

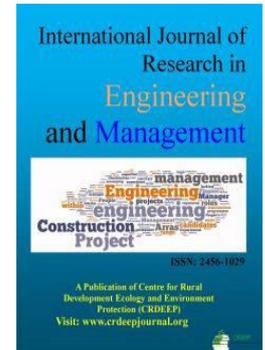
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Factors Leading to Low Penetration of Property and Liability Insurance Products in the Zambian Insurance Industry

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ABSTRACT

Insurance Penetration indicates the level of development of the insurance sector in a country and can be expressed as the ratio of the total amount of insurance consumption to the Gross Domestic Product of the country. Insurance Penetration for the Zambian Insurance industry is at 1.16% mark for the industry (PWC, 2019) compared to South Africa with the highest penetration rate of 14%, Namibia 8%, and Kenya at 3.44% (Mutegi, 2018). This study therefore aimed to identify and evaluate the factors that lead to low penetration of property and liability products in the Zambian Insurance industry. The data was collected through questionnaires, interviews, journals, and books and analysed using descriptive statistics, ANOVA and Pearson's correlation coefficient and t-tests using the Statistical Package for Social Sciences (SPSS) for quantitative data and through Content and narrative analysis for qualitative data. The study had a population of 500 employees in the insurance industry. A sample size of 160 was drawn, with 150 respondents. The paper aimed at identifying and evaluating the factors that lead to low penetration of property and liability insurance in the Zambian Insurance Industry. The study, by observing the estimated model coefficients found that a negative coefficient was observed for the variables; Need/ want and willingness to pay, country's physical endowment and the threat of new entrants indicating that decreasing these variables promoted penetration of property and liability Insurance products in Zambia. A positive coefficient was observed for sex of the buyer, Industry's product development, countries strictness of the laws and country's size of the market population indicating that increasing these variables promotes penetration of property and liability insurance. By observing the standardised coefficient, the research found that the highest contributing predictor was need/want and willingness to pay followed by country's physical endowment, then the threat of new entrants, fourth contributor was a Country's strictness of laws, then Industries product development, then Country's size of the market population and , Sex of the buyer was the seventh and lowest contributing predictor of the dependant variable, Insurance penetration of property and liability. A predictive six factor multiple linear regression model was fit for the property and liability insurance penetration.

Introduction

Background

Insurance Penetration indicates the level of development of the insurance sector in a country and may be expressed as the ratio of the total amount of insurance consumption to the Gross Domestic Product of the country. Insurance Penetration depends on the demand for insurance and represents potentiality of the insurance sector in a country, and hence here lies its importance. Penetration for the Zambian Insurance industry has remained relatively low over the past five years, it has been at 1.16% mark for the industry (PWC Zambia Insurance Companies Survey, 2019). Penetration for countries

in Africa such as South Africa have higher penetration rates of 14%, Namibia 8%, Mauritius 5.94%, and Kenya at 3.44% (Mutegi, 2018). During the year 2018, the Zambian insurance industry recorded an overall increase of 16 % in terms of Gross Written Premium (GWP) turnover. (Pensions and Insurance Authority, 2019) reported that in quantum, GWP increased to K3, 183 million from K2, 739 million which was recorded in 2017. According to Financial Services Deepening Zambia (2019), only 5.5 % of adults have or use insurance or pension services. The report highlights on insurance penetration and the profile of insured adults, that only 2.8 % of Zambians are insured (minus pension services). The report further shows that

most adults who have insurance have life cover (39.9 % of insured adults), motor vehicle insurance which is mandatory for vehicle owners (39.2 %), funeral insurance (32.7 %), adults who have Property Insurance cover (6.5 %) and adults with liability cover (6.7 %). This low insurance penetration is interpreted within the context that only 14.2 % of Zambian adults are aware of insurance. Property and Liability Insurance products in Zambia have not escaped the low penetration rate of 1.16%. Property Insurance, an insurance class that covers physical buildings against fire and allied perils is not mandatory by law in Zambia. Liability Insurance, an insurance product that provides an insured party with protection against claims resulting from injuries and damage to other people or property, is also not mandatory by law in Zambia. Though a component of liability insurance is mandated as every employer is supposed to have this cover, either through workers compensation or from Insurance companies, most registered companies opt to get cover with workers compensation to meet the requirements. Motor insurance also has a component that extends to cover liability against personal injury/ death in case of an accident. Otherwise, the rest of the liability and all property covers are not mandatory by law, therefore, will only be purchased following pure demand for the product or in cases where the individual or company has a contract with a contractor who has requested a particular type of insurance to be in place.

This study gives hope that the Zambian insurance industry could contribute significantly to the Gross Domestic Product(GDP) as well as the financial services sector of the country. Further, this research will contribute to the body of knowledge on Strategic Management in the insurance industry in Zambia. The research will open more room for debate on a subject that has the potential to influence the growth of the insurance industry.

A component of liability insurance is mandated by law as every employer is supposed to have this cover either through workers compensation or from Insurance companies, though most opt for workers compensation. The rest of the Property and liability insurance covers are not mandatory covers by law; therefore, these insurance products will only be purchased following pure demand from the Zambian people. Despite an increase in the motor vehicle insurance intake owing to the mandate for all road users to have motor vehicle insurance, penetration across other lines of insurance such as property and liability has shown little or no signs of increment. For some insurance companies, survival has meant undercutting, fighting over the same small “pie” of Zambia’s 1.16% insurance penetration rate compared to Africa average penetration rate of 3% is an indication of opportunities for growth in the Zambian insurance industry which leaves room for research, especially for property and liability Insurance products which has the lowest number of Zambians taking it up. This study therefore seeks to identify and evaluate factors leading to low penetration of Property and Liability insurance products in the Zambian Insurance Industry.

Based on the literature review, background and statement of the problem, this paper aimed to:

Identify and evaluate the factors that lead to low penetration of property and liability insurance in the Zambian Insurance Industry. The main objective is to evaluate the factors that lead to low penetration of property and liability products in the

Zambian Insurance industry while the specific objectives are as hereunder stated.

1. To identify the factors leading to low penetration of Property and Liability insurance products in the Zambian Insurance Industry.
2. To evaluate the factors that lead to low penetration of Property and Liability insurance products in the Zambian Insurance Industry.

Ethical Considerations

All procedures for data collection that involves human subjects were carefully adhered to and overseen by the University of Zambia ethical clearance committee. An introductory letter was written and attached to the front page of the questionnaire. Any concerns and questions were addressed at this point. Confidentiality and anonymity were maintained to the highest standard. The identities of the participants are not revealed in this report and the findings of this study even if published, will not share any identifying information.

Limitation of the Study

Due to time constraints, the research is a cross-sectional survey of insurance companies done in February 2020. It is possible that results could be different if the study had been done over a longer period in a longitudinal study. Behavioural tendencies and perceptions tend to vary over time.

Literature review –theoretical and conceptual framework

The customer perceived value theory

The slow growth in the insurance industry can be explained by the customer perceived value theory. (Oliver,2010) argues that the customer will define satisfaction in his/her own perspective rather than the parameters set by the seller of goods and services. Customer Perceived Value is the difference between the prospective customer’s evaluation of all benefits and all the costs of an offering and the perceived alternatives. Customer Perceived Value = what the customer gets (benefits) - what he gives (costs). Total customer benefit is the perceived monetary value of the bundle of economic, functional, and psychological benefits customers expect from a given market offering because of the products, services, personnel, and image involved. Total customer cost is the perceived bundle of costs customers expect to incur in evaluating, obtaining, using, and disposing of the given market offering, including monetary, time, energy, and psychological costs (Kotler and Armstrong, 2010). Creating loyal customers is at the heart of every business. Businesses succeed by getting, keeping, and growing customers. Customers are more educated and informed than ever, and they need to feel they are getting value for their investment (Kotler and Armstrong, 2010).

Marketing Theory

This theory was advanced by Philip Kotler in 1967 which stipulates that Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating, offering, and exchanging products of value with others (Kotler and Keller, 2015). According to (Kotler, 1967), marketing was an essential part of economics and saw demand as influenced not only by price but also by advertising, sales promotion, sales force, direct mail, and various middlemen such as agents, retailers and wholesalers operating as sales and distribution channels. To market effectively, Kotler believes the marketing purpose of elevating consumer well-being must be put at the heart of company strategy and be practiced by all managers (Kotler, 1967). In the 1960s, the American marketer, Jerome McCarthy, provided a framework

by means of the marketing mix: the 4 P's which include Price, Promotion, Product and Place which marketers can draw up a good marketing plan and improve operating results visibly by using the right combination and variables (Wilson, et al 2012). Booms and Bitner's insight in relation to physical products and services led to an extension of the traditional marketing mix (4Ps) and added three important factors which included, People, Process and Physical evidence that make the services marketing mix and hence making the 7 Ps of marketing (Booms and Bitner, 1981).

Several factors influence firms' decisions concerning product innovation and marketing innovations: the degree of substitutability, the number of competitors and market size (Beath, Katsoulacos and Ulph, 1997). The marketing of product innovation decreases with both the degree of product substitutability and the number of competitors while it increases with increasing market size. Market size has a positive and highly significant effect on firms' propensity to introduce product innovation and their effort in marketing the innovation (Mikes and Kaplan, 2014). Market concentration has a significantly positive effect on product innovation only and does not significantly affect effort used to market the product innovation (Hameeda and Al Ajmi, 2012).

The Diffusion Theory

This theory was advanced by Lionberger in 1960, which asserted that people process and accept information by going through five stages which is not done impulsively. The stages include; awareness stage where the individual is exposed to the idea but lacks knowledge of its benefit; the interest stage is when the idea arouses the individual who assess the possibility of using it; evaluation stage where the individual must consider whether the idea is potentially useful and of benefit to him; trial stage is when the individual tries out the idea on himself and others in order to conclude how he can benefit; adoption stage which represents final acceptance of the idea and using it consistently based on continuous satisfaction. The theory examines how ideas are spread among groups of people. Diffusion goes beyond the two-step flow theory, centring on the conditions that increase or decrease the likelihood that an innovation, a new idea, product, or practice, will be adopted by members of a given culture. In multi-step diffusion, the opinion leader still exerts a large influence on the behaviour of individuals, called adopters, but there are also other intermediaries between the media and the audience's decision-making. One intermediary is the change agent, someone who encourages an opinion leader to adopt or reject an innovation (Lionberger, 1960).

Conceptual Framework

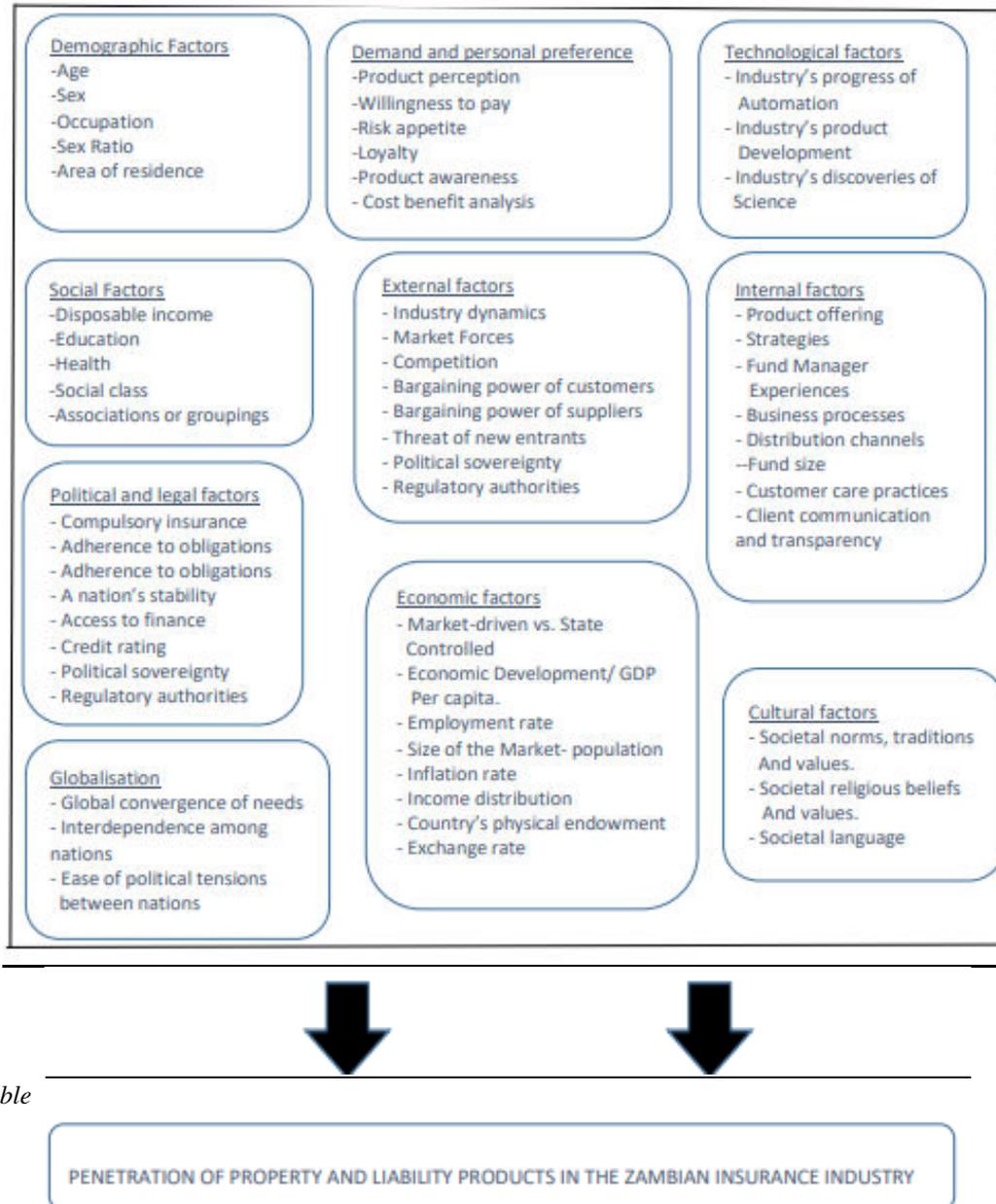
According to (Mugizi, 2019), a conceptual framework is a basic structure that consists of certain abstract blocks which represent the observational, the experiential and the analytical/synthetic aspects of a process or system being conceived. The interconnection of these blocks completes the framework for certain expected outcomes. The conceptual framework shows the conceptualization of the relationship between the dependant and independent variables. It summarises the variable of study. This is as shown in Flow Chart 1 below.

Demographic factors

Education or/ and occupation

(Poposki K, Kjosevski J, et.al., 2015 quoted (Feyen, Lester, et.al.,2011] and explained that measuring attitudes to risk is difficult and, in the past, most insurance studies have used education to proxy risk aversion. (Schlesinger,1981], demonstrates that an individual with a higher loss probability, a higher degree of risk aversion, or a lower level of initial wealth, will purchase more insurance. According to the discussion of (Browne and Kim,1993), in general a higher level of education may lead to a greater degree of risk aversion and greater awareness of the necessity of insurance. (Szpiro, 1985) proved the negative correlation between the level of education and risk aversion. It was deemed that higher education leads to lower risk aversion, and that, in turn, leads to more risk-taking by skilled and well-educated people. When (Browne, et. al 2000; Esho, et. al 2004) were discussing non-life insurance; they also took the level of education as a proxy for risk aversion. Therefore, education is hypothesized to be ambiguous in relation to non-life insurance demand. As an indicator of the level of education across countries the study used the tertiary gross enrolment ratio defined by the UNESCO Institute of Statistics as the total enrolment in tertiary education, regardless of age, expressed as a proportion of the eligible school-age population. Education is a demographic determinant that is expected to have a positive impact on the insurance demand. In the academic literature, the level of education in a country is used as a proxy for risk aversion, but there are differences in the results obtained for non-life and life insurance sectors. The studies of (Duker,1969), (Anderson and Nevin,1975) and (Auerbach and Kotlikoff, 1989) revealed that education is negatively related to non-life insurance demand. (Zietz, 2003) discovered that published research shows conflicting results for certain determinants of non-life insurance demand, including education. Education was found insignificant for non-life insurance demand by a large part of the academic literature. (Treerattanapun, 2011) suggested that tertiary education is not a good proxy for the capacity of a person to understand the complexity of insurance products because the knowledge of these products may not be taught in schools. (Ofoghi and Farsangi, 2013) suggested that the level of risk aversion for individuals with insurance knowledge is higher than the level for those without insurance knowledge. For the non-life insurance sector, the opinions converge towards the idea that education positively influences the demand for such products. (Curak, Dzaja, et.al., 2013) suggested that education increases risk aversion and encourages people to demand non-life insurance. (Treerattanapun, 2011) indicated that education increases the awareness of risk and threats to financial stability, facilitating the understanding of insurance benefits. (Park and Lemaire, 2012) found a positive relation between education and non-life insurance demand, considering 82 countries for a period of 10 years. (Ofoghi and Farsangi, 2013) proved a significant and positive relationship between risk aversion and auto insurance demand, in which individuals with insurance knowledge are more risk averse.

Independent variables



Dependent variable

PENETRATION OF PROPERTY AND LIABILITY PRODUCTS IN THE ZAMBIAN INSURANCE INDUSTRY

Flow Chart 1. Chart depicting Independent and Dependent variables

Urbanisation or area of residence

Another important factor for the development of the insurance industry in emerging countries is urbanisation (Kalra,2013). For the non-life insurance sector, (Sherden, 1984) stated that urban inhabitants perceive a higher risk of their property. (Browne, Chung, et.al., 2000) discovered that the rate of interaction between individuals increases in urban areas, and they used urbanisation as a proxy for loss probability: if the probability of loss increases, the insurance demand increases too. (Esho, Kirievsky, et.al.,2004) considered that additional sources of security are needed, as consequences of increasing delinquency are caused by the greater concentration of assets in urban area. (Hwang and Gao, 2003) concluded that urbanisation determines smaller families with no economic security, which makes insurance an efficient tool for providing financial security. (Park and Lemaire, 2012) also found a positive relation between urbanisation and non-life insurance demand, while (Treerattanapun, 2011) discovered the insignificance of urbanisation for the non-life sector. The decision to purchase non-life insurance, taken at an individual level, is determined by the average income level of a country (Eck and Nizovtsev, 2006). In considering the distribution of

wealth across households, the studies adopted the Gini coefficient, which represents the income distribution of the residents of a nation (a measure of inequality of income). For non-life insurances, (Nakata, and Sawada, 2007) discovered that wealth elasticity of insurance demand is smaller than unity for the upper, middle and high wealth countries. In low wealth countries, the wealth elasticity of insurance demand is greater than unity. To have a general view of the influence factors over the life and non-life insurance demand, the study presented a synthesis of the studies in which these variables appeared. After a brief review of the previous studies which focus on insurance demand, the study continued by presenting the assumed hypotheses, the econometric model and the methodology used to estimate the different effects of influence factors in emerging countries in Europe and Asia.

Age and gender

(Rani, 2007) in a study of the Coimbatore District, Mumbai, India, concludes that age and gender, among other variables significantly determine demand for insurance. Further studies of the socio-demographic analysis show that decision to buy

insurance services is affected by age, gender, marital status, levels of education, family life cycle and area of residence.

Demand and personal preference

Macroeconomic factors that relate to higher income are expected to increase the demand for insurance because of a greater affordability of insurance products, especially for the higher risk products. (Luvisia and Nzulwa, 2018). In assessing the impact of climatic change on the demand for insurance, (Ranger and Surminski, 2011) suggest five pathways of influence: economic growth; willingness to pay for insurance; public policy and regulation; the insurability of natural catastrophe risks; and greenhouse gas mitigation. Ranger and Williamson (2011) forecast that income alone could potentially increase insurance penetration by 2.1%, 1.9%, 1.6%, 2.4% and 4.2% per year between 2010 and 2020 for Brazil, Russia, South Africa, India, and China, respectively. When other factors are included these rates were to be adjusted by at least 2%. This study brings out a different perspective as it stresses on the importance of other factors which have not been given prominence in early research. The wide range of factors impacting on insurance demand are listed as; macroeconomic factors (economic stability, inflation rates, developed and stable financial markets, openness to trade), political, regulatory and legal factors including preconditions for insurance (stable legal and institutional frameworks, adequate insurance law, opening distribution channels e.g. banc assurance, conducive regulatory environment, property rights, judicial efficiency and transparency, mandatory insurance lines), socio economic factors (education, financial literacy, religious and cultural attitudes to risks and insurance, perception of other available financing in the event of a loss, such as disaster aid), risk factors (the nature of exposure, such as the number of cars, natural catastrophe exposure, risk awareness linked with catastrophe experience).

Technological innovations

This refers to new products that respond to market needs and the role that technology would have in the distribution and roll out of the products. According to (Cytton Investments, 2015), one of the problems facing insurance companies is the existence of insurance products that are not tailored to the common consumer and lacks innovation to appeal to customers with low disposable income. The savings policies that are now common with most insurance companies in Kenya such as education savings plans, are very suboptimal in their returns and are mostly purchased by people who are not sophisticated in financial matters.

According to (Bain and Company, 2015), most established companies in the insurance industry have been slow to adopt digital tools, relative to other industries, such as retail, media, travel and retail banking. One of the reasons for the slow adoption of digital technology is that general insurance lacks continuous customer engagement through the insurance policy duration and hence the inability to keep track of the changing customer needs and making timely provision for those in need. Majority of the insurers would admit that they have not been proactive in leading the way through digitization of their processes and hence trail behind when it comes to customer engagement and effective adoption of mobile social media when compared to other financial services providers. It is important to note that there could be many reasons why insurers take a cautious approach. Some of them could be around market instability due to catastrophic losses from natural phenomenon to ever changing needs of the end-

customers. This notwithstanding, it remains the responsibility of the insurance companies to work around these challenges and adopt relevant technologies if they are to meet customer needs (Mburu and Murigi, 2017).

Social factors

In analysing consumer behaviour, (Wilson and Gilligan, 2005) note that it is important to examine the influence of a chain of social factors such as, family, status, social role, and reference groups. According to (Lancaster and Reynolds, 2005), social class is the most familiar social influence. Marketing researchers use social class as the principal criterion upon which the identification of market segments is premised, given that this classification exposes a lot about probable behaviour. An important determinant of social class has traditionally been income. Social class is an indicator of lifestyle and its existence exerts a strong influence on consumers and their behaviour (Wilson and Gilligan, 2005). (Lancaster and Reynolds, 2005) explain that reference groups have a more intimate role to play in influencing consumers. Reference groups are a group of people whose standards of behaviour influence a person's attitudes, opinions, and values. In general, people tend to imitate and seek advice from those closest to them. Groups can be found in a person's social life, through membership of a club or organisation with a common hobby or interest. To foster a sense of 'belonging', individuals are unlikely to deviate too far from the formal or informal behavioural norms laid down by the group. For many products, however, it is the family that exerts the greatest single influence on behaviour. The nature of the family can be identified by considering the 'family life cycle', from being unmarried to newly married until retired couples. The levels of disposable income change as families go through the family life cycle. At a more general level, research in the USA has identified that husbands are dominant in the insurance purchase decision within the family (Wilson and Gilligan, 2005).

(Kunreuther and Pauly, 2005) observe that some people become embarrassed that they do not have insurance protection when they learn that others do. (Ulbinaitė, 2013) support the view after noting that some buyers of insurance are pressured to buy by their colleagues and friends who would have done so. They fear being uninsured, and therefore prone to a disaster, upon realisation of peers who would have purchased insurance cover. In other cases, they copy their friends and neighbours with similar preferences who and have already gone through the information gathering trouble to reduce search costs.

External factors

Government Policy and Regulation Pressure

According to (Porter, 1988), government are considered a limiting factor especially with regards to entry of firms into a particular jurisdiction. In some cases, governments can even foreclose firms' entry into industries with the use of certain controls such controls as licensing requirements and limits on access to raw materials. Governments can also influence major political decisions especially with in cases where it is part of corporate strategy if this is done openly and with integrity. In this regard therefore any insurance company that does not take account of the history and momentum of politics ignores an essential element of the environment (Lynch, 2000) quoted by (Ayishashe, 2015). (Oliver, 2009) further argues that regulatory pressures are likely to constrain heterogeneity especially through the prescription of uniform resource standards, competencies as well as ways of deploying

resources across given industries and by defining what resources are socially acceptable or permissible as inputs. These pressures according to Oliver limit diversity by constraining the range of firms' permitted resource options and by imposing common societal expectations across competing firms about how inputs should be combined and deployed in production. Political processes and legislation influence the environmental regulations which industries must comply. These changes can benefit or damage an industry (Dess, 2006) quoted by (Ayishashe, 2015). (Strickland and Gamble, 2005) argue that government regulatory actions are likely to force significant changes in industry practices as well as strategic approaches. In this regard therefore deregulation continues to be a pro-competitive force in the airline, banking, natural gas, telecommunications as well as electric utility industries. In this regard therefore governments are likely to drive competitive changes by opening their domestic markets to foreign participation or closing them to protect domestic companies.

Market Conditions

(Lynch, 2000) is of the opinion that market growth rate is very essential because markets that are growing rapidly offer more opportunities for sales than lower growth markets. Rapid growth is less likely to involve stealing share from competition and more likely to come from new buyers entering the market (Ayishashe, (2015)).(Porter, 1998) argues that the recognition and accuracy in reading market signals is of major significance especially with regards to the development of competitive strategy and reading signals from behaviour is an essential supplement to competitor analysis. A prerequisite to interpreting signals accurately is to develop a baseline competitor analysis; an understanding of competitors' future goals, assumptions about the market and themselves, current strategies, and capabilities. It is not uncommon for competitors to comment on industry conditions, including forecasts of demand and prices, forecasts of future capacity and the significance of external changes. Such commentary is laden with signals because it may expose the commenting firm's assumptions about the industry on which it is presumably building its own strategy (Ayishashe, 2015). The insurance industry is typically characterized by much uncertainty over potential market size, how much time and money will be needed to surmount technological problems and what distribution channels and buyer segments to emphasize. When firms are successful in introducing new ways of marketing their products, they spark a burst of buyer interest, widen industry demand, increase product differentiation, and lower unit costs-all of which can alternative the competitive position of a firm (Thompson, 2005) Quoted by (Ayishashe, 2015).

First Mover Advantage

Early movers are likely to pre-empt resources especially with regards to the various types including superior positions in geographical space, technological space, or customer perceptual space. Pioneers can expand and defend their position through blocking product space with a broadening product line. Pre-emption of superior human resources is also possible if the organization can retain existing employees (Lieberman and Montgomery, 1998). In this regard therefore to initiate a strategic move first can have a high payoff in terms of strengthening a company's market position and competitiveness when: pioneering helps build a firm's image and reputation with buyers; early commitments to new technologies, new-style components and distribution channels can produce an absolute cost advantage over rivals; first-time consumers remain strongly loyal to pioneering firms in making

repeat purchases and moving first constitutes a pre-emptive strike, making imitation extra hard or unlikely (Thompson, 2005). Additionally, being a fast follower or even a wait-and-see late-mover does not always carry an essential or lasting competitive penalty. It follows therefore that there are times when a first mover's skills, know-how and actions are copied or even surpassed, allowing late movers to catch or overtake the first mover in a relatively short period. There are also times when there are advantages of being an adept follower rather than a first mover. Late mover advantages are when: pioneering leadership is more costly than imitating followership and only negligible experience or learning-curve benefits accrue to the leader (follower has lower costs than leader); the products of an innovator are somewhat primitive and do not live up to buyer expectations thus allowing a clever follower to win disenchanted buyers away from the leader with better-performing next-generation products; and technology is advancing rapidly giving fast-followers the opening to leapfrog a first mover's products with more attractive and full-featured second and third generation products (Thompson, 2005) quoted by (Ayishashe, 2015).

Bargaining Power of Customer

The insurance industry is a high buyer concentration industry, where many people use bank service, such as deposit money, mortgage, loan, investment, and currency exchange. It follows therefore that buyer information availability is high. The internet for instance is currently changing people's life, this means customer can easily obtain information through the internet and compare the price and services easily. Similarly, the availability of existing substitute products is high. Many substitute product or service are present in recent year as they are mainly provided by other financial institutions (Powers, 2010)quoted by (Ayishashe, 2015).

Bargaining Power of Suppliers

A service industry does not raw materials, but it requires labour, components, and other supplies. This requirement leads to buyer-supplier relationships between the industry and the firms that provide the raw materials (Kelly, 2010). Suppliers, if powerful, can therefore exert an influence on the industry, such as selling raw materials at a high price to capture some of the industry's profits. In a service sector there is no direct supplier of raw material, however the supply of supporting facilities like cheque books, furniture, stationeries, among others can give the same analogy. Insurance capital supplier is low in Kenya, this is because customers will compare with other financial product to see whether to use insurance products or not. Computer equipment supplier is also low (Powers, 2010) quoted by (Ayishashe,2015).

Threats of new Entrants

The possibility that new firms are likely to enter the industry greatly affects competition. In theory, any firm should have the ability to enter as well as exit a market, and if free entry and exit exists, then profits always needs to be nominal (Kelly, 2010). However, industries have characteristics that protect the high profit levels of firms in the market and as such inhibit additional rivals from entering the market. However, when most countries and cities join World Trade Organizations as well as the Internet effect, the barrier of insurance firms disappears. Many financial even non-financial organizations can therefore easily enter the insurance industry. They can use for instance more little money to build a website; similarly, they can as well integrate with other organizations. The switching cost of such behaviour therefore becomes smaller

than before and therefore the advantage is larger than before also (Ayishashe, 2015).

Internal factors

Product Offering

Product offering goes a long way in ensuring that product developments as well as marketing efforts reliably go about with meeting the local demand especially for insurance products. This therefore means that indeed good product offerings as well as effective marketing is likely to bring about successful savings mobilization program, which go a long way in ensuring that there is growth in the institution. The first step when it comes to determining how best to meet client demand for insurance products is to establish what clients and potential clients want. It follows therefore that the moment such information is acquired, insurance managers need to evaluate the existing products to be able to see if the benefits offered by the product meet the customer's needs. Organizations can therefore make use of available sources of information to evaluate products and services being offered. Sources of information include staff observations, competitor activities client complaints, market research as well as national financial market behaviour. If indeed the existing products are not likely to meet the demand for insurance products then it follows that new products must be developed to fill the void (Cortor and Chen, 2006) quoted by (Ayishashe, 2015).

Pricing

Pricing is one of the four Ps of the marketing mix which can be used by organizations to enhance market penetration (Brassington, 2011). It can therefore be considered the manual or automatic process which applies prices to purchase and sales orders, based on factors such as a fixed amount, quantity break, promotion or sales campaign, specific vendor quote, price prevailing on entry, shipment or invoice date, combination of multiple orders or lines, and many others. Organizations need to choose a good price to achieve the financial goals of the company; fit the realities of the marketplace and support a product's positioning and be consistent with the other variables in the marketing mix. Price is seen to be influenced by the type of distribution channel used, the type of promotions used, and the quality of the product. Price will usually need to be relatively high if cost incurred are high, distribution is exclusive, and the product is supported by extensive advertising and promotional campaigns. In this regard therefore that allow price can be a viable substitute for product quality, effective promotions, or an energetic selling effort by retailers (Jobber, 2010), quoted by (Ayishashe, 2015).

According to (Dickman, 2009), an insurance consumer to be one who is very much conscious about how much they pay for their goods and services, as well as how much to charge for a product or service is usually a typical starting point question for discussions about pricing. It means therefore that companies make use of pricing as part of their positioning, employing one of three strategic approaches premium pricing, value for money pricing and undercut pricing (Dickman, 2009), quoted by (Ayishashe, 2015). According to (Hutt and Speh, 2008), industrial good costing includes much more than the sellers' price. They therefore argue that there exist three dimensions of looking into price which include availability of complete information on the amounts to be paid for market offerings. Secondly, they also considered the additional costs that come with the purchase of a new item such as repairs, maintenance, transportation which they felt managers must consider in making a pricing decision. Finally, they viewed

price from the dimension of risk associated with the acquisition of a new product. They thought of the functional aspect of the product and the technicalities that go with it. Organizations therefore must ensure that while choosing a pricing objective and a related strategy they are required to carefully consider the business and financial goals; In this regard therefore the state of the market including its past and future, the prices of the products and prices of the competition and possibly their business goals. Organizations therefore need to select objectives and strategies that will position their products and business for success. In this regard, it is important to choose an objective and strategies that that are appropriate for their business at the current time does not prevent you from changing objectives or employing different strategies in future as your business grows or changes (Giddens, 2005), quoted by (Ayishashe, 2015).

Market Approaches

There are several promotional strategies that can be used to create customer motivation to buy insurance products; these include personal selling, advertising through printed media and electronics, financial planning seminars, sales promotion as well as every year highlighted event. Advertising, sales promotion, and public relations are mass communication tools available to insurance firms. In this regard therefore mass communication is considered to have the same message for everyone in an audience. In this regard therefore tools available for mass communication trade off the advantage of personal selling as well the opportunity to tailor a message to each prospect, for the advantage of reaching many people at a lower cost per person (Jones, 2007). (Dunn, 1987) considers advertising from its functional perspective, and as such they define it as a paid, non-personal communication through various media by business firms, non-profit organization, and individuals who hope to inform or persuade members of a particular audience (Ayishashe, 2015). Consumers who patronize insurance services are likely not to switch from one company to another as a result of sales promotion offer. In this regard therefore it would be of interest to a marketer to be able to learn about consumer preferences with respect to sales promotion offers; what schemes do consumers prefer for what kind of services, which media they prefer to learn about the schemes, whether they prefer incentive immediately or at later date.

These are the questions which consumers consider while choosing a brand. Similarly marketing managers in the industry also consider such marketing strategies while designing their sales promotion scheme (Rangsan and Titida, 2011), quoted by (Ayishashe, 2015). According to (Rangsan and Titida, 2011), promotions that increase value are likely to manipulate the quantity/ price equation to increase the perceived value of a product offering. Such discounts would include coupons, payment terms, multi-parks, or quantity increase. Value -adding promotions manipulate the price and core product untouched and offer the customer something extra. Examples of these are product trial or samples, valued packaging, free gifts, loyalty schemes or club's information (such as a brochure or in-store magazine) or a competition. In high competition in the insurance industry, sales promotion is the one important tool that many insurance providers will use to compete and stimulate sales (Ayishashe, 2015).

Customer Service

There are many ways in which insurance companies can enhance their customer experiences (Stone, 2009). These

services are often considered an added benefit in buying the products of a company (Burns, 2011). According to (Hunter, 2012) customers have the tendency to feel more positive about a particular brand of insurance to which they had previous good experience dealing before, during and after the sale has been consummated. According to (Burns, 2011), customer service is free and should therefore not be part of any add-on services offered by a company on their products or services. Customer services need therefore, fulfil the deepest needs of customers. As such, customer service is meant to enhance the main offer of an insurance and is in itself not the main offer. It is a pleasant bonus that business companies offer their customers to reinforce the message that the business company cares about their expectations, needs, and wishes (Burns, 2011). Today, customers believe in easy, flexible, and accessible service all round the clock. It is imperative for customer service strategists to understand the customer needs and demands across multiple business segments to tailor service offering to segment potential.

They must create and communicate a clearly defined customer experience vision throughout the organization to serve well defined segments. The core service levels that meet customer expectations and industry standards need to be clearly outlined. The customer service strategists must strive to maximize customer retention through superior relationship management and customer service processes. They must optimize the utilization of resources against customer demand and proactively focus on the customer in new product and service development. The organization must be aligned around customer service regarding service delivery. The strategist must significantly improve competitive advantage through best-in-class deliverable customer service. In the non-manufacturing sector, the most difficult issues are in understanding what the organization's core processes and enabling functions are and how they work together to deliver what the customer needs, wants and expects (Walker, 2002).

Political and legal factors

Political Risk and Governance

according to (Chitiyo, 2017), "there has been a surge of interest in the consequences of governance for development and how a country risk could have an impact on global investment strategies by transnational corporations" (Outreville F. J., 2013). This country risk rating includes several factors such as political risk, access to finance, sovereign risk, and credit ratings, which affect the ability of financial services providers to manipulate the financial structures to generate profits.

Two studies have considered the impact of country risk on non-life insurance demand and found that a negative and empirically significant relationship exists; where "a higher level of insurance consumption is observed in a region that has low political and investment risk" (Treerattanapun, 2011, p. 10) quoted by (Park and Lemaire, 2012). No consensus on the proxy variable to be used for measuring country risk has been established as there are many databases measuring country risk but with little public access to their results available.

Legal status

(Poposki, 2015) explained that the legal stability is important for a vibrant and growing non-life insurance market. The more stable the legal system in the country the higher the willingness of contracting parties to initiate business relationships. To measure property rights' protection, we use the rule of law index provided by the Worldwide Governance Indicators. This index reflects perceptions of the extent to which agents have

confidence in and abide by the rule of society, and in particular, the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence. The legal system in force in a country may impact the development of insurance as it specifies the liabilities of those responsible for damage, and defines the business environment of insurers (Browne, Chung, et.al., 2000). The United States is the world leader in per capita consumption of liability insurance. The importance of the legal environment for insurance arises from the positive probability of insurer insolvency, and secondly from the enforcement of property rights. Both factors aid the development of insurance markets through a lowering of transaction costs associated with contractually transferring risk. The paper found a strong support for a direct relationship between property rights and the level of insurance density across countries. Moreover, the results suggest that after controlling for variation in income and property rights, a country's legal origin does not affect insurance demand. For policymakers, it is important to note that while (Levine, 2000) suggest that banking sector development is conditional on several characteristics from the legal environment including legal origin and creditor rights, this study indicates that the linkage between insurance and the legal environment appears to be more focused on the single issue of enforcing property rights. Consequently, the legal environment promotes the demand for insurance by facilitating efficient transactions between insurance companies and policyholders.

Institutional Factors

According to (North, 1981), institutions are the human devised constraints that configure human behaviour. A country's institutional structure includes all formal and informal mechanisms governing human behaviour amongst its citizens. This typically incorporates the legal systems in place to safeguard property rights for the people and companies in that country. (Syverud, Bovbjerg, et.al., 1994) explain that the United States leads the world in per capita consumption of liability insurance because of its legal system that encourages over-consume property-liability insurance. (Peng, 2000) observes that the key role played by institutions is to reduce levels of uncertainty amongst companies and individuals transacting in the markets. Institutional factors such as the rule of law and quality of governance are likely to influence the attitudes of consumers towards their insurance purchase decisions. According to (Beck and Webb, 2003), institutional differences explain some of the variation in life insurance consumption across countries. Apart from income, (Esho, 2004) discovered a strong positive relationship between the protection of property rights and insurance consumption. They concluded that consumption of motor insurance services was greater in common-law countries than in statutory-law countries.

Economic factors

The determinants of non-life insurance penetration in selected countries from south eastern europe, all previous studies, whether on life or non-life insurance, conclude that income, measured as GDP per capita, is the most important factor affecting purchasing decisions. The paper pointed out a positive relationship in industrialized countries between national income and non-life insurance spending (Poposki, Kjosevski, et.al., 2015). Additionally (Esho, Kirievsky, et.al., 2004) examined developed and developing countries between 1984 and 1998 and found a strong positive relationship between national income and the nonlife insurance premium.

(Outreville, 1990) and (Ward and Zurbrugg, 2000) strongly emphasized that the insurance industry, through risk transfer, financial intermediation and employment can generate externalities and economic growth. The higher level of income creates a greater demand for non-life insurance to safeguard acquired property. The paper indicated that the researchers expected income to have a strong, positive impact on non-life insurance consumption. It was shown that financial development is associated with the widespread securitization of cash flows, which enables households to secure future income through the ownership of financial assets.

(Dragos, 2016) explained that among all the factors of influence, income is essential in all the models of insurance demand. Higher income is expected to increase the demand for life insurance, generating a greater affordability of life insurance products. According to Feyen, (Lester, and Rocha, 2011), one reason for this is the need to safeguard the potential income of children against the premature death of the employed parent. Referring to the life insurance line of business, income is found to have a significant positive impact on the insurance demand by all the researchers interested in the subject. The income level of countries is measured by the real gross domestic product (GDP)/ capita, and it positively influences the life insurance consumption. In a cross-sectional study for 68 countries, and then in a panel study for the period 1961–1980, (Beck and Webb, 2003) explained that for higher incomes, the life insurance demand rises because the human capital of an individual increases along with income.

(Hornig and Chang, 2008) examine, using econometric regression models, the determinants of non-life insurance consumption in Taiwan between 1970 and 2005, with a special focus on fire insurance and motor insurance. The study concludes that economic conditions affect insurance demand differently across the various policy types. The results show that income has a much greater effect on motor insurance demand, than on demand for fire insurance. Furthermore, the results reveal that the consumption of non-life insurance is significantly and positively related to income and risk aversion. These views are further supported by (Enz, 2000) and (Zheng et al., 2008, 2009) who demonstrate empirically that increasing wealth has been an important long-term driver of growth in aggregate insurance demand in the emerging economies.

Globalization

According to (Potrafke, 2015), globalization is a multifaceted concept that extends beyond its traditional indicators such as trade and financial openness, and includes economic, social, and political dimensions. An average growth rate of 30% per annum was recorded in the life insurance sector globally and an average growth rate of 19% per annum was experienced in the non-life insurance industry between 1950 and the late 1980s. The growth rate recorded in the insurance sector over this period exceeded the growth of global economic development (Browne and Kim, 1993). In spite of the Asian financial crisis of the mid 90s and the global financial crisis of 2008, the global insurance market still grew at an average rate of 5% between 1994 and 2011 (Swiss Re, 2012). Thus, the insurance industry has grown into a prominent part of the world service sector (Chen, Lee and Lee, 2012).

A study by (Lee, Chien-Chiang et al., 2016) applies panel co integration with cross-country dependence and causality tests to uncover the extent and the magnitude of the relationship

International Journal of Research in Engineering and Management

between insurance penetration and globalization. The results first confirm evidence of the long-run relationship between insurance market activities and globalization. Second, the study finds that three globalization indices on life and non-life insurance penetrations, and globalization has a larger impact on insurance market activities in the industrial countries than in the emerging countries. Finally, the results of panel causality tests roughly show bidirectional causality between insurance market activities and globalization in the long run.

Cultural factors

Culture has many definitions, and it affects everything people do in their society because of their ideas, values, attitudes, and normative or expected patterns of behaviour. Culture is not genetically inherited, and cannot exist on its own, but is always shared by members of a society (Hall, 1976) and (Hofstede, 1980) defines culture as “the collective programming of the mind which distinguishes the members of one group from another”, which is passed from generation to generation, it is changing all the time because each generation adds something of its own before passing it on. It is usual that one’s culture is taken for granted and assumed to be correct because it is the only one, or at least the first, to be learned. The major elements of culture include language, aesthetics, material culture (tools, artifacts, and technology), education, religion, norms, attitudes, values, and social organisation (structure), according to the United Nations. (Lancaster and Reynolds, 2005) define culture as a group of complex symbols and artefacts created by humans and handed down from one generation to another, as determinants and controls for human behaviour in a particular society. The cited examples are attitudes, beliefs, values, language, and religion. It is from this that consumers learn their values, preferences, behaviour patterns and perceptions. (Wilson and Gilligan, 2005) are of the view that culture is the most fundamental force and enduring influence on human buyer behaviour and group the set of cultural factors into culture, subculture, and social class. Factors forming the subculture include religious groups, nationality groups, geographical areas, and racial groups. All these groupings exhibit degrees of difference in cultural preferences ethnic taste, attitudes, taboos, and lifestyles. A major cultural change in the last century that accelerated since the early 1960s was the changing role of women in society (Lancaster and Reynolds, 2005). Working women have helped alter traditional stereotypes that society applied to women, leading to their increased independence and economic power.

(Zelizer, 1979) notes that, traditionally, organised religion conflicts with the concept and principles of insurance. Some religions are of the belief that reliance on insurance for protection of life or property results from distrust in God’s protection. (Beck and Webb, 2003) note that religious differences explain some of the variation in life insurance consumption across countries (Lemaire, and McBeth, 2010) find a significant impact of cultural variables on non-life insurance consumption. A follow-up study by (Treerattanapun, 2011) suggests that consumers may respond to insurance solicitations according to their cultural belief, not only economic rationality. (Swiss Re, 2011) supports this view by reporting that an estimated 270 million Muslims live in Sub-Saharan Africa and are governed by the shariah law which does not accept the role of insurance. (Hofstede et al., 1983, 2001) provides four cultural dimensions that describe cross-cultural differences across different countries: Individualism, Power Distance. (Park and Lemaire, 2012), in their paper the Impact of Culture on the Demand for Non-Life Insurance

quoted (Chui and Kwok, 2008, 2009) demonstrate that the inclusion of cultural factors in the set of explanatory variables greatly improves the predictive ability of regression analyses. Using an unbalanced panel data of 41 countries observed from 1976 to 2001, they included in their models four cultural variables introduced by (Hofstede, 1983, 2001) in a series of celebrated studies: Individualism, Power Distance, Masculinity, and Uncertainty Avoidance. They find the first three variables to be highly significant. The results prove to be robust, even after controlling for economic, institutional, and demographic factors such as GDP per capita, inflation, bank sector and stock market development, creditors' rights, contract enforcement quality, dependency ratio, and religion. For instance, the inclusion of just one cultural variable, Individualism, increases the adjusted R² from 0.70 to 0.83 – a highly significant improvement.

(Park and Lemaire, 2012), quoted (Park et al., 2002) who examine the impact of culture on insurance pervasiveness, defined as the combined penetration of life and non-life insurance. Four of Hofstede's cultural dimensions are included in the panel regression analysis in addition to GNP, socio-political stability, and economic freedom. In contrast with the life insurance demand studies of (Chui and Kwok, et.al., 2008, 2009), results show that only Masculinity is positively correlated with insurance pervasiveness. This conflicting result may be due to the aggregation of life and non-life insurance, which may produce a bias against finding meaningful relationships if the cultural impact on insurance demand is different for life and non-life insurance. Also, (Park et al., 2002) only have three other control variables in their regression model; they did not include life- or non-life-specific control factors. The low number of controls may cause an omitted variable problem and result in biased coefficient estimates.

(Park and Lemaire, 2012), in their research focused on non-life insurance. Along with several economic and institutional controls, they included in their set of explanatory variables religion (%age of the population adhering to Buddhism, Christianity, or Islam) and the Hofstede cultural variables (Individualism, Power Distance, Masculinity, and Uncertainty Avoidance). They applied several regression methods to an unbalanced international panel data comprising 82 countries observed from 1999 to 2008. The dependent variable was the logarithm of penetration, the fraction of GDP devoted to non-life insurance. Empirical findings for the most part conformed to our theoretical predictions. GDP per capita, urbanization, education, a measure of market concentration, and a principal component summarizing twelve political risk scores, all proved to be highly significant in affecting non-life insurance sales. While Christian and Buddhist values do not appear to have any impact, the development of insurance markets is profoundly negatively affected by Islamic beliefs. Among the Hofstede cultural variables, Power Distance, Individualism, and Uncertainty Avoidance prove to be highly significant. Whether a country exhibits masculine or feminine cultural values has at most a borderline impact on insurance.

Further, (Park and Lemaire, 2012), found that most variables were significant at the 1% level. These findings were even more impressive as the unavoidable use of national statistics, that implicitly assume that mean national values are representative of a typical household and that the inhabitants of a country are homogeneous, reduces the chances of discovering meaningful relationships. Also, the use of

International Journal of Research in Engineering and Management

insurance penetration that aggregates all lines of non-life insurance, those purchased by individuals (such as motor insurance) and those bought by corporations (liability policies), also reduces the significance of all variables. For affluent countries, the regression coefficients for the most significant cultural variables, Power Distance and Individualism, average 0.8%. This meant that annual insurance consumption, as measured by the logarithm of penetration, would increase by 8% for every ten-point change in the Hofstede score for these variables. Scores on Individualism range from 6 (Guatemala) to 90 (Australia). Scores on Power Distance range from 13 (Israel) to 104 (Malaysia).

Materials and methods

Research Design

This was a study within the Zambian Insurance Industry, and it took a mixed methods approach. The research covered 75% of the Zambian Insurance companies. The industry has 20 insurance companies with an average of 500 number employees. The study looked at economic factors, political factors, social factors, cultural factors, Global factors, technological factors, legal factors, environmental factors (external and internal) and customer preferences and their effect on the penetration of property and liability insurance. This study has employed both qualitative and quantitative methods to collect and analyse data. In terms of time horizon, it was cross sectional this is in line with Mwanza (2016) when he quotes Creswell (2003) that cross sectional studies aim at understanding phenomenon from a case “purposively selected within a narrow contemporaneous time span...” (p. 101).

Sampling Techniques

The study units were sampled and selected using both probability and non-probability methods; that is simple random and purposive sampling techniques. The population was the Zambian Insurance industry, focus on the Insurance companies. The population size was around 500 employees given that the Zambian Insurance Industry has about 20 Insurance companies. The sample size was 160 to which the study had 150 respondents.

Random and purposive sampling was employed in this study. Random sampling was used to draw sample elements from a sampling frame that has the names and locations of all underwriters in the market. The other purposive sampling was used to enrol respondents that had a chance to strategically work on penetrating the insurance property and liability products. Because of the high level of knowledge needed in the study the purposive sampling technique was advanced to address this topic. And in other cases, past documents review was used to explain phenomenon.

Data Collection Tools

Primary Source of Data

The study used primary data collected through.

Questionnaires: With closed ended questions. The questionnaire was used to collect data from the sampled population.

Interview: In depth interview was used to collect data from key informants to get detailed information. The researcher interviewed five (5) insurance experts/ informants. These key informants had detailed information and knowledge on the topic. The use of in-depth interviews was consistent with the abductive logic in the nominalist ontology. Abduction as defined by Brachman and Levesque (2005) as “another form of synthetic inference but of the case from a rule and a result”. Therefore, the study sort to make inferences from the statement

of the subjects been interviewed (understand from the point of view of the subjects).

Secondary Source of Data

Secondary data was collected from official regulators' Annual reports, corporate strategic plans from the industry players, research articles, books, Journals, bulletins, and in-house newsletters.

Data Treatment and Analysis

According to Kombo and Tromp (2006) data analysis refers to the examination of the data that has been collected in a study and making deductions and inference. It involves uncovering underlying structures, extracting important variables, detecting anomalies, and testing assumption. To achieve this in the current study, the analysis of data wastwo-fold quantitative data Statistical Package for Social Sciences (SPSS) and Microsoft excel was used to arrive at the variance analysis. Qualitative data was analysed using content and narrative analysis to organise systematically various themes and trends in relation to the topic.

Results and discussion

Response Rate

The questionnaires response rate for the individual respondents was high at 93.75%, a total of 160 questionnaires were

distributed in different insurance companies. This was as a result of follow up on respondents to ensure that they participate in completing the questionnaires. The researcher had to be flexible in ensuring that the respondents had adequate time to fill in the questionnaires. The response rates are presented in the table below.

Profiles of the Respondents

Out of the 150 questionnaire respondents, 77 were male and 73 were female. The profile of respondents based on a cross-tabulation of age against sex is shown in Table 2 below and shows that most respondents were in the age range 20-50 years accounting for 150 people of the total. The profile of respondents based on their relationship status, 69 were single, 79 married, 1 divorced and 1 widowed of the total 150 correspondents. The respondents' level of education showed that; 1 attended secondary education, 49 attended college and 100 attended university of the total 150 correspondents. The sample size was able to pick respondents with significant experience in the insurance industry, 39 have worked less than 3 years, 30 have worked in the industry between 3-5 years, 42 between 6-10 years, 32 between 11-20 years, and 7 greater than 50 years of the total 150 respondents, respectively. Table 1 shows that, the age of the respondents show that the researcher was handling a moderate population.

Table 1: Age and Gender Cross tabulation

How old are you? * Sex of respondent Cross tabulation				
Count		Sex of respondent		Total (%)
How old are you?		Male (%)	Female (%)	
	<20	1.3%	0%	1.3%
	20-30	16.7%	20.7%	37.3%
	31-40	23.3%	19.4%	42.7%
	41-50	8.7%	7.3%	16%
	>50 years	1.3%	1.3%	2.7%
Total		51.3%	48.7%	100%

Model Results

Our research question for the multiple linear regression was: Can we explain the outcome variable, penetration of Insurance property and liability products on the supply side perspective with the given independent variables Sex of the buyer/policyholder, Need/want and willingness to pay, Threat of new entrants, Industries product development, Country's strictness of laws governing the insurance market, Country's nature of the economy- Country's physical endowment, climate, infrastructure and Country's size of the market population?

Model summary

R can be considered one measure of the quality of the prediction of the dependent variable. A value of 0.474 indicated a fair level of prediction. The "R square" column represents the R^2 value (also called the coefficient of

determination), which is the proportion of variance in the dependent variable that can be explained by the independent variables. You can see from our value of 0.225 that our independent variables explain 22.5% of the variability of our dependent variable. 78.4% (100%-22.5%) of the variation is caused by factors other than the predictors included in this model.

Table 2 and Table 3 gives the model results, at first glance, R-squared seemed to be like an easy statistic to understand how well a regression model fits a data set. However, it did not tell us the entire story. To get the full picture, we considered R square value in combination with residual plots in Figure 1 and Figure 2. The residual plots showed fair adherence to a normal curve while there was minimal departure from the Normal P-P plot indicating a good model fit for the supply side factors.

Table 2: Multiple Linear Regression Model Summary and Residuals

Model Summary ^h										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics R Square Change	F Change	df1	df2	Sig.	F Change
1	.474	.225	.186	1.886	.028	5.118	1	141	.025	

Predictors: (Constant), Sex of the buyer/ policyholder, Need/want and willingness to pay, Threat of new entrants, lustries product development, Country's strictness of laws governing the insurance market, Country's nature of the onomy- Country's physical endowment, climate, infrastructure, Country's size of the market population
 Dependent Variable: Insurance Property and liability Penetration

Table 3: Multiple Linear Regression Model Residuals

Residuals Statistics ^a					
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2.00	7.44	4.27	.989	150
Residual	-3.628	3.888	.014	1.843	150
Std. Predicted Value	-2.287	3.196	.004	.998	150
Std. Residual	-1.923	2.061	.008	.977	150

a. Dependent Variable: Insurance Property and liability Penetration

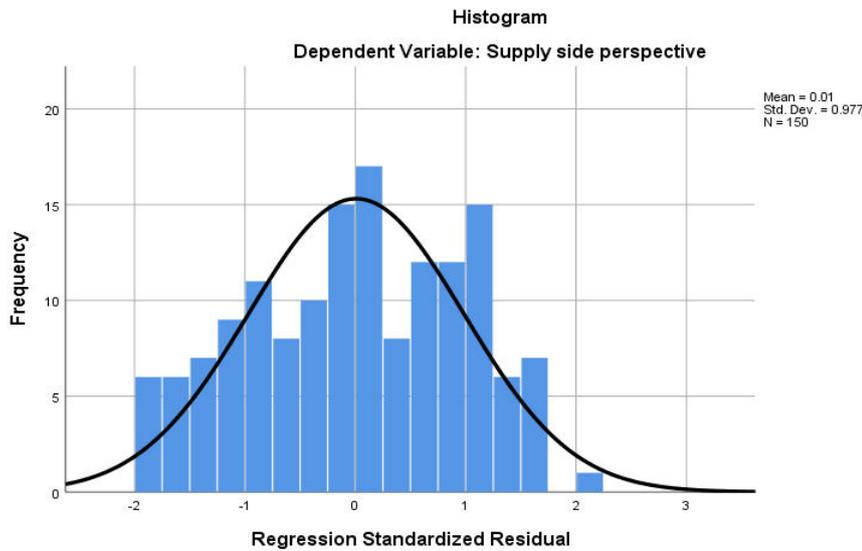


Fig 1: Histogram for the Regression Standardised Residuals

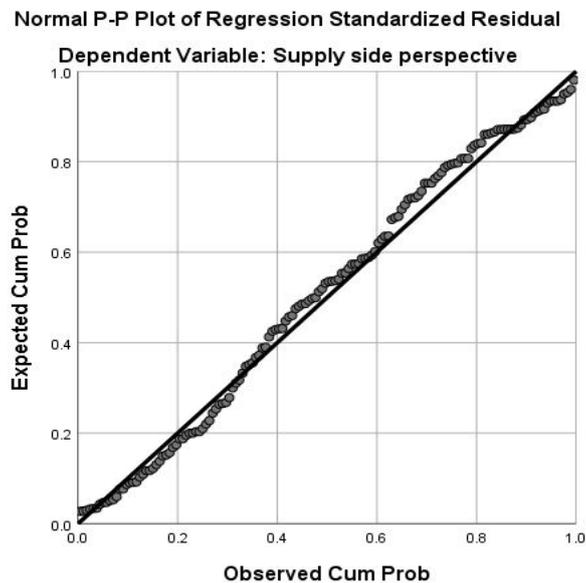


Fig 2: Normal P-P Plot Regression Standardised Residuals

Statistical significance of the model

The F-ratio in the ANOVA table below tested whether the overall regression model is a good fit for the data. Table 5

below shows that the independent variables statistically significantly predict the dependent variable, $F(7, 141) = 5.840$, $p(0.000) < 0.05$ (the regression model is a good fit of the data).

Table 4: ANOVA Test Results

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
7	Regression	145.475	7	20.782	5.840	.000 ^b
	Residual	501.787	141	3.559		
	Total	647.262	148			

a. Dependent Variable: Insurance Property and liability Penetration

h. Predictors: (Constant), Sex of the buyer/ policyholder, Need/want and willingness to pay, Threat of new entrants, Industries product development, Country's strictness of laws governing the insurance market, Country's nature of the economy- Country's physical endowment, climate, infrastructure, Country's size of the market population

Statistical significance of the independent variables

Testing the Hypothesis on the Extent to which the factors lead to low penetration of property and liability products in the Zambian insurance industry.

The researcher carried out hypothesis tests in SPSS based on the following set of steps:

- We assumed that the number of people who participated in the research were uniformly distributed
- Level of Test: the test was conducted at the 5% level

• Type of test: one sided test based on the four quadrants and the following hypotheses.

H0: The factors had no impact on the Insurance penetration of property and liability products in the Zambian insurance industry.

H1: The factors had an impact on the Insurance penetration of property and liability products in the Zambian insurance industry.

Table 5: Test Results of the independent variables

Model	Coefficients ^a		Standardized Coefficients Beta	t	Sig.	95.0% Confidence Interval for B		Correlations		Collinearity Statistics		
	B	Std. Error				Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1 (Constant)	4.642	1.013		4.582	.000	2.639	6.644					
Sex of the buyer	1.018	.314	.244	3.243	.001	.398	1.639	.211	.263	.240	.970	1.031
Need/want and willingness to pay	-.624	.174	-.283	-3.593	.000	-.968	-.281	-.184	-.290	-.266	.888	1.126
Threat of new entrants	-.501	.152	-.269	-3.304	.001	-.801	-.201	-.145	-.268	-.245	.830	1.205
Industries product development	.398	.162	.205	2.459	.015	.078	.718	.098	.203	.182	.793	1.261
Country's strictness of laws governing the insurance market	.317	.159	.171	1.994	.048	.003	.631	.080	.166	.148	.751	1.331
Country's nature of the economy- Country's physical endowment, climate, infrastructure	-.446	.153	-.271	-2.921	.004	-.748	-.144	-.107	-.239	-.217	.641	1.561
Country's size of the market population	.402	.178	.224	2.262	.025	.051	.754	.087	.187	.168	.560	1.785

a. Dependent Variable: Insurance Property and liability Penetration.

Interpretation of Test Results

Hypothesis tests for the above factors had a small p-value compared to the 5% level of test leading to the rejection of H0 (the null hypothesis). Thus, there is overwhelming evidence against H0 (the null hypothesis) leading to the conclusion that the factors had an impact on the penetration of property and liability products in the Zambian insurance industry.

The results of an analysis on the factors ((1) Demographic Factors (Age of the buyer, Sex of the buyer, The buyers job/ occupation, The population sex ratio, Urbanization/ policy

holders area of residence), 2) Demand and personal preference (Buyer/ policyholder's Product perception, Need/ want and willingness to pay, Buyer/ policyholder's risk appetite- Propensity to take risk, Buyer/ policyholder's loyalty, Buyer/ policyholder's product awareness, Buyer/ policyholder's view of product price against product benefit), 3) Technological factors (Industry's progress of automation, Industry's product development, Industry's discoveries of science), 4) Social factors (The buyer/ policyholder's level of disposable income, The buyer/ policyholder's level of education, The buyer/ policyholder's Health, The buyer/ policyholder's social class,

The buyer/ policyholder’s involvement in associations or groupings for both professional and Personal reasons, The buyer/ policyholder’s family role i.e. influence of spouse(s) and children.),5) Economic Factors (Country’s economic System- market-driven vs. state controlled, Country’s level of Economic Development/ GDP per capita, Country’s employment rate, Country’s size of the Market- population, Country’s inflation rate, Country’s income distribution-Availability of money, Country’s exchange rate, Country’s nature of the economy- country’s physical endowment, climate, and infrastructure), 6) Cultural Factors(Societal norms, traditions and values, Societal religious beliefs and values, Societal language), 7) External factors (Industry dynamics, Market Forces, Competition, Bargaining power of customers, Bargaining power of Suppliers, Threat of new entrants) 8) Internal factors (Product offering (e.g. discounts such as coupons, payment terms), Marketing Approaches and strategies, Fund Manager Experiences, Internal business processes, Distribution channels (Direct, Agency, Broker, Banc assurance), Fund size, Customer care practices, Client communication and transparency), 9) institutional factors - Political and Legal factors (Requirements of the law relating to compulsory insurance, Adherence to obligations by all parties to the insurance contract, Requirements of the law relating to ownership, A nations stability, Access to finance, Country’s credit rating, Country’s political sovereignty, Country’s strictness of laws governing the insurance market and the supervision thereof by the regulatory authorities), 10) Globalization (Global convergence of needs, Interdependence among nations, Ease of political tensions between nations)) that could potentially lead to low penetration of property and liability insurance in the Zambian insurance industry: a supply side perspective, the study revealed that that only six (6) factors were significant and therefore affect penetration of property and liability products in the Zambian insurance industry, these factors are 1) demographic factors, specifically, the sex of the buyer, 2) a demand factor; a buyers need/ want and willingness to pay, 3) external factor; threat of new entrants, 4) Technological factor; industry’s product development, 5) institutional factor; Country’s strictness of laws governing the insurance market and the supervision

thereof by the regulatory authorities, 6) and two economic factors; Country’s nature of the economy- country’s physical endowment, climate, infrastructure and Country’s size of the Market- population.

Estimated model coefficients

The general form of the equation to predict the Property and liability Insurance Penetration (PLIP) on the supply side perspective from Sex of the buyer/ policyholder, Need/want and willingness to pay, Threat of new entrants, Industries product development, Country’s strictness of laws governing the insurance market, Country’s nature of the economy- Country’s physical endowment, climate, infrastructure, Country’s size of the market population is:

$$PLIP=4.642+ 1.018(\text{Sex of the buyer/ policyholder.}) - .624(\text{Need/want and willingness to pay}) - .501 (\text{Threat of new entrants}) +.398(\text{Industries product development}) + .317(\text{Country’s strictness of laws governing the insurance market}) - .446(\text{Country’s nature of the economy- Country’s physical endowment, climate, infrastructure}) +.402(\text{Country’s size of the market population}).$$

The constant 4.642, is the predicted value for the dependent variable if all independent variables equal zero. That is, we would expect an average hour per week of 4.642 change in the Insurance Property and liability Penetration when all predictor variables take the value 0. For a unit change in Sex of the buyer/ policyholder, Need/want and willingness to pay, Threat of new entrants, Industries product development, Country’s strictness of laws governing the insurance market, Country’s nature of the economy- Country’s physical endowment, climate, infrastructure, Country’s size of the market population each keeping other independent variables equal to zero, they would be an average change in the Insurance Property and liability Penetration of 1.018, – 0.624, –0 .501, 0.398, 0.317, – 0.446, 0.402 respectively.

Part Correlation

Table 6: Correlations and Multi-Collinearity Test Results

Coefficients ^a		Unstandardized Coefficients		Standardized Coefficients	t	Si g.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
Model		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	4.642	1.013		4.582	.000	2.639	6.644					
	Sex of the buyer	1.018	.314	.244	3.243	.001	.398	1.639	.211	.263	.240	.970	1.031
	Need/want and willingness to pay	-.624	.174	-.283	-3.593	.000	-.968	-.281	-.184	-.290	-.266	.888	1.126
	Threat of new entrants	-.501	.152	-.269	-3.304	.001	-.801	-.201	-.145	-.268	-.245	.830	1.205
	Industries product development	.398	.162	.205	2.459	.015	.078	.718	.098	.203	.182	.793	1.261
	Country’s strictness of laws governing the insurance market	.317	.159	.171	1.994	.048	.003	.631	.080	.166	.148	.751	1.331
	Country’s nature of the economy- Country’s	-.446	.153	-.271	-2.921	.004	-.748	-.144	-.107	-.239	-.217	.641	1.561

physical endowment, climate, infrastructure													
Country's size of the market population	.402	.178	.224	2.262	.025	.051	.754	.087	.187	.168	.560	1.785	

a. Dependent Variable: Insurance Property and liability Penetration

Part correlations are the correlations that assume the effect of the other predictors that have been excluded, these are helpful to determine if the multiple regression used was beneficial. I.e., to estimate gain in predictive ability (how much gain had been there in the predictive ability due to the combination of the predictors in the model) of the Model. The part coefficients of determination are the squared part correlations. These unique contributions of the predictors when added up, approximates $(5.76+7.0756+6.0025+3.3124+2.1904+4.7089+2.8224) = 31.87\%$ of the variation in the outcome variable. This percentage of variance in the response variable is different from the R-squared value (22.5) in the model, which is inconsistent as this proves that the combination of the variables had not been very good.

The information in the table above also allowed us to check for multi-collinearity. The rule of thumb for any predictor is, if VIF is greater than 10 they should be examined for possible multi-collinearity problem. In our multiple linear regression model, VIF should be < 10 for all variables, which they were. Hence, we did not have the problem of multi-collinearity.

Discussion

The findings of this research reveals that a negative coefficient was observed for the for Need/ want and willingness to pay, country's physical endowment and the threat of new entrants indicating that decreasing these variables promotes penetration of property and liability Insurance products in Zambia. A positive coefficient was observed for sex of the buyer, countries strictness of the laws governing the insurance market and country's size of the market population indicating that that increasing these variables promotes penetration of property and liability products. This study met objective one by identifying; need/ want and willingness to pay, country's physical endowment, the threat of new entrants, sex of the buyer, countries strictness of the laws governing the insurance market and country's size of the market population and Industry product development as factors leading to low penetration of Property and Liability insurance products in the Zambian Insurance Industry.

The study met objective two by evaluating the factors that lead to low penetration of Property and Liability insurance products in the Zambian Insurance Industry. It found out the extent to which the identified factors affect penetration of Property and Liability insurance products in the Zambian Insurance Industry by observing the standardised coefficients. The study found that the highest contributing predictor was need/want and willingness to pay with a standardised coefficient of (-0.283) which speaks to demand, a function of price, a country's physical endowment, climate and infrastructure was the second highest contributing predictor with a standardised coefficient of (-0.271), the threat of new entrants with a standardised coefficient of (-0.269) was the third highest contributing predictor, a Country's strictness of laws governing the insurance market with a standardised coefficient of (0.171) was the fourth highest contributing predictor, Industries product development with a standardised coefficient of (0.205) was the

fifth highest contributing predictor, Country's size of the market population with a standardised coefficient of (0.224) was the sixth highest contributing predictor, Sex of the buyer with a standardised coefficient of (0.244) was the seventh and lowest contributing predictor of the dependant variable, Insurance penetration of property and liability.

A buyer's need/ want and Willingness to pay speaks to demand which is a function of the price of a product. The estimated model coefficients indicate that decreasing this variable promotes penetration of property and liability Insurance products in Zambia. The study's findings are in line with the law of demand which states that other factors being constant (*ceteris paribus*), price and quantity demand of any good and service are inversely related to each other. When the price of a product decreases, the demand for the same product will rise. In the same vein, when the price of insurance decrease, the penetration of insurance increase. This study's findings are in line with the finding of (Esho et al, 2003) study which shows that the purchase of Property-casualty insurance is negatively related with price. A country's physical endowment, climate and infrastructure speak to the geographical features of country which is linked to network. The estimated model coefficients in this study indicate that decreasing this variable promotes penetration of property and liability Insurance products in Zambia. When the number of remote areas due to physical endowment decrease, the penetration of property and liability insurance will rise. The study findings are in line with the world bank report which states that the location of consumers, consumers in an accessible geographic area simplifies the distribution of insurance products because it reduces the costs related to accessibility (World Bank, 2003). The relevance of network is linked to connectivity. When a country is not properly connected by roads, rail, or canals due to geography, as is the case in most Zambian areas, most insurance companies chose not to set camp in these areas. Unconnected areas have little or no partners such as property assessors, legal firms to assist in liability claims, and so, the cost of business is too high. Insurance companies avoid these costs by choosing not to set up camp in such areas. The factor, threat of new entrants is a factor under external factors in the conceptual framework of this study. The estimated model coefficients in this study indicate that decreasing this variable promotes penetration of property and liability Insurance products in Zambia. When the number of new entrants decrease, the penetration of property and liability insurance will rise. Ordinarily, the new entrants should improve the penetration of insurance as it is expected to contribute to extra capacity, technology, and better market share and so on. However, existing Insurance companies in Zambia often react negatively to new entrants and create an entry barrier. The existing Insurance companies tend to create a barrier by lowering prices to make it very hard for new entrants to cover their costs as they make their entry. When price is lowered in this scenario, Insurance companies aim is to maintain the business that they currently have and not really to attract new clients with the reduced price. This has contributed decreasing penetration of property and liability products in the Zambian insurance

industry because the Zambian insurance industry is small and reducing prices to drive out new entrants further shrinks the market. This study's analysis agrees with a study by Ayishashe (2015) which found that; The possibility that new firms are likely to enter the industry greatly affects competition. In theory, any firm should have the ability to enter as well as exit a market, and if free entry and exit exists, then profits always needs to be nominal. However, industries have characteristics that protect the high profit levels of firms in the market and as such inhibit additional rivals from entering the market.

The factor, Country's strictness of laws governing the insurance market and the supervision thereof by the regulatory authorities, is a factor under institutional factors in the conceptual framework of this study. The estimated model coefficients in this study indicate that increasing this variable promotes penetration of property and liability Insurance products in Zambia. Esho et al. (2004) discovered a strong positive relationship between the rule of law and insurance consumption. They concluded that consumption of insurance services was greater in countries where the law is codified. A firm supervision by the regulatory authorities instils confidence in the insurance industry. The clients get assured that if an incident occurs, their claims will be covered because insurance companies are answerable to a firm regulator.

The factor, Industry product development, is a factor under internal factors in the conceptual framework of this study. The estimated model coefficients in this study indicate that increasing this variable promotes penetration of property and liability Insurance products in Zambia. using Ayishashe (2015) study whose findings stated, "The study findings reveal that indeed product offering has a role to play on the penetration of insurance. If indeed the existing products are not likely to meet the demand for insurance products, then it follows that new products have to be developed to fill the void". The findings of the study are also in line with the theoretical framework on "the customers perceived value", the customer will define satisfaction in his/her own perspective rather than the parameters set by the seller of goods and services. It is important then that the insurance industry develops products that reflect the needs of the customers.

The factor, market size, is a factor under economic factors in the conceptual framework of this study. The estimated model coefficients in this study indicate that increasing this variable promotes penetration of property and liability Insurance products in Zambia. This agrees with Latif and Biekpe (2014) study which show a long-run relationship between insurance market activities and economic growth for Kenya, Mauritius, Morocco, Nigeria and South Africa. Precisely, a study by Olayungbo & Akinlo (2016) find a long-run relationship between development in insurance market size and economic growth for all insurance components.

The factor, Sex of the buyer, is a factor under demographic factors in the conceptual framework of this study. The estimated model coefficients in this study indicate that increasing this variable promotes penetration of property and liability Insurance products in Zambia. using Jurkovičová (2015) study whose findings stated, "men often consider insurance as an unnecessary investment, because of the low probability of occurrence of insured event and on the contrary, women may conclude an insurance policy because of their fear", the factor sex of the buyer if it is a woman buying

insurance will increase the penetration of insurance as insurance products are marketed to women.

Conclusion

The main purpose of this research was to investigate the factors that lead to low penetration of property and liability insurance in the Zambian insurance industry: a supply side perspective. A distribution of questionnaires was carried out to collect data. Data gathered was analysed using a Statistical Package for the Social Sciences (SPSS) and Microsoft Excel. The results of an analysis on the factors revealed that that only six (6) factors were significant and therefore affect penetration of property and liability products in the Zambian insurance industry, these factors are 1) demographic factors, specifically, the sex of the buyer, 2) a demand factor; a buyers need/ want and willingness to pay, 3) external factor; threat of new entrants, 4) Technological factor; industry's product development, 5) institutional factor; Country's strictness of laws governing the insurance market and the supervision thereof by the regulatory authorities, 6) and two economic factors; Country's nature of the economy- country's physical endowment, climate, infrastructure and Country's size of the Market- population.

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