Factors Affecting Insurance Claims Payments in Kenya: A Case Study of ‘‘A’’ Assurance Company Limited

Dr. John Cheluget (MUA), Benstein Mutinda Kitaka (MUA)
The Management University of Africa, Kenya

***Abstract*: Most of the insurance companies in Kenya are faced with challenges which affect claims payments and this explains why some insurance companies are placed under statutory management. For the case of ‘‘A’’ Assurance Company Limited the organization was placed under statutory in the year 2008 due to challenges of claims payments, this made customers to have a negative perception of the company due to previous experience they had. The main objective of the study was to determine factors affecting insurance claims payments in Kenya with specific objectives to determine how type of cover affect insurance claims at ‘‘A’’ Assurance Company Limited; to establish how underwriting affect insurance claims at ‘‘A’’ Assurance Company Limited; to determine how insurable interest affect insurance claims at ‘‘A’’ Assurance Company Limited and to determine how insurance pay-out affect insurance claims at ‘‘A’’ Assurance Company Limited. The study is anchored on expectancy theory and goal setting theory. This study adopted a descriptive research design with a target population of 120 employees at ‘‘A’’ Assurance Company Limited. Stratified proportionate sampling was used to get a suitable representative of the target population. This research study used questionnaires as the main data collection tool. The questionnaires were pilot tested before being administered to the target audience. Analysis of data was done using descriptive statistics. Specifically, means, averages and percentages were used in the study. The study established that type of cover affect insurance claims to a very great extent. The findings also show that underwriting claims has significant and positive influence on insurance claims. The study also found out that insurable interest affects insurance claims to a great extent and finally insurance pay-out influences insurance claims at ‘‘A’’ Assurance Company Limited to a great extent. The study concludes that the process of claims management has to strike the balance between customer expectations and maintaining cost efficiency. The client expectation is to be paid without delays while the claims managers have to ascertain whether the claim is payable and the amounts are correct.**

***Keywords:* Association of Kenya Insurers, Insurance Institute of Kenya, Road Traffic Act, Insurance Regulatory Authority, Insurable Interest, Insurance Pay-Out, Insurance Cover, Underwriting**

I. INTRODUCTION

Claims management is the process of carrying out the entire process of claim process with a particular emphasis upon the monitoring and lowering of claims costs (Wedge & Handley, 2013). The process of claims management has to strike the balance between customer expectations and maintaining cost efficiency. The client expectation is to be paid without delays while the claims managers have to ascertain whether the claim is payable and the amount are correct. The claims manager relies on service providers such as assessors, garages, doctors, loss adjusters and investigators and the service providers might not attached the same priority to clients as the insurer that results from slow turnaround time complaints from customers(AKI, 2017). Tseng, Kang and Chung (2014) examine the impacts of the loss premium comparisions and insurance coverage on customers acceptance of claims frauds in developed economies. The findings established that loss premium comparisions and insurance coverange affect the final claim amount and age as well as education level may relate to customer acceptance of insurance claim frauds.

Stowell, Schmidt and Wadlinger (2018) examine the extensiveness of insurance fraud in emerging economies and how it involves and affects insurance firms, hospitals, patients and government. The authors established that despite the increased funding by various governments in the emerging economies insurance fraud continues to be a major threat to the economy. In Kenya the insurance Act Cap 487 Section 203 requires that an inurance firms should settled claims within ninety days after the liability has been established and failure to comply to the directive a levy of five percent of all outstanding amounts being imposed by Insurance Regulatory Authority. If the insurance firm fails to pay the required amount this can result to the firm winding up. Service provinders have also established associations that have given insures a strict benchmark in reference payments of insurance claims and this have placed higher expectations on these organizations(AKI, 2017).

Statement of the Problem

Most of the insurance companies in Kenya are faced with challenges which affect claims payments and this explains why some insurance companies are placed under statutory management for example the case of ‘‘A’’ Assurance Company Limited. The organization was placed under statutory receivership in the year 2008 due to challenges of claims payments, this made customers to have a negative perception about the company.

In 2010 ‘‘A’’ Assurance Company Limited was thrown in a state of confusion when the high court ruling permitted PSV underwriters to delay payments and also bar all claimants from compensation on suspicion of fraud. The firm also faces other challenges that face ‘‘A’’ Assurance Company Limited are delay or non-payments of claims, poor documentation and record management; it takes a lot time in locating and retrieval of information and also the organization relying on policy exclusions to decline the claim therefore this study intentions was to establish the factors that affects claim management at ‘‘A’’ Assurance Company Limited is important to shade light to this challenges that the firm face as well as her customers.

Several studies have been conducted in the insurance field Ouma (2008) examined the relationship between competitive advantage and value chain in the insurance industry in Kenya and he established that the greatest challenge of customers experience is the processing and payments of claims whether to the policy holders and third parties. Nderitu (2006) also examined the causes of insurance claims in the insurance sector in Kenya and his conclusion was that, inflated claims, fraud and fake claims contributed significantly to the phenomenon. Therefore the purpose of the study is to determine factors affecting insurance claims payments in Kenya with reference to ‘‘A’’ Assurance Company Limited as the study case with the aim of answering the research questions.

General Objective

The main objective of the study was to determine factors affecting insurance claims payments in Kenya.

Specific Objectives

i. To determine how type of cover affect insurance claims at ‘‘A’’ Assurance Company Limited.
ii. To establish how underwriting affect insurance claims at ‘‘A’’ Assurance Company Limited.
iii. To determine how insurable interest affect insurance claims at ‘‘A’’ Assurance Company Limited.
iv. To determine how insurance pay-out affect insurance claims at ‘‘A’’ Assurance Company Limited.

II. LITERATURE REVIEW

Theoretical Literature Review

Expectancy Theory

Victor Vroom in 1964 developed expectancy theory and the theory stress and focus on outcomes. Expectancy theory has two major assumptions that is individuals have a perception about the concerns that result from their interactive engagements and casual relations among the outcomes and second assumption is individual has effective reactions to certain outcomes that is both positive and negative value (Lee, 2011). Expectance theory is a set of decision theories of work of motivation and performance. Perception plays a vital role in this theory because it emphasizes on cognitive ability to anticipate likely consequences that result from behavioral action. Expectancy theory indicates those individuals are motivated to perform in two expectations. Expectancy is the probability that the effort will always lead to desired performance and second expectancy is that particular performance will lead to preferred outcomes (Namwong, Tatre, Suwannoi, & Jutamas, 2017). Not all efforts were rewarded and the staff may not be motivated to perform specific duties. Expectancy theory relies upon motivators to clarify the causes of behavior at a work station; external rewards are viewed as motivators when behavior is driven from internal forces (Lee, 2011). The study adopted this theory because it addresses how type of cover and underwriting affects insurance claims.

Goal Setting Theory

This theory was developed in mid 1960s by Edwin Locke. Locke researched the theory for more than thirty years. He derived the goal setting theory from Aristotle; Locke refined and developed goal setting theory in 1968. The notion of goal setting theory is that their aim is to supervise human action. According to Locke and Latham (2010) goal setting has four motivational mechanisms that goals have an energizing function, goals that are meaningful tends to emphasis on distinct consideration on what is important and relevant, goals affect persistence. When an individual in pursuit of certain goals, they don’t seemed satisfied until the goal is achieved. Goals serve as reference opinion that distinguish satisfaction and dissatisfaction and employee that produces the toughest goal line are hard to fulfil. Human beings are unendingly wanting group and to satisfy their needs are not altogether mutually exclusive but only tend to be.

The study adopted the theory to show the influence of insurable interest and insurance pay-out affect insurance claims.

Empirical Literature Review

Type of Cover and Insurance Claims

Tseng, Kang, and Chung (2014) examined the impacts of premium comparision and insurance covers on customers accepting insurance claim frauds that is based on Adams Equity Theory in the United States. The study used questtionnaires and collected data from 3 loss premium comparisions that comprised the actual loss amount was sightly lower than or equal to or higher than the annual premium, the authors adopted an experimental design in a claim application context. The study established that loss premium comparisions and insurance cover has a significant influence on the final claim amount, the study also revealed that age and education level may relate to customer acceptance of insurnce claim frauds (Tseng, Kang, & Chung, 2014).

Kibet (2017) examined the efficacy of the motor vehicle third party risk the amendment Act of 2013. The study further analyzed the consistency of the insurance and the impact the amendment had on third parties involved in public vehicle accidents. The study was a cross-sectional survey and data analyses data on the impact of capping of the compensation of the insurance claims as established in the act. The study established that for benefits of insurance to be fully realized all the stake holders have to carefully balance their expectations.

Insurance Underwriting and Insurance Claims

A study by Leng and Meie (2016) that analysed the multinational underwriting cycles in property liability insurance. The study set out to use the loss ratio series of US, Germany, Japan and Switzerland for testing whether underwriting cycles still exist internationally and to identify possible structural changes. The study was anchored on financial theory as well as insurance pricing theory and co integration analysis was performed to check possible causes of structural changes. The finding shows that all the four countries have breaks in different years the results lead to the hypothesis that factors that affect underwriting are mainly specific to individual countries that may be influenced by economic environment and regulations. Though insurance policy theory and the financial theory indicates the loss ratio series should be co intergrated with interest rate series with co intergrating coefficient of negative one therefore the emprical result did not support the theories (Leng & Meie, 2016).

Ndeda (2014) examine the underwriting risk management strategies for motor vehicle insurance with reference to Kenya Alliance Insurance Company as study case. The study relied on secondary data obtained from The Kenyan Alliance Insurance Company Limited. The data reviewed was motor vehicle claims data for 2010. Exploratory statistical tests were carried out before modelling the number of claims and the claims severity. Aggregate claims were then determined by use of the collective risk model. Expected premiums for year 2011 we obtained using the expected value principle, standard deviation principle and credibility premium. The study found that the expected premiums were much higher than the rate computed premiums. The result suggests that for the same amount of claims that an underwriter has to pay, the premium charged should be higher (Ndeda, 2014).

Insurable Interest and Insurance Claims

Arnold-Dwyer (2017) examined the insurance law reform by degrees with reference to late payment and insurable interest in United Kindom. The study examined the areas of reforms and the study established that the introductory of an impllied term about payments of insurace claims by insurance companies within a reasonable time and astatutory restatement of the doctrine of insurable interest and considered that old and new substantive law and provides an insight into reforms process (Arnold-Dwyer, 2017).

Botes (2015) conducted a comparative study to dertemine insurable interest as a requirement for insurance contracts in South Africa. The study focused on the application of the doctrine of insurable intrest in a South African perspective the study main objective was to answer to what extent if any an insurance interest should be considered to constitute a requirement for the validity of an insurance contract. The study approach was to discuss the case law and academic literature in reference to the dfination of the doctrine. The study established a dubious doctrine from the historical orgin in place of application such as Australia and Great Bratain and further more the doctrine tends to be anti consumer that it provides an obscure techinical defence where the insurer is able to avioid performing in the contract terms of the insurance (Botes, 2015).

Insurance Pay-Out and Insurance Claims

Tseng (2017) investigated why lenient claim handling practices exist in the insurance industry with reference to a study on ethical decision claims adjusters in Europe and North America. The purpose of the study was to establish factors that affect insurance claim adjuster’s attitudes and behaviour intentions towards lenient claims handling practices and some of the factors according to the author include behaviour based control, organizational justice, customers complains among other factors. Data was collected with from full time licensed insurance claims adjusters in Taiwan and partial least squares method was used for hypotheses testing. The study established that significant other and organizational justice have significant effects on claims adjusters towards claim handling practices while significant other and attitude have significant effects on the behaviour intentions (Tseng, 2017).

Hart (2016) examined the role of insurance ombudsman and the payment protection insurance in South Africa. General insurance policies are not subjected to any statutory regulation instead the system volunteer self-regulating and the question that arise are handled by management. The study by Hart (2016) explores the issue in relation to payment protection and the study suggests the basis of complaints that coming before the insurance ombudsman bureau that the consumer may still be inadequately protected. The study acknowledges the efforts of ABI code monitoring committee for the efforts on protection on policy holders during payment process while ombudsman is an adjudicator in default all the more equally important. The study established that the bureau itself publicize the service which they offer (Hart, 2016).

III. RESEARCH METHODOLOGY

Research Design

This study adopted descriptive research design. Descriptive research design is appropriate for studies that have specific issues where problems have been defined (Mugenda & Mugenda, 2003). Research design focuses on transforming research questions into research project.

Target Population

Cooper and Schindler (2011) define target population as the total collection of elements which one wishes to generalize the research inference. The target population comprised of all staff of ''A'' Assurance company made up of Senior managers (10), middle level managers (85) and non-management (85).

Sample and Sampling Technique

Kothari (2009) define sample as subject of a population that is selected to represent characteristics of population. Kombo and Tromp (2009) indicated that a sample size of 10% or 20% of the target population selected using stratified sampling is adequate to generalize the study findings. In this context, the researcher used the minimum which is 50% because of limited number of employees. Kothari (2009) observed that sample drawn randomly is unbiased in a way that no number of populations has any chance of being selected more than the other. Therefore the sample size was derived as follows: Senior Level Managers (5), Middle Leve; Manager (12) and Non-Management staff (43)

Instruments

Research instrument are measurement device for instance, survey, test, questionnaire. This research study used questionnaires as the main data collection tool. According to Orodho (2008), questionnaires measures likelihood of straight, even and blunt answers. According to Orodho (2008) each item on the questionnaire should be developed to address a specific objective, research question or hypothesis of study. The questionnaire contains closed-ended questions using scaled questions.

Data Collection Procedure

The study used questionnaires to collect data, both paper based and online. The researcher used questionnaire which are more efficient and economical tool for descriptive and preventive research for the sample size that was chosen. This way was easier to identify the level by which the respondent will agree or disagree (Kothari, 2004). Secondary data was collected from documented sources such as library books, magazines and newspapers and internet literature.

Data Analysis and Presentation

Analysis of data was done using descriptive statistics. Specifically, means, averages and percentages was used in the study. The data analysis tools were simple tabulations and presentations of the report using spread sheets

IV. RESEARCH FINDINGS AND DISCUSSION

Table 1 Respondents view on how type of cover affects insurance claims

	Strongly agree		Agree		Neutral		Disagree		Strongly Disagree	
	F	%	F	%	F	%	F	%	F	%
Does type of cover affect insurance claims at ''A'' Assurance Company Limited	36	65%	16	29%	2	4%	1	2%	0	0%
The traffic act cover is the least expensive and it gives the client unlimited legal liability to third parties.	40	73%	14	25%	1	2%	0	0%	0	0%
The road traffic act cover only applicable where the policy holder has a bad accident and the car is written off during the accident.	26	65%	17	31%	2	4%	0	0%	0	0%
The third party provide cover liability to third parties in relation to injury, property damage and death	40	73%	15	27%	0	0%	0	0%	0	0%
Comprehensive cover provides the best cover to car owners it provides a wide range of benefits	36	65%	18	33%	1	2%	0	0%	0	0%

As tabulated in table 1 respondents were asked to give their views on how type of cover affects insurance claims at ''A'' Assurance Company Limited, the respondents were guided by a likert scale that had five options to tick where the respondents agreed or disagreed with the statement and their responses were as follows the first statement in the study inquired was if the type of cover affect insurance claims at ''A'' Assurance Company Limited and the responses were as follows with 65% of the respondents strongly agreed while 29% of the respondents agreed and 4% were neutral and 2% disagreed. The second inquiry was on the statement if traffic act cover is the least expensive and it gives the client unlimited legal liability to third parties and the responses were as follows 73% of the respondents strongly agreed while 25% agreed and 2% of the responded were neutral while none disagreed or strongly disagreed. The third statement inquired was if the road traffic act covers only applicable where the policy holder has a bad accident and the car is written off during the accident and the responses were as follows 65% of the respondents strongly agreed, 31% of the respondents agreed while 4% were neutral and none of the respondent disagreed or strongly disagreed. The fourth statement asked was if the third party provide cover liability to third parties in relation to injury, property damage and death and the responses were as follows 73% of the respondents strongly agreed and 27% of the respondents agreed while none of the respondents were neutral, disagreed or strongly disagreed and finally the respondents were asked if comprehensive cover provides the best cover to car owners it provides a wide range of benefits and the responses were as follows 65% of the respondents strongly agreed, 33% of the respondents agreed while 2% were neutral and none of the respondents disagreed or strongly disagreed. This shows that type of cover affect insurance claims at ‘‘A’’ Assurance Company Limited to a very great extent.

The study findings are in agreement with other study findings such as Tseng, Kang, and Chung (2014) examined the impacts of premium comparision and insurance covers on customers accepting insurance claim frauds that is based on Adams Equity Theory. The study established that loss premium comparisions and insurance cover has a significant influence on the final claim amount, the study also reveled that age and education level may relate to customer acceptance of insurnce claim frauds. Korstanje and Babu(2015) investigated insurance purchase behaviour say about risk with reference to Argentina context with special focus on travel insurance. The study established that using advanced probability theory and quantitative techniques, risk management it was able to construct sophisticated mathematical statistical models of risk. The study also established that there is a significant relation between anticipated risks and insurance purchase behaviour with the fear being the people buying insurance premiums that are protected. Kibet (2017) examined the efficacy of the motor vehicle third party risk the amendment Act of 2013. The study established that for benefits of insurance to be fully realized all the stake holders have to carefully balance.

Table 2: Respondents view on how underwriting affects insurance claims

	Strongly agree		Agree		Neutral		Disagree		Strongly Disagree	
	F	%	F	%	F	%	F	%	F	%
Does underwriting affect insurance claims at ‘‘A’’ Assurance Company Limited	40	73%	15	27%	0	0%	0	0%	0	0%
Filling Claims influences underwriting	40	73%	14	25%	1	2%	0	0%	0	0%
Liability of the claims determines underwriting claims	26	65%	17	31%	1	2%	1	2%	0	0%
The use of the car determines underwriting claims	40	73%	15	27%	0	0%	0	0%	0	0%
The use of the car value determines underwriting claims	36	65%	18	33%	1	2%	0	0%	0	0%
Fraud aided by police, staff, agents, and lawyers hinders underwriting claims	36	65%	16	29%	2	4%	1	2%	0	0%

As tabulated in table 2 respondents were asked to give their views on how underwriting affects insurance claims at ‘‘A’’ Assurance Company Limited, the respondents were guided by a likert scale that had five options to tick where the respondents agreed or disagreed with the statement and their responses were as follows the first statement the study inquired was if the underwriting affect insurance claims at ‘‘A’’ Assurance Company Limited and the responses were as follows 73% of the respondents strongly agreed, 27% of respondents agreed while none of them were neutral, disagreed or strongly disagreed. The second statement the researcher inquired was if filling claims influences underwriting and the responses were as follows 73% of the respondents strongly agreed and 25% of the respondents agreed while 2% were neutral and none disagreed or strongly disagreed. The third statement inquired by the study was if liability of the claims determines underwriting claims and the responses were as follows 65% of respondents strongly agreed and 31% of them agreed while 2% indicated both neutral and disagreed and none strongly disagreed. The fourth statement the study asked was if the use of the car determines underwriting claims and the responses were as follows 73% of the respondents strongly agreed and 27% of the respondents agreed while none of them were neutral or disagreed and strongly disagreed. The fifth statement the researcher asked was if the use of the car value determines underwriting claims 65% of the respondents strongly agreed while 33% agreed and 2% were neutral while none disagreed or strongly disagreed and finally the study inquired if fraud aided by police, staff, agents, and lawyers hinders underwriting claims and the responses were as follows 65% of the respondents strongly agreed, 29% agreed while 4% were neutral and 2% disagreed and none strongly disagreed. This shows that underwriting claims has significant and positive influence insurance claims at ‘‘A’’ Assurance Company Limited .

The findings are supported by other studies such as a study by Leng and Meie (2016) that analyzed the multinational underwriting cycles in property liability insurance. The finding shows that all the four countries have breaks in different years the results lead to the hypothesis that factors that affect underwriting are mainly specific to individual countries that may be influenced by economic environment and regulations. Lazar and Denuit (2011) investigated new evidence for underwriting cycles in the United States of America property liability insurance. The study adopted a traditional AR2 Model for testing the new approaches that are suggested and Fisher G test and a nonparametric version and testing for unit cycle in insurance data. The study established that all approaches from the empirical evidence form cyclical behavior on the growth rate of property liability real premiums.

Table 3: Respondents view on how insurable interest affects insurance claims

	Strongly agree		Agree		Neutral		Disagree		Strongly Disagree	
	F	%	F	%	F	%	F	%	F	%
Does insurable interest affect insurance claims at ‘‘A’’ Assurance Company Limited	26	65%	17	31%	1	2%	1	2%	0	0%
Insurance principles determines insurable interest	40	73%	14	25%	1	2%	0	0%	0	0%
Property value determines insurable interest	17	31%	26	65%	1	2%	1	2%	0	0%
The type of car determines insurable interest	40	73%	15	27%	0	0%	0	0%	0	0%
Insurable interest is established from the policy holder financial interest of the insured car	18	33%	36	65%	1	2%	0	0%	0	0%

As tabulated in table 3 respondents were asked to give their views on how insurable interest affects insurance claims at ‘‘A’’ Assurance Company Limited, the respondents were guided by a likert scale that had five options to tick where the respondents agreed or disagreed with the statement and their responses were as follows the first statement the study inquired was if the insurable interest affect insurance claims at ‘‘A’’ Assurance Company Limited and the responses were as follows 65% of the respondents strongly agreed, 31% agreed while 2% were neutral and 2% disagreed and none of them strongly disagreed. The second statement the study inquired was if insurance principles determines insurable interest and the responses were as follows 73% of the respondents strongly agreed while 25% agreed and 2% were neutral. The statement asked if property value determines insurable interest and the responses were as follows,31% of the respondents strongly agreed and 65% agreed while 2% were neutral and another 2% disagreed. The fourth statement asked was if the type of car determines insurable interest and the responses were as follows 73% strongly agreed and 27% of the respondents agreed while none disagreed or strongly disagreed and the fifth question asked was if insurable interest is established from the policy holder financial interest of the insured car and the responses were as follows 33% strongly agreed while 65% agreed and 2% were neutral as none of the respondents disagreed or strongly disagreed. This shows that insurable interest affects insurance claims at ‘‘A’’ Assurance Company Limited to a great extent.

The finding are in line with other studies such as Botes (2015) conducted a comparative study to determine insurable interest as a requirement for insurance contracts. The study focused on the application of the doctrine of insurable interest in a South African perspective the study main objective was to answer to what extent if any an insurance interest should be considered to constitute a requirement for the validity of an insurance contract. The study established a dubious doctrine from the historical origin in place of application such as Australia and Great Britain and furthermore the doctrine tends to be anti-consumer that it provides an obscure technical defence where the insurer is able to avoid performing in the contract terms of the insurance. Dzwario (2014) examined the insurable interest of the buyer and seller in the import and export business. The study established that the insured seek to have cover under an insurance policy that is referred to as object of insurance and services must be distinguished from the object of risk which in the import and export it is referred to as cargo and sometimes is referred to as the subject of the insurance policy.

Table 4: Respondents view on how insurance pay-out affects insurance claims

	Strongly agree		Agree		Neutral		Disagree		Strongly Disagree	
	F	%	F	%	F	%	F	%	F	%
Does insurance pay-out affect insurance claims at ‘‘A’’ Assurance Company Limited	40	73%	15	27%	0	0%	0	0%	0	0%
Benefits Paid influences the insurance pay-out	40	73%	14	25%	1	2%	0	0%	0	0%
Delay Pay-outs determines the insurance pay-out	17	31%	26	65%	1	2%	1	2%	0	0%
Pay out Options influences the insurance pay-out	18	33%	36	65%	1	2%	0	0%	0	0%
Insurance payout to the beneficiary is often paid inlump-sum	40	73%	15	27%	0	0%	0	0%	0	0%

As tabulated in table 4 respondents were asked to give their views on how insurance pay-out affects insurance claims at ‘‘A’’ Assurance Company Limited, the respondents were guided by a licket scale that had five options to tick where the respondents agreed or disagreed with the statement and their responses were as follows the first statement the study inquired was if insurance pay-out affect insurance claims at ‘‘A’’ Assurance Company Limited and the responses were as follows 73% of the respondents strongly agreed while 27% agreed and the second statement the study inquired was if benefits paid influences the insurance pay-out and the responses were as follows 73% of the respondents strongly agreed and 25% agreed while 2% were neutral as none disagreed or strongly disagreed and third statement the study inquired was if delay pay-outs determines the insurance pay-out and 31% of the respondents strongly agreed while 65% agreed, 2% remain neutral as 2% disagreed. The fourth statement inquired was if pay-out options influence the insurance pay-out and 33% of the respondents strongly agreed while 65% agreed as 2% remained neutral and finally the study inquired if insurance pay-out to the beneficiary is often paid in lump-sum and 73% of the respondents strongly agreed while 27% agreed. This shows that insurance pay-out influences insurance claims at ‘‘A’’ Assurance Company Limited to a great extent.

The study finding are supported by other scholars such as Tseng (2017) investigated why lenient claim handling practices exist in the insurance industry with reference to a study on ethical decision claims adjusters. The purpose of the study was to establish factors that affect insurance claim adjuster’s attitudes and behavior intentions towards lenient claims handling practices and some of the factors according to the author include behavior based control, organizational justice, customers complains among other factors. The study established that significant other and organizational justice have significant effects on claims adjusters towards claim handling practices while significant other and attitude have significant effects on the behaviour intentions. Hart (2016) examined the role of insurance ombudsman and the payment protection insurance. General insurance policies are not subjected to any statutory regulation instead the system volunteer self-regulating and the question that arise are handled by management. The study acknowledges the efforts of ABI code monitoring committee for the efforts on protection on policy holders during payment process while ombudsman is an adjudicator in default all the more equally important. The study established that the bureau itself publicize the service which they offer.

V. SUMMARY, RECOMMENDATIONS AND CONCLUSION

Summary of Findings

Type of Cover and Insurance Claims

The study first objective was to determine how type of cover affects insurance claims at ‘‘A’’ Assurance Company Limited. Respondents were asked to give their views guided by a Likert scale that had five options to tick where the respondents agreed or disagreed with the statement and their responses were as follows the first statement the study inquired was if the type of cover affect insurance claims at ‘‘A’’ Assurance Company Limited 98% of the respondents were in favour of the statement. The second inquiry was on the statement if traffic act cover is the least expensive and it gives the client unlimited legal liability to third parties and 98% agreed. The third statement inquired was if the road traffic act covers only applicable where the policy holder has a bad accident and the car is written off during the accident and 97% of the respondents agreed. The fourth statement asked was if the third party provide cover liability to third parties in relation to injury, property damage and death and the responses were as follows 99% of the respondents agreed and finally the respondents were asked if comprehensive cover provides the best cover to car owners it provides a wide range of benefits and the responses were as follows 99% of the respondents agreed.

The study findings are in agreement with other study findings such as Tseng, Kang, and Chung (2014) established that loss premium comparisions and insurance cover has a significant influence on the final claim amount, the study also reveled that age and education level may relate to customer acceptance of insurnce claim frauds. Korstanje and Babu(2015) established that using advanced probability theory and quantitative techniques, risk management it was able to construct sophisticated mathematical statistical models of risk. The study also established that there is a significant relation between anticipated risks and insurance purchase behaviour with the fear being the people buying insurance premiums that are protected. Kibet (2017) established that for benefits of insurance to be fully realized all the stake holders have to carefully balance.

Underwriting and Insurance Claims

The second objective was to establish how underwriting affect insurance claims at ‘‘A’’ Assurance Company Limited. Respondents were asked to give their views guided by a Likert scale that had five options to tick where the respondents agreed or disagreed with the statement and their responses were as follows the first statement the study inquired was if the underwriting affect insurance claims at ‘‘A’’ Assurance Company Limited and 99% agreed. The second statement the researcher inquired was if filling claims influences underwriting and the responses were as follows 98% agreed. The third statement inquired by the study was if liability of the claims determines underwriting claims and the responses were as follows 97% agreed. The fourth statement the study asked was if the use of the car determines underwriting claims and the responses were as follows 99%agreed. The fifth statement the researcher asked was if the use of the car value determines underwriting claims 99% agreed and finally the study inquired if fraud aided by police, staff, agents, and lawyers hinders underwriting claims and the responses were as follows 95% of the respondents agreed. The findings are supported by other studies such as a study by Leng and Meie (2016) establish that factors that affect underwriting are mainly specific to individual countries that may be influenced by economic environment and regulations. Lazar and Denuit (2011) established that all approaches from the empirical evidence form cyclical behaviour on the growth rate of property liability real premiums.

Insurable Interest and Insurance Claims

The study third objective was to determine how insurable interest affects insurance claims at ‘‘A’’ Assurance Company

Limited. Respondents were asked to give their views guided by a Likert scale that had five options to tick where the respondents agreed or disagreed with the statement and their responses were as follows the first statement the study inquired was if the insurable interest affect insurance claims at ‘‘A’’ Assurance Company Limited and the responses were as follows 97%agreed. The second statement the study inquired was if insurance principles determine insurable interest and the responses were as follows 98%. The statement asked was if property value determines insurable interest and the responses were as follows 97% agreed. The fourth statement asked was if the type of car determines insurable interest and the responses were as follows 99% agreed and the fifth question asked was if insurable interest is established from the policy holder financial interest of the insured car and the responses were as follows 98% agreed.

The finding are in line with other studies such as Botes (2015) established a dubious doctrine from the historical origin in place of application such as Australia and Great Britain and furthermore the doctrine tends to be anti-consumer that it provides an obscure technical defense where the insurer is able to avoid performing in the contract terms of the insurance. Dzwario (2014) established that the insured seek to have cover under an insurance policy that is referred to as object of insurance and services must be distinguished from the object of risk which in the import and export it is referred to as cargo and sometimes is referred to as the subject of the insurance policy .

Insurance Pay-Out and Insurance Claims

The fourth objective of the study was to determine how insurance pay-out affects insurance claims at ‘‘A’’ Assurance Company Limited. Respondents were asked to give their views on how insurance pay-out affects insurance claims at ‘‘A’’ Assurance Company Limited, the respondents were guided by a Likert scale that had five options to tick where the respondents agreed or disagreed with the statement and their responses were as follows the first statement the study inquired was if insurance pay-out affect insurance claims at ‘‘A’’ Assurance Company Limited and the responses were as follows 100% agreed and the second statement the study inquired was if benefits paid influences the insurance pay-out and the responses were as follows 98% of the respondents agreed and third statement the study inquired was if delay pay-outs determines the insurance pay-out and 97% of the respondents agreed. The fourth statement inquired was if pay-out options influence the insurance pay-out and 98% of the respondents agreed and finally the study inquired if insurance pay-out to the beneficiary is often paid in lump-sum and 99% of the respondents agreed.

The study finding are supported by other scholars such as Tseng (2017) established that significant other and organizational justice have significant effects on claims adjusters towards claim handling practices while significant other and attitude have significant effects on the behavior intentions. Hart (2016) general insurance policies are not subjected to any statutory regulation instead the system volunteer self-regulating and the question that arise are handled by management. The study acknowledges the efforts of ABI code monitoring committee for the efforts on protection on policy holders during payment process while ombudsman is an adjudicator in default all the more equally important. The study established that the bureau itself publicize the service which they offer.

Recommendations

The study suggests the following recommendations for improvement, ‘‘A’’ Assurance Company Limited. Management should play manifest part in influencing organizational culture that is aligned to organization structure and strategy. Management of ‘‘A’’ Assurance Company Limited should have a clear picture of the company‘s organizational culture. Management of ‘‘A’’ Assurance Company Limited should focus more on adhering to organization mission by ensuring that employees are conversant with mission and visions of the organization. The management of ‘‘A’’ Assurance Company Limited should introduce structured compensation as a solution to claims that should include maximum limits for third party liability and regulatory review for the underwriting business.

The management of ‘‘A’’ Assurance Company Limited should ensure that their products are structured in such a way that contains competition from other insurance firms, and they should adopt appropriate pricing of various insurance products in line with the estimated business risk which will eventually increase profit and therefore result to better performance.

The management of ‘‘A’’ Assurance Company Limited should put in place modalities and establish an integrated motor insurance data system to improve on the underwriting business and motor vehicle claims, this reinforces the concept of shared information to reduce fraud, and the system should capture a variety of data formats and adopt a risk based model of business underwriting.

‘‘A’’ Assurance Company Limited management should ensure that all regulations provided by insurance regulatory authority are fully complied with. This will ensure that the organization does not face sanctions that might affect its daily operations and consequently affect its performance.

Conclusion

The conclusion drawn from the study findings is that the type of cover affects insurance claims to a very great extent. The findings also show that underwriting claims has significant and positive influence insurance claims. The study also established that insurable interest affects insurance claims to a great extent and finally insurance pay-out influences insurance claims at ‘‘A’’ Assurance Company Limited to a great extent. The study concluded that the process of claims management has to strike the balance between customer expectations and maintaining cost efficiency. The client expectation is to be paid without delays while the claims managers have to ascertain whether the claim is payable and the amount are correct. The claims manager relies on service providers such as assessors, garages, doctors, loss adjusters and investigators and the service providers might not attached the same priority to clients as the insurer that results from slow turnaround time complaints from customers.

The study concluded that there are four types of cover that are available in the market for motor vehicles; road traffic act, third party only, third party fire and theft finally there is comprehensive. Underwriting as the selection and rating of risks by the insurer, several factors that determine the underwriting process that determines whether the firm will accept or reject the risk and the rate which premium was accepted some of the factors include the type of the car, usage of the car, drivers details, vehicle value and garage location. In the Insurance business the insurable interest is established from the policy holder financial interest of the insured car in a scenario where the policy whivh covers the risk of loss and damange and the consequential loss resulting from such damage such as the loss of insured car from which the repalced car might be aquired.Insurance payout to the beneficiary is often paid inlump-sum of the proceeds and the default payout option still remain as lump sum. Policy holders have seen a monumental improvements of how payouts can be delivered to the policy beneficiaries that includes an installment payout or on an annuity option in which the proceeds and accumulated interest are paid out regularly over the life of the beneficiary.

The study can conclude that claims turnaround period is determined by how fast the client recieves the payout benefits is partially influenced by how fast the claim file is filed and how accurate is the information that customer has provided. The delays in filing claims forms and providing inaccurate information as well attaching the irrelevant documents could stretch the payments date. The payout process as required by law is within 90 days but the study has establshed that claims investigation sometimes takes longer that expected that even run for upto 6 months to over a year. The regulations typically require insurance companies to give a valid reason for denying claim and clients who are not satisfied with their insurer can file a complaint with insurnce agency or authority such as IRA.

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