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INTERMEDIARY FACTORS AFFECTING PERSISTENCY OF ORDINARY LIFE ASSURANCE POLICIES IN KENYA

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Abstract

It is the expectations of good corporate governance that the managers take stock of the risks their respective businesses are exposed to so as to put in place both preventive and control measures. In light of this, there is a wide spread customer dissatisfaction in the life assurance subsector on account of persistency as brought to the fore by the persistency rates posted by the Insurance Regulatory Authority. This is partly due to the fact that the reputation of the industry has been eroded over the years as a result of both perceived and actual malpractices. The study aimed at assessing the intermediary factors affecting persistency of life assurance policies in Kenya. The research design for the study was descriptive research design. Given that there are only 24 life underwriters, the study took a census of all the companies rather than sample them. A structured questionnaire for the collection of quantitative data was presented to 48 respondents being 24 underwriting managers and 24 marketing managers of life underwriters in Kenya. The main statistical procedures for the analysis of quantitative data were descriptive statistics such as frequency distribution and percentages and dispersions. Inferential analysis was carried out using correlation analysis and regression analysis. Correlation analysis was employed to establish the relationship that exists between independent variable and the dependent variable. The study revealed that there was a statistically insignificant positive relationship between persistency and intermediary factors (r= 0.099, p=0.507) at a significance level of 0.01. Regression analysis was used to show how intermediary factors influence persistency of ordinary life assurance policies in Kenya. Intermediary factors had a beta coefficient value of 0.148 and a p-value of 0.224 making it have a statistically insignificant effect on persistency of ordinary life assurance policies. Insurance companies should focus on professional certificates, experience, ethical conduct and customer service training in the selection and vetting of intermediaries. In addition, insurance companies should provide training on intermediaries, at least twice in a year, on customer service and ethical conduct.

Key Words: Ordinary Life Assurance, Intermediary Factors, Persistency

Introduction

Ordinary life assurance policies are of many variations but they can be grouped into three main types as outlined by Whitwell, Lukas and Doyle (2003). The three types according to the author are Term insurance, Whole life insurance and Endowment insurance. Term assurance offers a specified amount of life insurance protection for a specified time period. It provides protection for mortality risk within a given period of time. Term life insurance is the simplest type of life insurance (Shradha, Luuk & Ravi, 2012). In case the policyholder passes on while the policy is still in force, the company will pay the face value of the policy. But if he/she outlives the duration of the contract, the policy expires and nothing is paid. It is among the less costly forms of life insurance being offered in numerous varieties.

Whole life assurance policy is a permanent policy which offers security for a lifetime. It pays the recipient anytime death happens. Premiums may be paid for a specific period or throughout the life time of the assured. On the other hand, endowment assurance policies are basically savings contracts that contain pure protection components such that a certain specified sum of money is paid either at the expiry of the term or the death of the policyholder, whichever comes first.

Poor persistency remains a key issue to life assurance industry. Most insurance companies in Kenya have some form of customer retention programs in place but these measures have had little impact on the persistency question. This is because most of these programs have focused more on reactionary rather than proactive measures that address the real drivers of persistency. One of the programmes put in place by a number of insurance companies is a “claw-back” program (Shi, Connelly & Hoskisson, 2016). Under this program, the commissions paid to the intermediary are recalled by the insurer upon the lapsation of the specific life assurance policy. The claw back clause help insurers recover a part or all of the commission paid to agents if the policy was cancelled within a given period. The challenge with this approach is that it considers the intermediary as the sole driver of persistency. The approach assumes that the reason the policy lapsed is a result of mis-selling on the part of the intermediary (Sane et al., 2013). Keeping in mind that there are many other causes of poor persistency, then, this approach becomes counterproductive.

The insurance industry in Kenya has great potential for growth. Such growth is highly dependent on the efficiency of the key players in terms mitigating any forms of market failure, (Kabiru, 2012). For this to be realized, quality of information, market practice and quality of services offered remain key decisive factors. Insurers as well as intermediaries have a responsibility of ensuring a high persistency ratio of life assurance policies. The financial impact of poor persistency is significant to all the stakeholders in the insurance industry. It adversely affects the policyholder, the insurer, and the agent. For the policyholder, it not only means forfeiture of premiums paid but also loss of protection. For the insurer, the cost of acquisition is not fully

recovered. For the agent, it means loss of renewal commission. Implied in this argument is that low persistency of life assurance policies can be disruptive for the life insurance industry at large. Considering the importance of insurance as a risk management tool, the present-day magnitude of lapsation in both public and private sector companies and the impact of lapsation on all parties necessitates the need for study to assist better policy making.

Association of Kenya Insurers annual financial report (AKI, 2017) report on these figures reveals a worrying trend in the Kenyan life assurance sub-sector. The persistency figures for year 2014, year 2015 and year 2016 with year 2014 being a base year were 77%, 57%, and 51% respectively, against the world's standards, benchmarked at 90% the first year, 85% the second year and 80% the third year. Despite development of statistical models in understanding mortality pattern of terminated policies, there is scant literature on empirical evidence of the drivers of persistency in life assurance in Kenya, which is also an impediment to penetration of life assurance policies in Kenya. Most insurance companies have some form of customer retention programs in place but these measures have had little impact on the persistency question. This is because most of these programs have focused more on firefighting rather than on real drivers of persistency. Customer retention programs have fallen victim to an overreliance by insurers on the hope that improving economic conditions will address issues of persistency. Much as an improved economic environment has a positive effect on persistency rate, there are other factors at play and when properly understood, customer retention programs will be tailored with these factors in mind.

This study was anchored on the postulate that a critical understanding of intermediary factors that affect persistency is indispensable in life assurance subsector. Empirical analyses of how these factors individually and collectively affect persistency are useful not only in understanding the complex concept of persistency but also in predicting the likelihood of lapsation. The study focused especially on the supply side of the equation, that is, life insurance providers since they are considered to be better placed to understand the causes of lapsation. Fang (2012) carried out a study on the role of income, health and bequest in determining the lapse rates. Pinquet, Guillén and Ayuso (2011) focused on income and unemployment as a driver of persistency. This study therefore aimed to assess the intermediary factors that affect persistency of ordinary life assurance policies in Kenya.

Theoretical Framework

There are many groups of stakeholders in an organization, each with its own objectives. Agency theory was first conceived by Ross (1973) and Mitnick (1973), who independently developed economic theory of agency and the institutional theory of agency respectively. However, the economic perspective has become more prevalent. It is also noted that the basic concepts underlying these approaches are similar. Indeed, the approaches can be seen as complementary in their uses of similar concepts under different assumptions (Tajudeen, Ayantunji & Dalla, 1999). The theory suggests a divergence in interests between the principal and the agent and this

develops into an agency conflict. Owing to the fact that one group mandated by law is responsible for taking decisions on behalf of others, conflicts are bound to arise. In a firm, the dominant agency relationship is between the owners of the firm and the management. The directors of a company make strategic decisions on behalf of its shareholders, whilst delegating operational decisions to managers. This separation of ownership and management can lead to principal-agent problems and agency costs if the interests of the owners and managers diverge.

In an agency relationship, one party, called the agent, makes decisions and acts on behalf of another, called the principal. Agency relationships are a common phenomenon in financial management, due to the nature of the industry. When one person manages another person's financial affairs, an agency relationship exists by default. Conflicts of interest may arise between the principal and the agent. Often, the principal may beconcerned at the possibility of being exploited by the agent and the pricipal may choose not to enter into a given transaction at all, when it would have been mutually beneficial: a suboptimal outcome that can lower welfare overall.

On the other hand, the managers instead of focusing on wealth maximization of an organization may have their focus strained on other satisfying ventures that may include sales maximization at the expense of profit maximization.Thus, the theory suggests that the managers who are agents may be involved in activities that are aimed at serving personal interest at the expense of the interests of the owners of the organization. At the same time, where the life assurance agent focuses on getting as much commissions as possible at the expense of both the life assured and the underwriter, cases of product mismatch, churning and twisting are likely to arise. All this will have an effect on the persistency of life assurance policies for the any underwriter. To address such a conflict, the theory suggests, that owners can constrain management's ability to maximize personal utility by establishing contracts that minimizes the divergence in interests in exchange for a level of salary and benefits to management that is greater than what owner-managers would grant them if they were in control of the firm (Shi, Connelly & Hoskisson, 2016).

Intermediary Factors on Persistency of Ordinary Life Assurance Policies

Insurers use a multiple of channels to distribute their products and services to different consumer segments. These distribution channels are reffred to as insurance intermediaries which include; insurance agents, insurance brokers, and medical insurance providers assisting and representing an insurer in any of the following: Soliciting, negotiating, procuring or effectuating an insurance contract or its renewal. Disseminating information relating to coverage or rates. Forwarding an insurance application. Servicing a contract and delivering an insurance policy. Transacting a matter after effectuation of a contract. Representing a matter after effectuation of a contract including claims handling. Representing or assisting an insurer or other person in any other manner in the transaction of an insurance contract (IRA, 2011). Intermediaries play an important role in the insurance chain such as distribution, underwriting and claims settlement.

Intermediaries have a position of trust between the policyholder and insurer. An insurance agent as an intermediary is therefore a key contact point between a customer and an insurance company; ideally, they assist the client (purchaser) to find a policy which most suits both their needs and income, (Oino 2011). Insurance in Kenya is mainly sourced through agents, brokers or directly by insurance companies. In 2016, 46.3% of the total industry premium was sourced through insurance agents, 37.5% through insurance brokers and 16.2% directly (AKI, 2017) . Nearly 84% of life assurance policy sales are procured through the intermediaries, namely insurance brokers and insurance agents. This therefore means that the intermediaries play a key role not only in the procurement of sales but in are a good point of focus when it comes to the persistency question. Kuhlemeyer and Vankayalapati, P. (2017) found out 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. This apparently justifies the view held earlier by Omar and Owusu-Frimpong (2004) that 'insurance is sold rather than bought.'

An insurance contract is a contract of utmost good faith (Marwa, 2007). Potential and existing Policyholders should have access to all material and relevant information before the conclusion of an insurance contract, to receive advice in a correct and meaningful manner in assessing their insurance requirements, to be informed about their rights and obligations for the duration of the contract, to be confident that they will receive correct and timely compensation in the event of a legitimate claim and in case of doubt to be able to receive supplementary advice and where necessary from a neutral body. This is also a consumer's fundamental right as enshrined in Article 46 of the Constitution of the Republic of Kenya. This applies not only to the underwriters and the proposers but to the intermediaries as well. According to the Insurance Act Cap 487, the intermediary shall ensure that; Customers are appropriately informed before and at the point of sale to ensure that they make informed decisions before entering into a contract; Information provided should be clear, fair and truthful.

Product information should be provided in writing or any other durable medium; Product features disclosed shall among others include the name of the insurer, type of insurance contract on offer including benefits, premium, period for which the premium is payable and consequences of late or non-payment of premiums. Tajudeen et al (2009) observes that clear and precise information must be passed to the prospective policyholders especially when dealing with bundled policies. Where a product is a bundled product, the premium for each benefit (both main and supplementary) shall be disclosed separately; The type and level of charges to be deducted from or added to the quoted premium shall be disclosed; A description of the risk covered by the insurance product and any excluded risks shall be disclosed; Where the intermediary fails to be transparent when negotiating a life assurance policy contract, the insured may stop further

remittances of premium on realising that material facts surrounding the cover to be effected were not disclosed by the intermediary at the point of negotiating the cover. The cancellation will lead to a drop in the persistency levels. Mboya (2013) cites lack of professionalism as a source of customer dissatisfaction in the insurance industry. Low level of professionalism exhibited by the intermediaries is a factor of concern. The effect of low level of professionalism comes to the fore through product mismatch.

Life assurance underwriters use different distribution channels including tied agents, brokers, and banks, among others, to sell their policies. The persistency rates for polices procured through banks are low. This is attributed to short term sales targets that bankers focus on as opposed to tied agents whose focus is on long term customer relation (Trigo 2008). At the same time, a number of bank assurance agents have a very limited understanding of the life assurance products they are selling. The probability of mis-selling is high and their customer care skills are wanting in light of insurance business. This means that customer complaints are not adequately addressed and this explains why we have a higher lapse rate from that distribution channel as opposed to other distribution channels. In addition, part-time involvement of agent services occurs when the agent treats insurance selling work as a secondary activity - while primarily engaged as a student, professional or salaried employee or as a self-employed worker. As a consequence, the agent is unable to spare much time with which to serve the customer. This can be interpreted as lack of proper after-sales service, which may lead to the lapsation of policies (Subashini & Velmurugan, 2015).

Macedo (2009) cites inconsistent deductions as one of the reasons for low persistency. This is attributed to the fact that the intermediary alters the premium to be deducted, in that the policy premium amounts deducted from the source or the bank are different from the ones advised during application for cover. This as well leads to policy cancellations hence low persistency. It is observed that the persistency rates for brokers are higher (Eckardt 2010). This is attributed to the fact that they are considered as professionals hence the chances of misspelling are minimal.

Every purchase of a life assurance policy corresponds to the perceived need of the purchaser. If the product purchased does not match the need of the purchaser, then there is a likely hood that the insured will rescind his or her purchase decision and terminate the policy. In addition, other intermediaries' rebate, meaning, paying of the first premium on behalf of the proposer as an inducement to get the client started hoping that the policyholder will proceed to remit the ensuing premiums. In such a case, the policyholder may not necessarily be ready for the insurance cover and may fail to remit further premiums as they fall due. This will definitely lead to the policy lapsing hence affecting the persistency negatively.

In some instances, the intermediary, in order to meet his or her sales quota, may appeal to his or her friends and relatives to procure a life assurance policy. In such circumstances, the purchase decision is not premised on the need for a life assurance policy, but on the need to support their

own. Policies procured under such circumstances are bound to lapse as there isn't sufficient incentive to the insured to keep them running. Poor persistency may as well be attributed to 'Churning' where the sales person persuades an already existing policyholder to withdraw from an existing life assurance contract in order to switch underwriters. In such a case, the persistency problem cannot attribute to poor sales quality of the original cover issued, but to unethical practices by the intermediary canvassing for the new business (Diacon & O'Brien, 2002).

Persistency and Ordinary Life Assurance Policy Studies

Discussions around challenges affecting life insurance companies are often focused on issues affecting new business generation. This may include regulatory issues, economy, religion, among others. However, this does not guarantee profitability if a high persistency rate is not achieved. Life underwriters and actuaries across the globe have been grappling with issue of persistency since the inception of life insurance business. Persistency in life assurance business is of tremendous importance not only to the insurance company but to the agent as well as the policy holders. High early terminations of the policy frequently results in heavy losses to the company and are one of the major causes of dissatisfaction among the life assurance policy holders (Black and Skipper, 2005).

Policy persistency is an important phenomenon in life insurance markets. Lapses may be the source of customer dissatisfaction. Satisfied customers generally want to continue to do business with the company. Customer retention is a key profit driver for any business organization, and especially for an insurance company. Repeat custom is much cheaper and nore profitable than attracting new customers. Both LIMRA and Society of Actuaries contents that a policy lapses if its premium is not paid by the end of a specified time, often called the grace period. The IRDA have recommended a uniform grace period of 30 days for annual, half yearly and quarterly modes, and 15 days for monthly modes, (Vankayalapati, 2017). This uniform grace period has been adopted by the IRA in Kenya as well. A policy should be considered lapsed if the premium is not paid within the grace period.

The life assurance industry uses persistency which means, the measure of how long a policy or a block of policies remains in force to monitor its marketing and service quality. The higher the persistency rate that is, the number of policies in force at the end of a given year, divided by the number of policies in force at the beginning of that year, the higher the product performance. Generally, there are two approaches to calculating persistency. This may be quantified either in terms of the number of lives exposed or the amount of benefit exposed .Firstly, an underwriter may choose to focus on premium volume to calculate her persistency rate. That means that the total amount of premium for the policies enforce divided by the amount of premiums for the policies issued during a period under investigation.

Secondly, persistency rate may be calculated on the basis of the number of policies. This means that the number of policies in force at the end of a given period is divided by the number of policies in force at the beginning of the period in question, (Vankayalapati, 2017). This study will adopt the second method of calculating the persistency rate, where the number of policies will be considered as opposed to the premium volume. In addition, as priporly discussed, the study will not focus on persistency calculated on reducing balance basis but on a cumulative balance basis, whereby the insurer uses a given year as a base year.

Poor persistency has a negative impact not only to the insurance company, but to intermediaries as well as to policyholders and other stakeholders. If a life assurance policy is taken out to cover the risk of the life of an insured, with the lapsation of the policy the coverage of such risk ceases. With such a cessation the immediate family becomes insecure and at a loss. Apart from losing the family protection, the policyholder also loses a portion of the savings, most likely accumulated with considerable effort over a period of time. The insured would also be losing the benefit of returns from alternate investments elsewhere. Intermediaries will suffer loss of commissions as well persistency bonuses that may accrue to them.

Conceptual Framework

The dependent variable is the persistency of life assurance policy. The persistency of life assurance policy is dependent on intermediary factors. Insurance regulatory framework in Kenya continue to become more closely aligned with international best practice. The regulatory authority has put in place taking steps to enhance or implement risk-sensitive and economic-based solvency regulation regimes. The measures put in place may have an effect on the relationship between the independent and dependent variables. Figure 1 shows the hypothesized relationship between intermediary factors and persistency of life assurance policy.

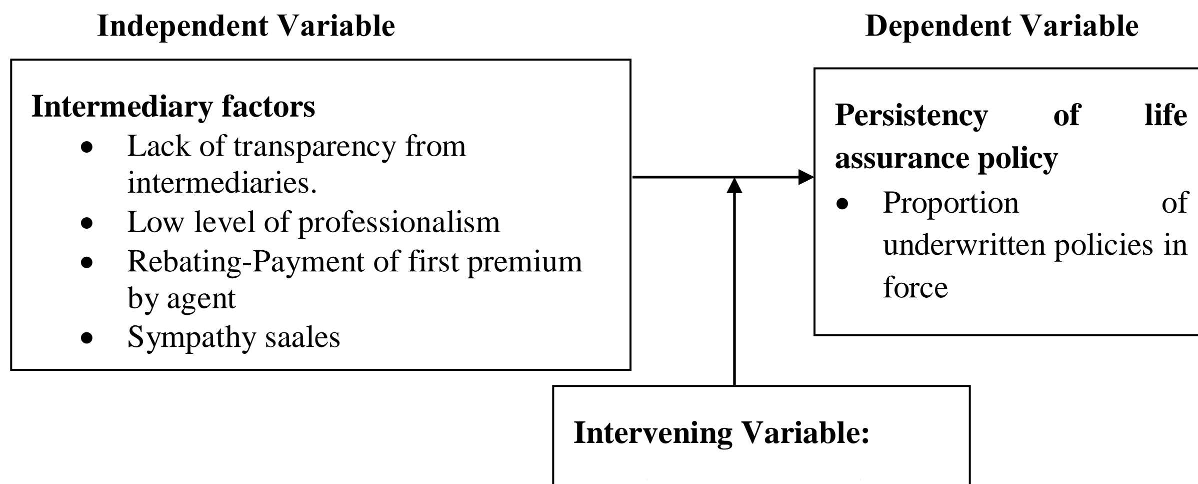

Figure 1: Conceptual framework

Research Methodology

The study adopted a descriptive survey design. The study targeted 48 officials from the 24 life underwriters in Kenya. Data was collected from all the underwriters in Kenya that comprised of twenty-four underwriting managers and twenty-four marketing managers. The method adopted for the study was largely quantitative and included face to face administering of the questionnaire. The study used a structured questionnaire in the collection of primary data with life assurance managers in charge of policy conservation as the main respondents.

Validity and reliability were established for standardization of the research instrument used in the current study. First, the researcher went through the instruments and compared them with the set objectives to ensure that they contained all the information that answer the set questions and address the objectives. Second, expert input from the supervisors and authorities in the area of study was sought to scrutinize the relevance of the items on the instruments against the set objectives. Reliability of the data collection tools was tested using the Cronbach reliability coefficient. Cronbach's alpha is a measure of internal consistency, that is, how closely related a set of items are in a group. According to Gay and Diehl (1992), coefficient of 0.70 is considered adequate for the instruments to be adopted for study. Before conducting the actual study, the questionnaire was first tested through a pilot study among selected life assurance companies in Nakuru Town. From the reliability test, a value of 0.79 was attained. This confirmed that the research's instrument was deemed reliable to be used in this study.

Data collected was coded, cleaned and analysed using Statistical Package for Social Sciences (SPSS) version 21 to facilitate addressing the research objectives and questions. This was done using both descriptive and inferential statistical tools. Descriptive statistics used included percentages, frequencies, means and standard deviation. Findings were presented using tables, graphs and charts. Inferential analysis was carried out using correlation analysis and regression analysis. Correlation analysis was employed to establish the relationship that exists between independent variable and the dependent variable. Regression analysis was used to show how policyholder factors influence persistency of ordinary life assurance policies in Kenya.

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

Where: Y =Persistency of ordinary life assurance policy; X_1= Intermediary factors associated with persistency of ordinary life polices in Kenya; ε = Error term; β_0 = Constant Term; β_1= Beta coefficients.

Results and Discussion

The study targeted 48 officials from life underwriters Kenya. These officials were mainly underwriting and marketing managers. Of the 48 questionnaires that were given out, 47 were duly filled and returned; this was a response rate of 98%. According to Mugenda and Mugenda (2003), for analysis, a response rate of 50% is adequate; a response rate of 60% is good; a

response rate of 70% and over is excellent. Therefore, a response rate of 98% was considered as excellent.

Demographic Characteristics

The study sought to understand the demographics of the respondents and the responses were recorded. From Table 1, 62% of the respondent were male while 38% were female. This shows a great disparity between the male and female gender that works in the insurance companies. From the Table 1, the study found out that 46.8% of the respondents were aged between the age of 29-35 years, 34.0% of the respondents were aged between 24-28 years, and 19.1% were aged between 36-51 years. Therefore, majority of the respondents were aged between 29-35 years.

The findings indicate that majority of the respondents (57.4%) had worked in the current position for 1-3 years, 34.0% of the respondents had worked in the current position for 4-6 years, and 8.5% of the respondents has worked in the current position for 7-13 years. This indicates that the respondents had been in their current position for a number of years which is a positive for this study as the responses provided are from a point of good experience and knowledge in the organization.

Table 1: Demographic Characteristics

Category	Frequency	Percent
Gender		
Male	29	62
Female	18	38
Total	47	100
Age of the Respondents		
24-28	16	34
29-35	22	46.8
36-51	9	19.1
Total	47	100
Duration of Service		
1-3	27	57.4
4-6	16	34
7-13	4	8.5
Total	47	100

Intermediary Factors

The study sought to understand how intermediary factors affect persistency of ordinary life assurance policies. The respondents were asked to indicate the degree to which they agreed with statements on intermediary factors on a five-point Likert Scale. The scale ranged from (one) being a strong disapproval and (five) being a strong approval. On intermediary factors, a mean of 3.77 indicated that the respondents agreed that intermediaries with professional certificates have high persistency levels. Also, a mean of 4.17 indicated that respondents agreed that more experienced intermediaries post better persistency than the less experienced ones. Additionally, the respondents agreed that ethical conduct of the intermediary contributes to persistency by a

mean of 4.19. This is in line with the study by Diacon and O'Brien (2002) which revealed that unethical conduct such canvassing can be problematic for persistency.

On rebating, a mean of 3.94 indicated the respondents viewed that rebating of premiums by the intermediaries leads to poor persistency. The respondents, by a mean of 3.96, agreed that sympathy sales lead to high lapse rates. Additionally, by a mean of 4.32 the respondents strongly agreed that product mismatch leads to policy cancellations. Makau (2013) cites that product mismatch is a sign of lack of professionalism and this leads to policy cancellations. A mean of 4.15 indicated an agreement that failure to keep in touch with customers leads to high lapse rates; likewise, a mean of 4.15 indicated an agreement that failure to remind customers on the premium due date leads to high lapse rates. On selling of insurance on part time basis, a mean of 3.43 showed that the respondents were indifferent that intermediaries selling insurance on part time basis have a poor persistency. Therefore, it was indicated that 4.32≤Mean≥ 3.43 meaning that product mismatch does lead to policy cancellation while selling insurance on part time basis leads to poor persistency.

Table 2: Intermediary Factors

Intermediary Factors	N	Mean	Std. Deviation
Effect of professional certificates on persistency levels	47	3.77	.698
Effect of experience on persistency.	47	4.17	.564
Effect of intermediary's ethical conduct on persistency	47	4.19	.613
Effect of rebating of premiums by the intermediaries on persistency	47	3.94	.763
Effect of sympathy sales on lapse rates	47	3.96	.908
Effect of product mismatch on policy cancellations	47	4.32	.515
Effect of poor sales service by the intermediary on persistency	47	4.15	.659
Effect of failure to remind the customers on due dates on policy persistency.	47	4.15	.691
Effect of part time intermediaries on persistency.	47	3.43	1.156
Average	**47**	**4.01**	

Persistency

This study's dependent variable was persistency. The questionnaire presented questions on persistency indicating the degree to which they agreed with statements on persistency on a five-point Likert Scale. The scale ranged from (one) being a strong disapproval and (five) being a strong approval. The findings were recorded in Table 4.7 and they indicated that 3.30≤Mean≥ 2.04 below.

On persistence, a mean of 2.04 indicated that the respondents disagreed that the overall persistency for their life book is above 80%, a mean of 3.21 showed that the respondents were of the opinion that the persistency for term assurance is above 80%, and a mean of 2.94 indicates that the respondents disagreed that the persistency for whole life assurance is above 80%.

Finally, there was an indication (3.30) that the respondents were indifferent that the persistency for endowment assurance is above 80%.

Table 3: Persistency

Persistency	N	Mean	Std. Deviation
The overall persistency for our life book is above 80%	47	2.04	1.334
The persistency for term assurance is above 80%	47	3.21	.806
The persistency for whole life assurance above 80%	47	2.94	.818
The persistency for endowment assurance is above 80%	47	3.30	.931
Average	**47**	**2.90**	

Correlations

The study sought to understand the relationship between the independent variable, which was intermediary factors and the dependent variables which is persistency. A Pearson Correlation test with a 2-tailed test of significance was conducted to identify the direction of the variables' linear relationship. The correlation results show that intermediary factors have no significant effect on persistency of ordinary life assurance policies in Kenya as shown by a correlation coefficient of 0.099. The p-value (0.507) was more than the signficance level (0.05) and hence the effect was not significant f.

Table 4: Correlation Coefficients

		Persistency	Intermediary Factors
Persistency	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	47	
Intermediary Factors	Pearson Correlation	.099	1
	Sig. (2-tailed)	.507	
	N	47	47

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

Regression Analysis

The study used a univariate analysis to investigate the effect of intermediary factors on persistency of ordinary life assurance policies. The null hypothesis stated:

$H_0$2: Intermediary factors do not have a significant effect on persistency of ordinary life assurance policies.

The r-squared for the effect of intermediary factors on persistency of ordinary life assurance policies was 0.00645. This shows that intermediary factors can explain 0.645% of persistency of ordinary life assurance policies.

Table 5: Model Summary for Intermediary factors and Persistency

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.0805	0.0064803	0.01821	0.344566

a. Predictors: (Constant), Intermediary factors

The F-calculated (3.3038) less than the F-critical (4.1709) and the p-value (0.000) was less than the significance level (0.05), which implies that the model is not a good fit for the data and hence can be used to predict the the effect of intermediary factors on on persistency of ordinary life assurance policies.

Table 6: ANOVA for Intermediary factors and Persistency

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.111	1	7.111	3.3038	0.088
	Residual	96.856	45	2.15236		
	Total	**103.967**	**46**			

a. Dependent Variable: Persistency of ordinary life assurance policies.
b. Predictors: (Constant), Intermediary factors

From the results the regression model was;

$Y= 0.263 + 0.148X_1$

The regression results indicate that holding the independent variable (Intermediary factors) constant, Persistency of ordinary life assurance policies will have an index of 0.263. The findings also show that intermediary factors has a positive effect on persistency of ordinary life assurance policies as shown by a beta coefficient of 0.148. However, the p-value (0.224) was more than the signficance level (0.05) and hence the effect was not significant. Therefore, we can accept the null hypothesis that “intermediary factors do not have a significant effect on persistency of ordinary life assurance policies”. These findings disagree with Kuhlemeyer and Allen (1999) findings 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.

Table 7: Coefficients for Intermediary factors and Persistency

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.263	0.148		1.777	0.114
	Underwriter factors	0.148	0.129	0.155	1.150	0.224

a. Dependent Variable: Intermediary factors

Conclusions and Recommendations

The study also concludes that intermediary factors have no significant effect on persistency of ordinary life assurance policies in Kenya. The study found that intermediary's ethical conduct, professional certificates, ethical conduct, sympathy sales, poor sales service and failure to remind the customers were intermediary factors affecting persistency of ordinary life assurance policies. The study found that intermediary factors including professional certificates, experience, ethical conduct and customer service affect persistency of Individual life assurance policies in Kenya. Therefore, insurance companies should focus on professional certificates, experience, ethical conduct and customer service training in the selection and vetting of intermediaries. In addition, insurance companies should provide training on intermediaries, at least twice in a year, on customer service and ethical conduct.

Suggestions for Further Research

This research study was limited to intermediary factors affecting persistency of Individual life assurance policies in Kenya. Therefore, a similar research study should be done assess other factors affecting persistency of other lines of insurance business. At the same time, a similar study can be replicated so as to explore factors affecting persistency of ordinary life assurance policies from the view point of the policy holders and the underwriters. In addition, the study found that intermediary factors could only explain 0.645% of persistency of ordinary life assurance policies in Kenya. Therefore, the study recommends that further studies should be conducted on other factors affecting persistency of ordinary life assurance policies in Kenya.

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