FACTORS INFLUENCING THE PERFORMANCE OF LIFE INSURANCE SERVICES IN TANZANIA: A CASE STUDY OF NATIONAL INSURANCE CORPORATION OF TANZANIA
FACTORS INFLUENCING THE PERFORMANCE OF LIFE INSURANCE SERVICES IN TANZANIA: A CASE STUDY OF NATIONAL INSURANCE CORPORATION OF TANZANIA

By
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A Dissertation Submitted in Partial fulfillment of the Requirements for the Degree of Masters of Science in Accounting and Finance (MSC-A&F) of Mzumbe University

2013
CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University a dissertation titled, “Factors influencing the performance of life insurance service: The Case of National insurance corporation of Tanzania, in partial fulfillment of the requirements for the Degree of Masters of Science in Accounting and Finance of Mzumbe University.

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DEDICATION

I dedicate this work to my entire family who encouraged me against all odds for my academic success. Apart from the difficulties encountered, I really appreciate and value their trust in me and wish them a very healthy and long life.
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<tr>
<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>ISD</td>
<td>Insurance Supervisory Department</td>
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<td>NIC</td>
<td>National Insurance Corporation</td>
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<tr>
<td>OECD</td>
<td>Organization for Economic Cooperation &amp; Development.</td>
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<tr>
<td>SAARC</td>
<td>South Asian Association for Regional Cooperation</td>
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<tr>
<td>SAR</td>
<td>Special Administrative Region</td>
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<tr>
<td>SPSS</td>
<td>Software Package for Statistical Science</td>
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<td>TIRA</td>
<td>Tanzania Insurance Regulatory Agency</td>
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<td>TZS</td>
<td>Tanzania Shilling</td>
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<td>WTO</td>
<td>World Trade Organization of Southeast Asian Nations</td>
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ABSTRACT

This study has assessed factors influencing the performance of Life Insurance service in Tanzania. The service quality has become a highly instrumental coefficient in the aggressive competitive marketing. For success and survival in today’s competitive environment, delivering quality service is of paramount importance for any economic enterprise. National Insurance Corporation of Tanzania, the leading insurance company has set up ‘benchmarks’ in measuring the whole concept of service quality. The present study has measured customers’ perception towards life insurance service quality by applying a framework developed by Sureshchandar et al. (2001). An advocated procedure has been used to develop, refine and validate a scale. Data has been collected from 60 customers from the city of Dar es Salaam.

The findings of the study demonstrate that five-factor structure as proposed by Sureshchandar et al. (2001) has been refined to seven-factor construct (consisting of 34 items) representing Proficiency; Media and presentations; Physical and ethical excellence; Service delivery process and purpose; Security and dynamic operations; Credibility; and Functionality. Besides, the study also investigates the relationship between each of the generated service quality dimensions and customers overall evaluation of life insurance service quality. It reveals that among these seven factors, three viz., Proficiency; Physical and ethical excellence; and Functionality have significant impact on the overall service quality of Life Insurance Corporation of Tanzania. Managerial implications and directions for further research have also been discussed.

In order to improve service delivery, the life insurance companies are supposed to be managed in a business-like manner. This calls for effective governance of the authorities by setting and establishing various forms of good corporate governance mechanisms, of which life insurance companies are an integral part. This research was set up to explore the factors affecting the performance of life insurance service
in National insurance Corporation of Tanzania with the aim to further strengthen their governance performance.

The research found out that the life insurance services are not effective as they should because of lack of independence from management. Most life insurance companies are established as per requirements of the Insurance Act, 2001 (as amended in 2004) by the chief executive officers to whom they report. The composition of the life insurance established in this manner draws members from the management team and few nominees of the chief executive officers from their respective parent ministries. A number of recommendations are made which are considered important for the improvement of the effectiveness of the life insurance service in National Insurance Corporation. Suggestions are also made for areas requiring further research.
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CHAPTER ONE

INTRODUCTION

1.1 Background to the Problem

The Greeks and Romans introduced the origins of life insurance in 600 AD when they organized guilds called “benevolent societies” which acted to care for the families and funeral expenses of members upon death. Guilds in the middle ages served a similar purpose. Insurance became far more sophisticated in post-Renaissance Europe, and specialized varieties developed. Calandro, 2006 defines insurance as a business of risk assumption.

National Insurance Corporation (NIC) is the oldest insurance company in Tanzania which was established on 23rd October 1963. The corporation has undergone various stages of development, from market economy soon after independence to monopoly when the country adopted socialism policies and now liberalized insurance sector. While the country was under socialism sphere of influence no private insurance company was allowed to practice in Tanzania. The introduction of trade liberalization as a result of Insurance Act Number 18 of 1996, and in particular the emergence of private insurance companies brought stiff competition to NIC.

According to statistics available NIC, life policies insured during the year 1967/6 showed an increase of 138% in number and 97% sum assured, whereas the premium rose by 98.2%. In Non-life insurance business, a total gross premium of TZS 50,858,352 reflected an increase of 95.2% over the previous accounting year whilst the net premium income rose by 181.5%

The amount of Premium collected from policyholders who were insured with the NIC has been fluctuating year after year. Gross premium trend was previously increasing from the year 1967 until 1998 when it started to decrease gradually. This resulted from the Government policy of Liberalization and privatizations of financial sectors and insurance sector was among them. Many other insurance companies
where formed. This policy increases competition in the market because new players lure away the NIC’s market share.

1.2 Statement of the Problem

Despite the fact that NIC is having branches in each region in Tanzania and offer both long-term insurance services (life) and non life services (general), its market share has dropped significantly by 5% up to year 2010. The Insurance Conference held in Dar es Salaam in year 2010 shows that only about 1% of Tanzanians are registered in various insurance products, (Singh, 2010) and lack of awareness seems to be the source. While the insurance market is growing, many customers take cover on non life insurance services such as motorcar, motorcycles, aviation, marine and properties. The reason is that they are forced by the laws and policies in place or either someone has experienced a financial loss, now he decides to take insurance cover. But for life insurance product such as sickness, death, and education, people are reluctant to take insurance cover, and as a result the performance of life insurance companies in terms of premium collection has been dropping so as for the NIC market share.

There are two detailed studies on the determinants of life insurance demand, one taking into consideration only the Asian countries and the other based on 68 economies. The former study by Ward et al. (2003) and the later by Beck et al. (2003) revolves around the issue of finding the cause behind variations in life insurance consumption across countries. After almost three decades of empirical work in this direction, it is still hard to explain the anomalous behaviour of Asian countries with higher savings rate, large and growing population, relatively low provision for pensions or other security and a sound capital market but comparatively low per-capita consumption of insurance. Except Japan, most of the Asian countries have low density and penetration figures. This company has been selected as a case study since it has branches all over Tanzania as well as the agents and brokers and it offers both life and non life insurances, hence it is expected that many customers could be reached and get the services easily. Since it is difficult to predict the future and much other uncertainty (Sonia, 2002), this research has explored the factors
influencing life insurance performance of the NIC as well as whether these factors have statistical significance on the life insurance premium collections.

1.3 Research Question

1.3.2 Specific research Questions

(i.) What are the casual-effect influences of the selected factors in the performance of the company

(ii.) What are the factors which influence the performance of life insurance service?

(iii.) What factors affecting written premium are linearly correlated to the performance of life insurance.

1.4 Research Objectives

1.4.1 General Research Objective

The main objective of the research was to explore factors which determine the performance of the life insurance services in Tanzania.

1.4.2 Specific Objectives

The specific objectives therefore were:

(i.) To describe factors which influence the performance of life insurance services.

(ii.) To assess the extent to which the selected factors affecting written premium are linearly correlated to the performance

(iii.) To analyze the causal-effect influence of the selected factors in the performance of the company.

1.5 Significance of the Research

The purpose of the study is to explore factors that affect the company’s performance in terms of amount of premium written as well as to whether the Insurance industry contributes to economic improvements in the eyes of its customers and there by assist the government in providing good and secured services to the people. According to Liedtke (2007) insurance should be a key.
This study is also important in the pursuit to improve life insurance services in considered a key component of economic development and the best mechanism to take care of multidimensional risks in modern economies. It is necessary to clear the confusion regarding considering life insurance as a superior or luxury good among potential consumers in developing countries with comparatively low per-capita income.

As there has been no research conducted in Tanzania on the same topic, this research would draw a room for companies to reassess the mentioned factors affecting the life insurance performance as well as provide areas for further studies since there may be many other factors influencing insurance services in Tanzania. And lastly, this research has added knowledge in the existing field and is the part of the researcher’s studies to fulfil the requirement of the Mzumbe University to be awarded a Master's of Science in Account and finance.

1.6 Limitations of the Study

In this research, the researcher faced the following limitations;
Lack of motivation from respondents in answering questionnaires was the first limitation. The reason could have been due to the fact that most that have NIC Management have many responsibilities to attend to, or that other respondents feared giving classified information. This affected the validity if data given. Others could also have been afraid to protect their status fearing the information given could backfire against them.

The time allocation for the academic study was not enough to exhaust the subject matter to its highest level possible. Sometimes relevant information’s could not be collected quickly.

The existence of financial problems on the side of the researcher was another problem. Funds were not sufficient enough to facilitate the research activities as the researcher was not sponsored by anybody/organization. There were costs such travelling expenses, follow-up questionnaires, printing and binding the different reports which affected the free flow of the research process.
CHAPTER TWO

REVIEW OF RELATED LITERATURE

This chapter dwells on theoretical literature review and it focuses on issues such as conceptual definitions, empirical review and Research questions.

2.1 Theoretical Review

2.1.1 Definition of Insurance Concept

(i) Insurance

Insurance Act, 2009 define insurance as a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss. Insurance is defined as the equitable transfer of the risk of a loss, from one part to another, in exchange for payment. Calandro (2006) defined as an agreement where for a stipulated payment called premium, one party (the insurer) agrees to compensate the other, (the policyholder) a defined amount of money (the claim payment or benefit) upon the occurrence of a specific loss. Insurance terms are defined according to the Tanzania Insurance Act.

(ii) Insurance Business

Means the business of assuming the obligation of an insurer in any class of insurance which is not declared to be exempts from the provisions of the insurance Act and includes assurance and reinsurance and reassurance. Calandro (2006) defines insurance business as a business of risk assumption. In summary, insurance can be defined as an agreement where for a stipulated payment called premium, one party (the insurer) agrees to compensate the other, (the policyholder) a defined amount of money (the claim payment or benefit) upon the occurrence of a specific loss. Insurance terms are defined according to the Tanzania Insurance Act.

(iii) Life Insurance Business (Long term Insurance)

Life assurance business means the business of or in relation to the issuing of, or the undertaking of liability to pay money on death or on the happening of any
contingency dependent on the termination or continuance of human life (either with or without provision for a benefit under a continuous disability insurance contract) and include a contract which is subject to the payment of premiums for term dependent on the termination or continuance of human life and any contract securing the grant of an annuity for a term dependent upon human life. (Insurance Act, 2009).

Types of Life Insurance offered are: Life Assurance Provider – 10 years and above, Flexi Life Provider – 9 years only, Super Life Provider – 11 years, Education Annuity Provider - 5 years, 6 years, = Super education Provider – 5 years etc. Superannuation business means life assurance business, being business of or in relation to the issuing of or the undertaking of liability under superannuation group life and permanent health insurance policy termed as medi-care insurance scheme (NIC Annual Report, 2007) Insurers’ categories the life insurance based on the following factors: age, health problems, occupation, hobbies, habits, driving records, expenses such as underwriting and administration costs and the interest that the company expects to earn from investing the premium.

(iv) **Premium**

If the likelihood of an insured event is so high, or the cost of the event so large, that the resulting premium is large relative to the amount of protection offered, it is not likely that the insurance will be purchased, even if on offer. Further, as the accounting profession formally recognizes in financial accounting standards, the premium cannot be so large that there is not a reasonable chance of a significant loss to the insurer. If there is no such chance of loss, the transaction may have the form of insurance, but not the substance. Insurance can influence the probability of losses through moral hazard, insurance fraud, and preventive steps by the insurance company. Insurance scholars have typically used morale hazard to refer to the increased loss due to unintentional carelessness and moral hazard to refer to increased risk due to intentional carelessness or indifference. Insurers attempt to address carelessness through inspections, policy provisions requiring certain types of maintenance, and possible discounts for loss mitigation efforts. While in theory insurers could encourage investment in loss reduction, some commentators have
argued that in practice insurers had historically not aggressively pursued loss control measures - particularly to prevent disaster losses such as hurricanes - because of concerns over rate reductions and legal battles.

(v) Policy

A policy includes writing where by any contract of insurance is made or agreed to be made. An insurance policy may be defined as a contract under which the insurer agrees in return for a premium, to indemnify the insured for the loss suffered as a result of the occurrence of specified events which caused the destruction, loss or injury of something in which the insured has an interest. (Insurance Act, 2009) A life insurance policy is a legal contract between a customer and the insurance company. This spells out the following, the rights and duties of a policy holder and the company; how much and how often to pay; the benefits someone is entitled to receive; the circumstances under which the policy holder will benefits. A person affecting a contract of insurance with an Insurer is a policy holder.

(vi) Insurance Agent and Insurance Broker

Insurance Act, 2009 define an insurance agent as a person, who solicits applications for insurance, collects money by way or premium and acting in accordance with agency agreement and may find the registered insurer for whom he acts in the issue of insurance cover and the term agent shall be constructed accordingly. Insurance broker means a person, who act with complete freedom as to his choice of undertaking and for commission or other compensation and not being an agent of the insurer, bring together, with a view to the insurance or reinsurance of risk, persons seeking insurance or reinsurance undertaking, carry out work preparatory to the conclusion of contracts of insurance or reinsurance, and where appropriate, assists in the administration and performance of the contracts, in particular in the event of a claim.( ISD Annual Report, 1998)

(vii) Underwriter and an Insured

An underwriter is any person named in a policy or other contract of insurance as liable to pay or contribute towards the payment of the sum secured by the policy or
contract; an insured is a person affecting a contract of insurance with an Insurer. (Debreu, 1953)

(viii) Application Process
The process of evaluating insurance risk and accepting or rejecting it is called underwriting. Because a wide range of risk may be acceptable, underwriting also involves classifying or “rating” the risk into various tiers. Different policy conditions and terms typically apply to different rating tiers. For example, applicants who are rated at higher risk of making a claim on the insurance pay higher premiums. Application process can be done by the officers at the branches, head office, brokers or agents on the NIC (Browne, et al. 2010)

(ix) Non-Life Insurance (General Insurance Business)

(x) Customer Satisfactions or Dissatisfactions of Insurance Services Offered.
Customer satisfaction is very important in any business especial in a competitive business environment. Satisfaction is a person’s feelings of pleasure or disappointment resulting from comparing a product’s perceived performance (outcome) in relation to his or her expectations. If the performance falls short of expectations, the customer is dissatisfied. If the performance matches the expectations, the customer is satisfied. Kotler (2003); Today’s customers are becoming harder to please. They are smarter, more price conscious, more demanding, less forgiving, and they are approached by many more competitors with equal or better offers. In a competitive marketplace where
businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy.

Customer service satisfaction has now become a global business imperative (Sturdy 2000) resulting in a movement away from scripted conversations to ones in which the agent is more empowered to resolve the problem. Customer service is the provision of service to customers before, during and after a purchase. According to Turban et al. (2002), "Customer service is a series of activities designed to enhance the level of customer satisfaction - that is, the feeling that a product or service has met the customer expectation. Customer service may be provided by a person (e.g., sales and service agent), or by automated means called self-service. The experience a customer has of a product also affects the total service experience, but this is more of a product direct feature than what is included in the definition of customer service. Customer satisfaction is an ambiguous and abstract concept and the actual manifestation of the state of satisfaction will vary from person to person and service to service. The state of satisfaction depends on a number of both psychological and physical variables, which correlate with satisfaction behaviours such as return and recommend rate. The level of satisfaction can also vary depending on other options the customer may have and other products against which the customer can compare the organization's products (Gitomer 1998) says the challenge is not to produced satisfied customers; several competitors can do this. The challenge is to produce delighted and loyal customers.

Customer satisfactions or dissatisfactions can be analyzed basing on a number of factors of production which are Product, Price, Promotion and Process

(xi) Customer Care
In managing the claims handling function, insurers seek to balance the elements of customer satisfaction, administrative handling expenses, and claims overpayment leakages. As part of this balancing act, fraudulent insurance practices are a major business risk that must be managed and overcome. Disputes between insurers and insured over the validity of claims or claims handling practices occasionally escalate.
2.2 Theoretical Literature

Studies on life insurance consumption dates back to Heubner (1942) who postulated that human life value has certain qualitative aspects that gives rise to its economic value. But his idea was normative in nature as it suggested ‘how much’ of life insurance to be purchased and not ‘what’ will be purchased. There were no guidelines regarding the kind of life policies to be selected depending upon the consumers capacity and the amount of risk to be carried in the product. Economic value judgments are made on both the normative as well as positive issues. Later studies on insurance gradually incorporated these issues via assimilating developments in the field of risk and uncertainty following works by Arrow (1953), Debreu (1953) and others. The economics on insurance demand became more focused on evaluating the amount of risk to be shared between the insured and the insurer rather than evaluation of life or property values. This emerged because it was risk associated with individual life or property that called for an economic valuation of the cost of providing insurance.

Life insurance is essentially a form of saving, competing with other forms of saving in the market. The theory of life insurance demand thus developed through the life-cycle model(s) of saving. Let a person’s income rate and his consumption plan are represented by a continuous function of time \( y(t) \) and \( c(t) \) respectively. Using the expected utility framework in a continuous time model, Yaari (1965) studied the problem of uncertain lifetime and life insurance. Including the risk of dying in the life cycle model, he showed conceptually that an individual increases expected lifetime utility by purchasing fair life insurance and fair annuities that give the expected payment which satisfy the police holder. Simple models of insurance demand were proposed by Pratt (1964), Mossin (1969), Smith (1968) and others; considering a risk adverse decision maker with an initial wealth \( W \). The results indicate that demand for life insurance varies inversely with the wealth of the individuals. Hakansson (1969) used a discrete-time model of demand for financial assets and life insurance purchase in particular to examine bequest motive in
considerable detail. Pissarides (1980) further extending Yaari’s work proved that life insurance was theoretically capable of absorbing all fluctuations in lifetime income. Lewis (1989) found out that the number of dependents as an influence on the demand for life insurance.

2.3 Empirical Literature Review

In this section, we explore some of the pioneering empirical exercises on determinants of life insurance. Most of these studies had focused on both the demand side factors and the supply side factors. Headen and Lee (1974) studied the effects of short run financial market behaviour and consumer expectations on purchase of ordinary life insurance and developed structural determinants of life insurance demand. They considered three different sets of variables: first, variables stimulating demand as a result of insurer efforts (e.g. industry advertising expenditure, size of the sales force, new products and policies, etc.); second, variables affecting household saving decision (e.g. disposable, permanent and transitory income, expenditure expectation, number of births, marriages, etc.) and lastly, variables determining ability to pay and size of potential markets (e.g. net savings by households, financial assets, and consumer expectation regarding future economic condition). They concluded that life insurance demand is inelastic and positively affected by change in consumer sentiments; interest rates playing a role in the short run as well as in the long run.

Using an international dataset (12 countries over a period of 12 years) to examine the relationship between property liability insurance premiums and income, Beenstock et al. (1988) found out that marginal propensity to insure i.e., increase in insurance spending when income rises by 1$, differs from country to country and premiums vary directly with real rates of interest. Assuming a two period simple model; they considered the case when wealth $W$ is reduced by $G$ following a loss and no insurance purchased in the first period. If there had been some insurance purchased than wealth in the first period equals ($W - \text{premium paid}$) and assuming loss, end period wealth is ($G - \text{sum insured}$). Thus, again the decision of consumer and his/her
initial wealth status too are significant factors when short run or long run consumption of insurance is considered.

The study by Truett et al. (1990) discussed the growth pattern of life insurance consumption in Mexico and United States in a comparative framework, during the period 1964 to 1984. They assumed that at an abstract level demand depends upon the price of insurance, income level of individual, availability of substitute and other individual and environment specific characteristics. Further, they experimented with demographic variables like age of individual insured(s) and population within the age group 25 to 64 and also considered education level to have some bearing on insurance consumption decision. They concluded the existence of higher income inelasticity of demand for life insurance in Mexico with low income levels. Age, education and income were significant factors affecting demand for life insurance in both countries.

Starting with a brief review of Lewis’s theoretical study and an assumption that inhabitants of a country are homogeneous relative to those of other countries, the study by Browne et al. (1993) expanded the discussion on life insurance demand by adding newer variables namely, average life expectancy and enrolment ratio of third level education. The study based on 45 countries for two separate time periods (1980 and 1987) concluded that income and social security expenditures are significant determinants of insurance demand, however, inflation has a negative correlation. Dependency ratio, education and life expectancy were not significant but incorporation of religion, a dummy variable, indicates that Muslim countries have negative affinity towards life insurance. Based on a cross-sectional analysis of 45 developing countries, Outreville (1994) analyzed the demand for life insurance for the period 1986. In his study he considered variables such as agricultural status of the country represented by the percentage of agricultural labor force; health status of the country in terms of amenities like percentage of population with access to safe drinking water; percentage of labor force with higher education and the level of financial development as factors explaining insurance demand other than the variables we have discussed above. Two dummy variables were used to reflect the
extent of competition in the domestic market and foreign participation in the countries considered. The analysis shows that personal disposable income and level of financial development significantly relates to insurance development. Since the political philosophy regarding market openness varies from country to country, market structures dummy appeared to be significant.

Taking into account the expansion of the service sector during the early nineties and growth of insurance services in particular, Browne et al. (2000), tried to explain the differences in property liability insurance consumption across countries. They considered individual’s income and wealth, degree of risk aversion, loss probability and price of insurance as variables affecting property-liability insurance demand, similar to those used for life insurance demand analysis. The analysis was focused on the OECD countries and concluded that in general, insurance purchase is influenced by various economic and demographic conditions. Another study based on nine OECD countries examined the short run and long run relationship exhibited between economic growth and growth in the insurance industry.

This study by Ward et al. (2000) is a co-integration analysis using annual data for real GDP and total real premiums for the period 1961 to 1996. Results give an indication that country specific factors example the attitude toward risk, the regulatory factors etc. influence the causal relationship between economic growth and insurance market development. Allowing income elasticity to vary as GDP grows for an economy, Enz (2000) proposed the S-curve relation between per-capita income and insurance penetration. Using this one factor model one can generate long run forecast for life insurance demand. Observing the outlier countries or countries distant from the S-curve plot, it is possible to identify structural factors like insurance environment, taxation structures, etc. resulting in such deviations.

There are two detailed studies on the determinants of life insurance demand, one taking into consideration only the Asian countries and the other based on 68 economies. The former study by Ward et al. (2003) and the later by Beck et al. (2003) evolves around the issue of finding the cause behind variations in life
insurance consumption across countries. After almost three decades of empirical work in this direction, it is still hard to explain the anomalous behaviour of Asian countries with higher savings rate, large and growing population, relatively low provision for pensions or other security and a sound capital market but comparatively low per-capita consumption of insurance. Except Japan, most of the Asian countries have low density and penetration figures.

The two main services provided by life insurance: income replacement for premature death and long-term savings instruments, are the starting point for Beck et al. (2003). They considered three demographic variables (young dependency ratio, old dependency ratio and life expectancy), higher levels of education and greater urbanization as independent factors in explaining insurance demand. Economic variables like Gini index and Human development index are new additions along with institutional variables reflecting political stability, access to legal benefits and an index of institutional development were used. The analysis considering the time period 1961 to 2000 shows that countries’ with developed banking system, high income and lower inflation have higher life insurance consumption. The association of insurance demand with demographic is not statistically strong however older the population, higher tends to be insurance consumption. The luxury good nature of insurance did not reflect through its association with income distribution.

In contrast to Beck et al. (2003) results, the study by Ward et al (2003) is indicative of the fact that improved civil rights and political stability leads to an increase in the consumption of life insurance in the Asian region as well in the OECD region. Following Laporta et al (1997, 1998, and 2000) works relating to supportive aspect of legal environment for finance, they too considered the same in determining insurance demand. Analyzing the data from 1987 through 1998 for OECD and Asian countries, they observed that income elasticity between developed economies and emerging economies are consistent with “S-cure” insurance growth findings by Enz (2000). One basic factor that puts a brake on growth is low propensity to consume: low propensity for life insurance, not necessarily because of considerations of
affordability nor because of inadequate range of insurance products and services. 

2.3.1. Market Factor

2.3.1.1 Assets and Liabilities Factor
The life insurance companies face considerable reinvestment risk arising from the 
current duration mismatch of their assets and liabilities. This is caused by the dearth 
of long-term assets in the local financial system on the one hand and the prevalence 
of long duration liabilities on the other. Some insurance companies offer minimum 
guaranteed rates of return on their policies, but these are subject to periodic review, 
thus limiting the exposure of insurers to a large and persistent fall in the level of 
interest rates. Guaranteed rates of return are low compared to the current level of 
interest rates and insurance companies typically retain considerable discretion over 
terms and conditions. Nevertheless, insurance companies in several European 
countries have been hit by the offer of guaranteed returns and caution is advisable.

Endowment insurance policies are linked to housing loans and thus are nominally 
well hedged. But they raise the possibility of even greater mismatch exposure if 
housing loans were prepaid in the event of a large fall in interest rates, but 
endowment policies were not surrendered. Admittedly, companies have built in 
various protective features in their operations but could still be exposed to large 
losses. Similarly, group pension business that is linked to defined benefit plans 
involves the offer of guaranteed annuity options that could expose insurance 
companies to significant losses in the event of a large and persistent fall in interest 
rates.

2.3.1.2. Tax Incentives
Life business has been favored by generous tax incentives and has also benefited 
from the high level of development of pension funds on the one hand and housing 
finance on the other (Vittas 2003). In recent years, life insurance business and the 
total assets of insurance companies, which are linked to life policies, have grown
faster or, at least, as fast as GDP. The share of life premiums in total insurance premiums has been rising steadily.

The breadth of tax incentives cannot be exaggerated. Life premiums are deductible from income tax up to Tsh 80,000 per family per year (about 80 percent of per capita income), while investment income is treated favorably and policy payouts are free from tax. In addition, both pension saving and housing loans enjoy considerable tax advantages. Pension contributions are exempt from tax without any ceiling, while interest on housing loans is deductible up to Tsh 250,000 per family per year. Interest relief is available on all secured loans used for primary housing or education purposes, even those secured by life insurance policies - thus, providing a further incentive for purchasing life insurance to middle and high income people.

Internationally, South Africa and Ireland have very large life insurance sectors and in both countries, tax incentives play a major part that is fuelled by the high marginal tax rates applying in these countries. In Mauritius, the relatively low personal income tax rates and the availability of a large variety of deductions weaken the tax advantages of individual life insurance policies.

In the nonlife sector, motor insurance is the largest component. It does not suffer from very high loss ratios as is the case in most other developing countries. The use of high deductibles has helped to keep loss ratios low and has allowed many small insurers to survive despite their operating inefficiencies. General insurance business is subject to high volatility of premiums, claims and earnings linked to cyclical fluctuations in economic activity and the adverse impact of large losses caused by low frequency events, such as devastating cyclones and fires affecting large textile factories and hotels. Insurance companies use international reinsurance facilities for their large industrial and commercial risks. Most companies are well capitalized and reserved, although some small companies have long faced financial difficulties.
2.4 Factors Contributing to the Performance of Life Insurance Services

2.4.1 Insurance Industry Nationalised for 30 Years.

The Tanzanian insurance industry was nationalised in 1967, with the National Insurance Corporation (NIC) and the Zanzibar Insurance Corporation (ZIC) being the only insurance companies permitted to transact insurance business. This status quo was held until liberalisation of the insurance industry in 1996.

2.4.2 Liberalisation Led to a Strong Foreign Influence.

A number of new insurance companies have entered the market since liberalisation. The majority of new entrants are general insurance companies, as shown in Table 2.1. The same Table shows the significant foreign ownership of Tanzanian insurers, with only 18.5% of the registered insurance licenses in 2010 being 100% locally owned.

Table 2.1: Number of Registered Insurance Licenses by Type

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long term assurance</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>General insurance</td>
<td>10</td>
<td>12</td>
<td>12</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td>Composite</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Reinsurer</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>17</td>
<td>18</td>
<td>18</td>
<td>24</td>
<td>27</td>
</tr>
<tr>
<td>100% locally owned</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>6</td>
<td>5</td>
</tr>
</tbody>
</table>

While there have been numerous international studies on the performance of other financial services industries, especially deposit-taking institutions, only a handful have been concerned with the insurance industry. A study on the performance of the insurance industry is crucial since the said industry is currently facing many challenges, including increased competition, consolidation, solvency risks, and a changing regulatory environment. The question of the efficiency of the firms in this industry is clearly important in order to determine how the industry will respond to these challenges and which firms are likely to survive (Berger et. al, 1993). Due to the increased competition, consolidation and a changing regulatory environment that have characterized the insurance industry in recent years, it is imperative for the insurance operators to always seek for ways and methods to improve their operating
performance. The findings from the expanding body of literature on efficiency in insurance for both developed and emerging economies, have important implications for both insurance operators in improving their competitive edge and the policymakers as well as the regulators of insurance companies in order to improve the stability of the financial institutions and to enhance further the effectiveness of the monetary system as a whole.

2.4.3 Factors Influencing Life Insurance Service Performance

2.4.3.1 Customer Service

The customer service is one of the factors that may determine the efficiency and satisfaction of the customer, the employee require to provide high customer care to their customer by providing the advisory service and the general education to the customer. However it was found the following challenges face the organization;

(i.) Customer handling eg Lack of salesmanship approach
(ii.) Delays in issuance of policy documents
(iii.) Lack of timely renewal notices
(iv.) Lack of periodical visits to customers by staff
(v.) Inadequate advice on claim procedures and documentation
(vi.) Delay in claim settlement
(vii.) Frequent communication facilities breakdown

2.4.3.2 Organization Structure

The Organization structure of the any Organization may determine the performance of the Organization. Strong Organization structure enhances high performance of the organization and the weak organization structure may also reduce the performance of the organization.

The strong or weakness of the organization may be identified through the following;

(i.) Alignment
(ii.) Performance Standards
(iii.) Staffing
(iv.) Matching of responsibility with appropriate authority
(v.) Appropriate remuneration System
2.4.3.3 Market Level

The level of competition and accessibility of capital in the financial market may affect the performance of the Organization. The ethical practices by the competition may destroy or increase the performance of the organization. This may be identified through:

(i.) Exaggeration of claims in matters relating to insurance claims this may erode reserves
(ii.) Intermediaries delay/non remittance of premium impair efficiency and image
(iii.) Aggressive advertisements and publicity through various types of media.
(iv.) Strengthen relationship with intermediaries through material and material incentives

Insurance penetration in Tanzania is very low. Measured as gross premiums (general insurance and long-term assurance premiums combined) expressed as a percentage of gross domestic product (GDP), insurance penetration is very low by global and African standards. Despite an increase in penetration from 0.62% in 2006 to 0.86% in 2010 (TIRA, 2010), penetration in Tanzania is still significantly lower than the 6.9% global average for 2010 and the 3.9% African average. Even when measured against the neighbouring countries of Mozambique and Kenya and against Ghana, penetration is shown to be relatively. This level of penetration clearly shows the insurance industry is performing below its potential, with significant scope for future growth.

Insurance is a defensive measure used against future possible risks of the future. It is a legal contract that protects a person from contingent risk of losses through financial means and provides a means for individuals and societies to handle some of the risks faced in their daily life. However, a number of people in Tanzania do not understand the role of insurance that creates confidence and eliminates worries. Despite various social and economic challenges over the couple of years, including rising inflation, chronic power blues, frequent accidents on the roads and sea, as well
as cases of fire, Tanzania's insurance industry has maintained a robust growth.

According to the Tanzania Insurance Regulatory Authority (TIRA, 2011), there were 26 insurers licensed to conduct general and life insurance business in the country, as of June 30, 2011. Of these, 21 are general insurers, two life insurers and three composite companies -- operating both life and general insurers.

There is also one re-insurance firm, the Tanzania National Reinsurance Corporation Limited (TAN-RE). The Commissioner of Insurance, Mr Israel Kamuzora, told the 'Daily News' recently that the market grew by 20 per cent in gross premiums during the nine months period to September 30, 2011, compared to a similar period of the previous year. Mr Kamuzora also noted that investment Income for the market grew by a whopping 111 per cent during the nine months period to September 30, 2011 compared to same period the previous year. On the country's economic scenario, year-on-year inflation rate rose for the 13th straight month to 19.2 per cent in November from 17.9 per cent in October, the National Bureau of Statistics (NBS) said in its monthly report earlier this month.

Gross premiums written for life insurance business in the nine months period to September 30, 2011 was 27.9bn/- from 21.7bn/- of same period. Policyholders benefits paid were 9.79bn/- for the nine months period to September 30, 2011 from 9.17bn/- for a similar period last year. Underwriting expenses for life insurance business in the nine months period to September 30, 2011 were 12.1bn/- from 6.4bn/- for a similar nine months period last year. Investment income for life insurance business in the nine months period to September 30, 2011, was 7.53bn/- up from 1.97bn/- for similar nine months period last year¹.
2.5 Challenge in Management Performance

2.5.1 About Performance Management

Performance Management (PM) is more than the end of the year appraisal. It’s about translating goals into results. Performance Management focuses not only on individual employees, but also on teams, programs, processes and the organization as a whole. A well developed PM program addresses individual and organizational performance matters necessary to properly create and sustain a healthy and effective results-oriented culture. Public agencies have a greater challenge to define and measure results than private sector organizations, whose results are almost exclusively tied to financial goals. Public agencies are also required to comply with complex regulations that govern their performance management programs. Effective PM will help organization raise individual performance, foster ongoing employee and supervisor development, and increase overall organizational effectiveness.

2.5.2 Functions of Performance Management at NIC

The Performance Management at NIC provides a full range of functions as analyzed bellow:

(i.) Assessment of our current performance appraisal programs and practices
(ii.) Development of performance plans aligned with organizational goals
(iii.) Writing elements and standards that include credible measures of performance
(iv.) Design of performance rating metrics that effectively differentiate levels of performance
(v.) Identification of critical job performance elements that define results to be achieved
(vi.) Design of reward systems linked to your performance appraisal program
(vii.) Assistance implementing pay-for-performance systems
(viii.) Technology solutions to streamline the performance management processes
(ix.) Integration of performance management with our strategic planning, rewards, succession planning, and career development programs
(x.) Workshops to train supervisors on performance management competencies such as setting goals, reviewing performance, and delivering feedback
(xi.) Facilitate strategic planning offsite/retreats
(xii.) Assistance identifying organizational mission, vision, values, and/or strategic goals
(xiii.) Development of an organizational performance program or strategic human capital plan to implement strategic mission and goals
(xiv.) Managerial and executive coaching
(xv.) Strategic consulting on organizational effectiveness issues
(xvi.) Design of a tool to standardize the rating of generic core competencies
(xvii.) All these functions has separated into divisions in order to be implemented effectively and this may be elaborated through organization structure.

NIC Management Structure

The NIC is managed by the Board of Directors headed by the Board Chairman. The Board of Directors is assisted by the Audit Committee. The day to day operations are managed by the Managing Director who is assisted by four Directors namely;

(i.) Director of Finance & Administration (DFA)
(ii.) Director of Life Insurance (DLI)
(iii.) Director of Non-Life Insurance (DNLI)
(iv.) Director of Marketing & Customer Services (DMCS)
(v.) Under the Managing Director's Office, there are four departments and two units.

(vi.) These Departments are headed by;
(vii.) Chief Internal Auditor
(viii.) Chief Manager Actuarial Services, (CMAS)
(ix.) Chief Legal Counsel (CLC), and
(x.) Chief Manager ICT (CMICT),
(xi.) Whilst the units are headed by ;
(xii.) Head of Procurement Management Unit (HPMU)
(xiii.) Public Relations Officer (PRO)
The performance reports of the organization are generated at every end of the year which are submitted to the Board members during Annual General Meeting and circulated to all staff under each department.

During the year end 2007 the organization faced the following challenges in relating to Performance Management;

**Unsatisfactory Customer Service**
(i.) Delays in issuance of policy documents
(ii.) Delays renewal notice
(iii.) Insufficient periodic visits to customers by Staff
(iv.) Delay in claim settlement
(v.) Inadequate advice on claim procedures and documentation
(vi.) Frequent communication Facilities breakdown

**Insufficient IT System**
The computer hardware and software are outdated hence poor performance, thus risking lack of data integrity and suffers from availability of both service and backup. The maintenance and recovery of data from the computer system, especially main database, when there is a failure, takes a lot of time. The consequence of these problems has been to frequently intervene the IT system manually to ensure accuracy of reports which is not a recommended IT practice. Absence of appropriate IT software to handle Claims Registers or Claims Subsidiary Ledgers elevates the risk for data integrity due to use of manual recording of these records which is prone to human error given the volume of claimants. Unless appropriate measures are taken to solve the IT problems mentioned above, corporation future operation and accounting system will severely impair data reliability.

**Competition**
Unethical practices by Our competitors
(i) Undercutting of premium Rates
(ii) Restriction to Insure with selected companies
Unethical Practice by Our Associates

(i) Exaggeration of claim (by Assessor, loss adjusters) in matters relating to insurance claims erodes our reserves.

(ii) Intermediaries delay/remittance of premium weaken our efficiency and image.

At the end of 2007, the insurance industry in Tanzania employed 2,530 people, 39 percent of whom (982 people) worked in insurance firms and the remaining 61 percent were employed by various insurance agencies, broking houses and loss assessors and adjusters. Of the 982 people who were employed by insurance firms, 55 percent worked for the state-owned National Insurance Corporation (NIC).

One of the biggest challenges facing the National Insurance Corporation (NIC) in insurance business is the failure of some firms to sustain a minimum solvency margin, thus preventing them from being able to fully meet their financial responsibilities. In addition to this, other challenges include a lack of training facilities and governmental delays in adopting a policy on insurance for its vehicles.

During the year ending 31st December 2005, a total of 120 complaints were handled by the Insurance Supervisory Department, from policyholders and third parties against certain insurance companies (ISD, 2006). Most of the complaints handled by ISD were on delay to settle claims by the National Insurance Corporation and this is due to serious financial problems facing NIC. Few complaints were on refusal to settle claims and were addressed sufficiently as where there was no justifiable grounds to reject a claim, concerned insurers were ordered to settle the claims. However, it was observed in some few complaints that the insurers had justifiable grounds to reject the claims whereby claimants/complainants were advised accordingly
Figure 2.1: NIC Management Organization Structure

As a student of

BOARD OF DIRECTORS

BOARD OF AUDIT COMMITTEE

MANAGING DIRECTOR

CHIEF INTERNAL AUDITOR

CHIEF LEGAL COUNCIL

HEAD PROCUREMENT MANAGEMENT UNIT (PMU)

DIRECTOR LIFE INSURANCE (DLI)

DIRECTOR NON LIFE INSURANCE (NDLI)

DIRECTOR FINANCE & ADMINISTRATION

DIRECTOR MARKETING & CUSTOMER SERVICES

MANAGER PENSION AND MEDICARE

MANAGER MOTOR INSURANCE

MANAGER NON MOTOR INSURANCE

MANAGER REINSURANCE

MANAGER HUMAN RESOURCES & ADMINISTRATION

CHIEF ACC ACCOUNT

MANAGER PLANNING & INVESTMENT
CHAPTER THREEE

ANALYTICAL CONCEPTUAL FRAMEWORK

3.1 Dependent Variable and Independent Variable

According to independent and dependent variables, there is clearly interrelation as regards to the proposed topic. The following are independent and dependent variables:

3.1.1 Dependent Variable

A dependent variable is the one which is being influenced by the other variables. In this study, a dependent variable in evaluating the company’s performance are all indicators leading to the performance of life insurance services divided into four categories: Product value indicator - incurred expense ratio, incurred claims ratio, and net income ratio; Product awareness and client satisfaction indicators - renewal ratio, coverage ratio and growth ratio; Service Quality Indicators – promptness of claims settlements and claims rejection ratio; and, Financial prudence Indicators – solvency ratio and liquidity ratio.

3.1.2 Independent Variable

These are variables which do affect the dependent variable. In this study, the independent variables are factors that lead to effective and efficient performance of life insurance services that are divided into two categories namely, individual as well as firm’s level. At Individual level - employees’ loyalty and dedication, employees’ morale and retention, employees’ power to make decisions, employees’ sufficient knowledge and information on their job, and rewards for high performance. At Firm’s level - characteristics of its life insurance business, business base, management team and policies, financial performance, investment, liquidity, capital adequacy, financial flexibility and risk management.
Moderating Variable
These are process variables which act as vehicle or catalysts which stimulating the performance of life insurance services. These moderating variables are as follow: high commitment organization; high involvement management practices; cost efficiency; technical efficiency in the insurance industry on evaluation strategies; technological advances; and, profit efficiency.

Figure 3.1: Schematic conceptual framework for the performance of life insurance

Research Hypothesis
A null hypothesis is a mathematical based hypothesis that’s tested for possible rejections under an assumption this is going to be true. Usually with a null hypothesis, the observations are resulting from a chance. A scientific hypothesis is usually formatted as an "If..., then..." statement. In this sense the hypothesis is making a prediction, usually with reference to some natural process, processes or phenomena. The null hypothesis typically denotes that there is no correlation between the phenomenon that is measured and the prediction. It is the assertion that there is no correlation between the variables present in a particular experiment. However, although an experiment can return a null hypothesis, it is impossible to prove a negative. An experiment can only show that under certain conditions, a phenomenon or variable behaves a certain way (Dr Stannely, 1947).

On the other hand, an alternative hypothesis is a hypothesis that is used in the testing of hypothesis in opposite to the null hypothesis. When doing an alternative hypothesis, one would usually say that the observation is the result of the real effect. With this there is a small amount of chance variation superposed. The alternative hypothesis is the polar opposite of the null hypothesis. It means that there is a relationship between variables in the experiment. Any scientific hypothesis must be testable and falsifiable. In the case of the alternative hypothesis, the prediction made before the experiment is observed to be true. Statistics also plays a vital role in this process. Sample size and the parameters of a particular experiment are enormously important when it comes to interpreting the results of said experiment. There is always a statistical probability or error in any experiment and this must be taken into account when analyzing the results of the

Therefore following from the analytical/conceptual framework also diagrammatically presented by figure 3.1, the following hypothesis has been tested to provide answers to the research question for meeting the research objectives.

$$H_0 \quad \text{The performance of the life insurance service is not influenced by employee's morale and rentation, quality of staffs, rewards, characteristics of the insurance business, and Management team and policies}$$
H1  The performance of life insurance service influenced by employee's morale and retention, quality of staffs, rewards, characteristics of the insurance business, and Management team and policies.
RESEARCH DESIGN

4.1 Introduction
This chapter describes the methods, techniques and procedures that will be employed in data collection, process and analysis models to be used to validate the developed hypotheses. The research methodology sections will also consider logic behind methods to be used and explains why a researcher will use a given technique so that the results are capable of being evaluated by others.

4.2 Research Design – Case Study Design
A research design is the arrangement of conditions for collection and analysis of data. It is a matter that aims to combine relevance to the research purpose with economy in procedure (Kothari, 2001). It is a case study within which the research is conducted. The data used were obtained from annual financial reports for a given period of 5 years from 2005-2010. The researcher used both secondary and primary data such as documents review, annual reports, financial analysis reports and actuarial data.

4.3 Data Collection Strategy
4.3.1 Population of the Study
The NIC employees at head office as well as customers who serve for non life insurance and the agents of NIC Company. This method was applicable as NIC is having branch in all regions in Tanzania and potential customers are allocated in all those parts, Selection of DSM population represented the other branches. The choice of the population was purposely done in connection to life insurance services.

4.3.2 Sample Size
The NIC has 262 employees all over the country. In DSM there are four branches with total of 50 staff. The sample comprised 50 people, 30 staff randomly from Head office and 15 customers who have non-life policies and 5 life agents. The sample population was randomly selected base on the availability of respondents in the study area. But in addition, purposively sampling technique was employed so
as to enable a researcher to pick respondents who were useful in data collection for research findings.

4.2.3 Types of Data
In this regards two types of data were collected; namely primary and secondary data. Primary data are those collected for the first time and in principal they are original in nature. These were collected from respondents via a data collection method employed. While Secondary data are those which were collected sometimes earlier and underwent some statistical processes. Indeed these data are available in Journals, reports and other professional publications.

4.3.4 Questionnaire
Questionnaire as a tool for collecting primary data was employed by the researcher. The researcher distributed the questionnaires to the selected sample and gives them time to fill in. The researcher is going to administer questionnaires filling processes. Though this method is very challenging as it can be used only when respondent are educated and cooperating, also there is the possibility of ambiguous replies or omission of replies altogether to certain questions; interpretation of omissions is difficult (Kothari 2009). This tool provided inputs that is, source of information required for independent variables (first hand information).

Data collected through questionnaire concerned the following variables /indicators;

4.3.5 Interview
It was used so as to get more data that was not given in questionnaire since speaking is more powerful than writing (Pons 1992). The interview as a method of primary data collection is of very importance in this study. Interview was also used to counter check of the reliability of the answer collected using questionnaire. Moreover, it facilitated to acquire information on contributing factors (catalysts) to the performance for the life insurance services i.e. moderating variable. This method is preferable as more information and that too in greater depth can be obtained, also the language of the interview can be adopted to the ability or
educational level of the person interviewed and as such misinterpretations concerning questions can be avoided.

From this method the researcher was able to identify the perception of the society against the service provided by the organization. But also the researcher identified the challenges facing the employee at the working place in the organization in which at the end he identified the main factors facing the organization against its performance.

4.3.6 Observation
Observation tool of data collection is a holistic and multidimensional process to collect information from the field and interviewees (Creswell, 1994, Mwanje and Gotu, 2001, Babbie, 2004). During the interview, the interviewer observed physical expressions of the respondents and key informants and note relevant signal, signs, attitudes, body language or expressions as they were giving information in response to the questions asked. This tool of data collection helped to link with interviewees’ words of particular question asked and information given (Babbie, 2004). It also helped the researcher to understand well the information presented by the interviewees with their context, meanings and processes behind those words (Creswell, 1994; Patton, 2002; Silverman 2010b & Silverman, 2010a).

The researcher will also deploy the technique to obtain some additional information to figure out needed data to accommodate the paper and its relevancy. In addition to the interview method, observation method facilitated acquiring information on the contributing factors (catalysts) to the performance for the life insurance services i.e. moderating variable.

During the field, the researcher was able to make analytical review of the plans and strategies of the organization against its achievement of the organization. All these were obtained through observation. Furthermore the researcher observed the challenges facing each department and management and how they are solved in order to improve the efficiency of the organization.
4.3.7 Documentary Review

Secondary data collection involved a review of relevant information/published documents on performance of life insurance services, in particular, in Tanzania and globally. Other information gathered from key institutions involved in the whole aspect of life insurance services. Since there is possibility of not accessing printed documents, other materials were sought from the internet to supplement existing available materials.

This method was employed by the researcher to acquire information on the performance indicators for the life insurance services i.e. dependent variable of this study.

Through documentary review the researcher was able to measure the efficiency and effectiveness of the policy and management style used by the organization to address the problems and also to identify the opportunities available in the market if are well captured by the policy and management style used by the organization.

4.4 Data Analyses Strategy and Decision Criteria (Research questions strongly agree, disagree)

After collection of data, they were processed and analyzed to answer research questions to meet research objectives. Multiple regression analysis models was used to test the hypothesis and analyze the data collected. The study also used structural descriptive model such as Excel and SPSS to establish the relationship between dependent and independent variables.

Research data were gathered as per format provided by questionnaires form Questions with open answers, were used to draw respondent’s opinion regarding the issues in hand. Finally the researcher wrote a report and make recommendations according to the findings.
4.5 Item and Reliability Analysis

The aforementioned initial scale was refined using item and reliability analysis. It was performed to retain and delete scale-items for the purpose of developing reliable scale. The corrected item-to-total correlations and cronbach alpha statistics were employed to conduct this type of analysis. Corrected item-to-total correlations reflect the extent to which any one item is correlated with the remaining items in a set of items under consideration (Malhotra, 2007). Items with low corrected item-to-total correlations are candidates for deletion. Bearden (1998) advocated corrected item-to-total correlations of 0.35 or above. Cronbach alpha coefficient varies from 0 to 1, but satisfactory value is required to be more than 0.70 for the scale to be reliable (Hair et al., 2010).

Combining both the approaches as mentioned above, reliability of the 52-items was tested by computing Cronbach alpha scores on Performance-only measurement scale. Cronbach alpha value is estimated as 0.9568 for perception of customers indicating high level of scale reliability. Cronbach alpha of the scale was well above the cut-off value of 0.70, hence, deemed acceptable (Nunnally, 1978; Nunnally and Bernstein, 1994; Sekaran, 2005; Hair et al., 2010). The corrected item-to-total correlations of the final scale ranged from 0.3792 to 0.7204, which is above the minimum recommended level of 0.35 for inclusion of the items in a scale. The final scale came to include 42 positively stated items.

4.6 Factor Analytic Results

In order to provide a more parsimonious interpretation of the results, 50 -item scale was then Factor analyzed using the Principal Component method with Varimax rotation. However, before applying factor analysis, the data was tested for its appropriateness. In the present study, Kaiser-Meyer-Oklin (KMO) Measure of Sampling Adequacy (MSA) and Bartlett’s test of Sphericity were applied to verify the adequacy or appropriateness of data for factor analysis. In this study, the value of KMO for overall matrix was found to be excellent (0.918) and Bartlett's test of Sphericity was highly significant (p< 0.001). The results thus indicated that the sample taken was appropriate to proceed with a factor analysis procedure. Besides
the Bartlett’s Test of Sphericity and the KMO Measure of Sampling Adequacy, Communality values of all variables were also observed. The extraction value of the Communalities of all the variables was sufficiently above 0.50 except variable 24; this variable was removed from the instrument as per the recommendation of Hair et al. (2010).

Further, for defining the factors clearly, two criteria have been employed. First, it was decided to delete any variable having loading below ± 0.50. Second, it was decided that a factor must be defined by at least two variables. This criterion is consonant with the observations made by Rahtz et al. (1988). With this criterion in mind, a series of factor analysis was performed on the data. Following each analysis, items which did not meet the criteria were deleted from the analysis. After these preliminary steps, Factor Analysis with Principal Component Analysis as an extraction method has been performed on the remaining 41-item scale. Furthermore, it was observed that the variable 21 was cross loaded in F1 and F4; that variable too was eliminated (as per the recommendation of Hair et al. 2010) from the instrument.

Factor Analysis was rerun on the remaining 40-item scale. Ultimately, the final factor solution, which met the criteria, included 34-items defined by seven factors. Consequently, life insurance service quality in the present study composes seven factors namely, Proficiency; Media and presentations; Physical and ethical excellence; Service delivery process and purpose; Security and dynamic operations; Credibility; and Functionality. The initial instrument (as proposed by Sureshchandar et al., 2001) was adjusted to account for seven factors rather than five factors of service quality. The results obtained do not fully capture the proposed dimensions (viz., core service or service product; systematization/standardization of service delivery: non-human element; human element of service delivery and social responsibility) of Sureshchandar et al. (2001). Rather seven obtained factors have become a mix match of various items relating to the proposed instrument of service quality.
4.7 Regression Analysis

To assess the overall effect of the instrument on service quality and to determine the relative importance of the individual dimension of the generated scale, Multiple Regression Analysis has been performed. For regression analysis, the study adopted the use of a single-item direct measures of overall service quality, namely “overall quality of Life Insurance Corporation of India is excellent” at seven-point Likert scale.

The regression model considered the seven dimensions as independent variables and overall service quality as dependent variable. The adjusted R2 of 0.143 (p=0.000) indicates that 14.3 percent of variance in overall service quality is predicted by the service quality dimensions. Further the results also indicate that Proficiency; Physical and ethical excellence; and Functionality appeared to be significant predictors (p < 0.05) of overall service quality. Although, other dimensions (Media and presentations; Service delivery process and purpose; Security and dynamic operations; and Credibility) did not contribute significantly towards explaining the variance in the overall rating. VIF values score from 1.687 to 2.468 indicating that multicollinearity among independent variables is not a problem.
CHAPTER FIVE

DATA ANALYSIS AND DISCUSSIONS OF THE FINDINGS

5.1 Introduction
The purpose of this study was to explore the factors which determine the performance of life insurance services in Tanzania. This chapter presents data analysis and presentations of the findings. Questionnaire, interview, documentation and observation methods were used in data collection.

Questionnaire were distributed to 70 respondents aimed to collect 50 (fifty) filled questionnaires as to reach the target. Fifty (50) filled questionnaires from respondents were collected as planned for data processing, analysis and presentation.

5.2 Characteristics of Respondents
5.2.1 Sex
The question of sex asked to know the researcher’s views, opinion, perception from different gender respondents with regards to the performance of life insurance services in Tanzania.

The sample consists of a sizeable preponderance (72.1%) of male respondents over female (27.9%) respondents. The findings indicate that the number of male who responded to the questions out weighted the number of female by 23.5 percent with a mean of 1.38 and standard deviation of 0.49 which indicate that the representation was fare with a small deviation from the actual mean. Figure 4.1 below presents summary of information.
**Figure 5.1:** Distribution of respondents by Gender.

![Distribution of Respondent by Gender](image)

<table>
<thead>
<tr>
<th>Gender</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>72.10%</td>
</tr>
<tr>
<td>Female</td>
<td>27.90%</td>
</tr>
</tbody>
</table>

**Sex**

**Source:** Appendix Field Survey SPSS Findings July 2013

### 5.2.2 Education

From the demographic data information from Insurance companies, NIC-employees, government officials, Brokers, Business and community members in Dar Es Salaam were collected.

The intention of the study focused on the education levels, under the assumption that Education and Training have the significance influence in the utilization of Life insurance services. In terms of academic qualifications, it is not surprising that majority (39.8%) of the respondents is graduate followed by post graduates (32.3%), professionals (19.3%), senior secondary pass (6.5%), and matriculates (1.2%). See Figure 5.2.
The Types of Insurance service.

The first research question was on the types of insurance companies/services, available in Tanzania that speeds up the development of Insurance sector in Tanzania. The study findings revealed that 46 percent respondents replied that, both Life insurance and non-life insurance services are available. Another 46 percent of respondents were on the opinion that non-life insurance services are available to influence the growth of insurance sector compared to 8 percent who agreed on life insurance services. The types of non-insurance services mentioned includes: motorcar insurance, Motorcycle insurance, marine insurance and fire insurance. This means that, both types of insurance services, life and non-life insurance services are available at the area of study. Table 5.1 is concerned.
Table 5.1: Respondents answers on the types of insurance services

<table>
<thead>
<tr>
<th>Types of Insurance</th>
<th>Number respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life and non life insurance</td>
<td>23</td>
<td>46.0</td>
</tr>
<tr>
<td>Non life insurance</td>
<td>23</td>
<td>46.0</td>
</tr>
<tr>
<td>Life insurance</td>
<td>4</td>
<td>8.0</td>
</tr>
</tbody>
</table>

Source: Appendix Field Survey, July 2013

5.2.4 The Potential Life Insurance Services in Tanzania

The researcher requested respondents to provide their opinion on the degree of utilizing the potential available life insurance services in Tanzania. Data collected from the field indicates that total respondents were 100 percent who responded well, out of which 68 percent of respondents were on the opinion that the utilization range between 0% to 40%. While 20 percent of respondents were on the opinion that the level of utilization is less than 60%. 10 percent of respondents were in the range of 61% - 80% and the rest 2 percent of respondent said the utilization is above 80%. These study findings indicate that the level of utilizing the life insurance services in Tanzania is actually low for more than 56 percent implying that there is no clear link between availability of life insurance services and the level of utilizing them, so being a challenge for life insurance service development. Figure 5.3 is concerned.
Figure 5.3: Distribution of Respondents in Terms Level of Utilizing Life

Source: Field Survey July, 2013

5.2.5 Cross Tabulation of Education Level, Types of Insurance Services and The Level of Utilization in Tanzania.

A researcher performed a cross tabulation under the assumption that education and training level affect degree of utilizing available insurance services. The cross tabulation show Table 5.2 that graduates were 26 percent of respondents of which is the leading group in utilizing the potential insurance services compared 20 percent of respondents with no primary education up to secondary level. Twenty two percent of respondents were in the secondary level group. A diploma and degree graduate were 16 percent of respondents each with less significance use of insurance services in Tanzania. This indicate that trainees in social insurance pursue skills training to meet the specific requirements of occupations and upon successful completion they are awarded competency certificates for insurance such as life insurance and non life insurance. The level of significance was high (p=00) with Chi-squared 15.249.
Table 5.2: Education Level and the Level of utilizing insurance services

<table>
<thead>
<tr>
<th>Education level</th>
<th>81% - 100%</th>
<th>61% - 80%</th>
<th>41% - 60%</th>
<th>21% - 40%</th>
<th>0% - 20%</th>
<th>Number of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>None &amp; Primary</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Secondary (O &amp; Level)</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>5</td>
<td>11</td>
<td>22</td>
</tr>
<tr>
<td>Graduates</td>
<td>0</td>
<td>1</td>
<td>4</td>
<td>5</td>
<td>5</td>
<td>13</td>
<td>26</td>
</tr>
<tr>
<td>Professionals</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>5</td>
<td>1</td>
<td>8</td>
<td>16</td>
</tr>
<tr>
<td>Degree</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>8</td>
<td>16</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1</td>
<td>5</td>
<td>10</td>
<td>20</td>
<td>14</td>
<td>50</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Survey, July 2013

5.2.6 Types of Insurance Services

As to be more clear on types of insurance services and the utilization, the researcher was interested on the types of insurance services, customer perception, qualitative change of existing product opening a new market, development of new resources, as the products of Science and Technology which influence the development of insurance services in the area of study. The researcher’s assumption was that insurance services should be seen as an output of the application of science and technology (knowledge and action).

Study findings in Table 5.3 show that 60 percent of the respondents replied that all types of insurance have been realized in the area of study while 40 percent of the respondents said that only some of them influencing growth of insurance sector. This indicates that science and technology are available to influence insurance services and creativity (Schumpeter, 1947). In addition, the findings reveal a presence of significant number of people with entrepreneurial culture and traits of which if they get support in technical advice, appropriate information on business opportunities, knowledge and skills to utilize available local resources as per labor market demand and financial support on capital formation they could bring about the country’s
productive and manufacturing capacity for the economic growth as well as economic development. (See a table 5.3).

answers on types of insurance services, customer perception process or service, market, qualitative change of existing product, development of organization and new resources

Table 5.3 Respondents

<table>
<thead>
<tr>
<th>Insurance</th>
<th>Category of response</th>
<th>Number of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Agree all types</td>
<td>30</td>
<td>60.0</td>
</tr>
<tr>
<td></td>
<td>Agree some</td>
<td>20</td>
<td>40.0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>50</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Field Survey July, 2013

5.2.7 Challenges Related to Life Insurance Services Facing Insurance Companies

The question on challenges and problems which face insurance services and decelerate their growth was posed to the respondents. According to Table 5.4 seventy four (74) percent of the respondents said the combination of all the challenges and problems decelerate the growth of life insurance while 8 percent opted on lack of proper information. six percent of the respondents were on the option of lack of human capital, another 36 percent of the respondents said that the lack of physical capital whereas 6 percent of the respondents agreed on the lack of hardware technology, These indicates that these tested challenges tend to perpetuate, reinforce each other and to cause a significance limit in life insurance operations. (See a figure 5.4 below).
Figure 5.4: Challenges related to Life Insurance Service

Field Appendix Survey SPSS Finding, July 2013

5.3 Policy Environment and Institutional Environment

Respondents were requested to provide their opinions if there is a strong support of the policy and institutional support related to life insurance use. The researcher assumed that whatever there is a failure to link life insurance with insurance companies operation, it is failure of public policy, hence being a fundamental problem for the poor performance of the sector. The findings figure 5.5 revealed that 35.3 percent of respondent strongly disagreed, 33.3 percent of respondents disagreed while 9.8 percent of respondents were undecided. Only 9.8 percent of the respondents were at the position of strongly agreed including 9.8 percent of respondents who were on the opinion to agree. Basing on these findings, the policy and institutional environment do not reflect the need of the people in business operations. Public policy is whatever government chooses to do or not to do.
5.4 Discussions of Findings

5.4.1 Policy Implications of the Results

However, the results support the notion that dependency exists between the ages of life-policyholders and their modes of quitting the life-policy contract. Hence, the mode of exit can be said to depend on the age of life-policyholder. Furthermore, the views harvested from the life-policy holders seem to suggest that young people rush to take up life-insurance policy and withdraw almost immediately because of the harsh and difficult economic situations prevalent in the Tanzania business environment. Also the study revealed that life – policyholders were more stable in maintaining their life – policy contract in the late nineties than in the early nineties.

Hence, we can derive from the study that the life – insurance operators need more efforts to make the public understand that insurance services are investments for the
future and the perception that insurance services are a luxury should be discouraged. In life assurance practice, sudden termination of life policy before maturity (lapseation) is always provided for in the non-forfeiture provisions whereby the policyholder is not disadvantaged if there is a change in his economic circumstances resulting in his inability to continue with premium payment.

As life insurance companies deal with long-term as well as short-term contracts, it is necessary to safeguard the interest of the policyholders and promote national interest. In some economies, premium on life assurance comes from discretionary income especially in the third world countries. The position may be little different in the advanced economies.

The loanable funds of the insurance industry will be on the increase and the interest rate on decrease if lapse ratio is on the increase provided such policies have not acquired any surrender value. On the other hand, if such policies have acquired surrender values, policyholders will not like to borrow but will reduce in number causing the rate to rise. In situation where life policies are converted to paid-up status, there will be more funds for lending which may lead to a drop in interest rate lower than the rate in the case of high lapse ration. There is usually an inverse correlation between the impact of lapsation and interest rates since lapsation is concerned with whole-life, pure endowment and endowment assurances.

It is suggested that life insurance companies should issue all life – polices on the basis of the effects of inflation as long term contract as this will go a long way to attract the public attention in general and the potential life policy holders in regaining their confidence in the life insurance industry in Nigeria. Finally, government has a part to play to promote and create total awareness to the public agreements on life insurance policies especially among the working class as the study revealed that there is very low level of awareness and understanding by the Tanzanian public.

Development of insurance sector is important in developing the economy of any nation. Life insurance services have not been significantly accepted in developing
countries such as Tanzania. The poor level of life insurance culture in Tanzanian economy in particular has attracted relative interests among researchers. There has not been continuity in the Tanzanian government, which invariably affects the government policies. It is only when the political and socioeconomic institutions guiding the operations of insurance practices are protected against shocks from foreseen and unforeseen circumstances that the whole economy can grow and develop progressively.

5.4.2 Managerial Factor

The results show that most of the items proposed under five-dimension structure as suggested by Sureshchandar et al. (2001) are qualitatively relevant to measure life insurance service quality in the Tanzania context. The real problem arises in the factor structure the factor analytic results of the present study depicted a very different structure. Due to some additions and deletions in the proposed instrument, items were redefined and then relocated under seven different factors. There is a general perspective that service quality is a multi-dimensional or multi-attribute construct (Parasuraman et al., 1985).

However, there is no general agreement as to the nature or content of the dimensions (Seyedjavadein et al., 2007). The five-factor structure model as proposed by Sureshchandar et al. (2001) has been refined to seven-factor construct (consisting of 34 items) representing Proficiency; Media and presentations; Physical and ethical excellence; Service delivery process and purpose; Security, and dynamic operations; Credibility; and Functionality. Among these factors, three viz., Proficiency; Physical and ethical excellence; and Functionality have significant impact on the overall service quality of Life Insurance Corporation of India. The results also show that Proficiency has the highest impact and Functionality has the lowest one, while the role of Service delivery process and purpose; Media and presentations; Security and dynamic operations; and Credibility are not confirmed by the data.

Overall, the results do indicate that a meaningful pattern or a higher level of abstraction can be obtained from five critical factors in the new context, although the
original five-dimension (Sureshchanadar et al., 2001) of the scale is not applicable in the present study. However, five-factor would need to be customized for each industry. Ladhari (2008) has also concluded in his study that the number and nature of the dimensions varied, depending on the service context; indeed, they varied even within the same service industry.

Moreover, one has to bear in mind that the notion of service quality is industry and country specific (Ford et al., 1993; Akviran, 1994; LeBlanc and Nguyen, 1988). Further, as per the views of Siddiqui et al. (2010), for service quality modeling, a set of dimensions is required, but there seems to be no universal dimension; it needs to be modified as per the service in consideration. Thus, five dimensions require re-examination in the context of Indian life insurance sector. Hence, it would be advisable to re-define the factors according to the results obtained under the Indian conditions.

5.4.3 Managerial Implications
The findings of the study show that seven factors play a vital role in influencing the perception of customers toward service quality of Life Insurance Corporation of Tanzania. Proficiency is the key factor having impact on customer’s perception towards life insurance service quality. By improving the performance of agents and employees, Life Insurance Corporation of Tanzania can increase its customer’s satisfaction. In addition, other factors that customers are concerned at life insurance sector are Physical and ethical excellence; as well as Functionality. Existing life insurance players and new/potential entrants to Tanzanian life insurance market must specify the weight of each factor having impact on customer’s perception towards life insurance service quality. Based on the relevance of each of these factors, life insurance industry can propose appropriate action plans. Moreover, life insurance players who are planning to do business in Tanzania should be attentive when studying on service quality, so that they can focus on the major dimensions and plan to meet the customers’ expectations.
5.4.4 The Rapidly Evolving Regulatory and Supervisory Landscape

All interviewees cited regulation and supervision as areas of critical concern. The pace of regulatory change has accelerated materially over the past few years. Further, various jurisdictions appear to be taking increasingly divergent approaches to exercising their supervisory duties. Industry participants mentioned two specific concerns:

(i.) The increasing complexity of the regulatory environment

(ii.) The profound implications of Solvency II

5.4.4.1 The Increasing Complexity of Regulatory Environment

Executives and non-executive directors alike appreciate that global financial systems inevitably involve multiple, interconnected regulatory regimes. However, they feel that several recent developments may have material unintended consequences:

5.4.4.2 The Growing Multitude of Supervisors

Even compared with banking, the insurance industry has an almost overwhelmingly complex regulatory framework. The number of regulators and supervisors continues to grow, as has the scope of their mission following the financial crisis. Challenges are particularly acute in the Tanzania, but even Africa directors note the increasing role and influence of the African Insurance and Occupational Pensions Authority (AIOPA), which is discussed in more detail below. Insurers operating in the Tanzania have to deal with up to 51 state and territorial regulators and on consumer issues, 50 attorneys general. Interviewees also point to the establishment of the Federal Insurance Office and the various Federal Reserve banks’ increasingly aggressive approach to overseeing insurers that have chartered banks as subsidiaries. If any insurers are designated as systemically important financial institutions (SIFIs), they may face even more complex regulation. For example, in the Tanzania, the Federal Reserve would gain oversight of the insurance parent company. “The regulatory environment is changing rapidly in the Tanzania, and it is unclear how it will play out. The [National Association of Insurance Commissioners’ (NAIC’s)] members are trying to figure out their role, going forward, as is the NAIC itself,” noted one executive.
5.5 Summary of Research Findings.

The overall finding of this study is that; product awareness has an impact to organization both internally and externally.

The study found out that product awareness and insurance knowledge is poor to many Tanzania. But 31 respondents out of 32 internal customers strongly declared that there is poor internal product awareness within NIC, and this is due to untimely information and one way communication. Employees complain on lack of induction course and internal marketing of product. This shows that although the system and ways are there but employee are not comfortable on the whole system of communication as it is not that much effective. Respondents believed that when communication internally is well managed then NIC will excel in performance more than it is now as every employee will be able to market the product offered by NIC. Also from the field data it has been found out that NIC only participate in doing personal selling by using marketing offices (formerly insurance agents), as from our studies 55.56% of the respondents agrees on being approached by insurance agent, while 63% revealed that they have never seen any promotional activities done by NIC with exception of itself being insurance corporation. When asked on how they come across NIC, 18.52% of external customers said that they come to know NIC after watching and listening to media, while 55.56% have been recommended by someone, this shows the weakness on the promotion side. The majority suggested that; NIC must increase the rate of promotional activities so as to increase people awareness. Also there is a need of NIC having a help desk for the customers in need and these personnel on the help desk should be well equipped with knowledge of their products. On top of that, they should work on ensuring they strengthen the relationship with her customers by creating sort of informal conversation with her customers.

Lack of awareness of insurance in general seems to be the main cause of customers not to join insurance services. 5 respondents interviewed at Gongo la Mboto in Dar es Salaam after the bombs blast believes that it is the responsibility of government to
cover them against the risk incurred. 2 people interviewed after their house burn to ashes said that they don’t know if there are fire insurance services offered by NIC. And through observation many house owners have no insurance cover against any risk on their houses. Another cause is due to bad reputation NIC has in society. Many claim that their life insurance matured and they have not been paid on time, so they think its better to save their money themselves and solve the problem when it occurs.

It was observed that 19% of interviewer’s rate promptness of NIC staff as poor while 34% rates the courtesy of NIC staff as very good. Through observation it seems there are people who are satisfied by the service offered by NIC while there is a great number of customers who are dissatisfied by the services especially in claim payment.

In addition, the study answers the hypothesis, as through the study and observation it has been found that promotion creates effective in product awareness, through promotion customer become aware of the product and join the service, as we have also found in the study the significant relationship of awareness campaign and potential customer to join insurance services. In return Openness and timed message creates trust between management and customers, hence more effective communication.
CHAPTER SIX

CONCLUSION AND RECOMMENDATION

6.1 Overview
The main objective of this study was to determine factors which influence the performance of company life insurance services in Tanzania. The research aimed at identifying if there is a direct relationship between the independent variables to the company’s performance in insurance business. The study shows that some variables have negative influence to the premium collected whereas some factors have direct positive influence on the company’s performance on the premium collections.

In order to analyze these factors, the study raised a number of questions which called for the research to be done. The questions were; first, is the number of new policies written influence the net premium? Second, does the cost incurred in marketing the company’s products affect the premium collected? Third, does the company’s market share contribute to the performance? Fourth, is the number of registered insurance company’s affect the company’s performance on premium collection? Lastly, does the claims settlement influence people to renew or write new policies? This part of the research presents the conclusions and recommendations emanating from the major findings of the study and the subsequent discussions.

6.2 Conclusion
The findings were deducted from the study objectives which are to describe factors which influence the performance of life insurance services, to assess the extent to which the selected factors affect written premium are linearly correlated to the performance and to analyse the causal-effect influence of the selected factors in the performance of the company.

Using a sample of 50 respondents selected through purposeful sampling procedure, and using as many references as possible from secondary data sources the study.
Studies done by different scholarly writings, coupled with responses given by the respondents

The research was analyzed by model which catches six independent variables namely Number of new policies, market share, advert costs, registered insurance companies, registered life insurance companies and claims settlement costs. Six hypotheses were formulated to test the research objectives by the regression analysis whereas Hypotheses supported the study that factors influencing life insurance performance are number of new policies, the insurance industry market share, the costs incurred in advertisement and marketing, the number of registered insurance companies, the available companies offering life insurance services and lastly the payments of claims incurred.

The results shows the R squire of 0.794 (Table 4.3) which implies approximately 80% of the dependent variable, The Net Premium Written has been explained by the independent variables that are the new policies written, the industry market share, the costs of advertisement and marketing, the total number of registered insurance companies, the number of life insurance companies and the early claims settlement. Also the adjusted R square shows that 66% of the factors influence the net premium written. Hence the model is statistically significant and can be adopted to explain the factors influencing insurance performance in Tanzania.

6.2.1 The New Written Policies
The results presented in chapter four have shown that there is negative impact of the new policies on premium. This may be caused by the fact that the new policies are of small value of sum assured and as a results a many policies with little premium. Premium is calculated from the sum assured figures. A negative coefficient of -0.224 was observed which justify that non-necessary that many new policies will results into higher premium collection only if these policies attract higher figures of premium and sum assured figures
6.2.2 Insurance Industry Market Share

The results show that there is negative relationship between company performances and its industry market share and it is supported by the beta coefficient of -2.46. This result explains that when the market shares increases, the premium decreases. This can be caused by other factors which influence market share such as type of life products offered for example group life vs. individual life insurance or whether the policies written are of small value of sum assured. Some companies can have lower market share but have higher net premium written. When NIC’s market share was 100% the premium collected was still low. This can be explained by the factor that the policies were of little amount of sum assured which resulted into low figures of premium collected. The fact can be explained may be as most of the policyholders who took the life insurance where teachers, police force, and military people etc. who are paid lower salaries as opposed to other cadre.

6.2.3 Costs of Advertisement and Marketing

The advertisement and marketing costs are directly related to the company’s performance. When a company is a sole provider of a certain service, it might not need to incur a lot of costs to advertise the product. These costs are worth when there is stiff competition among companies offering the same type of products. From the finding NIC do not spend too much on adverts may be because of percent it hold on the market share.

6.2.4 Number of Registered Insurance Companies

The study shows that there is strongly negative relationship between the performance and the number of registered insurance companies at the lower 5% level of confidence. The beta coefficient of -3.025 explains the relation.

6.2.5 Number of Life Insurance Companies

The number companies providing life insurance services have a significant influence in premium collection performance. This is because the market share is reduced and at the same time few available companies fight for the same market; that at the 10%
significant level, the number of insurance companies offering life insurance services are directly related to the company’s life insurance performance. This can also be explained by the beta coefficient of 0.170.

6.2.6 Claims Settlement

It was expected that the quick claim payments could motivate people to take new insurance policies or renew others. But from the observations in chapter four, there is indirect relation between the net written premium and claims settlement. This may be because the claims were of longtime and hence they were paid during the period under study. Late payment of claims results into people cancelling the already written policies or let them lapse as they refuse to bring premium. The coefficient of -0.246 explain the inverse relationship between dependent and independent variable.

The findings of the current research study have shown that the objectives of this research has been attained as approximately 80% independent variables explain that there is either positive or negative statistical relation between the variables. At the lower levels of significance, all factors do influence the performance of the insurance companies positively or negatively. The research results in chapter 4 has shown that from the data obtained for the period 1995-2010 under study, Industry Market share and the number of registered insurance companies are significantly related to the performance of the company. The variables have significance level of 0.016 and 0.04 respectively and are within 5% significance level. Also number of life insurance companies with significance level of 0.12 is significantly influence premium at the 10% significant levels. From the findings, all factors are significant at the low level of confidence. This is because the type of data used here was obtained for only period of 15years. Also in determining the number of new policies written, the actuarial data were not easily recorded fro branches. There was no such already recorded number of policies for the whole company for the period under review. The data collected may have been not very accurate but the purposes of the study were met.
6.3 Recommendations

The study was conducted to analyze what factors do influence performance of life insurance companies in terms of premium collected. Some of the data were obtained from the annual reports for the period of 16 years and others from actuarial database and a researcher had to compile one year after another as they the data were not compiled and not in a format to be easily analyzed. The accounting and insurance packages of the NIC are not current. They are using UNISYS software which is outdated and not integrated with all 24 branches all over the country to head office. As a result data from branches are saved in computer tapes and brought to the head office computer so they can be compiled together. The possibility of mistake in recording and transfer data and as a result the dependent variable being not realistic is high. From the data obtain for the period 1995-2010, their findings shows that the two hypotheses are supported and statistically significant to the company’s performance. These are market share and number of registered insurance companies. For claims settlement, life insurance companies, costs of advertisement and new policies there are negative influence on premium collection hence NIC should ensure that their system of recording data show the realistic figure so as to be able to draw good conclusions.

As the NIC do offer both life and non life insurance, I advice that the settlement of claims should be emphases on non life insurance which covers period of one year hence early payment of claims will motivate people to purchase this product. Also the company should target higher paid customers who will underwrite higher sum assured hence premium collected increase as well as the company performance. Being the only national insurance company in the country, the Government may offer special treatment of impose some policies which will enable the company to improve premium collection. In developed countries, health insurance is mandatory as the other social security deduction such as PPF, NSSF. Government may decide to impose policies such as all government employed people to take life insurance covers at NIC or give special exempt for the company to pay some of the statutory taxes such as corporate tax, withholding tax etc as it does to the foreign investors company. From the data collected a researcher advice the company to ensure they
employ advanced techniques of data storage as well as accounting and insurance packages which will enable proper recording keeping for the above mentioned independent factors and this will enable good and reliable drawing of conclusions when analyzing the company performance.

6.4 Areas for Further Research
A researcher selected only six factors so as to assess their influence on life insurance services. Some factors were not investigated in this study and as there was no other study conducted in Tanzania on the same subject. Since the R square resulted into approximately 80% confidence level of significance between the dependent and independent variables the further research can determine other relationships and confidence level can be improved. An analytical and detailed study is required to determine the real causes for the life insurance performance as very few people do insure their life as opposed to the non life insurance. A study is needed to determine the influence of product marketing and promotion and the policies imposed to ensure that services provided meet customer satisfaction. Also some benefits should be introduced to educate and motivate customers to insure for
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http://www.nictanzania.co.or
APPENDICES

Appendix 1 : Closed Ended Questionnaires

Dear Respondents

I am Bruno Blassius Munishi, a student of Mzumbe University pursuing Masters Degree in Science of Account and Finance. This questionnaire is meant for collecting data for research study in connection to **Factors affecting the life Insurance service in Tanzania with reference to National Insurance Corporation of Tanzania.** This purely academic research the collected data will be used for academic purpose and not otherwise. The researcher will maintain considerately at higher degree. The research study is supervised by Mzumbe University, Dar Es Salaam Business School. Please tick √ tick any related correct answer from the questions below concerning factors affecting the life insurance service in Tanzania with reference to Tanzania Insurance Corporation in Tanzania respectively.

1. Sex
   (i.) Male
   (ii.) Female

2. Age
   (i.) From 15 – 24
   (ii.) From 25 – 34
   (iii.) From 35 – 44
   (iv.) From 45 – above

3. Marital Status
   (i.) Married
   (ii.) Single
   (iii.) Widow
   (iv.) Divorce
4. Education level
   (i.) Primary school level
   (ii.) Secondary school
   (iii.) Veta
   (iv.) Higher school level
   (v.) University level

5. Religion
   (i.) Christian
   (ii.) Muslim
   (iii.) Others
   (iv.) None.

6. Do you know the types of Insurance services provided NIC?
   (i.) Strong agree
   (ii.) Agree
   (iii.) Disagree
   (iv.) Strong disagree
   (v.) Undecided

7. Are you satisfied with services provided NIC?
   (i.) Strong agree
   (ii.) Agree
   (iii.) Disagree
   (iv.) Strong disagree
   (v.) Undecided

8. Is there any possibility of getting life insurance services in your area?
   (i.) Strong agree
   (ii.) Agree
   (iii.) Disagree
9. Lack of enough education on life insurance services to the community may affect the performance of life insurance services in Tanzania?
   (i.) Strong agree
   (ii.) Agree
   (iii.) Disagree
   (iv.) Strong disagree
   (v.) Undecided

10. Do you consider availability of national policy on life insurance may affect the performance of life insurance services in NIC?
    (i.) Strong agree
    (ii.) Agree
    (iii.) Disagree
    (iv.) Strong disagree
    (v.) Undecided

11. Life insurance service performance problem had persisted for long time without any remedy to?
    (i.) Strong agree
    (ii.) Agree
    (iii.) Disagree
    (iv.) Strong disagree
    (v.) Undecided
12. Do you have any specific report from the government that demonstrates strategic plans to overcome the problem?
   (i.) Strong agree
   (ii.) Agree
   (iii.) Disagree
   (iv.) Strong disagree
   (v.) Undecided

13. Shortage of life insurance service in closely related with presence of unqualified staff in the organization?
   (i.) Strong agree
   (ii.) Agree
   (iii.) Disagree
   (iv.) Strong disagree
   (v.) Undecided

   (i.) Strong agree
   (ii.) Agree
   (iii.) Disagree
   (iv.) Strong disagree
   (v.) Undecided

15. Does the government of Tanzania in collaboration with NIC and the community have specific strategies to solve the problem?
   (i.) Strong agree
   (ii.) Agree
   (iii.) Disagree
   (iv.) Strong disagree
   (v.) Undecided
16. Have you ever been across with National life insurance Policy addressing this problem favoring your community?
   (i.) Strong agree
   (ii.) Agree
   (iii.) Disagree
   (iv.) Strong disagree
   (v.) Undecided

17. Do you maintain your role towards environmental importance on life insurance?
   (i.) Strong agree
   (ii.) Agree
   (iii.) Disagree
   (iv.) Strong disagree
   (v.) Undecided

18. Insurance sector infrastructure network is highly maintained in relation with sustainable development at your area in particular. Do you comply with this statement?
   (i.) Strong agree
   (ii.) Agree
   (iii.) Disagree
   (iv.) Strong disagree
   (v.) Undecided

19. Availability of Many insurance companies in Tanzania do they provide enough knowledge on the life insurance service?
   (i.) Strong agree
   (ii.) Agree
   (iii.) Disagree
   (iv.) Strong disagree
   (v.) Undecided
20. Absence of life insurance policy in closely related with poverty being among the factors hindering to achieve Millennium Development Goals vision Tanzania.

(i.) Strong agree
(ii.) Agree
(iii.) Disagree
(iv.) Strong agree
(v.) Undecided

Thank you for your cooperation

Bruno Blasius Munishi