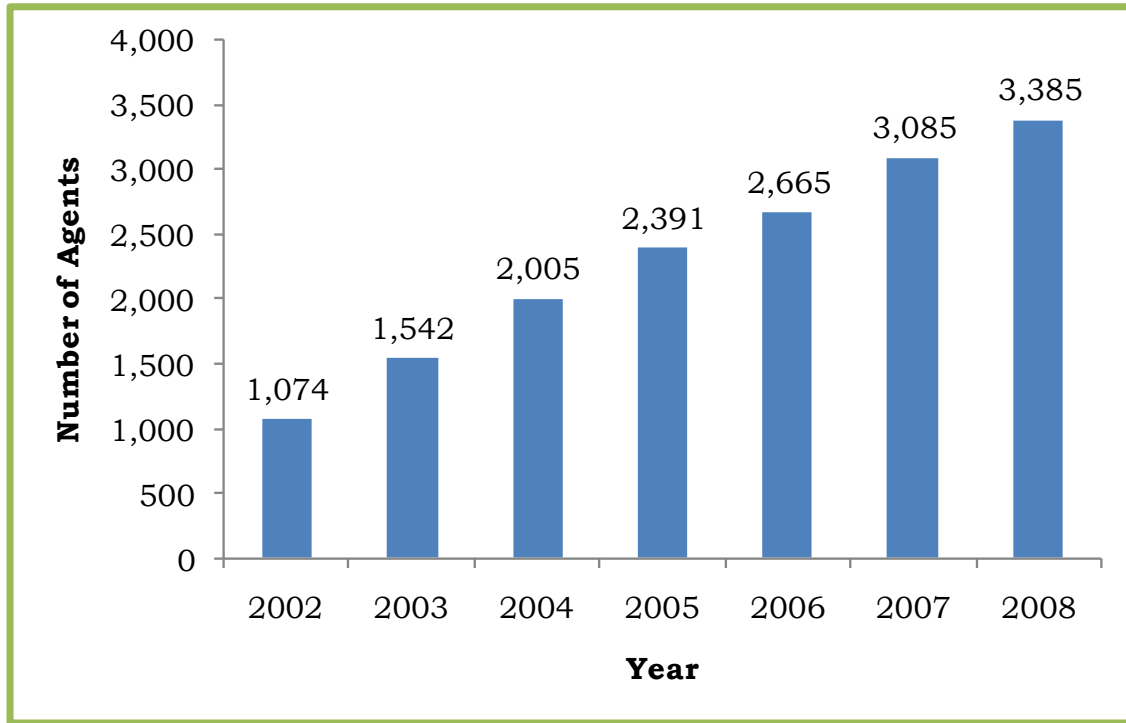
Intermediaries play an important role in the insurance chain such as distribution, underwriting and claims settlement. Intermediaries have a position of trust between the policyholder and insurer.

An insurance agent as an intermediary is therefore a key contact point between a customer and an insurance company; ideally, they assist the client (purchaser) to find a policy which most suits both their needs and income.

One of the ways in which insurance penetration could be enhanced is by increasing the number of intermediaries, especially agents. However, a review of agency data from licenses issued by the Insurance Regulatory Authority for the last ten years shows agency force has not exceeded the 5,000 mark despite there being more than 20,000 trained agents in the country.

Figure 1 is a summary of how the agency force has been changing in Kenya from year 2002 – 2008.

Figure 1 : Agency force 2002 - 2008



Source: Insurance Industry Annual Reports

Given the importance of agents in this light, a survey was conducted among agents to establish some of the factors inhibiting growth of agency force in Kenya in order to develop measures for increasing the number of insurance agents.

2.0 OBJECTIVES

2.1 General objective

The overall objective of the survey was to establish factors inhibiting growth of the agency force in Kenya, how to enhance the insurance agency force in Kenya.

2.2 Specific objectives

The specific objectives of the survey were to:

- i. Identify service satisfaction gaps among licensed agents
- ii. Establish the challenges insurance agents face in their conduct of insurance business
- iii. From i and ii give suggestions and recommendations of some of the ways of growing agency force in Kenya

3.0 METHODOLOGY

3.1 Survey Study Areas

The survey was carried in various regions in Kenya and on diverse dates from October 2010 to April 2011. The survey targeted insurance agents nominated by various insurance companies to attend agents forum organized. The areas where agents' fora were conducted were Kisii, Uasin Gishu, Meru and Nairobi counties. The agents were drawn from the different insurance companies in Kenya.

3.2 Data collection

A structured questionnaire was developed and self administered to insurance agents attending the agents' fora. The questionnaire addressed various areas of service delivery and also sought answers on ways of growing agency numbers.

3.3 Sampling

Random sampling method was adopted. All the agents who attended the agents' fora filled in the questionnaire. Some of the issues in the questionnaire that respondents responded to include: satisfaction with services offered by IRA; satisfaction with the licensing requirements for agents; challenges facing insurance agents in Kenya; suggestions to enhance the agency force.

3.4 Characteristics of sample population

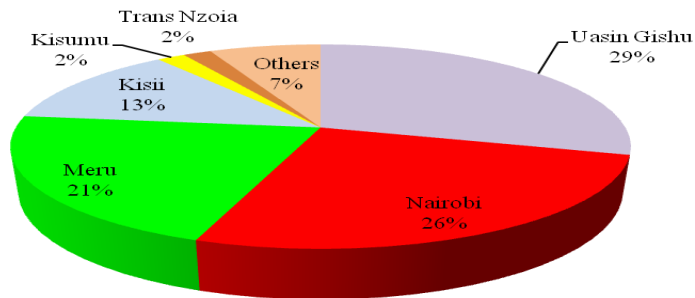
3.4.1 *Characteristics of sample population – Gender and age*

From the survey, respondents' gender representation was as follows; male agents represented 63% of the total sample size with the remainder being female. Majority of the males (62%) are aged between 31 and 50 years while majority of the females (47%) are aged between 31 and 40 years.

3.4.2 *County of operation of the agents*

The distribution of agents who were surveyed was as follows; Uasin Gishu (29%), Nairobi (26%). Some agents came from other counties outside the areas where the fora were being held which indicate the need for all counties to be considered in planning of agency fora. Figure 2 is a summary of the towns in which agents sell insurance.

Figure 2 : County where agents sell insurance



Source: Survey data

Base, $n = 228$

3.5 Data analysis and report writing

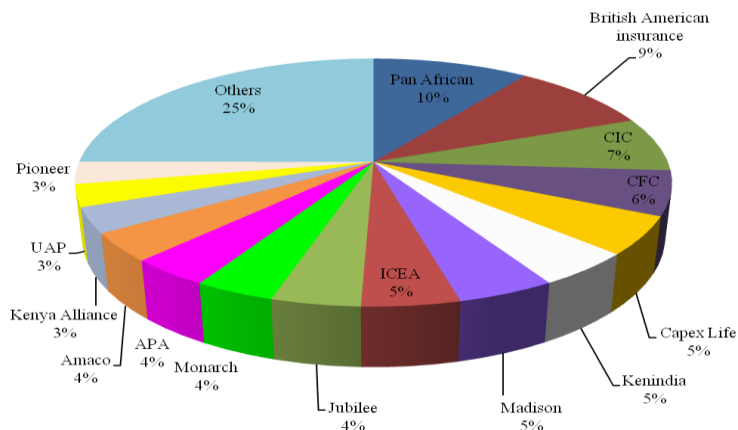
The data obtained was first coded then data entry was done; a code list was initially developed to facilitate the coding. The data was cleaned and checked for consistency before analysis was carried out. The data was analysed using the Statistical Package for Social Scientists (SPSS) and the outcome is hereby presented using descriptive statistics.

4.0 FINDINGS

4.1 Distribution of agents on the basis of underwriters

A third of the agents (32%) who attended the fora were representatives of Pan African Insurance, British American Insurance, CIC and CFC. Capex Life, Kenindia and Madison had an equal proportion (5%) of agents. The variations in the ratios maybe an indication of the commitment of each of the insurance companies to empower their agents through training; ideally the agent force from each company was supposed to be same. Therefore IRA should probably partner more with insurance companies to train agents and empower them with information through training because lack of appropriate information to share with the public is one of the challenges the agents face. The proportion of agency force from the different underwriters is shown in figure 3.

Figure 3 : Which company do you represent?



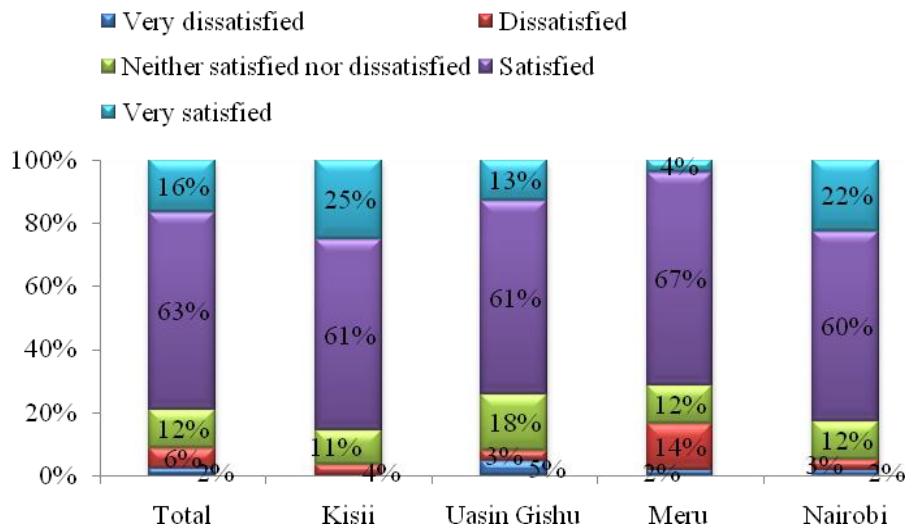
Source: Survey data

Base, n = 241

4.2 Satisfaction with services offered by IRA

Generally, majority of the agents (79%) are satisfied with the services they receive from IRA; the most satisfied agents are those from Kisii (86%) and Nairobi (82%). Comparatively, Meru has the least proportion of satisfied agents (71%) followed by Uasin Gishu (74%). The main reasons for satisfaction are: IRA offers good training (22%) that helps to create public awareness (14%), and good customer service (17%). However, the following satisfaction gaps were identified. IRA is not doing enough to protect the insured (4%) and the agents (3%); insufficient training (11%). The level of satisfaction of agents with services offered by IRA is summarized in figure 4.

Figure 4 : Level of agents' satisfaction with services offered by IRA



Source: Survey data

Base, n = 220

Table 2 is a summary of the strengths on services offered by IRA and the proposed areas of improvement.

Table 1 : Strengths of IRA and suggested areas of improvement on its services

Areas of strength on services provided by IRA	Total	Kisii	Uasin Gishu	Meru	irobi
Training	22%	36%	14%	33%	0%
Customer service	17%	0%	41%	22%	30%
Public awareness	12%	25%	35%	0%	30%
Protection of policyholders	4%	43%	43%	14%	0%
Creating confidence	3%	0%	60%	20%	
Licensing is prompt	2%	25%	0%	50%	0%
Morale booster among agents to venture into the market	2%	0%	100%	0%	0%
Areas of improvement on services offered by IRA					
More involvement with the industry	14%	9%	27%	32%	27%
More sensitization sessions with the public	11%	11%	39%	33%	6%
Enhance protect of the agents	3%	0%	60%	0%	20%
Not involved with clients	2%	0%	33%	67%	0%

Source: Survey data

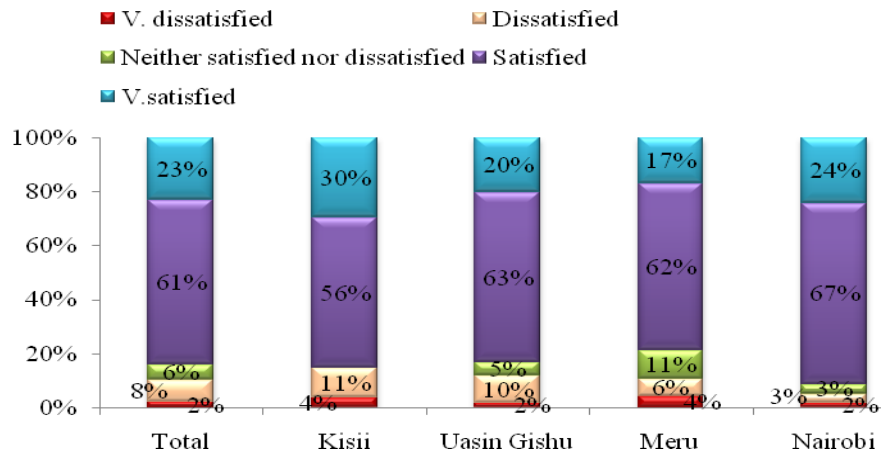
Base, n = 162

4.3 Satisfaction with the licensing requirements

Generally, majority of the agents (84%) are satisfied with the licensing requirements; the most satisfied agents are those from Nairobi (91%) while the least satisfied are those from Meru (78%). The main point of satisfaction is that despite the requirements, the licensing is prompt (20%); other drivers of satisfaction include: the requirements help to maintain quality standards (10%), and they show professionalism in the industry (10%). The requirements are also achievable (7%) and they prompt agents to work hard (5%), and generally the service is good (5%).

However, overall 10% of the agents are dissatisfied with the licensing requirements, majority of whom are from Kisii (15%) and Uasin Gishu (12%). These group of agents said the requirements slow down the licensing (7%) as they make the process long (4%). This fact could be attributed to the distance from their counties to IRA offices; this could be dealt with by instituting online licensing. The agents also said that IRA should put measures in place to face out fake agents from the industry (4%). Figure 5 is a summary of the level of satisfaction of the agents with the licensing requirements.

Figure 5 : Agents level of satisfaction with licensing requirements



Source: Survey data

Base, n = 213

The agents also made several suggestions to improve on the licensing; these include:

- i. Exempting agents who have been in the industry for long from the C.O.P (3%); and
- ii. Waiving penalties (3%).

Table 3 is a summary of the key satisfaction drivers on licensing requirements and the suggested areas for improvement for IRA.

Table 2 : Satisfaction drivers in licensing and suggested areas of improvement

Key satisfaction drivers on licensing requirements	Total	Kisii	Uasin Gishu	Meru	Nairobi
The licensing is prompt	20%	3%	21%	24%	38%
Helps to maintaining quality standards	10%	27%	40%	27%	7%
They show professionalism	10%	29%	29%	7%	21%
They are achievable	7%	0%	30%	0%	70%
Ensures agents work hard	5%	43%	29%	29%	0%
Good service	5%	0%	0%	0%	77%
Makes agents acquire full knowledge	4%	33%	33%	17%	0%
Makes agents work without fear	2%	0%	100%	0%	0%
Agents can represent more than one company	2%	0%	0%	0%	100%
Help to create trust between customers and insurance companies	2%	67%	0%	0%	33%

Table 3 : Satisfaction drivers in licensing and suggested areas of improvement

Areas of dissatisfaction with licensing requirements and suggestions for improvement	Total	Kisii	Uasin Gishu	Meru	Nairobi
The requirements slow the licensing process	7%	0%	73%	9%	9%
IRA should eliminate fake agents	5%	29%	0%	43%	0%
IRA should shorten the licensing process	4%	17%	67%	0%	17%
Exempt long time serving agents from C.O.P	3%	0%	0%	100%	0%
Waive penalties	3%	0%	0%	100%	0%
IRA should provide required information	2%	0%	33%	67%	0%
High penalty for late registration	2%	0%	67%	33%	0%
IRA should safeguard agents welfare	2%	0%	33%	0%	33%
Reduce licensing fee	2%	0%	25%	50%	0%

Source: Survey data

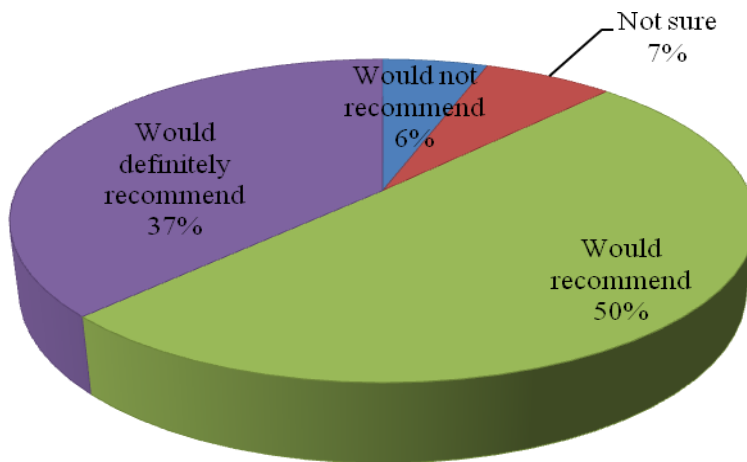
Base, n = 215

4.4 Career prospects

There are good prospects for the agency profession as 90% of the current agents indicated that they would continue transacting insurance agency business; further 87% of the agents said that they would recommend the profession to relatives/friends. The agents are upbeat with the profession because it is a good profession (30%) that boosts self esteem (13%) and there is unlimited opportunity for growth (11%); it is a profession in which one can determine how much money to earn (8%). However, 7% of the agents said they would recommend anyone to join the profession because: the insurance companies do no support agents (2%) and have a negative attitude towards them (1%); there are no retirement benefits (1%).

Figure 6 is a summary of the likelihood of the agents to recommend others to be insurance agents.

Figure 6 : Likelihood to recommend others to be insurance agents



Source: Survey data

Base, n = 239

4.5 Challenges

Insurance agents in Kenya face a number of challenges in the course of transacting their business of insurance sales and follow up on claims. These challenges range from dealing with the public to dealing with the insurance companies. Some of these challenges include negative perception by the public that insurance agents are conmen (22%) with the problem more pronounced in Nairobi (39%); competition from other intermediaries (20%) with the biggest proportion of agents with this challenge coming from Uasin Gishu; unfair treatment by insurance companies (11%) including adverse selling conditions enforced by insurance companies' branch managers (4%) for example being given unreasonable targets (1%); lack of appropriate information to satisfy clients (9%); negative reputation of insurance companies (8%) that partly contributes to difficulty in convincing the public to buy insurance (5%). Other challenges that agents face are: low commissions (6%) which sometimes fluctuate (2%). Table 4 is a summary of the challenges that insurance agents in Kenya face.

Table 4 : Challenges insurance agents face

Challenges	Total	Kisii	Uasin Gishu	Meru	Nairobi
Negative perception by the public as being con-men	22%	10%	27%	17%	39%
Competition	20%	3%	44%	26%	23%
Unfair treatment by insurance companies	11%	5%	25%	30%	25%
Lack of information to satisfy clients	9%	6%	28%	39%	22%
Negative reputation of the insurance companies	8%	33%	13%	0%	33%
Low commissions	6%	8%	17%	33%	33%
Dissatisfied clients	6%	0%	0%	27%	55%
Convincing clients to buy insurance	5%	10%	60%	0%	20%
Selling insurance takes a lot of time and money	5%	20%	40%	10%	10%
Transport and communication problems	5%	11%	33%	33%	11%
Claw-backs	4%	13%	38%	25%	25%
Adverse selling conditions imposed by insurance branch managers	4%	0%	25%	75%	0%
Ignorance/ Illiteracy of the public	3%	50%	0%	17%	33%
Undercutting of premiums	3%	17%	33%	33%	17%
Low income among the clients	3%	0%	100%	0%	0%
Misconduct of some agents spoil the market	2%	33%	33%	33%	0%
Collecting premiums from clients	2%	33%	33%	0%	33%
Fluctuation of commissions	2%	0%	67%	0%	0%
Income tax returns to KRA which are considered high	1%	0%	50%	0%	50%
Lack of enough tertiary colleges offering insurance and marketing courses	1%	0%	0%	100%	0%
Follow-ups since compensation takes too long	1%	0%	0%	0%	100%
Political influence	1%	0%	100%	0%	0%
Unreasonable targets	1%	0%	0%	100%	0%
Lack of incentives for the agents	1%	0%	0%	100%	0%

Source: Survey data

Base, n = 191

4.6 Suggested areas of improvement

In order to enhance the number of insurance agents, the agents suggested the following key measures to be taken: conduct more workshops/ training for agents (32%) so that they are equipped with knowledge; insurance companies to give retainer fees in addition to commissions (24%); IRA to put measures in place to protect agents from exploitation (13%); insurance companies to offer support to the agents (12%) like helping set up an agents organization; set up institutions that offer insurance courses (11%); and, give incentives to the agents (9%). Other measures that could be taken to improve on the number of agents are: creating awareness on insurance through advertising (6%) and regulating the pay of agents by setting up a minimum pay (5%). Table 5 is a summary of the suggestions on how to enhance the number of insurance agents in Kenya.

Table 5 : Suggestions for enhancing agency force

Suggestions to enhance agency force	Total	Kisii	Uasin Gishu	Meru	Nairobi
Conduct more workshops / training for agents	32%	22%	36%	16%	13%
Give agents retainer fees in addition to commission	24%	6%	20%	27%	37%
Protect agents from exploitation	13%	0%	8%	27%	58%
Companies should be committed/supportive to agents	12%	12%	20%	36%	28%
Set up institutions offering insurance courses	11%	9%	36%	23%	27%
Give incentives	9%	6%	17%	17%	44%
Create awareness through advertising i.e. marketing	6%	17%	42%	33%	0%
IRA should regulate how agents are paid by setting up a minimum pay	5%	10%	50%	20%	0%
Increase agents' commissions/pay	4%	63%	38%	0%	0%
IRA should come up with measures to minimize fake agents	3%	0%	14%	14%	43%
Introduce at least new agents yearly	3%	0%	17%	17%	67%
current agents should act as role models	2%	0%	50%	0%	50%
Insurance to introduce cheaper medical schemes affordable to agents	1%	0%	33%	0%	67%
Come up with short term products/flexible policies	1%	50%	0%	0%	50%
Pay the commissions promptly	1%	0%	100%	0%	0%
Satisfy the already existing ones	1%	0%	0%	100%	0%
Harmonize contracts for all insurance agents	1%	0%	0%	0%	100%

Source: Agents survey data

Base, n = 207

5.0 CONCLUSIONS & RECOMMENDATIONS

Majority of the agents said that they are satisfied with the services they receive from IRA including the licensing requirements. However, it was established that the level of satisfaction varies from one county to the other in the surveyed areas. The challenge therefore is to ensure that the levels of satisfaction are about at the same level in all the counties.

The key strengths of IRA in regard to its services are: training which is considered to be good; good customer service; and its activities to create public awareness. On licensing requirements, the main points of satisfaction are: prompt licensing and, the fact that the requirements help to bring about quality standards in the industry and professionalism. However, the key satisfaction gap is IRA's little involvement in protecting the policy holders and the agents from exploitation

The agents face a number of challenges in the industry; the main ones being: a perception by the public that insurance agents are conmen; competition from other intermediaries; unfair treatment by insurance companies including tough conditions set by insurance companies' branch managers especially the sales targets; lack of appropriate information to satisfy the clients; negative reputation of insurance companies that make it difficult for agents to convince the public to buy insurance; low commissions and dealing with dissatisfied customers .

In order to deal with the challenges, the agents made the following main suggestions: IRA should conduct more training/workshops ; work on modalities with insurance companies to give agents retainer fees ; protect agents from exploitation ; encourage insurance companies to be

committed to their agents and give them support ; and set up more institutions that offer training in insurance .

To be able to enhance the agency force in Kenya, IRA would need to partner with insurance companies to deal with the challenges the current agents face so that the potential agents can be motivated to join the profession. On the other hand, if the current agents are satisfied, they would influence their friends or family to become insurance agents.