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INFLUENCE OF DISTRIBUTION STRATEGY ON THE GROWTH OF MARINE CARGO INSURANCE UNDERWRITING FIRMS IN NAKURU COUNTY KENYA

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Abstract

The ministry of finance directed that all importer of goods into the country to secure marine cargo insurance cover with local insurance companies during year 2016 Kenya budget reading. Kenya was losing close to Ksh 20 billion worth of marine insurance premium to foreign insurance companies. The directive shifted focus to marine cargo insurance coverage and its benefits to local stakeholders. This required the local insurance companies to come up with strategies in order to penetrate the newly enhanced market. Despite the government directive the growth level of marine cargo insurance still remain very low. Specifically the study sought to examine influence distribution strategy on the growth of marine cargo insurance underwriting firms in Nakuru county Kenya. The study was informed by the GE McKinsey Matrix. The study adopted descriptive research design. The unit of analysis was 29 insurance companies underwriting marine cargo insurance in Nakuru County Kenya. The unit of observation was underwriting managers, business development managers, marketing manager and branch managers making the total target population of the study to be 116. Since the target population was manageable a census design was adopted, this means that all 116 respondents were considered for study. Questionnaire was used to collect the primary data desirable for the study. The data gathered in this study was both qualitative and quantitative in nature. Quantitative data was analyzed by utilization of Statistical Package for Social Sciences (SPSS) version 24. Descriptive and inferential statistics were employed in the study. Descriptive statistics involved the use of percentages, frequencies, measures of central tendencies (mean) and measures of dispersion (standard deviation). Inferential statistic involved the use of correlation analysis to establish the nature of the affiliation amongst variables. The study further *establishes that there exists a strong, positive and significant relationship between distribution strategy and growth of marine cargo insurance. In the light of the foregoing findings, the study recommends that; the marine insurance companies should adopt better pricing strategies. The researcher also concluded that distribution channels helps the marine cargo insurance underwriting firms to have a larger market coverage by interacting with customers directly and further enable marine cargo insurance underwriting firms to retain a lot of control over the product and its performance.*

Keywords: *Distribution Strategy, Growth of Marine Cargo Insurance Underwriting Firms*

1.0 INTRODUCTION

Marine cargo insurance is one of the many classes in general insurance which is concerned with insurance of maritime risks and perils of the sea. The UK Marine Insurance Act, 1906 defines a contract of marine insurance thus; "A contract of marine insurance is a contract whereby the insurer undertakes to indemnify the assured in a manner and to the extent thereby agreed against marine losses that is to say, losses incident to marine adventure" (Section 1(4). According to the Insurance Act CAP 487 (2010) of the laws of Kenya, marine insurance business means the business of effecting contracts of insurance upon vessels of any description including cargo, freight and other interests which may be legally insured in or in relation to the vessel, cargo, freight, merchandize and property of whatsoever description insured for any transit by water, land, air or all the three. It may include warehouse risks or similar risks in addition or incidental to such transits. There are two distinct branches or categories of marine insurance. Firstly; hull insurance which involve the insurance of ships or vessels covering loss or damage to the hull and machinery of a vessel as well as insurance of ship owners' various interest and liabilities (Boen, 2013). Secondly; cargo insurance which refer to the insurance of goods in transit from one place to another by sea, by inland waterways, by rail, road and air as well as the insurance of freight at the risk of the carriers.

In every marine cargo insurance, insured may be covered under the Institute Cargo Clause (ICC). Institute cargo clauses come embedded in a marine insurance policy which covers cargo in-transit. These clauses are there to specify what kind of items in the cargo is covered in case of any loss or damage to the shipment. ICC can cover anything from the cargo to the container that holds its value along with the transport mode which is used to ship the items. Mainly, there are three basic sets of ICC; A, B and C where A is considered the widest in coverage and the most expensive. Clause B is slightly expensive and clause C the cheapest but with minimal coverage (PWC Kenya, 2012).

The growth of insurance in Kenya generally remains predominantly in the motor insurance, fire and medical insurance classes (PWC Kenya, 2012). Concerning the uptake of marine insurance in particular, the penetration has not only remained dismal but has recorded an alarming decline over the last five years compared to other classes of non-life insurance (AKI, 2013). According to the Association of Kenya Insurers (AKI, 2017) Marine Insurance GWP for year 2017 was Kes 3.7 billion compared to the year 2016 which was 2.6 billion. Year 2015 marine GWP was Kes 2.9 billions. There was a growth of 1.1billion (39%) in GWP in the year 2017. The growth could largely be attributed to the delocalization of marine cargo insurance covers to locally incorporated insurance companies following directive by National Treasury to enforce Section 20 of the Insurance Act which came into effect on 1st January 2017 (IRA, 2017). It was estimated that Kenyan insurer were losing up to 20billion worth of premium every year to foreign incorporated insurance companies (AKI, 2017) hence the directive by National Treasury that all importers source marine insurance cover from local insurance companies (AKI, 2017). It is worth noting however that marine GWP for the year 2017 was nowhere near the figure of estimated offshore marine premium loss of Ksh 20 billion.

Several factors affect the growth of insurance companies including marine cargo insurance underwriters. Income, education and distribution are the key determinants of the growth of marine cargo insurance and are correlated with many other factors related to insurance demand. For example, wealthier people tend to have greater assets at risk and due to their lifestyle face different levels of risk. Insurance products are less accessible and hard to understand further narrowing the uptake level leaving the insurers in a difficult situation (Curran & Meuter, 2015).

Traditionally, insurers have used intermediaries and tied agents as their main channel of distribution. However insurers continue to explore emerging channels such as bancassuarance and digital technologies to reach more customers as they envision to create omni-channel avenues for their customers. Capgemini (2016) cites that the intermediary channel is still best preferred as there is a personal touch for the penetration of insurance which resonates to paying premium for a promise. For that reason, intermediary channels remain the most trusted and preferred. Notwithstanding, there is a new type of consumer who is threatening to disrupt insurers' interactions with customers and destabilizing the profitability of the traditional modes of distribution.

Insurers are now beginning to bridge the gap by providing services that reflect a highly customer-centric, environment, driven by digital technologies. Today, consumers expect to buy what they want, when and where they want to buy it, with the ability to find it at the most affordable price possible. All insurance companies must also address the need to finding enhanced and faster ways to meet the ever-increasing demands of the regulatory environment. The impact of digital innovation will drive new regulation, thus additional pressures on insurance organizations to efficiently and effectively meet these regulatory requirements (KPMG, 2016). In particular, pre-purchase, purchase, servicing, renewals, claims handling and management, payments, and customer feedback and resolution will become digital first, followed by other functions later. This transition will require incremental IT and integration transformation by the insurers. All this is aimed at providing value added services aimed at exceeding customer needs but also enhancing market scope and gain competitive advantage over other competitors (PWC, 2013). The company that positions itself first will capture this new customer.

Statement of the Problem

Marine cargo insurance plays a vital role particularly for enterprises importing goods that are exposed to risks when moving them across borders. Majority of Kenyan businesses importing goods were purchasing marine cargo insurance from foreign insurance companies. However a directive by the Kenyan Government through National Treasury compelling local importers, to obtain marine insurance from locally incorporated insurance firms, presented a unique opportunity for local insurance players (IRA, 2017). The directive shifted focus to marine cargo coverage and its benefits to local enterprises as well as local insurance providers. This required the local insurance companies to come up with a strategy to penetrate the newly expanded market. Despite the government directive the penetration level of marine insurance has still remained very low (AKI, 2017). According to an industry data from AKI in 2017, gross written premium for the marine insurance stood at Sh3.74 billion. This was far much below compared to the projected Ksh 12.5 billion. Given the import volumes into the country and the directive by the government through National Treasury, that all importers secure marine insurance covers through locally incorporated insurance companies, the premium remains much lower than what the industry anticipate (AKI, 2018). National Treasury estimated that Kenyan insurer were losing up to Kes 20billion worth of marine GWP to foreign insurer (AKI, 2017).

Various studies have been undertaken on the penetration of insurance industry in Kenya and its challenges. Gitau (2013) for example looked at strategies adopted by Kenyan insurance companies to alleviate low insurance penetration while Odemba (2013) looked at factors affecting uptake of life insurance in Kenya. On his part, Kiragu (2014) assessed the challenges facing insurance companies in building competitive advantage in Kenya. Rono (2015) conducted a study on challenges in the uptake of marine cargo insurance in Kenya. All these studies generally address the penetration strategy of all form of insurance covers and the insurance industry as a whole but did not address the low penetration of marine cargo insurance as a specific product. Marine cargo cover insurance is a unique insurance product for it involves a cross border transactions and in addition a huge competition from foreign incorporated insurers. A knowledge gap thus exists and this is the gap that this study seeks to fill by determining the influence of pricing strategy on the growth of marine cargo insurance underwriting firms in Nakuru county Kenya.

Research Hypothesis

H_{01} Distribution strategy has no statistically significant influence on the growth of marine cargo insurance underwriting firms in Nakuru County.

2.0 LITERATURE REVIEW

Theoretical Review

The theories reviewed include; GE McKinsey Matrix, and the Igor Ansoff's theory.

GE McKinsey Matrix

GE McKinsey Matrix was developed in the early 1970s, this matrix was the work of management thinkers at Mckinsey. The matrix was developed out of a need by emerging multi-business companies to manage various business units profitably. GE McKinsey matrix is a nine-box matrix which is used as a strategy tool. It helps multi-business corporations evaluate business portfolios and prioritize investments among different business units in a systematic manner. This matrix helps companies make these decisions in a more systematic and informed manner. The matrix is in form of a grid. The Y-axis measures market attractiveness while the x-axis measures the business strength. This dimension helps determine the attractiveness of the market by analyzing the benefits a company is likely to get by entering and competing within the market. A number of factors are studied within this analysis. These include the size of the market, its rate of growth, profit potential, and the nature, size and weaknesses of the competition within the industry. The other main dimension that makes up this grid is the competitive or business strength of the company itself. The theory was relevant to the study in identifying and compiling a list of relevant factors which help determine industry attractiveness. There are some common factors across industries but the company should include those factors that are most appropriate for the business.

Igor Ansoff's Theory

The Ansoff Matrix was developed by H. Igor Ansoff and first published in the Harvard Business Review in 1957, in an article titled "strategies for diversification." It has given generations of marketers and business leaders a quick and simple way to think about the risks of growth. The theory asserts that for an organization to increase its performance, it needs to achieve products and market growth through four different strategies which depends on whether or not a company or product is already present in the market. He considered two dimensions; one dimension is based on the product being either new or existing while the other dimension consider market as new or existing. The four main growth strategies include market penetration, product development, product diversification and market development.

The theory was relevant to the current study as it helps us to explain how the marine cargo insurance underwriting firms adopts distribution channels in distributing new product and selling it in a new market that the organization was not operating in, while market development entails selling the existing product into a new market.

Conceptual Framework

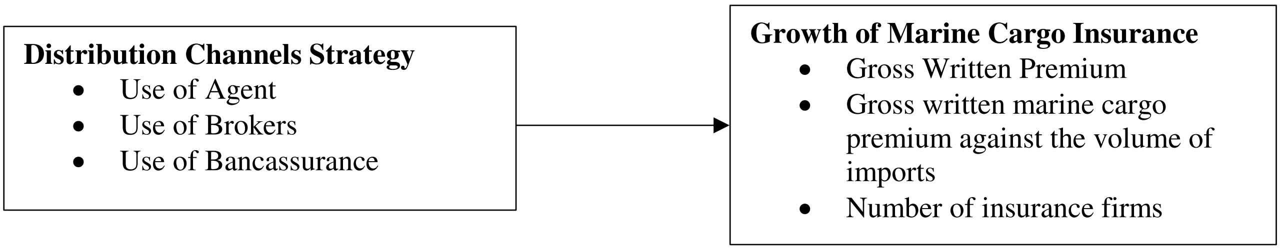

Figure: 1 Conceptual Framework

Distribution strategy on the Growth of Marine Cargo Insurance

A study by Tzeng and liu (2015) conducted a study on the insurance marketing channel as a screening mechanism: empirical evidences from Taiwan Automobile Insurance Market. Using a unique data set from Taiwan's automobile liability insurance, this paper tests the screening mechanism hypothesis proposed by Venezia, Galai and Shapira (2016). The results reveal that a positive channel-claim correlation exists in the subsamples of cars aged more than three years. Significant positive channel-claim correlation indicates that high-risk policyholders prefer to purchase insurance from an independent agent, whereas those with lower risks tend to buy insurance from direct writer channels. The results support the screening mechanism hypothesis and demonstrate that marketing channel choice could serve as a screening mechanism in an insurance market characterized by asymmetric information.

While investigating the influence of distribution strategies on the uptake of micro-insurance products in Kenya. The target population of the study was drawn from 38 financial institutions which offer Micro insurance products including Insurance companies, Microfinance institutions and commercial banks. In each organization one respondent in charge of distribution was selected to participate and 30 questionnaires were successfully completed. Data collected was analyzed using simple percentages and regression analysis and presented using charts and tables. Mutua (2017) found a positive relationship between distribution strategies adopted and product uptake. Some of the key considerations Micro Insurers should make while selecting a distribution strategy included nature of products and customer characteristics. The research recommends that Micro insurers should make critical considerations while selecting distribution strategy as this will in the long run determine the survival of the organization.

A study done by Magunga (2014) on the effects of distribution strategies on the performance of insurance companies in Kenya. In order to achieve the objective of the study, data was collected from the marketing managers of all the insurance companies to gain wide representative of the sector. In all, 43 self-administered questionnaires were distributed among the marketing managers. The study findings revealed that the output of the insurance were market share, sales volume, development index, penetration levels, innovation and creativity, cost management, pre-tax profits and finally customer satisfaction.

Empirical Review

Rono (2015) conducted a study on challenges in the uptake of marine cargo insurance in Kenya. To achieve the objectives, primary data was collected through the use of questionnaires. Underwriting managers, business development managers and branch managers were interviewed from 36 different insurance companies. The study established that there are many challenges and factors causing low uptake of marine cargo insurance in Kenya and these include; procurement of marine cargo insurance from the overseas insurance markets, lack of knowledge and awareness of the benefits of marine cargo insurance amongst the insuring public, negative perception of marine cargo insurance by the importers and exporters, However the study was specifically seeking to establish the uptake of marine insurance this study sought to determine the general growth of marine insurance.

A study conducted by Nyariki (2016) on the effect of marketing strategies in gaining market share by insurance companies in Kenya. The study was carried out in all the 47 insurance companies in Kenya and data was gathered and descriptive statistics of Mean, Frequency and percentages was done on the characteristics of the respondent and regression analysis was used to measure and predict the relationship between the predictor variables and the dependent variable. The findings of the study is significant in enabling the organizations in the Insurance industry to develop appropriate marketing strategies so as to gain a competitive edge in the market and enlarge the organization's market share and grow the insurance industry revenue.

A study conducted by Amina (2016) on the effects of marketing strategies on the performance of insurance companies in Kenya. The independent variable of the study were sales promotion, market intelligence and product development and innovation. Data was collected from the marketing managers of all the insurance companies to gain wide representative of the sector. In all, 43 self-administered questionnaires were distributed among the marketing managers. Organizational performance comprises the actual output or results of an organization as measured against its intended outputs. The study found that there are many gaps that need to be addressed for the insurance industry to deliver appropriate insurance products on a large scale to the uninsured in East Africa. There is much distrust of the insurance sector among the low income earners, mostly out of ignorance, thus there is need for a comprehensive awareness programme in order to tap the vastly un-insured market of low income households in need of insurance services.

Murguiyia (2018) conducted a study on influence of market penetration strategies on organizational growth in the steel industry in Kenya. The population of the study comprised of all steel industries and firms in the Kenyan market. The target population was the key players of the 100 companies dealing with roofing products and steel beams and long products as per data from KAM database. The study found that market penetration strategies influence organizational growth of firms in the Steel industry. However the study was conducted in steel firms while this study will be conducted on marine cargo insurance underwriting companies in Nakuru County, Kenya.

Critique of the Existing Literature Relevant to the Study

A study conducted by Nyariki (2016) on the effect of marketing strategies in gaining market share by insurance companies in Kenya. The findings of the study is significant in enabling the organizations in the Insurance industry to develop appropriate marketing strategies so as to gain a competitive edge in the market and enlarge the organization's market share and grow the insurance industry revenue. However the study focused on marketing strategies and gaining shares and left out the marketing strategies and the growth of insurance firms.

A study conducted by Amina (2016) on the effects of marketing strategies on the performance of insurance companies in Kenya. The independent variable of the study were sales promotion, market intelligence and product development and innovation. The study found that there are many gaps that need to be addressed for the insurance industry to deliver appropriate insurance products on a large scale to the uninsured in East Africa. However, the study focused on the sales, promotion, marketing intelligence and product development and innovation and left out the market penetration strategies like the distribution strategies, the pricing strategies and the underwriting strategies on the growth of marine cargo insurance underwriting companies in Nakuru County.

Research Gaps

A study conducted by Nyariki (2016) on the effect of marketing strategies in gaining market share by insurance companies in Kenya. The study only focused on the marketing strategies and gaining shares while the current study will be exclusively on the marketing strategies and the growth of insurance firms. The Nyariki (2016) study targeted all the insurance firms in Kenya, while the current study will be specifically on the marine cargo insurance companies in Nakuru County. Murguiyia (2018) conducted a study on influence of market penetration strategies on organizational growth in the steel industry in Kenya. The population of the study comprised of all steel industries and firms in the Kenyan market. The study found that market penetration strategies influence organizational growth of firms in the Steel industry. However the study was conducted in steel firms while this study will be conducted on marine cargo insurance underwriting companies in Nakuru County, Kenya.

Summary of the Reviewed Literature

The study was anchored on the concept of GE McKinsey Matrix, and the Igor Ansoff's theory. GE McKinsey Matrix helps multi-business corporations evaluate business portfolios and prioritize investments among different business units in a systematic manner. The theory was relevant to the study in identifying and compiling a list of relevant factors which help determine industry attractiveness. The Ansoff theory asserts that for an organization to increase its performance, it needs to achieve products and market growth through four different strategies which depends on whether or not a company or product is already present in the market. The theory is relevant to the current study as it helps us to explain how the marine cargo insurance underwriting firms adopts distribution channels in distributing new product and selling it in a new market that the organization was not operating in, while market development entails selling the existing product into a new market.

3.0 RESEARCH METHODOLOGY

Research Design

A research design is the roadmap of conducting a research study according to Kothari (2004). In the words of Burns and Grove (2003), a research design is defined as a blueprint of carrying out a study with maximum control over factors that interfere with the validity of the findings. In respect to this study, a descriptive research design was adopted. This is due to the fact that the study involved respondents drawn from various marine cargo insurance underwriting firms in Nakuru County.

Population

The unit of analysis was 29 insurance companies underwriting marine cargo insurance firms in Nakuru County. The unit of observation was underwriting managers, business development managers, marketing manager and branch managers. The study purposively selected insurance firms that underwrite marine cargo insurance firms in Nakuru County. The researcher picked the four targeted respondents from each of the 29 insurance making the total target population of the study to be 116.

Census Technique

Since the target population was manageable a census design was adopted, this means that all 116 respondents were considered for study. According to Mugenda and Mugenda (2013) a census design is a study of every unit, everyone or everything in a population. Census design increases reliability because there is no point of sampling allowing all the respondents to participate in the study.

Research Instrument

Questionnaire was used to collect the primary data desirable for the study. The questionnaire contained structured questions which are the questions that the researcher has given the respondents the choices of the answers that the respondents can answer. The design of the questionnaire was based on a multiple-item measurement scale. A five-point Likert Data was employed, using a list of response categories ranging from strongly agree to strongly disagree where 5=Strongly Agree, 4=Agree, 3=Undecided, 2=Disagree and 1=Strongly Disagree.

The questionnaire was divided into four sections that is Part A which had the background information and parts B, C D which had the research variables. The study also relied on secondary data on the growth of marine cargo insurance from the AKI report (2013-2017).

Pilot Study

The pilot study was carried out in Eldoret Town, Uasin Gichu County where 12 questionnaires were issued to the underwriting managers, business development managers, marketing manager and branch managers in in the marine cargo underwriting insurance firms. This consisted 10% of the actual study (Kothari, 2004). The piloted questionnaires were not included in the final study. The choice of Eldoret Town is to ensure that the participants in the pilot study are excluded from the main study.

Validity Test

The content validity of this study was enhanced in search of views of experts in the field of study especially the managers. According to Cooper and Schindler (2015) pre-testing is a good way to ameliorate the probability of face validity.

Reliability Test

Reliability in this study was enhanced by pre-testing the questionnaire with a selected sample which were not included in the main study. An internal consistency technique was adopted by utilization of Cronbach's Alpha. Internal consistency reliability is a measure of reliability employed in evaluating the level by which various test items that probe the same construct produce similar results. Higher values of alpha are more desirable. Kothari (2004) indicated that as a rule of the thumb, a reliability of 0.70 or higher (obtained on a substantial sample) is acceptable.

Table 1: Reliability Statistics Results

Variable	Number of Items	Cronbach's Alpha
Distribution strategy	6	0.821
Growth of marine cargo insurance	4	0.732

From the findings the Cronbach's alpha value for all the variable was more than 0.7 which shows that the instruments were reliable to be adopted in this study.

Data Collection Procedures

The data collection process began by getting a formal letter from Jomo Kenyatta University to go out and collect data. After being granted the permission, the researcher then applied for authorization from National Commission for Science, Technology and Innovations (NACOSTI) to collect data. In both the introduction letter from the university and research permit from NACOSTI clearly outlined the name of the researcher and the purpose for the study. With both the letter, the researcher proceeded to visit the marine insurance underwriting firms as a means of seeking authority to gather data from the institution. Data was gathered using the drop and pick later method which was collected after two weeks. In this method, the consent statement was issued and then the questionnaire administered. The respondents were assured of the confidentiality of any information that they provided which improved the response rate. The filled questionnaires were collected later at pre-agreed time.

Data Processing and Analysis

Data was analyzed by utilization of Statistical Package for Social Sciences (SPSS) version 24. Descriptive and inferential statistics were employed in the study. Descriptive statistics involved the use of percentages, frequencies, measures of central tendencies (mean) and measures of dispersion (standard deviation).

Inferential statistic involved the use of correlation analysis to establish the nature of the affiliation amongst variables at a generally accepted conventional significant level of $P < 0.05$ (Gall, Borg & Gall, 2013).

4.0 RESEARCH FINDINGS AND DISCUSSION

Response Rate

The study issued 116 questionnaires to underwriting managers, business development managers, marketing manager and branch managers of marine cargo underwriting insurance firms in Nakuru Town. Out of which 95 responses were represented this represented 82% response rate.

Table 2: Response Rate

Sampled No. of respondents	No. of Questionnaires Returned	Response Rate (%)
116	95	82

Demographic Information

Duration the respondents have been working in insurance firms

The respondents were requested to indicate the duration they have been working in insurance firms.

Table 3: Duration the respondents have been working in insurance firms

Years	Frequency	Percentage
Below 2 years	3	3
2-5 year	20	21
6-10 years	62	65
11 years and above	10	11
Total	95	100

From the findings the 3% of the respondents stated they have been working with insurance companies for less than 2 years, 3% of the respondents stated they have been working for 2-5 years, 65% of the respondents stated they have been working for 6-10 years while 11% of the respondents stated they have been working for more than 11 years. This implies that majority of the respondents have been working with insurance firms for 6-10 years.

Descriptive Findings

Distribution strategy and the growth of marine cargo insurance

The study sought to establish the influence of distribution strategy on growth of marine cargo insurance underwriting firms in Nakuru county Kenya. The findings is shown in Table 4.

Table 4: Influence of distribution strategy on the growth of marine cargo insurance

Distribution Strategy	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean	Std.
Use of agents is considered effective penetration strategy since majority of them are paid using commission	34	46	2	18	0	3.631	1.052
Majority of marine cargo insurance underwriting firms use brokers since they have a wide market coverage at a lower cost	54	30	6	10	0	4.351	.684

Agents are believed to have great understanding of the market and hence enhance the growth of marine cargo insurance	32	58	4	6	0	4.267	.858
Some insurance firms prefer direct marketing of marine cargo insurance so as to enhance and maintain customer relationship	33	57	2	8	0	4.089	.914
Majority of customer have more confidence in banc-assurance	30	42	8	18	2	3.898	1.101
The growth of marine cargo insurance directly correlated to the distribution strategies in place	28	52	2	10	8	3.678	1.160

The researcher further sought to establish the influence of distribution strategy on the growth of marine cargo insurance. From the findings majority of the respondents agreed that the use of agents is considered effective penetration strategy since they majority of them are paid using commission with a mean of 3.631 and standard deviation of 1.052. Further majority of the respondents strongly agreed with a mean score of 4.351 and standard deviation of 0.684 that majority of insurance firms use brokers since they have a wide market coverage at a lower cost. From the findings majority of the respondents agreed that agents have great understanding of the market and hence enhance the growth of marine insurance with a mean of 4.267 and standard deviation of 0.858. Majority of the participants agreed that some insurance firms prefer direct marketing of marine cargo insurance so as to enhance and maintain customer relationship with a mean of 4.089 and standard deviation of 0.914.

In addition majority of the respondents strongly agreed that majority of customer have more confidence in banc-assurance with a mean score of 3.898 and standard deviation of 1.101 Furthermore, the study sought to establish whether the growth of marine insurance directly correlated to the distribution strategies in place. The findings revealed that majority of the respondents were in agreement with a mean of 3.678 and standard deviation of 1.160. The findings of the study agrees with Mutua (2017) study on the influence of distribution strategies on the uptake of micro-insurance products in Kenya which established a positive relationship between distribution strategies adopted and the uptake of insurance product.

Growth of marine cargo insurance Underwriting Firms

Table 5: Growth of marine cargo Insurance Underwriting Firms

Statements on growth of marine cargo insurance	**SA** (%)	**A** (%)	**N** (%)	**D** (%)	**SD** (%)	**Mean**	**Std**
The number of clients of marine cargo insurance has really increased after the government directives on sourcing marine insurance through local insurers	49	39	10	2	0	4.333	.893
The gross written premium on marine cargo insurance has increased for the last two years	48	39	6	4	3	4.534	.831
There ratio of marine cargo insurance gross written premium against the volume of imports has really grown	38	44	4	9	5	3.994	.989
The number of insurance firms offering marine cargo insurance covers has increased in the last 3 years	32	52	3	10	3	3.375	1.176

The researcher sought to find out the growth of marine cargo insurance. The findings from the analysis indicated that majority of the respondents strongly agreed that the number of clients of marine cargo insurance has really increased after the government directives on sourcing marine cargo insurance through local insurers. (mean=4.333, SD=0.893). The respondents further agreed that the gross written premium on marine cargo insurance has increased for the last two years (mean=4.534, SD=0.831). On the same note majority of the respondents agreed that the ratio of gross written marine cargo premium against the volume of imports has really grown (mean=3.994 SD=0.989). Finally majority of the respondents strongly agreed that the number of insurance firms offering marine cargo insurance covers has increased in the last 3 years (mean=3.375, SD=1.176. For the last five years there has been a constant growth in the growth of marine cargo insurance, however after the directive from the ministry of finance in 2017 demanding that local importers insure their cargo with local insurance firms there have been a significant growth gross written marine cargo premium. The findings are in line with Kariuki, (2016) who noted that the insurance company recorded an increase in the market share from less than 1 per cent to 3 per cent. This was attributed to the rise in premiums from the property, transport and infrastructure sectors of the economy due to increased government projects.

Inferential Statistics

The study used both correlation and regression analysis to determine the relationship between variables. The study used both correlation and regression analysis to determine the relationship between variables.

Correlation Analysis

The researcher undertook correlation analysis to establish the nature and strength of the relationships between the independent and the dependent variables of the study.

Correlation between distribution strategy and growth of marine cargo underwriting firms

The study further sought to establish the nature of the relationship between distribution strategy and growth of marine cargo insurance as shown in Table 6.

Table 6: Correlation between distribution strategy and growth of marine cargo insurance

		Distribution Strategy
Growth of marine cargo insurance	Pearson Correlation	.597*
	Sig. (2-tailed)	.018
	N	95

*. Correlation is significant at the 0.05 level (2-tailed).

The correlation coefficient (r=0.597) indicates that there exists a strong, positive and significant relationship between distribution strategy and growth of marine cargo insurance. This is in agreement with Venezia, Galai and Shapira (2014) study which focused on the effects of distribution strategies on the performance of insurance companies in Kenya. The study findings revealed that the output of the insurance were market share, sales volume, development index, penetration levels, innovation and creativity, cost management, pre-tax profits and finally customer satisfaction. This implies that distribution strategy is positively linked with the growth of insurance.

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary of the Major Findings

Concerning distribution strategy the findings revealed that majority of insurance firms use brokers since they have wide market coverage at a lower cost. Agents are believed to have great understanding of the market and hence enhance the growth of marine cargo insurance. The study further establishes that there exists a strong, positive and significant relationship between distribution strategy and growth of marine cargo insurance. Distribution channels of distribution indicate routes or pathways through which goods and services flow, or more from producers to consumers. Middlemen such as agents and brokers facilitate the process of exchange and create time, place and possession utilities through matching and sorting process. Sorting enables meeting or matching the supply with consumers demand. This is in line with Weiss (2015) who noted that distribution channels are just one component of the overall concept of distribution networks, which are the real, tangible systems of interconnected sources and destinations through which products pass on their way to final consumers. They directly increases the market shares of the company since the channels interact with the customer one on one.

Conclusions

It can be concluded that some insurance firms prefer direct marketing of marine insurance so as to enhance and maintain customer relationship. Majority of customer have more confidence in banc-assurance. The researcher also concluded that the growth of marine cargo insurance is directly correlated to the distribution strategies in place. Distribution channels helps the marine cargo insurance underwriting firms to have a larger market coverage by interacting with customers directly, the company is able to retain a lot of control over the product and its performance.

Recommendations

The researcher further recommended that the marine cargo insurance underwriters ought to adopt distribution strategies as this will help the firm to reach an extended coverage of the market by employing various distribution channels. This will also help them to share information about customers by different channels which will in turn upsurge the growth of the marine cargo. Based on the findings the study further recommends that in order to enhance the growth of marine cargo insurance, there is need for the Insurance Regulatory Authority to play a central role in ensuring consumer protection so that the negative perception amongst the insuring maritime traders is corrected particularly with regard to nonpayment of claims as well as lengthy claims processes.

Suggestion for Further Studies

The researcher suggested that further studies should be conducted on the role of government regulation on the uptake of marine cargo insurance in Kenya.

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