FACTORS INFLUENCING CONSUMER CHOICE: A CASE STUDY OF COMPREHENSIVE MOTOR INSURANCE IN NAKURU, KENYA

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DECLARATION

I, DANIEL MURIUNGI MUGAO, hereby declare and certify that this research project was carried out by myself and to the best of my knowledge, the said work has never been presented in part or a whole for the award of any other degree in Egerton University or elsewhere. All the works used have been duly cited.

Researcher

Signed________________ 18th Nov. 04

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RECOMMENDATION

This research project has been presented with our approval as university supervisors.

Supervisors

Dr.Njehia B. K. _______________ 18th Nov. 2004

Signature Date

Dr.Ngigi M. W. _______________ _______________

Signature Date

DEDICATION

This work is dedicated to my children, Ernest Mugao, Arnold Njogu and Angela Mwende, a great source of joy and fulfillment. How I wish it would serve to inspire, challenge and direct them to originality and self-actualization.

ACKNOWLEDGEMENT

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My wife Elizabeth takes the honor for being very supportive and a source of encouragement.

ABSTRACT

This work establishes the factors influencing consumer's choice of an insurer against loss or damage to a private car. It assumes that the consumer's decision on the choice of the service provider referred to as the insurer, is discriminatively influenced by among other factors, trust to reduce the risk of a dishonored claim. The research recognizes insurance service as a unique service requiring high level of trust, and confidence that the insurer will honor his part of the agreement should he be called upon to do so. The insured is considered generally disadvantaged by imperfect information on the practice and conditions of insurance as opposed to the professional insurer. From the literature review, trust, location and premium were found to be the main factors responsible for consumer choice. Likert scale was used to determine the weight of factors influencing consumer choice and responsible for building of trust. Means of the factor influencing consumer choice were paired and at 95% level of confidence, all the factors were found to have equal influence. This is an interesting finding for those venturing into the industry because they can use it to evaluate their position and be able to choose a favorable segment to their ability. Insurers currently in practice can use these findings to understand the reasons behind their position in the market and be able to strategize for growth and/or survival. Although this is a case study of only one insurance product, the effect of trust among other factors, has similar impact on the buying decisions for other insurance products.

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CHAPTER ONE:

GENERAL BACKGROUND

1.0 Introduction

This chapter gives a brief history of the Kenyan insurance industry. It also explains in brief the development of the industry up to date. Part two of the chapter gives an overview of a private car insurance cover with emphasis on comprehensive scope of cover. The problem statement, the objective of the study, hypotheses, justification of the study and finally, definition of terms follows the part two.

1.1 Brief History of Kenyan Insurance Market

Kenyan insurance market dates back to the British colonial rule. At the time, marine insurance was the common insurance business. Goods bound for Kenya were insured overseas, mainly by British companies.

The country's first insurance company, Pioneer Assurance, was incorporated in 1930, followed in 1937 and 1947 by Jubilee insurance and Pan Africa, respectively. During this colonial period, insurance business was under British statutory regulation. It was not until 1947 that Kenya's insurance Act was published, and revised in 1962. This Act continued to guide the "free for all" insurance environment up to 1978 when the minister for finance ordered, in the budget speech, all branches of overseas insurance companies operating in the country be locally incorporated or else fold-up. The implementation of this requirement was swift with many branches merging and incorporated locally.

The current Insurance Act, Cap 487, was enacted in 1984. The Act is a more comprehensive legislation and aims at regulating all the players in the market. The players include insurance companies, brokers, agents as well as other insurance related service providers like Loss Adjusters, Assessors and Investigators. Today the country has 42 registered and practicing insurance companies, 250 brokers and close to 4000 insurance agents. They are all free to source business anywhere within the republic of Kenya. In Nakuru town, which is the reference location for this study, there are branches for 16 insurance companies, 8 brokers and close to 164 agents

The price for an insurance cover is the premium charged by the insurer. Insurers are free to charge premiums they deem fit although the freedom is limited by regulations from the commissioner of insurance. However, in deciding whom to buy from, consumers are not just guided by price but also take into consideration other factors.

In the recent past, insurers in Kenya have attempted to form a cartel to impose rating guideline with strict minimum rates especially for motor insurance. This has caused hue and cry leading the commissioner of insurance to issue a directive quashing the practice. Today, companies maintain different rating structures with some charging twice as much as others.

1.2 Private Car Insurance in Kenya.

In the Kenyan insurance market, a private car is identified by its registration with the registrar of motor vehicles. Every car must be registered and issued with a log book, which states the registration number and other vehicle details like the make, body type, class; i.e. private, engine number, chassis number and the name of the owner. Insurers limit the cover of a private car to its use. In insurance terms, a car must be used for social, domestic and pleasure purposes or in connection to the owner's profession to qualify for the definition of a private car.

In Kenya, private car insurance is compulsory by law. Section 3 Cap 405 of the laws of Kenya states that every motor vehicle used on the road shall be insured. This is in respect to only Third Party Risks. However, because of many accidents on Kenyan roads, and the increasing incidences of car jacking and theft, vehicle owners take comprehensive insurance cover to insure against the loss of the car.

Basically, comprehensive private car insurance provide cover against the following

1. Death or bodily injury to persons, as provided for under the Insurance (Motor Vehicle Third Party Risks) Act, Cap 405 of Kenya.

   Damage to Third Party Property up to a certain limit (this varies with the insurers)

2. Damage to or loss of the vehicle due to accidental external means such as collision or overturning.

3. Damage to the vehicle by malicious acts.

4. Damage to the vehicle by fire, external explosion, self ignition, lightning or frost

5. Loss or damage to the vehicle due to theft or attempt there of.

Insurers also provide additional benefits at the request of the insured such as cover for towing charges, personal accident to the driver and passengers, legal liability to passengers, medical cover for injuries arising out of accident, riots and strikes. Loss of accessories like radio cassettes and special rims can also be specifically covered at the request of the insured. However this is at an additional premium, which varies with the insurers.

Like in the marketing of other insurance products, a comprehensive insurance contract starts with the potential customer making a proposal, usually, by completing a form commonly known as a proposal form which is drafted by the insurer. This form is supposed to capture all material facts which would influence the decision of the insurer in either accepting the offer or otherwise.

The contract is said to be in force once the proposal is accepted and a certificate of the car insurance issued. The insurer thereafter draws a contract document known as the policy document, which details the terms and conditions of the contract and delivers it to the insured. A breach of the conditions, terms and warranties stipulated in the policy may lead to the contract being void from inception, a claim being rejected or settled at a less value than the loss suffered. Few insurance service buyers take their time to understand this document. This is because the language of insurance is technical due to the use of legal jargons and flow of language. Many claims have been rejected on the basis of breach, which would not have happened had the insured understood the document. Despite this problem, car owners still seek comprehensive insurance because of the many losses occurring to cars in Kenya.

The cost of comprehensive insurance is high and most companies charge more than 4% of the declared value of the vehicle. Due to the difficulties experienced by insurance consumers in understanding the contract's requirements, they find themselves in difficult situations as regards whom to buy the insurance from. The insurance industry, like most businesses in Kenya, has been found wanting for lack of integrity and honesty. Many insurance companies have been blamed for failure to explain clearly what their clients should, or should not do in order to have losses fully compensated. Many insurance middlemen (agents and brokers) whose remuneration is by commission, paid by insurance companies, have been using crafty means of acquiring clients. This has caused many private car claims to be repudiated. Insurance consumers therefore face the risk of having their claims dishonored. Potential comprehensive car insurance customers are usually faced with the problem of choice as to which insurer is fair in terms of premium, honesty, integrity and willingness to go an extra mile in explaining and clarifying the requirements of the contract. Insurers therefore need to cultivate trust within the insurance buyers.

1.3 Problem Statement

Insurance business is based on promise. The insurer promises the insured that in the event of loss to the subject matter, he will compensate. The insured trusts in this promise and pays the price of the contract. However, insurers are in business and possibilities of businessmen being crafty, bankrupt and dishonest exist to the detriment of the buyer. Insurance service consumers are therefore influenced by trust, among other factors, in making a choice of whom to insure with. However, the influence of trust on consumer's choice of the insurer has not received due attention.

1.4. The Objective

The main objective of this study is to determine the factors that influence consumer choice of insurance service provider.

The specific objectives are:

1. To identify the key factors that influence consumer's choice of a private car comprehensive insurance service provider.
2. To determine the importance of trust in consumer choice of an insurer
3. To determine the importance of factors influencing building of consumer trust on an insurer

1.5 Hypotheses

H_1: Trust, Location and Premium do not equally influence consumer choice.

1.6.The Justification/Significance of the Study.

Consumer choice is an area that has generated a lot of interest in the field of marketing. Extensive research has been conducted addressing consumers' behavior in buying tangible products. However, a lot more needs attention especially in the field of marketing of services.

Reasons for choice (why) are mainly as a result of the sellers marketing strategy of pulling consumers. A strategy, depending on its design and implementation has diverse effect on a consumer. The effect highly depends on a consumers' motivation, personality, and group behaviors and even society and culture. Although techniques of developing a marketing strategy may be the same, each marketer has different qualities and abilities, which influences consumers' decision on choice. Although qualities and abilities of a marketer are generally known, specific focus on individual factor influence on choice has not been given due attention

Marketing of services, as opposed to tangible goods, requires understanding of inseparability of the product from the seller, the perishability of the service and the heterogeneity involved. These special characteristics present the seller as part of the service. Grounds for a person to choose a person are based broadly on behavior and attraction. Many more studies need to be done on specific service marketing especially on how the behavior of the seller influences the buyer to be attracted to the service. Services like insurance are even more unique due to the informational asymmetry between the seller and the buyer.

How best to understand why a private car owner would choose to insure with company X and not Y can not be conclusively addressed without looking at the factors influencing the choice of that consumer. However, since insurance is a technical subject not well understood by many consumers, choice may be more influenced by trust than other factors. This study intends to establish the importance of those factors with an assumption that trust is the most important.

Many insurance companies operating in Kenya today take consumers' choice for granted. Some do advertise to create image in the market while others rely on their claims settlement record in the industry. Some companies are viewed by consumers as unstable financially, while others are said to be discriminating single policyholders in favor of corporate clients. Actually insurers in Kenya hardly conduct research to establish the consumer's opinion towards their services.

This study will provide new insight into how trust develops and its influence on choice of insurance consumer. Several contributions to the emerging marketing literature on trust will be offered.

This work will establish a foundation for further research into the importance of each factor influencing consumer choice and the insurers can find mechanism of strengthening their weak areas. Trust is regarded critical and establishment of factors necessary to build trust will strengthen insurers' marketing strategies.

1.7. Definition of Terms

The following are terms technically used in this report with their meaning defined

Trust: A person's perceived credibility, benevolence, conviction, and believe that another will behave or act in a particular way.

Insurer: The undertaker of risk, usually, a registered insurance company licensed to trade as an insurer.

Broker: Intermediary between the insurer and persons seeking insurance service. A broker is independent and he is squarely liable for his conduct in business.

Agent: Intermediary for the insurer to source and assist in servicing the clients. The general commercial law of agency basically governs agents, though regulated by the commissioner of insurance.

Policy: Refers to the contract of insurance.

Policy document: Legal document evidencing the contract of insurance.

Premium: The amount of money charged by the insurer in order to insure the risk brought for insurance.

Rating: The insurers' determination of what amount of premium to charge on a risk.

Claim: Demand on the insurer to honor their part of the agreement through indemnity or compensation.

Commercial consideration: Gratutory treatment based on the expected gains beyond obligation.

Risk: A condition in which there is a possibility of an adverse deviation from a desired outcome that is expected or hoped for.

Consumer: An individual who buy goods/service for personal consumption.

Cognitive dissonance: Post-purchase experience of discomfort with the product/service.

Market Equilibrium: A state of balance among sellers prices brought about by even demand.

Matatu: A fare-paying passenger carrying vehicle.

CHAPTER TWO

LITERATURE REVIEW

2.0. Introduction

This chapter discusses the literature behind consumer choice. It includes revelation of factors influencing consumer choice based on findings of other scholars. Consumption of services is given more attention with special emphasis on insurance. The chapter further discusses the conceptual framework and the concept of choice generally. An in-depth discussion of the specific factors of interest in this research, being trust, price and location together with a model is included. At the end of the chapter, the limitations of this study are explained.

2.1.The Role of Trust in Consumer Choice

Consumer choice is better understood in the context of consumer behavior. Zaltman and Wallendorf, (1983) define consumer behavior as acts, process, and social relationships exhibited by individuals, groups, and organizations in the attainment, usage of, and consequent experience with products, services and other resources. They say that consumer behavior is motivated or purposive, directed towards the goal of obtaining products, services or other resources for use in their own right or as a medium for future exchange.

Kotler, (2001) states that marketers can study actual consumer purchases to find out what they buy, where, and how much. However, he admits that learning about the whys of consumer buying behavior is not so easy. The "black box" model which basis the understanding of the "whys" on the psychological approach projects a consumers' mind as being a processor in a system with outputs (behavior) that are the results of inputs. Chisnal, (1998) says that what exactly happens inside the "black box" has been the subject of speculation, theory, and experiment for many years.

Mckenna, (1986) points out that search is a natural and very common response to uncertainty. It is both a method of improving on the information available and of expanding the number of alternatives from which to choose. Search enables prospective customers to test their impressions against actual possibilities and thereby make more satisfactory choices.

Mackenas' view can be better explained by the fact that a consumer faces risk in making choice. This is supported by cognitive dissonance as an after purchase experience. The product may compliment the wishes of the consumer or lead to frustration. Voughan, (2001) defines risk, as a condition in which there is a possibility of an adverse deviation from a desired outcome that is expected or hoped for. Risk is also said to be a chance of loss, the possibility of loss, dispersion of actual from expected results or the probability of any outcome different from the one expected.

Voughan, (2001) explains uncertainty as a state of mind characterized by doubt, based on a lack of knowledge about what will or will not happen in the future. It is out of uncertainty that search is critical to purchase decisions. Mackena, (1986) explains that the search process operates as follows: An individual is interested in an economic variable on which (indirect) utility ultimately depends; the variable, which may be a product price or insurance quotation is randomly distributed in the market and the location of any particular value is unknown a priori – hence the inducement to search. He considers time involved for search as another variable and devides it into periods through which search is conducted and stops on discovery of a value.

Mckenna, (1986) further focuses on the market equilibrium implications of individual search decisions. Equilibrium analysis enables consideration of the price and quantity adjustment mechanisms, and their consequences, in a decentralized market framework. In a market with a large number of imperfectly informed buyers, firms are left to set prices to which consumers respond through their search. This, for some time, leaves firms with some local monopoly power, which may lead in the limit to the market price converging to the monopoly price or joint profit-maximizing price.

Cheung (1969), states that a rational individual seeks to avoid risks if cost of doing so is less than the gain from the risk averted. He says that the individual may avert risk either by searching for information about the future, by choosing less risky options when investing, or by choosing among arrangements, which his burden of risk can be dispersed to other individuals such as insurance and various contractual arrangements. Cheung (1969), quoted by Stiglits et al, (1993) as one of the modern forerunners of the literature on transaction cost, gives another reason for the existence of different contractual arrangement as lying in the different transaction costs that are associated with them. He says that transaction costs differ because the physical attributes of input and output differ, because institutional arrangements differ, and because different sets of stipulations require varying efforts in enforcement and negotiations. Jackson (1985) suggests that the application of transactional or relational marketing should depend on the customer's orientation to a relationship. As much as this approach does not answer all the "whys" of a consumers' buying decision, it combines the intention with the cost of the decision and this is a good start to understanding why an insurance service consumer chooses company X and not Y.

Ellen et al, (1999) cites Macneil's (1980) as having maintained that pure transactional or discrete exchanges are rare, and that some aspect of relationships permeates most contractual exchanges between buyers and sellers. Ellen states that a central idea in the theory of partnering implies that differences in trust and commitment are the features that most distinguish customer partners from customers with an orientation toward single or repeat transactions.

Stiglits et al (1993) notes that formal models to explain the fact that many transactions are based on more than price have been developed only since the late 1960s. He observes that the price system is intrinsically limited by inability to make the distinctions on which perfect markets depend. Akerlof (1970) states that more generally, the presence of people in the market who seek to pawn bad wares as good tends to drive honest dealers out of the market. He further explains that information problems and moral hazards intrinsically limit market systems. He says that moral hazards arise when an individual takes an action to maximize his own welfare to the detriment of others.

Another critical issue observed by Stiglitz (1993) is that in every society, some nonmarket controls are internalized as moral principles and that moral hazard is, in part, a question of morality. This observation borders on trust in the sense that one party considers the other party morally right and therefore chooses to deal with that party. Further more, it is not possible to quantify morality, the measure lies in perception. Parties involved trust each other. Hollis (1998) says that everyday life is a catalogue of success in the exercise of trust. Our dealing with friends and enemies, neighbors and strangers depend on it. However, he argues that although trust is an obvious fact of life, it works in practice but not in theory.

Cheung (1989) built a hypothesis that the choice of contractual arrangement is made so as to maximize the gain from risk dispersion subject to the constraint of transaction costs. It appears that the hypothesis confirms the utility maximization theory and marries it to the transaction cost theory while creating a balance. This approach is relevant to the problem at hand in the sense that consumers will choose an insurer whom they trust will honor claims (gain) and thus minimizing the chances of dishonored claim (loss). In insurance, transaction costs will include information search for the best contract drafter, most fair premium charger, convenience in terms of distance and service provision and repute in claims settlement. This may involve the insurance buyer involving a middleman, an agent or a broker with expertise in the market operations and professionalism.

Diamond, (1989) notes that informational difficulties can create problems in the definition of a commodity. One way in which this may occur is when there is a set of commodities that are different from the point of view of the purchaser, but are treated as identical by the market. He distinguishes the class of problems that arise when commodities are distinguished on one side of the market but are treated as identical by the other side as adverse selection problem.

Insurance buyers often use middlemen, who are usually registered Brokers or Agents. The purpose is to have someone knowledgeable about insurance on his or her side. Thus, a consumer will rationally pick on an intermediary, purposely to increase competence in bargains. This concept has been documented by Rees (1987), who considers informational asymmetries between buyers and the sellers as a factor for involving middlemen, the agent. This view supports Diamonds', already explained. However, as argued by Patrica, (1997), trust of a middleman and trust of supplier firm, though related, represent different concepts. For example, a long-term relationship with a trusted supplier could be jeopardized by a company representative who proves to be dishonest and unreliable. Conversely, highly trusted salespeople can preserve customer commitment during difficult times created by management policies that appear contrary to the customer's best interest.

Kahneman et al, (1974) notes that people rely on a limited number of heuristic principles which reduce the complex tasks of assessing probabilities and predicting values to simpler judgmental operations. Such principles could be opinions based purely on trust.

Sugden, (1990) observes that for many years, almost all economic analyses of choice under uncertainty were based on utility theory. He remarks that utility theory shows that an individual whose preferences satisfied certain axioms would choose as though maximizing expected utility. The axioms are supposed to have intuitive appeal as principles of rationality. He observes that independence axiom is frequently and systematically violated by ordinary people and therefore, either ordinary people are irrational or that the independence axiom is not, after all, necessary property of rational choice. There are some people who just walk to insurance offices without prior knowledge of how they may be treated in the event of a claim and procure the service. However in his concluding remarks, he says that experiments show that human beings, choosing under uncertainty, behave in systematic and predictable ways.

Arrow, (1989) captures the problem of consumer choice under uncertainty. He explores special characteristics of the medical-care market and observes that the causal factors in health are many, and the provision of medical care is only one. He notes the distinguishing characteristic of an individual's demand for medical services as not steady in origin. He says that medical services, apart from preventive services, afford satisfaction only in the event of illness, a departure from the normal state of affairs. Like the medical services, a consumer of a comprehensive car insurance cover will derive satisfaction after a loss has been settled.

Just like the medical care, motor insurance belongs to the category of commodities for which the product and the activity of production are identical. In all such cases, the customer cannot test the product before consuming it and therefore, trust plays an important role. Uncertainty as to the quality of service is very intense in insurance market. This is compounded by the fact that insurance, in practice, is technical. The information possessed by the insurer as to the consequences and possibilities of claim settlement is very much greater than that of the insured. Further, both parties are aware of this informational inequality, and their relation is colored by this knowledge.

Patrica et al, (1997) says that the development of trust relies on the formation of a trustor's expectations about the motives and behaviors of a trustee. He visualizes five distinct processes by which trust can develop in business relationships as; calculative process, the predictive process through repeated interaction, capability process, intentionality process and transference process. The table below captures trust building processes, generic drivers, and factors that invoke each process.

TABLE 1. TRUST BUILDING PROCESS, GENERIC DRIVERS, AND FACTORS THAT INVOKE EACH PROCESS

Trust-Building Process	**Generic Driver of the Process**	**Factor that Invoke the Trust-Building Process**
Calculative: Trustor calculates the costs and or rewards of a target acting in an untrustworthy manner	Costs are higher when a target makes larger and/or relationship-specific investments	• Reputation • Size • Willingness customize • Confidential information sharing • Length relationship
Prediction: Trustor develops confidence that target's behavior can be predicted	Trustor learns more about the target through repeated and broader experience	• Length relationship • Likability • Similarity • Frequent social contact • Frequent business contact
Capability: Trustor assesses the target's ability to fulfil its promises	Evidence of the target's ability to fulfil its promises	• Expertise • power
Intentionality: Trustor evaluates the target's motivations	Target's words and/or behavior indicates concern for the trustor	• willingness to customize • Confidential information sharing • Likability • Similarity • Frequent social contact
Transference: Trustor draws on "proof sources" from which trust is transferred to the target	Identification of trusted sources closely associated with the target	• Reputation • Size

Source: Journal of Marketing, No. 38, April 1997.

Many writers have identified cultural, social, personal and psychological factors as being responsible for consumer choices. These factors distinguish one person from another and therefore explain the variations in individual behaviors in decisions as to where to buy and why. However, the factors do not consider a marketer as being capable of influencing and determining the decisions of the consumer. An insurance marketer may decide his destiny by cultivating strong image and goodwill from the public by his way of service delivery and thus creating trust with the customers, creating a relational form of exchange; Dwyer et al., (1987); Morgan et al., (1994). Such trust would be the critical factor consideration cutting across culture and social groupings.

The purpose of buying insurance is to have security over the subject matter. It is therefore a risk management technique. Experience has cast doubt on insurance buyers as to how the insurer will treat a claim but people still continue buying the service. In principle, a person buying insurance is expected to disclose all material facts concerning the risk, Voughan (2001). This is because he is the one who knows and is expected to know the facts. On the other hand, the insurer knows all technical aspects of drawing a contract to insure against that risk. He draws the contract document and the insured takes it in good faith that it protects his interest. However, insurers are usually business people and many have been known to hold on small technical conditions not familiar to the insured only to later repudiate liability on grounds of breach of conditions on the part of insured. It follows that although the insured takes the cover as protection against risks, there exists an extra risk of the insurer not honoring a claim. This is why selection of the insurer is a method of reducing risk.

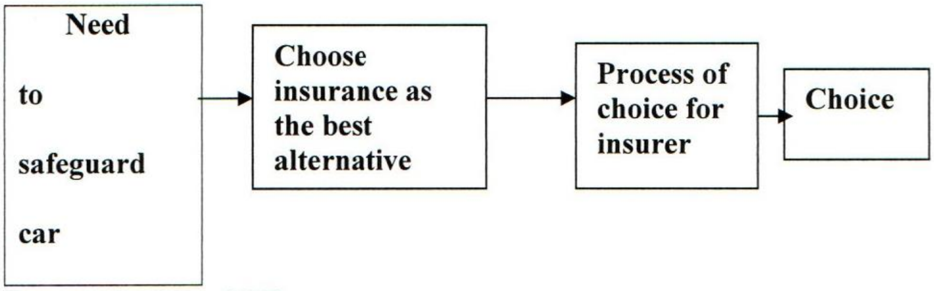
The expected utility by an insurance consumer is that of full compensation should a loss occur. For simplicity, insurance consumers with strong trust on their insurer will stick to them (repeat purchase) thus being systemic and consistent. However, this would be a simplistic way of looking at the problem at hand. Some consumers have no prior knowledge of the competence and service delivery record of the insurer they choose. Others are simply persuaded by simple advertisements while others may be influenced by agents to move to insurers they have no idea about.

As argued by Kahneman et al, (1989), many insurance consumers rely on interpersonal relationships, acquaintances, and references. They tend to choose insurers who in one way or the other have a priori knowledge that they will be fair when it comes to claim settlement. They go by simple trust without complex analysis of reliability. This approach is insufficient in addressing the basis of consumer choice as it only addresses a limited number of heuristic principles, which reduce the complex tasks of assessing probabilities and predicting values to simpler judgmental operations. However it appreciates the complexity in information analysis to make a choice, a view explained in the "black box" model of consumer choice.

2.2. Conceptual Framework

Consumer choice in insurance market starts with cognition of unfulfilled need. A person owning a private car and faced with the risk of loss of the vehicle wants to safeguard against the loss. He considers insurance as the best alternative. However, since there are many companies offering insurance services, he has to make a choice. This is a critical decision because insurers differ in their service delivery. The expectation of the consumer is to get full compensation from the insurer should the loss occur.

Process of Choosing Insurer



Source: Authors 2003

Research in consumer expectation has approached the subject based on the Expected Utility Theory (EUT). This theory states that a consumer will allocate his resources to maximize utility. Utility is the satisfaction derived from the consumption of the commodity measured in utile. Another theory of interest is the Transaction Cost Theory. It cáptures the effect of the information asymmetry leading to reliance on trust to reduce the effect of information search costs.

The Perceived Risk Model which says that consumer's behavior will depend on an individual's perception of the risk inherent in particular buying propositions can be used to explain the choices as a result of trust on the insurer. However, this model may not sufficiently satisfy the objective of this research due to the number of factors being considered.

The Engel-Kollat-Blackwell model of Consumer Behavior may appear appropriate for the problem at hand. This model of buying behavior, originated in 1968, and was revised in 1973 and 1978. The core of the model is five-stage decision process, which starts with problem recognition, followed by a search for information so that the problem can be dealt with satisfactorily. Sources of information, internal and external, are used to generate alternative solutions from which a choice is made, resulting in satisfaction or dissonance. Information input depends on stimuli from the mass media, personal contacts, and general market sources plus 'active memory' or store of information gained from past searches and experience. This model also recognizes 'general motivation influences', such as personality and life-style, which affect the decision process. In addition there are 'internalized environmental influences' such as cultural norms and values, and also group influences. Also 'unanticipated circumstances' have a direct bearing on the selection process.

2.3. Choice Concept

There are chances of existence of more than one center of choice within an individual. In Judeo-Christianity, when one chooses against is rational desire, he blames it on the devil. The lack of deciding principle is the fatal flaw of multiple-center theories of ambivalence. This is best illustrated by the version that says that there is no general mechanism for decision making. An organism may have particular hierarchies of preferences, but they have been partitioned from one another, perhaps by the happenstance of evolution, perhaps by learning, into unbridgeable niches, and they operate without reference to one another.

Ainslie G., (1992) states that choice is often arbitrary, dependent not on the innate feel of the objects chosen but on personal bookkeeping categories that are influenced by such factors as "habit" and "cultural norms". These factors are non-economic that the behavior of categorizing is in itself unmotivated or is motivated by incomparable incentives. There may be different motives or even anatomically separate motivational centers in the brain (Olds & Fobes, 1981; Phillips , 1984), but such motives or centers must compete and be chosen on the basis of a common dimension. Behavior must be isotropic. The choice mechanism cannot be modular in the sense that perceptual mechanisms are sometimes held to be modular, that is, blind to part of the person's knowledge of motivation. There exists a market place where the person's preference is decided. Ainsle (1992) argues that the process of decision making, leading to a formal solution to the problem of inconsistent behavior, lets one plan be realized while another is being frustrated, without reconciliation to an over plan. He classifies motivation into lower and upper level and proceeds to say that higher motives have to be weighed along the same dimension as passions in the process of choice. No affect can be restrained by the true knowledge of good and evil insofar as it is true, but only insofar as it is considered motivational, it is to influence choice. An affect cannot be restrained nor moved unless by an opposing stronger affect. Reason is not an opponent of the passion, but a broker of them: reason is nothing but the act of choosing those passions, which are followed for the sake of happiness. Freud (1966) considers choice of inferior alternative in a free market as emanating from ungoverned passion, which he regards as impulse of choice. About the lower motives, Ainsle (1992) argues that they distort a person's motivation, so that some appetites spring up in temporary opposition to the rest of his wishes, implying that a person's motives will not be in conflict until something triggers this blind mechanism.

Another aspect of choice conceptualized in this study is that self defeating behavior can be explained entirely as a person's erroneous perception of his situation. On the same note, if there is some fundamental tendency for goal-directed behavior to move off course and stay off course, such a process could be a source of self-defeating behavior. It is also necessary to state that deceptive reward induce people to make choices that they would not make knowingly. Misinterpretation of situations, messages or events also leads to choices which otherwise would not have been made. As argued by Davidson (1980). Such choices could also be made under errors in logic or under logical errors under pressure

2.3.1. Conceptual Variables and their Measurements

Trust

Moorman et al, (1993) define trust as "a willingness to rely on an exchange partner in whom one has confidence." They propose that an expectation of trustworthiness result from the ability to perform (expertise), reliability, and intentionality. Morgan and Hunt (1994), define trust as the perception of "confidence in the exchange partner's reliability and integrity." Both definitions highlight the importance of confidence and reliability in the conception of trust. Trust in every business means confidence with the transaction and with the parties involved. It forms a base for further dealing and establishment of mutual business relationship. One party can rely on the other that whatever said and done is in good faith. Normally, trust is not built over night. It is usually based on experience. An insurance company can build trust with its customers through quick settlement of claims, proper and professional conduct, and development of customer orientation approach in marketing, honesty and integrity. One customer who has faith with the service provider will most likely spread the good name and through him, the marketer will get more business. It is on this basis that insurance buyers are influenced by reference. Others would build trust on the seller based on personal relationships on the trust that, one known to you, will least cheat.

This research appreciates that trust is not quantifiable and therefore adopts Likerts' scale technique as the measure.

Premium

Price is a key factor in every buying process. It is said to be the 'cost' of the product. If the same product costs less elsewhere, most probably, a buyer will go for the less. However this is an aspect of trade often exploited by the sellers due to the information asymmetry. The seller may fix high price for a good worth less because the buyer is not aware of the relative price prevailing in the market. Price is also a tool for differentiating products and segmenting markets. It has a direct influence on choice either based on sensitivity or prestige.

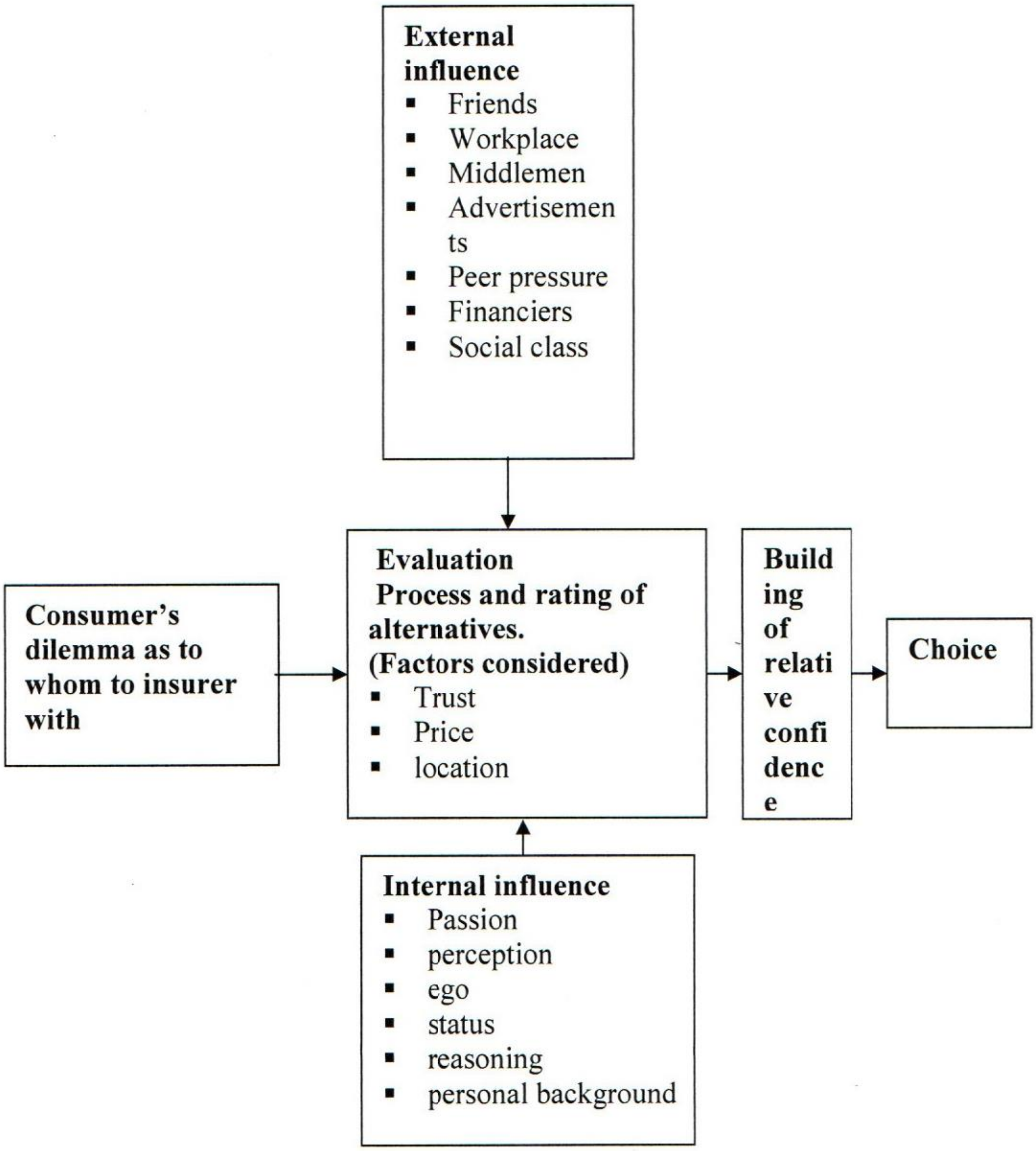
The intention of this research, as earlier stated, is to determine factors that influence consumer choice and therefore the measure for price is actually relative to other factors in terms of importance. Accordingly, Likert scale to determine the weight of price against other factors was adopted.

Location

Location of the seller or outlet of the product is another important factor in determining choice. Generally, the closer the location the more convenient it is for the buyer. However location should not just be viewed in terms of physical distance only but accessibility through all means of communication and ability to actually deliver the product or service to the consumer. It also covers transaction costs of establishing the best insurer and irrational choice based on convenience. Likert scale is adopted to determine its importance relative to other factors.

There may be other factors influencing consumer choice of insurance but this research shall limit its work to the above three, which forms the basis of the analysis.

2.4. Conceptual Model



Source: Authors 2003

Relative confidence is based on factors responsible for trust building. The consumer may looks at the professionalism, reputation, financial ability, size, and track record of the company and although he may not carry a thorough evaluation, in his mind, some evaluation takes place to enable him settle on one.

On the other hand building of trust is a function of experience and conviction. A person's conviction may be built upon friendship, family relations, class, color, acquaintance, professionalism or just faith. Experience may teach a person to trust the other or otherwise. Repeated interaction enables the party to interpret prior outcomes, better, providing a basis for assessing predictability, Patricia et al, (1997).

2.5. Limitation of the Study

This study is limited to the Private Car Insurance Buying in consideration of the risk of the insurer not meeting the expectation of the insured. It is a case study of the Nakuru Market.

The research assumes decided cases of choice, with an intention of finding out why the choice, based on the factors under consideration.

Factor identification is mostly based on priori knowledge. Trust is assumed to be the main factor and much of the work revolves around establishing its importance on the consumer choice.

Sample population is randomly selected but limited to individual consumers as opposed to organizations.

The research shall deal with all policyholders uniformly regardless of gender, age, occupation, color, race or creed. No distinction shall be made as to the make, age, body type or capacity of the car.

Data shall be analyzed using descriptive statistics. The study has ignored cases where an employer may dictate or influence the choice of the insurer.

CHAPTER THREE

METHODOLOGY

3.0.Introduction

The chapter discusses the study design, sample design, the problems encountered in the field, the techniques of data processing and analysis.

3.1. Study Design

This study focuses on private car insurance. Comprehensive cover was chosen in order to capture the **voluntary** risk transfer by the consumer to an insurer of his own choice.

Purposive sampling procedure was applied to pick on the class and scope. Comprehensive private car insurance is one of the common classes of insurance, on which there has been disagreement, suspicion and discontent between consumers and the insurers. In such a class and scope of insurance cover, it is interesting to find out what influences consumers to decide on which insurer to insurer with. A similar purposive procedure was applied to pick on Nakuru town as the physical location of the study.

3.2 Sample Design

The population of study is all comprehensive private car policy-holders within Nakuru town from which a sample of 30 respondents was picked The population, besides being mobile, cannot accurately be estimated. Accordingly, convenient sampling technique was applied.

Primary cross-sectional data was gathered from the respondents interviewed and made to answer a schedule of questions shown in appendix 1. Two enumerators were recruited and trained on how to administer the questionnaires. The questionnaires were administered face to face.

Secondary data was collected from the commissioner of insurance' office, the Association of Kenya Insurance reports and the Municipal Council of Nakuru.

3.3. Problems Encountered in the Field

Major problems encountered in the field included:-

a) Outright refusal by some respondents to answer questions. Generally, it was found out that some of them did not find it worth spending time to answer questions, as the report may not directly change their insurance situation. Others expressed dissatisfaction with non-implementation of research findings in the country and therefore said that it is waste of time. Since the technique of sampling was convenient, another respondent was approached for replacement.

b) There was lack of cooperation from the respondent especially in answering questions touching on past experience with their insurers. Those who had a nasty experience did not want to revisit the issue and had to be persuaded to give information. However persuasive language was used to convince such a respondent.

c) The enumerators, though trained on how to guide the respondents in answering questions seemed to be in hurry to finish the assignment. Close monitoring and verification was done to confirm that data solicited was thorough.

Time and finances were a major constraint owing to limited resources. However, the research project was designed in such a way that it fitted within a one semester period.

3.4. Data Processing and Analysis

First, thorough scrutiny was done to ensure completeness, clarity and consistency in answering the research questions. There after, the raw data was edited, coded and entered in a computer using SPSS program. Thorough data cleaning was done followed by analysis to obtain frequencies and percentages. Through the SPSS program, means and standard deviations of the factors influencing consumer choice were obtained to enable hypothesis testing. Further analysis using Likert scale to obtain the weight of factors was done.

The research hypothesis was tested using t-test at 0.05 level of significance. It was found appropriate to use the t-test since the standard deviation of the three samples is known and the number of observations is thirty in each sample.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION

4.0. Introduction

This chapter presents the results of the findings based on the entire data collected. It covers the following:

Period of Cover, Information on the Insurer, Level of Trust Bestowed on the Insurer, The Influence of Price on the Insurer, The Influence of Location on the Insurer, Evaluation of Factors Influencing Choice, Actual Service Received, Engagement of an Intermediary, The Part of the Policy Document in Consumers' Confidence and Evaluation of Factors Responsible for Trust Building. The objective of this study is satisfied by the evaluation of factors influencing choice and responsible for trust building.

4.1. Insurers

The research identified 30 insurance companies as the insurers of the sample of the 30 respondents dealt with. These companies are Alico, Apollo, Blue Shield, Co-operative, Geminia, Heritage, ICEA, Invesco, Kenindia, Lion of Kenya, Madison, Royal, Standard, UAP Provincial and United insurance companies. Out of these, Kenindia registered 16.7% of the respondent, being the highest followed by Blue Shield with 10% and Invesco with 10%.

The practice in the Kenya insurance market is that some companies do not insure private cars without being accompanied by non-motor insurance except on very special cases. Such companies insist that the insurer must insurer other classes. Alico, Heritage, ICEA, Kenindia, Lion of Kenya, Royal and UAP Provincial falls in this category. The research shows 50% of the respondent falling in those companies while the balance falls in the non-discriminating companies.

4.2. Period of Cover

Information meant to review how long the respondents have had the comprehensive cover showed that 60% of them had cover for over two years, about 33% for two years and 7% for one year. Since most of the respondents have had cover for a period exceeding two years, their response forms a leading opinion and therefore the research finding is highly guided by experience. In fact, as explained by Morgan and Hunt (1994), trust is a function of experience and therefore this information can be relied upon in explaining level of trust over a period of time.

4.3. Information on the Insurer

It was established that about 27% of the respondents were directed to a specific insurer by friends, 40% by Agents/Brokers, 17% by employees of the insurance company, 7% just walked into the office of the insurer while 10% know the company personally. It may be noted that middlemen plays an important role in search behavior of insurers as shown by the 40% finding.

4.4. Level of Trust Bestowed on the Insurer

The research identified 37% of the respondents having very much trust on the insurer, 33% much, 23% fairly and 6% slightly. Hollis, (1998) says that every day life is a catalogue of success in the exercise of trust. Insurers with grounds to be trusted will get customers. The research shows about 70% of consumers highly trust their insurer.

4.5. The Influence of Price on The Insurer

The price for insurance is premium. It was revealed that about 80% of the respondents care very much about the price they pay while 3% fairly care. Need for care arises because companies charge different prices not necessarily based on the quality of service they give but on commercial considerations.

4.6. The Influence of Location on the Insurer

Though all the respondents were sampled within Nakuru town only, the physical location of their agent or broker and the insurer was not restricted. It is common to find an insurance consumer physically in a place far a way from the location of the service provider. About 57% of the respondent said location matter very much, 23% said much, 3% fairly, 7% slightly while 10% do not care. This shows that consumers have varying determinants of their choice as explained by Kotler P., (2001) and Chisnal P. M. J., (1998). The closer the consumer is to the service provider, the better (57% of the respondents agree). However, others may not agree to this; perhaps because they have ways of satisfying their needs regardless of the physical distance.

4.7. Evaluation of Factors Influencing Choice

This research was undertaken on the assumption that consumer choice is influenced by trust, location of the service provider and premium being the price of the service among other factors. Data was collected on a 1 to 5 scale, where 5 represented the highest influence and 1 the lowest. Likert scale was used to compute weights. Table 1 below shows the weight of each of the factors. The weight value on each factor is a multiplication of the scale by frequency from the response by respondents.

TABLE 2. WEIGHT OF FACTORS INFLUENCING CHOICE

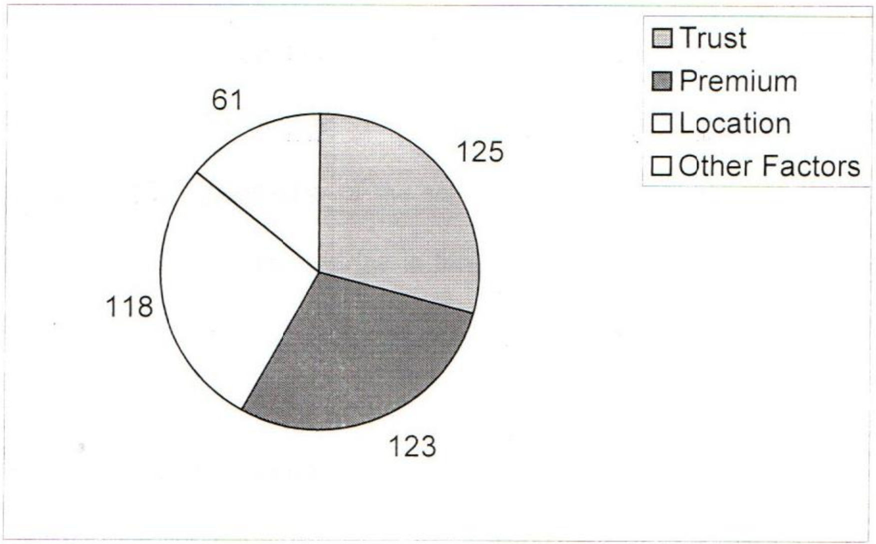
SCALE	Trust	Premium	Location	Other Factors
1	0	0	3	21
2	2	4	2	0
3	24	18	18	6
4	24	36	20	4
5	75	123	75	30
Total	**125**	**123**	**118**	**61**

Source: Field Study 2003

The above table shows that trust has the highest weight of 125, followed by premium with 123 while location has 118. Other factors carry 61.

The Chart below further illustrates the weights of factors influencing consumer choice base on the figures in table one.

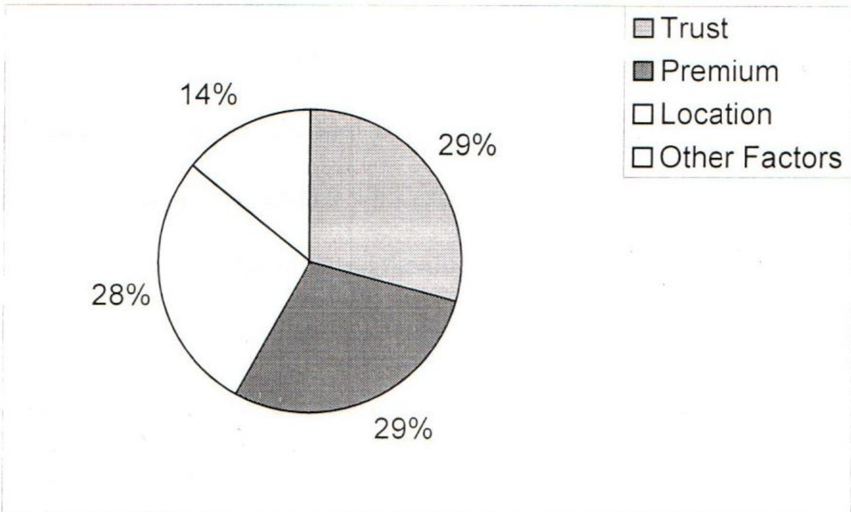
DIAGRAM 1: WEIGHTS OF FACTORS INFLUENCING CONSUMER CHOICE



Source: Field Study 2003

Trust and premium have almost equal weight in influencing consumer choice. The Chart below illustrates this finding.

DIAGRAM 2: PERCENTAGE WEIGHTS OF FACTORS INFLUENCING CONSUMER CHOICE



Source: Field Study 2003

4.8. Actual Service Received

The research revealed that 11 respondents out 30 had a loss suffered under the policy and reported to the company. Out of the 30 respondents, 9 said that their claim was handled to their expectation while 2 said it was poorly handled. This indicates that the level of service in the industry is standard. It was further revealed that 20 respondents representing about 67% of the sample population search for information about companies, which give best service in terms of settling claims before making a choice.

4.9. Engagement of an Intermediary.

Many consumers involve middlemen in commercial contracts and transactions. This research attempted to establish how many insurance consumers involve an intermediary and why. About 70% of the respondents said that they involve an intermediary in their insurance consumption. On the reasons for engaging the intermediary, about 33% of them said they have personal relationship with the intermediary, 13% said they have no time to personally deal with the insurance matters, 17% said the intermediaries negotiate better terms while 6% said they do not trust the insurance companies and therefore they choose a professional who can stand for them. This shows that personal relationship plays a great role in strengthening trust and confidence. Cheung's, (1996) says that individuals avert risk by choosing less risky options in contractual arrangements. This could be a reason as to why this research established that most consumers opt for middlemen so that they mediate and create a fare deal favorable to them. Rees (1997) harbors this concept as he considers information asymmetries between buyers and sellers as a factor for involving middlemen.

Out of the 30% respondents who said they don't involve an intermediary, about 3% said that the middlemen are not to be trusted, 7% said that past experience has taught them not to trust middlemen, 7% said they find it convenient to deal directly with the insurer (seller), 10% said that they have direct faith in their insurer and therefore choose not to involve the middlemen while 3% were not approached by any middleman and therefore perhaps could seek their representation. In practice, insurance brokers and agents have been criticized for cheating on their customers to get business and earn commission. Others have been withholding the premium paid by the consumers from insurance company and in the event of a claim; the insurers decline to settle the loss. This is actually the basis on which the 27% of the consumers choose to ignore the services of the middlemen. The consumers who were not approached by middlemen is a virgin market for brokers and agents in the insurance industry.

4.10. The Part of Policy Document in Consumers' Confidence

Policy document evidences the contract between the insured and the insurer. It contains express conditions, terms and exemptions applicable to the contract. It is therefore a document that must be thoroughly understood by both parties to the contract. This research established that about 97% of the respondent had received the document. Out of the this number, about 90.0% had read the document while 7% had not. From those who read it, only 7% understood it very well, about 23% well, 40% fairly well 17% slightly and 10% did not understand it at all. Out of this proportion, 13 people said that the will seek professional guidance to understand the document while 16 said that they will trust on the insurer. Only 1 was not decided. After giving these responses, the respondents were asked to state whether they would continue insuring with their current insurers to which, about 93% said yes while 7% were not decided.

While consumers may wish to have full knowledge of important issues of the contract like the product, competence level of the seller and his willingness to honor his part of the agreement, other factors like friendship, lack of time and reference compels them to rely on trust. This is actually the view held by Kahneman et all, (1989), Patrica et all (1997), Dwyer et al, (1987) and Morgan et all, (1994) pointed in the literature review. No wonder the research indicated that 53.3% of the respondents would not even bother consulting the professionals to understand the policy document, but purely rely on trust.

4.11. Evaluation of Factors Responsible for Trust Building.

This research established through literature review that trust building is a function of personal relationships, professionalism, past experience and good reputation among others. Each of these factors has different weight in the process of trust building. Likert scale, as used to evaluate factors influencing choice was used here. Table 2.0 below has the results

TABLE 3. WEIGHT OF FACTORS INFLUENCING TRUST

Scale	Professionalism	Personal Relations	Past Experience	Good Reputation	Faith	Other Factors
1	1	0	4	1	6	26
2	0	4	10	2	18	0
3	15	27	18	0	18	3
3	24	28	16	32	24	12
5	90	60	55	100	20	0
Total	**130**	**119**	**103**	**134**	**86**	**41**

Source: Field Study 2003

The above figures are based on a 1 to 5 scale, where, 5 represent the highest influence while 1 represents the lowest influence. The findings reveal that reputation has the highest weight.

4.12. Hypotheses test results

The mean of Trust was compared to the mean of Location and Premium using t-test. At 95% level of confidence, the value of t was 0.254 for the paired means of Trust and Premium. For paired means of Trust and Location, it was 0.705. These means are far below the value of t – test of 1.699 statistically found at 95% level. It therefore means that there is no significant difference between the influences of each of the three factors on the consumers' choice of the insurer. The Null hypothesis is accordingly rejected.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.0. Introduction

This chapter concludes the research findings and gives recommendations for future works.

5.1. Consumer Choice and the Role of Trust

Consumer choice is really a complex process not ascertainable by simple marketing tools. The society has opinion, which matters, in the eyes of consumers. Organizations' product might be so well designed in terms of the core and physical attributes but still fail to attract customers, especially in service market.

Service markets are complicated by relations, which, penetrates the augmented product, so much so that the consumer sees the provider with complexities harbored by human beings. Insurance is a promise. The uncertainty of honoring a promise further challenges the market to the extent that the standard marketing tools may be obsolete without proper public image and good reputation. Price is an important factor. However, once consumers are convinced that the promise is a gentleman's agreement, a sizeable proportion of the consumers would bother less with the market price. The key thing is service. The consumer wants to convince himself that the deal is fair by all standards. It is on this note that they seek services from companies with employees personally acquitted to them. It is for the same purpose that consumers seek services of intermediaries to mediate and although lengthening the chain of service delivery (core product), increase the trust level.

A service like insurance, which one party in the contract is better placed in terms of product knowledge, places the consumer in an alert posture as to who would not take advantage of the ignorance. On receipt of documents evidencing the promise, consumers seek to satisfy their decision that what they sought and negotiated for is actually put in writing. Insurers should therefore not imagine consumers do not read the policy document or even if they read, they cannot understand. Although not significant, Trust has greater influence in the consumers' decision of choice.

Location of the service provider is important factor since it contributes to the value of the product to the consumer. The quicker the consumer is able to access the product and its auxiliaries, the more satisfying the product. Location is not only in terms of physical distance but alsoin terms of communication infrastructure. Modern communication systems have shortened physical distances and therefore organizations, which adopt such systems, have a competitive edge over others. However, if the seller can muzzle maximum trust from customers, he would have a competitive edge over competitors with better communication systems. Emphasis therefore should be prioritized on how to muzzle trust.

Muzzling trust is a process through time and tests. The public must certify the conduct and commitment of a seller over time, after which if proved steadily recommendable, good public opinion springs. Such approval manifests and rejuvenates itself in the forms of references, customer advocacy, good reputation and unsolicited businesses. Eventually, the size of the organizations grows in terms of sales and workforce. However, to attain that status in the market, the internal structures of the organization must be supportive. Qualified professionals capable of drafting contract documents accurately are a prerequisite for winning trust. Other support sub-systems must also be properly designed and coordinated to bring harmony, which permeates organizational culture, institutionalized and operationalized to create a smooth unitary system.

Consumers are sensitive to the price of a commodity. As established in this research, the difference in influence between price (premium), location and trust is insignificant. It is therefore important for insurers to plan bearing in mind this fact and give each factor almost equal attention.

5.2. Recommendation for the Insurance Market Players

Trust, like other factors, is critical in the insurance business. Consumers rely heavily on intermediaries to make a choice of the insurer not because of so much of convenience but because of enhanced inter-personal relationship translating to confidance. They also broker better terms than if the consumer negotiated the contract individually. It follows that if the insurers would created grounds to be directly trusted, then most consumers would opt for direct business and thus a saving on commission expense on the part of the company.

In practice, brokers reduce the administrative and net marketing expenses on the part of the insurer. Since the brokers are therefore necessary in marketing, insurers should deal with reputable agents and brokers with track record of honesty and high integrity. Fine traits like likeable and friendly staff members contribute a lot in attracting customers.

Insurance market in Kenya is segmented along Matatu insurers, pioneer industrial risks underwriters, owner's race and political connections. Matatu insurers are local insurers mostly owed by people of African Race. They are usually not so financially stable and many corporate accounts shy from them. Pioneer industrial risks underwriters are insurance companies of European background. While trust cuts across the board, an industrialist will not be convinced that is property is well protected in a company trapped in legal matters to settle Matatu injury claims. Experience and brotherwood drives a business enterprise with European origin like Standard Chartered Bank to insurer with an insurer of their origin. Similarly, business ventures from the orient world opt for insurers of their land. Of interest is how government corporations place business. Trust is not a determinant. The ability of the insurance company directors to influence the decision makers is what matters most.

Along this line, insurers should conduct serious environmental analysis and position themselves strategically so as to achieve their goals. Where need be, incorporating individuals who can attract customers on the above basis.

There is a virgin market to the brokers and agents. Some consumers insure directly, not because they don't want to insurer through brokers but because they were not approached. Although the market may be small, it should be exploited.

5.3. Recommendation for future research by Scholars

Insurance, as a discipline, borrows from Law, Economics, Sociology, Health, Medicine, Engineering, Psychology, and Actuarial Science among others. It may therefore not be conclusive to make comprehensive judgments based on findings of this research.

There is great need to widen the scope by incorporating other classes of insurance like Liabilities, Engineering, Marine and Theft. Larger sample populations spreading across cities of different cultures and levels of developments would be necessary to draw more comprehensive conclusions capable of generalization. In-depth study based on the factors under consideration in this research would also be appropriate.

Motor industry in Kenya has been a challenge to all and sundry. There is great need to study the consequences of the physical infrastructure, type of vehicles and the morality of people during the colonial and postcolonial era with special emphasis on the recent past against premium rating structures and whether they had any influence on consumers choice.

5.4. Recommendation for Future research by Insurance practitioners

Insurance market in Kenya is traced from the days of the Early European settlers for their Maritime transactions. Today, the industry boosts of underwriting an approximate volume of k.shs.16 billion for general business and k.shs.6 billion for life insurance worth of premium. It has directly employed about 13,000 people. There are about 42 insurance companies and about 250 Insurance Brokers. However, very few of them carry serious research to assess their strength and weakness.

Insurance company should research on characteristics of the channels through which they acquire their main customers. This should be geared towards understanding their likeable traits so that they reinforce them. Insurers could also keep track of all customers who had suffered and registered losses as claims. Such tracking would be used to gather opinions of how they are rated.

Other areas of research in this context would be for the insurers to establish the effectiveness of their communication infrastructure and premium rating against their competitors.

APPENDIX

1. Summary of Primary Data.

1.0. INSURER

		Frequency	Percent		
Valid	ALICO	2	6.7		
	APOLLO	1	3.3		
	B/SHIELD	3	10.0		
	CIC	2	6.7		
	GEMINIA	1	3.3		
	HERITAGE	2	6.7		
	ICEA	2	6.7		
	INVESCO	3	10.0		
	KENINDIA	5	16.7		
	LION	1	3.3		
	MADISON	2	6.7		
	ROYAL	2	6.7		
	STANDARD	1	3.3		
	UAP	1	3.3		
	UNITED	2	6.7		
	Total	30	100.0		

2.0. PERIOD OF COVER

		Frequency	Percent		
Valid	ONE YEAR	2	6.7		
	TWO YEARS	10	33.3		
	OVER TWO YEARS	18	60.0		
	Total	30	100.0		

3.0. HOW THE INSURED CAME TO KNOW THE INSURER

		Frequency	Percent		
Valid	DIRECTED BY A FRIEND	8	26.7		
	TAKEN BY AGENT/BROKER	12	40.0		
	ATTRACTED BY A STAFF	5	16.7		
	KNOW THE CO. PERSONALLY	3	10.0		
	JUST WALKED IN	2	6.7		
	Total	30	100.0		

4.0. HOW MUCH THE INSURER IS TRUSTED

		Frequency	Percent		
Valid	VERY MUCH	11	36.7		
	MUCH	10	33.3		
	FAIRLY	7	23.3		
	SLIGHTLY	2	6.7		
	Total	30	100.0		

5.0. WAS THE PREMIUM SHOPPED

		Frequency	Percent		
Valid	YES	25	83.3		
	NO	5	16.7		
	Total	30	100.0		

6.0. LEVEL OF INFLUENCE ON CHOICE BY PREMIUM

		Frequency	Percent		
Valid	VERY MUCH	25	83.3		
	MUCH	4	13.3		
	FAIRLY	1	3.3		
	Total	30	100.0		

7.0. LEVEL OF INFLUENCE ON CHOICE BY LOCATION

		Frequency	Percent		
	VERY MUCH	17	56.7		
	MUCH	7	23.3		
	FAIRLY	1	3.3		
	SLIGHTLY	2	6.7		
	NOT AT ALL	3	10.0		
	Total	30	100.0		

8.0. STATISTICS

		TRUST	LOCATION	PREMIUM	OTHER FACTORS
N	Valid	30	30	30	9
	Missing	0	0	0	21
Mean		4.1667	3.9333	4.1000	4.4444
Median		4.5000	4.5000	4.0000	5.0000
Mode		5.00	5.00	5.00	5.00
Std. Deviation		.9499	1.3374	.9595	.8819
Variance		.9023	1.7885	.9207	.7778
Range		3.00	4.00	3.00	2.00
Sum		125.00	118.00	123.00	40.00

8.0.1 TRUST

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	LOW	1	3.3	3.3	3.3
	MEDIUM	8	26.7	26.7	30.0
	HIGH	6	20.0	20.0	50.0
	VERY HIGH	15	50.0	50.0	100.0
	Total	30	100.0	100.0	

8.0.2. LOCATION

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	VERY LOW	3	10.0	10.0	10.0
	LOW	1	3.3	3.3	13.3
	MEDIUM	6	20.0	20.0	33.3
	HIGH	5	16.7	16.7	50.0
	VERY HIGH	15	50.0	50.0	100.0
	Total	30	100.0	100.0	

8.0.3. PREMIUM

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	LOW	2	6.7	6.7	6.7
	MEDIUM	6	20.0	20.0	26.7
	HIGH	9	30.0	30.0	56.7
	VERY HIGH	13	43.3	43.3	100.0
	Total	30	100.0	100.0	

8.0.4. OTHER FACTORS

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	MEDIUM	2	6.7	22.2	22.2
	HIGH	1	3.3	11.1	33.3
	VERY HIGH	6	20.0	66.7	100.0
	Total	9	30.0	100.0	
Missing	System	21	70.0		
Total		30	100.0		

9.0. IF ANY CLAIM WAS LODGED

		Frequency	Percent		
Valid	YES	11	36.7		
	NO	19	63.3		
	Total	30	100.0		

10.0. HOW THE CLAIM WAS HANDLED-LEVEL OF SERVICE

		Frequency	Percent		
Valid	SATISFACTORY TO MY EXPECTATION	9	30.0		
	POORLY	1	3.3		
	VERY POORLY	1	3.3		
	Total	11	36.7		
Missing	System	19	63.3		
Total		30	100.0		

11.0. IF SHOPPING FOR SERVICE IS DONE

		Frequency	Percent		
Valid	YES	20	66.7		
	NO	10	33.3		
	Total	30	100.0		

12.0. WHETHER ANY BROKER/AGENT IS INVOLVED

		Frequency	Percent		
Valid	YES	21	70.0		
	NO	9	30.0		
	Total	30	100.0		

13.0. ROASONS FOR NOT INVOLVING BROKER/AGENT

		Frequency	Percent
Valid	CONVINCED BY WHAT IS SAID THAT THEY ARE NOT TO BE TRUSTED	1	3.3
	PAST EXPERINCE HAS TAUGHT NOT TO TRUST THEM	2	6.7
	NOT CONVINIENT	2	6.7
	DIRECT TRUST ON THE INSURER	3	10.0
	NON REQUESTED TO REPRESENT THE INSURED	1	3.3
	Total	9	30.0
Missing	System	21	70.0
Total		30	100.0

14.0. REASON FOR INVOLVING BROKER/AGENT

		Frequency	Percent
Valid	INSURANCE COMPANY NOT TRUSTED	2	6.7
	BROKER/AGENT NEGOTIATE BETTER TERMS	5	16.7
	THE INSURED HAS NO TIME	4	13.3
	PERSONAL RELATIONSHIP WITH AGENT/BROKER	10	33.3
	Total	21	70.0
Missing	System	9	30.0
Total		30	100.0

15.0. IF POLICY DOCUMENT HAS BEEN RECEIVED

		Frequency	Percent		
Valid	YES	29	96.7		
	NO	1	3.3		
	Total	30	100.0		

16.0. IF THE INSURED HAS READ THE POLICY DOCUMENT

		Frequency	Percent		
Valid	YES	27	90.0		
	NO	2	6.7		
	Total	29	96.7		
Missing	System	1	3.3		
Total		30	100.0		

17.0. HOW POLICY DOCUMENT IS UNDERSTOOD

		Frequency	Percent		
Valid	VERY WELL	2	6.7		
	WELL	7	23.3		
	FAIRLY WELL	12	40.0		
	SLIGHTLY	5	16.7		
	NO	3	10.0		
	Total	29	96.7		
Missing	System	1	3.3		
Total		30	100.0		

18.0. ACTION TO BE TAKEN WHERE DOCUMENT IS NOT UNDERSTOOD

		Frequency	Percent		
Valid	SEEK PREFESSIONAL GUIDANCE	13	43.3		
	TRUST ON THE INSURER	16	53.3		
	NOT DECIDED	1	3.3		
	Total	30	100.0		

19.0.IF THE INSURED SHALL CONTINUE WITH THE INSURER

		Frequency	Percent		
Valid	YES	28	93.3		
	NOT DECIDED	2	6.7		
	Total	30	100.0		

20.0. STATISTICS ON THE FACTORS INFLUENCING BUILDING TRUST

		PROFESSIONALIM INFLUENCE ON TRUST	PERSONAL RELATIONS INFLUENCE ON TRUST	PAST EXPERIENCE ON TRUST	REPUTATION INFLUENCE ON TRUST	FAITH INFLUENCE ON TRUST	OTHER FACTORS INFLUENCE ON TRUST
N	Valid	30	30	30	29	28	5
	Missing	0	0	0	1	2	25
Mean		4.3333	3.9667	3.4333	4.6207	2.9286	4.0000
Median		5.0000	4.0000	3.5000	5.0000	3.0000	4.0000
Mode		5.00	5.00	5.00	5.00	2.00	4.00
Std. Deviation		.9942	.9994	1.4782	.6769	1.3032	.7071
Variance		.9885	.9989	2.1851	.4581	1.6984	.5000
Range		4.00	3.00	4.00	3.00	4.00	2.00
Sum		130.00	119.00	103.00	134.00	82.00	20.00

20.1 PROFESSIONALISM INFLUENCE ON TRUST

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	VERY LOW	1	3.3	3.3	3.3
	MEDIUM	5	16.7	16.7	20.0
	HIGH	6	20.0	20.0	40.0
	VERY HIGH	18	60.0	60.0	100.0
	Total	30	100.0	100.0	

20.2.PERSONAL RELATIONS INFLUENCE ON TRUST

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	LOW	2	6.7	6.7	6.7
	MEDIUM	9	30.0	30.0	36.7
	HIGH	7	23.3	23.3	60.0
	VERY HIGH	12	40.0	40.0	100.0
	Total	30	100.0	100.0	

20.3. PAST EXPERIENCE INFLUENCE ON TRUST

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	VERY LOW	4	13.3	13.3	13.3
	LOW	5	16.7	16.7	30.0
	MEDIUM	6	20.0	20.0	50.0
	HIGH	4	13.3	13.3	63.3
	VERY HIGH	11	36.7	36.7	100.0
	Total	30	100.0	100.0	

20.4.REPUTATION INFLUENCE ON TRUST

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	LOW	1	3.3	3.4	3.4
	HIGH	8	26.7	27.6	31.0
	VERY HIGH	20	66.7	69.0	100.0
	Total	29	96.7	100.0	
Missing	System	1	3.3		
Total		30	100.0		

20.5. FAITH INFLUENCE ON TRUST

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	VERY LOW	4	13.3	14.3	14.3
	LOW	8	26.7	28.6	42.9
	MEDIUM	6	20.0	21.4	64.3
	HIGH	6	20.0	21.4	85.7
	VERY HIGH	4	13.3	14.3	100.0
	Total	28	93.3	100.0	
Missing	System	2	6.7		
Total		30	100.0		

20.6. OTHER FACTORS INFLUENCE ON TRUST

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	MEDIUM	1	3.3	20.0	20.0
	HIGH	3	10.0	60.0	80.0
	VERY HIGH	1	3.3	20.0	100.0
	Total	5	16.7	100.0	
Missing	System	25	83.3		
Total		30	100.0		

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	TRUST	4.1667	30	.9499	.1734
	PREMIUM	4.1000	30	.9595	.1752
Pair 2	TRUST	4.1667	30	.9499	.1734
	LOCATION	3.9333	30	1.3374	.2442
Pair 3	PREMIUM	4.1000	30	.9595	.1752
	LOCATION	3.9333	30	1.3374	.2442

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	TRUST - PREMIUM	6.667E-02	1.4368	.2623	-.4698	.6032	.254	29	.801
Pair 2	TRUST - LOCATION	.2333	1.8134	.3311	-.4438	.9105	.705	29	.487
Pair 3	PREMIUM - LOCATION	.1667	1.5555	.2840	-.4142	.7475	.587	29	.562

2. Questionnaire

QUESTIONNAIRE FOR COMPREHENSIVE PRIVATE CAR INSURANCE HOLDERS.

Kindly answer all the following questions. Ticking the appropriate boxes where provided.

1. Which company are you insured with?________________________________

2. How long have you had a comprehensive cover for your vehicle?

   1. One year □ 2. Two years □ 3. Over two years □

3. How did you come to insure with your insurer?

   1. Directed by a friend □ 2. Taken by agent/broker □

   3. Attracted by a staff of the company □

   4.Know the company personally □

   5. Just walked in □

4. How much do you trust your insurer? 1. Very much □ 2. Much □

   3. Fairly □ 4. Slightly □

   5.Not at all □

5. Did you source for the lowest premium? 1.Yes □ 2.No □

6. How much do you care about the premium you pay?

   1.Very much □ 2. Slightly □

   3. Fairly □ 4. Slightly □

   5. Not at all □

6. How much does the location influence your choice of the insurer?

1. Very much □ 2. Much □

3. Fairly □ 4. Slightly □

5.Not at all □

7. Rate the following on the basis of their influence on your choice

	1	2	3	4	5
Trust	□	□	□	□	□
Premium	□	□	□	□	□
Location	□	□	□	□	□
Others	□	□	□	□	□

Specify____

NOTE; 1 = VERY LOW 2 = LOW

3 = MEDIUM 4 = HIGH

5 = VERY HIGH

9. During the period(s) of cover, did you lodge a claim with the insurer?

1. Yes □ 2. No. □

10. If yes, how was your claim handled?

1. Above expectation □ 2. Satisfactory to my expectation □

3. Poorly □ 4. Very poorly □

5. Claim rejected □

11. Have you been establishing how well the company(s) pays and treats clients before you make your choice?

1. Yes □ 2. No □

12. Are you now or before insured through a broker/agent?1. Yes □2. No □

13. If no, which of the following is the reason;

1. Convinced by what is said that they are not to be trusted. □
2. Past experience has taught you not to trust them. □
3. You don't find it convenient. □
4. You have trust on your insurer. □
5. Non approached you for representation. □

14. If Yes, which of the following is the reason;

1. You don't trust the insurance company? □
2. They negotiate better terms for you? □
3. You don't have time yourself. □
4. You have a persona-close relation with your agent/broker? □
5. It does not matter □

15. Have you received your policy document? 1.Yes □ 2.No □

16. If yes, have you read it?

1. Yes □
2. No □
3. Handled by Agent/broker □

17. Did you understand the document incase you read it?

1. Very well ☐ 2. well ☐

3. Fairly well ☐ 4. Slightly ☐

5. No ☐

18. If the document was not well understood, what of the following action will you take? 1. Seek professional guidance ☐ 2. Trust on the insurer ☐

3. Not decided ☐

19. Considering all factors, will you continue insuring with the company?

1.Yes ☐ 2. No ☐ 3. Not decided ☐

20. The following factors influences your building of trust with your insurer;

	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
Professionalism;	☐	☐	☐	☐	☐
Personal relations;	☐	☐	☐	☐	☐
Past experience;	☐	☐	☐	☐	☐
Reputation;	☐	☐	☐	☐	☐
Just faith;	☐	☐	☐	☐	☐
Others;	☐	☐	☐	☐	☐

Specify____

THANK YOU VERY MUCH

3. Work Plan

Period	Activity	Duration
25/08/2003 to 06/9/09/2003	Write the proposal	Two (2) weeks
08/092003 to 09/09/2003	Print proposal and make Five (5) copies	Three (3) days
10/09/2003	Submit Five (5) copies to the Department for verification By Lecturers before presentation on 15/09/2003	One (1) day
15/09/2003	Make presentation of the proposal	One (1) day
18/09/2003 to 04//10/2003	Data collection	Three (3) weeks
06/10/2003 to 24/10/2003	Organizing data for analysis	Three (3) weeks
27/10/2003 to 31/01/2004	Analysis of data	Three (13) weeks
01/02/2004 to 31/03/2004	Report writing and proof reading	Four (8) weeks
01/04/2004 to 07/04/2004	Printing and binding	One (1) week
08/04/2004	Submission of the report	One (1) day

4. Budget

The following are the main cost area

- Travelling
- Typing
- Printing
- Consultation
- Data collection
- Binding

Details

Travelling and night outs during literature review -------	k.shs.10,000/=
Printing expense (proposal) 50pages @ k.shs.50/= ------	k.shs.2,500/=
Photo copies of the proposal report -5 copies each 50 pages @ k.shs.3/=	k.shs.750/=
Data collection fee per proposal completed; 30 proposal @ k.shs.50/=	k.shs.1,500/=
Allowance during data collection	k.shs.2,200=
Consultation fee for coding data for analysis	k.shs.2,000/=
Hiring SPSS programme for data analysis	k.shs.5,000/=
Printing final copy for marking about 78 pages each k.shs. 50/=	k. shs 3,900/=
Photocopies for four copies for marking about 78 pages each copy k.shs 3/=	k. shs 396/=
Report copies (eight copies) 78 pages * 8 @ k.shs.3/=	k.shs.1,872/=
Binding k.shs.200/= @ report	k.shs. 1,800/=
Provision for contingency	k.shs.5,000/=
TOTAL	**K.shs.36,918/=**

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