UNIVERSITY OF GHANA

COLLEGE OF HUMANITIES

PUBLIC PERCEPTION AND PATRONAGE OF LIFE INSURANCE IN GHANA: EVIDENCE FROM VOLTA REGION.

BY:

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THIS THESIS IS SUBMITTED TO THE UNIVERSITY OF GHANA, LEGON IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF MPHIL RISK MANAGEMENT & INSURANCE DEGREE.

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DECLARATION

I, Righteous Johnson Ahorgah, hereby declare that this thesis is my own work towards the award of the MPHIL Risk Management and Insurance and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other of the university, except where due acknowledgements has been made in the text.

I bear sole responsibility for any shortcoming.

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CERTIFICATION

This is to certify that this thesis was supervised in accordance with the procedures laid down by the University of Ghana.

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Prof. AQQ Aboagye DATE

(Co-Supervisor)

DEDICATION

This thesis is dedicated to my wife Loretta, son Dzidula, family, friends love ones and mathematics department of Bueman senior high school.

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ABSTRACT

This study examines perception that the public have about life insurance companies and their services in Ghana. The objectives of the study were to examine public awareness and perception of life insurance services in the Volta Region, identify factors that influence patronage of life insurance in the Volta Region and evaluate the barriers/constraints that affect patronage of life insurance services in Volta. The study was a cross-sectional conducted on 150 simple randomly selected respondents in the Volta Region of Ghana. The study employed a five point Likert scale, frequency analysis, percentages, mean, standard deviation, Probit regression model and the Kendall's Coefficient of Concordance (W) were employed to analyze the objectives. Descriptive analysis showed that majority (57%) of the respondents were males whereas 43% of the respondents were females. Analysis of data showed that quite significant number of the respondents of about 78.67% were aware and have heard about life insurance packages whiles a few of about 21.33% expressed unawareness of life insurance policies in the system. Also, about 35% of the respondents adopt or subscribed to life insurance package whiles majority of the respondents of about 65% indicated that they have never subscribed for life insurance nor any other type of insurance package in the Volta Region of Ghana. 81.33%of respondence have expressed negative perception towards life insurance services. The factors that were significant to influence patronage of life insurance scheme were gender, age, level of education, access to life insurance Company, perceived health status, monthly expenditure of respondent, and cost of life insurance premium. Kendall's Coefficient of Concordance (W) statistic was significant at 5% indicating that there was 74% level of agreement among the respondents' in rankings of the constraints faced in patronising life insurance policy. It was revealed that major constraints or challenge faced by respondents in patronising life insurance policy were; high cost of premium on insurance products, low reward/compensation rate, unreliable insurance services, lack of education on the benefits of life insurance, limited disposable income, mistrust and negative perception and delayed claims payments. The study concluded that majority of the respondents were aware of life insurance packages but proportionally few of the sampled respondents subscribe for life insurance packages. The reason was specified through interviews that cost of insurance premium, the bureaucracy and delay in payment of claims to beneficiaries, poor education of insurance packages. However, factors that influence patronage of life insurance were identified as; gender status of a respondent age, years of schooling, access to life insurance Company, perceived health status, monthly expenditure of respondent, and cost of life insurance premium. The study recommends that education on insurance organisations and life policy should be intensified by the Insurance Companies, NGO's and other financial agents in order to minimise or alleviate the negative perception the public hold about insurance policies. This would eventually increase the level of awareness and subscription of the policy. Also, management of the insurance companies should consider the significant of socio-economic variables in their decision making whiles strengthening laid procedures for insuring new clients in order to make the policy more attractive to the general public. It is suggested that the management of insurance companies pay more

attention to the identified constraints faced by respondents in their intention to subscribe for insurance policies in order to attract more individuals to subscribe to insurance policies.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The proliferation of insurance companies in sub-Saharan Africa is a subject of public interest, the case is not different in Ghana over the past decade. Insurance of organizations has become a very vital part of business investment. If a business is not insured it may not be able to grow or withstand keen competition in a perfect competitive market. In the event of unfavorable circumstances, insurance represents a form of cushion in mitigating any misfortune. Insurance is considered as one of the financial risk management strategies that can help the poor to deal with risk effectively. As asserted by Armed (2013), an insurance has been defined as the purchase of security.

There are several insurance products or packages in the market which affect economic growth and development in Ghana and across the World. Insurance market has tremendous effect on the national economy by creating jobs, paying taxes to government for other developmental activities and protecting the citizenry from loss of properties among others. Insurance as a business activity is a driver of economic development. Insurance is an effective device which promotes stability, prosperity and happiness to the individual and the society at large. According to Redja (2011), insurance is a contract whereby a person called the "insurer or assurer", agrees in consideration of money paid to him, called the premium, by another person called the insured or assurer, to indemnify the latter against loss resulting to him on the happening of certain (specified) events.

The insurance market is widely categorized into Life and Non-life insurance, each product market has unique supply and demand. The demand side of Life Insurance product is constituted by the

policy holder who wants compensation upon death, terminal illness or critical illness while the Non-life market demand is formed by the automobile and home owners' policyholders. The supply side of both markets is populated by the insurers who seek to indemnify policy holders (Boadu, Dwomo-Fokuo, Boakye, & Frimpong, 2014).

A contract between the insured and the insurer is often referred to as the insurance policy (Promiselow, 2011). The insured (client), anxious to protect himself against a risk, purchases from the insurer, the right to be indemnified if the risk insured against should materialize. An insurance company, therefore, is a firm that engages in providing insurance, that is, a firm that has agreed to indemnify the insuring consumer against any loss in the near future. The risk is there by transferred from the individuals facing the loss to the insurer, the insurer in turn reduces its risk by insuring a sufficient large number of individuals so that the losses can be accurately predicted.

The insurance market provides differentiated products with different rates for people. However, people especially consumers react to their perception of brands, companies, packaging, advertising and other market stimuli and not purely to the market stimuli themselves (Delozier, 1976).

Perception is the study of the processes by which an organism becomes aware of, or responds to, the environment. Perception is one of the most important areas of communications. People respond to their perception of the world, not the real world itself. As posited by Ahmed (2013), perception is "the process by which an individual receives, selects, organizes, and interprets information to create a meaningful picture of the world". Individuals act and react on the basis of their perceptions.

Currently, customers have wider choice of often less distinguishable products and are much better informed. For many insurance products available to an individual, the balance of choice or purchasing power then shifts towards the customer. Customers are widely aware of their greater power, which raises their expectation of how companies should care for them. In the insurance sector customers are not that loyal to one particular insurer, especially when they are not receiving value for money kind of service. Hence, contemporary companies are forced to consider how to create a loyal customer base that will not be eroded even in the face of fierce competition. Therefore, the insurance firm must realize the necessity of studying and understanding various antecedents (service quality, switching cost, trust, corporate image, and customer satisfaction) of the customer loyalty which might help them to develop a loyal customer base (Sharp & Sharp, 1997).

This study is therefore an exploratory study to unearth the perception that the general public and customers have about life insurance companies and its services in the Volta Region of Ghana.

1.2 Problem Statement

Life insurance companies mobilize savings from the households, firms, the corporate and public sectors similar to financial banking institutions (Akotey, Sackey, Amoah, & Frimpong-Manso, 2013). The main difference between insurance companies and banks is that the maturity of bank liabilities is generally shorter than that of life insurance companies. Banks accept short-term deposits and make long-term loans. This means that there is a mismatch between their liabilities and their assets. In case a large number of their depositors want their money back, for example in a bank run scenario, they might have to come up with the money in a hurry. For an insurance

company, however, its liabilities are based on certain insured events happening. In the case of life insurance companies, the beneficiaries can get a payout only upon the death of the insured. They don't have a claim on the insurance company otherwise. This makes available, enough funds for the insurance companies to invest and possibly create more money. As put forward by Choi, Park, and Ho, (2016) life insurers de-create liquidity.

The insurance market has a profitable potential. Prospects in life businesses are yet to be fully studied since empirical evidence on life insurance is scanty. Benefits that accrued from life insurance industry to the nation, organizations and individuals include the use of life insurance policies as collateral security for bank loans overdrafts, and mortgage as well as provision for retirement (NIC, 2006).

According to Agbekpornu, Yeboah, Quaatey, Williams, Yebaoh, & Issah, (2016) it is evident from their study on determinants of participation in life insurance scheme that, majority of people in Ghana were willing to participate in the various insurance schemes including group and life. Quite unfortunately several studies (Agbekpornu et al., 2016); (Boadu et al., 2014) have not fully targeted the perception and determinants of life insurance schemes among the coastal dwellers especially the Volta Region of Ghana. The majority of the people in the Volta Region particularly workers in the informal sector depend on fishing activities as their primary source of livelihood. However, delay in payment of claims is a major reason why some canoe owners and fishermen do not enroll in life insurance scheme.

Generally, subscription to life insurance in Ghana is low compared to neighboring countries. Statistics show that about 1.6 percent patronage as compared to about 5 percent in Ivory Coast, 8 percent in Namibia and 16 percent in South Africa (Akotey et al., 2011). Moreover, most of these products have very few policyholders. There is the need to assess the general perception of life insurance, the determinants of patronage and challenges in subscribing to insurance policies that many Ghanaians particularly the low-income earners in the Volta Region to subscribe to insurance policies.

According to the NIC commissioner of insurance Lydia Bawa, Ghana's insurance industry continues to miss expected projections each year. Currently the sectors contribution to the GDP of the country is estimated below 1.5%. For her one major challenge facing the industry is lack of understanding of insurance policies and clarity of what some Ghanaians describe as "hidden conditions". This perception of hidden conditions is greatly hurting the reputation of insurance companies as they are perceived as cheats who conceal these conditions to forfeit payments of claims (http://www.citifmonline.com).

Although, there seems to be adequate literature on life insurance in most advanced economies, and some developing economies including Nigeria, and Kenya, empirical evidence on people perception and determinants of life insurance in Ghana still remains limited in scope.

This study is an exploratory study to examine the perception that public and customers have about life insurance companies and their services in Ghana and the factors that influence people participation or subscription to life insurance.

1.3 Objective of the Study

The general objective is to evaluate the perception of consumers and non-consumers of life insurance services in Volta Region of Ghana.

The specific objectives of the study are:

1. To examine public awareness and perception of life insurance services in the Volta Region.
2. To identify factors that influence adoption of life insurance in the Volta Region.
3. To evaluate the barriers/constraints that affect patronage of life insurance services in Volta Region.

For this study the following hypothesis will be developed and tested;

H_0: Age does not have any influence on people's perception of insurance services.

H_1: Age has influence on people's perception of insurance services.

H_0: Gender does not have any effect on people's perception of insurance services.

H_1: Gender has effect on people's perception of insurance services.

H_0: Education does not have any influence on people's perception of insurance services.

H_1: Education has influence on people's perception of insurance services.

The following under listed socio-economic variables was hypothetically tested.

- Working status does not have any effect on people's perception of insurance services.
- Marital status does not have any effect on people's perception of insurance services.

- Family size does not have any effect on people's perception of insurance services.
- Awareness of insurance does not have any effect on people's perception of insurance services.
- Complaints from customers does not have any effect on people's perception of insurance services.
- There is no significant difference between customers and non-customers in their perception of insurance services in Ghana.
- People's perception of insurance services does not influence their patronage of insurance services in Ghana.

1.4 Research Questions

In order to attain the main objective of the study, the following research questions will be posed

1. What is the public awareness and perception of life insurance services in Volta Region?
2. What factors patronage of life insurance in the Volta Region?
3. What are the barriers/constraints that affect patronage of life insurance services in Volta Region?

1.5 Significance of the Study

The purpose of the study is outline below:

Academic purpose: the output of this study contributes to knowledge and literature in the subject area under investigation; and serve also in the topic for anyone who wants to conduct similar studies into other related fields.

Management of insurance in Ghana: it provides recommendations for handling customers' perception and offering quality service to their clients' satisfaction.

Policy makers: it is expected that the study will help the government especially the National Insurance Commission (NIC) in regulating activities of the insurance brokers in the area of quality service to clients. The study could also inform national and corporate policies. The results is relevant to the major insurance institutions assessing their customers' perception on quality of service and should serve as a guide on what strategies to adopt in customer satisfaction and loyalty.

1.6 Scope of the Study

The study was conducted within the frame work of evaluating public hence customers' perception of quality service delivery in the insurance industry. The study was carried out in 5 selected districts of the Volta Region of Ghana. Hence the results is not a generalized one but its findings will place the relevant context of public perception of the insurance services.

1.7 Limitation of the Study

The research was limited to the public and customers' perception of performance of the insurance services in Volta region. The research identified among others the following limitations;

1. The unwillingness of management and staff of the insurance services to release information which will enrich the study and establish a strong validity and reliability.
2. Even though insurance services nationwide study would have been more appropriate, there are constraints of financial resources and unavailability of data and time as well as materials which will make it possible to undertake a study of such magnitude.
3. Moreover, cost in terms of printing, photocopying, binding as well as opportunity cost incurred without the requisite bursary from government which will be provided at a much later date.

1.8 Organizational Structure of the Study

The study was structured into five main chapters: Chapter one captured the background of the study. Chapter two examined and review both theoretical and empirical literature. Chapter three outlined how the research was conducted by looking at the research methodology. Chapter four w captured the analysis and discussion of the data. Chapter five established the summary of the findings, conclusions, recommendations and areas for further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section sees the review of relevant literature on the theoretical and empirical literature. The theoretical review discusses theories such as Asymmetric information and private information, Multidimensional Private Information and Private Information Concepts Extended to Consumer Perception Theory. It also discussed the evolution of the insurance industry and the life insurance industry as well as empirical literature.

2.2 Definition of Relevant Concepts

2.2.1 Public Perception

Public recognition alludes to the cognizant understanding that individuals have of public and authority issues. There might be a fundamental dissimilarity between the real truth and their virtual truth impacted by the popular supposition and the broad communications (O'Dennell & Cramer, 2015). The social condition impacts open discernment. Individuals' state of mind is impacted by the suppositions winning in the social gathering to which they have a place. To put it plainly, the individual's family companions, group, work environment, school or church can impact open observation.

Health care coverage is an essential component in deciding access to care and assurance against the danger of expensive and unanticipated restorative occasions. Notwithstanding the financial status and hazard compose that recognize people with scope from the individuals who are uninsured, mentalities among customers toward the requirement for and cost of medical coverage

may likewise influence scope choices (Cohen, 2014). Given the potential for people's human services inclinations to impact wellbeing practices, it is imperative to quantify the populace's states of mind towards medical coverage scope.

Low-salary families imagine that they don't require insurance. This is likely because of absence of trust in safety net providers and poor comprehension of the hazard pooling idea. Past involvement with smaller scale protection demonstrates that numerous individuals don't comprehend the idea of insurance and how it functions. Now and again, the perspectives of needy individuals about protection are negative. They consider it to be the reserve for the rich; something that is unimportant, excessively costly or even uncalled for (McCord & Osinde, 2005; Manje & Churchill, 2002).

2.2.2 Insurance

Insurance includes pooling reserves from numerous guaranteed elements (known as exposures) to pay for the misfortunes that some may bring about. It offers security against the financial effect of an inopportune passing, wellbeing, mischances, memorial service among others. Protection assumes a pivotal part in the working of present day economies. For instance, the protection infiltration levels represented 4.8 % of the (GDP) of India in 2011 and additionally developed to 6 % in 2012 (Barik, 2012). The circumstance in Ghana is very extraordinary as just 5 % of the populace has a protection item as insurance for themselves, their recipients and belonging (NIC, 2011). The business' commitment to the nation's GDP drifts around 1 %, when contrasted with South Africa 14.8 %, Namibia 7.3 %, Kenya 2.8 %, Nigeria 0.6 % and Malaysia 4.8 % (Swiss Re Sigma Report, 2012).

Insurance is a guarantee of pay for particular potential future misfortunes in return for an intermittent payment (Rejda, 2007). Protection is intended to meet the money related prosperity of an individual, organization or other substance on account of startling misfortunes. A few types of protection are mandatory while others are discretionary. Consenting to the terms of a protection approach make an agreement between the guaranteed and the guarantor. In return for premium installments from the protected, the backup plan consents to pay the policyholder pay upon the event of a particular occasion (Gart & David, 1990).

Insurance is the pooling of risks. It depends on the preface that while numerous individuals will pay premiums to the insurance agency, presumably just a couple will make claims. Some portion of the installment of the numerous is utilized to pay to the few who face losses. Thoughtfully, protection is a devise whereby numerous people confronting a similar hazard shape a pool into which every individual contributes premiums, and out of which the few who really endure unanticipated and surprising misfortunes are adjusted.

Insurance is intended to meet the monetary prosperity of an individual, organization or other element on account of unpredicted misfortunes. A few types of protection are necessary while others are discretionary (Hoyoake & Weipers, 1999). Protection task in Ghana began far in 1955, and the market is ending up more lively and keeps on gaining ground particularly in the vicinity of 2004 and 2009 (NIC, 2009). It has contributed massively to the development of the Financial Services Sector and aided moved the economy of Ghana for as far back as years (All Africa Global Media, 2010). The business has an immense potential, which has scarcely been scratched. Prospects in life organizations are yet to be completely tapped. Advantages that gathered from life

coverage industry to the country, associations and people incorporate the utilization of life coverage arrangements as insurance security for bank credits overdrafts, and home loan and in addition arrangement for retirement (NIC,2006). Clients in this industry expect a great deal from their safety net providers or specialist co-ops. They expect; incite conveyance of able and effective administrations foremost among which is installment of cases, learned and serviceable cutting-edge staff that are ever arranged to give data on ask for and solid criticism among others (Amartey, 2007).

In reality, a well-developed and advanced insurance industry is a shelter for monetary improvement as it gives long-term assets to framework improvement of each economy (Charumathi, 2012). The National Insurance Commission (NIC), the administrative body of the Ghanaian protection division, has in this way escalated its supervision, field visits, and has received a risk-based evaluation of back up plans' exercises. These administrative measures are to guarantee that the monetary execution of insurance agencies is in sound condition (Akotey, 2012).

2.2.3 Insurance companies

Insurance agencies are set up to deal with the pool formed by people or corporate bodies who are faced with similar dangers. Insurance agencies take the commitments, as premium from the numerous individuals and pay the misfortunes of the few who may endure misfortunes. Larger part of insurance agencies in Ghana have been made by enrollment under the Companies Act and approved to work by the National Insurance Commission (Amartey, 2007).

Insurance agencies are arranged into two fundamental groups: specialist organizations and composite organizations. Specialist organizations are the ones that endorse just a single class of business. In this manner, an insurance agency could be a Life Assurance one, approved to endorse just extra security or a non-life back up plan (General insurance agency) approve to guarantee general organizations. Composite insurance agencies are those approved to guarantee both Life and Non-life coverage strategies. The Insurance Act 724 of 2006, be that as it may, outlaws composite insurance agencies in Ghana. An insurance agency can either enroll as an existence assurer or a general guarantor however not both. The focal point of this investigation is General insurance agencies.

2.2.4 Life Insurance

Life insurance is an understanding in which the insured transfers, and the insurance agency expect, the danger of death for a predetermined timeframe (Zietz, 2003). Much the same as other protection organizations, policyholders move the risk to the insurance agency, and consequently acquire approach endless supply of the underlying total settled upon. One could likewise buy a life coverage strategy on the life of another person. For example, if a spouse purchases an existence approach in the interest of his better half, he is the proprietor of the arrangement yet she is the guaranteed. It ought to be noticed that the recipient of an existence approach isn't a co-endorser to the agreement. He is just picked thusly by policyholder.

Life insurance business is one of the thriving sectors of the insurance industry in Ghana; if not in Africa. Insurers have now shifted their focus from motor and other forms of the insurance business

to life insurance because of the huge untapped market for it in this part of the world (Nyarko, 2015). There are five major lines of business in the life insurance industry- individual life, individual annuities, group life, group annuities, accident and health (Loke & Goh, 2012). The most important lines of business in terms of both revenues and profits are those involving asset accumulation products i.e. individual life, individual annuities and group annuities. Group life, accident and health insurance are mainly indemnity (rather than asset accumulation) products.

The types of life insurance policies: whole life, term insurance and endowment policy: Whole life policies, a type of permanent insurance, combine life coverage with an investment fund. Here, a client is buying a policy that pays a stated, fixed amount on one's death, and part of the premium goes toward building cash value from investments made by the insurance company. Cash value builds tax-deferred each year that the policy is kept, and the insured can borrow against the cash accumulation fund without being taxed. The amount the insured pays usually doesn't change throughout the life of the policy. Universal life is a type of permanent insurance policy that combines term insurance with a money market-type investment that pays a market rate of return. To get a higher return, these policies generally don't guarantee a certain rate. Variable life and variable universal life are permanent policies with an investment fund tied to a stock or bond mutual-fund investment. The other type of coverage is term insurance, which has no investment component. Endowment policies are basically savings contracts that contain pure protection components such that should the policyholder dies prior to the savings schedule is accomplished, the insurance company continues and finish the plan. Endowment contracts have two main subdivisions which are the Limited-Term Endowment Policy and Retirement Income Policy.

2.3 Background of the Insurance Industry in Ghana

The history of the insurance industry in Ghana goes back in the pioneer time in 1924, when Royal Guardian Enterprise, as of now known as Enterprise Insurance Company Limited was set up. In 1955, Gold Coast Insurance Company was framed as the principal indigenous private insurance agency took after by State Insurance Company in 1962. By the year 2008, authorized insurance agencies inside the nation had expanded to 39, given the breakdown as in the life insurance and 22 for Non-life companies. Insurance agencies in Ghana are in three classifications in particular: Life Insurance, Non-Life Insurance and Composite Insurance which is the mix of life and non-life coverage.

The players of the insurance industry comprise of insurance agencies and policy holders. The insurance market is isolated into the Life and Non-life coverage. Each market has its free market activity. The demand side of the Life market is constituted by the strategy holder who needs remuneration upon death, terminal disease or basic sickness, while the Non-Life showcase request estimate is shaped by the vehicle and mortgage holders' policyholders. The supply side of the two markets is populated by back up plans who look to reimburse strategy holders. Insurance market has tremendous effect on the national economy by creating jobs, paying taxes to government for other developmental activities and protecting the citizenry from loss of properties among others.

The 1989 protection law, PNDC Law 229, built up the National Insurance Commission (NIC) (Gadahn, 2010), as the legitimate body accountable for insurance related issues in Ghana. It is commanded to guarantee powerful organization, supervision, direction and control exercises as sanctioned in the Insurance Act, 2006 (Act 724). The commission was set up generally to manage

the various whines of clients throughout the years concerning the sort of administrations they got from the insurance agencies.

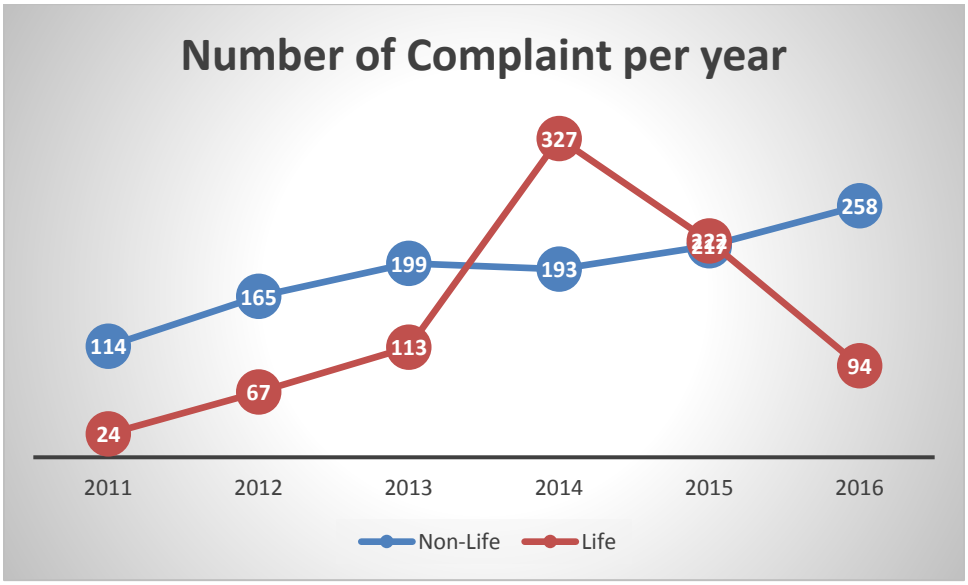
In spite of the foundation of NIC, Ghanaian insurance agencies are frequently blamed for carrying on as though they are completing some help to their clients. The protection business experiences most negative picture because of lower consumer loyalty observation (NIC, 2008). The overall population has diverse observation on life confirmation approach. More often than not, customers gripe of failure of insurance agencies to pay incite claims, now and again notwithstanding precluding them from securing the cases and eventually winding up in the official courtroom. "At the year finishing 2008, two hundred and forty-five (245) protests were gotten from people in general against insurance agencies" (NIC, Annual Report, 2008). It is exceptionally basic to hear individuals commenting that insurance agencies are speedier in getting premiums however slower with regards to claims installment. Insurance agencies have dependably been reprimanded for late conveyance of administrations. It is ordinary to hear individuals griping recently conveyance of approach reports, reestablishment sees or even undue deferral in reacting to clients' solicitations.

Considering the various insurance agencies in Ghana and the simple access to each person, clients are getting to be bigoted and effectively separate their relationship as issues emerge. This has prompted development of potential clients starting with one organization then onto the next attributable to abuse.

As indicated by Boadu et al, (2014) in spite of the foundation of NIC, Ghanaian insurance agencies are frequently blamed for carrying on as though they are completing some help to their clients.

The protection business experiences most negative picture because of lower consumer loyalty observation. The overall population has diverse recognition on protection approach.

According to NIC annual report (2015), a total of 138 complaints were received from the public against some Insurance Companies during the year 2011, this number increased to 232 in the year 2012 and to 312 in the year 2013 and a further 520 in the year 2014. This is represented in the chart below:



Source: NIC, 2016

The regions of regular protests from people seeking after motor claims were as per the following:

- ❖ Repudiation of claim by Insurers
- ❖ Delay in settlement of cases
- ❖ Dispute over quantum
- ❖ Delay in installment of settled cases

The areas of grievances from life policyholders were as per the following:

- Benefits guaranteed by Insurers contrast from benefits on strategy records
- Insurance organization's inability to stop findings after Policy had been surrendered
- Payment of low surrender esteems
- Delay in handling developed strategies for installment
- Delay in returning discount of wrongful conclusions
- Unauthorized premium conclusions
- Failure by Insurance organizations to submit arrangement reports

Clients in this industry expect a considerable measure from their safety net providers or specialist organizations. They expect; incite conveyance of capable and productive administrations fundamental among which is the installment of cases, educated and serviceable forefront staff that are ever arranged to give data on ask for and dependable input among others (Amartey, 2007).

In Ghana, an investigation directed by the Finmark Trust (2011) showed that the level of protection scope, not including the National Health Insurance Scheme (NHIS), is 4.1% nationwide. Notwithstanding for the NHIS which the Act of Parliament which built up it makes obligatory for all Ghanaians, just 65% are right now selected in the plan, some of whom even have dead participation (Ghana Business News, 2011).

Past examinations clarify a portion of the purposes behind this appallingly low take-up of protection in Ghana and different nations in the creating scene. These incorporate absence of consciousness of the presence of protection items, and a poor comprehension of the idea of

protection (Wiedmeyer-Pfister & McCord, 2009; Giesbert, Steiner, & Bendig. 2011). Giesbert et al. (2011) quote a few late creators (Wang & Rosenman, 2007; Gine, Townsend, & Vickery, 2008; Gine & Yang, 2009; Cole, Gine, Tobacman, Topalova, & Vickery, 2009; Thornton, Hatt, Field, Islam, Solis-Diaz, & Gonzalez, 2010) in saying that the accompanying elements are among those that decide family units' interest in small scale life coverage: premise hazard, family riches, credit imperatives, hazard avoidance, trust, underwriting from interpersonal organizations, hyperbolic inclinations, and specific promoting techniques.

Ackah and Owusu (2012) demonstrated that the explanations behind low protection take-up were the general absence of protection learning among the people, low wage levels and the dependence on God's assurance to anticipate catastrophes. Concerning mentality towards protection, the FGDs affirmed the general impression that insurance agencies will in the end renege on their guarantees. Also, Insurance was believed to be for the well-to-do, accomplished, and formal representatives.

2.4 Theoretical Review

The life insurance market is an important market not only from an individual point of view but also from a public policy perspective. While life insurance policies are relatively explicit regarding benefits, they are less explicit regarding conditions and exclusions. The markets are mostly characterized with adverse selection or moral hazard. Except that the later since policy inception has been largely ignored with the belief that an insured person is unlikely to shorten his or her life to help the beneficiary obtain the insurance proceeds.

2.4.1 Information Asymmetry Theory

The concept of asymmetric information was first introduced by (Akerlof, 1970). In the paper, Akerlof developed asymmetric information with the example case of automobile market. Asymmetric information refers to situations in which some agent in a trade possesses information while other agents involved in the same trade do not. The asymmetric information perspective highlights that "information is imperfect, obtaining information can be costly, and there are important asymmetries of information" (Stiglitz, 2000). Information asymmetry occurs when the knowledge of one contracting party is inferior to that of the other party regarding the counterparty's true intentions and planned activities or the quality of exchanged goods (Mas- Colell, Whinston &Green, 1995). In insurance contract, information asymmetry would arise where one party in the contract has information or plans activities that are not knowledgeable to the other party When a policyholder and the insurer agree on a contract to exchange a deterministic premium payment against the payment of a possible loss as specified in the policy, there are obvious different information patterns on the two sides, but the asymmetry of information is both ways: the insurer typically has much more experience (i.e. suitable models) available for the risk that the policyholder faces, and hence (together with the principle of pooling) this risk can be managed much more efficiently by the insurer. At the same time, in most lines of business, the insured may have much more information available on the actual risk profile than what he discloses to the insurer (and may have even have ways to influence the outcome by his behavior). Asymmetric information theory is an intuitive model in an insurance contract and normally results to adverse selection or moral hazard although these do not always happen

2.4.2 Adverse selection

At a very general level, adverse selection arises when one party has a better information than other parties about some parameters that are relevant for the relationship. In most theoretical models of insurance under adverse selection, the subscriber is taken to have superior information. The presumption is usually that the insured has better information than her insurer on her accident probability and/or on the (conditional) distribution of losses incurred in case of accident. A key feature is that, in such cases, the agent's informational advantage bears on a

variable (risk) that directly impacts the insurer's expected costs. Agents who know that they face a higher level of risk will buy more coverage, introducing a correlation between the agents' contract choice and the unobservable component of their risk. The insurer's profit will suffer since the cost of providing coverage is higher for higher-risk agents. This broad definition may however be qualified in several ways.

First, a finding that agents who buy more insurance have riskier outcomes is consistent with the standard story - they bought more insurance because they realized that they were more likely to have an accident - but also with alternative, observationally equivalent interpretations. It could be that agents want more coverage because they realize they are more accident-prone; or they could just be caused by some third factor.

Secondly, most theoretical models are focus on one particular source of adverse selection -the agent's better knowledge of her risk. This is very restrictive as in many real-life applications, risk is not the only possible source of informational asymmetry, and arguably not the most important one. Individuals equally have a better knowledge of their own preferences, and particularly their level of risk aversion; which is often relegated in theoretical models.

2.4.3 Moral hazard

Moral hazard occurs when the probability of a claim is not exogenous, but depends on some decision made by the subscriber (e.g., effort of prevention). When the latter is observable and contractible, then the optimal decision will be an explicit part of the contractual agreement. When, on the contrary, the decision is not observable, or not verifiable, then one has to examine the incentives the subscriber is facing. There may be unobservable differences in the insured's precaution levels such that those with a higher insurance coverage tends to have less incentive to take precautions that can reduce the loss outcome. The curse of insurance contracts is that their mere existence tends to weaken incentives to reduce risk. Because of these differences in "hidden actions," moral hazard may also produce a positive risk-coverage correlation. Accordingly, the presence of such a correlation can be attributed to adverse selection as well as moral hazard, as emphasized by Dionne et al. (2009).

2.4.4 Signaling Theory

The Signaling theory was originally developed by (Spence, 1973) to clarify the information asymmetry in the labor market. It has been used to explain voluntary disclosure in corporate reporting. Signaling refers to any activity by a party whose purpose is to influence the perception and thereby the actions of other parties. This presupposes that one market participant holds private information that for some reason cannot be verifiably disclosed, and which affects the other participants. Signaling theory explains why firms have an incentive to report information voluntarily to the capital market. Voluntary disclosure is necessary in order for firms to compete successfully in the market for risk capital. With life insurance contracts, there is the possibility that the insured will hold private information particularly on the aspect of ill-health. In order for the

insurance company to protect itself from the negative effect such private information, it charges higher premiums. This high premium influence the subscriber to voluntarily disclose information such that the insurance company wouldn't consider the insured a high risk.

2.4.5 Private Information Concepts Extended to Consumer Perception Theory

While the neoclassical model remains the benchmark for most monetary applications, behavioral financial aspects blend the level headed discussion in scrutinizing the foundational suspicions of neoclassical financial aspects. Beginning with Simon (1955), Kahneman and Tversky (1979), and Thaler (1980), a substantial assortment of research has consolidated bits of knowledge from brain research, for example, hazard avoidance, display predisposition, and obliviousness into financial models. Scientists progressively have understood that behavioral financial matters can add to open approach by offering new strategy devices, enhancing expectations about the impacts of existing arrangements, and creating new welfare suggestions (Chatty, 2015). In light of behavioral financial matters bits of knowledge, behavioral highlights, for example, shopper recognitions and valuations ought to be joined into the applied basic leadership procedure to answer the related research inquiries concerning the interest for medical coverage.

Purchaser recognition theory ordinarily is utilized to create promoting and publicizing methodologies expected to hold current clients and draw in new ones. In investigations of marketing, customer discernment theory endeavors to clarify how people build up a comprehension of the inspirations driving their own particular conduct (Andrews, Netemeyer, & Burton, 1998). An imperative part of shopper observation hypothesis is that recognition by customers identifies with how esteems and inspirations frame desires and inclinations that drive

purchasing conduct (Scott, 1978). Research on self-discernment focuses on that the inner states conceivably changed without anyone else's input recognition forms are causally connected to people's utilization needs (Allen, 1983; Scott, 1978).

In her great work of "Consumers perception of value, quality, and price," Zeithaml (1988) sets that buyers gather data at different levels of reflection running from basic item ascribes to individual esteems, at that point make general judgments with the customized detailing weighting the data things differentially. Cultivate et al. (2010) additionally propose that customer wellbeing choices include very subjective evaluations that are settled on inside individual frameworks of choice standards.

Applying consumer perception theory in investigations of data asymmetry in medical coverage markets not just gives a more particular measure of private data about hazard inclination and tests its association with other important ideas; it likewise advances the measurements of private data about customer valuations and inspirations in clarifying the interest for health care coverage.

Private data reached out to consumer perceptions has more clear approach suggestions for issues in arrangement endeavors extending medical coverage scope, particularly for medical coverage orders. Under the applied system of shopper recognitions, both ex-stake and ex-post private data can be gotten with particular measures.

2.5 Empirical Review

Kotler (1988) holds the view that a person's act is influenced by his or her perception of the situation. Robertson, Ziehinsk and Ward (1984) have argued that it is how the consumer perceives products and services that guide purchase decision in the market. Mordi (1990) is of the view that the image, which an organization has, is a matter of perception of the viewers.

Literature on the attitude and perception of insurance policyholders have focused on factors predicting these perception (Skinner & Dubinsky, 1984; Ozdemir & Kruse, 2004), consumers' perceived value (Smith, 2006) and satisfaction (Kuhlemeyer and Allen, 1999). For instance, in a survey of 1,462 families in the USA, Skinner and Dubinsky found out that employment status of the wife and education of the husband discriminate mostly between which family member(s) is responsible for insurance purchasing decision. Other significant variables include wife's educational level, husband's employment status, family income, and husband's occupation.

Also, Ozdemir and Kruse (2004) explored the relationship between individual's risk perceptions and their willingness-to-pay for increased safety in a low-probability, high-consequence event. They found out that the perceived severity of tornado risk has the largest effect on willingness-to-pay and presence of children in the house significantly increases the willingness-to-pay.

Kuhlemeyer and Allen (1999) made a profound argument that consumer satisfaction with life insurance products is largely accounted for by the trust they repose in the sales agents in contrast to those who purchase direct from the insurance companies. The surveyed population who

purchased from sales agents were more satisfied with the insurance industry than those who purchased directly from insurance companies.

More so, Betts (2004) found that families with higher income level can have a higher chance of taking up insurance covers than persons drawn from poor backgrounds. Money & Mohan, (2004) argued that persons in profession such as doctors, bankers were more informed about financial services than other occupations such as farming. Beck & Webb, (2003) argued that education forms a basis for one to understand the importance of seeking certain financial services such as insurance.

Olsberg, (2004) found that gender had an effect on uptake of insurance services and also Gerrans & Clark-Murphy, (2010) found that family issues and structures had an effect on insurance services consumption. Gautam and Kumar, (2012) expressed that Socio-demographic and economic factors significantly effect on consumers' attitudes towards insurance services in the Indian situation. Kamau, (2013) found that young people are not likely to buy insurance products and that married people are more likely to take insurance services. The study found that it was unclear on whether women are more likely to take up insurance services and that people with children are likely to take up insurance. The study found that demographic factors shape perception and attitude towards insurance.

With particular reference to support in a micro life insurance in Ghana, Giesbert et al., (2011) presumed that insurance is viewed as a dangerous venture by their respondents, in light of their finding that hazard disinclined family units and families which thought about themselves to have

expanded/higher risk were less inclined to take part in the life coverage conspire. Giesbert et al. (2011) likewise found that unfavorable choice, and a ―life-cycle effect‖ influenced take-up of the microinsurance they contemplated.

In investigations of information asymmetry, a positive connection between purchaser's private data about hazard compose and the request of protection is ordinarily estimated. Be that as it may, in late decades, specialists have discovered outcomes that vary from this theory. This new line of observational research regularly finds that enrollee chance compose isn't the main segment of private data in deciding the interest for protection, and different types of inclination heterogeneity might be quantitatively more imperative than private data about hazard write in some protection markets (Cohen & Einav, 2005).

Cohen and Einav (2005), appraise risk inclinations on deductible decisions in collision protection contracts. They represent preference-based clarifications that are random to money related hazard and make induction about risk aversion very difficult. They locate that in secret heterogeneity in risk avoidance is more noteworthy and more vital than chance heterogeneity. They likewise locate that imperceptibly chance has a solid positive relationship with in secret hazard avoidance.

Finkelstein and Poterba (2006) inspected the part of private data about hazard type and risk inclination mutually in the U.K. annuity showcase. Their investigation comes to support the positive speculation between an annuitant's private data and the measure of protection he buys by and large. In another examination in the U.S. Medigap protection advertise, Fang, Keane and Silverman (2008) neglect to help the positive speculation that, restrictive on person's financial

qualities and intellectual capacity, the individuals who spend more on human services will probably buy Medigap.

Concentrating on the inconsistency amongst hypothesis and reality, Cutler, Finkelstein, and McGarry (2008) look at the connection between risky practices, insurance protection, and hazard event in five diverse protection markets: disaster protection, intense health care coverage, annuities, long haul mind protection, and Medicare supplemental protection (Medigap). Their discoveries propose inclination heterogeneity may help clarify the distinctions sought after in various protection advertise. Their outcomes have imperative ramifications for concerns in regards to exemplary, unidimensional unfavorable determination models.

Researches involving risk inclination, person's financial qualities, for example, age and salary (riches), are regularly thought to be identified with risk tolerance and subsequently utilized as the intermediary for risk preference (Finkelstein & MGarry, 2006). Other social factors, for example, geographic area that are identified with insurance choices yet not utilized as a part of valuing are considered as hazard inclination measures (Finkelstein & Poterba, 2006). By and by, coordinate measures on private data about risk inclination are once in a while analyzed. It is hard to quantify risk inclination. Answers to review questions concerning risk inclinations may not reflect genuine conduct, and in this way might be one-sided both from challenges being referred to plan and in answers to the inquiries.

In this way, to comprehend the multidimensional private data in present in deciding the interest for medical coverage, getting proper measures for risk inclination ends up basic. It expects

scientists to see how people gather data, frame desires, and settle on choices in view of the aggregate data.

2.6 Conclusion

From the review it is identified that not much work has been done on the perception of life insurance in Ghana especially the fishing communities as well as the factors leading to the general patronage of insurance in Ghana, this study has been conducted to fill such gap.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter presents the methods used in data collection and analysis of the study. This chapter presents views and opinions of sampled respondents on the perception and determinants of life insurance participation. Considering the nature of the objective of the study, a cross-sectional survey was deemed appropriate. Sections under this part of the study highlights the research design and approach, the various sources of data, sample size and data analysis in coherent order. It further presents the regression model adopted to address the set objectives of the study. Moreover, this chapter of the study presents the methods used to organize and analyse the data.

3.2 Research Approach

Primary approaches to research methodologies identified includes qualitative, quantitative and mixed research methods. Qualitative research is an array of interpretative techniques which seek to make description and presentation of results into more meaningful form. Qualitative research is concerned with non-numeric approaches of collecting and analyzing data into meaningful information. On the other hand, quantitative research is the approach of collecting and analyzing data or variables in a numeric form. Quantitative research consists of those studies in which the data concerned can be analyzed in terms of numbers (Greene, 2012). Consequently, the mixed method involves a combination of the qualitative and quantitative methods. This study applied the mixed method approach.

3.3 Research Design

This section of the study illustrates the target population, the sample size and sampling techniques, and others used in the analysis.

3.3.1 Target population

The population refers to the target group of interest of the researcher. The research participants consisted of both public and customers of insurance companies in five districts of the Volta Region of Ghana.

3.3.2 Sample and Sampling Technique

This study employed the Simple Random Sampling Technique (SRT). The simple random sampling technique is deemed appropriate since it ensures that all respondents are given equal chance of been selected for the study. It is unbiased method. This study randomly collected socio-economic data on 150 respondents in the Volta Region of Ghana. Five districts in the region was selected based on high rates of recorded death and districts with fishing areas. Then thirty respondents were randomly selected from each of the five districts making a total of 150 sample size. On the average along the fishing areas there exit 30 canoe owners hence the choice of 30 respondents.

3.3.3 Data collection instrument

This study used a well-structured questionnaire in collection of primary data from the targeted respondents. According to Greene (2012), descriptive and empirical approach of research is to collect information about the present existing situation. The purpose of employing this method

was to describe the nature of a situation as it exists at the time of this study and explored the causes of particular phenomena.

The research was based on the use of both qualitative and quantitative research method since the study involved assessing or measuring the perception of customers in the insurance services which will be represented in both numerical values and exploratory. The primary sources of data were obtained by the use of a well-structured questionnaire. Other sources of secondary data were taken from published materials regarding the subject of perception of customers in the insurance industry in Ghana and abroad.

A well-structured questionnaire with closed and open-ended questions used to solicit views from selected respondents. A five-point Likert scale starting from 1 = Strongly Disagree, 2 = Disagree, 3 = Uncertain, 4 Agree and 5 = Strongly Agree will be used to determine the perception of people towards life insurance. Also, questions about the demographics of the respondents would be asked as well as the insurance companies respondents subscribe to, and their insurance practice areas. The questionnaires will be administered by the researcher to the respondents of the insurance companies.

3.4 Data analysis methods

This section comprises of explanations of the methods used for the study. The methods were subdivided into various headings;

It highlights the various methods particularly the specific statistical techniques employed to address the set objectives of the study. Descriptive statistics and inferential statistics were used in this study. The frequency, percentages, mean, standard deviation, tables and charts were used in the analysis of the set objectives.

Also, the analysis of difference in means, the independent t-distribution tests was used to test the hypotheses under the study.

3.4.1 Probit regression with multiple regressors

In an attempt to analyze statistically significant variable that influence a person's perception and patronage of a life insurance policy, the probit regression model was used. The probit regression, also called a probit model, is used to model dichotomous or binary outcome variables. In this model, the inverse standard normal distribution of the probability is modeled as a linear combination of the predictors. Since perception is either "positive" or "negative" and patronage being "Yes" or "No" the probit model which is a type of regression where the dependent variable can take only two values; is appropriate for this work. Some explanatory factors or variables were considered as presented in Table 3.1.

The method of estimation of the probit model was by maximum likelihood and interpretation of probit results was based on marginal effects treated as probabilities, which explains the slope of the probability curve relating one explanatory variable to prob (y=1|x), holding all other variables constant.

The observable dependent variable is defined by:

$$y = \begin{Bmatrix} 1\ Subscribe\ \ if\ \ y^* > 0 \\ 0\ \ No\ \ Subscribe\ \ if\ \ y^* \le 0 \end{Bmatrix}$$

The Probit model Y follows the Bernoulli distribution with probability

$$\pi_i = prob(y = 1) = \Phi(X\beta)$$

Where π_i is the probability of a person intention to participate in a life insurance policy, $X_i^{'}$ is the explanatory variables, β is the regression parameters to be estimated.

In the Probit model the functional distribution of the error is very important to constraint the values of the latent variable into desirable property of probability values of between 0 and 1. The Probit model assumes a cumulative distribution function of standard normal distribution represented by Φ.

$$\begin{aligned} &prob(y = 1) = prob(y_i^* > 0) = prob(\beta X + e > 0) \\ &= prob(e > -\beta X) \\ &= prob(e < \beta X) \\ &= \Phi(\beta X) \end{aligned}$$

In the case of normal distribution function, the model to estimate the probability of observing a person's intention to participate in a life insurance policy can be stated as:

$$\Pr ob(y_i = 1/X) = \Phi(\beta X) = \int_{-\infty}^{\beta X} \frac{1}{\sqrt{2\Pi}} \exp\left[\frac{-z^2}{2}\right] \partial z$$

Where,

Y_i *is a Probability (dependent variable)* that observing a person's intention to participate in a life insurance policy, X is a vector of the explanatory Variables, Z is the Standard Normal Variable (Z ~N $(0, \delta^2)$ and β is a k by 1 vector of the Coefficients estimated.

From the Empirical review of literature, the variables identified to have an influence of persons perception and patronage of insurance services are; gender, age, household size, level of education, marital status, access to life insurance companies, health status

Monthly expenditure, monthly savings and cost of life insurance premium therefore the Probit model is specified in the following form:

$$Yi = \beta_0 + \beta_1 Gi + \beta_2 Ai + \beta_3 HSi + \beta_4 EDi + \beta_5 MST_i + \beta_6 ACi + \beta_7 HSTi + \beta_8 MEi + \beta_9 MSi + \beta_{10} CPi + U_i$$

1. Gender **(G)**
2. Age **(A)**
3. Household size **(HS)**
4. Education **(ED)**
5. Marital Status **(MS)**
6. Access to L.I Company **(AC)**
7. Health Status **(HST)**
8. Monthly Expenditure **(ME)**
9. Monthly Savings **(MS)**
10. Cost of L.I Premium **(CP)**

Table 3.1: Description of Independent variables, Measurement and a priori expectations

Explanatory Variable	Measure	a priori expectation
Age	Years	+
Gender	1 if male, 0 otherwise	+/-
Marital Status	1 = married, 0 otherwise	+
Household Size	Number	+/-

Education	Years of education	+
Monthly saving	Ghana cedis	+
Monthly Expenditure	Ghana cedis	-
Health Status	1 = Good; 0 = Poor	-
Access to L.I Company	1= Yes; 0 No	+
Cost of L.I Premium	1= High; 0 Low	+/-

Source: Field survey (2018)

3.4.2 Variable selection

The choice of independent variables for the above models was based mainly on related studies such as Akotey et al (2011); Boadu et al (2014) Betts, (2004), Beck and Webb, (2003), OLsberg, (2004) and Kamau, (2013)

3.4.3 Dependent variable

The dependent variable (P/ (1-P) of a Probit regression model is a dichotomous variable that represents the likelihood that a person would participate/subscribe to a life insurance policy or otherwise.

3.5 Identification and Ranks of constraints faced in participation in life insurance

Preliminary review of literature identified some numerous factors or constraints faced in participation of life insurance. A pilot survey carried out affirms the constrains but the study sought to rank these constraints.

Respondents identified and rank selected constraints that people face in their participation in life insurance policy. Constraints of the insurance companies were obtained from literature. Besides,

pre-test of some literature-based constraints was given to some selected life insurance policy at the study area. Respondents were asked to select (by ticking) from a list of itemized constraints and rank them in order of most pressing to the least constraint. That is, descending from the i^{th} most constraint to the j^{th} least constraint. The seven most notable constraints are; delayed claim payment, unreliable insurance services, limited disposable income, mistrust and negative perception, high cost of premium on insurance products, lack of education on the benefits of life insurance and low reward / compensation rate

The Kendall's Coefficient of Concordance (W) was employed for the study. It is represented as;

$$W = \frac{12S}{m^2(n^3-n)-mT}$$

Where;

$$S = \sum_{i=1}^{n}(R_i - \bar{R})^2$$

S = the sum of squared deviation, n = the number of constraints identified, m = the number of respondents or judges and T = the correction factor for tied ranked T = 0 if there is no ties in the rankings.

The Kendall's Coefficient of Concordance (W) is a statistic of the variance of the rows sum of ranks R_i divided by the highest possible value the variance can take. This happens when all the variables are in total agreement. The estimate for the agreement lies between $0 \leq W \leq 1$ where, W = 0 means exactly no agreement between respondents and W = 1 indicates a perfect or total agreement between respondents.

Hypothesis testing for the constraints

H_0 : there exist no agreement between respondents ranking of constraints faced in participation in life insurance policy.

H_1 : there exist an agreement between respondents ranking of constraints faced in participation in life insurance policy.

Testing for the significance of Kendall's Coefficient of Concordance (W)

The test statistic $X^2 = m(n-1)W$ is asymptotically distributed like chi-square with df = (n-1) degree of freedom.

Validation of the Instrument

The validity and reliability of the questionnaires used for the study was a standardized survey questionnaire. Pilot testing of questionnaires was done and approval. After pilot, necessary corrections were made and suggestions was incorporated to ensure the validity and reliability of the final questionnaires.

CHAPTER FOUR

PRESENTATION OF RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the results and discussion of the study. It presents and describes the socio-economic characteristics of the respondents with respect to their awareness and perception of life insurance services in the Volta Region. This chapter further discusses the factors that influence people intention to adopt life insurance in the Volta Region. Also, this chapter outlines barriers/constraints that affect patronage of life insurance services in Volta Region.

4.2 Demographic Characteristics of The Respondents

The socio-economic characteristics of the respondents are presented in Table 4.1. The characteristics included gender, age, household size, and level of education, the average annual income generated from tomato and savings rate.

Table 4.1: Socio-Economic Characteristics of Respondents

Variables	**Response**	**Frequency (n=150)**	**Percentage (100%)**
Gender	Male	86	57.33
	Female	64	42.67
Age	≤ 24	5	3.33
	25-30	13	8.67
	31-35	18	12.00
	36-40	15	10.00
	41-45	35	23.33
	46-50	29	19.33
	51-55	7	4.67
	56-60	11	7.33
	60+	17	11.33
Household Size	1 – 3	42	28.00
	4 – 6	39	26.00
	7 – 9	60	40.00

	10+	9	6.00
Level of education	No Education	6	4.00
	Primary	24	16.00
	JHS	30	20.00
	SHS/Vocational/Technical	36	24.00
	Tertiary	54	36.00
Monthly Income	<= 500 Gh. Cedis	85	56.67
	501 – 1000 Gh. Cedis	25	16.67
	1001-1500 Gh. Cedis	17	11.33
	1501 – 2000 Gh. Cedis	14	9.33
	2000 + Gh. Cedis	9	6.00
Monthly Expenditure	<= 500 Gh. Cedis	51	34.00
	501 – 1000 Gh. Cedis	73	48.67
	1001-1500 Gh. Cedis	20	13.33
	1501 – 2000 Gh. Cedis	4	2.67
	2000 + Gh. Cedis	2	1.33

Source: Field data (2018)

The socio-demographic characteristics of respondents are illustrated in the above table. Finding per Table 4.1 indicates that majority (57.33%) of the respondents were males whereas the remaining 42.67% of the respondents were females. With regards to age, 3.33% were below the age 24 years whiles 8.67% were within the age bracket of 25-30 years, 12% of the respondents were within the age bracket of 31-35 years, 10% of the respondents were within the age group of 36-40 years, 23% of the respondents were within the age bracket of 41-45 years whereas 19.33%% of the respondents were within 46-50 years. About 4.67% of the respondents were within the ages of 51-55 years, 7.33% were in the age group of 56-60 years whiles 11.33% of the sampled respondents were above 60 years.

Respondents level of education was considered in the study, results indicated that about 4% of the respondents had no education, 16% of the respondents had primary education level, and 20% of the respondents had Junior High School (JHS) level of education whereas 24% of the respondents

had SHS/Vocational/Technical level of education. Interestingly, majority of about 36% of the respondents had tertiary level of education as presented in Table 4.1. With regards to the size of respondents' household, the study revealed that about 28% of the respondents had household size between the ranges of 1-3 persons. Again 26% of the respondents had a household size between 4 – 6 dependents. A majority of about 40% of the respondents had a household size within range of 7 – 9 whiles a few of about 6% had a household size of 10 or more. Results revealed in this study indicate that majority of the respondents had a household size between 7 to 9 which is inconsistent to reports from Boadu et al. (2014). Results however indicate that the dependency ratio among the selected respondents was high.

The advantage here is that majority of the respondents were mature enough to provide adequate responses to achieve the objectives of the study. This means that the study included different category of individuals with regards to gender, age, level of education, and employment status among other socio-economic variables. This facilitates the gathering of diverse views from individuals across the area understudied which contributes to the elimination of sampling bias.

The study assessed the employment status of the sampled respondents', results as presented in Table 4.1 showed that 10% were unemployed, quite majority of the respondents of about 40.67% were self-employed. Moreover, 26.67% of the respondents had employment status as "private sector workers whiles 22.66% of the respondents had an employment status as "public sector workers". Results show that larger proportion of the respondents were self-employed, the reason could be the high unemployment rate or inadequate job vacancies available to Ghanaians. It then pushes many of the respondents within the working class to find private jobs for their livelihood.

On the issue of incomes and expenditure status of the respondents, results as illustrated in Table

Table 4.1 shows that majority of the respondents of about 56.77% received monthly income of about 500 Ghana cedis whiles a few of about 6% received monthly income above 2000 Ghana cedis.

Also, results indicated that majority of the respondents of about 48.67% had monthly expenditure between 501 to 1000 Ghana cedis whiles a few of about 2% had monthly expenditure above 2000 Ghana cedis as presented in Table 4.1. The findings observed in this study show that large proportion of the selected respondents had income levels below 1000 Ghana cedis and spend less than 1000 Ghana cedis per month. Statistics on respondents' incomes and expenditures is in agreement with the findings of Akotey et al. (2011) and Agbekpornu et al. (2016). It was revealed by respondents that any strategy that could boost their income levels would increase therefore increase their capacity to increase their expenditure which would eventually motivate some of them to purchase life insurance policy.

4.3 Level of Awareness and Perception of Life Insurance Services in The Volta Region

The study assessed the proportion of respondents who were aware and use of life insurance services in the Volta Region. Results of frequency and percentage analysis as presented in Table 4.2 showed that quite significant number of the sampled respondents of about 78.67% were aware and have heard about life insurance packages whiles a few of about 21.33% expressed unawareness of life insurance policies in the system. The proliferation of media stations such as radios, television stations, mobile or electronic banking in almost all the regions in Ghana has improved information flow to people in both cities and rural areas.

Table 4.2: Level of Awareness of life insurance services in the Volta Region

Level of Awareness	Frequency	Percentage
Aware	118	78.67
Not Aware	32	21.33
General Perception		
Negative	122	81.33
Positive	28	18.67
Subscription of life insurance services		
Adopt/ Subscribed Life Insurance	52	34.67
No Adoption/ Unsubscribed Life Insurance	98	65.33

Source: Field data (2018)

The study sought to analyze life insurance subscription rate among the sampled respondents, results as presented in Table 4.2 revealed that about 34.67% of the respondents adopt or subscribed to life insurance package whiles majority of the respondents of about 65.33% indicated that they have never subscribed for life insurance nor any other type of insurance package in the Volta Region of Ghana. Quite strangely, descriptive statistics (frequency and percentage) showed that majority of the respondents were aware of life insurance packages but 81.33% of the respondents have negative perception about life insurance and proportionally few of the sampled respondents subscribe for life insurance. The reason was specified through interviews that cost of insurance premium, delay in payment of claims, poor education of insurance packages.

4.4 To Examine the Factors That Influence the Adoption and patronage of Life Insurance in the Volta Region

Table 4.3 presents the results of the Probit regression model on factors that influence people intention to adopt life insurance. Results of the Probit model showed a pseudo R^2 of 0.791 which indicates that about 79% of the variation in the respondent intention to adopt life insurance. From Table 4.3 of the results of factors that influence individuals' intention to subscribe to a life insurance scheme indicated that household size, marital status, and monthly savings were not statistically significant to influence individuals' intention to subscribe to a life insurance package. However, some variables were significant based on the P-Values as indicated in Table 4.3.

Gender status of a respondent was significant and negative. Given that the gender of a respondent is a male, then the probability of him subscribing to a life insurance scheme increases by 0.342 than a female respondent. This means that males have greater probability of subscribing to a life insurance scheme than females and results obtained in this study is in line with what was reported by Nimoh and Baah (2011), men have the greater likelihood to be first adopters of mobile payment than women.

Age of respondent was positive and significant. Results showed that a one year increase in the age of a respondent increases the probability by 0.211 percent in subscribing to life insurance package. An increasing in age increases an individual's probability in subscribing to life insurance package because, respondents who are getting older want to plan for their old ages particularly on their health and death issues. This is in line with Kamau, (2013) that young people are not likely to buy insurance products.

Level of education of a respondent was significant and positive. Results presented in Table 4.3 show that a higher level of education increases an individual's intention to subscribe for life insurance scheme by 0.0499 percent than individuals who are less educated,lo

Table 4.3: Results of Probit Regression on factors that influence adoption life insurance in the Volta Region

Variables	Coefficients	Standard errors	Marginal effects	P – Value
Gender	1.032	0.4821	0.3415***	0.008
Age	1.022	0.3772	0.2114**	0.039
Household Size	0.0270	0.0631	0.0021	0.743
Years of Schooling	0.2000	0.0792	0.0499*	0.087
Marital status	0.3767	0.3887	0.0849	0.492
Access to L.I. Company	1.8544	0.6155	0.6451***	0.003
Health status	1.3033	0.5236	0.5675*	0.082
Monthly Expenditure	0.00298	0.0022	0.0006*	0.088
Monthly savings	-0.0070	0.0204	-0.0028	0.668
Cost of L.I Premium	-0.05193	0.0594	-0.0222**	0.047
Constant	-6.6465	1.8185		
Model Diagnostics				
Number of observations	= 150			
Wald Chi2(11)	= 148.49			
Prob. > Chi2	= 0.000			
Pseudo R^2	= 0.791			

Variables with *, ** and *** are statistically significant at 10%, 5% and 1% respectively

Source: Field survey (2018)

Access to Life Insurance Company by a respondent was significant and positive. With the assumption that a respondent has an access to a life or general insurance company, then the probability of him/her subscribing to a life insurance scheme increases by 0.645 percent than a

respondent who had no access to an insurance company. Finding obtained in this study buttresses that of Abbot (2015) reports on factors that influence subscription for life insurance.

Perceived Health status of a respondent was significant and negative. Given that a respondent has a high perceived health issues, then the probability of him/her subscribing to a life insurance scheme increases by 0.567 percent than a respondent who has a low/no perceived health issues for his/her life. The reason could be that respondents who anticipate higher probability of life out-break in their business or dwellings attempts to prepare for risk management strategies by purchasing insurance policies like life insurance. Abbot (2015) posited similar findings as obtained in this study therefore this study findings are in consistent with other authors.

Monthly expenditure of respondent was observed to influence respondents' intention to subscribe to life insurance packages positively. Results presented in Table 4.3 showed that increasing in monthly expenditure of respondent increases an individual's intention to subscribe for life insurance scheme by 0.006 percent than individuals who spend lesser. The intuition here is that, respondents who develop the habit of high per monthly expenditure have higher income levels and therefore are motivated to purchase insurance packages that would improve their lives.

Cost of Life Insurance Premium showed that a one Ghana cedis increase in an insurance premium cost decreases the probability of subscribing to a life insurance scheme by 0.022 percent otherwise accept life insurance package. This means that there exist a negative relationship between subscribing to life insurance and an increase in cost of insurance premium. The reason could be

that an increasing in a person's expenditure makes an individual less likely to subscribe to life insurance packages. Findings obtained from this study is in line with Nimoh and Baah (2011).

4.5 Identification and Ranking of Constraints Faced in Adoption of Life Insurance

As presented in Table 4.4, the computed Kendall's Coefficient of Concordance (W) statistics was 0.74 which is significant at 5%. This means that there is 74% agreement among the respondents' in rankings of the constraints faced in patronising life insurance policy. This means that, the null hypothesis which specify that there is no agreement among the respondents in rankings of constraints is rejected. Since the $P-Value = 0.000 < 0.05$, it shows that there is an agreement among the respondents in ranking of constraints faced in patronising life insurance policy.

Results presented in Table 4.4 indicate the mean scores where the least scores show the major constraint otherwise classified as least constraint.

The study sought to identify major constraints faced by respondents in subscribing to a life insurance policy. Results as presented in Table 4.4 reveals that the first most significant constraint or challenge faced by respondents in patronising life insurance policy was "High Cost of Premium on Insurance Products", with mean score of 1.913 units, the second major constraint was identified as "Low Reward/Compensation rate" having a mean score of 2.223 units.

The constraints were then followed in order of most prioritising challenges to the least challenge as "Unreliable Insurance Services", mean score of 3.572, then "Lack of Education on the benefits of life insurance with mean score of 4.224 units.

Table 4.4: Identification and Ranking of Constraints in Life Insurance Policy

Constraint	Mean Score	Rank
High Cost of Premium on Insurance Products	1.913	1st
Low Reward/Compensation rate	2.223	2nd
Unreliable Insurance Services	3.572	3rd
Lack of Education on the benefits of life insurance	4.224	4th
Limited Disposable Income	5.491	5th
Mistrust and Negative Perception	6.771	6th
Delayed Claim Payments	6.512	7th

N = 150 Degrees of Freedom = 6 Kendall's (W) = 0.74 Chi-Square = 61.313

Asymptotically Significant: P – Value = 0.00 < 0.05

Source: Field data (2018)

The least identified and ranked constraint that challenges individuals' willingness to subscribe to life insurance packages was specified as "Delayed Claim Payments", with mean score of 6.512 units. The results obtained for major constraints people face to subscribe to a life insurance policy have similarly been reported by authors including Armed (2013) and Boadu et al. (2014). It is interesting to indicate that the findings revealed by this study on the major constraints in adoption of life insurance packages follow the existing reported factors classified as the main challenges in customer subscription for general insurance packages. Since the case is not different regarding these identified constraints, it would be necessary to insurance service providers pay attention to

the observed challenges in order to attract larger section of the population in the Volta Region of Ghana.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents conclusions and recommendations for the study. The conclusions are based on the major findings of the study. Recommendations have been suggested for policy implications.

5.2 Summary of Major Findings

The study was conducted to examine the perception that public and customers have about life insurance companies and their services in Ghana and the factors that influence people participation or subscription to life insurance. The objectives of the study were; to examine public awareness and perception of life insurance services in the Volta Region, to identify factors that influence adoption of life insurance in the Volta Region. and to evaluate the barriers/constraints that affect patronage of life insurance services in Volta.

The study employed Simple Random Sampling Technique (SRT) in selection of the sample of respondents. The study was cross-sectional conducted on 150 respondents in the Volta Region of Ghana. Five districts in the region was selected based on high rates of recorded death and availability fishing community in the district. Then thirty respondents were randomly selected from each of the five districts making a total of 150 sample size. The study employed a five-point Likert scale, frequency analysis, percentages, mean, standard deviation, tables and charts in the analysis of the set objectives. The Probit regression model was used to estimate determinants of life insurance subscription and the Kendall's Coefficient of Concordance (W) were employed to examine the constraints faced in participation in life insurance policy.

Descriptive analysis showed that majority (57%) of the respondents were males whereas the remaining 43% of the respondents were females. majority of about 36% of the respondents had tertiary level of education. A majority of about 40% of the respondents had a household size within range of 7 – 9 whiles a few of about 6% had a household size of 10 or more. The findings observed in this study show that large proportion of the selected respondents had income levels below 1000 Ghana cedis and spend less than 1000 Ghana cedis per month.

Analysis of data of the study showed that quite significant number of the respondents of about 78.67% were aware and have heard about life insurance packages whiles a few of about 21.33% expressed unawareness of life insurance policies in the system.

It was revealed that about 35% of the respondents adopt or subscribed to life insurance package whiles majority of the respondents of about 65% indicated that they have never subscribed for life insurance nor any other type of insurance package in the Volta Region of Ghana.
Again 81.33% of respondents have expressed negative perception towards life insurance services.

The Probit model showed a pseudo R^2 of 0.791 which indicated that about 79% of the variation in the respondent's adoption of life insurance has been explained by the explanatory variables. The results of factors that influence individuals' adoption of life insurance scheme indicated that gender status of a respondent age, years of schooling, access to life insurance company, perceived health status, monthly expenditure of respondent, cost of life insurance premium were statistically significant to influence individuals' intention to subscribe to a life insurance package.

The computed Kendall's Coefficient of Concordance (W) statistics was 0.74 which is significant at 5%. This means that there is 74% agreement among the respondents' in rankings of the constraints faced in patronising life insurance policy.

It was revealed that the first most significant constraint or challenge faced by respondents in patronising life insurance policy was high cost of premium on insurance products, the second major constraint was identified as low reward/compensation rate, and the least ranked challenge was identified as unreliable insurance services.

5.3 Conclusion

The specific objectives of the study were to; examine public awareness and perception of life insurance services in the Volta Region, identify factors that influence people intention to adopt life insurance in the Volta Region and to evaluate the barriers/constraints that affect patronage of life insurance services in Volta Region.

Descriptive statistics (frequency and percentage) showed that majority of the respondents were aware of life insurance packages but proportionally few of the sampled respondents subscribe for life insurance. The reason was specified through interviews that cost of insurance premium, delay in payment of claims, poor education of insurance packages.

Also factors that influence people intention to subscribe to life insurance were identified as; gender status of a respondent age, years of schooling, access to life insurance company, perceived health status, monthly expenditure of respondent, and cost of life insurance premium.

In spite of the contribution of the life insurance policy to the improvement of the living standards of individuals, some people have stated their unwillingness to subscribe to a life insurance policy. The unwillingness of individuals to subscribe to life insurance policy was ascribed to several factors including high cost of premium on insurance products, low reward/compensation rate, unreliable insurance services, lack of education on the benefits of life insurance, limited disposable income, mistrust and negative perception and delayed claims payments among others.

5.4 Recommendations

Based on the findings of the study, the researcher recommended the following actions:

- The study recommends insurance companies to reconsider their charges on insurance products by intensifying education and creating high awareness so as to enrols more so that by using the law of large numbers and by decertification the cost could be managed since it has been ranked as the highest constraint. When education on insurance organisations and life policy are intensified by the Insurance Companies, NGO's and other financial agents the negative perception the public hold about insurance policies will be minimise if not alleviated. This would eventually increase the level of awareness and subscription of the policy.
- The study recommends that management of the company should consider socio-economic variables including gender status of a respondent age, years of schooling, access to life insurance company, perceived health status, monthly expenditure of respondent, and cost of life insurance premium whiles strengthening the laid procedures for insuring new clients in order to make the policy more attractive to the general public.
- The study found that there exist some major constraints represented as barriers to subscription of life insurance such as high cost of premium on insurance products, low reward/compensation

rate, unreliable insurance services, lack of education on the benefits of life insurance, limited disposable income, mistrust and negative perception and delayed claims payments. It is suggested that the management of Insurance Companies pay more attention to these factors in order to attract more individuals to subscribe to insurance policies.

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APPENDIX
QUESTIONNAIRE

I am an MPhil Risk Management and Insurance Student and at the University of Ghana Business School. I am embarking on a research titled **"A Study on Public Perception of Life Insurance Company in Ghana: Evidence from the Volta Region"** I would be very grateful if you could spend some time to fill this questionnaire. Your response will be dealt with strict confidentiality and it will be used only for academic purpose. Thank you for spending your valuable time to fill this questionnaire.

Questionnaire Number: ……. **District: ……**

1) Gender [ ] Male [ ] Female

2) Age:…….

3) Marital Status: [ ] Married [ ] Unmarried [ ] Divorced

4) What is your religious affiliations: [ ] Christian [ ] Muslim [ ] Traditionalist

5) What is your household size? …….

6) Place of residence [ ] Rural [ ] Urban

7) Total number of policies bought: [ ] One [ ] Two [ ] More than two

8) Mode of Payment:
[ ] Monthly [ ] Quarterly [ ] Half-Yearly [ ] Yearly

9) Educational Qualification: [ ] Undergraduate [ ] Graduate [ ] Post Graduate [ ] Doctorate

10) Number of years in schooling?.....

11) What is your occupation? [ ] Student [ ] Service [ ] Self Employed [ ] Employee [ ] Others

12) On average how much do you save per month? ……

10) What Kind of Investment do you prefer? [ ] Short Term [ ] Long Term [ ] Both

11) Rank these various investment alternatives according to your preferences **(please rank from 1st most preferred to 10th the least preferred investment package).**
[ ] Bonds and Debentures [ ] Equity/Shares [ ] Mutual Fund [ ] Public Provident Fund
[ ] Post Office [ ] Insurance [ ] Bank Deposit [ ] Real Estate [ ] Gold & Silver
[ ] Others

12) Do you currently have an insurance policy? [ ] Yes [ ] No

13) Which life insurance policy do you currently have?

[ ] Life/Funeral [ ] Old Age [ ] Annuities/Pension [ ] Property [ ] Automobile [ ] Health

[ ] Others

14) What is your monthly income level? …….

[ ] Below GHS 200 [ ] GHS 201-GHS 400 [ ] GHS 401 – GHS 600 [ ] Above 600

15) What parameters you have looked into at the time of buying policy from LIC in Ghana

Parameters considered Highly	**Highly Important**	**Important**	**Neutral**	**Least Important**	**Not Important**
Premium					
Charges					
Policy Term					
Rider Benefits					
Bonus and Interests					
Pre and Post Services					
Premium					
Charges					

16) Are you satisfied with the services of LIC in Ghana? [ ] Yes [ ] No

17) Give reasons for insuring with LIC.
[ ] Company Profile [ ] Brand [ ] Grievances Handling [ ] Undue Delay in Claims [ ] Public Sector [ ] All of the above

18) What is the most Likely Period of Policy
[ ] 5 years [ ] 5 – 15 Years [ ] 15 – 25 Years [ ] Above 25 Years
19) Were you aware of all details of policy you have from LIC
[ ] Yes [ ] No

20) Satisfaction level towards services offered by LIC
[ ] Fully Satisfied [ ] Partially Satisfied [ ] Not Satisfied

21) Accessibility of the employee / agents of LIC
[ ] Yes [ ] No

22) Do LIC have complex Formalities?
[ ] Yes [ ] No

23) Grievance Redressal Mechanism
[ ] Fully Satisfied [ ] Partially Satisfied [ ] Not Satisfied

24) Undue Delay in Claim Settlement Process
[ ]Yes [ ] No

25) Do agents of LIC provides the correct information [ ] Yes [ ] No

26) Rationale behind the investment in LIC
[ ] Individual Risk Coverage [ ] Tax Benefits [ ] Growth and Return on investments [ ] Risk Coverage of Family [ ] Child Welfare

27) If you buy a new policy would you like to go for LIC?
[ ] Yes [ ] No

28) What would you like more in Insurance Policies of LIC in Ghana?
[ ] More benefits [ ] More security [ ] Others, Please specify

29) Rate your overall satisfaction with Insurance Policies of LIC in Ghana?
[ ] Highly Satisfactory [ ] Satisfactory [ ] Average [ ] Dissatisfactory [ ] Highly Dissatisfactory

30) What do you feel after investing in Insurance Plans of LIC in Ghana?
[ ] Good [ ] Averagely Satisfied with the investment decision [ ] Cheated

31) What is your overall perception about LIC in Ghana?
[ ] Positive [ ] Negative

Please choose your level of agreement or disagreement with the following statements by ticking Key: Strongly Agree (SA), Agree (A), Neutral (N), Disagree (D), Strongly Disagree (SD)

No.	QUESTIONS	SD (1)	D (2)	N (3)	A (4)	SA (5)
1	Do LIC provide Flexible products/ new products that meet customers' needs					
2	Do LIC provides information/details about service innovations on a regular basis through post, telephone, banks etc.					
3	Premium paid is too low as compared to the benefits derived High rate of return on insurance products as compared to the other saving instruments (fixed deposit in banks, national saving certificates etc.)					
4	Reasonable penalty charged for late premium payment					
5	LIC emphasizes high quality service than the volume of sale					
6	Provides customer feedback card system for their level of satisfaction with the services of the insurer					
7	Promotes ethical conduct in everything it does					
8	Agents and employees who have the proper knowledge and competence to answer customers‟ specific queries and requests					
9	Providing promised services as per the set schedule					
10	Agents inform and guide the customers at regular intervals as regards the policy status, due date of premium, new products and services					
11	Timely revival of lapsed policies, change of nominations, addresses and mode of premium payment etc.					
12	Attractive and informative media, theme layout, and language of the advertisement					
13	Enhancement of technological capability (e.g. computerization, networking of operation, etc.) to serve customers more effectively					

32) **Please identify and rank the following constraints faced in subscribing to Life Insurance policy. (*Rank from major to least constraints where 1= most pressing challenge, 2=pressing, 3=indifferent, 4= not pressing, 5= least pressing Nth)*.**

No.	CONSTRAINT	1	2	3	4	5
1	High Cost of Premium on Insurance Products					
2	Low Reward/Compensation rate					
3	Unreliable Insurance Services					
4	Lack of Education on the benefits of life insurance					
5	Limited Disposable Income					
6	Mistrust and Negative Perception					
7	Delayed Claim Payments					
7	Inflation rate					

THANK YOU