

**FACTORS INFLUENCING PRODUCT PRICING IN INSURANCE INSTITUTIONS IN
KENYA: A CASE STUDY OF MADISON INSURANCE COMPANY**

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DECLARATION:

This research project is my original work and has not been presented for a degree in any other University

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DEDICATION:

This research project is dedicated to my beloved parents, sibling and friends whose immense love and support throughout my research period. I really appreciate their encouragement for the challenges that came my way.

May the almighty shower you with blessings in all your endeavors.

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My sincere appreciation and indebtedness to my lecturers and my supervisors, who have been on my side throughout coming up with this project all the way from proposal writing to implementation. I would also like to appreciate my fellow classmates who has been with me in all ups and downs of coming up with this project and who has been of great influence to me as these really helped us to come across new things in this field of record management outside classroom environment. May God bless you all.

ABSTRACT

The insurance industry plays a vital role in promoting financial stability and economic growth by providing risk protection, mobilizing savings, and fostering investment. However, in Kenya, the growth of insurance remains relatively low compared to other financial sectors, primarily due to challenges associated with product pricing, consumer perceptions, and institutional inefficiencies. This study examined the influence of consumer, institutional, macroeconomic, and product factors on insurance product pricing and growth, with a focus on Madison Insurance Company. A descriptive research design was adopted, employing both qualitative and quantitative approaches to capture comprehensive insights. The study targeted a population of 100 employees across different departments of Madison Insurance Company, and census sampling was used to include the entire population. Data was collected using structured questionnaires containing both closed and open-ended questions, measured on a 5-point Likert scale. A pilot study was conducted on a separate insurance branch to pre-test the instruments, with Cronbach's Alpha coefficient used to test internal consistency, yielding reliability values above the acceptable threshold of 0.7. Content validity was ensured through expert review by supervisors and insurance specialists. Data was collected physically and electronically, then cleaned, coded, and analyzed using descriptive statistics such as frequencies and percentages, while qualitative responses were analyzed thematically. The findings revealed that product factors such as discounts, bundling, and product framing significantly affect pricing and adoption, while consumer-related factors like income, awareness, and perceptions were critical determinants of uptake. Institutional issues, including sales training, claims management, and distribution channels, were also found to impact growth. Macroeconomic variables such as inflation, employment levels, and regulatory frameworks influenced affordability and penetration of insurance products. The study concludes that aligning product pricing with consumer needs, institutional efficiency, and prevailing economic conditions is vital for the growth of the insurance industry in Kenya. It recommends the adoption of customer-centered pricing strategies, simplification of insurance products, and enhanced awareness campaigns to build trust and increase penetration. Policymakers should also strengthen regulatory frameworks to reduce administrative costs and promote innovation. The study adhered to ethical principles by ensuring informed consent, voluntary participation, confidentiality, anonymity, and privacy of respondents. Future research should explore the role of digital platforms and fintech innovations in addressing pricing and accessibility challenges in Kenya's insurance sector.

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ACRONYMS AND ABBREVIATIONS

AKI	Association of Kenya Insurers
GDP	Gross Domestic Product
IRA	Insurance Regulatory Authority
KES	Kenya Shillings
MIS	Management Information System
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for the Social Sciences
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organization

OPERATIONAL DEFINITION OF TERMS

Consumer Factors:	Individual characteristics such as income, education, trust, and customer preferences that influence the uptake of insurance products and their perception of value.
Institutional Factors:	Internal organizational practices including sales promotion strategies, customer relationship management, product distribution, and management information systems that affect insurance pricing and growth.
Insurance Growth:	Refers to the expansion of insurance companies measured through indicators such as market share, profitability, customer base, and product uptake within the Kenyan insurance industry.
Macroeconomic Factors:	Broad economic indicators such as inflation, government regulations, competition, and affordability of premiums that influence insurance product pricing and overall industry growth.
Penetration Rate:	The extent to which insurance products reach and are adopted by the target population, often expressed as a percentage of GDP or total market coverage.
Product Pricing:	The process by which insurance companies determine the premium rates for their products, taking into account risk assessment, administrative costs, consumer affordability, and regulatory guidelines.
Product Factors:	Specific attributes of insurance products such as quality, expected returns, discounts, reliability of the provider, and perception of insurance as savings that directly impact pricing decisions and consumer uptake.
Premiums:	Regular payments made by policyholders to insurance companies in exchange for coverage against specified risks.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

It outlines the background of the study, the problem statement, the objectives, research questions, justification of the study, scope, and a summary of the chapter.

1.1 Background of study:

One of the most significant decisions an insurance institution can make is how much they should charge for their products and services because the prices they set affects the final profit of their firm hence need to stay up to date on what affects pricing decisions and what options are available to help them realize more revenue (David Jones & Cummins Andrew, 2023). Many imperfectly competitive markets are characterized by tacit collusion since the interaction of competing firms over time enables them to coordinate prices above statically competitive levels (IIBI Report, 2021). Yet, it remains unclear how firms in imperfectly competitive markets determine the prices at which they will coordinate (Churchill, 2019).

According to (Morduch, 2020) every action in the environment we live in carries the risk of being lost due to unanticipated circumstances. Since at least 215 BC, what is now known as insurance has existed to lessen this burden on individuals by pooling associated risks and providing a buffer against unanticipated situations; this idea has been used for more than 1400 years in a variety of ways. (IIBI Report, 2021). Currently traditional insurance products are expensive and not readily available which has led to the development of insurance institutions (IIBI Report, 2021). Insurance can be defined as a contract, represented by a policy, in which a policyholder receives financial protection or reimbursement against losses from an insurance company and the company pools clients' risks to make payments more affordable for the insured. (Churchill, 2019). It has been considered as "the next revolution" in addressing risks and vulnerability in low-income countries (Morduch, 2020).

The insurance companies practice a twofold role in terms of providing insurance service for the customers and collecting money from the insured parties in order to re-invest such amount in different projects that create shared returns (IIBI Report, 2021). Therefore, the development of the insurance industry will become a finance source for investments, and thus improves the GDP in the emerging and developing countries (Insurance Regulatory Authority, 2021).

Performance refers to the relationship between strategic effectiveness and operational competence of a specific company with advance production processes; product, services and market management establishing itself as the major purpose of a firm, (David Jones & Cummins Andrew, 2023). Financial performance of the firm is very important to attract the concentration of researchers, financial experts and management of other corporations (IIBI Report, 2021). According to (Doffman, 2020) the financial performance of insurance industry is very important to various stakeholders including agents, policyholders, and policy makers.

The current research studies on insurance have not adequately addressed the influencing factors on the penetration rate of insurance services in Nairobi, Kenya. The study by (Gitau, 2019) on assessment of attractiveness of the Insurance Industry came close to addressing the aspect of insurance penetration, although indirectly addressing the attractiveness of the insurance industry (Gitau, 2019). This study is focusing to address the techniques employed by insurance firms in Kenya to mitigate and alleviate the challenges of slow insurance growth in Kenya most specifically addressing factors affecting product pricing.

1.1.1 Product pricing

A product in insurance is the cover issued to a policy holder in respect to the type of risk a person intends to insure (Prignt, 2022). There are generally two types of insurance products which vary from one company to another; a non-life product which usually offers cover to the policyholder in duration of one year or less and life product which usually takes more than one year (Association of Kenya insurers, 2022). These broad types can include products such as crop insurance, funeral cover, SME cover against business loss, education policy, micro-domestic package and medical policy (Oliver, 2020). In Kenya's insurance industry, product pricing is a key factor in the development of Insurance as it involves looking at the frequency and severity of insured risks and the expected average payout resulting from these risks (Association of Kenya insurers, 2022).

Its framework mainly focuses on actuarial control cycle which entails relying on historical data to predict future behavior for premium rate creation and an analysis on the administration expense, risk analysis and financing structure (Wachira, 2021). Pricing is usually done by calculating the expected claims, administration cost, risk premium and profit margin of a product before it is released in the market (Association of Kenya insurers, 2022)

Most companies face difficulties in pricing because of insufficient data on Insurance. There is much less reliable data on the low-income target market and the group is also much less uniform making it very hard for insurance companies to accurately determine what price they should charge for the cover (Wachira, 2021). The target market of low-income population has much less disposable income, and a small increase in the price will make it much less affordable thus reducing the demand (Spice, 2019). The Insurance product risks are also unknown; therefore, insurers would like to charge an additional margin in the premium to protect them against possible unforeseen losses (Spice, 2019). In order to make a profit, insurers rely on achieving large volumes of sales since the cost of distribution is also very high (Grace, 2021). But since it is difficult to predict the exact number of sales they will achieve, it is hard to price appropriately (Grace, 2021). If pricing is not done accurately, it will lead to low premium rates thus exposing the company to the likelihood of making losses when claims occur (IIBI Report, 2021).

Competition is forcing insurers to adjust rates more frequently to retain existing customers and attract new ones yet many insurers take weeks, if not months, to implement a new rating structure, and the effective performance of these models rapidly deteriorates over time (IIBI Report, 2021). As insurance becomes more and more of a commodity, insurance companies are trying to differentiate themselves from their competitors based on customer services, claims experience and financial strength, but mostly by price (Sebstad and Cohen, 2021). Thus, to gain a competitive advantage, insurers are beginning to use price optimization to see how demand varies at different price levels and come up with recommend prices that will improve profit (Oliver, 2020).

Despite the challenges, it is of great importance that product pricing is done accurately so that the premium rates are competitive and of good value (Association of Kenya insurers, 2022). If this is ignored, the company will be at risk of charging low premiums which will lead to liquidity constraints in the event of multiple claims arising (IIBI Report, 2021).

1.1.2 Growth of Insurance

Global trends in insurance regulation shows that stricter rules and more pressure from competing firms to do well can make the insurance sector look better and attract more investment locally and globally (Spice, 2019). Kenya's insurance sector appears to be a prime African market for investment with the sector experiencing more than a dozen mergers and acquisitions in 2014, including the arrival of large multinational players (IIBI Report, 2021). While this activity slowed in 2015, we can expect it to pick up again going forward; Meanwhile, Kenya's Insurance Regulatory Authority (IRA) is laying the groundwork that will inspire greater investor confidence (Grace, 2021). However, it is not yet clear whether there is the capacity in this market to implement and enforce the regulatory changes that would facilitate more investment (Grace, 2021).

The central questions for potential investors are how to enter this market and how to make money since Kenya's insurance sector is not as complex as those in Western or Asian markets intriguing them to understand the uniqueness of the market and its potential (Association of Kenya insurers, 2022). As disposable incomes rise, insurance customers tend to choose medical insurance followed by life insurance and then wealth management products (IIBI Report, 2021). Where motor insurance is compulsory, it allows insurers to cross-sell other products particularly when they are informed by data analytics about customer segments (Sebstad and Cohen, 2021) A further growth area in Kenya is now the need for marine insurance to be placed locally.

In Kenya, private savings clubs currently serve short-term savings needs although increasingly, employers negotiate group discounts for insurance products for their employees (IIBI Report, 2021). Financial inclusion and education are improving but many Kenyans still prefer to work with insurance brokers because when they have a claim to file, they use a broker to run around and complete the paperwork (Association of Kenya insurers, 2022). Whilst advances in online and mobile platforms have made it easier to buy a policy, it is still difficult and often bureaucratic to file a claim making investors seeking entry to Kenya's insurance sector to hold back however; they are not insurmountable (Wipf and Garland, 2021)

1.1.3 Product pricing and the growth of insurance

A reasonable approach to product pricing is to design products in such a way that they fit the needs of the target market. This can be done by doing research on the basic risks that the target market is facing and coming up with suitable products that help in mitigating the risks (Oliver, 2020).

Unlike most businesses, an insurance company cannot set its prices based on what it knows about the production or utility costs of its products and services but by looking at past claims data and projecting how much future claims will cost which is only possible with a lot of accurate data (Grace, 2021). Potential insurance clients are exposed to a myriad of risks, all of which cannot be feasibly insured (Roth et al, 2007). The products formed fail to meet consumer expectations (Churchill, 2019). According to (Wipf and Garland, 2021) Insurance products in Kenya do not meet the consumers' needs adequately. This is because there is inadequate differentiation between products from different insurance companies, making it difficult for consumers to distinguish between competitor offerings in terms of product features (Association of Kenya insurers, 2022).

Insurance clients may not afford to pay high prices on insurance products, but they need high quality products, in fact better-quality Insurance product (faster settlement of claims, fewer exclusions and wider coverage) to attract them to insurance (Morduch, 2020). This shows that the poor too are brand conscious and low-income earners buy insurance if the products meet their needs and are fairly priced (Pright, 2022). Price charged should cover all claims and operating expenses and generate a profit for the company (Pright, 2022). In most cases, Insurance policy premium is often lower than the cost incurred in administering the products, thus most companies avoid Insurance or tend to overprice their product this limiting the uptake (Churchill, 2019).

When adequate pricing is done, the company will be able to meet the cost of issuing Insurance products in the market (Pright, 2022). On the other hand, the value of the product will determine its reception in the target market (Pright, 2022). Insurance products should be economically viable to both the insurance company and to the target market (Morduch, 2020). If the products are affordable, this will increase their uptake and thus increase the growth of the industry at large (Association of Kenya insurers, 2022).

1.1.4 The insurance companies in Kenya

Insurance can be defined as an agreement where, for a stipulated payment called the premium, one party (the insurer) agrees to pay to the other (the policyholder or his designated beneficiary) a defined amount (the claim payment or benefit) upon the occurrence of a specific loss (Foong and Idriss, 2023). This defined claim payment amount can be a fixed amount or can reimburse all or a part of the loss that occurred (Foong and Idriss, 2023)

Insurance penetration in Kenya currently is the fourth highest in Africa after South Africa, Namibia and Mauritius. The industry continues to experience growth in premiums each year with the industry's gross written insurance premiums amounted to KES 43.2 billion by the end of the first quarter of 2014 representing an increase from KES 36.8 billion recorded by the end of the same period in the previous year (Insurance Regulatory Authority, 2021). The premium income reported under life insurance business amounted to KES 13.2 billion while general business premiums were KES 30 billion (Insurance Regulatory Authority, 2021). According to (Association of Kenya insurers, 2022) an estimated 32.6million people in Kenya live on less than 5 dollars per day. Of this group, it is further estimated that 9.6million adults earning between 2 dollars and 5 dollars per day are potential consumers of Insurance products (Association of Kenya insurers, 2022).

Kenya is ranked among the top three African markets in terms of profitability for insurance companies seeking expansion opportunities according to a global rating firm: A.M Best (IIBI Report, 2021). As much as there is growth in the sector, there is still a very low penetration of insurance in the country with one of the major reasons being that most insurance companies develop products which are expensive thus targeting a certain class of people in the society (Churchill, 2019). According to (Grace, 2021) she indicated that the current insurance regulatory framework in Kenya focuses on the traditional insurance with little recognition of Insurance as a whole. Insurance schemes therefore have to comply with the onerous requirements of traditional insurance business (Grace, 2021).

A study carried out by (Foong and Idriss, 2023) identified some of the factors which contributes to the current state of perception of insurance and low penetration. This factors include, low understanding of the insurance industry, lack of relevant insurance products and the perception that insurance is a preserve for the rich (Foong and Idriss, 2023). When observed clearly, most insurance products are overpriced making them expensive and unaffordable to the low-income earners (Pright, 2022). If the products are priced appropriately, and the insurance companies minimizes the cost of issuing the products, the premium rates will be low thus making it affordable to the low-income earners (Pright, 2022). Despite all these, Insurance remains a form of financial inclusion and access both of which are necessary preconditions for increasing insurance penetration (Association of Kenya insurers, 2022). By giving insurance access to the low-income

and economically vulnerable households, the Insurance agenda will support the Government's financial sector policy objectives as outlined in the Vision 2030 (IIBI Report, 2021).

1.2 Problem statement

Product pricing plays a vital role in the development of Insurance as it deals with determining the rate at which premiums will be charged, indicating the product value and the opportunities in the target market since the market is always keen on the cost of acquiring insurance (Association of Kenya insurers, 2022). If the products are overpriced, consumers will tend to avoid insurance perceiving it as a luxury and not as a necessity but on the other hand if the products are underpriced, the insurance companies will be exposed to substantial risk of insolvency (Foong and Idriss, 2023). If the premium rates are not tracked and adjusted moving forward, it can result in low value for policyholders, and diminished uptake (Maish, 2022).

The insurance sector plays a very important role in the lives of millions of Kenyans and thousands of businesses as it enables people and business entities to carry out their daily tasks without worrying about the unforeseen future (IIBI Report, 2021). However there has been stiff competition in the sector which has occasioned product pricing and resulted in reduced revenue, mergers of insurance firms, downsizing and even collapse of some firms (Insurance Regulatory Authority, 2021). Product pricing becomes a challenge when insurance firms are pushed out of business because when such firms fail to raise sufficient capital for their operations and growth due to reduced revenue collected from premiums paid, the implications of the foregoing are far-reaching down up to household level (Grace, 2021). Reduced revenue implies reduced taxes remitted by these firms to the exchequer and this has negative economic implications on the country's development agenda (Morduch, 2020). Moreover, according to (IIBI Report, 2021) it has remained unclear what leads to product pricing besides the general perception that it is stiff competition among insurers.

Poor claim settlement is also another factor that has led to a negative perception of insurance with all these factors trickling down to how the products were priced and the value of the products (Churchill, 2019). (Gitau, 2019) presents research findings on challenges facing development of Insurance at CIC insurance group limited in Kenya specifically on product pricing which was that transaction cost, collecting premiums where there is likely to be a lack of bank accounts, and

assessing and paying out of small claims tend to be relatively high. Product pricing is a very important element to determine the premium rating so that the premiums collected will meet the incurred costs (Association of Kenya insurers, 2022). Since most studies have not focused on the concept of product pricing in relation to Insurance development (IIBI Report, 2021), this research study attempted to answer the question whether product pricing affect the growth of Insurance institutions in Kenya.

1.3 Research objective

General objective:

To investigate factors influencing product pricing in insurance institutions in Kenya with reference to Madison insurance company.

Specific objectives:

- i) To establish the influence of Consumer factors on product pricing in Madison insurance company
- ii) To determine the influence of institutional factors on product pricing in Madison insurance company
- iii) To ascertain the influence of Macroeconomic factors on product pricing in Madison insurance company
- iv) To assess the influence of product factors on product pricing in Madison insurance company

1.4 Research questions

- i) What influence do consumer factors bring up on product pricing in Madison insurance company?
- ii) In what ways do institutional factors affect product pricing in Madison insurance company?
- iii) To what extent do Macroeconomic factors affect product pricing in Madison insurance company?

- iv) What are the impacts of product factors on product pricing in Madison insurance company?

1.5 Significance of the study

The findings of this study will be valuable to various stakeholders as product pricing will assist insurance companies to have an understanding on the importance of adequate pricing as a performance indicator in the industry (Gitau, 2019). This will allow insurance firms to evaluate the risk of entering the insurance market, the feasibility and viability of insurance and provide insights on the extent to which insurance is being adopted in the Kenyan market. For policy makers and investors, the results will help them understand how crucial and important product pricing is making it a deciding element that the target market will refer to before making any insurance decision in acquiring a product or a service.

1.6 Scope of the study

This study determined how consumer, institutional, macroeconomic, and product factors impact product pricing and the expansion of insurance institutions in Kenya with reference to Madison insurance company. The study's initial goal was to assess and evaluate several insurance companies in Kenya but due to financial limitations the study was narrowed down to target Madison insurance company employees from various departments.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The literature review connects, contrasts, and rates the arguments made in support of the suggested topic, including the objectives and research questions on a certain subject. (Jesson, J., Matheson, L. and Lacey, F.M., 2021). An evaluation of prior research on a topic and an assessment of its applicability to the current study are the two main objectives of a literature review. It entails compiling and evaluating the body of research that has been done on an issue or topic that a researcher is assessing. It helps researcher gain knowledge about the subject by demonstrating how other researchers have approached it and the main problems they have found (Jesson, J., Matheson, L. and Lacey, F.M., 2021).

The chapter presents an extensive review of product prices and pricing, insurance development, supporting research studies and the main topics covered. It also addresses the theories used before to understand the process through which customers form satisfaction judgments after consuming an insurance product which will definitely affect the perception of the product and its development (Association of Kenya insurers, 2022). In addition, the chapter critically presents and reviews this study's variables which are; "product pricing" and "insurance development" as the independent and dependent variable respectively and relevant literature relating to these and other variables.

2.1 Theoretical Review

2.1.1 Game Theory

(Myerson, 2021) The study of mathematical models of cooperation and conflict between sentient, rational agents is known as game theory. General mathematical methods for assessing scenarios where two or more people make choices that will affect each other's well-being are provided by game theory. (Smith, 2022) sets out an introduction to the concepts of game theory for general insurance actuaries and hints at where the theory might have some application. The model was developed to address the issue of competition between two suppliers to a market who need to make decisions on how much to produce and provide a framework for exploring how different insurance

firms may interact (Smith, 2022). However, in reality, most insurance companies execute their strategy by deciding what price to set, rather than deciding what quantity to produce, as assumed under the Cornet model (Maish, 2022).

The double auction approach can be used to determine insurance premium rates through pricing since the idea of game theory is applied in this model where the insurance and the private sector are the participants (Smith, 2022). For this game, there are two distinct requirements, first they will haggle over the premium when the risk coverage is set and they will bargain over the risk coverage when the premium is set (Smith, 2022). The first condition will be covered in this study such that the seller who offers the insurance product to the private sector in this game is the insurer and it is assumed in this game that the premium is offered simultaneously by the insurer and the private sector (Smith, 2022).

2.1.2 Financing pricing Theory

A possibly more appropriate theoretical construct to analyze the issue of whether commissions are passed through to buyers is insurance financial pricing theory (Munk, 2023). Financial theory suggests that insurers operating in competitive insurance and financial markets will collect premiums sufficient to cover the expected losses and expenses from issuing insurance policies as well as a profit loading sufficient to cover the cost of capital i.e., the economic cost of bearing risk since all commissions, administrative costs, and taxes including corporate income taxes are passed down (Phillips, 2019). According to financial pricing theory, insurers would typically earn a fair and competitive rate of return equivalent to their cost of capital, with 100% being the pass-through rate for all sorts of commissions (Phillips, 2019).

The financial pricing result relies on the supposition that insurers don't often make profits above their cost of capital because insurance markets are competitive and property casualty insurance markets are constructed in a way that promotes competition, according to the majority of economists who have studied insurance markets (Munk, 2023). The extent to which the insurance market's conditions resemble those assumed in the financial pricing literature where commissions are expenses for services rendered and insurance markets are competitive or those assumed in the micro-economic tax incidence literature, where commissions represent deadweight costs and insurers earn some monopoly profits will determine how much of the commission is actually passed along to buyers (Phillips, 2019).

2.1.3 Winner's Curse Theory

This theory is a concept of the auction theory which suggests that bidders should “shade” their bids to allow for the impact of winner’s curse (Shaffer, 2020). Insurance companies can apply the winner’s curse concept of auction theory to setting the price of an insurance policy (Shaffer, 2020). This theory suggests that firms bid to underwrite a customer’s risk by quoting a premium, but the true cost of that policy is unknown as it is not possible to predict precisely what the claims will cost and in this event, insurers will determine the price they will bid by considering their expectation of what will be the cost of claims (Gitau, 2019). The winner’s curse model assumes that insurers are identical, independent and compete for the same risks at the same level of profitability (Shaffer, 2020). Therefore, the consumer has no preference for an insurer and will always pick the organization that provides the cheapest price (Gitau, 2019). The price submitted by the insurer is based on their perception of the risk driven from their own data and this his brings in uncertainty in that the premium will be based on certain distributional assumptions (Shaffer, 2020).

2.1.4 Assimilation Theory

This theory is based on (Kinyua, J.K., Muchemi, A.,&Kiiru, D., 2021) dissonance theory which posits that consumers make some kind of cognitive comparison between expectations about the product and the perceived product performance. According to (Olawajaju, O.M., &Msomi, T.S., 2021) consumers seek to avoid dissonance by adjusting perceptions about a given product to bring it more in line with expectations. These consumers can also reduce the tension arising from a discrepancy between expectations and product performance by adjusting expectation to the perceived product performance or reducing the relative significance disconfirmation experience (Olawajaju, O.M., &Msomi, T.S., 2021).

This theory has a number of shortcomings; such as it assumes that there is a relationship between expectation and satisfaction but does not specify how disconfirmation of an expectation leads to either satisfaction or dissatisfaction; and, the theory assumes that consumers are motivated enough to adjust either their expectations or their perceptions about the performance of the product (Olawajaju, O.M., &Msomi, T.S., 2021). Controlling actual product performance can lead to a positive relationship between expectation and satisfaction since it appears that dissatisfaction could never occur unless the evaluative processes were to begin with negative consumer expectations (Kinyua, J.K., Muchemi, A.,&Kiiru, D., 2021).

2.1.5 Contrast theory

(Parker, C., & Mathews, B.P., 2021) Defines contrast theory as the tendency to magnify the discrepancy between one's own attitudes and the attitudes represented by opinion statements. This theory presents an alternative view of the consumer evaluation process after using the product that was presented in assimilation theory in that post-usage evaluations lead to results in opposite predictions for the effects of expectations on satisfaction (Parker, C., & Mathews, B.P., 2021). This theory predicts that product performance below expectations will be rated poorer than it is in reality (Association of Kenya insurers, 2022). While assimilation theory suggests that consumers will seek to minimize the inconsistency between expectation and performance, contrast theory holds that a surprise effect occurs leading to the inconsistency being exaggerated (Association of Kenya insurers, 2022). Any inconsistency of experience from expectations will be exaggerated in the direction of discrepancy such that if the firm raises expectations in its advertising, and then a customer's experience is only slightly less than that promised, the product would be rejected as totally unsatisfactory, conversely, under-promising in advertising and over-delivering will cause positive disconfirmation also to be exaggerated (Parker, C., & Mathews, B.P., 2021).

2.1.6 General overview of influencing product pricing factors and the growth of insurance

Insurance facilitates investment by reducing the amount of capital that businesses and individuals need to keep at hand to protect themselves from uncertain events since the Kenya economic pillar of Vision 2030 identifies financial services as a priority sector with the greatest potential to drive growth in the Kenyan economy (IIBI Report, 2021). Insurance being a sub sector of the financial services sector is expected to play a critical enabling role by providing better intermediation between savings and investments (KER, 2020). Therefore, without the insurance sector, the economy and the wealth creation associated with it can be adversely affected. (Haron, 2021).

Financial performance of insurance companies in Kenya has been showing fluctuations in interest rates and this affects the overall financial performance of these companies because it affects the rate of borrowing as well as the rate of return on investments (Mwangi, 2019). To counter these, insurance companies are adopting various competitive strategies and market penetration strategies to create and sustain competitive advantage (Haron, 2021). However, due to slow growth rate of insurance services in developing countries, access to insurance only start to increase quickly in the

upper middle-income brackets, but with most Africans still struggling to meet their basic food and other day-to-day needs, insurance is still a long way off (KPMG, 2021)

2.2 Empirical Literature Review

There are key issues that currently influence growth of insurance in Kenya and around the world since most companies lack the necessary capacity to develop, underwrite the products and process the claims necessary to accommodate the unique features of insurance (Onuonga, 2021). According to the Kenyan insurance policy paper, insurance companies are struggling to keep the transaction and administrative cost low which has a major impact on the pricing of products (Association of Kenya insurers, 2022).

The growth of Insurance has been hindered by several factors both from the insurers' perspective and the target market because insurance tends to reach a certain class of people who have been neglected by the traditional insurance due to the cost of acquiring such products (IIBI Report, 2021). Convincing the target market the importance of insurance tends to be difficult because they don't see it as a necessity, but rather as a luxury hence lowering its penetration (Churchill, 2019). Therefore, some of the factors discussed in this paper include product, consumer, institutional and Macroeconomic factors.

2.2.1 Product Factors

(Onduso, 2021) carried out a study on factors influencing micro insurance growth among middle and low-income earners in Kenya; A case study of Kisii county Kenya insurance companies. The findings concluded that there is a significant relationship between distribution channels, professional sales training, government regulations and insurance growth (Onduso, 2021). In order to guarantee the implementation of policies that would address the many reasons identified as driving slow insurance growth, the study recommended collaboration and cooperation between various stakeholders involved in the industry (Onduso, 2021).

Research has shown that, for motor insurance the reduction in the share of motor insurance in the portfolio, with simultaneous increase of other types of insurance has a positive impact on penetration, profitability and cost-efficiency of insurance companies (Doffman, 2020). However, offering too broad spectrum of classes of insurance negatively impacts its growth, profitability and cost efficiency (Morduch, 2020). To address this insurance companies, have embraced product

packaging which comes in handy by ensuring that product developments and marketing efforts are in line with the local demand for insurance products (Morduch, 2020). This means that good insurance product pricing and effective marketing will bring high return on investment and ensure that there is growth in the institution (Morduch, 2020).

2.2.2 Macroeconomic Factors

(Churchill, 2019) Undertook a study on the impact of macroeconomic factors on non-life insurance consumption in Thailand and the result suggested that four macroeconomic indices, i.e.: Coincident Index (from Business Cycle Index), Employment Rate (from Export Business Situation Index), Consumer Confidence Index, and Export Price Index, were found to have an impact on total non-life insurance consumption in Thailand of around 84%. From this analysis, it can be concluded that some macroeconomic factors have an impact on non-life insurance consumption in Thailand.

(Foong and Idriss, 2023) In the case of health insurance in Kenya, wealth index, employment status, education levels and household size are important determinants of health insurance ownership and choice since lack of awareness prevents many from enrolling in any form of health insurance (Foong and Idriss, 2023). These studies shows that Macroeconomic factors have a major impact on insurance products prices as well as the general expansion and growth of these institutions.

2.2.3 Consumer Factors:

(Kamakura, 2021) Found that women are more likely to have greater overall satisfaction than men in many different industry contexts since they may be more experience shoppers with more skill at making attribute comparisons. A contemporary study on factors influencing urban and rural consumers for buying different life insurance policies highlighted that the insurance agent was the most influential factor for selecting the life insurance policy among rural and urban policyholders with other determinants being, income, economic status, product and agent attributes and price (Tobin, J. & Markowitz, H., 2021).

The influence of income and educational levels is seen as low-income earners and low levels of education positively correlate with lower satisfaction levels while higher income groups and higher educational levels are associated with higher satisfaction levels (David Jones & Cummins Andrew, 2023). Even though there are some discrepancies in the marketing literature's findings regarding

these demographics, it will be practical to investigate how these consumer factors affect the insurance service context in order to give scholars and practitioners empirical data that will support marketing plans, product pricing and further empirical research in consumer activities in the insurance industry (Kamakura, 2021).

2.2.4 Institutional Factors

(Merlin, 2020) Looked into factors influencing performance of the insurance industry in Tanzania: The Case study of Zanzibar Insurance Corporation; the study revealed that performance of ZIC was affected by delaying to pay premium on time, failing to report fake claim and lack of know how about insurance service. In addition, accessibility and awareness to the insurance services provided by ZIC was not so difficult, therefore most intermediaries and insured were able to obtain and utilize the services (Merlin, 2020).

A study on factors affecting the growth of life insurance business in Nairobi, Kenya; revealed that professional training of life insurance sales staff was lacking in the industry (Makau, 2020). Which led to a belief that sales promotion is one of the major factors that can lead to growth of life insurance business if done through a combination of different methods (Insurance Regulatory Authority, 2019). There is need for insurance companies in Kenya to explore alternative channels so as to increase their levels of penetration and adoption within the market (Association of Kenya insurers, 2022). This is because Kenyan insurance industry needs to develop simple stand-alone products that can be sold easily through other channels since existing products are complex need human led channels such as brokers and agents to be absorbed (Association of Kenya insurers, 2022).

2.2.5 Product pricing

A reasonable approach to product pricing is to design products in such a way that they fit the needs of the target market by doing research on the basic risks that the target market is facing and coming up with suitable products that help in mitigating these risks (Makau, 2020). Lack of historical data and the unpredictable nature of the target market make it difficult to price Insurance products in developing countries like Kenya where most of the low-income earners do not have consistent and steady income that may enable them to pay insurance premiums adequately (Grace, 2021). This makes it difficult to estimate premium contribution in respect to expected claims and leads to challenges in reserving insurance growth (Grace, 2021).

2.2.6 Target Market

The main intention of having Insurance products is to target the low income earners which means that the products the companies should develop must be cheap and at the same time cover the expected risks that the policyholders will be facing and meet the administration costs incurred while developing the product (IIBI Report, 2021). The cost of distribution has proved to be a major challenge since it may be much higher compared to the returns made after issuing the product and that is why most products are usually bundled together such that one product can cover various types of risks (Insurance Regulatory Authority Policy Paper, 2014). Even though insurers find it cheaper to underwrite group risks as compared to individual risks, insurance products should be economically viable to both the insurance company and to the target market as the saying goes, if the products are affordable, the uptake of the product will increase thus developing the industry at large (Association of Kenya insurers, 2022).

2.2.7 Insurance perception

Low growth rate of insurance service especially in the low-end market is due to lack of trust in the insurance companies which is characterized by the non- payment of claims or the lengthy process of claim settlement, low engagement and awareness of the insurance companies, cultural and religious beliefs which comprises some of the perceptions in the target market (Merlin, 2020). From the perspective of policy makers, the government has not adequately supported insurance uptake by allowing tax exemptions and providing supporting fiscal measures (IIBI Report, 2021).

2.3 Summary and research gaps

The research findings of the various studies discussed in this chapter are an indication that there are many factors which hinder Insurance development and product value which is an indication of the premiums to be paid has proved to be a key factor which affects the growth of insurance (Njuguna, 2022). Since most of these findings have shown that the growth of Insurance is determined by the uptake of the products, the rate at which premiums are charged per product is a key element in the consumption of the insurance products (Grace, 2021).

On the other hand, (Gitau, 2019) indicated that most of the products are overpriced thus limiting the growth of Insurance. Many studies on Insurance have a general overview on the performance of Insurance and the risks that a company faces in issuing such a product by looking into the methodology of pricing, and the value of the product without looking at how the prices affect the

uptake of insurance as a whole (Haiss, P. & Sumegi, K., 2019). This study is looking forward to fill the gap on product pricing as a factor impacting insurance growth in Kenya and as a determinant of premiums, charge, product value and insurance products uptake.

Table 1: Summary and Research Gaps

Author	Focus of the Study	Findings	Research Gap	Focus of the Current Study
Onduso (2021); Doffman (2020); Morduch (2020)	Product factors influencing insurance growth	Distribution channels, training, and product packaging affect growth; overly insurance harm profitability	Limited exploration of how product pricing directly impacts insurance uptake and growth	Examine the role of product pricing as a determinant of insurance growth in Kenya
Churchill (2019); Foong & Idriss (2023)	Macroeconomic factors and insurance consumption	Employment, education, wealth, and consumer confidence strongly influence uptake	Interaction between macroeconomic conditions and product affordability underexplored	Assess how macroeconomic factors interact with pricing to influence insurance growth
Kamakura (2021); Tobin & Markowitz (2021); Jones & Cummins (2023)	Consumer factors in insurance adoption	Income, education, and agents influence satisfaction and choice; women report higher satisfaction	Few studies link consumer income and education directly to pricing decisions	Investigate how consumer characteristics affect insurance uptake when moderated by pricing
Merlin (2020); Makau (2020); AKI (2019); AKI (2022)	Institutional challenges in insurance growth	Weak sales training, delayed claims, and limited distribution channels hinder performance	Neglect of how institutional policies influence adoption and penetration	Explore the influence of institutional pricing strategies on growth

Author	Focus of the Study	Findings	Research Gap	Focus of the Current Study
Makau (2020); Grace (2021)	Product pricing challenges in insurance	Lack of data and irregular incomes hinder premium setting; affordability affects uptake	Highlight challenges but lack in-depth focus on pricing as a driver of growth	Analyze how product pricing determines uptake and growth in Kenya
IIBI Report (2021); IRA Policy Paper (2014); AKI (2022)	Target market and insurance uptake	Low-income groups are key targets, but high distribution costs limit reach	Lack of research on pricing strategies tailored to low-income earners	Evaluate pricing models that enhance accessibility for low-income groups
Merlin (2020); IIBI Report (2021)	Insurance perception and trust	Delayed claims, low awareness, and cultural beliefs reduce uptake	Limited focus on pricing transparency and its effect on trust	Investigate how pricing clarity shapes consumer trust and adoption in Kenya

2.4 Conceptual Framework

Product pricing is an important factor which should not be ignored as far as the expansion and growth of insurance institutions is concerned with a number of various factors influencing it. This study identified product pricing and the growth of insurance institutions as the independent and dependent variables respectively since the quality of product pricing scheme employed determines the rate of growth of insurance institutions. The relationship between product pricing and the expansion of insurance institutions can be impacted by additional intervening variables through which examine both independent and dependent variables. As shown below, intervening variable may also affect the outcome of how an organization is managed and grows as a whole.

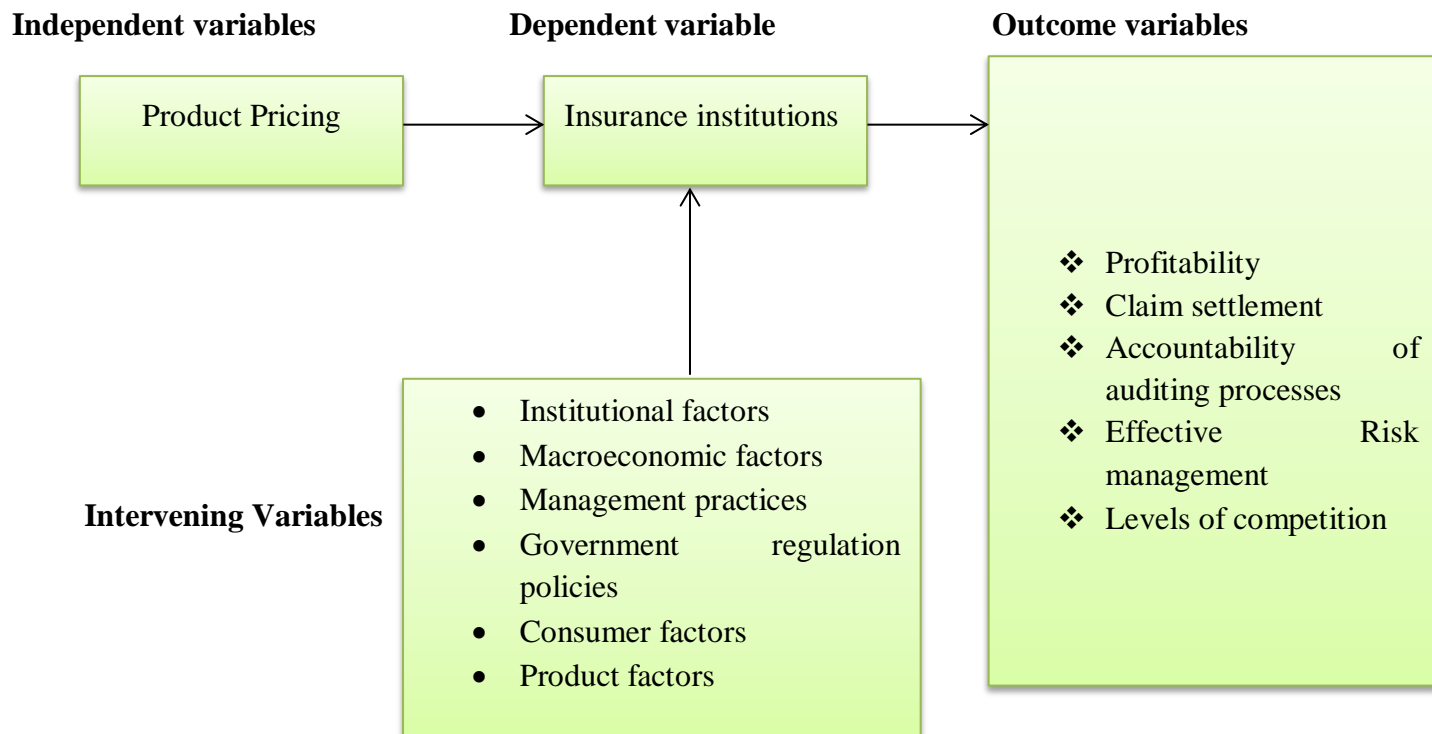


Figure 1: Study conceptual framework

2.5. Operationalization of Variables

Table 2: Operationalization of Variables

Variables	Indicator	Measure	Scale	Tools of Analysis
Consumer Factors (Objective i)	<ul style="list-style-type: none"> - Brand preference - Satisfaction of customer needs - Intention to purchase/use products - Availability of alternatives - Perception of benefits - Customer research findings - Service quality - One-stop shop services 	Degree of influence of consumer factors on product pricing	Nominal Ordinal Interval	Percentages and frequencies

Variables	Indicator	Measure	Scale	Tools of Analysis
Institutional Factors (Objective ii)	- Customer experience with brand - Relationship management processes - Prioritizing consumer preferences - Use of MIS for customer monitoring - Promotional strategies - Pricing for financial goals - Adaptation to industry dynamics	Extent to which institutional practices affect product pricing	Nominal Percentages Ordinal Interval	Percentages and frequencies
	- Competition from new entrants - Government licensing/regulations - New marketing innovations - Strategic positioning in the industry - Inflation effects - Affordability of premiums			
Macroeconomic Factors (Objective iii)		Influence of macroeconomic environment on product pricing	Nominal Percentages Ordinal Interval	Percentages and frequencies
Product Factors (Objective iv)	- Cost of covering losses - Quality of product - Returns on premiums - Discounts offered - Financial reliability of insurer - Trustworthiness of insurer - Premium-coverage ratio - Public opinion/reputation - Insurance as savings	Extent to which product characteristics influence pricing	Nominal Percentages Ordinal Interval	Percentages and frequencies

Variables	Indicator	Measure	Scale	Tools of Analysis
Product Pricing in Madison Insurance Company (General Objective)	<ul style="list-style-type: none"> - Relationship between pricing and institutional growth - Customer satisfaction with pricing - Effect on performance of insurance firm 	Influence of product pricing on growth of Madison Insurance Company	Nominal Ordinal Interval	Percentages and frequencies

2.6 Chapter Summary

This chapter has reviewed relevant theoretical and empirical literature, identifying gaps that this study aims to address. A conceptual framework linking the study's variables has been presented, along with an operationalization of these variables.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.0 Introduction

This chapter outlines the research methodology adopted in the study. It covers the research design, target population, sampling techniques, data collection instruments, pilot testing, validity and reliability procedures, data collection procedure, data analysis approach, and ethical considerations. These elements ensured that the study was carried out systematically to produce valid and reliable results.

3.1 Research Design

A **descriptive research design** was adopted for this study. This design was considered suitable because it allows the researcher to collect detailed information regarding the influence of consumer, institutional, macroeconomic, and product factors on insurance product pricing and institutional growth.

The study employed both qualitative and quantitative approaches to capture in-depth insights and measurable data. Questionnaires were the primary tool for quantitative data, while qualitative data was derived from open-ended responses and follow-ups with employees of Madison Insurance Company. A cross-sectional survey was also used since data was collected at one point in time across various departments.

3.2 Target Population

The target population comprised all employees working at Madison Insurance Company in Kenya. This population was selected because employees are directly or indirectly involved in product

pricing and operational decisions of the firm, making them well-suited to provide informed responses.

Table 3: Target Population

Category	Target Population
Management Staff	15
Marketing and Sales Staff	25
Customer Service Staff	20
Finance & Operations Staff	25
ICT & Support Staff	15
Total	100

3.3 Sample and Sampling Technique

3.3.1 Sampling Procedure

A sample refers to a subset of a population used for study to make inferences about the entire group (Kothari & Garg, 2019). Since the target population was relatively small (100 employees), this study adopted a census sampling technique, where the entire population was studied. Census sampling ensured that all employees had an equal opportunity to participate, thereby enhancing the comprehensiveness and reliability of the findings.

3.3.2 Sample Size

The study targeted all 100 employees of Madison Insurance Company as the sample size. This was considered sufficient since the population was manageable and included all relevant respondents.

Table 4: Sample Size

Category	Target Population	Sample Size
Management Staff	15	15
Marketing and Sales Staff	25	25
Customer Service Staff	20	20
Finance & Operations Staff	25	25
ICT & Support Staff	15	15
Total	100	100

3.4 Data Collection Instruments

The study used structured questionnaires to collect primary data. Questionnaires contained both closed-ended and open-ended questions designed to capture respondents' views on consumer, institutional, macroeconomic, and product factors affecting insurance product pricing and growth.

The questionnaires were divided into two sections:

- **Section A:** Captured demographic and background information.
- **Section B:** Focused on the study objectives, including consumer, institutional, macroeconomic, and product factors.

A 5-point Likert scale (Strongly Disagree to Strongly Agree) was used to measure respondents' levels of agreement with various statements.

3.5 Pilot Study

A pilot study was conducted to pre-test the questionnaire and ensure clarity, reliability, and validity of the data collection tools. The pilot involved 10 employees from a different insurance branch not participating in the main study. Feedback from the pilot helped refine the questions and eliminate ambiguities.

3.5.1 Validity

Validity refers to the extent to which research instruments measure what they are intended to measure (Jaspersen, 2018). To ensure content validity, the questionnaire was reviewed by research supervisors and experts in insurance and business research. Their feedback was incorporated to align the tools with the study objectives.

3.5.2 Reliability

Reliability measures the consistency of research instruments. The study employed Cronbach's Alpha coefficient to test the internal consistency of the questionnaire items. A threshold of 0.7 or above was considered acceptable for reliability (Kothari, 2014).

3.6 Data Collection Procedure

The researcher sought formal permission from Madison Insurance Company management before administering the questionnaires. Respondents were briefed on the study's objectives, and informed consent was obtained.

The questionnaires were administered both physically (printed copies) and electronically (Google Forms) to ensure flexibility and higher response rates. Completed questionnaires were reviewed on-site and online to ensure completeness and accuracy before data entry.

3.7 Data Processing and Analysis

3.7.1 Data Processing

The researcher gave the respondents time and space during the study period to complete and fill the questionnaires with answers and responses to the best of their knowledge. Print questionnaires were collected from the company management and online forms retrieved for analysis. The study's questionnaire can be found in the appendix part of this paper.

3.7.2 Data Analysis

Data analysis refers to the process of generating value from the raw data (Kemoni, 2019). According to (Kothari, 2019) Data analysis comprises statistical processes with the goal of drawing inferences about specific information obtained during a study. From the responses collected from the respondent's important data was categorized as per each research question or descriptive goal for analysis. This data was then cleaned and evaluated using descriptive analysis method that takes into account frequencies and proportions.

3.8 Ethical Considerations

3.8.1 Informed Consent

All respondents were provided with informed consent forms outlining the purpose, scope, and procedures of the study. They were assured that participation was voluntary.

3.8.2 Voluntary Participation

Participation in the study was entirely voluntary. Respondents could withdraw at any time without penalty.

3.8.3 Confidentiality

Data collected was kept confidential and used strictly for academic purposes.

3.8.4 Privacy

Privacy was maintained by administering questionnaires in a secure and non-intrusive environment.

3.8.5 Anonymity

No personal identifiers were included in the questionnaires. Responses remained anonymous to protect participants' identities.

3.9 Chapter Summary

This chapter presented the research design, target population, sampling techniques, data collection instruments, pilot testing, validity and reliability procedures, data collection process, data analysis methods, and ethical considerations. The next chapter discusses the data analysis, presentation, and interpretation of findings.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.0 Overview

This chapter presents the findings in accordance with the themes derived from the study objectives and analyses and explains the results obtained during the investigation process.

4.1 Presentation of Research Findings

4.1.1 Response rate of respondents

One hundred questionnaires in all, representing an entire sample size of the Madison insurance company workers, were distributed to the respondents. Of the 100 questionnaires issued, 62 were returned dully filled, 25 were returned without eliciting proper responses and feedback while 23 were never returned at all. The respondents' response rate was as shown in the table below.

Table 5: Response rate

Category	Frequency (Number)	Percentage (%)
Returned dully filled	62	62
Returned spoilt	25	25
Not returned at all	23	23
Total	100	100

Out of the 100 respondents contacted and issued with questionnaires, majority 62% participated in the study and answered all the survey sections provided, 25% of the questionnaires were spoilt up to a point no meaning can be drafted from the responses while 23% of the respondents showed no interest in responding to the questionnaire at all. This analysis shows that most of the Madison insurance group employees target population 62% participated in the study.

4.1.2 Respondents' Background information

The respondents' backgrounds were assessed according to their gender, highest attained level of education and experiences in regards to insurance operations.

4.1.2.1 Gender of the respondents

The study aimed to determine and find out the respondent's gender distribution as follows:

Table 6: Gender Analysis

Category	Frequency (Number)	Percentage (%)
Male	24	38.7
Female	38	61.3
Total	62	100

Of the respondents who took part in the study, majority 61.3% were women while the rest 38.7% were male. The analysis implies that insurance companies are mostly dominated by female indicating gender imbalance in the industry.

4.1.2.2 Education Level of the respondents

This study also sought to determine the respondent's educational attainment and the results are as displayed in the table below:

Table 7: Distribution of the education level of respondents

Education Level	Frequency (number)	Percentage (%)
Post-secondary certificate	7	11.3
Technical/Vocational diploma	13	21
Bachelors/Undergraduate degree	34	54.8
Postgraduate degree (Masters)	5	8.1
Doctoral degree (PhD)	3	4.8

Total	62	100.0
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From the questionnaires most of the respondents were undergraduates and diploma holders (34) 54.8% and (13) 21% respectively. Only (5) 8.1% employees had masters in postgraduate degrees while there was only 4.8% (3) with doctoral degrees and most of this were in management positions. Based on the analysis, it was evident the company values education in its workforce indicating an enlightened workforce.

4.1.2.3 Work experience of the respondents

The respondents indicated their years of work experience as displayed in the table 4.4 below

Table 8: Respondents' work experience

Rank	Frequency (number)	Percent (%)
5 years and below	21	33.9
6-10years	32	51.6
11-15years	7	11.3
16years & above	2	3.2
Total	62	100.0

From the data collected, 51.6% of the respondents had a work experience between 6-10 years of work experience while only 3.2% had 16 years or more. These results indicated that, the company is dedicated towards mentorship and growing within ranks as the experiences within the employees was evenly distributed as per a typical organizational hierarchy (Kemoni, 2019). With the majority of the workforce having experience ranging from five years and above this positively influenced the growth of insurance institutions as experience is important in making the right decisions in relation to product pricing (Grace, 2021).

4.1.3 The influence of consumer factors on pricing insurance products and insurance institutions growth in Kenya

This aspect sought to fulfil the study's first objective regarding the influence consumer factors may have on product pricing and insurance institutions growth in Kenya. Various questions about consumer factors and the impact they may bring upon product pricing were posed to the respondents as follows:

4.1.3.1 Consumer factors and product pricing

The respondents were asked to explain to the best of their knowledge in a layman's language what product pricing is and how it influences the growth of Madison insurance company. Every respondent answered in his/her own way and this lay a basis for understanding how product pricing is precepted in Madison insurance company. They were also asked to indicate whether consumer factors affect product pricing to which every respondent agreed that it did (100%).

4.1.3.2 Effects of consumers factors

The respondents were further probed to give more insights on consumer factors and how they affect pricing products and overall growth of Madison insurance company. Majority of the respondents 92% gave insights agreeing that consumer factors affecting pricing insurance products satisfactory while 8% gave neutral insights on the effects of consumer factors.

4.1.3.3 Consumer factors influencing product pricing and insurance institutions growth

Respondents were asked to rate their agreement with the researcher's list of consumer factors which may or may not influence product pricing and the growth of Madison insurance company. The responses were rated on a five-point scale such that 1 denoted "strongly disagree", 2 "disagree", 3 "Neutral", 4 "Agree" and 5 "strongly agree". The respondents answered on their own way and the researcher was able to come to a conclusion that consumer factors identified play a key role in insurance product valuation among the respondents.

Table 9: Respondents' Ratings on Consumer Factors Influencing Product Pricing and Insurance Institutions' Growth

Consumer Factor	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
i) Providing travel incentives and vacations	40.0%	2.1%	35.0%	15.0%	7.9%
ii) Brand preferences of certain insurance firms	5.0%	8.0%	25.0%	37.0%	25.0%
iii) Satisfying customer needs	3.0%	6.0%	21.0%	40.0%	30.0%
iv) Consumer intention to purchase and use the goods	4.0%	7.0%	20.0%	38.0%	31.0%
v) Availability of alternative products and exposure to insurance market	6.0%	10.0%	24.0%	36.0%	24.0%
vi) Customers' perception of insurance products (benefits)	2.0%	5.0%	18.1%	39.9%	35.0%
vii) Customers' insurance research findings (internal & external)	2.0%	4.0%	18.3%	42.7%	33.0%
viii) Service quality provided by the insurance provider	1.0%	3.0%	19.9%	43.1%	33.0%
ix) Single point of contact for multiple insurance products	1.0%	2.0%	10.4%	43.6%	43.0%

According to the study's questionnaire responses, majority of the respondents agreed that the most important consumer factor is: an insurance company implementing a single point of contact for a range of different insurance products with 43.6%; Service quality provided by the insurance provider 43.1%; Customers' insurance research findings internally and externally 42.7% and the perception by customers on the value of different insurance products and their benefits 39.9%.

However, the respondents disagreed on providing travel and vacation incentives as one of the most effective ways to draw in and keep lucrative customers in the company, at 2.1% of the sample

population. This implies that consumer factors affect product pricing and the growth of insurance institutions in Kenya’s market mostly in regards to the knowledge of insurance products that consumers have, the benefits which will be derived from these products and how convenience it will be to get the product needed.

4.1.4 The influence of institutional factors on product pricing and insurance institutions growth in Kenya

4.1.4.1 Does institutional factors influence product pricing?

The respondents in Madison insurance company, were asked to indicate whether they belief that institutional factors influence product pricing. All the respondents indicate that yes, these factors influence product pricing.

4.1.4.2 Effects of institutional factors

The impact of institutional factors was rated by the respondents in either satisfactory, neutral or non-satisfactory. Majority of the respondents’ 97% said the effect was satisfactory, 2% neutral and 1 % non-satisfactory.

4.1.4.3 Institutional factors influencing product pricing on the growth of insurance institutions

Based on the several institutional factors that researcher listed, the respondents were asked to rate their level of agreement on a on a five-point scale such that 1 denoted “strongly disagree”, 2 “disagree”, 3 “Neutral”, 4 “Agree” and 5 “strongly agree”. Using this scale, they were asked to rank the ways in which they believe these factors affect the cost of insurance products in their company and the overall growth of the firm.

Table 10: Likert Ratings of Institutional Factors Influencing Product Pricing & Growth

Institutional Factor	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
i) Brand customers have good prior experience with	4.0%	8.0%	20.0%	38.0%	30.0%

Institutional Factor	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
ii) Superior relationship management & customer service	2.7%	5.0%	12.0%	45.3%	35.0%
iii) Prioritizing consumer preferences in sales promotions	4.0%	10.0%	22.0%	36.0%	28.0%
iv) Using MIS to monitor customer activities	6.0%	10.0%	24.0%	34.0%	26.0%
v) Competitive sales promotional strategies	5.0%	10.0%	25.0%	33.0%	27.0%
vi) Good pricing to achieve financial goals	2.3%	5.0%	10.0%	48.7%	34.0%
vii) Adapting to fast-changing insurance market dynamics	6.0%	12.0%	26.0%	32.0%	24.0%

Majority of the respondents agreed that good pricing (48.7%) and having good relationship management with enhanced customer service processes (45.3%) are the most influential institutional factors when pricing insurance products and when implemented correctly they influence the growth of an insurance company. They also moderately agreed that prioritizing consumer preferences during sales promotion offers and customer experience in a certain insurance brand also influence product pricing and insurance growth significantly.

4.1.5 The influence of Macroeconomic factors on insurance products pricing and insurance institutions growth in Kenya

4.1.5.1 Does Macroeconomic factors influence product pricing?

All the respondents of this study were asked to give insights whether they believe that macroeconomic factors can influence product pricing and general insurance company growth. All the respondents indicate in the questionnaire that these factors are of influence to the pricing of insurance products in their company.

4.1.5.2 Effects of macroeconomic factors

They were also asked to rate the feasible effects of Macroeconomic factors on their insurance products pricing either satisfactory, neutral or non-satisfactory. Majority of the respondents, 66% agreed that the effect is satisfactory, 34% it was neutral while non indicated that the effect is non-satisfactory.

4.1.5.3 Macroeconomic factors influencing insurance products pricing and insurance institutions growth

The researcher listed various macro-economic factors that may influence product pricing and asked the respondent to indicate their degree of agreement on the influence of these macroeconomic factors on product pricing on a five-point scale such that 1 was denoted “strongly disagree”, 2 “disagree”, 3 “Neutral”, 4 “Agree” and 5 “strongly agree”.

The various Macroeconomic factors that the researcher provided included:

Table 11: Likert Ratings of Macroeconomic Factors Influencing Insurance Product Pricing and Growth

Macroeconomic Factor	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
i) New businesses entering the market → increased rivalry	5.0%	15.2%	28.0%	32.0%	19.8%
ii) Government controls (licensing requirements)	3.0%	7.0%	22.0%	40.0%	28.0%
iii) New ways of marketing insurance products	4.0%	8.0%	25.0%	38.0%	25.0%
iv) Strategic industry operations (staying ahead)	3.0%	7.0%	26.0%	39.0%	25.0%
v) Inflation reduces insurance product value	2.0%	5.0%	20.3%	39.7%	33.0%

Macroeconomic Factor	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
vi) Government regulations interfering with practices	2.0%	6.0%	20.6%	43.4%	28.0%
vii) Providing affordable premiums	1.0%	3.0%	16.9%	49.1%	30.0%

Majority of the respondents agreed with most factors listed that they influence product pricing and insurance company growth. 49.1% of the respondents agreed that providing affordable premiums will definitely attract more customers hence influence pricing, 43.4% agreed that government regulations always have a realistic role to play in insurance products pricing and 39.7% agreed that when there is inflation the value of insurance products always diminishes hence affecting how pricing will be done for these products. From these findings, it shows that macroeconomic factors have a big impact on Madison Insurance Company's insurance products prices making them an important consideration that cannot be ignored. 15.2% the respondents disagreed that the possibility of new firms entering the industry will influence pricing due to competition because on the institutional factors brand preference is an important factor that consumers always take into consideration.

4.1.6 The influence of Product factors on product pricing.

4.1.6.1 Does product factors influence product pricing?

The respondents were asked to state whether product factors influence product pricing in their insurance firm and 100% of the respondents agreed.

4.1.6.2 Effects of product factors

The respondents were asked to rank how product factors affect insurance products pricing if either satisfactory, neutral or non-satisfactory. 98% of the respondents agreed that these factors have influence on pricing while 2% remained neutral.

4.1.6.3 Product factors influencing product pricing

The researcher listed various macro-economic factors that may influence product pricing and asked the respondent to indicate their degree of agreement on the influence of these macroeconomic factors on product pricing on a five-point scale such that 1 was denoted “strongly disagree”, 2 “disagree”, 3 “Neutral”, 4 “Agree” and 5 “strongly agree”.

The various Product factors that the researcher provided included:

Table 12: Likert Ratings of Product Factors Influencing Insurance Product Pricing

Product Factor	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
i) Amount of money used in covering losses	4.0%	7.0%	22.0%	38.0%	29.0%
ii) Quality of the insurance product	3.0%	6.0%	21.0%	40.0%	30.0%
iii) Expected returns on premiums invested & timing of benefits	3.5%	7.0%	21.6%	37.9%	30.0%
iv) Consented discounts	3.0%	7.5%	21.25%	38.25%	30.0%
v) Financial reliability of insurer	2.5%	6.0%	21.7%	39.0%	30.8%
vi) Trustfulness of insurer (or representative)	2.0%	6.2%	20.0%	41.8%	30.0%
vii) Proportion of coverage to premiums	4.0%	8.0%	22.0%	38.0%	28.0%
viii) Opinions of others (favorable/unfavorable)	2.5%	6.0%	21.5%	45.0%	25.0%
ix) Insurance as a type of savings	2.0%	6.0%	20.0%	46.0%	26.0%

Majority of the respondents from Madison insurance company agreed that product factors are of much influence to the pricing of various insurance products. 46% of the respondents agreed that insurance can be termed as a type of saving; 45% agreed that the opinion either positive or negative will affect the pricing of a certain insurance product. And 41.8% agreed that the existence of trust

between the customer and the insurer and how reliable an insurance company can be is also another important factor that can influence product pricing significantly. 38.25% of the participants ratified on the number of validated discounts as a factor, and the timing of the expected returns or benefits on the premiums invested at 37.9%.

The findings portray that product factors affect product pricing significantly especially in reference to Madison insurance company. Likewise, Ndungu (2013) in his study determined that 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.

4.1.7 Growth of insurance institutions and product pricing

The respondents were asked to state if there is any relationship or connection between insurance growth and product pricing. 100% of the respondents agreed that there is a realistic relationship because insurance institutions will only experience growth if the its products are valued correctly to realize returns and attract more businesses (Gitau, 2019).

4.2 Limitations of the Study

Although this study achieved its objectives, several limitations were encountered that should be acknowledged. First, the study was conducted among employees of Madison Insurance Company in Kenya, which limits the generalizability of the findings to other insurance firms. The results may therefore not fully represent the perspectives and practices of the wider insurance industry in Kenya or other countries.

Second, the study relied primarily on self-reported data collected through questionnaires. This may have introduced response bias, as some respondents might have provided socially desirable answers or withheld information they considered sensitive. The absence of triangulation with additional data sources such as company records or direct observation restricted the depth of analysis.

Third, time and resource constraints limited the sample size and depth of qualitative exploration. While the use of a census approach ensured all targeted employees were included, the focus remained on one company, and richer insights might have been generated through interviews or case studies across multiple organizations.

Finally, the dynamic nature of the insurance sector and macroeconomic environment means that some findings may quickly become outdated. Factors such as regulatory changes, technological innovations, and economic fluctuations can significantly alter insurance product pricing and growth, hence longitudinal studies would be needed for more robust conclusions.

CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSIONS

5.0 Introduction

This study was intending to evaluate the various factors that can impact pricing various insurance products which in return may dictate insurance institutions growth in Kenya. With reference to Madison insurance company, the study found out that, consumer factors, institutional factors, macroeconomic factors and product factors all influence insurance products pricing and the general growth of insurance firms.

5.1 Summary of Findings

According to the study, the most important and influential consumer factor in insurance product pricing is an insurance company implementing a single point of contact for a range of different insurance products followed by how services are offered in terms of quality, customer's internal and external assessment of the insurance company and finally the perception they may build on various insurance products based on their benefits.

The study also discovered that the most significant institutional aspect is how relationships are built between insurance companies and customers and most especially how customer service is run. Prioritizing customer needs as an institution will ensure customer trust and preference to the firm hence increasing the premiums and the firms' general profits. Another influential institutional factor was prioritizing consumer preferences during sales promotion offers and how customer experience can influence the perception of certain insurance company. All these factors can in return influence how various insurance products are priced in the company and pushing the company towards growth.

For macroeconomic factors, providing affordable premiums was found to be the most influential factor as this can attract more customers and dictate how various products can be priced to fit the customers' needs. Another influential macroeconomic factor identified included, government regulations, inflation and diminishing value of insurance products. The study also found out that when all the factors influencing product pricing work in synergy, some macroeconomic factors

won't influence the firm negatively for example the possibility of new firms entering the industry won't threaten the existing company's standing as long customer needs are at the heart of its operations.

Several product factors were found to be influencing product pricing as taking u=insurance in general as a type of saving was found to be the most influential product factor as most customers believe that their premiums are just like savings from which they will cash out after a certain period of time. This will influence product pricing because most customers will choose to put their savings as premiums in an insurance company and expect returns and benefits after a certain period. Other influential product factors were positive and negative opinions about an insurance product, existence of trust towards the insurance company, relying financially on an insurance company, the number of consented discounts, and the timing when the benefits from the insurance products will be realized.

The findings portray that macroeconomic, institutional, consumer and product factors influence product pricing in insurance companies in Kenya especially in reference with Madison insurance company. Likewise, Ndungu (2013) in his study determined that good product offerings in terms of pricing 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.

5.2 Conclusion

This study found all the four factors assessed to be influential up to a certain level on how various insurance products are priced in Madison insurance group and that with better pricing the firm will definitely experience growth and expansion since there is a significant correlation between the two aspects. It was established that product pricing is a major determinant on how various insurance products can be utilized in the target market for an insurance company to ascertain growth. All the four factors that the researcher assessed in this study were found to be influencing insurance products pricing in the company with consumer factors leaning more on the products associated benefits, consumers knowledge and how convenience it's for the consumers to get the product. Institutional factors leaned more on the reputation of the insurance firm and brand preference and how dynamic an insurance is to adapt to changes in the industry. Macroeconomic factors were also found to be influential such that government regulations in the insurance industry may influence

the normal operations of insurance firms. This study also found out that the product on its own has to position itself in such a way that it can be priced according and influence the growth of the insurance company positively. To do this it needs to have its positive attributes coming up at the top and offering consumers an opportunity to see it as a saving that will enable consumers to realize benefits after a certain period of time.

5.3 Recommendation

Insurance companies should recruit competent sales personnel to build firm reliability

Insurance companies can adopt one stop shop for all products that customers are seeking

Insurance firms need to do robust marketing and branding to build relationship and customer preferences.

Insurance firms to prioritize customers when they are pricing their insurance products

Insurance companies should price every insurance product independently based on its attributes and customer first aspect

For the firm to realize growth there is need to be strategic in terms of pricing and countering competition from other firms.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

Dear Sir/Madam

My name is Dariton Nyakomba Ochanda. I am carrying out research for my Bachelors research project at Management University of Africa. The title of the study is “Factors influencing product pricing in the insurance institutions in Kenya: A case study of Madison insurance company.” I am hereby requesting you to assist me in completing this questionnaire in order to achieve my research objectives. The information provided will be purely for academic purposes and will be treated with confidentiality. Your participation in facilitating the study is highly appreciated.

Dariton Nyakomba Ochanda

BMLK/5/00118/1/21

The Management University of Africa

APPENDIX II: QUESTIONNAIRE

SECTION A: BACKGROUND INFORMATION OF THE RESPONDENTS

Please select the correct answer by ticking (√) appropriately in the provided brackets.

1. Gender (Tick one only) Male () Female ()
2. What’s your highest level of educational?
Certificate () Diploma () Bachelor’s () Masters () Doctorate ()
3. Work experience (Tick one only)
1-5yrs () 6-10yrs () 11-15yrs () 16yrs and above ()

SECTION B

1. What is product pricing and how does it influence the growth of insurance?
.....
.....
2. Do consumer factors influence product pricing?
Yes () No ()
3. How can you rate the effects of consumer factors on product pricing and the growth of insurance institutions in Kenya?
Satisfactory () Neutral () Non-satisfactory ()
4. Please indicate your degree of agreement with each of the consumer factor that influence product pricing on the growth of insurance institutions in Kenya by using the following rating scale, 5= strongly Agree, 4= Agree, 3= Neutral, 2 =Disagree, 1= strongly disagree
(To the table below, kindly tick where appropriate)

Consumer factor	5	4	3	2	1
Offering vacations and travel incentives will be one of the most powerful methods of attracting or/and retaining profitable clients.					
Brand preferences of certain insurance firms.					
Satisfying customer needs					
Consumer intention to purchase and use goods					

Availability of alternative products and customer's exposure to the insurance market					
Customers perception of the insurance products based on their benefits					
Customers internal and external research findings					
Quality of service offered by the insurance company					
Employing one stop shop for a variety of insurance products					

5. Do institutional factors influence product pricing?

Yes () No ()

6. How can you rate the effects of institutional factors on product pricing and the growth of insurance institutions in Kenya?

Satisfactory () Neutral () Non-satisfactory ()

7. Please indicate your degree of agreement with each of the institutional factor that influence product pricing on the growth of insurance institutions in Kenya by using the following rating scale, 5= strongly Agree, 4= Agree, 3= Neutral, 2 =Disagree, 1= strongly disagree (To the table below, kindly tick where appropriate)

Institutional factor	5	4	3	2	1
An insurance brand which customers have good experience dealing with before					
Superior relationship management and customer service processes					
Prioritizing consumer preferences during sales promotion offers					
Utilizing a management information system to monitor customer activities					
Insurance firm sales promotional strategies to compete and stimulate sales					

Good pricing to achieve the company's financial goals					
Adapting to the dynamic and fast changing characteristics of insurance players					

8. Do macroeconomic factors influence product pricing?

Yes () No ()

9. How can you rate the effects of macroeconomic factors on product pricing and the growth of insurance institutions in Kenya?

Satisfactory () Neutral () Non-satisfactory ()

10. Please indicate your degree of agreement with each of the macroeconomic factor that influence product pricing on the growth of insurance institutions in Kenya by using the following rating scale, 5= strongly Agree, 4= Agree, 3= Neutral, 2 =Disagree, 1= strongly disagree (To the table below, kindly tick where appropriate)

Macroeconomic factor	5	4	3	2	1
Effect of the likelihood that new firms will enter the industry and bring competition					
Government controls such as licensing requirements					
Introducing new ways of marketing insurance products					
Operating strategically in the industry always be a step ahead					
With inflation, the value of insurance products diminishes					
Government regulations which interfere with normal industry practices					
The company providing affordable premiums					

11. Do product factors influence product pricing?

Yes () No ()

12. How can you rate the effects of product factors on product pricing and the growth of insurance institutions in Kenya?

Satisfactory () Neutral () Non-satisfactory ()

13. Please indicate your degree of agreement with each of the product factor that influence product pricing on the growth of insurance institutions in Kenya by using the following rating scale, 5= strongly Agree, 4= Agree, 3= Neutral, 2 =Disagree, 1= strongly disagree (To the table below, kindly tick where appropriate)

Product factor	5	4	3	2	1
Amount of money used in covering losses					
Quality of the insurance product					
The unexpected returns on the premiums invested and the timing of the benefits					
The consented discounts					
Financial reliability of an insurance service provider					
Trustfulness of insurer or his representative					
The ratio of insurance premiums and possible insurance coverage					
Existence of negative or positive opinion about an insurance service by others					
Insurance as a type of saving					

14. Is there any relationship between insurance products pricing and insurance institutions growth?

Yes ()

No ()

Thank you for your time and input!

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