



**INSURANCE REGULATORY AUTHORITY**

**INSURANCE AGENTS DEVELOPMENT PROGRAM  
A CASE OF KITUI COUNTY**

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**February 2013**

## **EXECUTIVE SUMMARY**

The Insurance Regulatory Authority (IRA) in line with its mandate has put in place a number of initiatives aimed at developing the insurance industry in Kenya. Part of these initiatives was the launch the Agency Development Program (ADP) targeting to grow the qualified agency sales force in all the 47 Counties. This is in full cognizance of the role agents play as intermediaries in selling insurance. The pioneer program was conducted in Kitui County in November 2012 and this survey is a baseline analysis of the program. The field work was done between 25<sup>th</sup> February 2013 and 3<sup>rd</sup> March 2013.

The main objective of the survey was to document baseline indicators of the agency force trained in Kitui for future impact assessment and traceability. The study used descriptive research design with a self administered questionnaire.

The Major Findings of the survey were as follows: 77% of the agents said the training was successful and 91% now have a fairly good understanding of insurance. Majority (99%) of agents say the training changed their attitude towards insurance; agents' insurance perception is 92%. 95% of agents are not licensed although they have initiated the process of seeking licenses. 47% of the agents have sold a total of more than 180 policies, mainly in education, investment & savings, funeral insurance. These agents (38%) income has changed courtesy of insurance selling. The agents face a number of challenges and these include poor image of the insurance industry, operating capital, low demand for insurance and low levels of awareness. Nevertheless, the agents are determined to continue selling with over 88% having a positive perception.

Generally the agents see the training as having positive impact on their lives and should be replicated in other counties since 100% of the agents interviewed supported the idea that the program should be taken to other counties. According to the agents, the general business environment in Kitui is prospective and if the low awareness and poor perception are addressed, they will make more sales.

### **Recommendations**

As a way forward, there is need for the Authority to;

1. Address the issues the agents raised; for example licenses, contracts, principal-agent problem and business operation support/funding.
2. Continue monitoring and evaluating the agency development program on the indicators the survey identified (see appendix 1).
3. Conduct insurance consumer education for the public in Kitui.
4. Address the issue of insurance perception in Kitui.
5. Make follow up with the agents who were trained in Kisii.

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## **LIST OF ABBREVIATIONS**

ADP	:	Agency Development Program
COI	:	College of Insurance
IEC	:	Information, Education and Communication
IFIU	:	Insurance Fraud Investigation Unit
ECOP	:	Executive Certificate of Proficiency
IRA	:	Insurance Regulatory Authority
PHCF	:	Policyholders Compensation Fund

## **ACKNOWLEDGEMENT**

The Authority wishes to thank the respondents for participating in the survey.

## **1.0 INTRODUCTION**

The Authority as part of its initiatives of developing the insurance industry did launch an Agency Development Program (ADP) targeting to upscale the qualified agency sales force in all the 47 Counties. The pioneer program was conducted in Kitui County in November 2012 and this survey is a baseline analysis of the program. The field work was done between 25<sup>th</sup> February 2013 and 3<sup>rd</sup> March 2013. The survey aimed at collecting information on a range of baseline indicators that will help track the impact of the agency development program.

### **1.1 BACKGROUND OF THE STUDY**

The ADP recognizes the role of agents in selling insurance. Agents, whether tied or independent, sell insurance products on behalf of insurance companies (the principals). They play the role of convincing prospective clients on the importance of insurance, the benefits of the specific insurance products and the price of products in the market. A well developed agency force is critical in enhancing insurance penetration and as such should be empowered with both knowledge and skills of selling insurance. Agents have in the past been accused of varied malpractices such as mis-selling, withholding clients' money, lacking product knowledge and poor selling skills among others. Therefore, as the Authority embarks on the ambitious agency development program, it is cognizant of these issues hence the need to develop and closely monitor role model agents based in the Counties to act as goodwill ambassadors on insurance matters.

### **1.2 OBJECTIVE OF THE SURVEY**

The main objective of the survey was to assess the ADP and identify baseline indicators for agency traceability monitoring and evaluation. Specifically the survey sought to;

1. Assess the performance of the agents in selling insurance post training.
2. Measure the agents' knowledge and perception of training.
3. Assess the future prospects of the agents in selling insurance.
4. Identify baseline indicators for monitoring the agency development program.
5. Make relevant recommendations based on objectives 1 to 4.

### **1.3 SIGNIFICANCE OF THE STUDY**

The study was expected to provide a situational analysis of the program which shall inform decisions on how to enhance its productivity. The study provides baseline indicators on the development of the agency force across the counties in Kenya. It documents baseline gains from the program as well as gaps. This study lays a foundation for further monitoring and evaluation of the program.

### **1.4 THE SCOPE OF THE SURVEY**

The survey targeted all the 105 agents trained under the partnership between IRA and college of Insurance. It was carried out between 25<sup>th</sup> February 2013 and 3<sup>rd</sup> March 2013. Among the key information sought the survey included; agents assessment of the training and insurance, agents' knowledge of insurance, agents' performance and agents' future prospects in insurance.

## **2.0 METHODOLOGY**

### **Research Design, Population and Sampling**

The survey employed descriptive research design to provide a situational analysis of the program in Kitui. The target population being the 105 trained agents. Convenient sampling was used and 75 agents interviewed. Two researchers undertook the fieldwork with the help of a driver.

### **Data Collection**

Primary data was collected through a self administered structured questionnaire. The agents were interviewed at the point of submitting the questionnaires where clarifications and further information were sought.

### **Data Analysis and Reporting**

75 agents were interviewed. The rest of the agents (20) are classified as follows; 8 were in Nairobi at the time of the fieldwork, 3 did not pick their calls, 4 the Lines were unreachable, 1 Sick and could not be interviewed, 3 were not willing to be interviewed and 1 had wrong cell phone number. Data was analyzed using SPSS and presentation of output was done in Microsoft Excel. A draft report was made



and went through the peer review process. A final report was done taking into consideration the comments from the peer reviewers.

### **Ethical Issues**

Confidentiality of the information being shared by the agents was assured. It was also emphasized that the information shared was to be used for research purposes only. Those agents who were not willing to respond to the survey were not forced to do so.

### **3.0 ANALYTICAL FRAMEWORK**

A number of issues like socio-economic characteristics, expectations of the training, performance in selling insurance, challenges faced while selling insurance, registration status of agents and business conduct were targeted in the survey most of which were best described used frequency related analysis especially the percentage representation. Other issues that sought to rate knowledge of insurance, selection process of agents into the training, the success of the training, role of agents, profitability of selling of insurance, perception towards insurance, required scaling of the responses hence both the percentage and mean concepts were instrumental in assessing the overall expected response. A 5 points scale was used.

## **4.0 SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

### **4.1 FINDINGS**

#### **SOCIO-ECONOMIC CHARACTERISTICS OF THE AGENTS**

The ratio of male to female trained agents is 2:3. 80% of the trained agents were aged between 18 and 34 years old while 20% were over 35 years with only 6% being above 45 years. In terms of religion 97% of the respondents are Christians with the rest being Muslims. About 12% of the agents are university graduates while 48% agents had tertiary education and the rest (40 %) had secondary education certification. The agents' occupation varies as shown in the table1.

**Table 1: Occupation of the Agents**

<b>OCCUPATION</b>	<b>Percentage</b>
Farmers	9
Businesspersons	31
Teachers	3
Public Servants	11
Private Servants	12
None	29
Student	1
Financial Advisors	4

Ninety five percent (95%) of the agents were born in Kitui Count. Of these Ninety Nine percent (99%) communicate in the local kamba dialect while one percent (1%) communicate in kisii. Eighty three percent (83%) of the agents come from one district, Kitui district. The other districts; Mwingi, Matiyani, Embu, Katuiyan, Nzambani, Mutito, Lower Yatta, Mbeere, Kisii and Makueni share the remaining 17%. In terms of duration of living in Kitui 80% of the agents have lived in Kitui for more than 10 years.

**Table 2: Duration of stay in Kitui**

<b>Number of Years</b>	<b>Percent</b>
Below 10 Years	9
10-20 Years	11
20-30 Years	34
30-40 Years	1
Over 40 Years	4
Since Birth	30

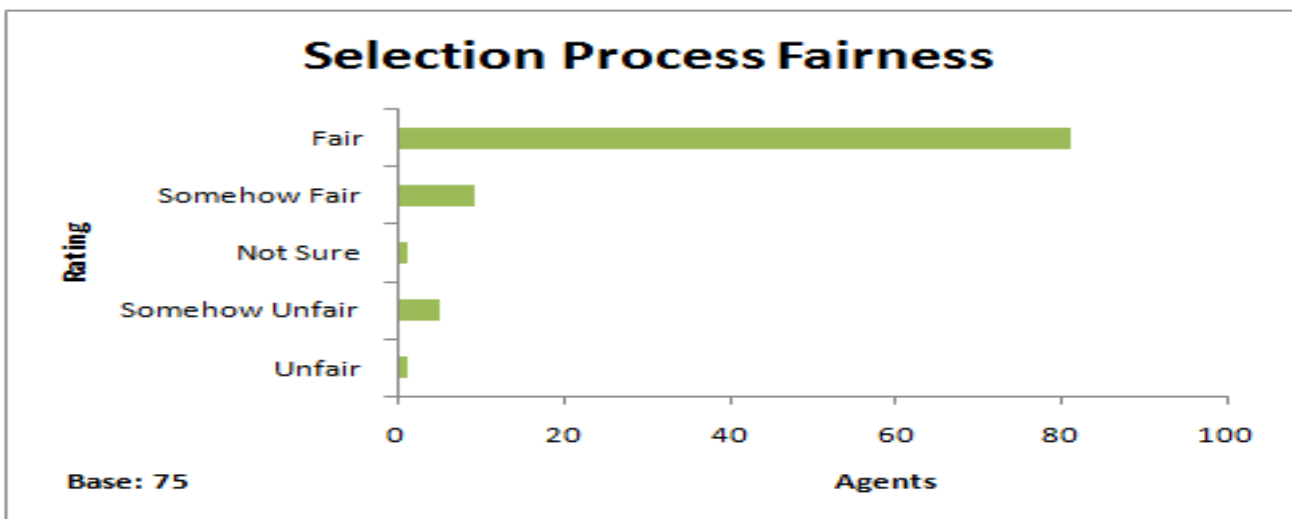
Base 75

## OVERALL ASSESSMENT OF THE TRAINING

To assess the overall training, the study sought to know the source of information about the program, the selection process, likes and dislikes, and the overall rating of the training.

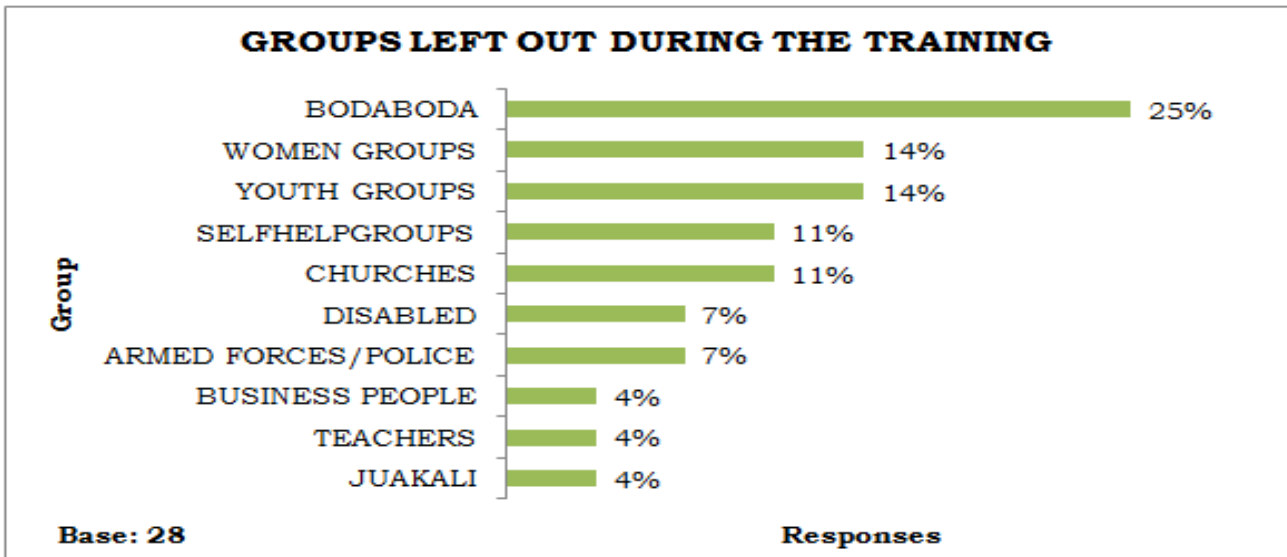
Majority (65%) of the agents seem to have been notified through the provincial administration and friends while 15% got information from IRA, 12% from College of Insurance, 7% from their local Church and only 1% accessed the information from the internet.

In terms of fairness of the selection process over 81% state that the process was fair as shown in figure 1. Some of the reasons that informed the agents' rating of the process include coverage, announcement and notice. In terms of coverage it was identified that the process was gender sensitive and was based on academic merit. However some agents felt that the announcement and notice was limited... *(Some agents noted that the notice was short... only workers at the DC's office and their friends were notified).* Though around 70% of the agents said that there were no groups or individuals left out around 30% felt that some groups of people were left out of the training.



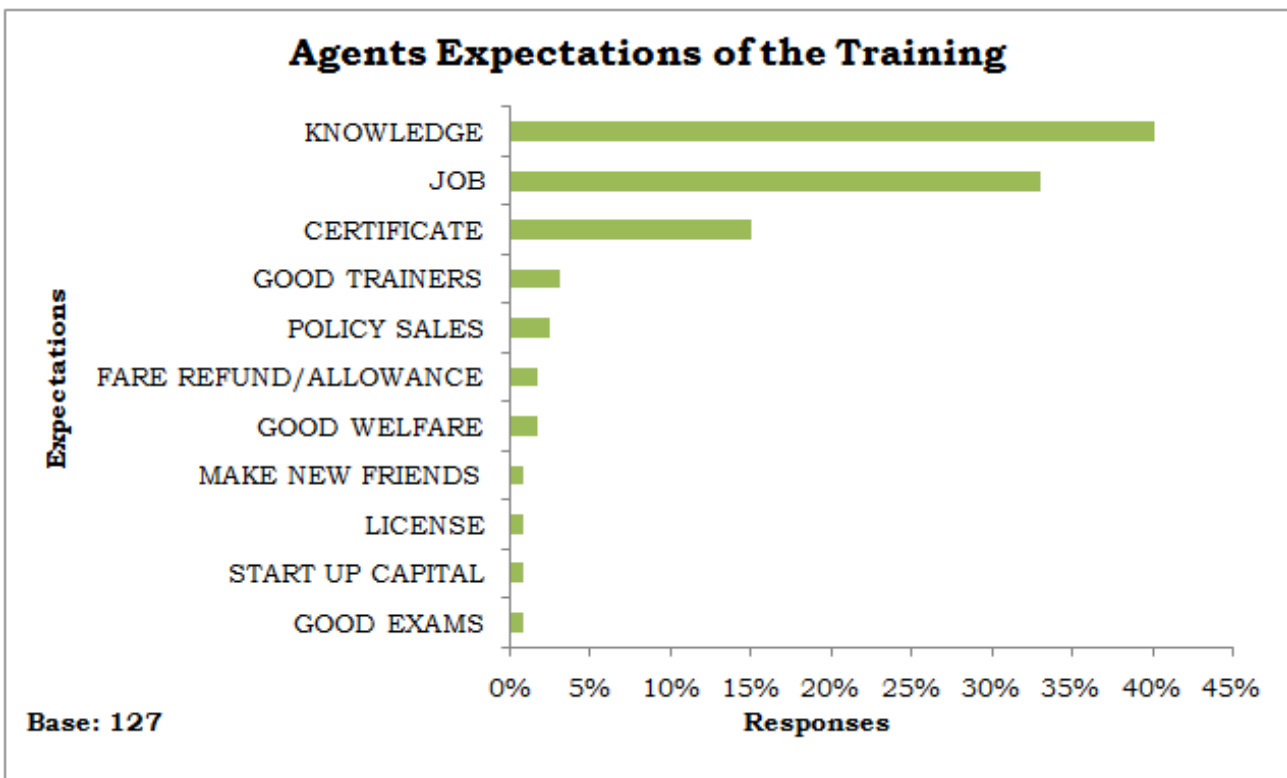
**Figure 1: Fairness of Selection Process**

Some of the groups that the agents felt were left out include Bodaboda, women groups, youth groups, Church groups, other self-help groups and the disabled as shown in figure 2. Members of these groups may be considered for training as suggested by 30 % of the agents.



**Figure 2: Groups Left Out During the Training**

The agents had various expectations of the training as shown in figure 3. Of these expectations; knowledge of insurance, job opportunity and certificate of proficiency were top in the list.



**Figure 3: Agents Expectations**

Facilitators, welfare and insurance knowledge seem to be the aspects the agents liked most during the training according to 42%, 24% and 18% of the respondents

respectively. The aspects that slightly impressed the agents included the organization of the program on a day to day basis plus the materials provided for training and IRA branded shirts (9%), certificate (4%), companies ready to recruit (2%) and the fact that Kitui agents were pioneers (2%).

As regards duration of the training, respondents felt that there was too much to be taught in a too short period. Among the things the agents did not like and which accounted for to 47% were no refund of transport/fare (10%), presentation of gifts and the graduation day organization (7%), food in some days (7%), products not taught (7%). In particular some respondents said their relatives could have been invited to the graduation. Other complaints include religious talk (too much and biased against Muslim), few trainees, no license, venue and environment, those admitted and did not attend, disability bias, companies not following up on the agents' challenges.

Nevertheless, overall assessment of the training shows 77% of the respondents were happy with the training indicating it was well organized and met their expectations while 22% of the agents said it was somehow successful as shown in figure 4.

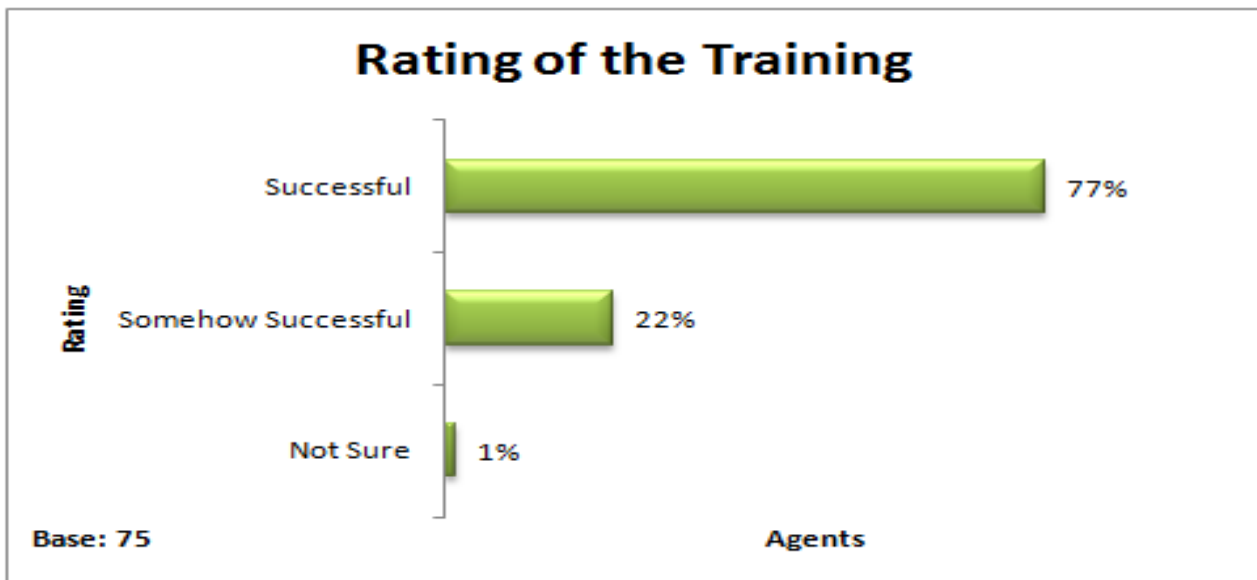
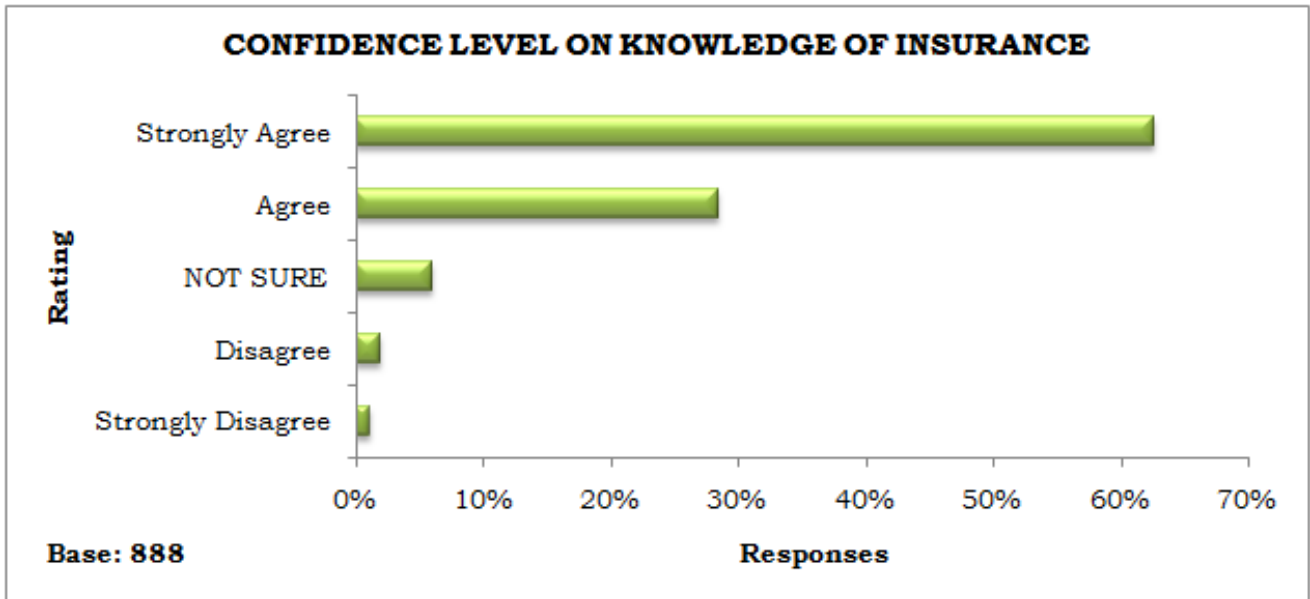


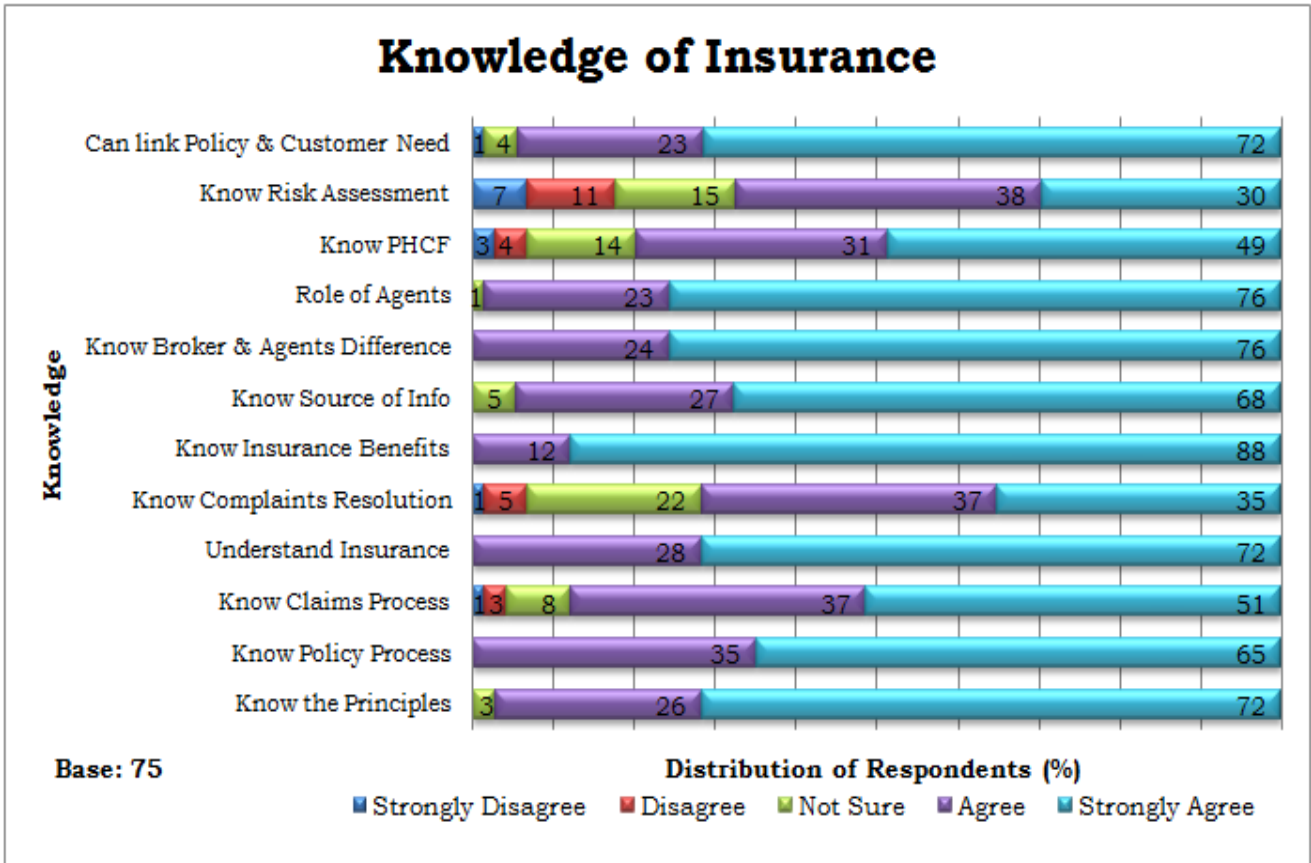
Figure 4: Rating of the Training

## KNOWLEDGE ON INSURANCE

Overall, the respondents' knowledge of insurance was enhanced through the training with 91% of the responses confirming that agents' knowledge of insurance had improved as a result of the training. About 63% of the respondents felt that they are now confident as they have good understanding of insurance while 28% showed moderate confidence and only 9% indicated to be less confident as shown in figure 6.

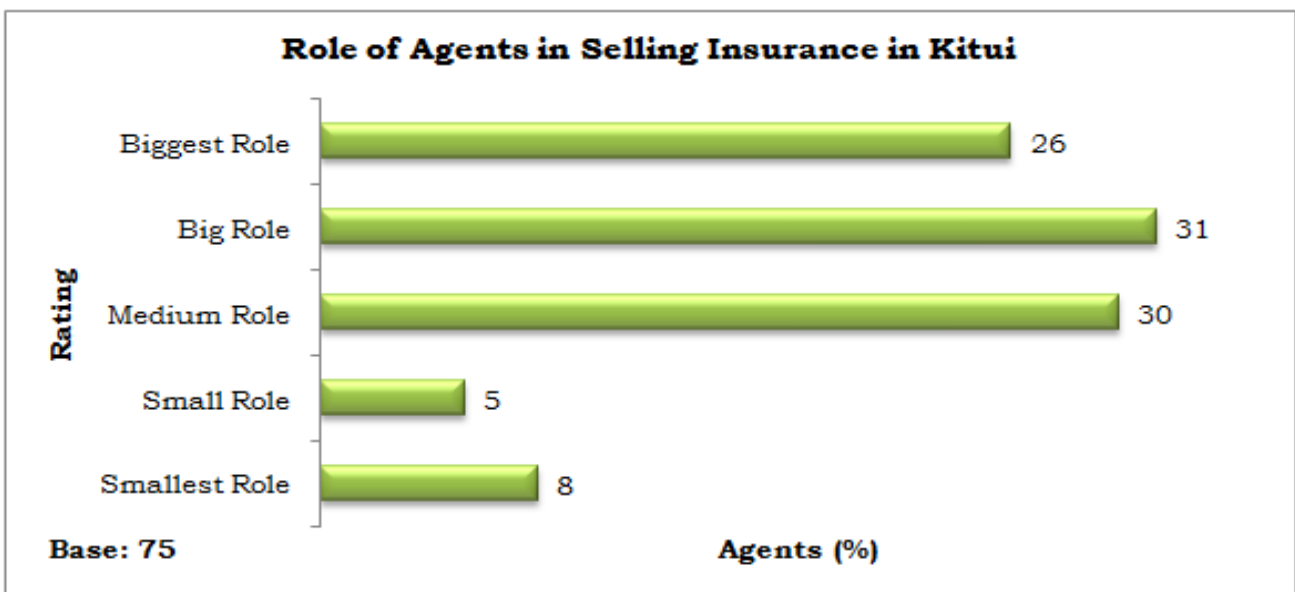


**Figure 5: Overall Knowledge of Insurance**



**Figure 6: Agents' Knowledge of Insurance per Category**

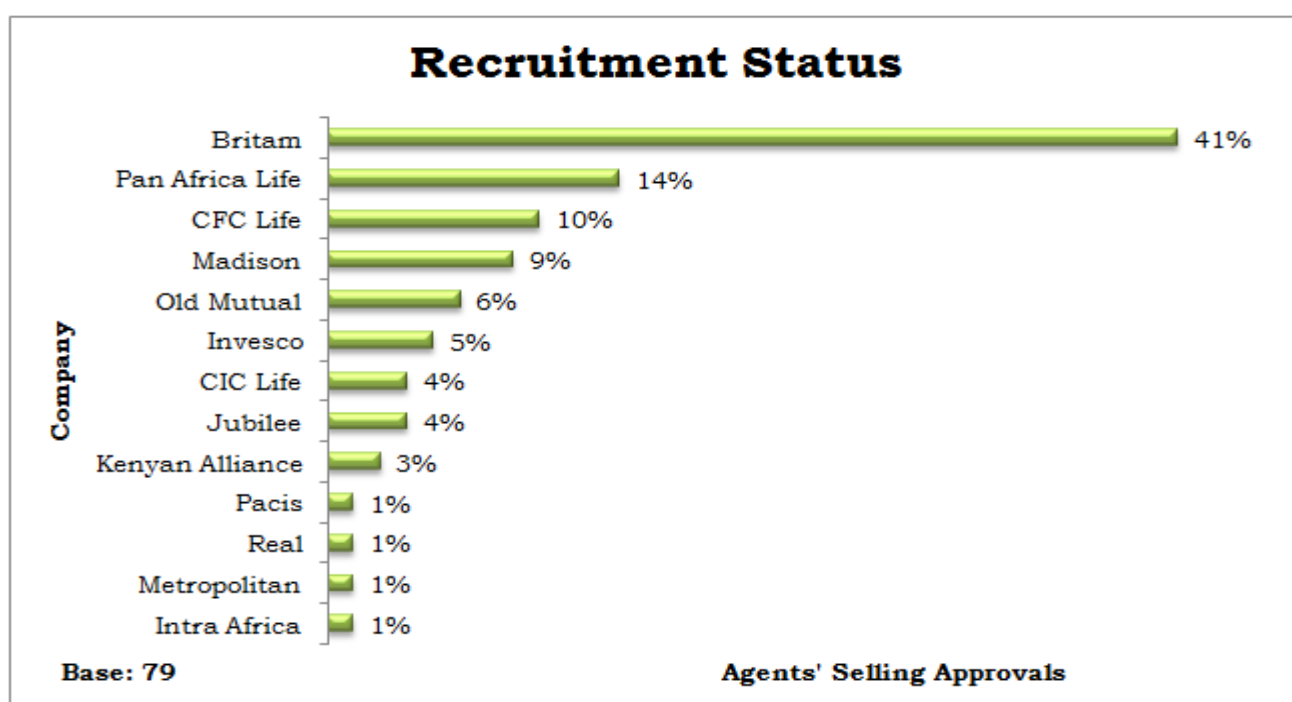
The role of agents in selling insurance in Kitui County according to 57% of the agents is remarkable. However, 30% of the agents feel that the role is moderate and 14% indicating that the role may be small. Overall, 87% of the agents therefore show that agents role in Kitui is critical.



**Figure 7: Role of Agents in selling Insurance**

## AGENCY PERFORMANCE SINCE THE TRAINING

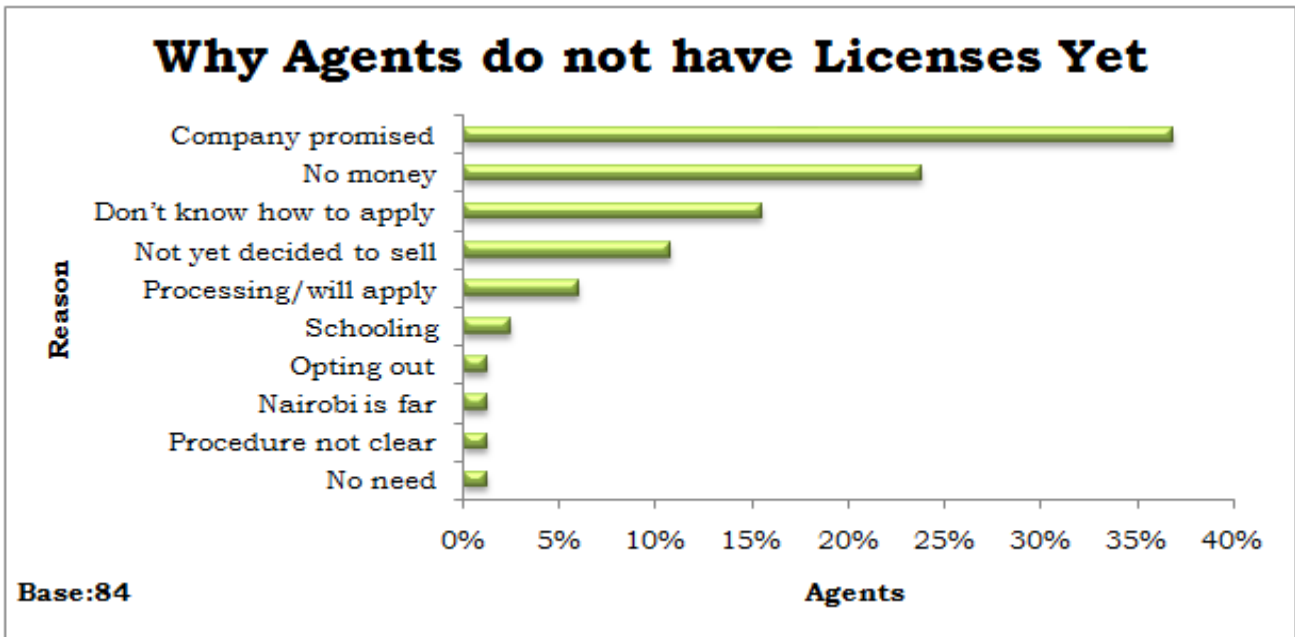
In terms of representation, Britam had the highest number of agents recruited representing 41% of all the agents trained. This was followed by Pan Africa Life with 14% and CFC Life (10%) as shown figure 8. However, not all agents were recruited on the day they graduated as 34% of the agents were recruited in November 2012 immediately after the training, 36% in December 2012, 18% in January 2013 and 8% in February 2013 although all had initial contacts with insurance companies on the day they graduated. There are other agents who had been recruited earlier in July 2012, Nov 2010 and Dec 2012.



**Figure 8: Company Representation in Kitui**

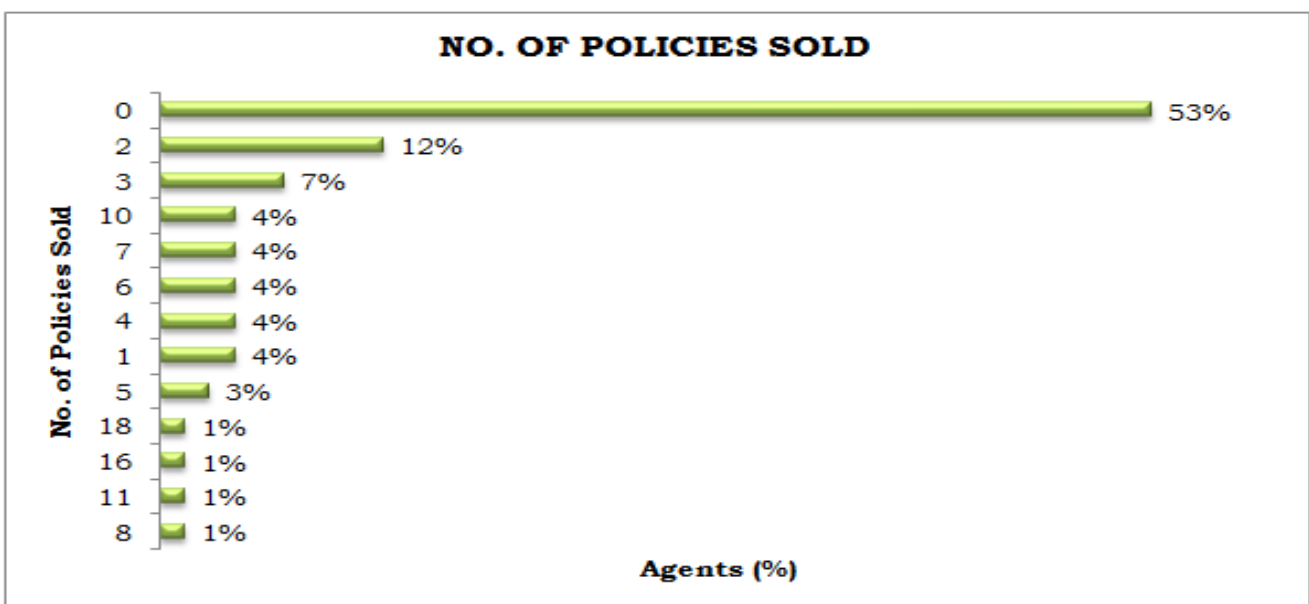
In terms of licensing status 95% of the agents had not been licensed by IRA. The main reason for this is that they were promised to be registered by the companies which recruited them; as is procedural. However, these companies have a threshold of premium that defines a minimum that can qualify for registration. Many of the companies require the agents to raise a minimum of KES 10,000 premium before registration. The full details on the reasons are given in figure 9.



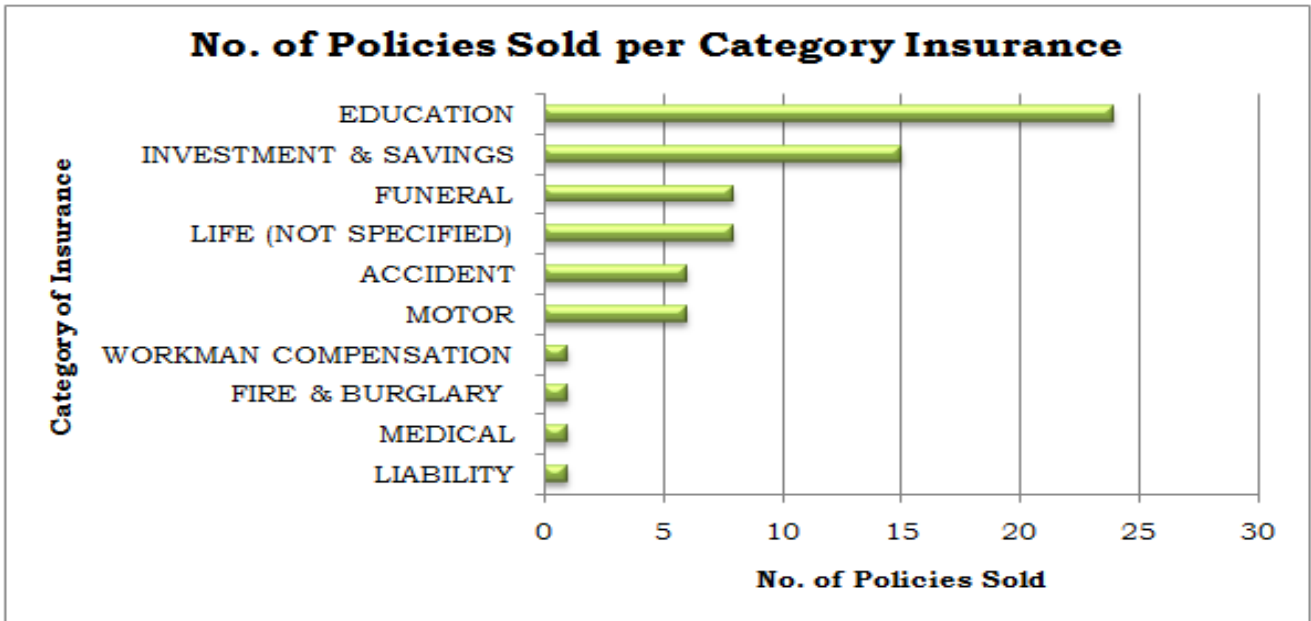


**Figure 9: Reasons why the agents are not licensed**

A review of their performance in terms of sales shows on average, most of the agents had on average sold 2 to 3 policies; further details on agents' sales are shown in figure 10. Those who had sold policies by the time the survey was conducted make 47%; 53% in figure 10 had not sold. The most common policies sold were education, investment & savings and funeral insurance representing 34%, 21% and 11% respectively as shown in figure 11. The rest include other life insurance products (not specified), personal accident, motor, workman compensation, fire & burglary, medical and liability.

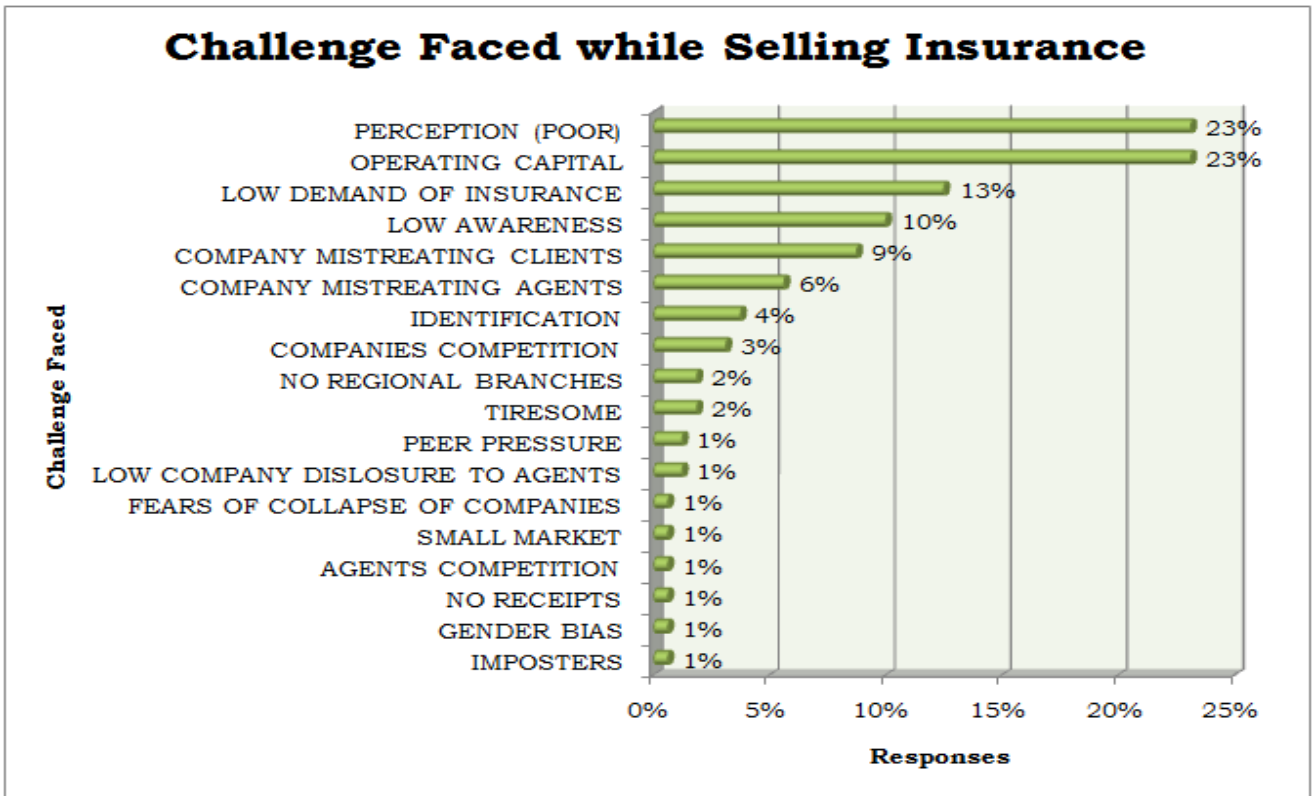


**Figure 10: Number of Policies sold**



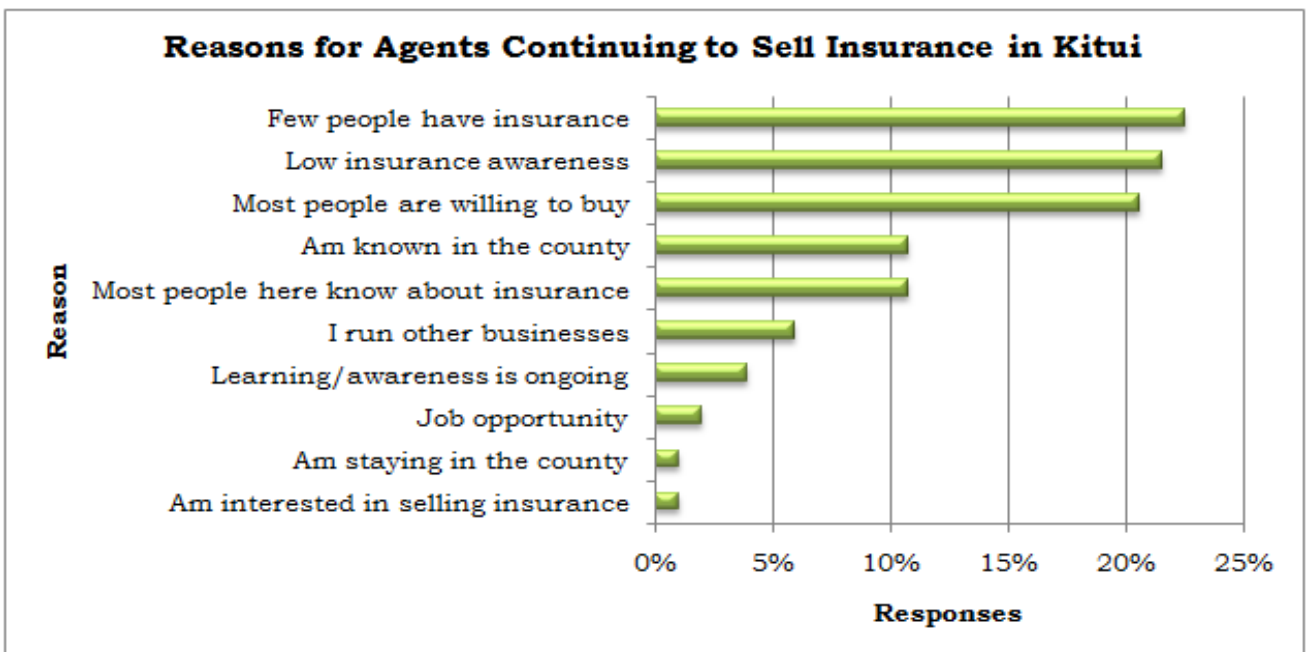
**Figure 11: Number of policies sold per class of insurance**

The agents continue to face a number of challenges in their day to day work as shown in figure 12. These challenges include; poor perception of insurance (23%) which affects their ability to convince prospective clients, lack of operating capital and low demand (13%), low awareness and company mistreating clients and agents (19%.. Other challenges include lack of proper identification documents, confusion created by agents representing many companies, lack of branches of companies they represent in Kitui, tedious process and peer pressure to stop selling insurance among others.



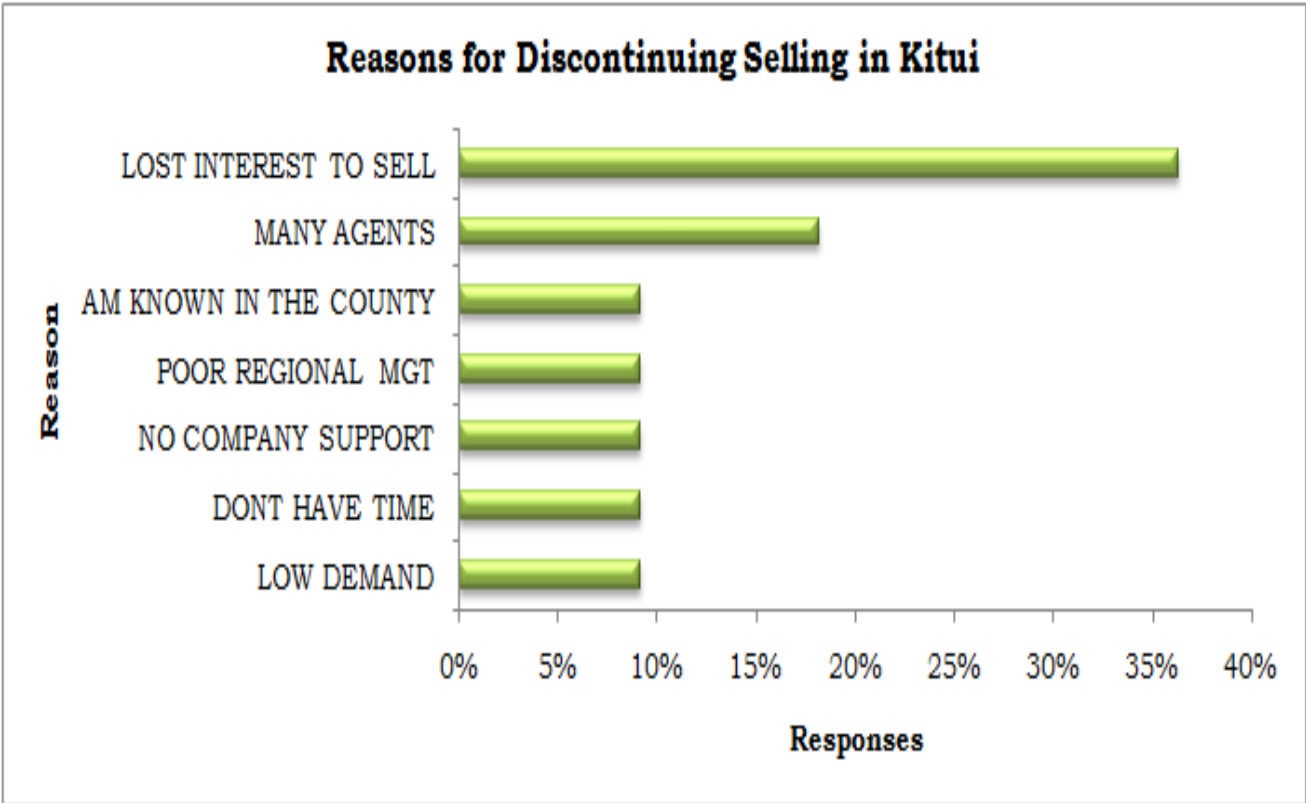
**Figure 12: Challenges faced while Selling Insurance**

About 89% of the agents intend to continue selling insurance in Kitui. A number of reasons were advanced by the agents and this included; few people have insurance (which translates to untapped potential market), low awareness and high willingness to buy which together account for over 65% of the reasons why agents will continue selling insurance in Kitui. The other reasons are reflected in figure 13



**Figure 13: Reasons for Agents continuing to sell insurance in Kitui**

In figure 14 those agents who have decided not to continue selling insurance in Kitui cite loss of interest and many agents in Kitui as main reasons. Others indicated bad regional management where some officials who visit agents in the region do not address their issues fairly, low demand for insurance and lack of company support.



**Figure 14: Reasons for dropping from selling insurance in Kitui**

As regards earnings and income, most agents reported to have moved across their income brackets as shown in figure 15. Most of these agents moved from below KES.10, 000 level of income to KES. (10,001 - 20,000). In figure 15 we see the percentage of agents whose income level is below 10, 000 drop from 70% to 53%. 38% of the agents showed that their income has increased as a result of selling insurance; see figure 16. The amount of money being received by the agents is varied as shown in figure 17. It is encouraging to see some agents receive over KES. 10,000 spreading to as much as KES.30,000.

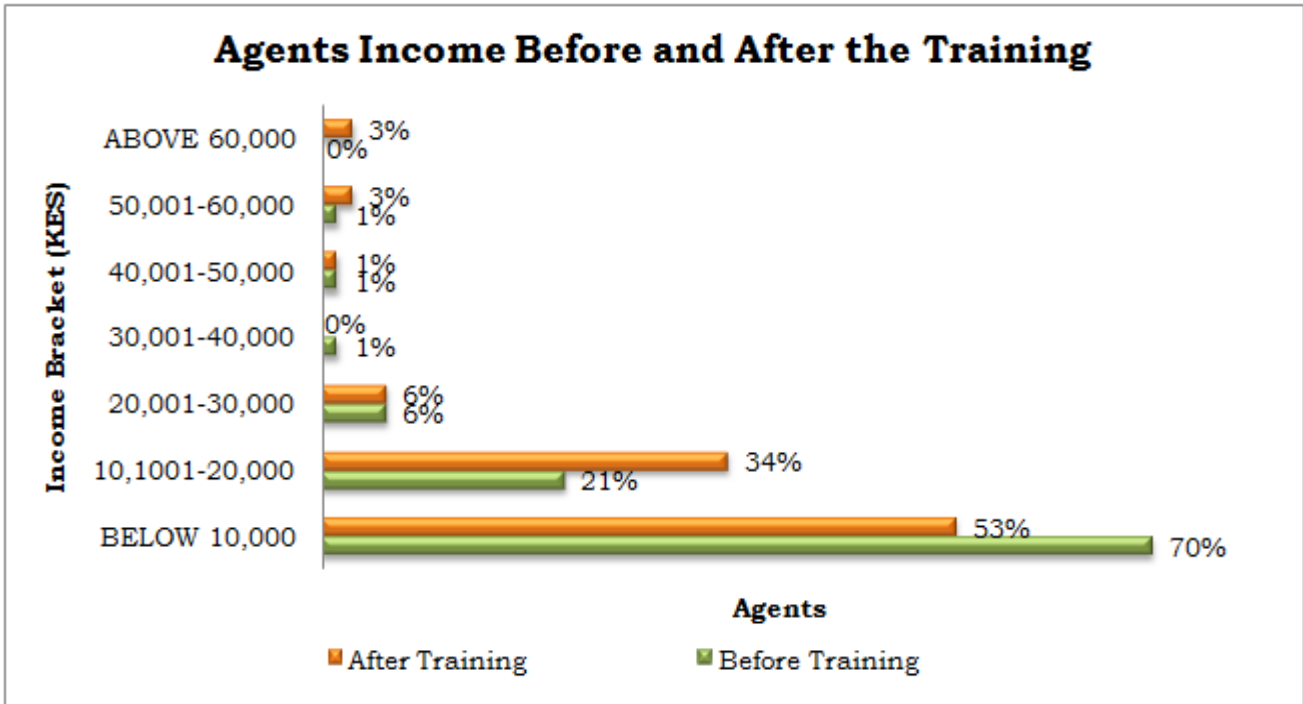


Figure 15: Agents' Income levels before and after Training

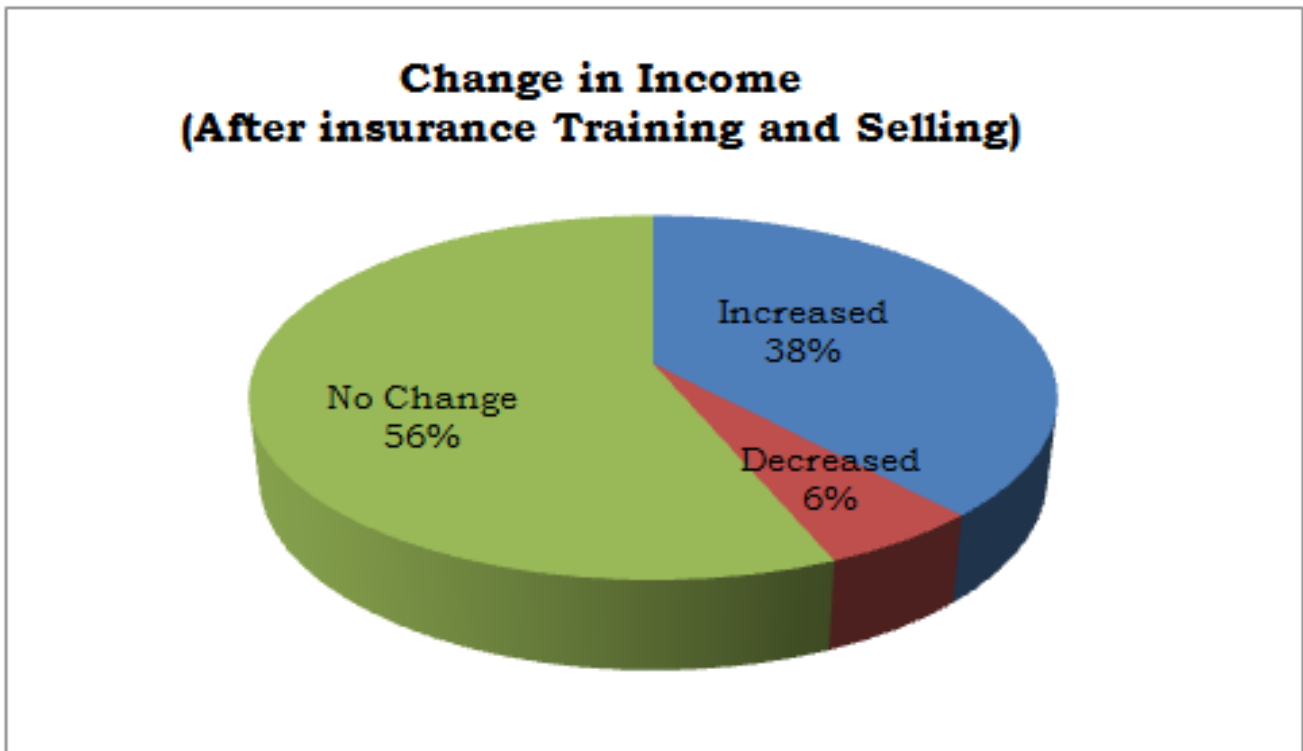
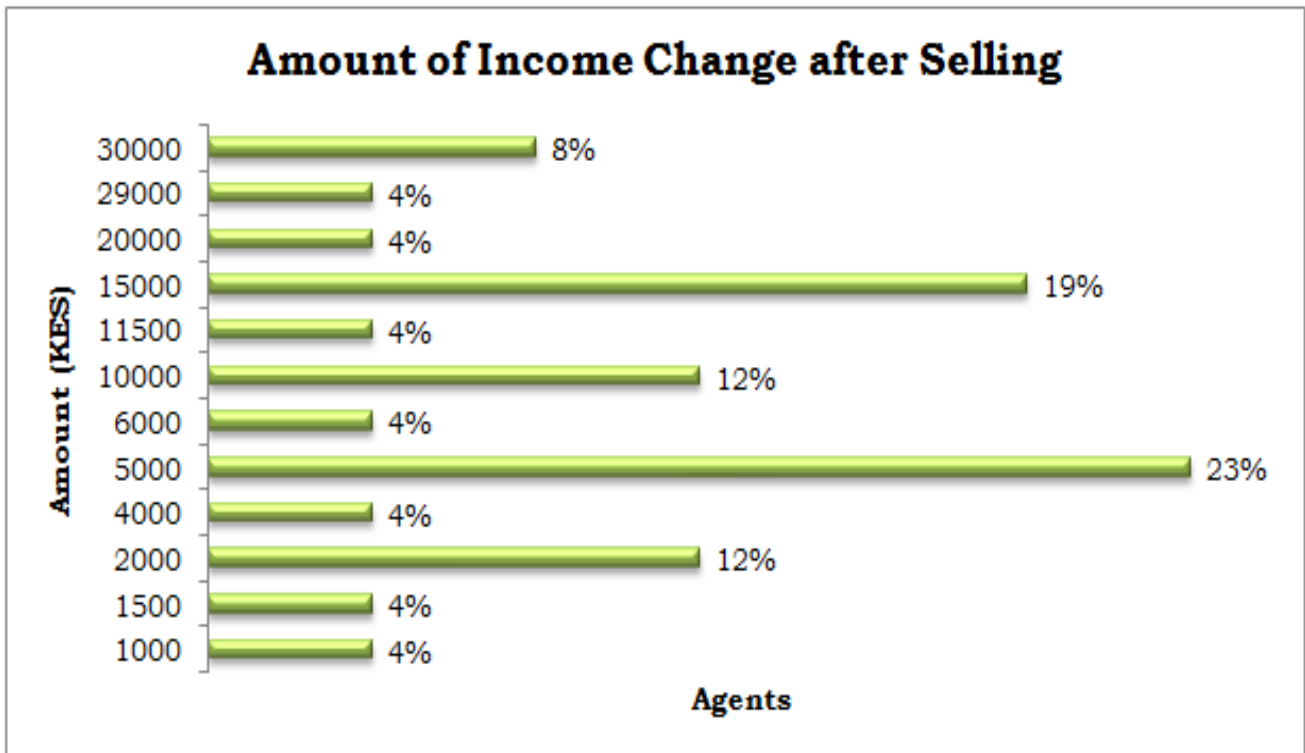
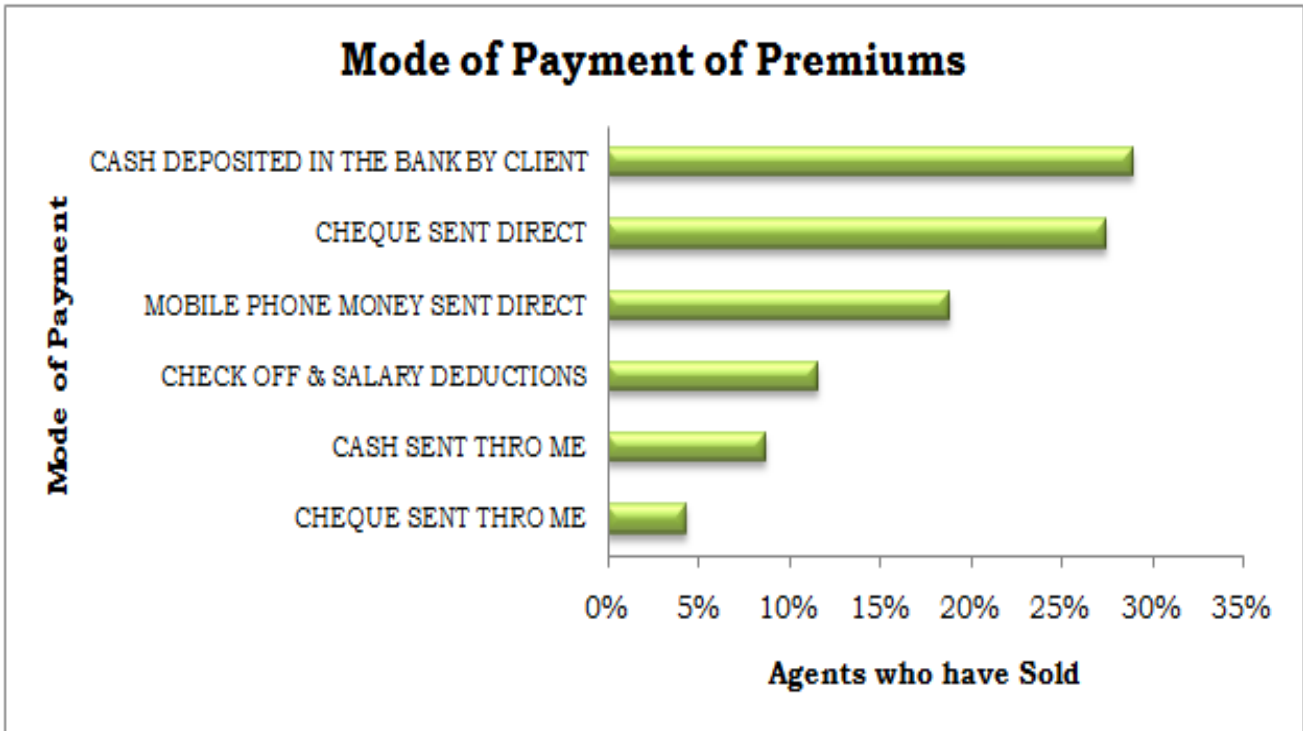


Figure 16: Effect of Training and Selling on Income levels



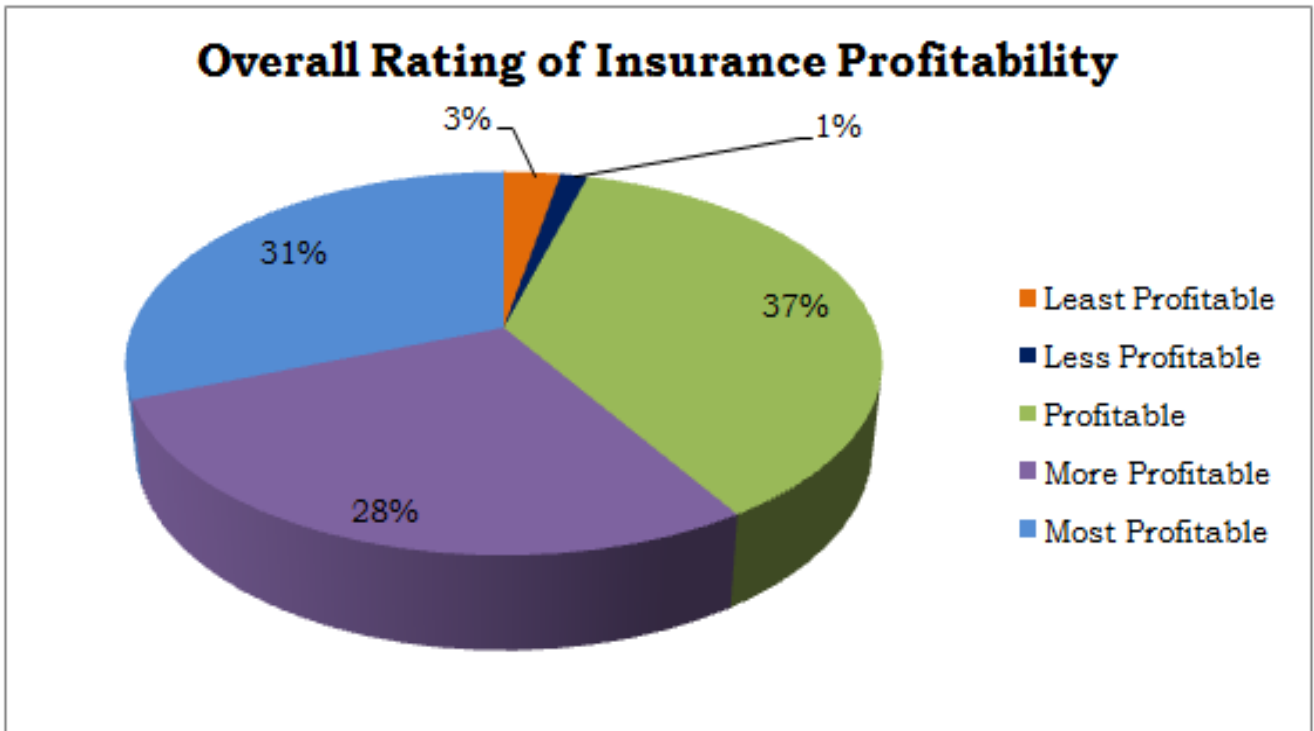
**Figure 17: Amount of Income change after Training and Selling**

For the agents who had made some sales, the study shows that the most common form of payment of premiums by policyholders was cash deposits (31%), followed by cheque sent directly to companies (29%) and use of mobile phone money services sent directly to the company. The check-off system, cash and cheque sent through the agent also featured though with low percentages as shown in figure 18.



**Figure 18: Mode of payment of Premiums**

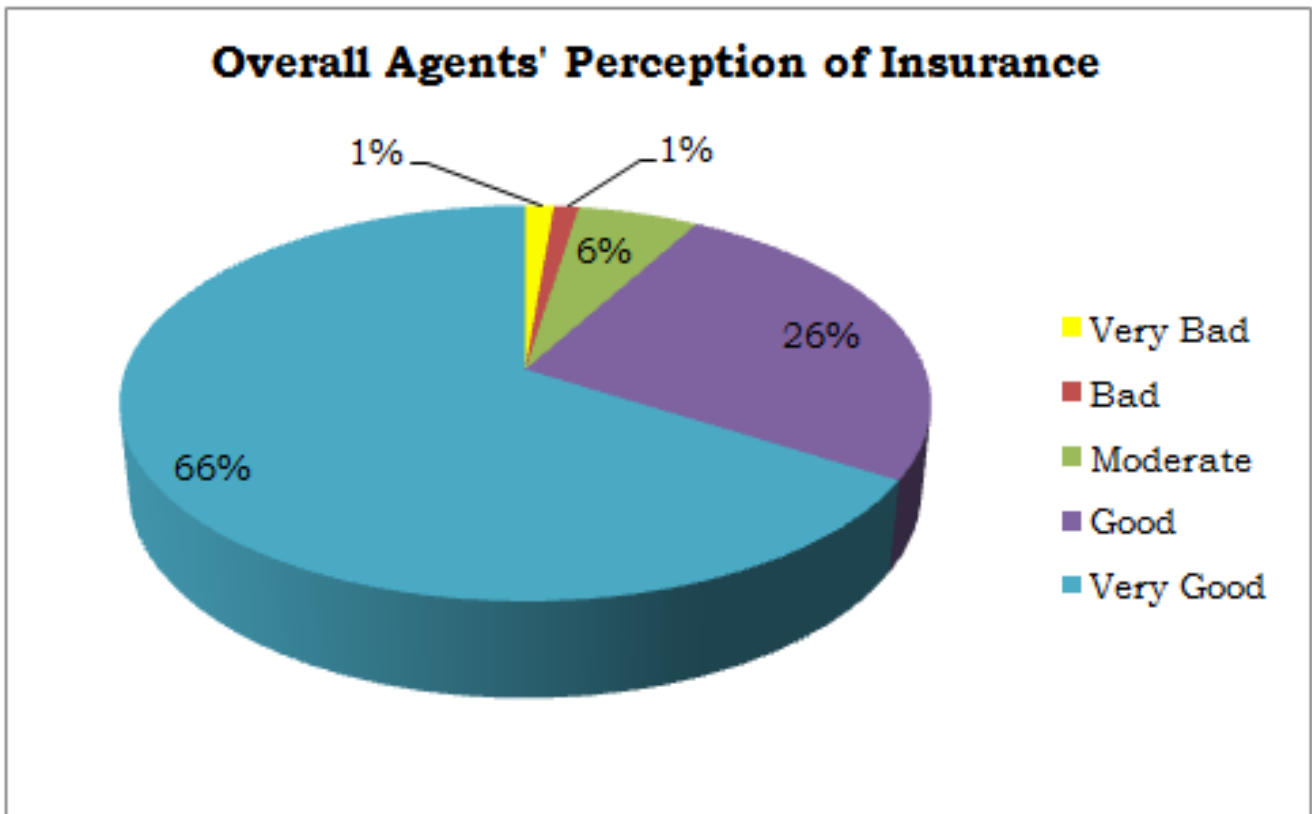
Overall rating of potential for growth of insurance business in Kitui was high with 96% of the respondents indicating insurance business is profitable with the rest (4%) feeling that insurance business is not profitable as shown in figure 19.



**Figure 19: Overall Insurance Profitability Rating by Agents**

### PERCEPTION ON INSURANCE BY AGENTS

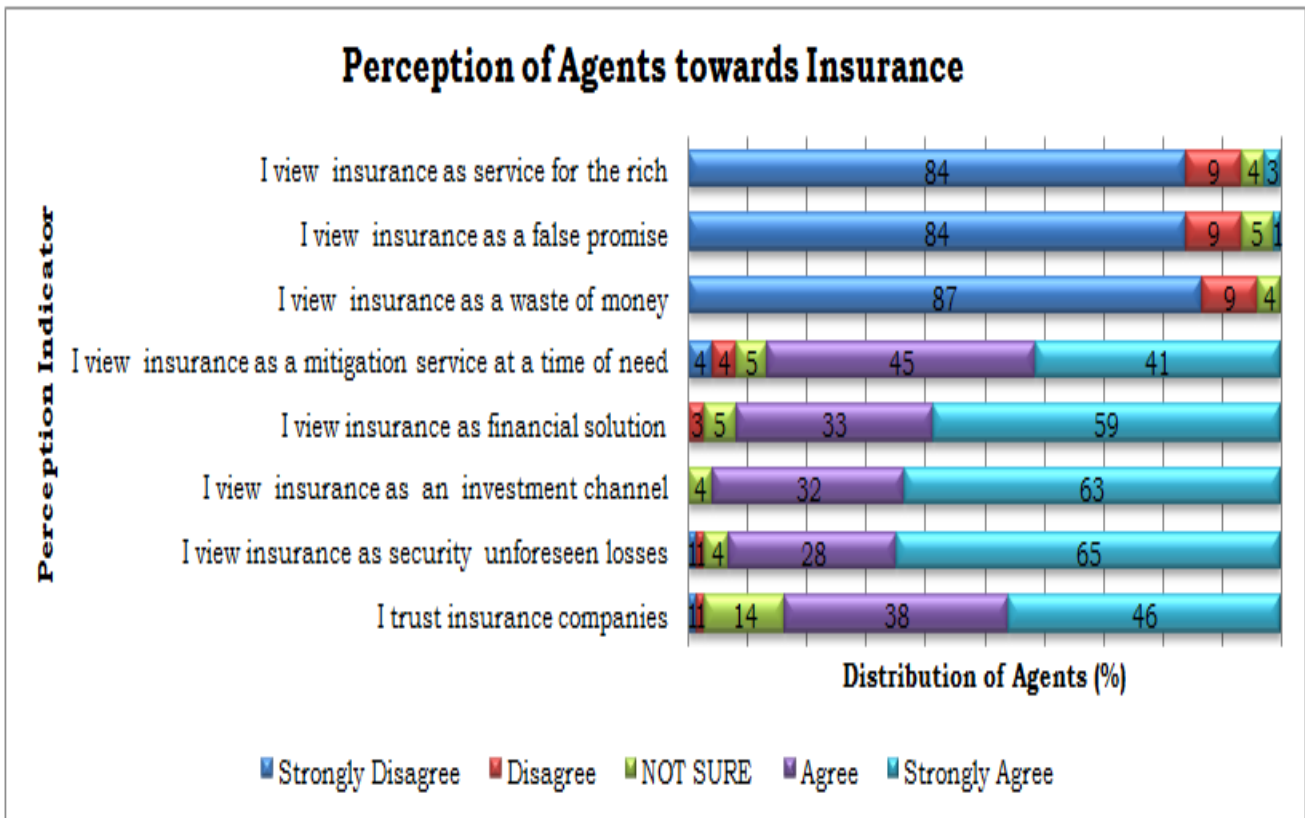
The overall perception of agents towards insurance is impressive with over 92% of the agents showing positive attitude and expectations on insurance as shown in figure 20. Only 6% hold moderate attitude towards some issues of insurance with those only 2% of the agents showing negative attitude towards insurance issues as shown in figure 20.



**Figure 20: Perception of agents towards insurance; Overall**

In figure 21, 84% of the agents show that they trust insurance companies. In terms of whether insurance is a security to unforeseen losses 93% of the agents are in agreement. Insurance is an investment channel according to 95% agents and a financial solution according to 92% of the agents. In addition, 86% of the agents see insurance as a mitigation service at a time of need. Insurance is not a waste of money, a false promise or a preserve of the rich according to 87%, 84% and 84% of the agents respectively.





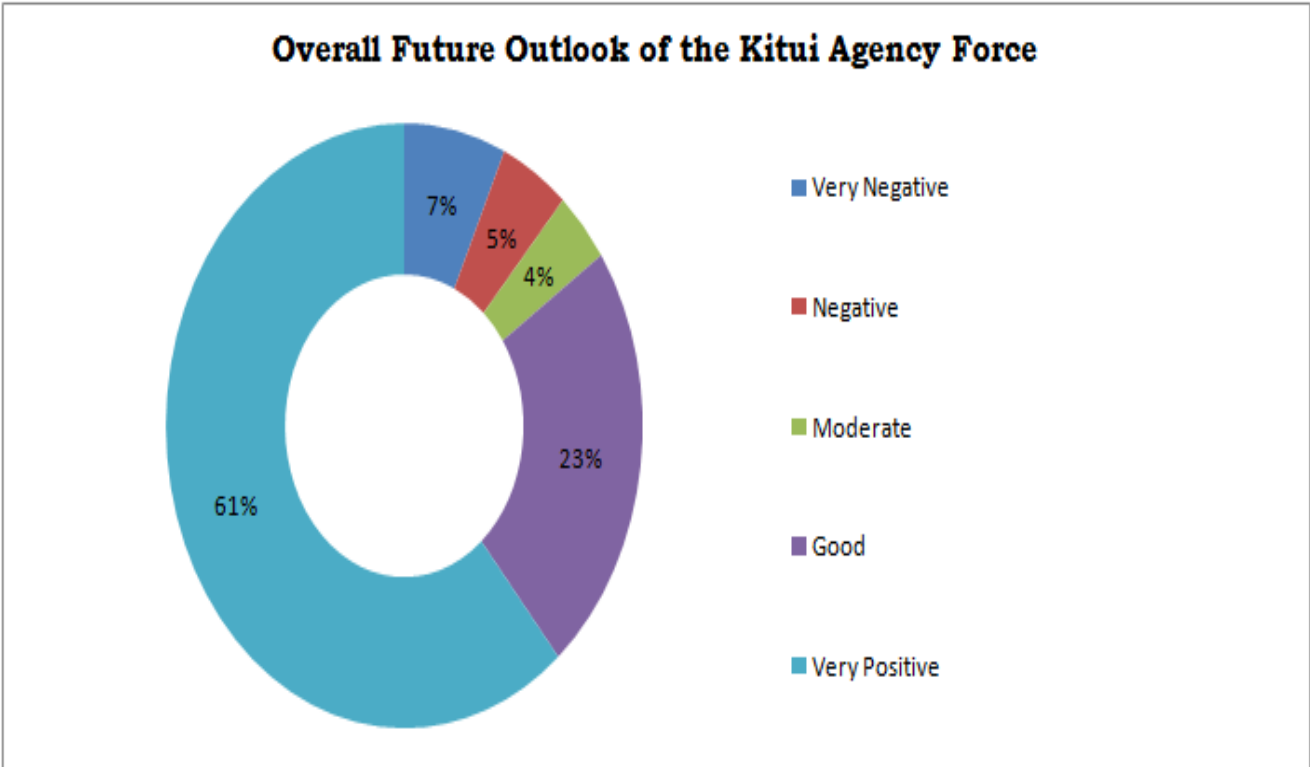
**Figure 21: Perception of Agents towards Insurance; Distribution per Indicator**

### FUTURE INSURANCE PROSPECTS OF THE AGENTS

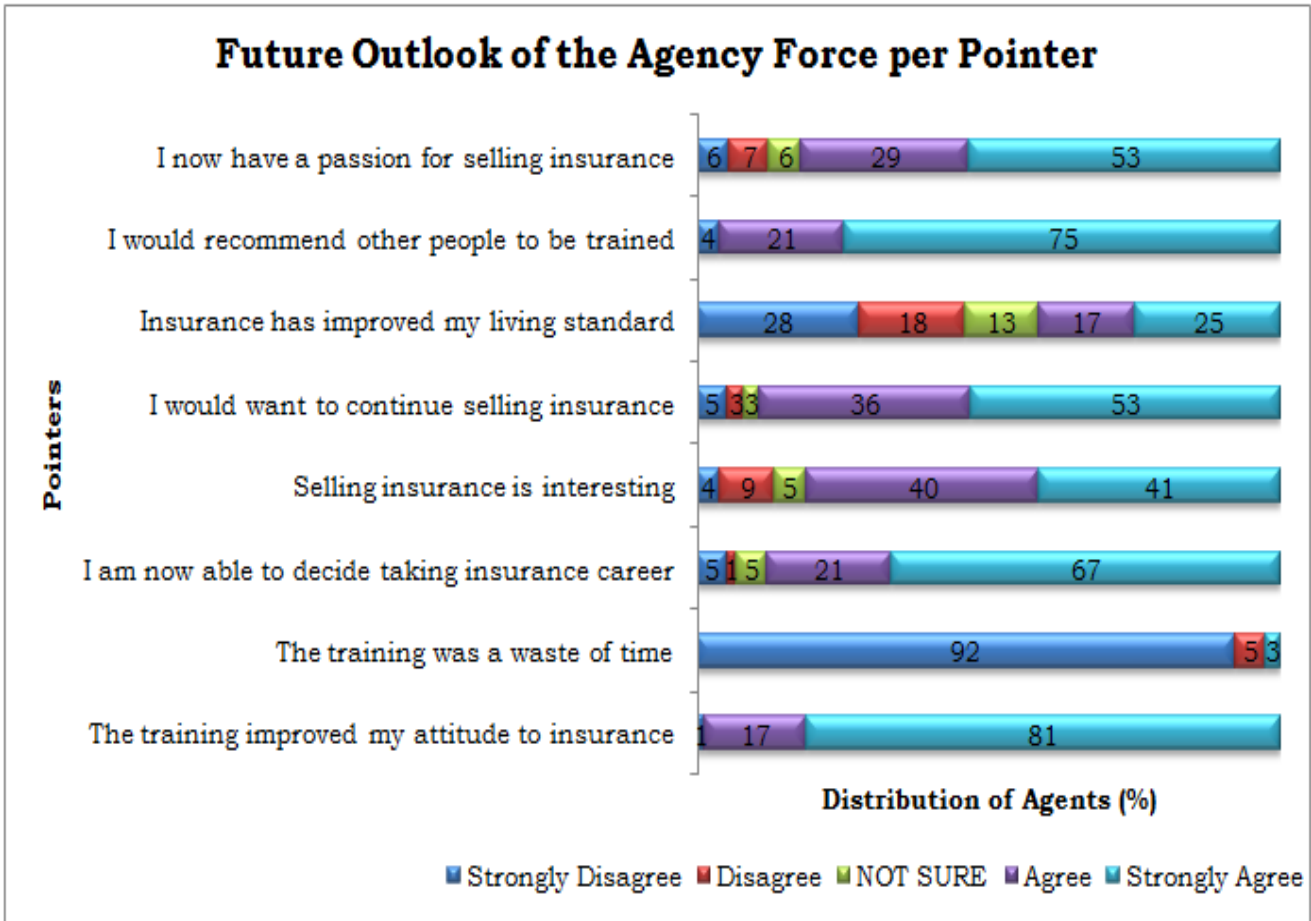
Most of the agents have positive outlook of the future of insurance business in Kitui County. About 89% have attended a training organized by individual insurance companies after the IRA ECOP training. This training was mainly on different types of products offered, how to prospect for insurance business, dress code and general conduct of an insurance agent. They see selling of insurance products as their responsibility as opposed to public education on insurance as. Some of the reasons for other agents (11%) failure to attend the training include; being busy, never heard of such opportunity after training, while others had lost interest in insurance.

Eighty eight percent (88%) of the agents showed willingness to pursue insurance as a career. Among these agents only 16% said that they had insurance as their primary career before the training; thus 84% of these made a career choice based on the training.

As shown in figure 22, 84% of the agents said there is potential for insurance business in Kitui. In figure 23, 82% of the agents have passion for insurance. About 96% of the agents would recommend the training to be taken to other regions. Already, around 42% of the agents have improved their living standards due to insurance selling with over 89% and 81% stating that they will continue selling insurance and that insurance selling is an interesting occupation. About 89% of the agents would consider insurance as a career with 99% saying that the training changed their attitude towards insurance.

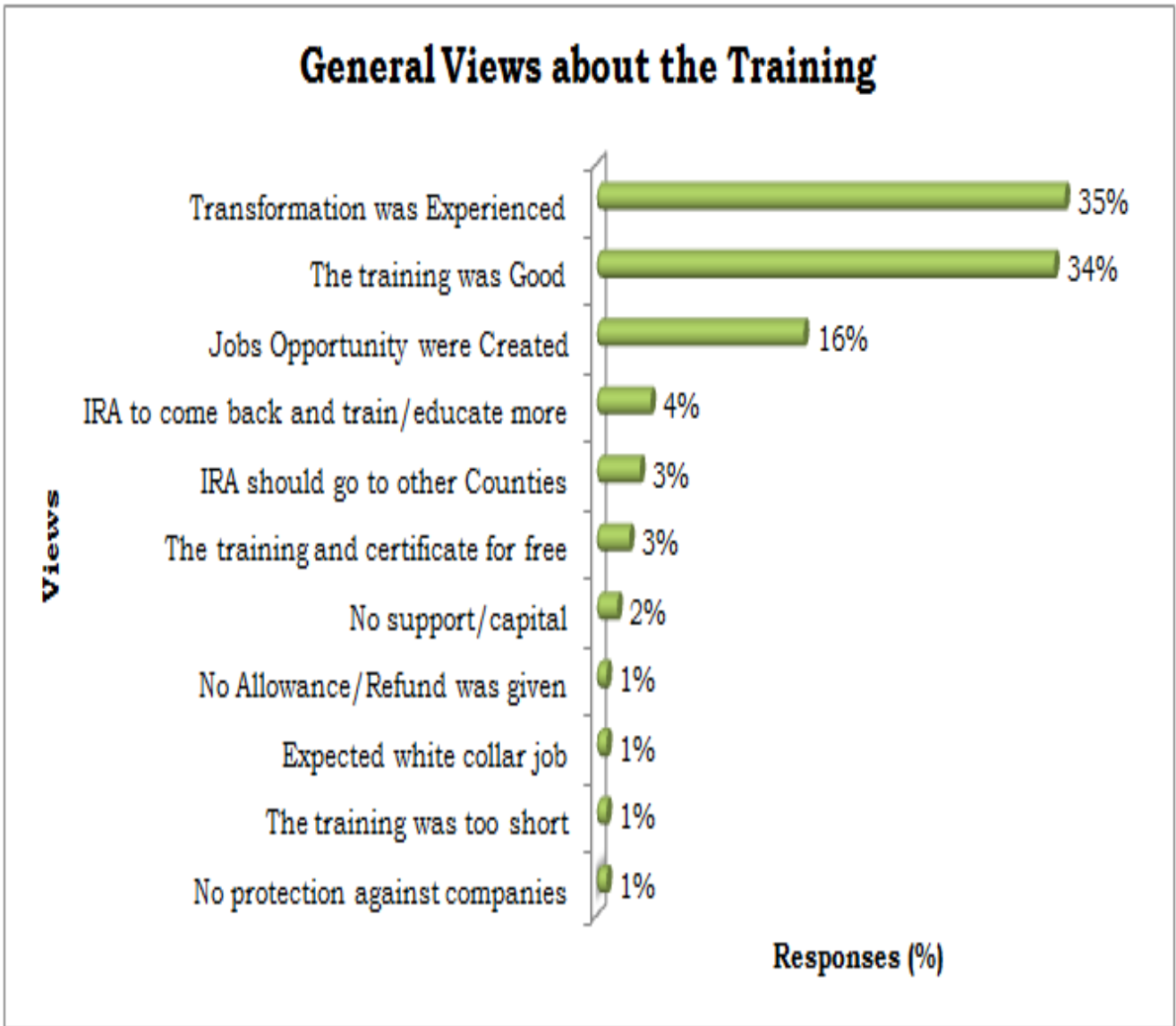


**Figure 22: Future Outlook of the Kitui Agency Force; Overall**



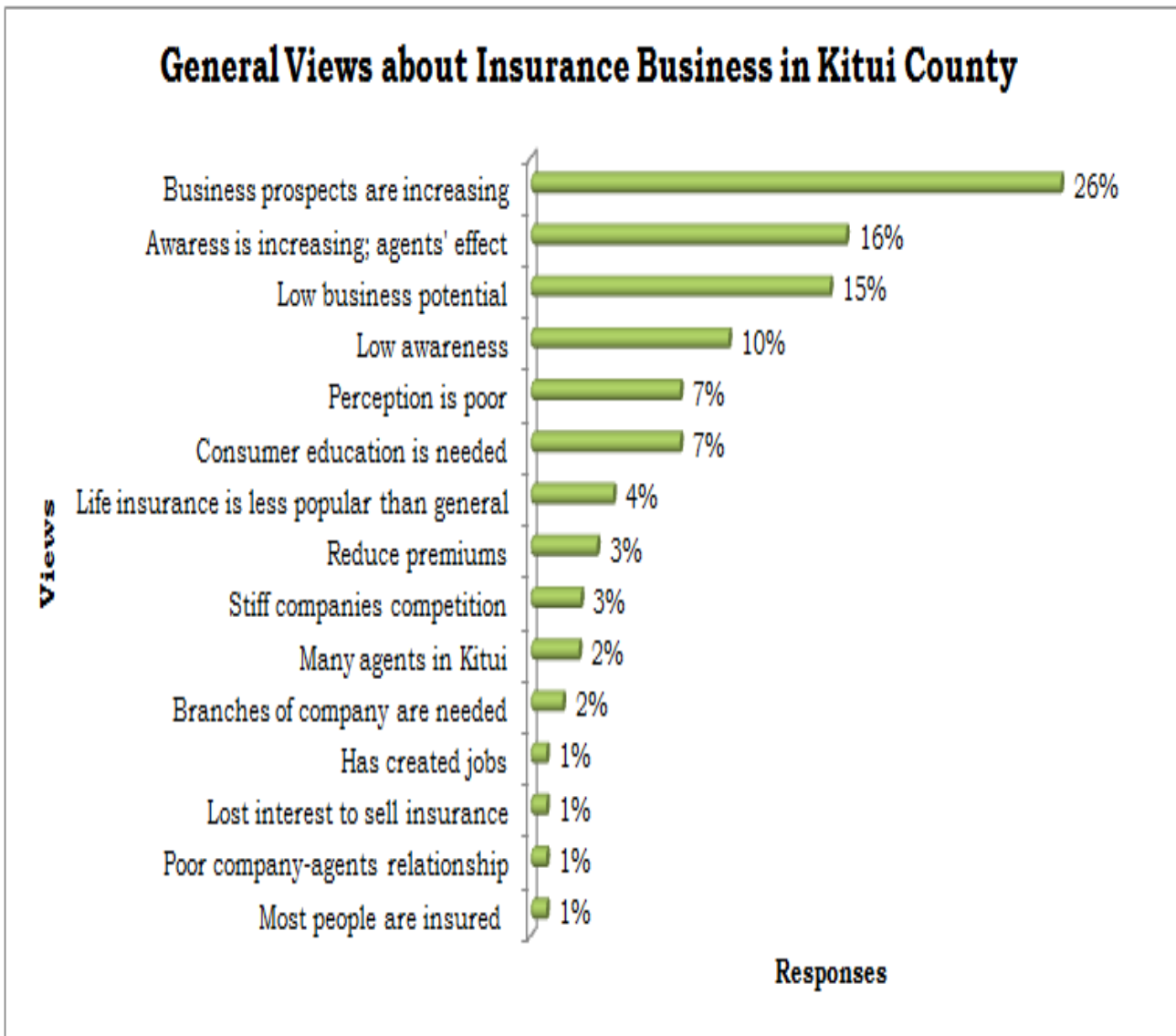
**Figure 23: Future Insurance Outlook of the Kitui agents; Distribution per Indicator**

Overall, as shown in figure 24 the ADP was rated positively by the respondents with many experiencing a transformation in their lives to include job creation among others. There is need for IRA to revisit Kitui to educate the general public so that the agents can find it easy to sell insurance. In addition, 100% of the agents recommended the training for other counties since this is an innovative program initiated by IRA. The fact that IRA was not giving allowances or refund for transport fares was seen as an issue of concern and may need reconsideration. Some agents felt that they should be protected from companies' mistreatment.



**Figure 24: General Views of Agents about the Training**

On their general views, the agents expressed optimism in business prospects (26%) and awareness creation (16%) as shown in figure 25. Some agents felt that the low business potential in the region coupled with low awareness and poor perception of insurance accounting for over 32% would slow down their insurance selling prospects. In order to change this scenerio, it was indicated that consumer education may help improve insurance business in Kitui. Other views revolved around; the need to reduce premiums since the purchasing power of the people is low, there are many agents in Kitui, and there is need for companies to open branches and improve principal-agent relationship.



**Figure 25: General Views of Agents about Insurance Business in Kitui**

#### SUMMARY OF CRITICAL ISSUES EMERGING FROM THE SURVEY

From the survey, a number of issues are critical for the success of the agency development program and these include;

- 1. Company representation;** though agents are allowed to represent more than one company and company endorsements are procedural some agents are in the process of changing from one company to the other due to mistreatment. This was likely to erode insurance image in the region.
- 2. Licensing;** some agents were promised by the companies that they will be registered by the companies. The agents were tired of making calls to know

the status of the licensing. There was need to reemphasize on licensing with IRA during the training. A follow up was required.

- 3. Contracts;** most of the agents did not have contracts for selling.
- 4. Commissions Payment;** Some agents who had sold policies had not receiving commissions even though the policyholders had sent premiums. This is due to a minimum threshold of **KES. 10,000** premiums that the agents were to meet. Nevertheless, some agents had received commissions.
- 5. Identification;** only one company had given the agents business cards, caps and t-shirts. Other agents were facing problem of proof as genuine agents.
- 6. Regional managers conduct;** some regional managers are said to be mistreating the agents. It was alleged that some transferred policies to their favorite agents.
- 7. IRA-College of Insurance distinction;** some agents could not differentiate between IRA and COI thus COI officers are mistaken for IRA officers.
- 8. Start-up and Operating Capital;** There was a problem of financing agents operations like transport, food, dress code, communication airtime.
- 9. Low consumer awareness and poor insurance perception;** the need for consumer education emerged since the awareness was said to be low in Kitui especially on life insurance. The image of insurance was also poor.
- 10. Knowledge of PHCF, Complaints resolution and risk assessment;** the agents showed weakness in explaining to the prospective clients the role PHCF, the role of IRA in complaints resolution, general evaluation of customer risk to match an insurance product and importance of insurance.

#### **4.2 CONCLUSION**

Assessment of the agency development program shows that it is rated quite positively. The general feelings of the agents about the agency development program are quite encouraging with 99% approval that the training changed their attitude towards insurance. The agents are grateful to the Authority for this innovative initiative. A number of satisfaction gaps were however identified which may need to be addressed by the various players in the industry to enable agents continue selling insurance in an enabling environment. In addition, baseline indicators have been proposed for both the agents and IRA.

### **4.3 RECOMMENDATIONS**

- i. The Authority should organize a forum to address some of the issues and challenges raised by the agents in this study.
- ii. The Authority may consider starting the licensing process at the training venue during graduation and make a follow up on the Kitui agents' licensing.
- iii. The next agency training program may need to take appropriate measures to prevent recurrence of the challenges faced at Kitui County.
- iv. Conduct consumer education exercise in Kitui to raise level of public awareness on the need and benefits of insurance to include the important role played by agents. The outreach program should be all inclusive and bringing together various interest groups.
- v. Development and dissemination of IEC materials to the agents on complaints resolution, PHCF and risk assessment to also cover issues of enhancing image of the industry.
- vi. Develop and implement a strategy on principal-agent relationships
- vii. Address the issue of image of insurance
- viii. There is need for continuous monitoring of the agency development program along the identified indicators ( see appendix 1)
- ix. There is need to collect data in Kisii to enable more inclusive baseline indicators for the agency development program to be developed. This will also enable the Authority authenticate the veracity of the issues raised in Kitui.

#### 4.4 SUGGESTION FOR FURTHER SURVEYS

1. Study should be done in Kisii and Meru counties and other counties where the training is to be conducted.
2. Review of the data collection tool

### APPENDIX

#### APPENDIX 1 – MONITORING INDICATORS PROPOSED FORMAT

Performance Indicator	Unit of measure	Baseline
Number of policies sold	No.	180
Monthly income from insurance	KES	274,000
No. of Agents trained by IRA	No.	105
No. of agents retained by IRA	No.	102
No of licensed agents	%	0
No. of license renewals	No.	NA
Number of companies represented	No.	13
Careers development in insurance/training	Cert/Slip/Admission	NA
Attitude toward insurance	%	92
Knowledge of insurance	%	91
Place of selling (county, district and town)	%	100
General Conduct (Agent-client complaints)	%	0
General Conduct (Agent-company complaints)	%	0
Number of agents trained by company	%	89
Number of agents retained by company	%	89
Number of agents who have sold insurance	%	47
Number of IEC materials provided to the agents	No.	NA
Number of workshops held with the agents	No.	NA
Cost efficiency of the program ( cost per agent)	KES	NA
Number of monitoring and evaluation reports	No.	1
Number of counties covered	No.	1

NA stands for not applicable at baseline level