

LINKS BETWEEN COMMUNICATION STRATEGIES AND PERSONAL INSURANCE COVERS: A CASE STUDY OF CFC–LIFE (KENYA)

Rosemary Nyaole – Kowuor¹

Abstract

The purpose of this study was to establish communication strategies used by Alico Kenya, now CFC Life, with a view to finding out the kind of link between these strategies and personal insurance sales. Data was gathered through interviews, participant observation and two separate sets of questionnaires administered to sampled CFC Life sales agents and the general public drawn from Nyanza, Nairobi and Coast provinces. The study found out that the perceptions an individual holds about insurance would determine their response to a personal insurance sales interview or presentation. A communication strategy plays a crucial role in understanding these conceptions and effecting the desired change. Hence there is need for insurance sales agents and employees to be properly trained and well equipped with product knowledge and the necessary communication skills to put this knowledge across. Kenyans also need to be sensitized on the necessity of personal insurance and how it works in controlling risks and life's uncertainties; this knowledge is wanting. There is need to use the language that the prospect understands best and a more simplified version of policy documents including Kiswahili versions for the rural based clients.

INTRODUCTION

This is an era of massive human achievements. The old order has given way to the new, and the agrarian society has been transformed into a modern industrial society. The progression of industrialization has been so swift that it may appropriately be described as a revolution. The Internet and the World Wide Web have equally, remarkably changed the paradigm. The prediction of the 'global village' by McLuhan in the early 1960s has indeed become a reality. This was the idea that the new communication technologies will permit people to become increasingly involved in one another's lives (Wahlstrom, 1992: 84).

Insurance companies registered in Kenya have provided a wide range of insurance covers to enable Kenyan's have financial control of personal risk. Nevertheless, only a small percentage of Kenyans have personal insurance covers and insurance premiums contribute only 3 percent to the country's Gross Domestic Product (GDP) instead of the ideal 7 percent (Kimura, 2000: 4). Consumer ignorance has contributed significantly to the negative attitude towards insurance (Kieti, 1998; 8). This is based on a realization that in the more advanced economies characterized by consumer awareness and sophistication amongst other positive socio-economic indicators, virtually everyone is insured against all insurable risk. What then could be the factors behind these misconceptions Kenyans hold about insurance?

Perceptions held by Kenyans about Insurance

Katz's (1960: 170) functional approach to attitude change argues that both attitude formation and change must be understood in terms of the functions that attitude serve. "As these functions differ, so will the conditions and techniques of attitude change" (Severin and Tankard, 1997: 196). For the sake of clarity, the term attitude has been substituted with perception. In order to effect change, the right communication

¹ Rosemary Nyaole – Kowuor is a communications lecturer at Daystar University in Nairobi Kenya

strategy has to be used; one that would help the prospect to appreciate the need for an insurance cover. This calls for some level of involvement with the prospect. Communication is involvement, and for involvement to be attained, using a common language, sharing experiences, participation in culture, and understanding beliefs of the person we intend to communicate with are necessary (Smith, 1992: 23). This implies that, first and foremost, insurance agents must identify the language the prospect understands best and use it to explain the concept of insurance.

Participation in a prospects culture determines the level of involvement as the sales agent gets to know the prospect's perception of the concept of insurance. Tylor, cited in Granlun and Mayer (1988: 39), defines culture as "that complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of society." In the light of Smith's (1992) proposition, "people react to communication as members of social groups" as it is within groups that attitudes and values are learned. In essence, groups have a powerful influence on individuals - a group develops its own culture that regulates conflicting motives, harmonizes relationships, and enables the group to reach its goals. So the idea of individuals participating solo-fashion in communication is false. This sheds some light on why some prospects change their mind and decline to take personal insurance covers after making consultations with significant others such as spouses, friends and kinsmen. Insurance sales are heavily oriented towards individuals. Sales presentation is typically geared to individual decisions, individual acceptance, and individual premium contribution.

While rooted in sociology, functional theory offers both psychological and sociological explanations concerning how a message is conveyed and reaches the audience. This theory recognizes the role opinion leaders play as "information filters and culture brokers" to conflicts among the masses (Jefkins, 1992: 28). Therefore, individuals who are highly valued in a group should be fully informed about proposed changes. This will assist in making people change negative perceptions held about insurance covers. It is then that they can respond positively to personal insurance covers.

DATA ANALYSIS AND FINDINGS

This study set out to establish the kind of link that exists between communication strategies and personal insurance in the Kenyan context. The study problem is hinged on reluctance by Kenyans to purchase personal insurance covers and if this could in any way be related to the communication strategies used by insurance companies.

The study populations comprised select personal insurance policyholders as well as non-policyholders and CFC Life insurance sales agents, Agency/Unit managers and the Marketing Director. Two sets of self-administered questionnaires, totaling 120, were distributed to respondents in selected areas in Nairobi, Nyanza and Coast provinces. 114 completed questionnaires were returned representing a 95 percent response. Data obtained from the questionnaires were analyzed using SPSS for Windows 11.0.

In addition, 16 interviews were conducted to establish the respondent's significant views and opinions about personal insurance cover and the communication strategies used by CFC Life. The interviewees comprised three policyholders, three non-

policyholders, three CFC Life sales agents, three Agency managers, three Unit managers and the Marketing director. Data from the interviews were combined with data from the open-ended questions from the two sets of questionnaires.

The eight open-ended questions investigated the various personal insurance policy covers that the respondents have, the insurance companies that have insured them, how they got to know about these policies, factors that influenced them to buy or not to buy these policies and how they would want to see insurance sales persons communicate with prospects and clients. Further, the questions investigated the various communication strategies used by the sales persons and their number of annual or monthly sales.

The study established several perceptions respondents' hold about insurance. These are discussed in the light of the four major functions: the instrumental, adjustive or utilitarian function; the ego-defensive function; the value-expressive function and the knowledge function.

The Value Expressive Function

Some perceptions are held because they allow a person to give positive expression to central values and to the kind of person one feels he or she is. Inasmuch as majority of the respondents disagreed with the statement that people who believe in God are insured in heaven and saw no need for earthly insurance, it was of significance to note that there was a definite but small relationship between this perception and the perception that a system of mutual aid is better than formal insurance.

In addition, there was a marked relationship between these perceptions and religion. Explanation for this could be derived from 'faith' stressed by Christians and "the doctrine of Riba (interest or usury) for Muslims" (Muslehuddin, 1990). Religious adherents tend to rely heavily on brotherhood and faith in God thus would prefer mutual aid, the notion of sharing one another's burden by making contributions to bail out unfortunate members of the society, to formal insurance. Some few Christian respondents (12 percent) viewed taking personal insurance cover as a sign of lack of faith that God will take care. Further more, some Muslims view insurance as a means to acquire wealth through unjustified means.

The Knowledge Function

"Some perceptions are held because they satisfy a desire for knowledge or provide structure and meaning in what would otherwise be a chaotic world" (Severin and Tankard, 1997: 197). Another perception that emerged was insurance agents are thieves, liars, and conmen. All the CFC Life managers and agents interviewed acknowledged that they had been confronted with such allegations. However, 47 percent of the general public respondents held this opinion. Nonetheless, there was a marked relationship between this and the perception that insurance sales agents sell policies before explaining adequately what the insured has paid for and what to expect. That is to say, when an insurance agent does not understand the products well, chances are that the prospect will either be sold a wrong product or may not be made to understand what is expected of the policy.

This concurs with the reason cited by most CFC Life managers interviewed that insufficient product knowledge on the side of agents was the major factor behind such allegations. It further justifies the majority of complaints received by Commission of Insurance, (the insurance regulating body in Kenya) that pivot on people finding themselves being deducted premiums they have not signed for. A recent research on insurance consumer behaviour in Kenya indicated disclosure of facts relating to products and image as some of the most important factors for measuring service quality in the insurance industry (Bashir, 2001: 7). In order for agents to communicate for change of attitude, there is the urgent need for them to adhere to professionally accepted ethics, as guided by the Insurance Act Chapter 487 of The Laws of Kenya and the Association of Kenya Insurers (AKI) code of conduct.

The instrumental, Adjustive or Utilitarian Function

“Some perceptions are held because people are striving to maximize the rewards in their external environments and minimize the penalties” (Severin and Tankard, 1997: 197). The misconception that once someone gets a cover, it includes all risks and what one needs to do is walk into the insurers office with a claim and a cheque will be issued, no questions asked. Those who hold this misconception, view insurance as a means of maximizing benefits. Such people never expect any penalties to be associated with any cover and may treat even premiums for personal accident cover as an investment and therefore make claims even if the insured event fails to take place.

A right communication strategy would be product knowledge empowerment as was recommended by the general public respondents. Nearly all of them responded that insurance agents should provide all the required information regarding the policy before making the prospect to sign the documents. Once they fully understand how insurance works, prospects will appreciate the need to take a cover. On the contrary, it was established that agents concentrate on the policy benefits at the expense of all that is required of the client to know.

The Ego-defensive function

Severin and Tankard (1997) posits that some perceptions are held because people are protecting their egos from their own unacceptable impulses or from knowledge of threatening forces. Those who are of the opinion that Insurance of life is bribery as it is a compensation for something, which cannot be valued may hold to this as a way of protecting their egos. This is particularly applicable to a Muslim who in all his transactions is forbidden to enrich himself unjustifiably. Islam permits trade and forbids riba, which is defined as “a monetary advantage without a counter value which has been stipulated in favor of one of the two contracting parties in an exchange of two monetary values” (Muslehuddin, 1990: 117). Muslims may thus see insurance as a threat to their cultural or religious beliefs and resort to such a conception to protect their egos.

The right communication strategies for such prospects would be, according to Smith (1992), sharing in their experiences in order to understand underlying beliefs. This calls for high level of involvement. In order to sell, find the point at which insurance principle meets his/her deeply rooted beliefs and then use that as a strategy. For instance,

it is imperative for an agent to understand the meaning and scope of the doctrine of riba before attempting to sell any insurance product to a Muslim.

LINK BETWEEN COMMUNICATION STRATEGY AND SALES

In attempting to establish any link between an agent's communication strategy and the sales closed, the study made some important findings supported by the following well known communication principles.

- a) Effective communication occurs when there is meeting of minds. There must be the same understanding of subject at hand;
- b) Communication is a two-way traffic, involving the person giving the information and the recipient;
- c) Verbal, written and kinesics aspects of communication plays a very important role in the entire process of personal insurance and particularly in determining whether an agent be will be accorded an appointment for sales interview or not.

Level of Involvement

The conceptual framework upon which this study was based proposed that personal insurance cover is dependent on level of involvement as a communication strategy. From the comments and interviews, it emerged that prospects cited failure by agents to give all required information about a cover as one reason that hindered them from purchasing covers. High level of involvement is equally vital for an insurance agent to prospect and eventually close a sale. This replicated the majority of the general public respondents (91.7 percent) who were of the opinion that during an insurance sales process the sales person should adopt an ask-and-listen attitude. It is only when the agent interacts with the prospect that insurance needs can be established. The best way to accomplish this is to permit the prospect to express their views as the agent provides a listening ear.

Mbugua, (1998) found that many members of the public complain about their first meeting with an insurance agent. "He did not give me time to explain my needs" was a usual complaint. This is referring to the verbal aspect of communication. For this to be effective one person has to listen as the other talks. During fact finding, which is a crucial stage in the sales circle, the extent to which an agent got involved with the prospect determined the extent to which the needs were identified. It is crucial that dialogue be encouraged throughout the process of personal insurance sales.

This will assist the agent in establishing the pressing insurance needs of the prospect, as it is only when the product is tailor made for an individual that it becomes possible to convince a prospect to buy a cover. For instance one insurance agent interviewed was of the opinion that she failed to close the sale simply because she never took time to establish the insurance needs of the prospect. However, for the prospect that she provided time for interaction she finally managed to close the sale in spite of the fact that she was more difficult to handle than the first one.

During the actual presentation, product knowledge played a very important role in convincing a prospect to not only purchase a cover but also know the expectations of that policy ownership. Dialogue ensures that the prospect raises all questions about the policy

and the agent also makes important clarifications. In the case of personal insurance, the burning question may not be answered until the policy document is issued or a claim occurs (Mbugua, 1998). It is, therefore, important to let the prospects ask all their pertinent questions.

Interpersonal Networks

The conceptual framework also proposed that face-to-face interactions coupled with high level of involvement would result in the increase of awareness on how insurance works and the need for purchasing a personal cover. The study established that an interpersonal network was the cornerstone of CFC Life's marketing strategy and has been proven to be very effective. The sales agents interviewed preferred personal encounters with prospects rather than making phone calls and sending mails. The probable explanation for this is that effective communication occurs when there is meeting of minds (Mbugua, 1998). This is in agreement with Smith's (1992) assertion that communication is a process of creating understanding. There must be the same understanding of the subject at hand for any communication to be effective. Further, this explains why it is difficult to close a sale unless the perception a prospect has about insurance is in line with the agent's approach and style of presentation. Katz's (1960: 170) functional approach to attitude change theory of communication thus holds true as he suggests that "unless we know the psychological need which is met by the holding of an attitude we are in a poor position to predict when and how it will change."

Media Campaigns

Media campaign was another communication strategy proposed by the conceptual framework. It was discovered that CFC Life does not advertise its products. However, it occasionally uses the media particularly when launching a new product and may in such cases make a mention of its products.

Nonetheless, CFC Life uses written communication in the brochures and other sales material. The study established that the tightly spaced wordings of the document hinder some prospects from purchasing policies. It also discovered that most of the policyholders sign the policy documents even before reading and understanding the terms and conditions of the policy. They cited the technicalities of the insurance terms used in the policy document as the reason behind this. This supports the general assertion that policy documents are not in plain English. According to Mbugua (1998), they are couched in some legal language which an ordinary people find difficult to understand.

Get-together Forums

The conceptual framework also proposed that get-together forums, as avenues for group communication, provide a forum where insurers interact with the policyholders. The study gathered that CFC Life holds Customer days at least once every year. During such occasions, the clients get to know all that they need to know concerning the company's products. It was established that some of these clients end up signing up for more policy covers or recommend friends and relatives who end up purchasing personal insurance covers.

Product Knowledge

According to the interviewees, all the components such as selling skills, company image, approach, and self-image are important. However, product knowledge carries more weight. The confidence an agent portrays was considered to be very important. In order to be confident, the agent must know the product and all that pertains to insurance well. This helps in response to objections and tough questions. The interviewees also pointed out positive mental attitude as a secret of making appointments.

The newly recruited sales agents were thus urged to take insurance sales as a career. According to the trainer this would enable them to do it to the best of their ability, as joy and satisfaction would come out of it since they have a blank cheque for a salary. They have the power and authority to determine what is written on the blank cheque.

Right Image

An image is a mental picture that an individual has of an object. According to the interviewees, image plays a very important role in making appointments. The study identified good grooming as a way of portraying a positive image. The mental image people have of the company an agent represents also plays a crucial role. This concurs with Smith's (1992) view of communication as a process of creating understanding. In other words, for meaningful communication to occur the mental model of the source (agent) must be as close as possible to the mental model of the receiver (prospect).

Nesting & Proper Timing

From the training sessions I attended, I gathered that CFC Life has provided its agents with an occupation list (adopted from Limra International) for the best time to phone the prospect during the day. That is, the time the client can be in a position to listen and concentrate is a very vital ingredient for communication to take place. The study also found out that using nesting, a salesperson concentrates on a neighborhood or institution to gain control and exclude other salespersons from prospecting there. As a communication strategy, this provides the agent with the opportunity to share in their experiences, learn the appropriate language, their values – in essence get involved and thus communicate effectively.

Language

This study found that language was a hindrance in making appointments. Language is the avenue through which desired meaning is transferred from the source to the receiver. It is therefore imperative that an appropriate language be used.

Self Determination

The interviewees were of the general opinion that lack of determination leads to surrender (giving up). Their words of advice for agents were that they be committee, good planners and patient.

CONCLUSION

This study established that there is indeed a link between communication strategy and personal insurance cover in the Kenyan context. The study ascertained that sometimes the agents sell policies before explaining adequately what the insurer has paid

for and what to expect. Consequently, some people often think when they get a cover, it includes all risks and that all they need to do is walk into the insurer's office with a claim and a cheque will be issued, no question asked. These perceptions need correction: where a person wants all risks covered, agents should let them know what it takes to get such a policy.

It is imperative that insurance agents understand these perceptions and the functions they serve. This will go along way in making them better communicators; for positive change toward the image people hold of insurance as a practice. It is largely when the right communication strategy is used to counter these perceptions that a sale takes place. The insurance industry in Kenya needs to fight this type of ignorance through better training of its personnel and public education. There is need to improve professional skills in this important industry by making use of the Kenya College of Insurance, among other institutions, to train industry personnel in both technical and management skills.

LIMITATIONS

The major limitation is that literature and previous research materials relevant to this study, in the Kenyan context, are very scarce. Furthermore, whatever literature may be available is largely located in the Western world where access to it and its retrieval is not very easy.

Given limited time and inadequate finances, only one out of the 42 registered insurance companies in Kenya was selected for the study. This might not give the actual picture of what is going on in the insurance industry in its entirety.

The study was also limited to personal insurance, comprising health, accidents, annuities and life insurance covers, thereby leaving out general insurance, which is equally vital.

Kenya is a nation of religious and cultural diversity. Consequently, there could be various reasons behind reluctance to have life insurance covers. However, due to time limitations and financial constraints this study limited itself to communication strategies with regard to personal insurance cover.

Having worked with an insurance company, the researcher acknowledges that she holds biases and assumptions, which might be reflected in the study and particularly in the questionnaires. To counter these biases the questionnaires and interview schedule were pre-tested prior to their administration to ascertain that they were free of any bias.

Due to financial constraints, only three (Nyanza, Coast and Nairobi provinces) out of the eight provinces of Kenya were sampled for the study. This might have resulted in unavailability of data that might have contributed vital information to the study.

REFERENCES

- Agar, M. (1980). *The Professional Stranger: An Informal Introduction to Ethnography*. New York: Academic Press.
- Awori, H. (1999). The Commissioner's Corner. *Insurance Link*.
- Babbie, E. (1992). *The Practice of Social Research*. California: Wadworth Publishing Company.
- Berg, B. L. (2001). *Qualitative Research Methods for the Social Sciences* (4th Ed.) Boston: Allyn and Bacon
- Blumler J. G. (1979). The Role of Theory in Uses and Gratifications Studies. *Communication Research*, 6: 9-33.
- Boone, L. and David, L. K. 1989. *Contemporary Marketing*, (6th Ed.) Chicago: The Dryden Press.
- Byamugisha, J. B. (1973). *Insurance Law in East Africa*. Nairobi: East African Literature Bureau.
- Chandran, E. (2004). Research Methods: *A Quantitative Approach with Illustrations from Christian Ministries*. Nairobi: Daystar University.
- Crawford, M. (1994). *Law and the Insurance Contract*, (7th Ed.). Burr Ridge: Irwin
- Diacon, S. R. and Carter, R. L. (1984). Success in Insurance. London: John Murray Publishers Ltd.
- Grunlan, S. A. and Mayer, M. K. (1988). *Cultural Anthropology*. Grand Rapids, Michigan: Zondervan Publishing House.
- Hesselgrave, D. (1991). *Communicating Christ Cross-Culturally*. Michigan: Baker Book House.
- Jefkins, F. (1992). *Public Relations*, 4th Ed. London: Pitman.
- Katz, D. (1960). The Functional Approach to the Study of Attitudes. *Public Opinion Quarterly*, 24: 163-204.
- Kieti, M. Y. (1998). Insurance Benefits Elude Ignorant Consumers. *Insurance Link*, 3.
- Kimura, J. (2000). Insurance Business Low. *Insurance Link*, 8-9.
- Mbugua, J. (1998). Effective communication in the Insurance Industry. *Insurance Link*, 3.
- Muslehuddin, M. 1990. *Insurance and Islamic Law*. Lahore: Islamic Publications Ltd.
- Mutiga, J. (1999). IIK Director Advises the Insurance Industry to Prepare for Tough Times Ahead. *Insurance Link*.

Nader, R. and Smith W. J. (1993). *Winning the Insurance Game*. New York: Doubleday Dell Publishing Group, Inc.

Newman, J. (1976). *How to Buy Insurance and Save Money*. Washington, D.C: US. News and World Report, Inc.

Severin, W. J. and Tankard J. W. Jr. (1997). *Communication Theories: Origins, Methods, and Uses* (3rd Ed). New York: Longman.

Smith, D. K. (1992). *Creating Understanding*. Grand Rapids, Michigan: Zondervan.

Wahlstrom, B. J. (1992). *Perspectives on Human Communication*. USA: Wm.C Brown, Dubuque.