

**An investigation into survival strategies in a highly competitive short-term  
insurance industry in Zimbabwe (2009-2012)**

**SYLVIA NEMAURA**

**R107666T**

**A dissertation submitted, in partial fulfillment of the requirements for the  
degree of Master of Business Administration**

**GRADUATE SCHOOL OF MANAGEMENT**

**UNIVERSITY OF ZIMBABWE**

**SUPERVISOR: DR N KASEKE**

**MARCH 2013**

## **DECLARATION**

I, Sylvia Nemaura, do hereby declare that this dissertation is the result of my own investigation and research, except to the extent indicated in the Acknowledgements, References and by comments included in the body of the report, and that it has not been submitted in part or in full for any other degree to any university.

Date \_\_\_\_\_

Student signature

\_\_\_\_\_  
Name \_\_\_\_\_ Date \_\_\_\_\_

Supervisor's signature

## **DEDICATION**

I dedicate the research report to my wonderful aunt Sibongile Ngochi and dearest uncle Abraham Ngochi who have always believed in me.

## **ACKNOWLEDGEMENTS**

I would like to express my sincere gratitude to my dedicated supervisor Dr. N. Kaseke for guiding and directing me through the successful completion of this report. I thank the Almighty God for seeing me through.

I further express my gratitude to the following people; lecturers for the information their imparted, fellow students for their support and my colleagues at ZB Reinsurance Limited for their help and support during busy times.

## **ABSTRACT**

The Zimbabwean short term insurance sector had its good times, but with the passage of time competitors were attracted by the fortunes that appeared limitless. As a result pricing of insurance products was lowered, poorly designed products flocked the market, premium growth drastically declined, players struggled to pay claims and many players lost their market share among a cocktail of threats and challenges. The sector experienced decreasing profitability though in some instances the gross written premiums figures were increasing.

The study investigates the survival strategies that were implemented by insurance companies from 2009-2012. Evidence from the literature that was reviewed indicated that there are various strategies that companies can implement in order to survive these include strategic alliances, turnaround and retrenchment strategies, re-engineering and competitive strategies. The survey research design was used in the research. The population of the study included all short-term insurance companies in Harare and fifty questionnaires were sent to short-term insurance companies. The respondents who were targeted were mainly senior managers and chief underwriters who are aware of operational and strategic issues affecting companies. Random sampling was used by the researcher to ensure that each element of the population had an equal chance of being selected.

Survey findings revealed that the following strategies were implemented, reinventing the business function, price undercutting, incentives to agents, aggressive marketing and promotion of products, selling of additional products and services, disposal of non-performing assets, alliances with business partners, prioritizing core business, changing of distribution channels, use of reinsurance contracts and reduction of costs. Companies that failed to implement these survival strategies lost their operating licenses and market share. Therefore, the research concludes that the strategies were effective and it is recommended that short –term insurance companies apply these survival strategies.

## TABLE OF CONTENTS

<b>DECLARATION .....</b>	<b>ii</b>
<b>DEDICATION .....</b>	<b>iii</b>
<b>ACKNOWLEDGEMENTS .....</b>	<b>iv</b>
<b>ABSTRACT .....</b>	<b>v</b>
<b>LIST OF TABLES .....</b>	<b>ix</b>
<b>LIST OF FIGURES.....</b>	<b>x</b>
<b>LIST OF ABBREVIATIONS USED .....</b>	<b>xii</b>
<b>CHAPTER ONE: INTRODUCTION.....</b>	<b>1</b>
1.0 Introduction.....	1
1.1 Background of the study.....	1
1.2 Statement of the Problem .....	14
1.3 Research Objectives.....	14
1.4 Research Questions .....	15
1.5 Research Proposition .....	15
1.6 Significance of Study .....	15
1.7 Scope of Research.....	16
1.8 Assumptions.....	17
1.9 Organization of the Study.....	17
1.10 Chapter Summary .....	17
<b>CHAPTER TWO: LITERATURE REVIEW .....</b>	<b>18</b>
2.0 Introduction.....	18
2.1 Definition of terms .....	18
2.2 Origins of Insurance .....	19
2.3 Principles of Insurance .....	20
2.4 Overview of insurance policies.....	21
2.5 Short- term insurance policies.....	22
2.6 Benefits and challenges in short- term insurance .....	29
2.7 Survival strategies .....	32
2.8 Conditions under which survival strategies can be implemented .....	40
2.9 Benefits of survival strategies/ effectiveness of survival strategies.....	42
2.10 Business performance in short -term insurance.....	43
2.11 Measurement of business performance in short- term insurance .....	44

2.12 Survival strategies and business performance.....	45
2.13 Chapter summary.....	48
<b>CHAPTER THREE: RESEARCH METHODOLOGY .....</b>	<b>49</b>
3.0 Introduction.....	49
3.1 Research Design.....	49
3.1.1 Research Philosophy.....	49
3.1.2 Research Approach .....	50
3.1.3 Research Strategy .....	50
3.2.1Population.....	50
3.2.2 Sampling techniques .....	51
3.2.3 Sample Size.....	53
3.2.4 Data Collection .....	53
3.2.5 Data analysis techniques .....	55
3.2.6 Validity and Reliability .....	55
3.2.7 Chapter summary.....	56
<b>CHAPTER FOUR: RESULTS AND DISCUSSION.....</b>	<b>57</b>
4.0 Results and discussion.....	57
4.1 Introduction.....	57
4.2 Response Rate .....	57
4.3 Demographics.....	58
4.4 Challenges faced by Zimbabwean short term insurance companies prompting for survival strategies .....	60
4.5 Survival Strategies Implemented by Zimbabwean short- term insurance companies .....	69
4.5.6 Distribution channels used by short term insurance companies in Zimbabwe	76
4.7 Effectiveness of survival strategies Implemented .....	78
4.9 Alliances forged by short term insurance companies in Zimbabwe .....	88
4.10 Industry practices by short term insurance market players in Zimbabwe .....	93
4.11 Impact of survival strategies on performance of short term insurance players..	98
4.12 Chapter Summary.....	101
<b>CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS .....</b>	<b>103</b>
5.0 Introduction.....	103
5.1 Conclusion.....	103
5.2 Validation of the research proposition.....	104
5.3 Recommendations .....	104

5.4 Areas of further research .....	107
<b>REFERENCES.....</b>	<b>108</b>
<b>APPENDICES.....</b>	<b>112</b>

## LIST OF TABLES

<b>Table 1.1: Cash and cash equivalents held by short- term insurance companies .....</b>	2
<b>Table 1.2: Premium rates charged by insurers for private motor.....</b>	6
<b>Table 1.3: Market share trends of short-term Insurance companies....</b>	13
<b>Table 4.1: Years of work experience .....</b>	60
<b>Table 4.2: Strategies- Reorganizing/ Reinventing the business function.....</b>	69
<b>Table 4.3: Incentives for agents.....</b>	71
<b>Table 4.4: Aggressive marketing and promotion .....</b>	72
<b>Table 4.5: Strategies- Selling additional products .....</b>	74
<b>Table 4.6: Strategies- Changing distribution channels .....</b>	76
<b>Table 4.7: Merging .....</b>	Error! Bookmark not defined.
<b>Table 4.8: Preventing bankruptcy.....</b>	78
<b>Table 4.9: Remained ahead of competition .....</b>	79
<b>Table: 4.10: Falling profitability .....</b>	Error! Bookmark not defined.
<b>Table 4.11: Strategic repositioning .....</b>	82
<b>Table 4.12: Overcame internal constraints</b>	Error! Bookmark not defined.
<b>Table 4.13: Extent to which survival strategies were needed.....</b>	86
<b>Table 4.14: Alliance with supermarkets ....</b>	Error! Bookmark not defined.
<b>Table 4.15: Alliance with banks .....</b>	Error! Bookmark not defined.
<b>Table 4.16: Rampant undercutting of rates .....</b>	93
<b>Table 4.17: Governing board .....</b>	95
<b>Table 4.18: Industry image improvement .....</b>	95
<b>Table 4.19: Survival strategies required after change of environment</b>	Error! Bookmark not defined.
<b>Table 4.20: Return on investment as an indicator of performance</b>	Error! Bookmark not defined.

## LIST OF FIGURES

<b>Figure 1.1: Porter's five forces model.....</b>	9
<b>Figure 2.1: Transformational change.....</b>	37
<b>Figure 2.2: The industry life cycle.....</b>	41
<b>Figure 4.1: Gender of respondents .....</b>	58
<b>Figure 4.2: Age of respondents.....</b>	59
<b>Figure 4.3: Level of education of respondents .....</b>	59
<b>Figure 4.4: Position of respondents in organization .....</b>	60
<b>Figure 4.5: Stringent capital requirements .....</b>	61
<b>Figure 4.6: Lack of working capital .....</b>	62
<b>Figure 4.7: Loss of market share .....</b>	63
<b>Figure 4.8: Management failure .....</b>	64
<b>Figure 4.9: Huge claims .....</b>	65
<b>Figure 4.10: Shrinking profit margins .....</b>	66
<b>Figure 4.11: Competition.....</b>	66
<b>Figure 4.12: Declining demand of insurance products .....</b>	67
<b>Figure 4.13: Poor performing classes of business.....</b>	68
<b>Figure 4.14: Price undercutting .....</b>	70
<b>Figure 4.15: Use of reinsurance contracts .....</b>	71
<b>Figure 4.16: Revenue enhancement.....</b>	73
<b>Figure 4.17: Disposing of non- performing assets .....</b>	75
<b>Figure 4.18: Prioritizing core business.....</b>	77
<b>Figure 4.19: Relevance in a market.....</b>	80
<b>Figure 4.20: Reversing causes of distress .....</b>	81
<b>Figure 4.21: Increasing return on investments .....</b>	82
<b>Figure 4.22: Regained stakeholder support .....</b>	83
<b>Figure 4.23: Curbing unfavorable industry practices.....</b>	84
<b>Figure 4.24: Improving service delivery .....</b>	85
<b>Figure 4.25: Effectiveness of strategies implemented .....</b>	87
<b>Figure 4.26: Results of Implemented strategies .....</b>	88

<b>Figure 4.27: Use of bancassurance .....</b>	89
<b>Figure 4.28: Alliance with service stations.....</b>	90
<b>Figure 4.29: Worksite marketing .....</b>	90
<b>Figure 4.30: Instant sms facility .....</b>	91
<b>Figure 4.31: Alliance with brokers.....</b>	92
<b>Figure 4.32: Securing business after undercutting rates.....</b>	93
<b>Figure 4.33: Price undercutting best method of surviving .....</b>	94
<b>Figure 4.34: Timing of survival strategies .....</b>	96
<b>Figure 4.35: Benefit of survival strategies.....</b>	97
<b>Figure 4.36: Market share as indicator of performance .....</b>	99
<b>Figure 4.37: Cash flow as an indicator of performance .....</b>	99

## **LIST OF ABBREVIATIONS USED**

<b>AIO -</b>	African Insurance Organisation
<b>BPR -</b>	Business Process Engineering
<b>ICZ-</b>	Insurance Council of Zimbabwe
<b>IPEC-</b>	Insurance Pensions and Commission
<b>TIMB-</b>	Tobacco Insurance Marketing Board
<b>ZARO-</b>	Zimbabwe Association of Reinsurers

## **CHAPTER ONE: INTRODUCTION**

### **1.0 Introduction**

This dissertation investigates the survival strategies that were implemented by short term insurance companies in Zimbabwe. Short term insurance companies have been battling with liquidity challenges, non performing classes of business, recapitalization challenges, limited investment options and the inability to attract foreign investment among other numerous challenges.

This chapter presents the background, research problem and justification of the research study. In highlighting the research problem under study, this chapter specifies the rationale underpinning the research. It clarifies the specific objectives of the enquiry and also presents the structure of the whole study.

### **1.1 Background of the study**

#### **1.1.1 Background to the macro- environment - PESTLE ANALYSIS**

PESTLE refers to all political, economic, social, technological, legal and environmental factors that affect shape and affect an industry.

##### **Social factors**

There were layoffs done in some companies, where a significant number of employees took retrenchment packages.

##### **Economic factors**

The economic meltdown in Zimbabwe led to people flocking to South Africa in search of better employment prospects. This created a skills gap negatively affecting business processes. A challenging business environment led to problems in terms of business acquisition. There is general fear in the industry that if one probes for more information when acquiring business this is construed as lack of interest and the business is quickly given to alternative insurance companies (ICZ, 2012).

## **Business Spread**

The motor and fire classes of business constitute more than half of the premium underwritten by the whole industry (IPEC, 2012). It has become apparent that while motor and fire are the fighting competition points for the industry, there is need to consider developments in other classes which may meaningfully contribute to balancing out the skewed picture. There is a rise in demand for Bankers Blanket Bond policies boosting the miscellaneous accident class (IPEC, 2012). The demise of the industrial sector continues to render the Engineering class latent, as liquidity challenges nullify efforts to recapitalize and resuscitate manufacturing efforts to full operational levels. Insurance policy periods have been reduced from the normal annual duration, to monthly or termly (four months) policies in order to assist the insured with cash flow management. However, problems have been encountered where claims arise and premiums are outstanding from the insured (IPEC, 2012).

## **Cash amounts and cash equivalents held by short-term insurance companies**

The table below shows, the cash held by noted insurance companies as at 30 June 2012 according IPEC figures. It should be noted that insurance companies write millions of dollars in terms of premium, for property worth billions of dollars. In the event of big losses occurring surely Insurance companies will struggle to pay the claims (IPEC, 2012).

**Table 1.1: Cash and cash equivalents held by short- term insurance companies**

<b>Insurance Company</b>	<b>Cash and cash equivalents</b>
Alliance	\$ 651,000.00
Nicoz	\$ 770,000.00
Altfin	\$ 125,000.00
CBZ	\$ 1,636,000.00
Cell	\$ 2,398,000.00
Zimnat	\$ 1,101,000.00
RM	\$ 4,895,000.00

**Source:** IPEC, (2012)

The cash equivalents held by players are of great concern, as insurance companies are in business to pay claims. To shed more light below are the highlights of some major losses that have rocked the industry this year alone:

Mimosa mine- fire erupted in an underground mining shaft causing extensive damage to the conveyance system on 21 May 2012. Estimated loss was set at \$1, 7 million.

Ok Zimbabwe- an OK warehouse in Graniteside was extensively damaged by fire in June 2012. Estimated total loss for the building and contents was set at \$2, 8 million.

Northern Alliance Tobacco- an active tobacco season rendered a \$2, 5 million dollar loss to Northern Alliance Tobacco, where various farmers were affected by hail and other allied perils in different farming districts.

Cotzim- cotton seed belonging to Cotzim was damaged at the insured's depot in Karoi on the 8<sup>th</sup> of September 2012. A reserve of \$2 million was advised for the claim.

ZETDC – a transformer tripped and exploded at Insukamini (Matabeleland) in September 2012. The gross value of that risk is \$6 million dollars.

Cloud Nyakonda- the largest single tobacco claim was presented by Mr. Cloudy Nyakonda of Gorejena Farm in Marondera for which the market reserved \$863,000.00 towards that claim.

Claims are the single largest expense for any insurance company, and they determine the profitability of an entity. With the cash balances that insurance companies are holding, the picture becomes clear that all is not rosy in the business arena.

### **Legal factors**

All short term insurance companies complied with the current minimums except for SFG insurance which recorded negative capital. Proposed minimum capital requirements are yet to be confirmed through a statutory instrument but are provisionally as follows;

1. Insurance companies \$2 million.
2. Reinsurance companies \$3 million.
3. (Re) Insurance brokers \$500,000.00.

Some insurance companies ignored correct procedures as they tried to secure business ahead of competition. For instance where insurance players rightfully know that they are supposed to assess insured property to enable them to price risks, and the players go on to insure such properties without full knowledge of the factors that constitute a risk.

### **Farming Insurance**

The experience on farming business has been adverse, particularly in respect of the tobacco crop. The profitability of any business entity depends on how claims are managed (Forum, 2012). As a result, market appetite has diminished for this class of business though reinsurer's efforts to correct pricing, statistics, risk management and claims management are underway. The following are some of the challenges faced in the insurance of tobacco (Zimbabwe Association of Reinsurers, 2012)

Premium collection is arduous to the insurance companies. Where there are no losses, the insured farmers find it unbearable to pay premium through the stop order system. The Stop Order system does not work efficiently. Tobacco Industry and Marketing Board (TIMB) can wake up one day deciding to suspend insurers from the system resulting in failure to collect premiums while carrying risk (ICZ, 2011). Rates being levied are too thin and not commensurate with the exposures being undertaken by insurance companies.

The image of the tobacco insurance industry has been battered partly due to insurance schemes in which insurers get involved in the distribution of inputs which is not their core business; hence difficulties are encountered in distributing inputs. There is inadequate farm supervision by insurers at all stages of the plant development, curing processing and sales. Insurance companies often have taken to insuring the crop in the comfort of their offices, placing blind faith in insured clients (IPEC, 2012)

Pre-agreed yield per hectare prices are used as a basis of indemnity of which these prices are usually different from the actual obtained at the fields and Auction floors. Hence it negatively incentivizes farmers to insure, have losses and profiteer from insurance rather than avoid losses and sell at the floors. Insurance companies do not verify actual hectarage planted by farmers as well as plant population per hectare, but rely on the farmer's word and insure blindly (ZARO, 2012)

According to ICZ, (2012) loss reporting takes too long such that assessments become difficult to carry out. Half the time insurers do not acquire the information regarding hail strikes for weeks if not months. To make matters worse when they get advised some insurers do not know how to proceed and they advise farmers that payments will be sorted after sales floors have opened. The correct procedure would be to assess the crop and advice the farmer regarding salvaging the plant while monitoring the disposal of the hail damaged tobacco. (ZARO, 2012)

According to ZARO (2012) cost savings that is operational cost which could not have been incurred like harvesting; curing, grading, baling, and transportation costs are sometimes not deducted from claims on hailstorm losses. This is very common and farmers are capitalizing on the insurer's ignorance. While premiums are collected at the end of the selling season, insurers sometimes get pressure to pay claims in advance for example where a farmer wishes to replant following a loss. Although premium is immediately deducted from such claims the net position is always a payout by the insurers. In most cases insurers pay such claims and do not follow up or monitor the replanted crop yet they have clear interest on the replants.

### **Adverse Experience on Motor Insurance**

Motor insurance is one of the major sources of income for the insurance business. However, the motor class of business is plagued by many challenges as the frequency of claims is very high in the class as well as the severity considering that there are many high-value vehicles on the road (ICZ, 2011). The Insurance commission implores insurers that they stop undercutting rates and move to

charging economic rates in order to build sufficient pools of premium which enable insurance companies to meet claims as they fall due (IPEC, 2012.)

The table below illustrates the rates charged for comprehensive private motor insurance by different market players.

**Table 1.2: Premium rates charged by insurers for private motor**

<b>Insurance Company</b>	<b>Premium rate charged</b>
Nicoz Diamond	3% of sum insured
Zimnat Lion	3% of sum insured
Cell	4% of sum insured
Alliance	3,5% of sum insured
RM	3% of sum insured
Altfin	3% of sum insured
Tristar	3% of sum insured

**Source:** Researchers own compilation

It is interesting to note that insurance rates are regulated by the Insurance Council of Zimbabwe, with the minimum stipulated rate at 5% according to the current rating schedule. Motor business has been a challenge particularly for the pre-owned vehicles popularly known as “grey” imports which tend to be easily written off due to non availability of spare parts locally. Because the premium rates charged are low, insurers will not have built up adequate funds to cover the total loss, hence many insurers have burnt their fingers in this class of business, realizing significant losses (ICZ, 2012).

Fraud and price fixing by repairers have also negatively affected the profitability of the motor insurance class of business. Upon visiting a garage with an accident damaged vehicle an individual is almost always asked if they are settling the bill from own coffers or if an insurance company is involved. According to ICZ (2012) when an insurance company is involved the costs are always higher as there is no room for negotiation. Issues of fraud have been on the increase, as individuals continually misrepresent the concept of insurance in an attempt to benefit. Many cases of suspected fraudulent claims have been noted. Without much evidence however, insurance companies have no option but to settle reported claims (ICZ, 2012).

## **Fire and allied perils class**

The fire class has not spared the insurance market; the short catastrophe loss cycle leaves no room for insurance companies to recover significantly as evidenced by the spate of fires that have been occurring. Risk management has generally been poor coupled with liquidity challenges in the economy (IPEC, 2011). The frequent load shedding that is not timed has led to electrical short circuits, leading to massive insurance fire losses. The fire brigade has not helped the loss experience as they are notorious for arriving at loss scenes with no water or with non-functioning firefighting equipment. This on its own worsens the loss experience (ICZ, 2012)

Fire drills are rarely conducted in insured buildings save for in international mining concerns. Maintenance of buildings is not very adequate hence also the risk of fire outbreaks is very high. Many buildings have been condemned in Harare by the City Council but surprisingly there are tenants in these commercial buildings, and business is conducted from these buildings on a daily basis (Zimbabwe Association of Reinsurers, 2012).

## **Engineering Risks**

Most of the equipment in many industries is obsolete and this has posed serious challenges when the machinery breaks down, as replacement becomes a difficult option considering that some of the machines are decades old and are not being manufactured anymore. Most of the machinery is not being inspected and overhauled in accordance with manufacturers' prescription and government statutory regulations. Most boilers are not being maintained and operated in accordance with the required procedures and in terms of the Factories Act (Zimbabwe Association of Reinsurers, 2012).

## **Bonds and associated financial guarantees**

Traditionally, the bonds business is the preserve of the banks; insurance companies have severely burnt their fingers in this because the quality of counter guarantees submitted by insurance clients has been very poor. In some instances no collateral is lodged by the insured client. The bond business is supposed to be a no loss business as the insurance company should have a fallback position in

the form of collateral. Hence the quality of underwriting by some insurance company's has been very bad (ICZ, 2012). The Insurance and Pensions Commission noted with concern the poor underwriting standards in the credit guarantees business, wherein insurance companies are not registering any bonds in respect of the assets from the policy holders. Losses resulting from these guarantees have threatened the survival of some insurance companies (IPEC, 2012)

### **Premium Collection Challenges**

The insurance industry has been traditionally dominated by powerful brokers who tend to dictate terms favourable to them. According to ZARO (2012) premium collections and remittance has been one of the contentious areas .This has been compounded by; low working capitalization of insurance brokers after inception of the multi-currency regime, the low working capitalization has in some instances resulted in the usage of premium rolling practices by brokers to cover operating expenditure. Brokers are also notorious for declaring that premiums have not been paid, when in actual fact they will have been paid (IPEC, 2012).

#### **1.1.2 Insurance sector in Zimbabwe**

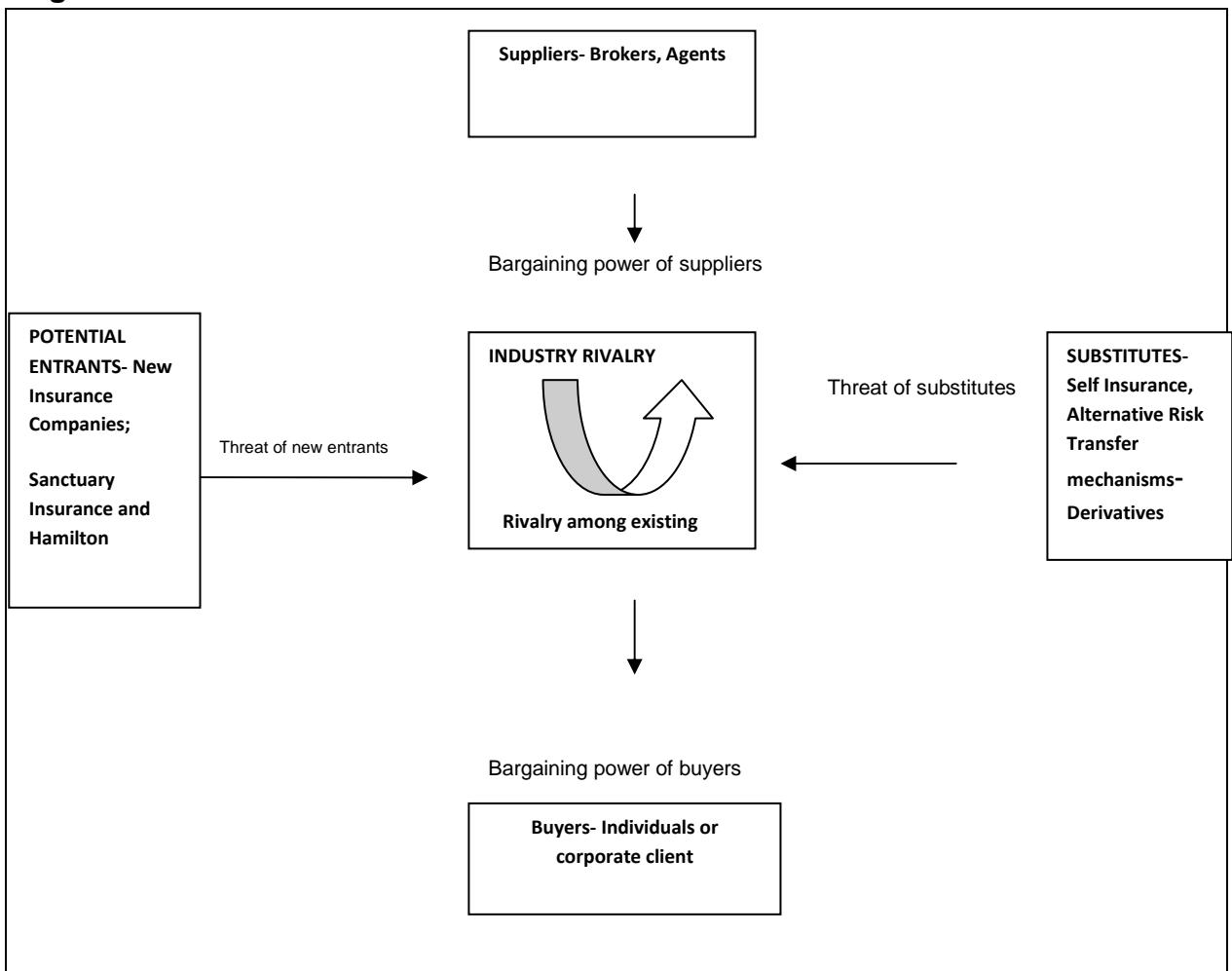
According to (IPEC, 2012) the Zimbabwean insurance market is well developed with twenty five insurance companies transacting short-term business and nine transacting life business. The market is also served by over twenty insurance brokers with some international broking houses such as Aon and Marsh. The long- term and short-term industries are both represented on the Zimbabwe Stock Exchange by players in the sectors.

Players in the life assurance industry are Altfin, Evolution, Fidelity, First Mutual Life, IGI, Old Mutual, CBZ Life, ZB Life, and Zimnat. The major players in the short- term insurance industry are Nicoz Diamond, Cell, Alliance, RM, Zimnat Lion, Altfin, Tristar, Heritage, CBZ and Eagle (Nduna, 2009).

### 1.1.2.1 Industry Analysis

(Porter, 1980) states that it is important to analyze an organization's industry structure. Porter's model is premised on the belief that corporate strategy should meet the opportunities and threats in the organization's external environment. Competitive strategy should be influenced by an understanding of industry structures and the way they change. He identifies five competitive forces that shape every industry and every market.

**Figure 1-1: Porter's five forces model**



Source: Porter (1980)

### Rivalry

Competition among industry players is very intense as the players fight for the dwindling market. Competition manifests itself in terms of price, products and underwriting criteria. Rivalry in the industry is very intense as there are lots of small or equally sized competitors. The degree of product differentiation is very

low as the product is standardized. Corporate and individual consumers who buy insurance can easily move from one insurer to the other because there are no switching costs. Insurance players in the industry pursue aggressive growth strategies so as to gain market share thus rivalry is very intense. The barriers to leaving the industry are very high, considering that insurance arrangements are long-term. In the event that a company wants to wind up operations the law of liquidation would require that policyholders are protected as some might still be on cover.

### **Threat of new market entrants**

It is easy for new entrants to come on board as the capital required is only \$300,000.00 though new requirements have been tabled which are yet to be implemented. The year 2011 saw the regulator issuing new licenses' to Sanctuary and Hamilton Insurance companies in an already crowded market .Because of the fact that there are no switching costs this makes the insurance industry attractive to new entrants. The customers in the industry are not loyal to service providers, should they have claim or service related problems they easily move to the next insurance company.

### **Threat of substitutes**

The willingness of insurance buyers to substitute products is very low as the products on offer are very similar. The cost of switching to other insurance companies is very low as one will receive a refund premium for the remaining days on a policy. The relative price and performance of substitute insurance products is broadly similar and as such this force is very weak. When we look at insurance as a risk management mechanism, the insured's have a choice of whether to take out insurance or practice self-insurance. The majority of companies are self insured; in the event that they suffer a loss they replace from their own coffers or pluck out funds from created managed self- insurance funds.

## **Bargaining power of customers**

Brokers and agents have a stronghold on insurance companies necessitated by high levels of competition on the market. It is easy for brokers to persuade their clients to move insurance portfolios without any warning. The multi-currency era restored the importance of the customer in the purchasing decision. The multi-currency era moved the market from quantity consciousness to price and quality consciousness of service offerings. For the insurance companies delays in claims settlement are often followed by withdrawal of lines of business from their portfolios. A case in point was when Standards Association of Zimbabwe (SAZ) fired Aon their insurance broker, after the broker failed to remit premiums to the insurer and a loss later on occurred (Zim eye, 2012). Consumers remain the most important factor in the transaction of insurance business.

## **Bargaining power of Suppliers**

There are twenty five insurance companies with a few dominant insurance brokers, such as Aon, Pan African Re, Eureka, Glenrand MIB, Marsh and Alexander Forbes. These brokers are very powerful and as a result most of the business comes from these brokers. Brokers at times negotiate for lower than stipulated premium rates on behalf of their clients. Because there is not much business to go round brokers often dictate the pace and insurance companies are left at their mercy. It is easy for the brokers to find other insurance companies that they can give business to; hence this force is indeed strong in the insurance industry.

Insurance brokers do not carry any insurance risk; they also get commissions for the business that they will have ceded to insurance companies, thus the quality of business written is not their concern. The commissions charged are expressed as percentages of the gross premiums and set by the Insurance Council of Zimbabwe and are as follows; Fire 12%, Engineering 12% and Motor 10%, (ICZ, 2012). Insurance brokers receive a lot of attention on the market; such that some insurance companies have gone on to flout basic ethical principles in a bid to acquire business. In order to influence brokers to place business, insurance companies engage in various interesting marketing tactics such as the following:

- Celebrating magic moments in the lives of brokers such as birthdays, weddings and occasions of childbirth, and also recognizing tragic moments such as loss of loved ones,
- Taking brokers to holiday resort areas for weekend excursions to places such as Kariba, Hwange, Mozambique and Victoria falls,
- Purchase of expensive Christmas gifts and anytime gifts.

Some of the tactics are arguably overkill, as some gifts are meant to ensure that the broker continues to flood a particular insurer with business. Insurance business is arguably about relationships. Though insurance brokers would like to deal with insurance companies that they have strong relationships with, it is not clear whether it is appropriate to further oil the relationship with gifts which can be easily construed as bribery.

### **1.1.3 Short- term Insurance Sector in Zimbabwe.**

The short term insurance industry has too many players, whereas business is very low as evidenced by the low technical rates - insurance premium rates, density and penetration (Nduna, 2009). The capital floor is also low resulting in a proliferation of many insurance companies.

The stabilization benefits in the multi-currency era, seem to have eluded the insurance sector as currently too many players are chasing a very small cake. The economy's potential to create insurable risk remains hazy as the following factors are militating against that potential; low capacity utilization, low rates of liquidity and capital accumulation (ZARO, 2012). Insurance is mainly about capacity, and for an entity to underwrite meaningful risks that make business sense, an entity would require deep pockets to enable them to pay claims. Insurers mainly compete on two dimensions that is price and service quality, but in the Zimbabwean market there is hardly any product variation, with all insurers offering the same basic no frills product (IPEC, 2011)

The effects of the liquidity crisis are still being felt and the business remains unattractive and such a context gives rise to unfair and destructive competition in the insurance market, marked among others by a disastrous underrating of risks. The settlement of most of the premiums not in cash, but on credit (IPEC, 2012).

This has resulted in exorbitant premium arrears; hence the poor services provided by the insurers concerned to policyholders. This obviously tarnishes their reputation and that of the entire profession. Insurance companies are not charity organizations but they are in business to make money. In this hard-pressed lean market how then are they coping for them to obtain the relevant lines of business that make economic sense? The insurance products on offer have been modeled around the formal sector, and yet the formal sector has shrunk drastically, so really how is the insurance sector thriving?

### **Market share trends**

The illustration below shows the market shares held by short-term insurance companies from 2009 to 2012.

**Table 1.3: Market share trends of short-term Insurance companies**

	2009	2010	2011	2012
<b>Cell</b>	<b>15.45%</b>	<b>10.10%</b>	<b>9.60%</b>	<b>10.10%</b>
<b>Nicoz</b>	<b>14.94%</b>	<b>13.90%</b>	<b>13.40%</b>	<b>13.90%</b>
<b>Zimnat</b>	<b>14.17%</b>	<b>9.70%</b>	<b>8.10%</b>	<b>9.70%</b>
<b>Tristar</b>	<b>10.71%</b>	<b>8.70%</b>	<b>5.20%</b>	<b>8.70%</b>
<b>RM</b>	<b>8.79%</b>	<b>9.40%</b>	<b>10.30%</b>	<b>9.40%</b>
<b>Altfin</b>	<b>6.43%</b>	<b>7.40%</b>	<b>7.00%</b>	<b>7.40%</b>
<b>Global</b>	<b>5.60%</b>	<b>3.20%</b>		<b>3.2%</b>
<b>Alliance</b>	<b>6.43%</b>	<b>11.30%</b>	<b>12.60%</b>	<b>11.30%</b>
<b>Heritage</b>	<b>4.17%</b>	<b>3.60%</b>	<b>4.60%</b>	<b>3.60%</b>
<b>Excellence</b>	<b>3.27%</b>			<b>7.40%</b>
<b>CBZ</b>		<b>3.50%</b>	<b>3.70%</b>	<b>3.50%</b>
<b>Others</b>	<b>12.00%</b>	<b>19.20%</b>	<b>20.30%</b>	<b>19.20%</b>

**Source (IPEC, 2012)**

In order to evaluate performance the Insurance and Pensions Commission measures performance of insurance companies based on market shares on a quarterly basis. The table above shows the market shares held by various insurance industry players, from the year 2009 to 2012. It can be observed that no insurance company has managed to post an ever increasing share of the market. “Others” at the bottom of the table refers to other insurance players who hold a

very small share of the market. This is the balance of fourteen players to add up to the twenty five.

## **1.2 Statement of the Problem**

There have been closures in the market as well as distressed companies. The fact that some companies have fallen by the wayside suggests the failure of these companies to implement survival tactics. Market share for insurance companies has been declining for major players whilst for some companies this has been improving slightly. Some insurers have been reporting losses on their portfolios as well as declining profitability levels, though the figure of gross written premium is always on the increase. The slight improvement in written business could be as a result of implementation of different survival strategies by various industry players. The questions to be asked are that: Did some players survive after implementing survival strategies? What forms of survival strategies were implemented? How effective are these survival strategies? Therefore, this research wants to investigate the survival strategies implemented by the short term insurance companies in the highly competitive environment.

## **1.3 Research Objectives**

In dealing with the above stated problem, the study seeks to achieve the following objectives;

1. To determine challenges faced by short-term insurance companies which call for survival strategies.
2. To identify the different survival strategies instituted by short- term insurance industry players in Zimbabwe.
3. To evaluate the effectiveness of the survival strategies implemented by short- term insurance industry players.
4. To determine the impact of the survival strategies on the performance of the short- term insurance industry.
5. To draw some strategic recommendations on survival strategies by firms.

## **1.4 Research Questions**

In an effort to investigate the survival strategies implemented by insurance companies, the researcher tries to address those mind boggling questions which are detailed hereunder;

- 1.** What are the challenges that were faced by short -term insurance companies that called for the implementation of survival strategies?
- 2.** What survival strategies were implemented by short -term insurance industry players in Zimbabwe?
- 3.** What are the strengths and weaknesses of the survival strategies that were implemented by the short- term insurance industry players?
- 4.** What was the impact of the strategies implemented on the performance of the industry?
- 5.** What recommendations are to be made following the findings of the research?

## **1.5 Research Proposition**

The study proposes that the survival strategies implemented by short term insurance companies, for the period 2009 to 2012 were effective and necessary.

## **1.6 Significance of Study**

The significance of the study is that it will benefit the consumers, decision makers, regulators and the researcher in various ways .When authors talk about survival it is usually merely about resolving failure but it is important to note that survival strategies can be pursued to enhance performance in thriving insurance companies.

In view of the above mentioned, this research is not limited to distressed insurance companies. A good performer may also be required to sanitize for survival of its business process or reposition for further challenges in the market or to certain global developments.

**a) To the Insurance Industry**

The study will benefit strategy makers as well as strategy implementers in short-term insurance firms to come up with sound strategies that have stood the test of time, as well as exposing some of the long- term impacts of some strategies.

**b) To the Consumers**

The research seeks to benefit the consumers, through enlightening them on the effects of all forms of competition on the overall performance of the industry particularly on the impact of future service offerings.

**c) To the regulating body**

The research seeks to be a valuable weapon that will aid the insurance regulating body to effectively regulate the operations of the insurance industry which will improve industry performance.

**d) To the university**

The research will benefit the university as it will add reference material to the library for use by other students and researchers. The research will also serve the purpose of arousing deep thinking and genuine interest on the subject matter for further future research.

**1.7 Scope of Research**

The research attempts to study survival strategies as they are applied in enhancing the performance of insurance companies in a competitive environment. The research focuses on local short - term insurance companies and was conducted in Harare. The research was conducted for the period 2009- 2012. This enabled the researcher to study the trends for about three years.

## **1.8 Assumptions**

The following assumptions are made in this study;

- The sample size used will be representative of the short-term insurance industry.
- Respondents to questionnaires will respond positively that is in good faith and to the best of their abilities.
- All respondents will adequately comprehend questions detailed on the questionnaires.

## **1.9 Organization of the Study**

The second chapter reviews relevant literature and concludes with an analytical framework for the study. Chapter three outlines the research methodology, philosophies and approaches that will be used in gathering research data. Chapter four presents research findings, analysis and discussion of findings. Chapter five provides the conclusions and recommendations for the short -term insurance industry players as well as other relevant stakeholders.

## **1.10 Chapter Summary**

This chapter has set the tone for the study. It has pointed out the state of the short- term insurance industry as well as its importance. The insurance industry is highly competitive although the suppressed economy has not been pleasant to the industry. The experiences under these conditions have shown that insurers have an opportunity rethink their strategies of doing business and ensuring utilization of scarce resources for greater economic benefits. The study will look at survival strategies which have been found to be effective in the insurance industry.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.0 Introduction**

This chapter reviews literature relevant to the survival strategies. In this section, the researcher presents the definition of survival strategies, identifies types of survival strategies as well as, measures of business performance in insurance. This chapter also outlines business performance indicators in insurance as well as the impact of survival strategies on business performance.

### **2.1 Definition of terms**

**Insurance-** Obasi (2010) describes insurance as a contract between the buyer of insurance and the insurance company which sells the policy. He further elaborates that by entering into this agreement, the insurance company accepts to pay the policyholder a preconceived amount of money in the event of occurrence of a loss. The insured in return pays a premium.

**Short -term Insurance-** The phrase short- term insurance sector refers to the period of insurance which is usually twelve months (Aon, 2009).

**Strategy-** Thompson and Strickland (1996) define strategy as “management’s game plan for strengthening the organizations position. Ansoff, (1965) views strategy as a group of rules and principles to be considered in future decisions for a company. Porter (1980) considers strategy as a combination of opportunities and risks within an operating environment and capacities of a company to exploit them. Porter’s definition is more encompassing as it considers that the essence of strategy is the relationship between a company and its environment. Peters (1984) focuses on survival and states that for any organization to survive and be successful, it requires solid managerial culture, in which it bases its strategic performances. Mintzberg (1976) presented five definitions of strategy as plan, averages, perspective, position, and pattern commonly referred to as the five P’s.

**Risk** - Risk is the variation of the actual outcome from the expected outcome (Valsamakis, 2005). Uncertainty may be brought about as a result of the occurrence of an event that results in a loss. The standard deviation is considered to be an adequate measure of risk (Valsamakis, 2005). Risk can also be explained as a reason of randomness that may have an undesirable impact (Culp, 2001).

**Survival**- According to Mabel (2006) survival can be defined as the state of continuing to exist in spite of difficult or challenging times ahead.

**Survival Strategies**-In different and demanding economic conditions, companies may see the need to reorganize their business operations in order to survive or grow. When companies survive they coin implemented strategies that enable continuity of their companies as going concerns (Prasad, 2006). Survival is an essential business tool and in a very competitive business environment survival becomes crucial.

## 2.2 Origins of Insurance

### Worldwide History

According to Swiss Re (2009) the origins of insurance can be traced to Babylonia, where traders were encouraged to carry risks of caravan trade through loans that were to be repaid, after the goods had arrived safely. Insurance has its origins in the marine trade. There is evidence that more than 3000 years ago a system of offering loans on marine ventures was developed by the Babylonians. In the event that the vessel was lost the loan would not have to be repaid. Ancient Greeks made use of a similar system and the concept was widely used by ancient trading nations in and around the Mediterranean (Swiss Re, 2009).

The earliest known marine policy to have survived was issued in 1347 for the voyage of the “Santa Clara” from Genoa to Majorca. The terms were unusual by today’s standards in terms of the premium which was described as a loan to the insurer and was not repayable should the vessel arrive safely but was repayable for twice the amount should the cargo be lost ([www.insurance.za.org](http://www.insurance.za.org)). The earliest insurers were merchants underwriting risks on behalf of others. As towns

grew in Europe, merchants protected their members from losses caused by fire, shipwreck, ransom from captivity by pirates and provided decent burial and support in the event of sickness and poverty. In modern insurance terms, effectively the merchant would be the insured and the loaner the insurer (Bogardus & Moore, 2007).

Insurance in the modern times occurred after the Great Fire in London in 1666 that destroyed many properties. Nicholas Barbon, subsequently set up the first fire insurance company in England which was called the Fire Office in 1680. In London, Lloyd's Coffee House (1688) was a place where merchants, ship-owners and underwriters got together to transact insurance business.

### **2.3 Principles of Insurance**

The principal goal of insurance is to transfer resources, from low marginal utility of income states to those where the marginal utility of income is extremely high (Brainard, 2008). The theories of insurance can best be explained by the principles of insurance.

Olifinnika (2010) points out the following as being the foundations upon which the doctrine of insurance is built on utmost good faith, insurable Interest, indemnity, contribution, subrogation, loss minimization, and proximate cause.

- a) Insurable interest is the financial interest that the insured party has in the object insured (Gephat, 2009). This means that for one to insure they should demonstrate that they will be disadvantaged should a loss occur.
- b) Uberima Fidei means utmost good faith, parties to an insurance contract must disclose fully all facts that may materially affect the risk (Gephat, 2009). This would mean that the insured has to disclose all facts that can increase or decrease the risk. Material facts influence companies to accept risks (Swiss Re, 2009)
- c) Indemnity means that after a loss has occurred an insurer should place the insured in the exact financial position they enjoyed before the loss. Indemnity is made in the following ways, cash payment, repair, replacement or reinstatement (Gephat, 2009). Insured's are not supposed

to profit from insurance and they also should not be made worse off after a loss has occurred.

- d) In a situation where two or more insurance companies are covering a similar event, should a loss occur, the insurance companies must contribute towards the claim in proportion (Baker, 2008). Thus an insured cannot lodge claims from the two separate insurers, otherwise that would violate the principle of indemnity outlined above.
- e) Contribution and Subrogation are corollaries of indemnity, Olifinnika (2010). The two principles work in such a way that indemnity does not fail (Baker, 2008). Subrogation entails that the insurer steps into the shoes of the insured after having paid off the claim. It mainly works in motor insurance where the insurer claims their settled amount from the guilty party.
- f) Proximate cause means the actual cause of a loss. The insurance company only pays for perils that are covered by the policy (Baker, 2008). A company could also pay for losses that are not ordinarily covered under an insurance policy (Swiss Re, 2009). These are referred to as exgratia payments, meaning they are paid out of grace. Insurance companies might want to maintain good relationships with clients hence they would pay for the claims.

## 2.4 Overview of insurance policies

Insurance is a way of meeting the consequences of a risk. Traditionally, it has been defined as the business of changing risks through the existence of a contract. Insurance provides a mechanism for the transfer of risk at a cost to the insured (Valsamakis, 2005). Insurance basically is the pooling of funds from many policyholders so as to pay for potential losses that can happen to a few policyholders (Cummins, 2007). Insurance companies can run into big problems if they fail to pool the funds (Swiss Re, 2009)

Insurance companies also in turn insure the risks they accept in a process termed re- insurance (Swiss Re, 2009) .This process ensures that the risk is further spread amongst many carriers. In the insurance industry, underwriting is the

process used by an insurance company to determine whom to insure and the adequate premium to charge which will be commensurate with the risk.

Insurance companies should collect more premiums than the amount that they pay out in claims (Boone and Kurtz, 2006). This enables the insurance companies to make money from the invested premiums. Modeling is usually done by actuaries on the insurance risks to predict likelihood and severity of losses; hence actuaries come up with adequate rates that should be applied on sums insured. Insurance premium rates should thus be actuarially determined.

According to Valsamakis (2005) it is difficult to determine whether a risk is insurable or not. Pure risks can be insured. Damage to property, injury and liability claims resulting from accidental events are examples of pure risks that can be insured.

## **2.5 Short- term insurance policies**

Cummins (2007), states that short-term insurance products lapse after a year. These policies go by various names in different countries short-term policies are also known as property and casualty, general insurances or non life products. According to Swiss Re (2009) below are the common classes of short-term insurance policies:

- Assets all risks insurance policy covers all assets owned, hired or leased by the insured excluding motor vehicles as declared by the insured. Business property is covered against perils such as fire, explosion, lightning, earthquakes, storms, flooding, and landslides.
- Loss of profits insurance policy covers loss of revenue following a fire on property insured as above. This policy aids to place the business in the same position it was before the loss, in terms of forgone turnover or income.
- Loss of rent protects the insured against the loss of rental income following a fire that would have damaged rented property.

- Machinery breakdown insurance policy protects the insured against all risks of machinery breakdown for commissioned machinery.
- Machinery loss of profits policy covers the insured against loss of profits following breakdown of machinery that is insured.
- Mine rescue insurance policy covers the insured for costs incurred in rescuing trapped underground workers and operating equipment.
- Environmental pollution legal liability policy covers environmental cleanup costs as well as legal defense costs which can be incurred by the insured. That is for companies that may carry fuel or hazardous substances.
- Motor insurance policy covers theft, damage to the insured car, death and bodily injury to third parties and many other incidents, depending on the type of cover selected by the insured client on the car. Thus they are different policies that are available.
- Professional Indemnity policy protects the insured against claims for professional negligence by various specified professional staff. Experiments would not be covered, and professionals should be acting within their scope of duty.
- Crop insurance policy covers crops on a field to floor basis. Basic coverage would be against perils such as fire, lightening, hailstorms and diseases.
- Plantation re-establishment cost insurance policy covers costs of re-establishing damaged forests usually from fire damages.

- Public liability policy covers a business in the event that it is held responsible for injuries, death to a third party or damage to a third party's property.
- Personal accident policy covers the insured against death, bodily injury, temporary total disablement, permanent disability as well as medical expenses for specified categories of people.
- Directors and officers liability insurance protects senior officers in an organization against professional negligence claims raised by stockholders arising in their capacity as directors and officers of an organization.
- Electronic equipment policy covers the insured against accidental loss or damage to computers and licensed software.
- Contractors all risks insurance protects against all risks of damage to contract works including plant and materials and public liabilities.
- Money insurance policy protects the insured in the event of loss of or damage to cash.
- Marine insurance policy covers the hull, imports and exports to and from worldwide destinations on all risks basis.
- Home owners' policy covers a house or building for its replacement or rebuilding value.
- Home contents insurance covers contents inside the house and limited cover outside building.
- Fidelity guarantee policy protects a business against losses suffered due to fraud or dishonest acts by employees of the insured.

Swiss Re (2009), states that basic coverage's provided for policies may be similar, though insurance companies go on to vary extensions of cover. These additional covers would bring out the differences in products offered by various insurance companies.

## **2.6 Channels of distributing short- term insurance policies**

According to Deloitte (2010) distribution is one of the key levers to growth in insurance business and is a major cost driver. Harrison (2002) states that if one does not get the distribution channel right, they will also fail to come up with an appropriate remuneration and incentive structure, as well as failing to select the appropriate individuals to sell relevant products. Distribution plays a large role in an insurance company's operations (Deloitte, 2010). Insurance firms typically use a wide range of channels to reach consumers, including agents, mobile phones-instant messaging, brokers, direct phone and Internet sales, banks, worksite and employer based programmes (Deloitte , 2010).

Reegan and Tennyson (1998) note that a new trend had developed in the distribution of insurance where multiple channels are being used by insurance companies as well as increased specialization within different channels. The driving forces for these changes have been attributed to technology and competition (Reegan & Tennyson, 1998). According to (Skipper, 1998) short -term insurance is mainly transacted by professional agents the world over. Independent agents and agents tied to a specific insurance company account for most of the premium incomes (Skipper, 1998).

Tied agents are taking various forms including the following association's building societies, supermarkets, post offices, service stations (GIRO, 2000).The associations would be used as outlets where individuals or companies access insurance products as they also enjoy the compliments of other non - related services. The advantages would be that clients will not be specifically targeting insurance products when they visit these outlets.

According to Regan and Tennyson ( 1998) , a wide variety of distribution methods are used in the industry, insurance distribution systems vary from the use of a professional employee's sales force, to contracting with independent sales

representatives, to direct response methods such as mail and telephone solicitation. Dunn and Hoyt (2002) concur that insurance companies use a combination of the channels which can be in the form of the internet, company based, banks and agents. The internet is the most common and is expected to outpace other traditional channels as it is cheaper and provides greater efficiency. The authors critically point out that one channel cannot be prescribed to all insurers as needs and resources differ among insurance companies.

Lakshmikutty and Baskar (2006) also agree with the fact that brokers and agents are the most common channels with the internet still lagging behind. The internet methods chiefly include, call centers, direct mail and telemarketing. Dunn and Hoyt (2002) stress that insurance is sold and not bought hence internet purchases are usually initiated by the client hence the delayed acceptance of the channel over other traditional methods.

According to Lakshmikutty and Baskar (2006), the Indian market has not had much progress because of challenges with bandwidth and poor infrastructure. Also the African insurance market has experienced problems with adapting to the internet due to poor and dilapidated infrastructure. According to Delloite (2010) market segmentation and a clear understanding of diversified customer needs influence the use of any particular distribution channel.

GIRO (2010) states that America has been taking a lead in terms of selling insurance on the internet suggesting a new business model, three types of websites were identified as selling points namely shop fronts, product aggregators and portals. The shop fronts are mainly websites for individual insurance companies. Product aggregators act more or less like brokers where they compare products of different insurance companies in terms of cost and quality. The portals encompass information from different websites. According to GIRO (2010) a combination of the three different websites can be found in real life. The new distribution channels reduce insurance premiums, as the channels will be more efficient leading to fewer expenses that will be passed onto the customers.

According to News direct (2010) worksite marketing is the distribution of financial products at the workplace, paid for by employees, though facilitated and endorsed by the employer, it also known as voluntary payroll deduction. Delloite (2010)

states that worksite marketing is a complex multi-stage process that is not currently prevalent in developing countries. Marketing of these products are jointly facilitated through the employee's respective employer at no obligation and no cost to the employer.

Brokers are independent businesses who may sell the products of more than one insurer. Brokers have no formal contractual relationship with insurance firms and hence represent the insurance purchaser as a client (Laureen & Sharon, 1998). This means that a broker cannot commit an insurer to provide insurance without the insurer's specific approval of the policy. Independent sales agents can bind the insurer to offer a policy.

According to Laureen and Sharon (1998) agents are intermediaries who represent the insurance company these can be tied or multi- tied. The tied agents acts on behalf of the insurer and will be under an exclusive agreement to refer business to one insurer whilst the multi- tied agent acts on behalf of various insurers. GIRO (2010) states that insurers also sell business through the internet, mobile phones, TV and other unknown emerging channels.

The provision of insurance products by banks is known as bancassurance (Elkington, 1993). The bank or lending institution may act as an insurance agent or insurance broker, (CEA, 2010). Bancassurance was introduced in Europe during the late 1980's (Harrison 2002). Bancassurance has more to do with the insurance subject than the mere distribution of the product as was shown by the authors who came up with the various forms of models.

According to Kumar (2001) banc assurance includes the provision of insurance and banking services from the same source. Nigh and Saunders (2003- 2004) highlighted that there is no standard model for bancassurance as there is a wide diversity of strategies available. The strategies are distribution agreement, joint venture and full integration. In the distribution agreement a bank acts as an agent for the insurer, under the joint venture the bank partner's one or more insurer's .Under the full integration model a new subsidiary of the bank is formed. Kumar (2001) also came up with three models under similar names, namely a separate sales force, hand in glove and fully integrated which resonate with the three models noted above.

## **Distribution Agreement**

Banks sell insurances for a single specific insurance company or for various companies, the bank does not modify the insurance service thus the agreement is very simple and can be easily reversed (Nigh and Saunders, 2003- 2004). The bank maintains its brand and so does the insurance company. This results in the banks clients not easily associating with the brand for the insurance company. Davies (2007) states that this model enables diversification of earnings only but does not lead to operational synergies which are a key success factor for competitive advantage. Considering that the agreement can be easily terminated the bank has no motive to maximize on sales and creating value.

## **Joint Venture**

This model utilizes the individual skills of both the parties to the agreement which are the insurance company and the bank. The joint venture involves mainly large institutions who have vast experience in their core business and this model is more of a long term agreement. Staikourous (2006), states that this model is more pronounced in the southern parts of Europe.

## **Full Integration**

This model entails bringing together the bank and insurance company such that there is change in the ownership structure and the parties involved will be dependent upon each other for success (Nigh and Saunders, 2003- 2004).

According to Staikouras (2006) the choice of the model used can be primarily influenced by regulatory implications and economic constraints. Banking and insurance practices are affected by different regulatory requirements. According to CEA (2010) the market share for brokers and agents has declined in many markets as insurers move to bancassurance and internet related technologies.

According to Lakshmikutty and Baskar (2006) the lines of business that can be sold through bancassurance are term insurance, motor and the home-combined policies and individual personal accident. These policies are the simple straightforward policies with very low sums insured. This leads to the main disadvantage of the channel that is the channel is product specific. There are advantages to be realized under the bancassurance arrangement by the bank, the

client and the insurance company. The bank benefits as it operates more like a one stop shop which will reinforce its own customers trust in the bank as banks are traditionally known as a prodigy of trust, (Hoosen, 2006). For the insurance company the channel will remove overreliance on other direct traditional methods such as brokers and agents. For the client they will have access to financial services under one roof and it becomes less hectic to split bill payments.

According to Deloitte (2010) insurance companies should be cautious about bancassurance as insurance companies will not have control on the sales staff as they are bank employees ,and also transacting insurance is not a bank's core business hence the banks may not prioritize insurance sales. Deloitte (2010) also states that no ground work is necessary in identifying the customers as they are already present hence that would be an advantage to the insurance company. Hoosen (2006) states that the critical success factors for bancassurance include nature of customer habits, efficient banking and insurance information technology factors and regulation pertaining to the banking laws.

## **2.6 Benefits and challenges in short- term insurance**

Insurance is an accelerator of economic growth, an economic shock absorber that involves development and protection of a nation's asset. Insurance has significant positive effects and externalities that surpass the basic financial uses, (Supervision, 2011). Insurance thus provides the following benefits, peace of mind, asset protection, physical protection, income protection and lifestyle protection.

**Peace of mind-** this is the comfort in knowing there is a certain degree of protection from unforeseen risks. For businesses they can carry on with their core business with the assurance that they are fully protected against potential financial losses, (Culp, 2001).

**Assets protection-** various types of insurance policies protect assets such as homes, cars, boats. In the event of loss the insurance company reserves the right to replace, repair or refurbish, (Swiss Re, 2009).

**Physical protection-** Culp (2001) states that some insurance policies protect the human body that is should an insured person be injured, disabled or harmed, they will be compensated for damages incurred.

**Income protection-** some policies are structured to replace lost income in the event that a loss prevents the generation of income, (Aon, 2009).

**Lifestyle protection-** Insurance mainly restores one to the financial position they would be enjoying before a loss, as explained by the concept of indemnity (Gephart, 2009). Hence when one is indemnified their lifestyle is protected.

### **Challenges and risks in insurance**

AIO, (2010) states that the African continent is plagued by the following ills, poverty, dilapidated and old infrastructure, massive rural populations, high illiteracy levels, low operating capital, low capacity for retention and acceptance of foreign insurance risks. AIO, (2010) also states that Africa is affected by low insurance penetration figures and cites India as one of the countries affected. For the period (2009-2010) the Indian market contributed 1.04% to the global reinsurance market. In order to remedy this Indian regulators increased consumer's education on insurance. Regulation was also cited as a major area of concern in African markets. Insurance companies struggle to meet regulatory requirements such as onerous capital requirements.

According to AIO, (2010) The National Insurance Commission of Nigeria in order to address the regulation challenge, re-engineered work operations, acquired efficient information technologies and reassessed its organizational structure to improve effectiveness. Some of the problems experienced on the African market are self- inflicted which has led to severe image problems for insurance business. According to Swiss Re, (2009) some of the self inflicted risks are price undercutting, delayed- non- settlement of claims, a soft market and forced pressure selling of products. It is important to tailor make products that are suitable to client needs. All clients needs vary and can never be the same, hence players on the market are often affected by declining market shares.

Low capital adequacy limits result in insurance companies having high reinsurance ratios hence the exceedingly high demand of reinsurance on the

African continent (AIO, 2010). According to AIO, 2010 Africa is also affected by lack of skilled competent employees, as insurance personnel move to developed economies in search of better prospects. In addition African economies were said to be weak with the majority of the populations having low disposable incomes and standards of living. However, AIO (2010) also states that global pressures which have nothing to do with Africa's problems also add to the list of problems.

Market conduct problems have been cited in the South African insurance market. Insurance companies use premiums to cover misfortunes of a few, the bulk of the money is invested in an array of investments which go towards assisting the government and the whole country .The marketing material and policy wording are also said to be often misleading to the public, ( Deloitte, 2010).

According to Hart (2006), insurance companies should write good business and invest the premiums to cater for losses. When years are good however, potential new entrants find the industry very attractive, such that they undercut rates, leading to decreased levels of profitability. Hart (2006) cites some of the challenges in the insurance business as follows, unforeseen huge claims, incompetent management, fraud, lack of capital, poor performance of investments, bad cost control, sluggish growth of economy, high cost of capital, shrinking customer and profit levels, increasing competition and changing consumer needs. These challenges affect the performance of a company in terms of declining profitability, falling market share and static or zero growth of revenue.

The South African market according to Scott (2011) is loaded with a number of short falls. The following were cited as the short falls a dilapidated value chain, lack of skills development, limited cross industry co-operation, tension between small and large companies, underinsurance, shrinking balance sheets, increasing expenses, flight of experienced staff, shareholder pressure and limited success of micro- insurance products. In a survey carried out by KPMG (2012) on insurance professionals, slow growth of the industry, complex regulations as a result of the financial crisis as well as pricing pressures forced them to relook at their business models in a challenging business environment.

According to the Economist (2011) in Namibia some of the challenges facing the insurance sector include lack of well developed distribution mechanisms, lack of

product knowledge by the insuring public, poor or delayed settlement of claims by insurance companies, mistrust of the public towards insurance companies, use of unregistered agents and brokers, lack of expertise in the short- term insurance industry, climate change which creates uncertainty in the industry, unfair competition and premium leakages as premiums leave the country through fronting of premiums to other countries.

According to Steeham and Renouf ( 2008) many consumers are either misinformed in their dealings with insurers, regarding price, obligations and claims, many more have misconceptions about insurance or are ill-informed about the subject of insurance, which is a great challenge. Competition has resulted in significant increase of retailer marketing and high pressure selling or misleading conduct by insurance personnel. Perception is reality and consumers' perception of the insurance service needs to be effectively managed.

## **2.7 Survival strategies**

Ab (2009) states that in situations where the trading environment is more competitive and uncertain, business decisions become challenging, and business leaders may be forced to change their business models in order to survive. According to Mabel (2006) mergers, take- over's, re- engineering and corporate turnaround issues take center stage when a company has to survive. Competition forces companies to adapt to the environment in order to increase their market share or obtain profits. Competitive strategies are also implemented by companies. Some of the business methods that have surfaced include business process re-engineering, transformational change, innovation and adaptive strategies (Ab, 2009).

### **2.7.1 Corporate turnaround strategy**

Corporate-turn around occurs when management of a company undertakes to restore an ailing corporate business portfolio, or to improve on the already performing portfolio or repositioning and redefinition of the business focus for future market changes (Mabel, 2006). According to Olamide (2006) the first task is to diagnose the underlying reasons for poor corporate performance, and indicators will mainly be large losses in some units such as poor and non-

performing portfolios, unattractive and improper existing products, and ineffective services systems, declining profitability, weak management, corrupt practices, overexpansion inadequate capital, unforeseen demand shifts inadequate financial controls, and ineffective supervision by regulatory authorities. These factors combined with an unfriendly operative environment result in corporate decline.

Drucker (1999) states that different business units should be analyzed individually. In analyzing the activities or products of a business, the Boston Consulting Group Growth – Share Business Portfolio Matrix may be used. The model categorizes units or products as stars, question marks, cash cows and dogs. Stars are high growth units with high market share. Organizations should invest in them for future returns. Question marks hold a low share of a growing market. Significant cash is required to maintain market share. Cash cows are dominant products in a mature market and produce excess cash that can be invested in stars and question marks. Dogs are low market share products in low growth markets, cash flow is usually low or negative and it is encouraged to divest or reallocate funds to a star or question mark.

Thompson and Strickland (1996) state that retrenchment and turnaround strategies remedy corporate decline. Retrenchment involves strategic thrusts such as reducing internal economies, reducing number of new employees, reducing size of staff compliment, halting capital intensive projects, abandoning unprofitable products and internal reorganization of the business function. Retrenchment also involves restructuring activities in the work place, down scoping where a company divests or closure of non-core business operations. However, this may result in reduced financial obligations and lead to greater organizational performance. Turnaround initiatives involve replacing key persons, developing multiple revenue streams, cost cutting strategies and asset reduction by way of selling company assets.

Although the human element is important in the insurance industry the authors do not go on to show the impact of a reduced staff compliment. Insurance is about relationships (Swiss Re, 2008). When employees are retrenched, clients might not be able to adapt well to different individuals, hence downsizing employees though it may reduce labour costs it may result in reduced company performance. When

staff is laid off exit packages have to be paid to those leaving employment such that a firm without excess funds would find it difficult to pay exit packages. Insurance products are contractual in nature; hence it may not be very easy to abandon unprofitable products, in short- term the policies expire in twelve months, with the exception of liability claims that can be long tailed. A company would have to wait until all policies have lapsed in order to move out of a product line. Internal reorganization of the business function involves changing the work flow processes (Carter, 2005). This would call for investing in changes which may be costly to the firm.

### **2.7.2 Business re-engineering**

Briel (2001) states that business process re-engineering touches five segments namely strategy, process, organization, technology and culture. Davenport (1993) used the term process innovation to unpack the process which encompasses the envisioning of different work tactics and the implementation of change throughout an organization. Hammer and Chappy (2003) defined reengineering as the fundamental reconsideration and radical redesign of organizational processes in order to attain drastic performance. Reengineering therefore looks at the method of doing business, encompassing redesigning, redefining and rethinking the core processes that make up a business. The authors argue that most of the work being done by companies does not add value for customers and should be removed.

Stalwart (1993) states that critics of BPR process are swift to point out that reengineering dehumanizes the work place, increases managerial control and justifies downsizing of the workforce. However, the process fails in circumstances where short cuts are done, were there is absence of communication within the organization and where there are inadequate funds to change the process. The process also fails were there are new products as it mainly works on improvements. According to Davenport (1993) all stakeholders must be able of define their requirements and take responsibility for making the project a success. Various authors concur that for the BPR process to be a success it must have the full support of top management. People are very important, Hammer and Chappy (2003) emphasize this fact when they state that companies are not mere asset

portfolios, but groupings of individuals who come together to invent, sell and provide services. CSC, (1994) index notes that some of the obstacles to BPR include fear among employees that their jobs are endangered; to deal with these issue managers should constantly communicate their expectations and plans so that employees don't feel threatened (Hammer and Chappy, 2003).

The insurance industry is grappling with issues such as automating processes improving risk assessments and decision making. These areas have been the source of declining profitability and reduced business performance .In India insurance companies have developed world- class solutions that involve data administration, risk assessments and decision – support abilities.

The following benefits are delivered to insurance companies through the BPR process, increased efficiency, profitability, reduced transaction costs and improved decision support. According to Cochrane (2006) insurance involves a lot of statistics data hence it is important to have systems that aid in organizing, structuring and integrating data.

### **2.7.3 Business Mergers and Acquisitions**

Mergers occur when two firms agree to fuse their operations together, mainly motivated by the fact that when they combine their resources they attain a stronger competitive advantage. With acquisitions one firm purchases another with the intention of making the purchased firm a subsidiary. Brealey (2001) states that mergers and acquisitions are terms that are often confused, though primarily they relate to various corporate combinations or takeovers.

Whitehurst, (2003) states that mergers can take the following forms horizontal, vertical and conglomerate. Horizontal refers to acquisition of a firm in the same industry as the buyer, these mergers are peculiar to the oil industry were the firms involved are former rival competitors. Vertical acquisition relate to companies at different steps of the production process. Conglomerate acquisition is when the buyer and target firm are not in the same line of business.

Acquisitions are done under great uncertainty, considering that perceived benefits of acquisitions may be influenced by strategic fits which are difficult to define. Evaluating the value of an acquisition gives room for error as much of the

value is embedded in intangibles which are difficult to quantify. Acquisitions are often manipulated as tools of control used by shareholders to get rid of existing management. Acquisitions are often riddled by complex legal and accounting issues. Mergers are usually motivated by the need to attain economies of scale, an avenue for surplus funds though there are other arguments such as diversification which do not usually work out as intended.

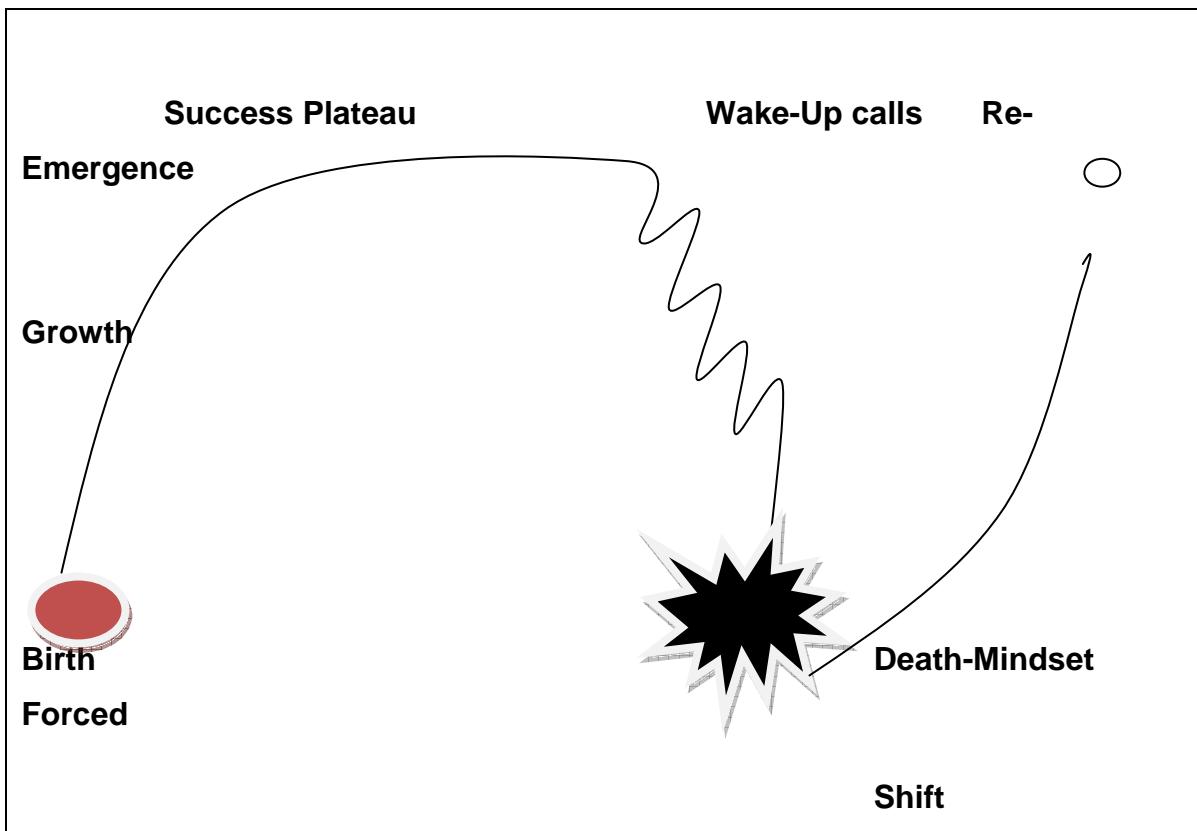
#### **2.7.4 Business Takeovers**

Takeover refers to the transfer of control of a company from some shareholders to other shareholders. This occurs in any of the following three forms; acquisitions, proxy contents and going – private transactions (Whitehurst, 2003).

Proxy contests occur when shareholders try to gain controlling seats on the board of directors by them to vote in new directors, proxies are thus sought out by a group of unhappy shareholders. A takeover by acquisition occurs through purchase of assets, tender offer or mergers were a bidder purchases the common stock of a firm that enables them to vote. With going private concerns, all of the equity shares of a company are bought by a group of investors which can comprise of management and outside investors.

#### **2.7.5 Transformational Change**

According to Scully (2008) transformational change is a philosophy comprising of a wide variety of change activities that an organization embarks on. Transformational change is necessitated by the need to survive, considering that organizations go through a number of stages as highlighted in the figure 2-1;



**Figure 2-1: Transformational change**

Source: Leonard (2005)

Organisations go through phases, similar to living organisms, they emerge from formations, grow and some die. According to Scully (2008) transformational change is evolutional, involving changes to operating systems, strategy, organizational change and processes. This strategy is continuous and must have senior management buy in with adequate knowledge and vision together with the input of an independent facilitator. According to Stone (2010), the methodology for its implementation is hinged on 5 pillars:

1. Creating a vision of the transformed entity,
2. Sharing ownership of the vision amongst various stakeholders,
3. Empowering all stakeholders,
4. Ensuring that all systems, structures and work processes support the vision, and
5. Concentrating on where the organization requires to be in the future.

According to Daszko and Sheinberg (2005) it is only managers with unique knowledge that can lead a transformation; these managers may develop new

revenue enhancement projects that will create a new form of organization which continuously changes. Clearly, explaining the reasons for change and sharing the vision can help alleviate resistance to change. Top management must be prepared to involve employees in all stages of the transition.

### **2.7.6 Competitive Strategies**

In order to survive companies can also implement competitive strategies. Competitive strategy refers to how a company competes. Competitive strategy involves how a company can gain a competitive advantage through a distinctive way of competing. A company's strategy for competing contains offensive and defensive actions, with actions being tailored to the markets prevailing conditions (Thompson & Strickland, 1999).

There are various competitive strategic options, however (Thompson & Strickland, 1999) argue that similarities in the strategies can be identified when one considers a company's target market and the type of competitive advantage the company will be trying to achieve. Michael Porter says competitive strategy is about being different, deliberately opting to perform activities differently from competitors. According to Michael Porter there are five categories of competitive strategy approaches;

1. Low cost leadership strategy- the strategy involves the firm offering the lowest prices, which appeal to a broad range of customers (Porter, 1980).
2. Broad differentiation strategy- the strategy offers clients products that are different from those offered by competitors (Porter, 1980).
3. Best- cost provider strategy- the strategy offers clients value by including exceptional product features at a reduced price than competitors (Porter, 1980).
4. Focused strategy concentrating on lower cost- the strategy involves dealing with a small segment of customers at a lower cost than competitors (Porter, 1980).
5. Market niche strategy concentrating on differentiation- the strategy involves focusing on a small group of buyers through offering products that appeal to customers' preferences (Porter, 1980).

It is important to note that not all the strategies may be a realistic option, the resources and the environmental conditions affect the ability of a firm to select its strategy. According to Porter (1985) the strategies require different skills and resources.

### **2.7.7 Cash flow underwriting**

Feldbum (1988) states that cash flow underwriting is a tactic that is used by insurance companies to generate funds in the short term that will be diverted towards other revenue- based initiatives. The sole premise of this technique is to raise revenue whilst writing policies at a loss, a drive that may lead to the compromise of operational activities (AON, 2010). In order to achieve high growth targets some insurance companies encourage agents or brokers to get as many clients as possible regardless of the minimum premiums rates agreed.

Rampant rate undercutting is a form of cash flow underwriting (AON, 2010) . The fall in prices is not ideal to insurance companies. (Eling and Luhnen , 2008) In their study note that liability insurance rates have been declining in all markets, business cannot be cross- subsidized with investment results. This affects the overall performance of liability insurance policies especially because of their long tail nature. Claims occur over a longer period of time in liability insurance and insurers have to adjust prices in the rising claims trend (Eling and Luhnen, 2008).

#### **2.7.7.1 Causes of cash flow underwriting**

According to Pozzie, (2006) the change in the Global insurance industry began in the late nineteen eighties, when insurers were attracted by high interest rates that were obtaining. Cash flow underwriting replaced the philosophy of underwriting for profit.

Pozzie, (2006) gave the following as the reasons why insurers practice rate undercutting:

- Insurers may be tempted to renew policies for fewer premiums in order to retain their business,
- To gain market share in a highly populated insurance industry making the scramble for the shrinking cake,
- To attain short- term profits,

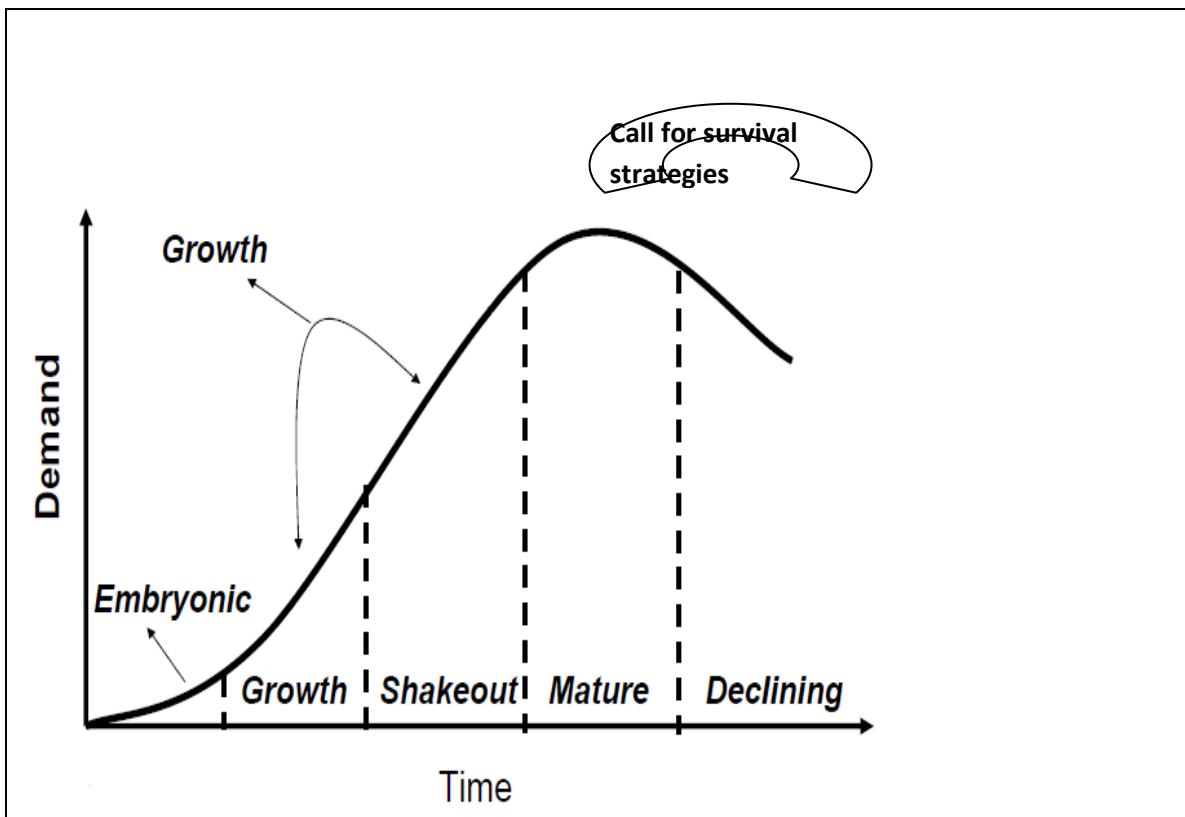
- Utilization of excess plant capacity. Instead of running a plant at well below its optimum capacity, insurance firms reduce their prices so as to sell enough to keep the plant running at its optimum level,
- Bankruptcy and survival. Insurance companies near bankruptcy may be forced to reduce their prices so as to increase sales volume and thereby provide enough liquidity for survival,
- Response to a competitors move.
- If some of the firms are employing a penetration pricing strategy, their prices will be lower , and
- If the industry structure is oligopolistic, the market participants will monitor each other's prices and prepare to respond to any price cuts.

It should be noted that Pozzie (2006) highlights that an insurer that gains market share by undercutting competitors prices may experience a strong year or two because of the additional premium. The Insurance industry should not be in the business of turning around a quick profit by catering to the latest demands of the market. Insurance contracts are long term commitments .The premiums that insurers collect this year will help to pay for claims years in the future.

When premium rates are on the decline, insurer's profit margins become narrow (Feldbun, 1988). At the same time, the growth in new business at lower rates increases the chances that an insurer will have to pay more claims in the future. One of the major reasons for companies to resort to undercutting in low claims sectors is the possibility of retaining huge chunks of premiums (Shivkumah.C, 2007).High retention premiums normally improve the top line of the insurance companies and also improves solvency ratios.

## **2.8 Conditions under which survival strategies can be implemented**

With time companies, go through systematic shifts which have termed a life cycle, it is important to note that each stage of the lifecycle has different characteristics and hence different strategies will be adopted to ensure survival. As an organization moves from mature to declining stages survival strategies will become dire as the fortunes of an organization will be waning.



**Figure 2-2: The industry life cycle**

Source: William, (1997)

The use of the industry lifecycle is important because it is a survival tool for companies to compete effectively and successfully (William, 1997).

Most business strategies fail not mainly because the strategy is inherently flawed, but because the strategy is not properly aligned to the company's culture or leadership, (William, 1997). At each stage of the lifecycle different strategies will be required.

### 2.8.1 Competition during the transition to industry maturity

As competition in the industry increases, companies attain a sustainable advantage that will provide a basis for competing against other companies. New products become scarce, while buyers become more sophisticated. Companies can focus on costs through cost analysis. Some companies may seek opportunities globally when the industries reach the maturity stage as the demand in the market starts to decline (Thompson & Strickland, 1999). Expanding globally would make sense as the local market will be oversubscribed.

### **2.8.2 Competing in declining industries**

Declining industries have the following signs, declining demand for products, and pruning of product lines, shrinking profit margins, falling research and development advertising expenditure, declining number of rivals as many are forced to leave the industry. According to (Baum & McGaham, 2004) for companies to survive the dynamic environment, it is necessary for the companies to measure the intensity of competition and assess the causes of decline then choose a viable strategy. Stagnant or declining industries are also characterized by demand growing more slowly than the economy or declining. Declining industries employ harvest and retrenchment strategies; according to Thompson and Strickland (1996) harvesting the business is a possible strategy for uncommitted competitors with unclear long term plans.

In order to succeed in a declining industry (Thompson & Strickland, 1996) state that a company can; focus on a particular segment, differentiate its products or drive costs down.

### **2.9 Benefits of survival strategies/ effectiveness of survival strategies**

Companies are better able to analyze their vision, mission, objectives and major resource allocation through implementation of survival strategies (Mabel, 2006). Companies achieve competitive advantage over their competitors through implementing various survival strategies. Strategies enable companies to identify the markets in which to compete in, as well as the ways in which they compete in those markets.

A strategy must match the internal and external environment of an organization. An effective strategy must lead to an improvement in the performance of an organization (Eastern Illinois University, 2008).

Thompson and Strickland (1996), state that a strategy is said to be effective if it passes the following three tests:

- Goodness of fit test,
- Competitive advantage and
- Performance test

An effective strategy blends in well with the situation of the company that is matching both the external and internal conditions. An effective strategy also leads to sustainable competitive advantage and lastly an effective strategy improves the performance of a company which can be evaluated through increased profitability among other indicators.

## **2.10 Business performance in short -term insurance**

According to Taiber (2010) there are basics that determine profitability of insurance business. These basics are competition, segmentation, fluctuations in business and time delays which mainly impact on the claims processing stage.

### **2.10.1 Competition**

When competition is rife insurance products are difficult to differentiate, insurance companies can only gain market share by competing on price, and this can drive insurer's prices down, eating into their capital and undermining their financial stability and performance (Swiss Re, 2009)

### **2.10.2 Segmentation**

An insurance company's portfolio is always in different segments which all have different levels of profitability .While business in other segments can be positive; the business in other segments can be very bad, diluting gains from the good segments. It is good to maintain a balanced product portfolio (Nduna, 2009).

### **2.10.3 Fluctuations**

Profitability of insurance business is largely as a result of claims experience .A portfolio which may be negative this year may be positive next year due to fluctuations in claims. Hence to determine its profitability measurements have to be taken over a large data sample or over a longer period of time (Swiss Re, 2009).

### **2.10.4 Time delays**

Insurance policies are usually issued for a year, though claims can occur anytime and notification of claims can be delayed. This makes measuring profitability very

complex, as claims paid in a specific month can relate to different policies issued many months or years before, (Swiss Re, 2009).

Performance of an organization is the outcome of activities of individuals and units of the organization. Organizations can influence factors affecting the performance of individuals and units through structure, operating manuals, standard operating procedures, charters and budgets. Influence on individuals can be exercised through communication, work culture, management style.

According to Katsuri (2006) the success of an insurance company depends on four important functions- identification of markets, assessments of risks and estimation of losses, penetration ratio and exploitation of markets and control over investment and operating costs. According to Oats (2010) key performance indicators in insurance companies include the number of policies sold, the value of policies sold and the number of lapsed policies as a percentage of policies sold. Performance of insurance company in financial terms is often expressed in terms of net premium earned, profitability from underwriting activities, annual turnover, return on investment and return on equity (Katsuri, 2006).

## **2.11 Measurement of business performance in short- term insurance**

Financial performance measures can be classified as profit performance and investment performance, (Oats 2010). Insurance companies make money mainly in two ways- through underwriting, this entails receiving premiums from accepting clients' risks and by investing the premiums collected from client's .The insurer measures profitability by means of its combined ratio. The combined ratio is calculated by adding the loss ratio (Incurred losses and loss adjustment expenses divided by net earned premium) and the expense ratio (underwriting expenses divided by net premium). An insurer's combined ratio of less than 100% indicates underwriting profitability, whilst a combined ratio of over 100% indicates a loss.

According to Taiber (2000) the main key performance indicators for insurance companies are

- **Loss ratio-** the ratio of claims (paid + outstanding) to earned premiums (premiums less unearned premium reserve),

- **Loss frequency**- the ratio between numbers of claims to number of exposed policies and
- **Cost ratio**- the ratio of agent commission and company expenses to premium.

There are also non financial measures which are important for consideration (Katsuri 2006). The non financial performance measures include, growth in premiums written, market share of the company, number of branches and work stations , speed in completion of workflow processes, efficiency in settlement of claims, employee training, research and development done. However, the list of measures would not be applicable for all insurance entities as they differ.

Performance is evaluated both on financial and non- financial achievements of business. Taiber (2000) states that the yield on insurance investments is a very good measure when evaluating performance, considering that the goal of the firm pertains to wealth maximization of the shareholder.

## **2.12 Survival strategies and business performance**

Tanted (2012) highlights the following survival strategies for Indian Insurance companies in the era of emerging global competition -

- Innovative products specifically meeting needs of clients.
- Targeting specific niches, which are underserved or are not served?
- Providing insurance which is suited to the economy, for instance an agricultural intensive economy will require weather, rainfall, cyclone and crop insurance more than other covers.

Further, Tanted (2012) singles out the following areas as requiring special attention in order to survive, which will have a positive impact on business performance:

- Understanding customer needs, this aids insurance companies in designing appropriate and customized products, determining pricing correctly and increasing profitability;

- High level training and development, this applies to staff and agents to assist them to cope with new products;
- Agent relationships, building strong relationships with intermediaries such as brokers and agents;
- Market segmentation, this aids companies to arrive at the appropriate products and pricing as well as catering to the needs of every individual ; and
- Revamping marketing and promotion strategy.

According to Tanted (2012) with increased competition among insurers, service is a key issue. Customers are getting increasingly sophisticated. Managing a customer intelligently is very critical for insurers to survive in competitive environments. Companies need to apply different sets of rules and treatment strategies to different customer segments.

The Actuary Magazine ( 2005), details the following operational survival strategic options:

- Use of underwriting rules and procedures that result in claims experience that match the pricing assumption,
- Offering competitive sales commissions and incentives to agents,
- Maintaining adequate financial strength, so that agents feel confident recommending the company to customers,
- Targeting an optimal cost of capital,
- Promoting the company's name through aggressive marketing and promotional techniques.
- Offering products with unique selling points,
- Managing the company's overall risk profile by establishing risk tolerance limits and appropriate use of reinsurance contracts,
- Offering appropriate incentives to agents and customers,
- Optimizing operating costs by using technology and a trained workforce to provide good customer service which involves application processing, policy issue, billing, collection, fund transfers, account statements, claim settlement and telephone responses.

The strategies outlined above tend to cover the whole insurance value chain and cannot be prescribed in isolation. The Indian insurance market setting is broadly similar with the Zimbabwean market considering that all markets are still developing.

### **2.12.1 Impact of cash flow underwriting on profitability**

Falling into the trap of writing unprofitable business to satisfy shareholder demands for growth is undesirable; the need to stay disciplined is paramount at all times. According to (Pozzie, 2006) insurers have two choices to make, they can ride the wave of the market cycle, like a small boat on an open sea, or they can chart their own course to long term profitability on an ocean liner called disciplined underwriting. Underwriting discipline should always be maintained

### **2.12.2 Non price competition tools for survival**

Non- price competition is a marketing strategy in which one company tries to distinguish its product or service from competing products on the basis of attributes such as design and workmanship, (Brue, 2002). Customers perceive insurance services as fairly homogenous and they care less about the provider than the price. According to Hoffman (2001) in services marketing knowledge is required on non price competition such as customer service, customer orientation, service differentiation, service quality, image enhancement, service transformation of public contact employees into marketing oriented personnel.

### **2.12.3 Marketing tactics for insurance as a specialized service product**

Berry ( 1996) proposes the following ten commandments of service marketing:

- Turn marketing into a line function;
- Marketing to existing customers;
- Recruiting the right people since employees are the service;
- Marketing to employees;
- Tangibilizing the service;
- Improving the service delivery and distribution
- Branding the company.

From these commandments we can note that the success of insurance products in the market does not hinge on price alone or any one selling point but various factors. Marketing of services partly differs from goods marketing because of the special characteristics of services.

### **2.13 Chapter summary**

This chapter has reviewed literature on different types of survival strategies, challenges faced by short- term insurers and performance indicators for the insurance sector. The literature review demonstrated that for an organization to continue growing change is inevitable. Models were also explored such as theoretical concepts underpinning the bancassurance theory and the transformational change model which are some of the most important survival tools for the decade.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.0 Introduction**

This chapter discusses the research methodology, research design, research philosophy and research strategy that was used by the researcher in the study. Explanations of variables that were used in the study are also discussed, as well as data analysis techniques and sampling techniques.

### **3.1 Research Design**

Various authors have attempted to define the concept of a research design. Fraenkel (2006) define a research design as an orderly and systematic approach taken. This can also be observed and described from an objective view without interfering with the phenomena being investigated. Schindler (2006) defined the research design as the structuring and planning of the research so as to obtain relevant and appropriate answers to the research questions. Thus, the design is a road map for fulfilling research objectives and answering research questions.

#### **3.1.1 Research Philosophy**

Saunders, Lewis and Thornhill (2009) state that a research philosophy relates to the development of knowledge and the nature of the knowledge in relation to the study. The philosophy adopted reveals assumptions regarding the way a researcher views the world. There are two major research philosophies which are the positivist and phenomenological. Positivists believe that knowledge is derived from scientific observations, whilst the phenomenological philosophy involves subjective interpretation of reality which is impossible to deal with using scientific methods. The phenomenological approach was used in this research, considering that data obtained consisted of questions that targeted a complicated phenomena, survival that required to be addressed.

### **3.1.2 Research Approach**

Two methods can be used when conducting research that is qualitative and quantitative. These methods primarily refer to the manner in which the researcher analyses and treats the data collected (Yin ,1994). Both approaches have their pros and cons and neither of them can be held superior than the other. Considering that the purpose of the research was to investigate survival strategies in a highly competitive market both the quantitative approach and qualitative were chosen.

### **3.1.3 Research Strategy**

Major research strategies include; experiments, surveys, and case studies (Yin, 2003). Considering that the purpose of this research was to collect answers from mainly decision makers in the Zimbabwean short- term insurance market. As well as coming up with the best possible solutions on the investigated contentious issues, the researcher selected a survey as a research strategy. The choice was partly determined by the fact that the researcher required to collect large amounts of data in a highly economical way. The survey allowed the researcher to collect qualitative data which was analyzed using both inferential and descriptive statistics. The other advantages that were considered are that data obtained can be further used to explain causative effects between variables under study. Data collected in the survey was defined as there were a finite number of questions asked. The disadvantages of using the survey have to do with the data collection techniques.

### **3.2.1Population**

Fraenkel (2006) highlights that the study population includes all individuals whom the researcher is interested in getting information from. The study population consists of those subjects whose characteristics are similar to those of the subjects in the sample. One makes conclusions from the sample drawn from this

study population (Fraenkel, 2006). For this research all managers and officers of all short-term insurers in the insurance industry comprised the population.

Data was collected from short- term insurance companies. Survival strategic issues mainly involve senior personal of organizations hence questionnaires were targeted at high profile key people such as managers and chief or senior underwriters.

### **3.2.2 Sampling techniques**

Sekaran( 2010) points out that a sample is a group of subjects from which a researcher collects information. A sample is a component of the population, which has the same characteristics of the population. The purpose of a sample is to approximate the measurement of the whole population. A sample design was considered by the researcher as this is less costly and represents the population. A sample was drawn from all managers and chief / senior underwriters of all short-term insurance companies.

According to Saunders, Lewis and Thornhill ( 2009) sampling techniques can be divided into two types

- Probability also known as representative sampling
- Non-probability also known as judgmental sampling

For representative sampling, the probability of a sample unit being selected from the population is known and is usually equal for all classes. This sampling is often associated with survey and experimental research strategies. For non-probability sampling, the probability of each case being selected from the total population is unknown, thus making it impossible to address objectives that require one to make statistical inferences about the characteristics of the population.

Simple random sampling is a method which ensures that each element of the population has an equal chance of being selected to become part of the sample (De Vaus, 2002).It also called random sampling. A computer or random number tables can be used for the selection of random units. If properly done, each unit will have an equal chance of being included in the sample and also makes all possible combinations of units for a particular sample size equally likely.

Systematic sampling involves choosing a starting point in the sampling frame at random and then choosing every nth item. According to Sekaran, (2010) systematic sampling has similarities with simple random sampling .This method has notable peculiarities that have implications on statistical procedures. Whilst the initial chance of selection of any unit is the same, once the first unit has been chosen, most units have no chance of inclusion and a few will be automatically selected. Similarly, most combinations of units are excluded from the possible samples that might be chosen.

Stratified sampling involves dividing the population into strata, with each stratum having relatively homogeneous elements. Once the strata have been identified a simple random sample is selected from each stratum separately, the sample corresponding to the proportion of elements in each stratum. This sampling is mostly used when the population is thought to consist of a number of smaller subgroups or sub populations such as male or female, different age - interest groups, which are thought to have an effect on the reliability of data that will be collected (Sekaran, 2010).

Cluster sampling involves splitting the population into groups called clusters and is usually used when the population covers an area that can be divided by regions (Schindler, 2006).The sample elements are then chosen from different clusters to come up with one sample.

Non-probability sampling techniques comprise of the following techniques: convenience, quota, judgmental and snowball sampling, (Saunders, Lewis and Thornhill, 2009).Convenience sampling is where the sample is drawn for the convenience of the researcher .Convenience sample only includes those subjects that are immediately at hand (Sekaran, 2010).

Quota sampling is where the respondent's selection is in the same ratio as found in the general population. Judgmental sampling includes elements thought to be representative of the population and in this case the researcher attempts to come up with a sample using judgment and the amount of error depends on the expertise of the researcher .Snowball sampling is commonly used when it is difficult to identify members of the desired population (Schindler, 2006).

The researcher used random sampling as it ensured that each element of the population had an equal chance of being selected. Only managers and chief / senior underwriters of short-term insurance companies in Harare were chosen as the sample of the study population. The researcher distributed questionnaires to managers and chief / senior underwriters of all short-term insurance companies.

### **3.2.3 Sample Size**

The total number of the targeted respondents was fifty. The respondents earmarked were employed in short-term insurance companies as the researcher was looking into survival strategies implemented by short-term insurance companies. The random selection of respondents ensured that the sample was more representative of the insurance sector and the findings credible.

### **3.2.4 Data Collection**

For the purpose of this study, the researcher employed the survey design in which data was collected by way of questionnaires. Data can be collected using various tools that include questionnaires or interviews. All research methods have pros and cons. The researcher also made use of primary and secondary data sources.

#### **3.2.4.1 Primary Data Sources**

This is data acquired from the main source, which involved thorough discussions with personnel from industry; some of the tools used included the researchers' observations and questionnaires.

#### **3.2.4.2 Questionnaires**

According to (Schindler, 2006) a questionnaire is a technique of data collection in which each person is asked to respond to the same set of questions in a predetermined order. (White, 2000), postulates that a questionnaire is regarded as a series of questions, with each question providing a number of alternative answers from which the respondents can choose from. The researcher dispatched a questionnaire comprising of a number of questions which were completed by personnel in short-term insurance companies.

## **Advantages**

- Questionnaires provide anonymity thus they give assurance of confidentiality, as respondents will be required to supply sensitive information pertaining to their organizations, hence there is need to preserve confidentiality to enable the success of the research.
- Questionnaires are cheap thus the researcher will not incur high transport costs or accommodation costs.
- Questionnaires avoid bias. Personal questions are often more willingly answered as the respondent is not face to face with the researcher.
- Questionnaires are a quick way of receiving a response.

## **Disadvantages**

- One can never be sure whether the intended respondent has completed the questionnaire. For instance a busy manager may request an underwriter to complete the questionnaire on their behalf.
- Questions need to be simple and straightforward and not complicated, hence the richness of information that is sometimes collected with other methods is lost.
- Respondent's gestures and facial expressions will not be observed these are notably essential communication signs that can effectively be used to evaluate responses. However, in self administered questionnaires the researcher is afforded a chance to interact with respondents.

The questionnaire that was used by the researcher detailed the research topic and was split into three sections. The first section was the demographic section, the second section was on survival strategies and that last section was on performance measures. The researcher made use of the following questions, open questions, list questions and rating questions. The open questions were necessary as the researcher required detailed responses. The list questions ensured that the respondents presented well considered responses. The researcher also used rating questions as the opinions of the respondents regarding the study were important. The questionnaire was hand delivered and collected. The researcher phoned the respondents before collecting the

questionnaires. This form of administration was used primarily because the researcher wanted to collect the questionnaires immediately and did not want to follow up on the respondents. This form of administration was also influenced by the nature of the research questions. Respondents were afforded the opportunity to think through the questions and present well considered responses.

### **3.2.4.3 Pilot study**

The researcher conducted a pilot study for the questionnaire, where five questionnaires were sent out; this was done to control the quality of the study. Deficiencies were revealed and addressed before the finalized questionnaire was dispatched. The pilot study assisted in evaluating the questioning technique. Hence questions that were not relevant to the research were removed.

### **3.2.5 Data analysis techniques**

Data processing consisted of questionnaire coding, data entry and data cleaning. Initially the questionnaires were given unique codes for all responses and all badly done questionnaires were not considered for analysis. Data entry was done using SPSS and data was also analyzed using SPSS. In data analysis and interpretation, frequencies, means and percentages were used. Pictorial representation included graphs, tables and charts to enable comparisons as well as presenting a clearer projection of the situation. These findings were presented and discussed at length in chapter four.

### **3.2.6 Validity and Reliability**

Saunders, ( 2009) postulate that validity is important as this will show the accuracy of the found data. Reliability implies that a research is performed in a reliable way. If the reliability is very high this means that various researchers will converge to the same conclusion using similar methods if the research is to be repeated. Validity refers to what extent researched data and the methods to receive this data are exact, real and accurate (Saunders, 2009).This is not an easy task to ascertain, because if one had a better way of measuring an attribute, they would be no need for a new instrument. The researcher pre-tested the

research instrument that is the questionnaire in order to increase validity and reliability.

### **3.2.7 Chapter summary**

This chapter has discussed the research philosophy, research strategy and also reviewed concepts such as population, sampling and data collection methods. The next chapter will analyze the findings gathered through the methodology outlined in this chapter.

## **CHAPTER FOUR: RESULTS AND DISCUSSION**

### **4.0 Results and discussion**

#### **4.1 Introduction**

This chapter deals with the presentation and analysis of findings from various short-term insurance companies regarding the questionnaire sent to them. This chapter illustrates results obtained on questions asked in the form of tables, graphs and pie charts. The chapter also deals with the analysis and interpretation of responses received. The data gathered during the research is evaluated against literature that was reviewed. This section is presented in such a way that it addresses the research objectives of the study.

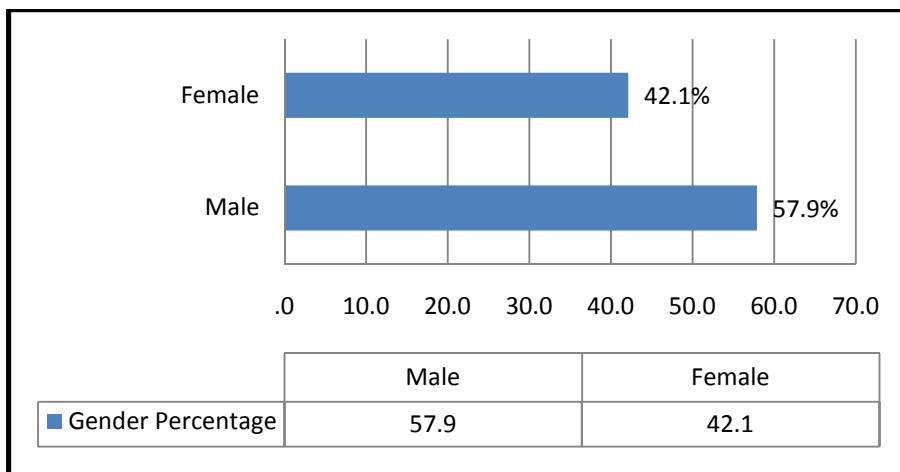
#### **4.2 Response Rate**

Fifty questionnaires were sent to insurance companies. The distribution was targeted at senior underwriters and , as these individuals are well appraised with the information that was being sought. Out of the fifty questionnaires that were distributed thirty eight were successfully returned indicating a 76% response rate. According to Chisnall (1997) a low response rate is an important limitation in any research process. In order to minimize a low response rate, the researcher had multiple contacts with respondents. The respondents were informed prior to receiving the questionnaires that they will be receiving a set of questions hence they were prepared. The response rate was adequate to ensure the validity and reliability of the study.

## 4.3 Demographics

### Gender

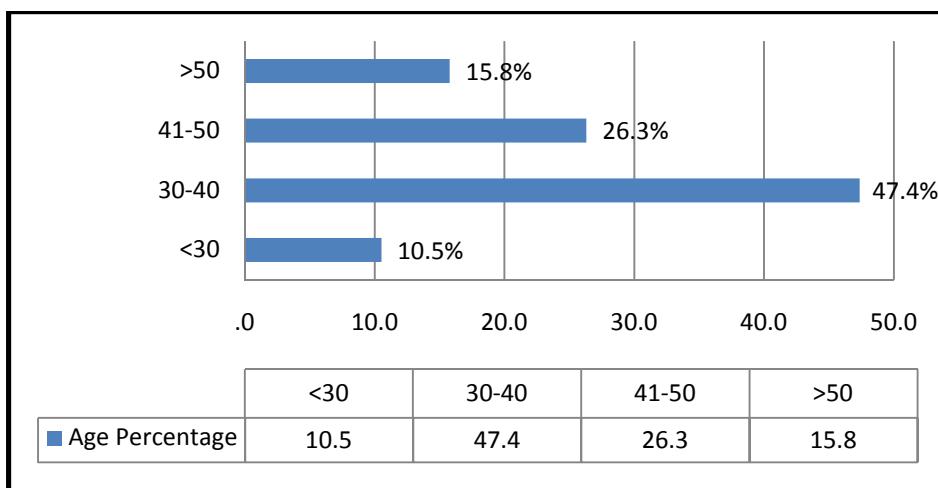
The diagram below reveals the percentage of men and female respondents who participated in the survey.



**Figure 4.1: Gender of respondents**

From the study findings, 58% of the responses were males, and 42% were females as shown in Figure 4.1. This shows a fair representation of the respondents and hence balanced views that would add significant value to the findings.

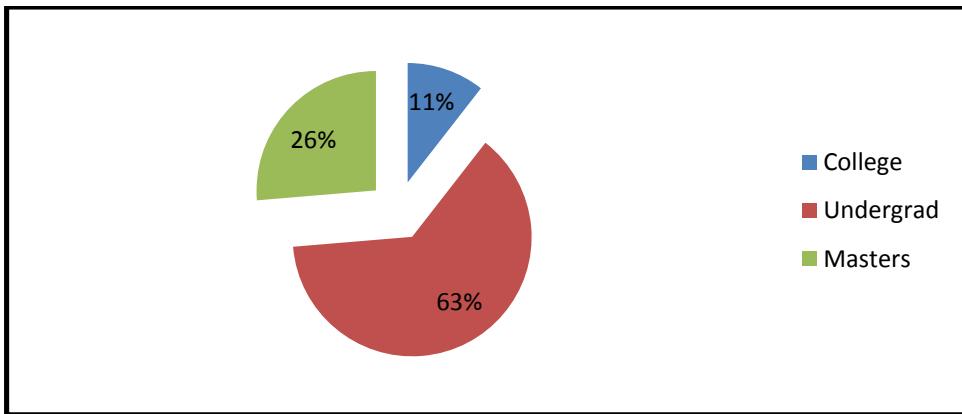
### Age



**Figure 4.2: Age of respondents**

From the respondents 47% are aged 30-40, 26% are 41-50 years old, 11% are less than 30 years old and 16% are above the age of 50 as shown in Figure 4.2.

**Level of education**



**Figure 4.3: Level of education of respondents**

From the respondents, 63% are holders of undergraduate degrees, whilst 26% have masters degrees and 11% are holders of college diplomas, as shown in Figure 4.3. These qualifications impact on the soundness of responses rendered by the individuals which would add value to the findings of the study.

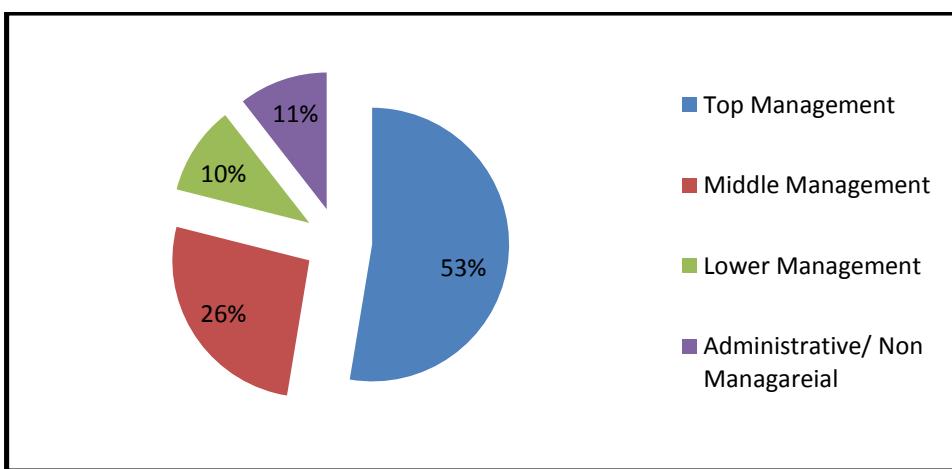
**Years of work experience**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <5	14	36.8	36.8	36.8
5-10	12	31.6	31.6	68.4
11-15	6	15.8	15.8	84.2
16-20	6	15.8	15.8	100.0
Total	38	100.0	100.0	

**Table 4.1: Years of work experience**

From the respondents 63.2% have been working in the insurance industry for more than 5 years, 15.8% of the respondents have been working in the industry for between 11 to 15 years whilst 15.8% of the respondents have been in the industry for 16 to 20 years as shown in table 4.1. This entails that the majority of the respondents have been in the industry for a while hence they are aware of the current and past events influencing the operation of the industry considering that the research is from 2009 to 2012 .This increases the reliability of responses proffered for the survey.

**Position of respondents in Organization**



**Figure 4.4: Position of respondents in organization**

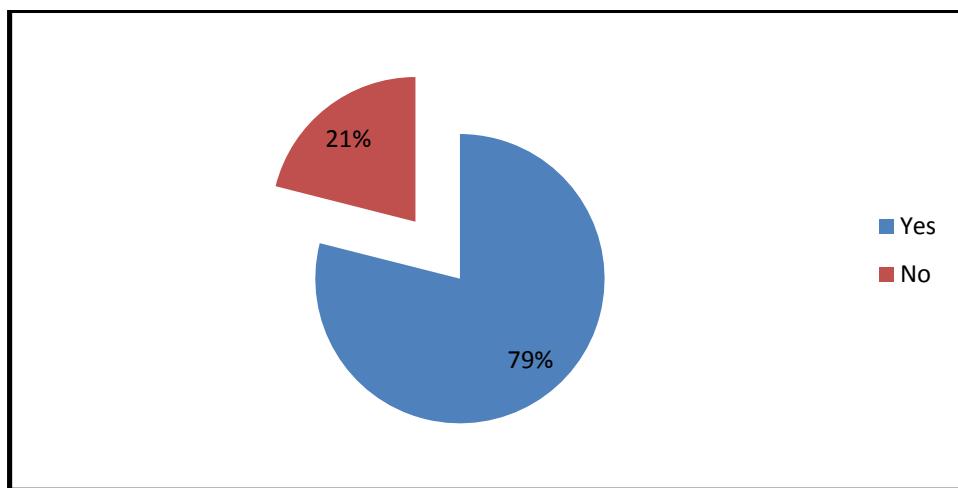
From the study's findings 53% were in top management, 26% middle management, 11% non managerial and 10% lower management as shown in Figure 4.4. This implies that there is fair and adequate representation of respondents from different levels of the organization, enabling the different group to give a balanced analysis of what happens in their companies. Hence, their contributions would be significant and valuable to the findings.

**4.4 Challenges faced by Zimbabwean short term insurance companies prompting for survival strategies**

One of the objectives of this research was to determine challenges faced by short-term insurance companies which call for survival strategies. Determining these challenges is crucial as strategies are responses to a situation. It would be a futile exercise to go into the strategies without looking at the challenges that called for their implementation as well as the structural areas that surround the challenges. Strategies are also dynamic, emerge in phases as the company develops and adapts its business approaches to changing economic conditions (Thompson & Strickland, 1996).

#### **4.4.1 Stringent Capital Requirements**

The Figure 4.5 below reveals the responses concerning whether regulated working capital requirements were stringent.

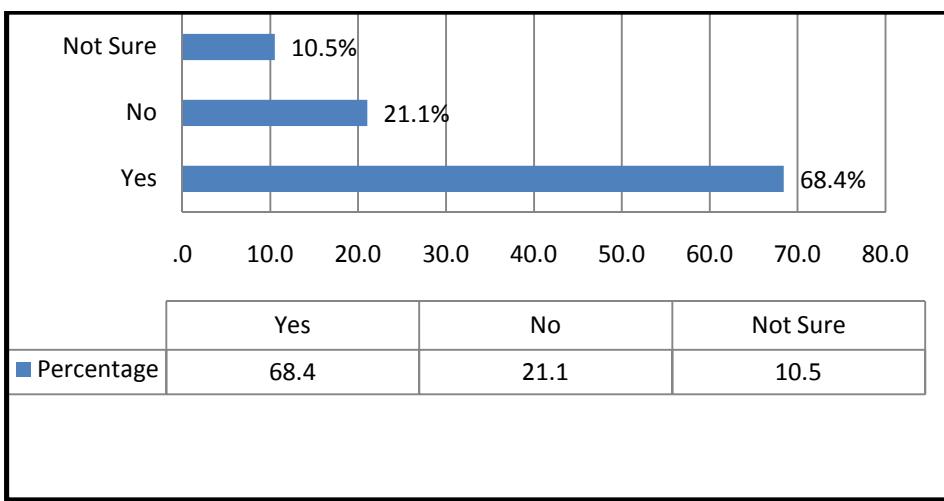


**Figure 4.5: Stringent capital requirements**

The findings above revealed that 79% conceded that they found the capital requirements set by the regulator to be restrictive, whilst 21% disagreed that the capital requirements were stringent. The regulator of the Insurance Industry expects companies to adhere to the capital requirements. This ensures protection of the policyholder funds. AIO (2011) confirms that in Africa raising capital is a problem. The state of the economy makes it difficult for industry players to access

capital. The findings reveal that insurance players have a hard time complying with the requirements which also breeds a host of problems.

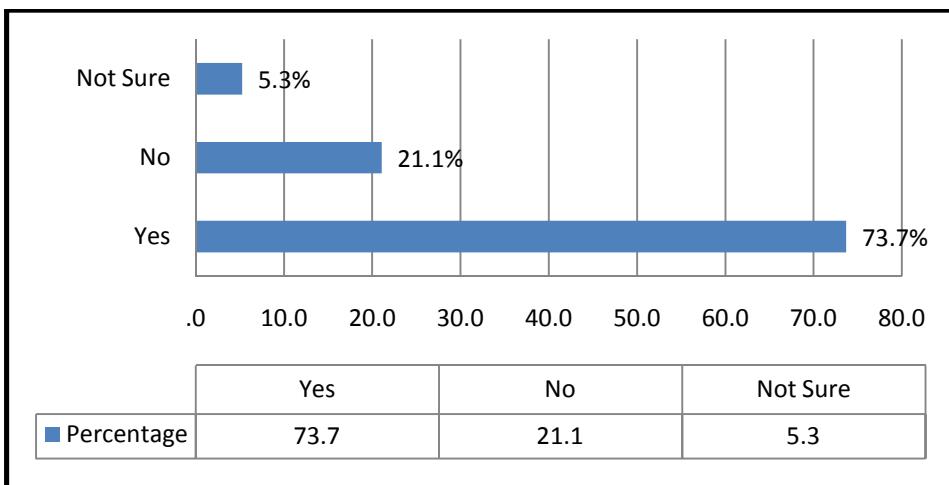
#### 4.4.2 Lack of working capital



**Figure 4.6: Lack of working capital**

The study sought to find out if the respondents had experienced challenges in raising working capital. As depicted in Figure 4.6 below, 68% of respondents pointed out that they had faced challenges in securing working capital which is vital for propelling any business, 21% did not face that challenge whilst 11% were not sure if they had encountered this problem. AICO (2010) reveals that African Insurance companies battle with capital adequacy which results in the companies retaining insignificant premium figures. This implies that growth in premiums would be stifled, which negatively impacts on performance of insurance companies.

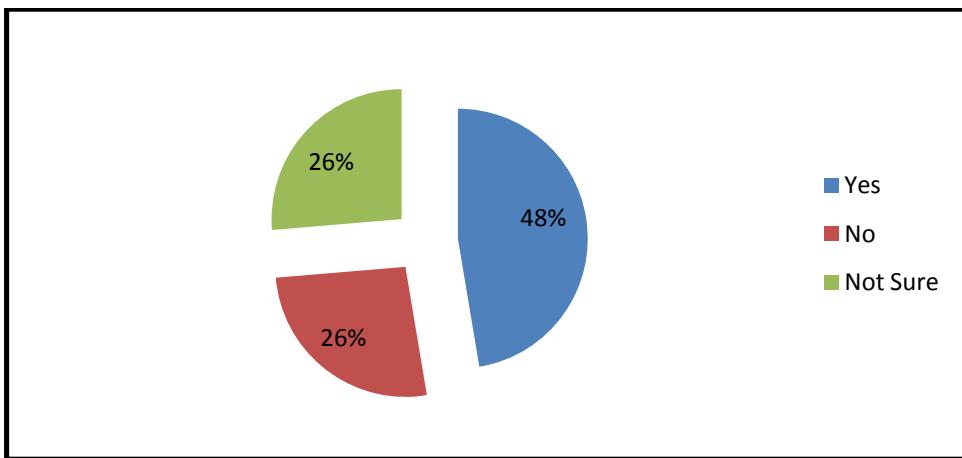
#### 4.4.3 Loss of Market Share



**Figure 4.7: Loss of market share**

The research also sought to find out whether the respondents had lost business to their competitors. About 74% of respondents conceded that they had lost their share of the market to other players, 21% have not lost market share to their competitors whilst 5% were not sure if they had lost their share of the market to other players as shown in Figure 4.7. Market share is invariably considered as an indicator that depicts a competitive position. Hart (2006) agrees that declining market share characterizes the African continent as insurance companies lack the capacity and expertise to underwrite some risks hence some of the risks find their way to other players who can seek or provide terms that accommodate the risks.

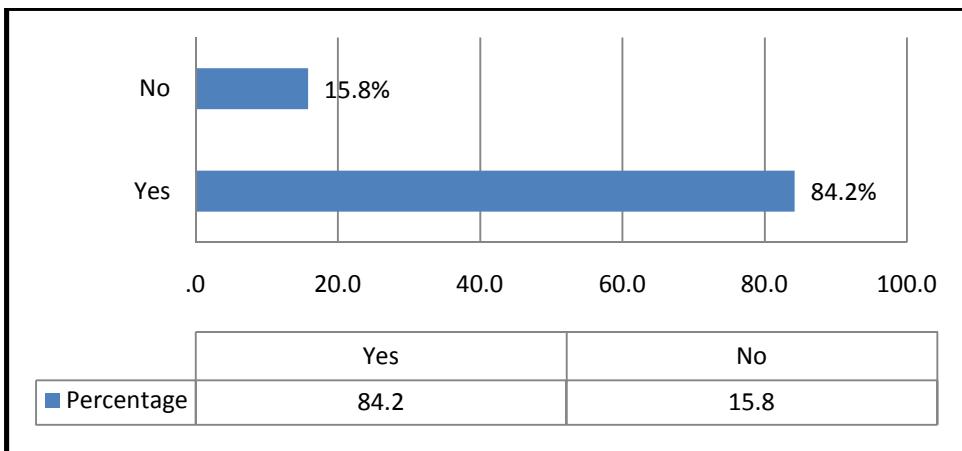
#### **4.4.4 Management failure**



**Figure 4.8: Management failure**

As depicted in Figure 4.8 above, 48% cited management failure as one of the challenges they faced, whilst 26% did not face that challenge and the remaining 26% were not sure. KPMG (2012) as previously highlighted indicated that Africa was facing the problem of shortage of skills and the problem is compounded by the brain drain as staff move to developed countries, as such staff would require leadership and managerial skills to drive the insurance industry. The failure could be a reflection of the skills gap present.

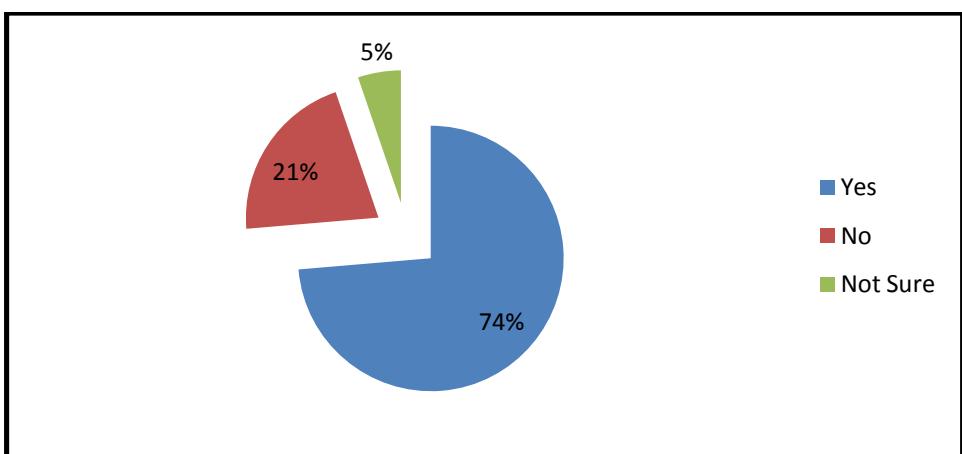
#### **4.4.5 Huge Claims**



**Figure 4.9: Huge claims**

The biggest expense factor in insurance is claims expenses with 84% of respondents highlighting that they faced a challenge of huge claims, whilst 16% did not experience huge adverse claims as shown in Figure 4.9 above. This was mostly attributed to the high moral hazard of the insured's, with clients having ulterior motives of financially benefiting from insurance, defying the basic principle of indemnity where insureds are supposed to be restored in the financial position they were before the loss. The huge claims were also attributed to specific poor performing classes of business where less underwriting expertise had been deployed such as financial guarantees and motor where there were grey imports (IPEC, 2012).

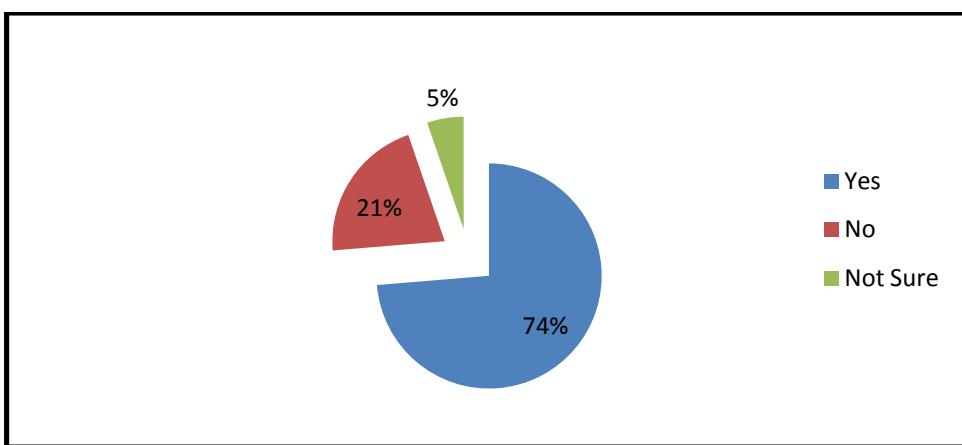
#### 4.4.6 Shrinking profit margins



**Figure 4.10: Shrinking profit margins**

From the survey conducted, 74% experienced shrinking profit margins, 21% did not experience declining profits whilst 5% were not sure as shown in Figure 4.10. Shrinking profit margins according to Hart, (2006) are as a result of structural problems rooted deeply in the pricing of insurance and cost structures of the business which are not good. AIO (2010) confirms that inadequate pricing has led to the imbalance in insurance policies where companies compete on price rather than on service, resulting in rate undercutting. The shrinking margins in Zimbabwe could be a reflection of the unbalanced portfolios held by the short-term insurance market players.

#### 4.4.7 Competition



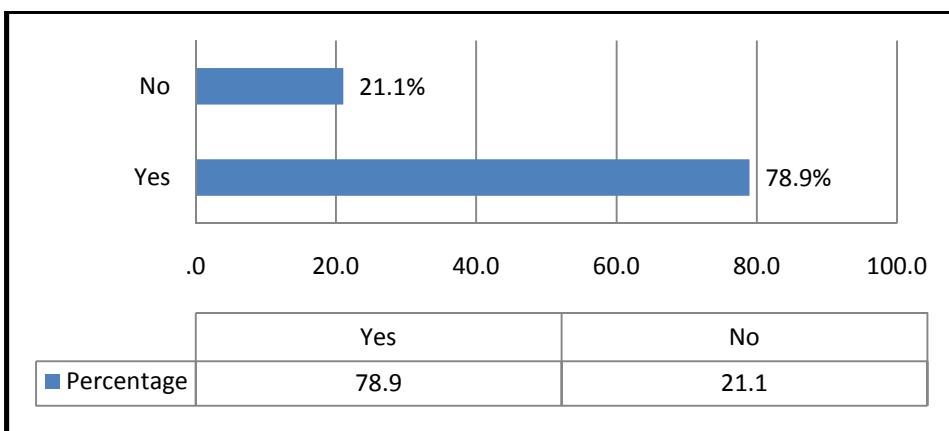
**Figure 4.11: Competition**

The research also sought to find out whether the respondents had faced competition from other insurance service providers. The study shows that 74% of the respondents faced competition from other players. This was said to have been worsened by declining levels of profitability. Whilst 21% highlighted that they had not faced competition from the other players and 5 % were not sure whether they had experienced competition. The results are as shown in figure 4-11 above.

Economist (2011), highlights that global pressures had led to increased competition from both local and foreign insurance players on the market, and as the insurance product is basic, competitors could easily copy products hence the

challenge of competition is strong. The fact that insurance companies compete on price not on service is likely to be the reason why the challenge exists.

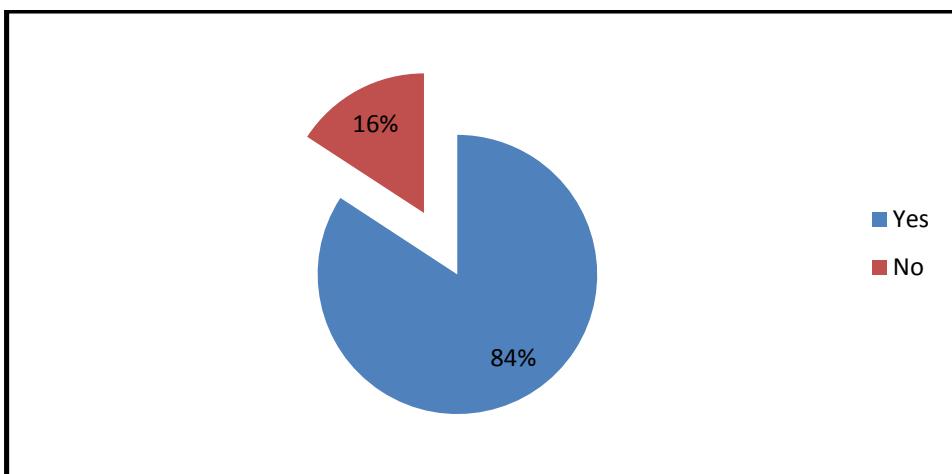
#### 4.4.8 Declining demand of Insurance Products



**Figure 4.12: Declining demand of insurance products**

Demand for insurance has an impact on the pricing of the insurance product. From the study findings most of the respondents conceded to having experienced a decline in the demand of their products (79%) and only 21% did not experience a decline in the demand of their products as shown in Figure 4.12. AIO (2010) states that the weak economies characterising African countries results in low insurance penetration rates. The failure by companies to record increasing demand of the products could be due to lack of disposable income and lack of insurance education on the part of the insured's

#### **4.4.9 Poor performing classes of business**



**Figure 4.13: Poor performing classes of business**

The study illustrates that 84% of the respondents had experienced poor performing classes of business, as outlined in Figure 4.13 above. The majority of the respondents felt that performance in some classes of business was not desirable. Whilst ,16% of the respondents had not experienced poor performing classes of business. Hart, (2006) reveals that inadequate pricing affects insurance markets, with the pricing element being an important determinant of performance.This could be the reason why some classes are performing poorly.

The results from the challenges above discussed clearly show that the insurance sector was deeply troubled.

## **4.5 Survival Strategies Implemented by Zimbabwean short- term insurance companies**

### **4.5.1 Reorganising /Reinventing the business function**

A large number of respondents (68%) had neither reorganized nor reinvented their business function while 32% of the respondents reinvented their business function.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	12	31.6	31.6	31.6
	No	26	68.4	68.4	100.0
	Total	38	100.0	100.0	

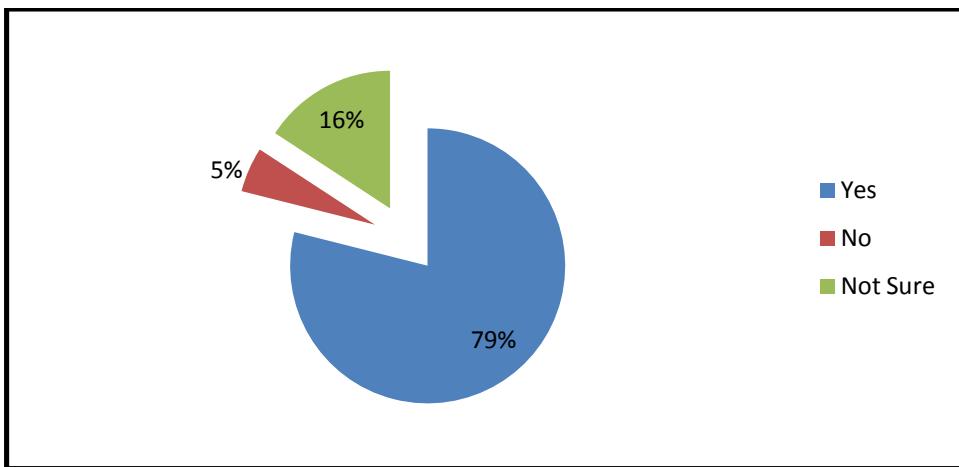
**Table 4.2: Strategies- Reorganizing/ Reinventing the business function**

Reorganizing or reinventing the business function, according to Hammer and Chappy (2003) should have full support of management and there should be effective workflow management. The research results reveal that the majority did not reorganize. This could be due to management failure and lack of capital to invest in some of the new technologies .Management failure and lack of capital

were cited as some of the challenges faced. According to Hammer and Chappy (2003) management should communicate expectations to employees.

#### 4.5.2 Price Undercutting

The majority (79%) of the respondents conceded to practicing price undercutting whilst only 5% of the respondents highlighted not being part of the practice, and 16% were not sure whether they practiced price undercutting. The majority of respondents affirmed that price undercutting was rife as players wanted more business in a shrinking market, as outlined in Figure 4.14 below.



**Figure 4.14: Price undercutting**

Hart, (2006) states that the soft market which is characterized by low premium rates is self inflicted. The majority of respondents revealed having instituted this strategy, which could have been motivated by the desire to be ahead of competition. According to Pozzie (2006) the charging of low rates may have been motivated by the desire to retain market share, higher profits and to provide short - term liquidity hence ensuring survival.

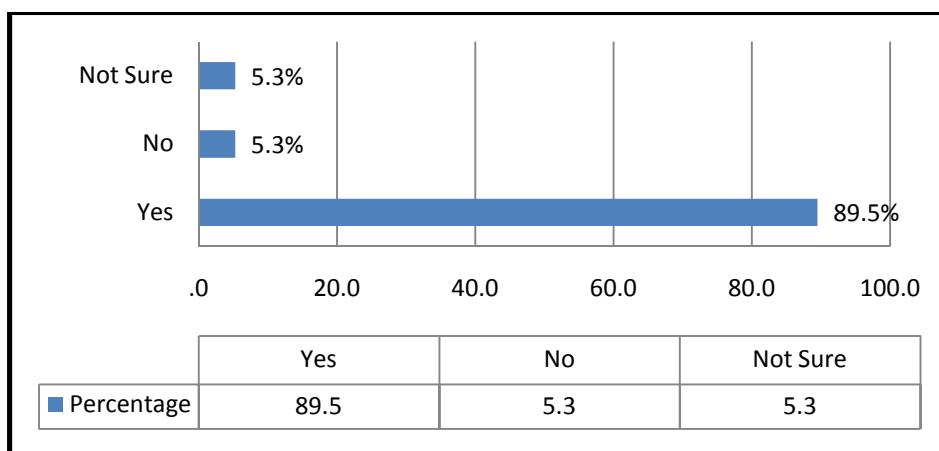
#### Incentives to agents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	26	68.4	68.4	68.4
No	8	21.1	21.1	89.5
Not Sure	4	10.5	10.5	100.0
Total	38	100.0	100.0	

**Table 4.3: Incentives for agents**

The study shows that 68% of the respondents offered incentives to agents to encourage them to give them business, whilst 21% of the respondents did not give the agent's incentives and 11% were not sure as outlined in Table 4.3. According to Luareen and Sharon (1998) agents represent the interest of the insured; hence clients might be more inclined to deal with agents. In return insurance companies obtain lines of business from agents. Competition is cutthroat hence this would imply that incentives would improve the relationship between the insurance company and the agent. Hence the results are consistent with literature that was reviewed.

#### 4.5.3 Use of reinsurance contracts



**Figure 4.15: Use of reinsurance contracts**

Reinsurance is rented capital that gives insurance companies a shot in the arm. The study shows that 90% of the respondents used reinsurance contracts, whilst 5% of the respondents did not use reinsurance contracts to add to their waning capacity to underwrite insurance business and 5% were not sure. Scott (2011) states that in an effort to manage the impact of claims companies had bought huge reinsurance contracts that had stabilized their results. According to AIO (2010), insurance companies on the African market have severe capital constraints, reinsurance provides extra capital, however the implication is that insurance companies will not be able to grow their portfolios as they will be ceding the bulk of the premiums to reinsurance players.

### **Aggressive marketing and promotion**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	26	68.4	68.4	68.4
No	8	21.1	21.1	89.5
Not Sure	4	10.5	10.5	100.0
Total	38	100.0	100.0	

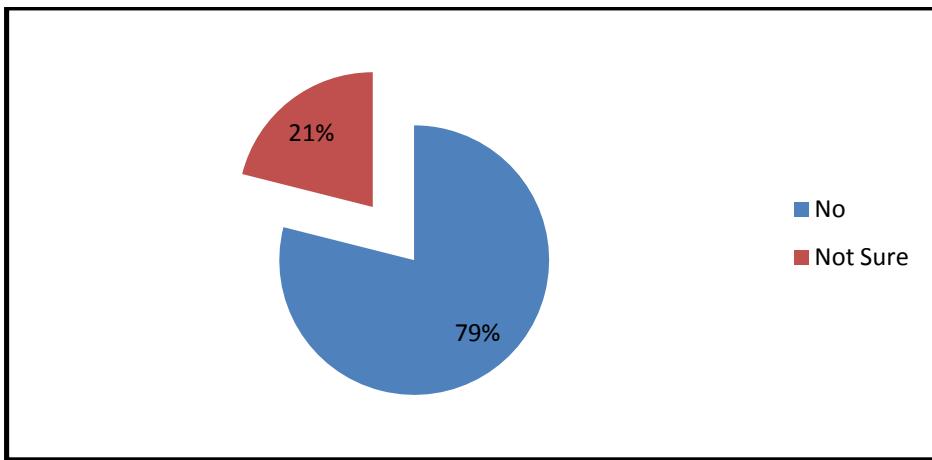
**Table 4.4: Aggressive marketing and promotion**

On assessing whether the respondents implemented aggressive marketing and promotion strategies 68% of the respondents held that they had implemented aggressive marketing and promotion as competition had taken its toll on their earnings. Whilst 21% of the respondents held that they had not implemented any aggressive tactics, mainly because of the cost implications associated with marketing, considering that managing costs had become an issue affecting

profitability. A mere 11% of the respondents were not sure whether they had implemented aggressive marketing and promotional tactics. The results are as shown if table 4.4.

The loss of market share, declining demand of insurance products and competition could explain the use of aggressive marketing. According to Berry (1996) marketing of insurance services, effectively involves converting marketing into a line function. Since consumers view the insurance product as fairly homogenous, it is up to the insurers to differentiate themselves from the rest. For the 11% of the respondents who highlighted that they were not sure whether their companies had implemented the strategy it could be that marketing and promotion has become engrained in their day to day activities such that they do not view the strategy as aggressive.

#### 4.5.4 Revenue Enhancement



**Figure 4.16: Revenue enhancement**

Most (79%) of the respondents did not engage in revenue enhancement projects, the feeling being that sticking to core business was ideal under the given challenging business environment. The remaining 21% of the respondents were not sure if their organizations had engaged in revenue enhancement projects. These responses are not consistent with literature reviewed as revenue enhancement is one of the tactics for ailing corporate organizations.

Insurance business is regulated in order to protect the policy holder funds; it could be that insurers could not engage in other activities to enhance the revenues as premiums collected are the source of revenue for an insurance company. Insurance companies though they earn investment income, are specifically directed by the government to hold their funds in prescribed assets .The prescribed assets are usually government bonds that are less risky forms of investment. For the respondents who indicated that they were not sure, this may imply a lack of adherence by some players to regulation.

**Table 4.5: Strategies- Selling additional products**

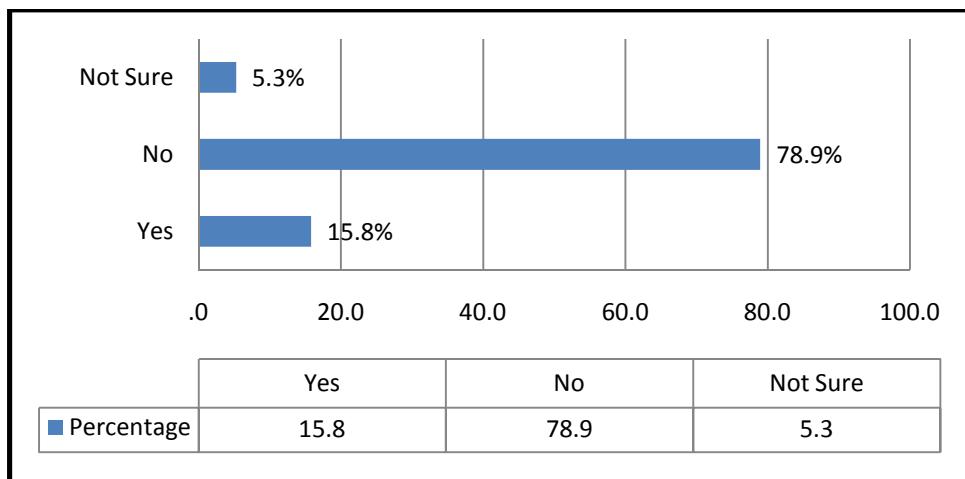
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	26	68.4	68.4	68.4
	No	12	31.6	31.6	100.0
	Total	38	100.0	100.0	

The study shows that 68.4% of the respondents sold additional products, so that they could balance their portfolios and improve profit margins whilst 31.6% of the respondents did not sell additional products. The declining demand of insurance, shrinking profit margins and intense competition could be reasons behind some respondents selling additional products.

The customer base has been declining; hence companies have to compliment offerings with some additions. The respondents, who indicated they had not sold additional products, could imply that they were failing to fund the additional

products. These results confirm to Berry, (2006) who states that selling additional products balances portfolios.

#### 4.5.5 Disposing of non- performing assets



**Figure 4.17: Disposing of non- performing assets**

The study shows that 78.9% of the respondents did not dispose of nonperforming assets. Insurance being a service industry the greatest asset is the human asset and in forms of investment insurers only hold funds in short- term investment assets. Whilst 15.8% of the respondents indicated they had disposed of non- performing assets these could be in the form of retrenchments and selling off non- performing investments and 5.3% were not sure whether they had disposed of

nonperforming assets as shown in Figure 4.17 above. For those who were not sure they could have failed to understand the forms in which assets exist.

According to Brealey (2001) as a form of retrenchment strategy companies can dispose of non-performing assets. Short- term insurances policies run for a period of twelve months, the implication will be that Insurance companies would have to invest in assets that can be quickly liquidated. These assets are usually in the form of financial investments.

#### **4.5.6 Distribution channels used by short term insurance companies in Zimbabwe**

**Table 4.6: Strategies- Changing distribution channels**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	24	63.2	63.2	63.2
No	14	36.8	36.8	100.0
Total	38	100.0	100.0	

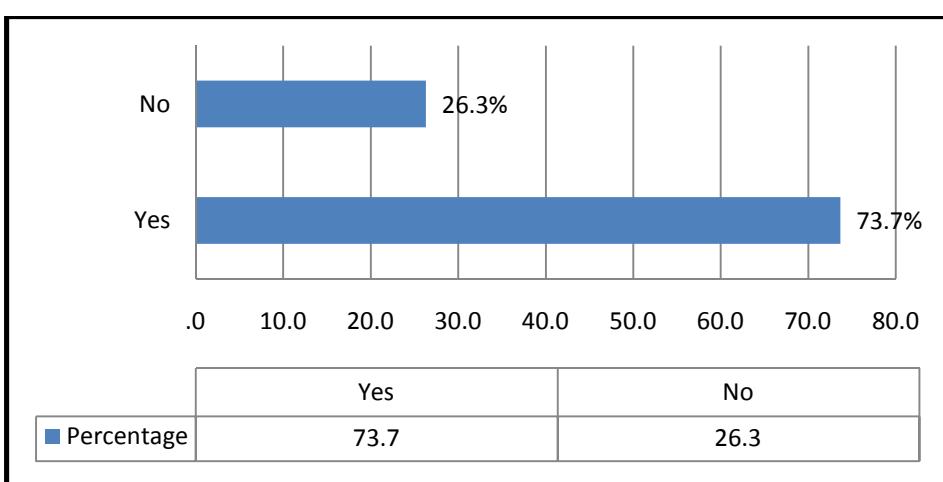
The study shows that 63.2% of the respondents changed their distribution channels in order to improve availability of their insurance product. Insurance as a product is not bought but sold, whilst 36.8% of the respondents indicated that they did not change their distribution channels. According to Deloitte (2010) distribution is one of the most important determinants of growth, in a bid to increase the demand of insurance products as well as to improve profit margins insurers changed distribution channels to also promote visibility of their companies. For the 36.8% they could not have changed their channels as they were already using effective channels. Results are as shown in table 4.6 above.

**Table 4.7: Merging or creating alliances with business partners**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	22	57.9	57.9	57.9
No	16	42.1	42.1	100.0
Total	38	100.0	100.0	

The study revealed that 58% of the respondents created some form of alliance with business partners, whilst 42% did not merge or create any form of alliance with business partners. Mergers bring benefits derived from synergies (Brealy, 2010). Economies of scale can be realized by engaging in partnerships, the implication is that insurers engaged in partnerships in order to reverse the shrinking profits and to attain stronger competitive advantage and be able to fight intense competition.

#### 4.5.7 Prioritizing core business



**Figure 4.18: Prioritizing core business**

The study revealed that the majority (73.7%) of respondents prioritized core business whilst 26.3% of the respondents indicated that their organizations did not prioritize core business and engaged in other activities that were not core as shown in figure 4-18. Core business has fewer problems as compared to non core activities as an organization will be familiar with core operations. The shrinking profit margins and competition could have encouraged this response. For the respondents who did not prioritize core business it could be attributed to the desire to offer various products in a bid to increase profit.

The results from the strategies examined above portray that efforts were indeed made in trying to salvage an ailing industry.

## **4.7 Effectiveness of survival strategies Implemented**

### **4.7.1 Preventing bankruptcy**

**Table 4.8: Preventing bankruptcy**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	30	78.9	78.9	78.9
Agree	6	15.8	15.8	94.7
Neutral	2	5.3	5.3	100.0
Total	38	100.0	100.0	

One of the objectives of the research was to evaluate the effectiveness of the survival strategies implemented by short term insurance industry players. On assessing the effectiveness of survival strategies in preventing bankruptcy, 78.9% said they strongly agree with the fact that survival strategies implemented prevented bankruptcy, while 15.8% said they agree and 5% were not sure

whether the survival strategies were effective in preventing bankruptcy as shown in table 4.8.

The results above indicate that survival strategies helped in preventing bankruptcy, as they improved financial strength as well as profit margins for the companies. In evaluating strategy one of the tests of a good strategy is that of performance. The study reveals that the company's performance was boosted hence the strategies were effective.

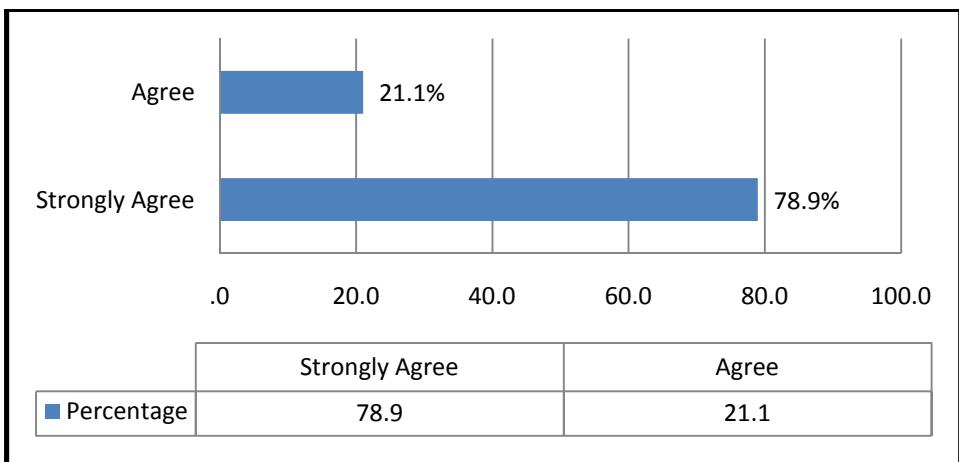
#### **4.7.2 Remaining ahead of competition**

**Table 4.9: Remained ahead of competition**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	4	10.5	10.5	10.5
Neutral	26	68.4	68.4	78.9
Disagree	8	21.1	21.1	100.0
Total	38	100.0	100.0	

On the issue of whether the strategies helped players to remain ahead of competition, 10% said that they agreed with the fact that the survival strategies helped players in ensuring that they were ahead of competitors. Whilst the majority of 68.4% was neutral and 21.1% disagreed that the survival strategies enabled them to be abreast of competition. The results are as shown in table 4.9 above. A good strategy should pass the competitive advantage test. However, the majority of the respondents were of a neutral opinion regarding whether the strategies helped them to be ahead of competition or not. This may be so because the industry is dominated by few players, whilst the bulk holds non-dominant positions.

#### **4.7.3 Relevance in a market**



**Figure 4.19: Relevance in a market**

On assessing effectiveness of the strategies, 79% of the respondents strongly agreed that the strategies implemented were effective in ensuring that they remained relevant in the market and justified their existence as shown in Figure 4.19. The remaining 21% of the respondents agreed that the strategies were effective in ensuring relevance. An effective strategy should be well matched to the company's situation both internally and externally. The strategies implemented were effective in that they ensured that companies remained relevant, thus matching the various companies situations.

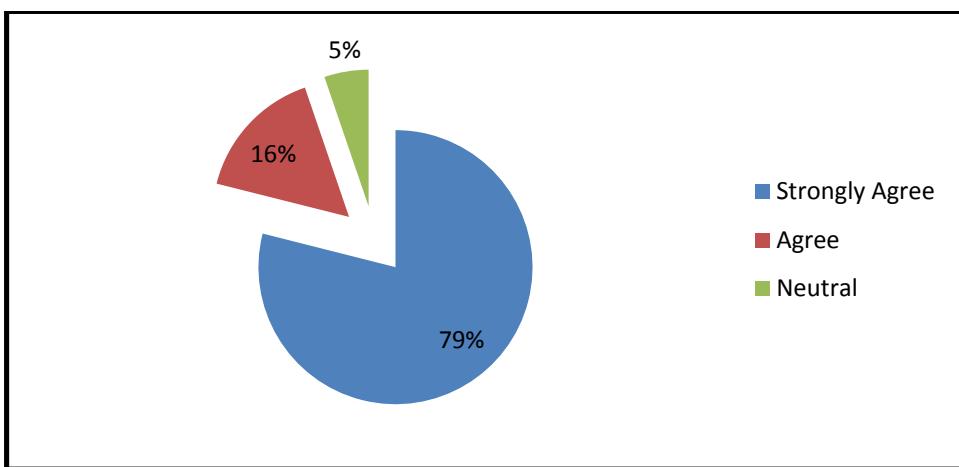
**Table 4.10: Falling profitability**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	20	52.6	52.6	52.6
Neutral	8	21.1	21.1	73.7
Disagree	10	26.3	26.3	100.0
Total	38	100.0	100.0	

On the issue of the strategies having prevented falling profitability, 52.6% of the respondents agreed that the strategies had been effective in preventing declining profitability, whilst 21.1% of the respondents were neutral and 26.3% of the respondents disagreed as shown in Table 4.10.

The majority of the respondents felt that the strategies had been successful in preventing falling profitability the implication being that for a strategy to be effective or good it should pass the performance test, the company's performance was improved hence the strategies were effective. However profitability in the insurance sector is affected by claims over which insurers have little control. Claims expenses reduce profitability in a very big way and though the strategies might have been effective profitability might not have been attained.

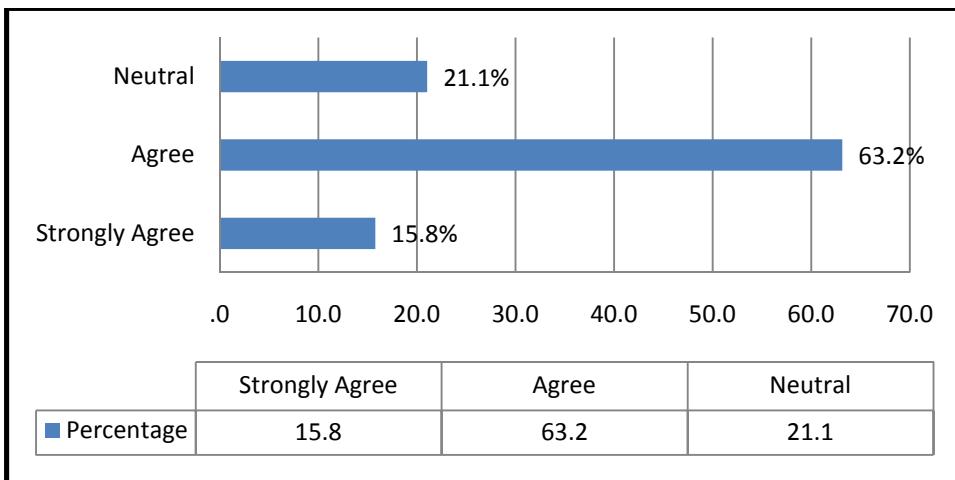
#### 4.7.4 Reversing causes of distress



**Figure 4.20: Reversing causes of distress**

The majority (79%) of the respondents said they strongly agree that the strategies were effective in reversing causes of distress, whilst 16% of the respondents said they agree and 5.3% of the respondents were neutral as shown Figure 4.20. The study reveals that the strategies were effective in reversing causes of distress. A good strategy hence boosts the performance of a company and this can be seen through the reversal of the causes of distress.

#### 4.7.5 Increasing return on investment



**Figure 4.21: Increasing return on investments**

Performance indicators in the industry include return on investment, cash flow and market share (IPEC, 2004). On the issue of the strategies implemented having had an impact on return on investment, 15.8% strongly agreed that the strategies had increased return on investment, and 63.2% agreed while 21.1% were neutral. Companies can only accumulate return on investments after having initially invested in some form of investment. This also implies that the investment vehicles have also been working very well, with investments being conducted on the stock exchange.

### Strategic repositioning

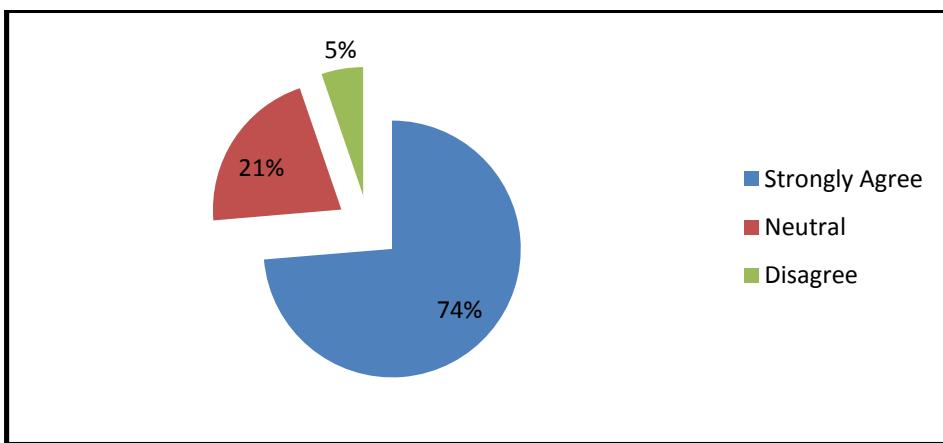
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
Strongly Agree	28	73.7	73.7	73.7
Agree	2	5.3	5.3	78.9
Neutral	8	21.1	21.1	100.0
Total	38	100.0	100.0	

**Table 4.11: Strategic repositioning**

The majority of the respondents (73.7%) said they strongly agree that the strategies were effective in ensuring strategic repositioning of their organization

whilst 5.3% of the respondents agreed and 21.1% were neutral as shown in Table 4.11. The study reveals that strategic positions of the insurance players were improved after implementing the survival strategies. Improvement in a company's performance conforms to the performance test indicator which reveals whether a strategy is effective. The strategic repositioning could have been in the form of improved visibility and brand awareness's for those companies

#### 4.7.6 Regained stakeholder support



**Figure 4.22: Regained stakeholder support**

The majority of respondents (74%) indicated that they strongly agree that the strategies were effective in ensuring that they regained stakeholder support whilst 21% of the respondents were neutral and only 5% disagreed. The stakeholders in the insurance sector include customers, shareholders, government, lenders. The support from the shareholders could have been in the form of increased capital injections as the shareholders had seen that there was potential for companies to improve in terms of business performance. The support from lenders could also have been from lenders such banks who offer lines of credit which sustain the

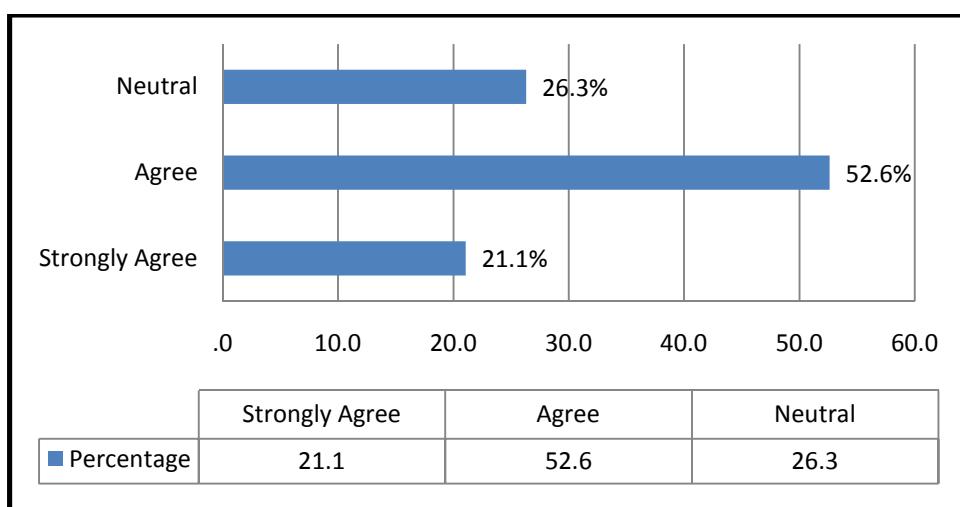
implementation of new insurance products as well as ensuring processes such as reorganization of the business function. All this would have to be done at a cost.

**Table 4.12: Overcoming Internal constraints**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
Strongly Agree	30	78.9	78.9	78.9
Agree	6	15.8	15.8	94.7
Neutral	2	5.3	5.3	100.0
Total	38	100.0	100.0	

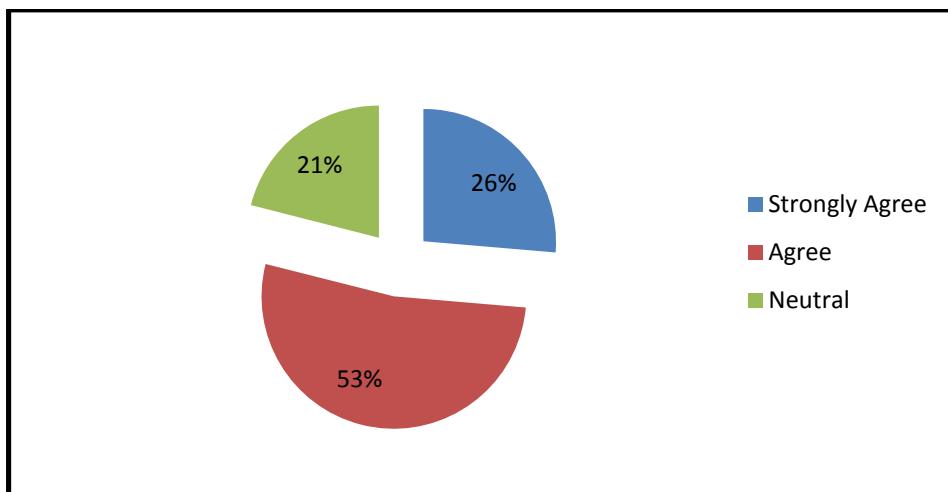
The study revealed that 78.9% strongly agreed that the strategies enabled them to overcome internal constraints, whilst 15.8% agreed and a mere 5.3% were neutral. These results imply that there was a fit between the company's situation and the strategy, thus indeed the strategies were effective.

#### 4.7.8 Curbing unfavorable industry practices



**Figure 4.23: Curbing unfavorable industry practices**

The study revealed that 21.1% of the respondents strongly agreed that the strategies implemented were effective in curbing unfavorable industry practices, whilst 52.6% of the respondents agreed and 26.3% of the respondents were neutral. Strategy is dynamic; hence people do change after an experience. The challenges and problems faced by insurers could have had assisted in changing the views of some of the industry players regarding industry practices. Such unfavorable industry practices according to (AIO, 2010) include charging sub optimal insurance rates, offering very high commissions to brokers, overlooking key underwriting considerations and neglecting risk mitigation strategies.



**Figure 4.24: Improving service delivery**

The majority of the respondents (52.6%) said that they agreed that survival strategies were effective in ensuring improved service delivery, whilst 26.3% of the respondents said that they strongly agree and 21.1% were neutral. Competing on price has its problems and insurance companies cannot travel down that road forever as evidenced by the literature reviewed. It could be that insurers realized that non- price competition in the form of improved service delivery was important

in order to remain in business, hence in a bid to fight off competition and also to improve profit margins insurers sought to improve their service offerings.

The results from the elements examined illustrate that the survival strategies implemented by short- term insurance industry players were effective.

#### **4.8 Extent to which survival strategies were required**

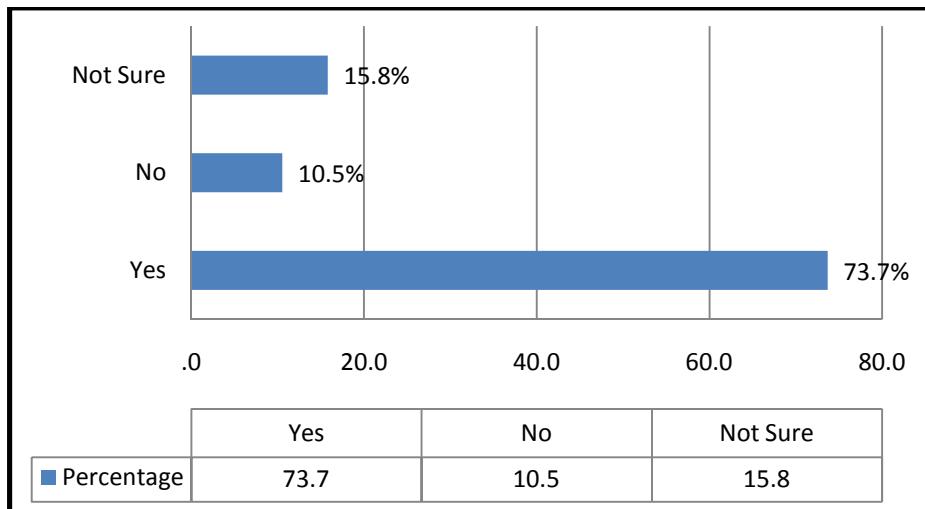
**Table 4.13: Extent to which survival strategies were needed**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Lesser extent	6	15.8	15.8	15.8
Moderate extent	8	21.1	21.1	36.8
Greater extent	24	63.2	63.2	100.0
Total	38	100.0	100.0	

The highest proportion of 63.2% of the respondents agreed that survival strategies were needed to a greater extent. Whilst 21.1% held that the survival strategies were required to a moderate extent and 15.8% felt that the strategies were not required. The results obtained indicate that the survival strategies were indeed required. The implication is that the challenges and problems that were being faced by insurance companies called for drastic action. Hart (2006) states

that problems faced in Africa include a soft market, poor product range and destructive competition.

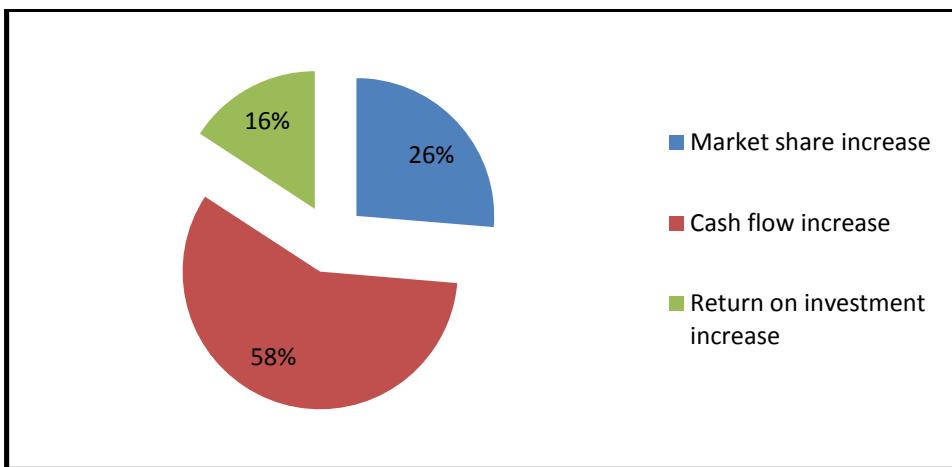
#### 4.8.1 Effectiveness of strategies implemented



**Figure 4.25: Effectiveness of strategies implemented**

The study revealed that the majority of the respondents felt that the strategies implemented by their companies were effective at 73.7%, whilst 10.5% felt that the strategies were not effective and 15.8% were not sure as shown in Figure 4.25.

#### 4.8.2 Results of implemented strategies



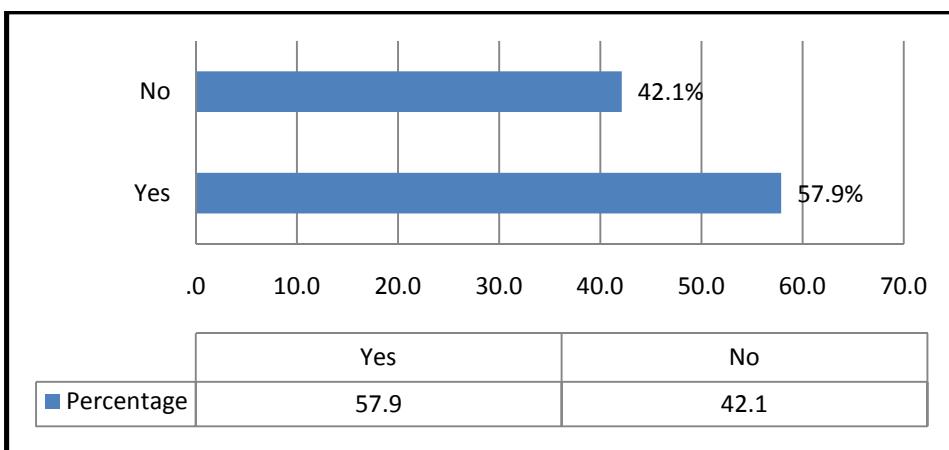
**Figure 4.26: Results of implemented strategies**

The study revealed that 58% of the respondents felt that the strategies implemented led to an increase in cash flow, whilst 26% of the respondents held that the strategies led to increased market share and 16% felt that the strategies led to an increase in return on investment as indicated in Figure 4.26 above. Performance is measured using various indicators in an insurance company.

The study revealed that the implemented survival strategies mainly led to an increase in cash flow, followed by an increase in market share and then a marginal increase in return on investment. According to Pozee (2006) cash flow underwriting usually in the form of price undercutting leads to increase in cash flow in the short term, however claims always come later and the question now would be, will the companies have invested enough to be able to pay out claims. The increase in market share could mean that for insurance companies that experienced a surge in their figures their survival strategies were effective, or they could have underpriced their products thus grabbing market share from other competitors. Returns on investments is affected by performance of the investment vehicles as well as prevailing market rates. The fact that 16% of the respondents gave credit to survival strategies for having increased returns may mean that the investment vehicles were not performing well.

#### **4.9 Alliances forged by short term insurance companies in Zimbabwe**

#### 4.9.1 Use of bancassurance



**Figure 4.27: Use of bancassurance**

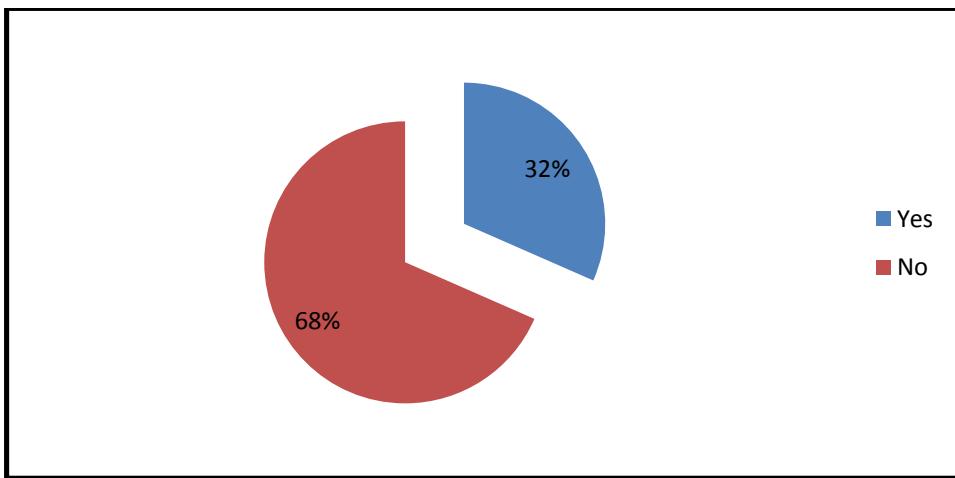
The study revealed that 58% of the respondents used banc assurance, whilst 42% of the respondents did not use banc assurance to distribute their insurance products as shown in Figure 4.27.

**Table 4.14: Alliance with supermarkets**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	8	21.1	21.1	21.1
No	30	78.9	78.9	100.0
Total	38	100.0	100.0	

The study revealed that 21% of the respondents formed alliances with supermarkets so that they could distribute their products on their behalf whilst 78.9% of the respondents did not form alliances with supermarkets to market their products, as outlined in Table 4-14.

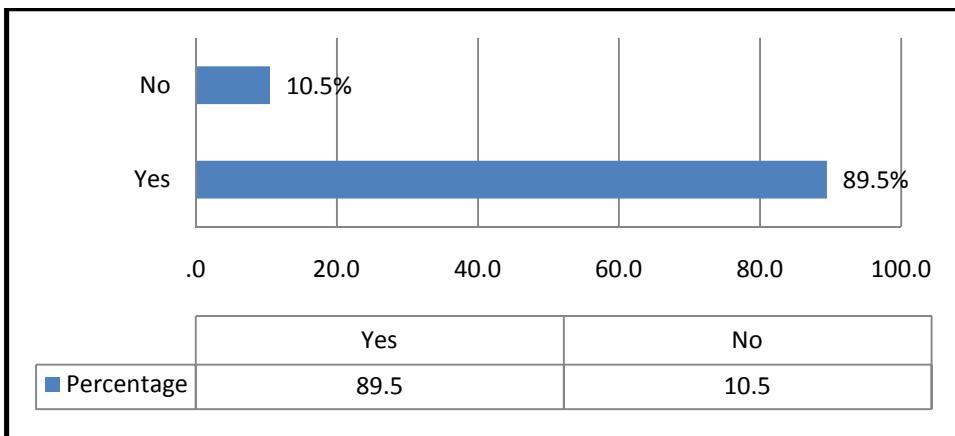
#### 4.9.2 Alliance with service stations



**Figure 4.28: Alliance with service stations**

The majority of respondents did not form alliances with service stations (68%). Whilst 32% conceded that they had formed alliances with service stations to distribute particularly motor insurance products on their behalf as shown in Figure 4.28.

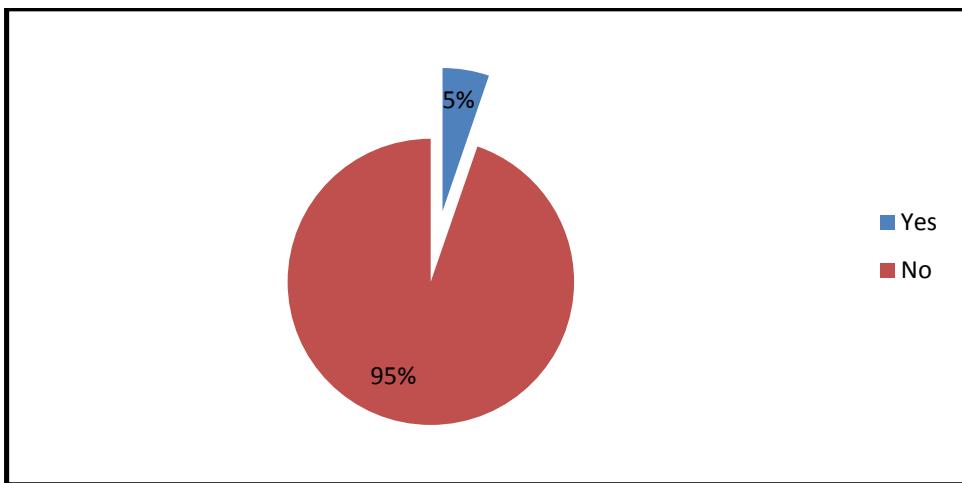
#### 4.9.3 Worksite Marketing



**Figure 4.29: Worksite marketing**

The majority of respondents 89.55% agreed that they had used worksite marketing as a channel of distribution, whilst 10.5% had not used that channel for distribution as shown if Figure 4.29. In a bid to increase sales, it's very easy to deal with employees as marketing is easily facilitated by the employer as was confirmed by Deloitte (2010)

#### 4.9.4 Instant short messaging services facility



**Figure 4.30: Instant sms facility**

The study revealed that, 95% of the respondents had not used the instant sms facility as a distribution channel whilst 5% had used the facility to distribute their products. The level of telecommunications development in the country is still low; hence this would explain why this channel is not being mainly used. People also require encouragement in the form of human interaction before they purchase goods that are not sought after such as insurance. Hence if the clients cannot identify a face behind the product offering they refrain from purchasing.

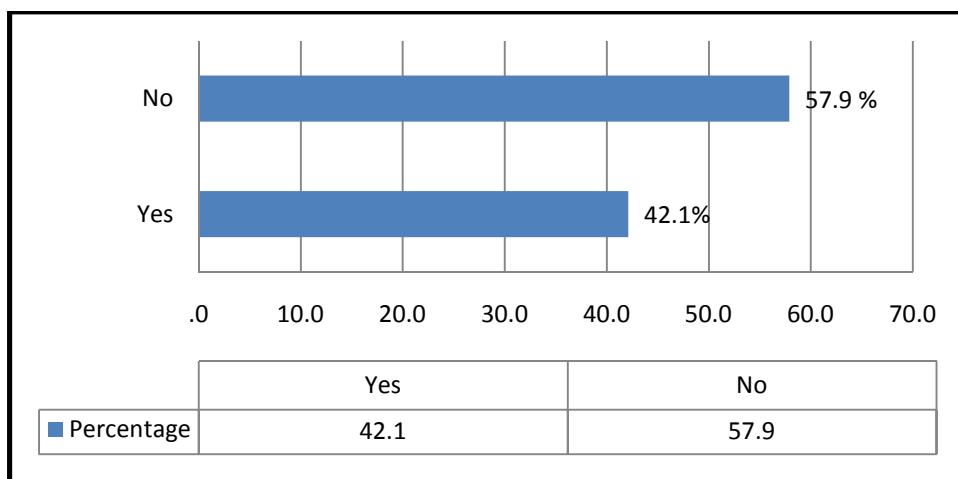
**Table 4.15: Alliance with Banks**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	22	57.9	57.9	57.9
No	16	42.1	42.1	100.0
Total	38	100.0	100.0	

The study revealed that 57.9% of the respondents indicated that they had formed alliances with banks whilst 42.1% had not formed alliances with banks as shown in Table 4.15. Distribution is important to the development of an insurance company; hence the association of banks and insurance companies in dealing

with the provision of insurance services works to the advantage of both the bank and insurance company. The results show that ties with the banks have been made. However there is also a significant percentage (42%) that has not embraced the concept; this could be as a result of the model of bancassurance that is being used for distribution. It could be that since there are fewer banks than insurers only the few banks can enter into arrangements with insurance companies where the banks solely transact for only one client.

#### 4.9.5 Alliance with brokers



**Figure 4.31: Alliance with brokers**

The study revealed that the majority (57.9%) of the respondents had not formed any alliances with brokers, whilst 42.1% had formed alliances with brokers as shown in Figure 4.31.

The results from the associations examined clearly show that attempts were made to broaden the availability of the insurance product.

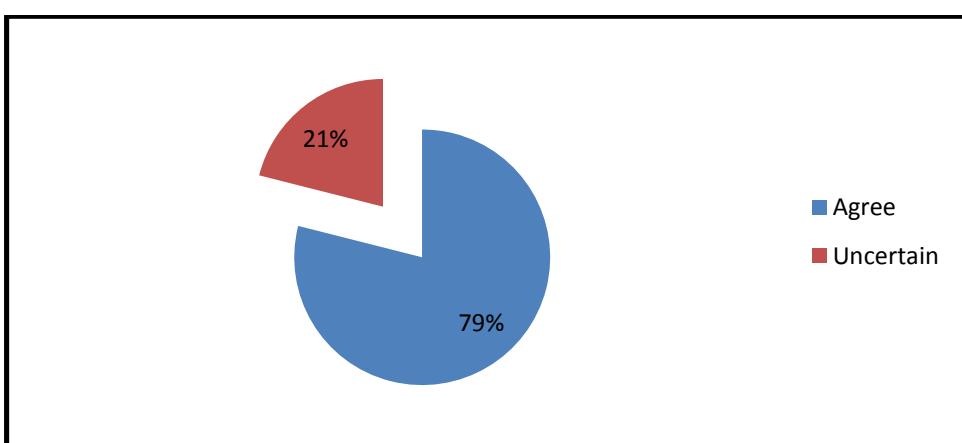
#### **4.10 Industry practices by short term insurance market players in Zimbabwe**

**Table 4.16: Rampant undercutting of rates**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	30	78.9	78.9	78.9
Uncertain	8	21.1	21.1	100.0
Total	38	100.0	100.0	

The study revealed that 78.9% of the respondents agreed that their organizations participated in price undercutting, whilst 21.1 % of the respondents were uncertain whether their organizations had been involved in price undercutting as detailed in Table 4.16. Price undercutting is mainly motivated by the desire to raise profits in the short term and usually occurs in a market where insurers want to prevent bankruptcy or survival (Pozzie, 2006). This may have been one of the factors that motivated insurance companies to engage in this undesirable practice.

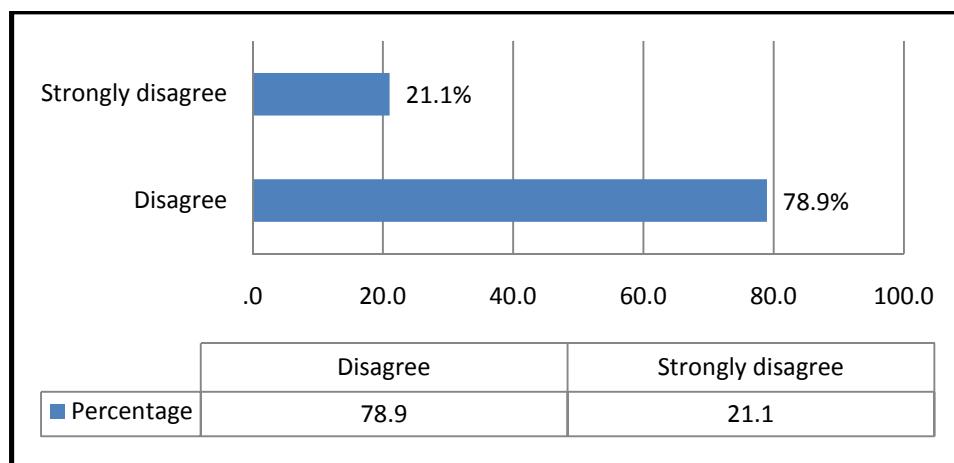
#### **Securing business after undercutting rates**



**Figure 4.32: Securing business after undercutting rates**

The study also revealed that 78.9% of the respondents agreed that in instances where they had practiced undercutting they had secured the business, as shown in Figure 4.32. Whilst 21.1% were not certain whether undercutting had assisted them in securing business, giving room to the fact that it's not only price that's considered when buyers evaluate insurance products. The insurance product is broadly similar, hence those who undercut appear to benefit in the short term, and thus customers flock to where the cheaper rates are found. This would explain why those who engaged in the practice managed to secure the business. An insurance company's ability to pay claims is also a good selling point, such that if customers know that a particular company pays claims they will not easily be taken away. Hence for those who were not sure there could be other services that they are doing extremely well in their work flow processes, which make them acquire the business.

**Price undercutting best method of surviving**



**Figure 4.33: Price undercutting best method of surviving**

All the respondents disagreed that rate undercutting was the best way to survive. This shows that there are other alternative ways to survive other than through cutting rates. According to (Pozzie, 2006) undercutting has long term implications on the performance of insurance business, considering that premiums should be grown in order to meet claims tomorrow. The study revealed that 78.9% disagreed with the view that price undercutting was the best method of surviving, whilst 21.1% of the respondents strongly disagreed as shown in Figure 4.33. From the

study it appears the respondents know that lowering rates has undesirable effects as the strategy only appears to work in the short- term.

**Table 4.17: Governing board**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly agree	32	84.2	84.2	84.2
Agree	6	15.8	15.8	100.0
Total	38	100.0	100.0	

The study revealed that 84.2% of the respondents strongly agreed that there should be a governing board responsible for setting operational standards for insurance industry players. Whilst 15.8% agreed with the assertion. Insurance operators since they hold public funds they should be monitored and regulated so that the policy holders funds are protected, and to also prevent contagion. Representations of the study's findings are detailed in Table 4.17. One of the challenges faced by African markets according to AIO (2010), pertains to the absence of governing bodies that set operational standards for market players. In Zimbabwe, IPEC is the market regulator but the body does not monitor and conduct market inspections adequately.

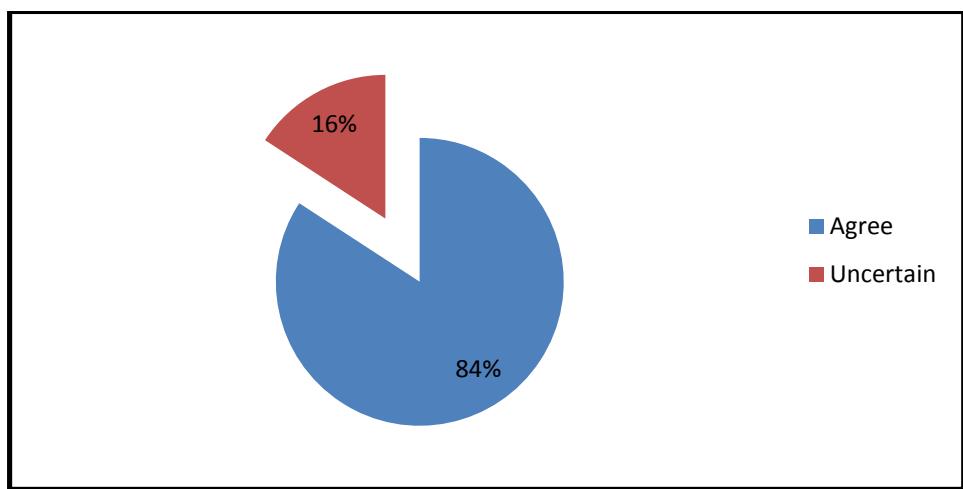
**Table 4.18: Industry image improvement**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Uncertain	8	21.1	21.1	21.1
Disagree	8	21.1	21.1	42.1
Strongly disagree	22	57.9	57.9	100.0
Total	38	100.0	100.0	

The study revealed that 58% of the respondents strongly disagreed with the notion that the image of the insurance industry improved after implementation of survival strategies, whilst 21.1% disagreed and 21.1% were uncertain as shown in Table 4.18. It can be noted that the image of the industry in the eyes of the public did not improve even after implementation of the survival strategies. According to Hart, (2006) the majority of threats facing the insurance market are self-inflicted such as the price undercutting, delayed or non-settlement of claims, soft markets and pressure selling of products, hence the image of the industry in Africa will always be battered.

The service sold by insurance companies is payment of claims in the event that verifiable claims occur they should always be met. The image of the industry could still be in shambles because insurance companies have not been dealing with some of the threats that affect their operations.

### **Timing of Survival Strategies**

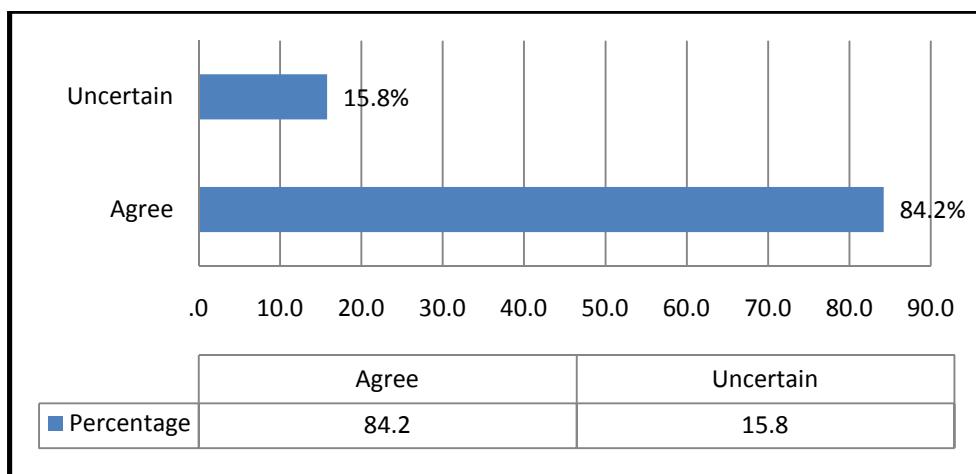


**Figure 4.34: Timing of survival strategies**

The majority of the respondents 84.2% held that the survival strategies implemented by their companies were correctly timed, whilst 15.8% were uncertain about the timing of the survival strategies as shown in Figure 4.34. According to Thompson and Strickland (1999) strategies employed by industries depend on the stage that a particular industry is in terms of the industry life cycle. The industry market players had been affected by falling profits, poor performing

classes of business, falling market share and severe competition. It is clear that the industry was not booming hence timing of the strategies was about right.

### Benefit of survival Strategies



**Figure 4.35: Benefit of survival strategies**

The study revealed that the majority (84.2%) of the respondents agreed that the survival strategies implemented were of great benefit to their organizations. On the other hand 15.8% were uncertain as shown in Figure 4.35. The study revealed that indicators such as market share, cash flow and return on investment increased as a result of the implementation of the strategies, hence the strategies could have been of benefit in different ways.

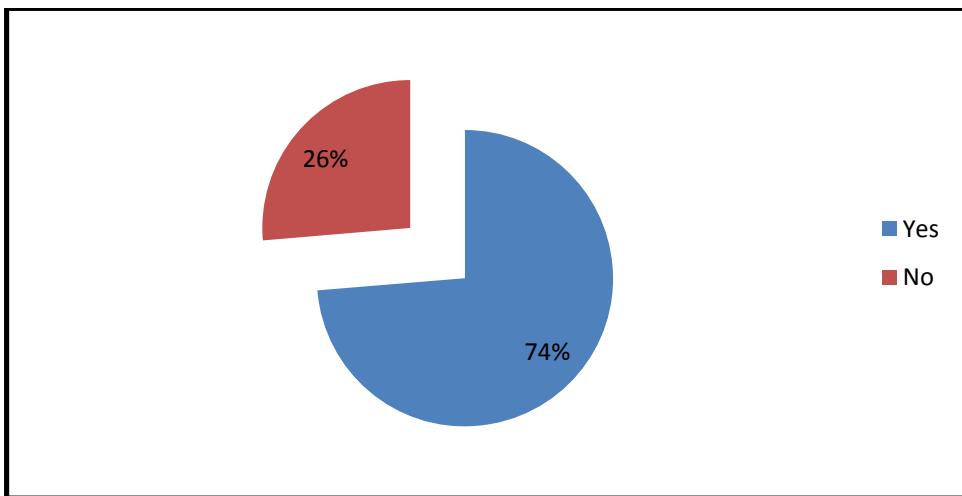
**Table 4.19: Requirement of Survival Strategies**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly agree	28	73.7	73.7	73.7
Agree	8	21.1	21.1	94.7
Uncertain	2	5.3	5.3	100.0
Total	38	100.0	100.0	

The majority of the respondents agreed with the notion that should the operating environment change, there would be no need for survival strategies. The study revealed that 73.7% of the respondents strongly agreed with the assertion, whilst 21.1% of the respondents agreed and 5.3% of the respondents were uncertain, as shown in Table 4.19. According to Thompson and Strickland (1996) strategies are dynamic, hence strategies respond to particular situations. In a less competitive environment prices will firm up and a lot of undesirable industry practices will not be present and this situation would call for different market practices altogether.

#### **4.11 Impact of survival strategies on performance of short term insurance players**

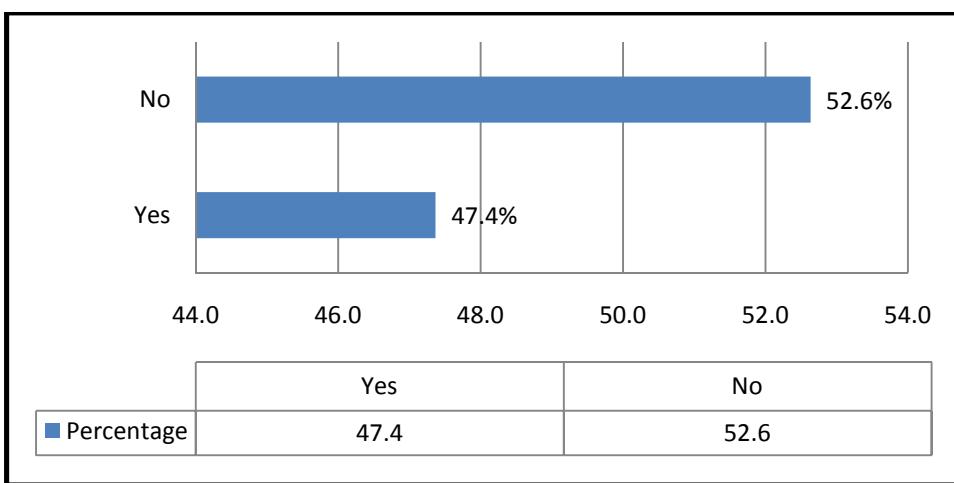
##### **Performance Measures**



**Figure 4.36: Market share as indicator of performance**

The study revealed that 73.7% of the respondents indicated that their companies considered market share in measuring performance of the company. Whilst 26.3% of the respondents indicated that their companies did not use market share in evaluating their performance.

#### Cash flow as an indicator of performance



**Figure 4.37: Cash flow as an indicator of performance**

The study revealed that 47.4% of the respondents indicated that their companies considered cash flow when measuring performance for their companies. Whilst 52.6% did not consider cash flows in their evaluation of performance as shown in Figure 4.37. This result is however at variance with the cash flow underwriting which was practiced as evidenced by the price undercutting.

**Table 4.20: Return on investment as an indicator of performance**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	10	26.3	26.3	26.3
No	28	73.7	73.7	100.0
Total	38	100.0	100.0	

The study revealed that 26.3% of the respondents considered return on investment when measuring performance, whilst 73.7% did not consider return on investment as shown in Table 4.20. The goal of the firm is shareholder wealth maximization. The results are not consistent with this goal, suggesting dents in the moral fiber of management present in the insurance companies.

In terms of improving performance respondents were asked about the things they wanted their organizations to implement in order to improve performance. Respondents indicated the following, training of staff, sourcing cheap capital, engaging commission based agents, engaging in co-insurance practices, matching intended strategies with actual actions, aligning resources with potential targeted business, adhering to set procedure manuals when accepting business, increasing marketing efforts, internet presence, practicing prudent underwriting and changing management.

Hindrances cited for the implementation of the above were given as, shareholder resistance to changes, competition, unrealistic targets forcing managers to sway from procedure, lack of cheap funding, lack of expertise to ensure proper underwriting procedures as well as the absence of adequate market regulation and control.

The majority of the respondents were of the opinion that survival strategies implemented by their organizations had been effective, though some of the strategies were said to have been at variance with their underwriting philosophies. The few who indicated that the strategies had not been effective highlighted the fact that because every player had adopted more or less the same tactics, there was no edge created by implementing them, though to a lesser extent the strategies helped them to operate in survival mode.

#### **4.12 Chapter Summary**

The responses to questions presented to respondents were analyzed and discussed. The results were also linked to relevant literature in relation to research objects. Recommendations and conclusion of the research will be detailed in chapter five.



## **CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS**

### **5.0 Introduction**

The chapter presents key issues pertaining to survival strategies that were implemented by short-term insurers in a competitive environment. The first section of this chapter details the major conclusions that emerged from the research. The second section gives recommendations on key aspects that will ensure survival of insurance companies. Finally the chapter will present recommendations for further study.

### **5.1 Conclusion**

The conclusions to this research are based on the objectives set out in chapter one which are detailed hereunder:

#### **5.1.1 To determine challenges faced by short-term insurance companies which call for survival strategies.**

The research concludes that insurance companies battled with stringent capital requirements, lack of working capital, loss of market share, management failure, huge claims, shrinking profit margins, competition, declining demand for insurance products, poor performing classes of business and premium collection challenges.

#### **5.1.2 To identify the different survival strategies instituted by short-term insurance industry players in Zimbabwe**

This research concludes that in order to deal with the challenges short-term insurance companies reorganized their business functions, offered incentives to insurance agents, bought huge reinsurance contracts, changed to more effective distribution channels, reduced costs and assets, prioritized core business and aggressively marketed their products. Though some of the strategies were in conflict with their underwriting philosophies such as cash flow underwriting, the majority of the tactics helped to turn fortunes around.

#### **5.1.3 To evaluate the effectiveness of the survival strategies implemented by short-term insurance industry players**

The study concludes that the strategies that were adopted were proven to be effective as they managed to improve performance of the companies, a perfect fit with the company's situation as well as having led to competitive advantage. There is evidence from the research findings that the survival strategies were well timed.

#### **5.1.4 To determine the impact of the survival strategies on the performance of the short-term insurance industry**

This research concludes that the following indicators appear to have had increased that is cash flow, profitability, market share and return on investment.

### **5.2 Validation of the research proposition**

The research confirms the research proposition that the survival strategies implemented by short-term insurance companies, for the period 2009 to 2012 were effective and necessary. This is supported by the fact that written gross premiums, cash flow and market share increased for companies.

### **5.3 Recommendations**

Though the results of the research indicate that the survival strategies brought about improved performance, the following recommendations are proposed.

1. The insurance value chain should be broken down and critically analyzed for gaps. Key areas such as claims processing and underwriting should be scrutinized at company level. Insurance companies should also give service to clients beyond mainly paying claims; clients should be educated about loss mitigating procedures and the gaps in their insurance covers.
2. It is in insurance company's best interests that they cooperate with other insurance companies .Insurance companies should exchange notes on bad risks in the industry, as well as appropriate rating and pricing of insurance products based on loss experiences.
3. The claims settlement procedure should be improved by setting up claims investigation departments, since claims are the largest expense in

insurance companies. Insurance companies should pay claims upon verifying that actual losses have occurred, in that regard claims investigators should be recruited who preferably have an investigation background.

4. The industry should move away from minimum capital requirements as a basis for transacting business and move towards risk- based capital levels. Insurance companies should only underwrite risks that can be supported by their balance sheets; those insurance companies with very little capital should not be seen to be competing for the very large risks on the market. The regulator should enforce risk based capital requirements as this will guarantee that insurance companies will be able to pay claims should they arise.
5. Insurance companies should have alliances with actuarial companies and risk management firms. Actuarial companies should determine adequate premium rates that are economic and sustainable for insurance business. Risk management firms would also assist on the insurability of some classes of business to prevent a situation whereby insurers get stuck with poor performing classes of business.
6. The regulator of the insurance industry should monitor industry practices on a frequent basis and heavily penalize those players that practice unfavourable industry practices. Those found at fault should be exposed to the public so as to protect the image of the industry to the public is protected. The operations of the insurance industry require to be smoothed.
7. Though the survival strategies were helpful, strategy is dynamic and therefore market players should position themselves for growth and continue to model tactics that ensure sustainable profitability for their companies. Short- term insurance industry players should also consider

global as well as regional competition. The players should be willing to emulate and uphold some of the products and service standards that are implemented regionally and globally. Technology advancements have transformed the world hence in order to grow continually local short-term insurance companies should strive to match and even surpass international standards.

8. Measurement of performance at company level should be enforced .Though there are broad indicators that detail how well a company is performing measures such as quality of business underwritten, marketing expenses incurred, technical results, expenses ratios, individual portfolio profitability and asset growth rates should be analyzed by each market player. Performance appraisals should be enforced at company level, where those underwriters who expose the companies by undertaking bad risks should be sent for further training. For those employees who take on profitable risks they should be motivated by way of incentives.
9. Insurance companies should implement various distribution channels in order to broaden their networks. Distribution is very important in insurance business as such insurance companies should invest in expert systems, and utilize their websites for direct marketing .They should also push for amalgamations with banks and not be satisfied only with the distribution arrangement models with banks for bancassurance.
10. There should be implementation of change management in insurance companies so that underwriters are allowed to be flexible and innovative in their dealings .This will enable underwriters not to be constrained by unrealistic budgets that often affect the volumes and quality of insurance business underwritten. Management should also be constantly appraised so that the direction or strategies that a company takes is not based on an individual's personality which is often construed as abuse of power.

#### **5.4 Areas of further research**

1. A similar study could be carried out on banks and life assurance companies in Zimbabwe using a similar methodology as this study was only limited to short-term insurance companies.
2. It may be important to evaluate the impact of the survival strategies on industry regulatory requirements.

## REFERENCES

- Ab, O. I. (2009). Business model analysis of a case company in knowledge intensive business sector . India
- Actuary Magazine. (2005, November 13). *Operational Strategies* . Chicago, Washington, United States of America.
- AIO. (2010). Re-building consumer trust and confidence after the global financial crisis. *African Insurance Organisation*. Banjul Gambia.
- Apel, C. (2003). Central Banking System Compared. New York.
- Ansoff, H. (1965). *Corporate Strategy*. New York: McGraw-Hill.
- AON. (2009). *Regional Insurance developments: A report on Market Developments*. Harare.
- AON. (2010). *Zimbabwean Insurance Market: A report on Developments*. Harare.
- Baker, J. (2008). *Fundamentals of insurance principles*.United States of America.
- Baum , J, M. A. (2004). *Business Strategy over the industry life cycle*. Oxford: J A I Press.
- Berry, L. (1996). Capture and Communicate Value in the Pricingof Services. Washington, United States of America: Adventure Works Press.
- Brainard, L . (2008). What is the role of insurance in economic development.
- Brealey,R . (2001). *Fundamentals of Corporate Finance*. 5<sup>th</sup> Edition.
- Brue, S. L. (2002). *Economic Principles,Problems and Policies*. Boston: McGraw-Hill.
- Bogardus, J. & Moore R. (2007). *Insuring the American experiance*. Oxford: J A I Press.
- Boone,L. & Kurtz,D. (2006).*Contemporary business and marketing*.New York: Free Press.
- Carter, C. H. (2005). *Reorganising the business function*. Boston: McGraw-Hill.
- CEA. (2010, March). Insurance Distribution Channels in Europe.
- Cresswell, J. (2009). *Research Design Qualitative,Quantitative and Mixed Methods Approach*. Lincoln: University of Nebraska.
- Cochrane, J. (2006). Innovation will continue to be key to a sucessfull insurance business model.

- CSC. (1994). *CSC Index 1994: State of reengineering report*. London: CSC Index Inc.
- Culp, C. (2001). *The Risk Management Process*. New York: John Wiley & Sons.
- Cummins, C. (2007). Handbook of International Insurance between global dynamics and local contingencies. Super Science Business Media.
- Davenport, J. (1993). 'Process innovation: Reengineering work through information technology. Boston: Harvard Business School Press.
- De Vaus, D. (2002). *Surveys in Social Research*. London: UCL.
- Drucker, P. (1999). *Management Tasks Responsibilities Practices*. Lagos: Nigeria
- Dunn, I. & Hoyt, D. (2002). Insurance Distribution: Markets in Transition.
- Eastern Illinois University. (2008) Retrieved October 11,2012 from (<http://www.edu/%7Eminnis/mba5890/Handouts/MBA%205890rev.doc.2012>).
- Economist. (2011, June). Reengineering reviewed.
- Eling, M & Luhnen, M. (2008). Understanding price competition in German Motor Insurance. *Institute of Insurance Economics. Working papers on Risk Management and Insurance* .
- Elkington, S. (1993). *Bancassurance*. Macmillan Press.
- Elliott. (2010). *Global Insurance Outlook- Generating growth in a challenging economy*: UK
- Feldbum, O. (1988). *Underwriting Cycles and Business Strategies*. New York.
- Fraenkel, J. W. (2006). *How to Design and Evaluate Research in Education*. New York: McGraw- Hill.
- Forum. (2012). *Market opportunities and threats*: Harare
- Gephart, J. (2009). Principles of insurance. McGraw Hill.
- GIRO. (2000). *General Market Insurance Convention: Insurance markets and convention*
- Hammer,M. and Chappy, J. (2003). Re-engineering the coperation: a manifesto for business revolution. New York: Harper Business.
- Harrison, G. (2002).*Factors preventing bancassurance from gaining competitive advantage in the life insurance market*. MBA Research report. University of Witwatersrand
- Hart, L. (2006). *Challenges in the insurance sector*.

- History of Insurance. (2006). Retrieved November 5, 2012 from <http://www.insurance.za.org/insurance/> history-of-insurance.htm
- Hoffman, J. (2001). *Services marketing essentials*. London: Random House
- Hoosen, B. (2006). Critical sucess factors in the sale and distribution on Bancassurance in South Africa. Sandton, South Africa.
- ICZ. (2011). *Insurance Council of Zimbabwe; Market analysis*. Harare
- ICZ. (2012). *Insurance Council of Zimbabwe; Market analysis*. Harare
- IPEC. (2012). *Insurance and Pensions Commissions Short Term Insurance Market Statistics for the quarter ended 31 March 2012*. Harare: IPEC.
- IPEC. (2011). *Insurance and Pensions Commissions Short Term Insurance Market Statistics for the quarter ended 31 December 2011*. Harare: IPEC.
- Katsuri,R. (2006). Performance Management in Insurance. India.
- KPMG. (2012). *KPMG Insurance Survey*. South Africa
- Kumar, L. (2001). Marketing and distribution channels in bancassurance.
- Lakshmikutty, A. & Baskar, L. A. (2006). Insurance Distribution in India- A Perspective
- Laureen, R. & Sharon, T. (1998). Insurance Distribution Systems.
- Leonard, W. (2005). *Transformational change*. Pretoria: University of Pretoria.
- Marble, E. (2006). *A critical assesment of the survival strategies of deposit money banks in a depressed economy with special reference to the First Bank of Nigeria*. Nigeria
- Mintzberg, H. (1976). The Strategy Concept - The Five P's for Strategy. *The Harvard Business Review*, 1-2.
- Nduna, A. (2009). *Challenges on the African market*. Harare: AIO
- News Direct. (2010). Distribution of the 21st Century.
- Nigh, J. and Suanders, M. (2003-2004). Bancassurance around the world.
- Obasi, H. (2010, January 20). Policies, Challenges, Reforms and Nigerian Disposition to Insurance Contracts. *The Fronteira Post*. Lagos, Nigeria.
- Olamide, C. (2006). *Corporate decline in enterprises*. Lagos, Nigeria
- Oates, J. 2010. *Performance Measures in insurance*.

- Olofinnika, J. (2010). Fundamental principles of Insurance.
- Peters, T.A. (1984). *Strategy*. New York: Free Press.
- Porter, M. (1980). *Competitive Strategy*. Free Press.
- Porter, M. (1985). *Competitive Advantage; Creating and Sustaining Superior Performance*. Collier Macmillan. Free Press.London
- Pozzie, S. (2006). *The Insurance Carriers Fail To Maintain Underwriting Discipline*. New York: The Free Library.
- Punch. (2012, August). Challenges in Nigeria. Lagos, Nigeria.
- Prasad, S. (2006). *Turnaround Strategy*. New York.
- Saunders, M. A. , Lewis. , Thornhill (2009). *Research Methods for Business Students*. New Jersey: Prentice Hall.
- Schindler, C. A. (2006). *Business Research Methods*. London: Prentice Hall.
- Scott, L. (2011). *The South African Insurance Market – An Insight*. South Africa
- Scully, S. (2008). *Transformational Change*. Chicago.
- Sekaran, U. (2010). *Research Methods for Business.A Skill Building Approach*. New Jersey: John Wiley and Sons.
- Sheinberg, D. A. (2005). *Survival is optional:Only Leaders With New Knowledge Can Lead the Transformation*.
- Shivkumah.C. (2007, October 20). As Insurers Resort To Undercutting. *Financial Daily* . Pune, India.
- Skipper, L. (1998) . *Distribution in the Insurance sector*.
- Stalwart, K. (1993). Managing and Organising Business Re-engineering.
- Staikouras, C. (2006). Separation of banking from Insurance: Evidence from Europe.
- Steeham, S. and Renouf, L. (2008). *The Complex Insurance Client*. Sandton
- Stone. (2010). *Organisations that transform*. Chicago.
- Supervision, G. A. (2011, December). *Geneva Association*. Retrieved September 18, 2012, from Geneva Association: [www.genevaassociation.org/PDF/Book\\_and\\_Monographs/GA2011\\_The\\_Essential\\_Role\\_of\\_insurance\\_services](http://www.genevaassociation.org/PDF/Book_and_Monographs/GA2011_The_Essential_Role_of_insurance_services)
- Swiss Re. (2009). Insurance Coverages.

- Taiber, U. (2000). *Performance Indicators in Insurance*
- Tanted, N. (2012, August). *Indian MBA*. Retrieved August 22, 2012, from IndianMBA: [www.indianmba.com](http://www.indianmba.com)
- Thompson, A. & Strickland. (2010). *Crafting and Executing Strategy*. McGraw Hill.
- Thompson, A. & Strickland, A. (2009). *Strategic Management Concepts and Cases*. University of Alabama
- Valsamakis, A. V. (2005). *Risk Management: Managing Enterprise Risks 3rd Edition*. Sandton: Heinemann Publishers.
- White, B. (2000). *Dissertation Skills for Business and Management Students*. Prentice Hall.
- Whitehurst, D. (2003). *Fundamentals of Corporate Finance*. Vol 1.6<sup>Th</sup> Edition.
- William, L. (1997). *Product Life Cycle : Essentials of Marketing*. Irwin Company.
- Yin, R. (1994). *Case Study Research: Design and Methods*. Thousand Oaks: Sage Publications Inc.
- Yin, R. (2003). *Case Study Research; Design and Methods*. Thousand Oaks: Sage Publications.
- Zimeye. (2012). Standards Association of Zimbabwe dumps Aon over vehicle. Retrieved November 30, 2012 from <http://www.zimeye.org>.
- ZARO. (2012). *Zimbabwe Association of Reinsurers; Market statistics*. Harare

## APPENDICES

### AN INVESTIGATION INTO SURVIVAL STRATEGIES IN A HIGHLY COMPETITIVE SHORT TERM INSURANCE INDUSTRY

## RESEARCH QUESTIONNAIRE

---

Dear respondent

My name is Sylvia Nemaura, a finalist Masters in Business Administration student with the University of Zimbabwe. As part of the requirements of the masters' programme, I am conducting a research on survival strategies. I am kindly appealing for about 10 minutes of your time, for you to complete this questionnaire. The findings will not be used for any purposes other than those intended for this research and the researcher assures the respondent of the strictest confidentiality in handling of information. For any clarifications regarding this study please feel free to contact the researcher on the following mobile number: 0772 957 138 or e-mail address [slvnemaura@gmail.com](mailto:slvnemaura@gmail.com).

---

### SECTION A: DEMOGRAPHIC SECTION

GENDER	M		F		AGE	<30		30-40		41-50		>50	
--------	---	--	---	--	-----	-----	--	-------	--	-------	--	-----	--

EDUCATION	High School	College	Degree	Masters	Doctoral
-----------	-------------	---------	--------	---------	----------

NO/ OF YEARS EXPERIANCE	<5	5-10	11-15	16-20	>21
-------------------------	----	------	-------	-------	-----

POSITION	Top Management	Middle Management	Lower Management	Administrative/ Non Managerial
----------	----------------	-------------------	------------------	--------------------------------

---

### SECTION B: SURVIVAL STRATEGIES

1. Kindly indicate the challenges that your organization faced from 2009

Yes No Not Sure

- |       |  |                          |                          |                          |
|-------|--|--------------------------|--------------------------|--------------------------|
| i.    | Premium collection                     | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| ii.   | Poor performing classes of business    | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| iii.  | Stringent capital requirements         | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| iv.   | Lack of working capital                | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| v.    | Loss of market share                   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| vi.   | Management failure                     | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| viii. | Rate undercutting                      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| vii.  | Huge claims                            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| viii. | Declining demand of insurance products | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| ix.   | Shrinking profit margins               | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| x.    | Competition                            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

2. Kindly indicate the strategies implemented by your organisation in order to compete effectively?

Yes No Not Sure

- |       |  |                          |                          |                          |
|-------|--|--------------------------|--------------------------|--------------------------|
| i)    | Re organising / reinventing the business function        | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| ii)   | Price undercutting                                       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| iii)  | Incentives for Agents                                    | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| iv)   | Structured premium payment plans                         | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| v)    | Use of reinsurance contracts                             | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| vi)   | Aggressive marketing and promotion                       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| vii)  | Revenue enhancement/ developing multiple revenue streams | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| viii) | Cost and asset reduction                                 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| ix)   | Selling additional products and services to customers    | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| x)    | Disposing of nonperforming assets                        | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| xi)   | Changing distribution channels                           | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| xii)  | Merging or creating alliances with business partners     | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| xiii) | Prioritizing core business                               | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| xiv)  | Lowering premium rates                                   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| xv)   | Demerging  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

3. Survival strategies implemented were effective in ensuring the following?

Strongly agree (SA), Agree (A), Neutral (N), Disagree (D), Strongly Disagree (SD)

SA	A	N	D	SD
----	---	---	---	----

- |   |                          |                          |                          |                          |                          |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| i) Prevented bankruptcy                         | <input type="checkbox"/> |
| ii) Remained ahead of competition               | <input type="checkbox"/> |
| iii) Remained relevant in a market.             | <input type="checkbox"/> |
| iv) Prevented falling profitability             | <input type="checkbox"/> |
| v) Reversed causes of distress                  | <input type="checkbox"/> |
| vi) Increased return on investment              | <input type="checkbox"/> |
| vii) Strategic repositioning                    | <input type="checkbox"/> |
| <br>  |                          |                          |                          |                          |                          |
| viii) Regained stakeholder support              | <input type="checkbox"/> |
| ix) Overcame internal constraints               | <input type="checkbox"/> |
| x) Curbed unfavourable industry characteristics | <input type="checkbox"/> |
| xi) Improved service delivery                   | <input type="checkbox"/> |

4. To what extent do you think survival strategies were required in the Zimbabwean short- term insurance industry after the introduction of the multi-currency system? (*tick the correct answer only in one box*)

Not needed	<input type="checkbox"/>
Lesser extent	<input type="checkbox"/>
Moderate extent	<input type="checkbox"/>
Greater extent	<input type="checkbox"/>

Explain How-----

5. Were the strategies implemented by your organisation effective?

Yes

No

Not Sure

6. Did the strategies implemented lead to increases in the following indicators? Kindly tick your response.

- i. Market share
- ii. Cash flow
- iii. Return on investment
- iv. None of the above

7. Which channels of distribution were used by your organisation from the year 2009?

	Yes	No
i) Brokers	<input type="checkbox"/>	<input type="checkbox"/>
ii) Direct marketing	<input type="checkbox"/>	<input type="checkbox"/>
iii) Bancassurance	<input type="checkbox"/>	<input type="checkbox"/>
iv) Alliance with supermarkets	<input type="checkbox"/>	<input type="checkbox"/>
v) Alliance with service stations	<input type="checkbox"/>	<input type="checkbox"/>
vi) Worksite Marketing	<input type="checkbox"/>	<input type="checkbox"/>
vii) Sales Agents	<input type="checkbox"/>	<input type="checkbox"/>
viii) Instant sms facility	<input type="checkbox"/>	<input type="checkbox"/>

Other

specify.....

8. Did your organisation form any alliance with another organisation?

	Yes	No
i) Bank	<input type="checkbox"/>	<input type="checkbox"/>
ii) Supermarkets	<input type="checkbox"/>	<input type="checkbox"/>

iv) Service stations

v) Brokers

Other

specify.....

**Using the scale below kindly tick your answers to the questions that follow;**

1. Strongly Agree	2. Agree	3. Uncertain	4. Disagree	5. Strongly Disagree
-------------------	----------	--------------	-------------	----------------------

Performance	1	2	3	4	5
10. Undercutting of rates has been rampant in the past or continues in the industry. Did your company participate in this war?					
11. In the cases where you undercut rates were you able to secure the business.					
12. Rate undercutting is the best way to survive compared to other alternative strategies.					
13. Should there be a governing board that will set operational standards for insurance industry players.					
14. Insurance Industry image improved after implementation of survival strategies					
15. The survival strategies implemented by your company were correctly timed.					
16. The survival strategies implemented by your company were of great benefit to your company					
17. Should the operating environment change, the survival strategies implemented by your organization will not be required					

**Kindly circle the appropriate answer for the question below**

18. To measure its performance, your organization considers:

	Yes	No
i. Market share	<input type="checkbox"/>	<input type="checkbox"/>
ii. Cash flow	<input type="checkbox"/>	<input type="checkbox"/>
iii. Return on Investment	<input type="checkbox"/>	<input type="checkbox"/>
i. Other kindly specify.....		

19. List two things you would like to see your organization implementing in order to improve performance.

- i. ....
- ....
- ii. ....
- ....

20. What do you think may hinder or enhance the implementation of the listed improvements?

- i. ....
- ii. ....
- iii. ....

21. In your own opinion how effective are survival strategies in your organization.

.....

**End of Questionnaire**

**Thank you for taking your time to complete the questionnaire**