The Retailing of Life Insurance in Nigeria: An Assessment of Consumers' Attitudes

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Abstract
There is considerable unexploited potential for life insurance in Nigeria, due to the lack of confidence, based on years of negative experiences in the sector. On the other hand, consciousness of Nigerians coupled with the non-existence of social security system is encouraging factors for life insurance growth. A structured questionnaire consisted of the Theory of Reasoned Action (TRA) construct was used and 240 respondents co-operated for this study. The findings show that lack of confidence in the insurance companies had the most negative effect on life insurance purchase. Ignoring risks and reliance on family for help in emergencies are the other main factors preventing purchase. Application of TRA revealed that intention is determined by normative factors rather than the attitudinal factors. The recommendation is that marketers should target marketing communication efforts at the significant others.

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Introduction

This paper addresses Nigerian consumers' behavioural intentions toward buying life insurance and the role of attitude and subjective norm in determining the behavioural intentions, within the context of the theory of reasoned action (TRA), developed by (Ajzen and Fishbein, 1980). Literature reviewed has shown that life insurance business has a high growth rate in Nigeria (Oluyemi, 1995; Omar and Owusu-Frimpong, 2006). On the other hand, relatively low penetration of the sector (CBN, 2004) indicates that there is still a considerable unexploited potential. The lack of social security system, increasing awareness and consciousness of Nigerians about the life insurance (Oluyemi, 1995), and the developments in the finance sector are the main triggers of the expected future purchases (Outreville, 1996). On the other hand, life insurance companies' having a bad reputation in terms of reliability (Oldenboom and Abratt, 2000), and the socio cultural characteristics of Nigerian society, such as being fatalistic and relying on family for help in emergencies, are the underlying reasons of negative attitudes towards buying life insurance.

An attitude is defined as 'a predisposition to respond' by many theorists. Widespread view is that attitudes are complex systems made up of three components. These are; cognitive component referring to the person's thoughts, affective component referring to person's feelings, and the conative component referring to the person's behavioural tendencies (Ajzen and Fishbein, 1980). By defining attitudes as predispositions to respond, Ajzen and Fishbein, expected attitudes to predict and explain human behaviour. The empirical studies measuring the attitude toward a specific behaviour are found to predict actual behaviour much better than the studies measuring the attitudes toward the target at which the behaviour is directed (Ajzen, 1991). The Nigerian market is among the top emerging markets with its high economic growth resulting in a substantial improvement in the standards of living and dynamism in the marketplace (CBN, 2004). However, very little research has been conducted and published on either the customer or the supply side of the Nigerian life insurance market. This study focuses on the customer side of the Nigerian life insurance market.

Research aims and Objectives

This paper aims to determine Nigerian consumers' attitudes towards buying life insurance and to understand their intention to purchase life insurance that may provide a useful framework in determining effective marketing communications strategies to reach the target market. The objectives are:- (a) to provide insight into the possible reasons of non-consumption of life insurance; (b) to determine the ways to encourage more Nigerian consumers to consider buying a life insurance and, (c) to identify the relative importance of attitude within the context of the theory of reasoned action (TRA). This paper is therefore, would provide answers to: (i) the nature of consumers' attitudes towards life insurance among non-users; and (ii) suggest reasons for not having a life insurance policy in a country where social security support system is very low.

Literature Review

There are three main types of life insurance policies in actuarial literature (Black and Skipper, 2000) including (a) whole life insurance - which provides a death benefit for lifetime; (b) term life insurance - that provide a death benefit for a limited number of years and, (c) endowment life insurance - which is a term life insurance with a saving component. In general terms, life insurance is a way of dealing with risk and a saving medium for consumers. It also plays important psychological and social roles. As Hofstede (1995) stated, 'the major function of life insurance is to protect against financial loss from loss of human life. Besides covering the risk of death, it also covers the risks of disability, critical illness, and superannuation'. Life insurance is therefore developed on the concept of human life value (Sayin, 2003).

Human life value approach focuses on the economic component of human life. Any event affecting an individual's earning capacity has an impact on the individual's human life value. This event may be premature death, incapacity, retirement or unemployment (Black and Skipper, 2000). The human life value concept provides the philosophical basis for the life insurance, which is a product designed to protect the individual against two distinct risks: premature death and superannuation (Browne and Kim, 1993). Thus, while death is not a risk, the time of death is. For most people, death at any age may be considered premature when one dies before adequate preparation has been made for future financial requirements of dependants. Life insurance thus becomes the mechanism for one to ensure a continuous stream of income to the beneficiaries (Black and Skipper, 2000). In this regard, life insurance may be regarded as a saving medium, financial investment, or a way of dealing with risks (Omar and Owusu-Frimpong, 2006).

Conceptual Framework

Purchase (behavioural) intention is a function of attitude toward the behaviour in question and the subjective norm. Attitude toward the behaviour is the degree to which the person has a favourable or unfavourable evaluation of the behaviour in question. Subjective norm is the influence of perceived social pressures in respect to performing or not performing the behaviour in question and the individual's motivation to comply with these pressures (Ajzen and Fishbein, 1980). TRA aims not only to understand the behavioural intentions but also to determine the relative importance of attitude and the subjective norm affecting the intentions, and why people hold these attitudes and subjective norms.

The TRA models decision processes where people have a high degree of volitional control and make reasoned choices among alternatives (Browne and Kim, 1993). Data were collected from people between the ages of 25 to 54 years (insurable age groups) residing in Abuja the federal capital, and subjected to analysis under the TRA model, to determine whether the theory could provide direction to marketing strategy. Fishbein and Ajzen (1975) developed and explicated TRA that is a development of (Fishbein's, 1967) theory of attitude and is variously known as the Fishbein-Ajzen behavioural intentions model, the 1-B model and the extended model.

Fishbein (1967) claims that an individual's intentions to perform a specific act, with respect to a given stimulus object, in a given situation, is a function of the following: (i) the individual's beliefs, B_i, about the consequences of performing a particular behaviour (in a given situation), that is, the probability that the behaviour will lead to some consequences y_i ; (ii) the individual's evaluations (a_i) of those beliefs (B_i), that is the person's evaluation of multiple consequences y_i ; (iii) normative belief (NB), that is, what the person believes others think he should do in this situation; and (iv) the individual's motivation to comply (MC) with what others think should be done.

In sum, the theory suggests that a person's behavioural intention is a product of attitude towards the act (i and ii above) and subjective norm (iii and iv). This formulation is modelled as follows:

$$B \sim B1 = \{A_{act}\} \, w_o + [(NB)(MC)] \, w_1 \qquad (i)$$

Where B = behaviour, BI = behavioural intention, and w_o and w_1 are empirically determined weights. Attitude towards an act (A_{act}) (i.e. attitudes towards the purchase of life insurance) is defined as:

$$A_{act} = \sum_{I=1}^{n} B_1 \, a_1 \qquad (ii)$$

where n is the number of relevant consequences of the action (behaviour); b_i is the strength of ith belief, and e_i is the evaluation of the consequence of ith belief (Fishbein and Ajzen, 1975). In order to determining a subjective norm (SN) from normative beliefs, SN is defined as in formula (iii) as follows;

$$SN \sim (\sum_{j=1}^{k} NB_j \, MC_j) \qquad (iii)$$

where k is the number of normative beliefs, NB_j is the strength of the jth normative belief, and MC_j is the motivation to comply as in Figure 1.

Figure 1: A schematic representation of TRA
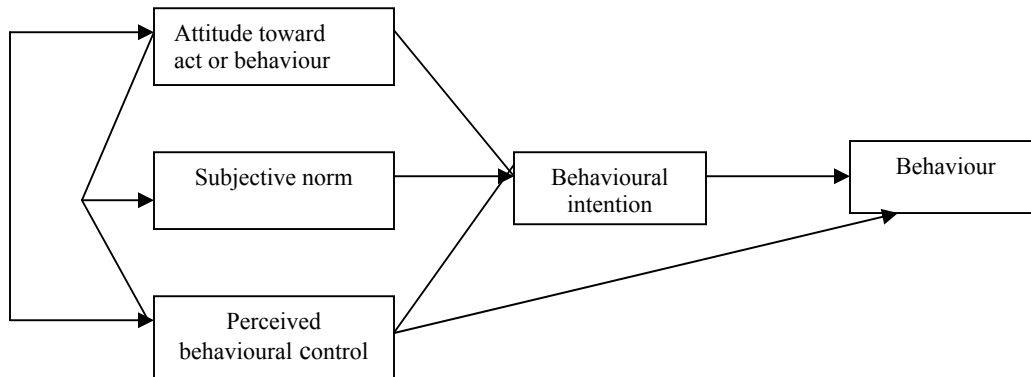
Source: Ajzen (1991), 'The theory of planned behaviour', Organisational Behaviour and Human Decision Process, 50 (2), 182.

Fishbein and Ajzen's (1975) model has strong predictive utility even when used to investigate situations and activities that do not fail within the boundary conditions originally specified for the model' (Ajzen, 1991). This theory (see Figure 1) is used as an investigative framework in this paper and specifically focused on the link between attitude and intention and that between intention and motivation (i.e., motives for buying life insurance).

Browne and Kim (1993) assert that the role of cross over effects in the TRA has researchers questioning the inclusion of subjective norms in attitudinal models, especially where subjective norms are not expected to be as critical as they would be in the case of conspicuous products or important social issues (Bobbitt and Dabholkar, 2001). These literature facts are noted but are only partially considered in the research design because it was believed that the major contribution of the theory of reasoned action is the specificity of attitudes and intentions to match behaviour.

Finally, drawing from the literature and theoretical review, research questions were constructed and classified into two groups including (i) reasons for not having a life insurance policy, the consideration of perceived alternatives to life insurance in terms of risk evasion; and (ii) questions relating to behavioural intention, attitudes towards life insurance, intention to buy life insurance in short term (within two years), and differences in attitudes towards life insurance among different demographic groups.

Research Design

The objective of this study was to understand the perceived triggers and barriers of buying a life insurance policy among the defined target population in Nigeria. The sample characteristics were determined to enable the use of salient beliefs and referents elicited. The population of interest was people aged 25-54 years; belonging to high and middle social classes (A, B, and C), and who do not currently have life insurance cover. The inclusion in the sample is dependent on the person having responsibility for at least one other person, that is, they should have at least one dependent. Sampling area was defined as Abuja because it is the Federal capital territory and Nigerians from all tribes and social class backgrounds are represented in the capital. Similarly, it has a heterogeneous structure.

A quota sampling method based on demographical variables of age, gender and socio-economic status was applied. The research instrument was based on data provided by the Nigerian National Association of Insurers as in Table 1. The minimum number of respondents per subgroup was 60 and considering the distribution of each demographic variable, a total sample of 240 was therefore determined. A structured questionnaire consisting of three distinctive but related sections was designed for this investigation. The first part consisted of demographic profile of the respondent, the second part consisted of open-ended questions probing into reasons for not having a life insurance and the third part covered the construct of TRA. At the same time, a multiple category close- ended question was used to ask the alternative ways of reacting to the risks (Godin and Kok ,1996).

Table 1: Socio-Economic Characteristics of Respondents

	Variable	No of Respondents	Percentage (%)
1	**Gender**		
	Male	128	53
	Female	112	47
	Total	240	100
2	**Age Group**		
	25 – 34	102	43
	35 – 44	78	32
	45 - 54	60	25
3	**Socio-economic status**		
	AB	62	26
	C1	72	30
	C2	106	44

Measurement

All variables of TRA model were operated using the guidelines suggested by (Ajzen; 1991). Thus, behavioural intention is defined as the purchase (action) of life insurance policy for self (context) within the next two years (time) was measured by a seven point Likert type scale with 'unlikely' and 'likely' as the anchor points. Three semantic differential scales 'bad – good'; 'foolish – wise'; and 'useless – useful' were used to measure attitudes to buying life insurance in keeping with Ajzen's recommendation. A seven point rating scale ranging from 'should not' to 'should' was used to measure the subjective norm directly, while both behavioural and normative beliefs were measured by a seven point rating scale with end labelled 'totally disagree' and 'totally agree'.

Further, respondents were asked to state their evaluations about each of the outcomes of buying life insurance policy on a 7-point rating scale with the ends labelled "very bad" and "very good". Similarly, the respondents were asked to indicate their motivation to comply with the views of each of the identified referents on a seven-point scale with the ends labelled "not at all" and "very much". Responses in respect to attitude and subjective norm variables were measured on seven-point bi-polar scales and scored –3 to +3 except for motivation to comply measures, which were scored 0 to 6 in keeping with recommendations from (Ajzen and Fishbein, 1980).

Analysis of Attitudinal Factors

Factor analysis was performed to group the consumers and predict their attitudes towards life insurance. This process helped identify the underlying factors leading to attitude formation. The evidence in Table 2 shows that when the Principal Component (PC) factors and Varimax rotation were conducted, three underlying factors were identified.

Table 2: Factor Analysis of Attitudinal Factors

Factors	Variable Components	Factor loading	Variance (%)	Cum variance (%)
Savings			26.142	26.142
	• Saving regularly for the future	0.908		
	• Making long term saving	0.907		
	• Not relying on state pension	0.778		
	• Saving regularly	0.616		
Investment			26.612	52.754
	• Making a reliable investment	0.942		
	• Hope to achieve high return	0.941		
	• Seen as tax free saving	0.775		
	• Opportunity to future cash	0.581		
Risks Protection			25.052	77.805
	• Provide same standard of living for dependents	0.910		
	• Provide security in case of death	0.902		
	• Prevent financial hardship in case of death	0.696		
	• Receiving lump sum money in case of critical illness	0.592		

The extracted factors as in Table 2 were defined by the variables which have high loadings on them, that is, those that are strongly correlated with the factor in question. The key factors were named as "Savings (26%)", "Investment (27%)", and "Risks prevention (25%)". The extracted three factors accounted for 78% of the variance within the data. The first factor named Savings, is composed of four variables, which have high loadings on its dimension. These variables are saving regularly for my child's future, making long term saving, relying less on state for pension and saving regularly.

The second factor is named Investment, based on the definition of its dimension. This factor composed of four variables, which have high loadings on its dimension including 'making a reliable investment (0.94)', 'achieving high return (0.94)', 'tax free saving (0.78)' and opportunity to cash (0.58)'. The third factor named 'Protection against risks', is also composed of four variables including maintaining the same standard of living for my dependents in case of my death, maintaining the same standard of living for the whole family in case of my disability, preventing the uneasiness caused by death and disability risks, and having lump sum money in case of critical illness.

Finally, multiple regression of direct attitude measure (A_{act}) with the extracted three factors, was used to determine the success of these factors and to establish the direct attitude (A_{act}), as well as to obtain the beta weight of each factor, which is the standardised measure of strength of each factor's association with the direct attitude (A_{act}). The relatively high measure of variance (R square = 0.52) indicates that the three factors have successfully explained the variance in direct attitude (A_{act}), and the significant F-statistics

of (F = 41.085 and F = 0.00) shows that the results could not have occurred by chance. The rank order of the beta weights indicates the importance of rank order of the factors in determining the attitude (A_{act}). By examining the beta weights, 'protection against risks' was found to be the most important factor (Beta = 0.50) among the three. 'Investment' was found to have a beta weight of 0.42, while 'savings' was ranked last with a beta weight of 0.29. Beta weight squares, that are the indicators of the relative importance of the factors, revealed that 'protection against risks' (Beta square = 0.25) is three times more important than 'savings' (Beta square = 0.08). Investment (Beta square = 0.18) was also found to be two times more important than the 'savings'. Regression analysis of direct attitude (A_{act}) with the extracted factors shows that protection against risks related variables have more important role in forming the attitude toward buying life insurance policy.

Relatively less influential reasons for not buying a life insurance is lack of knowledge about insurance products, with some respondents saying: "I already have the fund for emergencies that life insurance might cover". Some of the mentioned reasons for not having a life insurance and corresponding relative frequencies include: "I do not trust the insurance companies was 41 percent"; "I am not exposed to death / disability / critical illness risks in the near future was 28 percent"; "Many of my friends and relatives do not have life insurance was 18 percent"; "they do not give you enough information about the policy was nine percent"; "I don't need life insurance I have enough savings was four percent".

Conclusion and recommendations

The results of this research show that lack of trust and confidence in the insurance companies are the foremost reasons for not buying a life insurance policy in Nigeria. Relatively, less influential reasons for not buying a life insurance is lack of knowledge about insurance products. Thus, people who are more fearful of premature death are more likely to buy life insurance. Nearly one third of the respondents do not think they are exposed to the risks of death, disability, and critical illness in the near future. Almost 20 per cent of non-policy holders put forward the negative word-of-mouth as a reason for not having life insurance.

Almost 40 percent of the respondents do not have any protection against the financial loss that can result from death, disability or critical illness. The relative frequencies of alternative ways of dealing with risk revealed that the reliance on help from family and/or other relatives is higher than the self-retaining method of saving money. At least 36 percent of respondents will rely on relatives to meet their financial requirements while only 25% of those questioned have savings or are saving regularly for rainy days. Insurance services providers will, therefore, have to introduce proactive strategies that are primarily aimed at educating consumers and encouraging greater usage of life insurance. Marketing communication objectives should be based on creating awareness, inform of the benefits inherent in life insurance and to reinforce the purchasing decision. The expansion of this study by random sampling of potential consumers nationally will help to overcome the limitations in this study.

Limitations

Finally, given the results of this study, it is noteworthy that the study sample has a geographical limitation as the data used was collected only from Abuja. Also, the sample might be biased toward those who have dependents, who belong to high and middle social classes and who are aged between 25 and 54, compared to the insurable consumer population in Nigeria.

Acknowledgement

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