

**INSURANCE PRODUCTS AND
SUSTAINABILITY OF FIRMS.**

CASE STUDY:

AIG INSURANCE COMPANY LIMITED- UGANDA

**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS
AND MANAGEMENT IN PARTIAL FULFILLMENT FOR THE AWARD
OF A BACHELORS DEGREE IN BUSINESS ADMINISTRATION OF
KAMPALA INTERNATIONAL UNIVERSITY.**

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DECLARATION

I **Karuchi Caroline Wanja** hereby declare that this is my original work and has not been presented to any university or any other institution of higher learning.

The literature and citations from other peoples work has been duly referenced and acknowledge in the text and bibliography.

Sign.....

Karuchi Caroline Wanja

Date.....07/09/09.....

DEDICATION

I would like to dedicate this piece of work to my Alma mantra, Friend and Dad, Mr. Leonard Karuchi for his inspirational guidance in academia, my Mum Esther Njeri Karuchi who taught me how to care and love and my brothers James and Charles, my sisters Wambui, Jane, Rachel and Ruth, and above all my nephew Eric, for his constant guidance and motivation. I also dedicate this work to my Lecturer Mr. Ruteganda and all my friends and colleagues who made it possible for me to undertake this study.

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Thanks to all lecturers especially in the school of Business and Management who spent their time and resources imparting in me the skills and knowledge that will serve as a special shield as I face the outside corporate world.

My special thanks also to go to all my classmates and the entire K.I.U community at large.

ABBREVIATIONS AND ACRONYMS

AIG- American International Group

Ltd. - Limited

Inc- Inclusive

SMEs - Small and Medium Enterprises

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CHAPTER ONE

1.0 BACKGROUND OF THE STUDY

Until recently the main object and concern of all business ventures is perpetual sustainability and continuity in operation with a sound financial position, this implies, carrying out your business activities in an on going stable manner, and making profits, to ensure stability of its operations over along period of time. This is hardly attainable to most business ventures, given the numerous uncertainties that the ventures are exposed to. The extent of losses that business ventures experience leading to ultimate closure of such ventures is interestingly surprising. A scenario that would otherwise be shouldered by insurance companies and compensation to that effect is made.

Early instances of insurance; Forms of insurance were known to the Romans and to some extent were practiced among the Collegia. In certain respects these bodies resembled our benefit societies. For example, they provided for burial and also made some form of provision for promotion among the soldiers in their organizations. In reality, they were based on the insurance principles of contribution and indemnity, since they accepted from their members a certain stipulated sum and in return agreed to perform certain services. Demosthenes describes marine loans made to the ancient Greeks; we also have record that insurance existed among the Chinese 2500 years ago. In none of these early instances, however, did insurance reach anything like large proportions. In fact, so far as we know, it entirely disappeared, many centuries passing before there was a revival. It is true that certain laws among the Romans governing annuities necessitated a mortality table, but it was, however, for this sole purpose and apparently not in any sense an insurance matter.

Insurance the provision for the distribution of risks; that is to say, it is a financial provision against loss from unforeseen disasters. The protection which it affords takes the form of a guaranty to indemnify the insured if certain specified losses occur. The principle of insurance, so far as the under-taking of the obligation is concerned, is that for the payment of a certain sum the guaranty will be given to reimburse the insured. The insurer, in accepting risks, so distributed that the sum total of all the amounts paid for this insurance protection will be sufficient to meet the losses that occur. Present forms of insurance.—the business of insurance is divided into four main branches: marine insurance, fire insurance, life insurance and casualty insurance. The first three state the form of disaster against which insurance is provided. The fourth—originally accident insurance—includes all forms not embraced in the other three. An idea of the variety of events against which insurance is offered.

Marine insurance antedates every other form, its history dating back over seven centuries. It appears to have been practiced in the Mediterranean, and at least one old policy has come down from the thirteenth century, proving that marine insurance was an established practice among the commercial countries of that time. A broad gap exists between that period and the continuous history running back now some four hundred years, but since that time insurance has been an established business among those engaged in maritime adventures. Fire insurance, the second

oldest form to become permanently established, dates from the great London fire of 1666. Life insurance followed a little later, although not until 1760 was a company founded on a modern basis. Casualty insurance owes its origin to the application of steam to railway travel; its more common name of accident insurance was due to the fact that the first events to be insured against were those of accidents to the person on a railway journey. It originated in England in the first half of the nineteenth century.

This study will focus on the American International Group (AIG) Insurance Company Ltd.-Uganda, and the insurance services it offers to firms for sustainability/perpetual operation

Founded in 1919, AIG insurance company Ltd. is the largest insurance company in the world in terms of shareholder's equity, and operates in more than 130 countries and jurisdictions. AIG Uganda is a member of AIG Inc., and is the largest insurance company in Uganda. It started its operation in Uganda in 1962, a point in time when it basically operated as a life company. Thereafter, in the early nineties, it ventured into general insurance, covering motor, commercial, household, property, liability, consumer and accident insurance, an area it still services up to date, with utmost good faith.

The company also prides itself, of the numerous awards; it has achieved during the period it has been in operation in Uganda. Amongst them being rated the Insurer of the Year for Two years: Running 1st Position in Claims Settlement in Uganda for Two years; Running 1st Position in Service Delivery in Uganda for Two Years Running.

Insurance companies like AIG Insurance company Ltd., offer numerous services to their clients with no exemption to business ventures, be it a small or medium size enterprise, otherwise known as SMEs (Small and Medium Enterprises). The insurance companies depend on calculated premium payments, made by their clients periodically as per agreement, from which they create a pool of funds, for effecting compensation claims by their clients upon the occurrence of the various insured risks.

Business ventures are therefore, compelled to take on risk measures, for that particular case insurance covers, to safe guard them from any eventuality. This is due to the fact that, businesses are not *risk averse*, but they operate on moderate calculated risks, whose occurrence and adversaries are never certain.

1.2 STATEMENT OF THE PROBLEM

Business ventures the world over, have suffered huge losses leading to the collapse and closure of some companies. In fact insurable risks account for almost half of all the closures and collapse of business in developing countries. The unanswered question is whether the acceptance / appreciation of insurance services would bring to an end the cyclical losses and collapse of companies.

1.2 OBJECTIVE OF THE STUDY

1.2.1 GENERAL OBJECTIVE

The general objective of the study is to establish if acceptance of insurance services would lead to sustainability/perpetual operation of firms. It is indeed worth acknowledging that not all incidents that business ventures have crumbled down have been as a result of only business insurable risks, there are numerous other causes like poor and inadequate management, and also to a larger degree Government structural changes and general demand shifts.

1.2.2 SPECIFIC OBJECTIVES OF THE STUDY.

The researcher in trying to have a better understanding, of the extent to which acceptance of insurance services may lead to continuous operation of firms despite occasional losses, came up with the following specific objectives for the study:

- a) *To identify the benefits insured firms enjoy*
- b) *To explore the potential underlying the acceptance of insurance services by firms*
- c) *To establish relation between acceptance of insurance products by firms and their continuity in operation with sound financial performance.*

1.3 RESEARCH QUESTIONS

The researcher formulated the questions below to help guide the study:

- a) *What are the advantages insured firms enjoy?*
- b) *What are some of the potential underlying the acceptance of insurance services by firms?*
- c) *What kinds of relationship exist between acceptance of insurance products by firms, and their continuity in operation with sound financial performance?*

1.4 SIGNIFICANCE OF THE STUDY

The study will contribute immensely to the already existing frontiers of knowledge, on the importance of acceptance of insurance services in entrepreneurial ventures, for sustained operation and sound financial standings. In addition, it will act as a pointer to other scholars to do more research work and their findings published on the little known importance of acceptance of insurance services.

The findings of this particular study, will also stand a testimony, to other non-insured firms, as the data that will be compiled by the researcher on the financial performance, and the period the

insured firms have been in operation, as compared to the non-insured firms, will make the difference very clear, and pre-empt the success stories of insuring firms against unforeseen risks. Thus, the study will not only see firms scramble for insurance services, for protection in times of risk occurrences, to bring their businesses to normal profitable operations, as a tested by insured firms, but it will also promote business on the side of insurance companies, which will offer the sort after services.

1.5 JUSTIFICATION OF THE STUDY

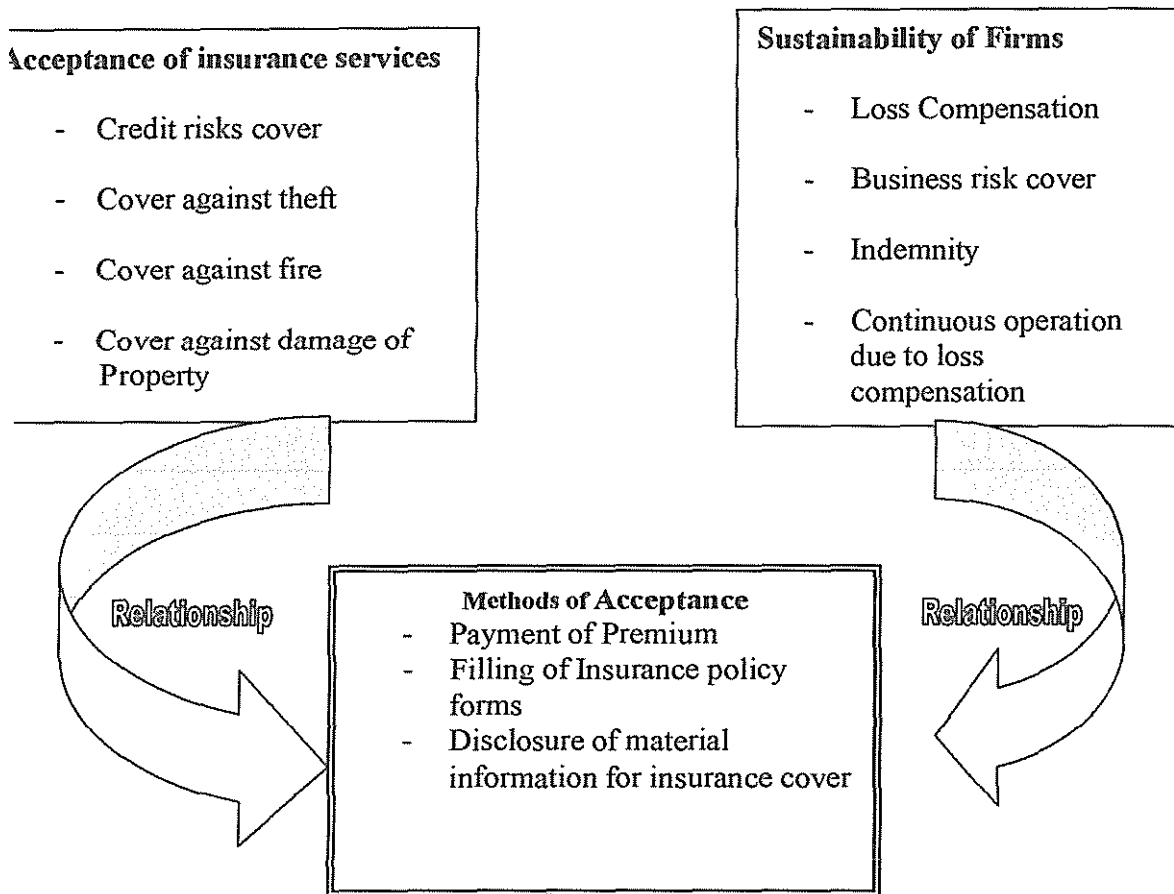
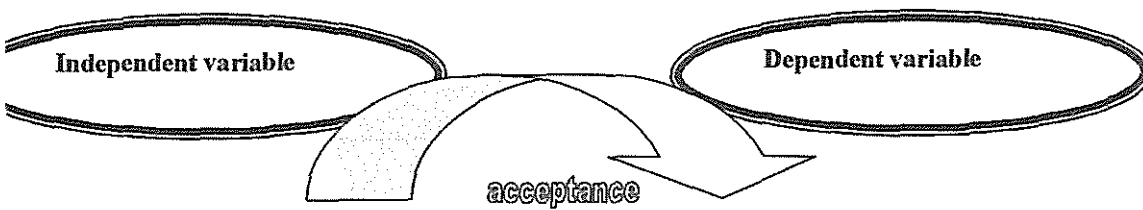
Most firms and even individuals believe that insurance companies are merely bottomless pit ventures, where they pile up their money, only to be put into proper use by others at their expense. It's this attitude, which most people don't even move near insurance firms, leave alone inquiring about their services. To many, insurance firms are all about traffic insurance prerequisites hard driven into their minds due to authoritative - traffic officers' harassment.

Its this mass ignorance about the numerous services offered by the insurance companies, and their unmatched importance, that necessitated the immediate research on the importance of acceptance of insurance services, to give an informed up to date information on the same to the entrepreneurs, who for along time have been suffering from acute shortage of information, about the importance of accepting insurance services. This in itself will be a step in sustaining the economic activities operations, with an ultimate growth in the entire economy of a nation.

The study will be made possible because of the already existing data from AIG Insurance Company Ltd., about the prospects of the firms that have insured against given risks with them. This will categorically make it possible to establish the importance of accepting insurance services.

The study will also benefit AIG Insurance Company Ltd., and insurance companies in general, as it will provide information that AIG Insurance company Ltd., will use in explaining to their prospective clients the importance of accepting their insurance services, for a sustained operation and sound financial positions, as they (AIG Insurance company Ltd.) stand a true partner to their clients in times of misfortunes of insured risks occurring, for AIG insurance company Ltd. to compensate, or bring back the insured firms to their original level of operation and financial position.

1.6 CONCEPTUAL FRAME WORK



Illustration

The above theoretical frame work tries to depict the kind of relationship (importance) that exist when business ventures accept insurance services (which is the independent variable) to guarantee their sustainability/continuity (which is the dependent variable) in operation. It clearly shows under the independent variable, what it entails to accept the insurance services. Under the

dependent variables, some of the aggregates that ensure continuous services, which acts as the intervening variables are indicated.

1.7 SCOPE OF THE STUDY

The study will be basically limited to the secondary data of AIG Insurance Company Ltd. - Uganda, collected between the years 1995-2006, on the general performance of firms insured by AIG Insurance Company Ltd., attributable to compensation during risk occurrence. The researcher will limit herself to Kampala-Uganda where the aforementioned company is based. The researcher will interview the management and some of the company staff randomly. The study is expected to take three months beginning the month of June, 2009.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

According to Mehr and Camack (1976), insurance, in law and economics, is a form of risk management primarily used to hedge against the risk of a contingent loss. Insurance is defined as the equitable transfer of the risk of a loss, from one entity to another, in exchange for a premium

Philip Kotler (1998), defines service as any act or performance that one part can offer to another that is essentially intangible and doesn't result into the ownership of any thing. Its production may or may not be tied to the production of a physical product.

Until recently, service firms' i.e. insurance firms lagged behind manufacturing firms in their use of marketing. This counted as one of the reasons why most of their services have not been fully embraced or accepted by most stake holders. Insurance service not being an exception. Many services businesses are small and do not use formal management or marketing techniques. There are also professional services businesses (law and accounting firms) that formerly believed it was unprofessional to use marketing. Other service businesses (colleges, hospitals etc) faced so little demand or so little competition until recently that they saw no need for marketing. But all this is changing so fast at the moment.

2.1 ACCEPTANCE OF INSURANCE

Many writers have written about the importance of insurance, and the numerous insurance services offered in general. However, a few scholars have also written something on acceptance of insurance services.

Clare Chow-Chua and Gerald Lim (2000) noted that "Empirical findings show that insurers are widely disliked by customers, and insurance agents talked to clients on average once every eight years. "We found that approximately 44 per cent of the population does not own any form of insurance, for example life insurance and personal accidents insurance, and this is attributable to lack of demand audit in order to understand what the policyholder wants and needs. Information from customers plays a major role in the auditing process. Our audit checklist includes demographic characteristics of policyholders and non-policyholders; reasons for being insured and not insured; and critical purchasing factors".

According to L. Ochieng Amollo (2003), writing on the legal perception of acceptance of insurance services, He notes that acceptance is the prerogative of the insurer and he is not obligated to give any reason for his approval or disapproval of the proposal. He adds that, acceptance should be unequivocal and must bring to the insured person's notice that the policy has commenced on a certain date. It must also be in terms and conditions contained in the proposal form, and any variations will amount to a counter-offer and not an acceptance.

Amollo goes ahead and says that; acceptance of insurance services can be made in any of the following ways:

2.1.1 FORMAL ACCEPTANCE

Here the insurer will expressly communicate to the insured in writing that the he has accepted the proposal form. He must also signify the date on which the policy will commence. However, this will be subject to condition that the insured person pays the first premium.

2.1.2 ACCEPTANCE BY ISSUE OF POLICY

The issuance of an insurance policy by an insurer is taken to be conclusive evidence of the acceptance of the proposal. The policy may then be enforceable from the date of its issuance notwithstanding any mistakes contained in the proposal form.

2.1.3 ACCEPTANCE OF PREMIUM MONEY

In the absence of the evidence to the contrary, any acceptance of premium money by the insurer raises presumption that he has accepted the proposal. The insurer can not thereafter refuse to issuer the insurance policy.

2.1.4 GENERAL CONDUCT OF THE INSURER

Certain conduct by the insurer signifies acceptance and evidence of such conduct if tendered in court then it will be presumed that the insurer had accepted the proposal.

2.2 CRITICISM OF INSURANCE COMPANIES

Some people believe that modern insurance companies are money-making businesses which have little interest in insurance. They argue that the purpose of insurance is to spread risk so the reluctance of insurance companies to take on high-risk cases (e.g. houses in areas subject to flooding, or young drivers) runs counter to the principle of insurance. These have lead to numerous controversies concerning the insurance industry as below:

2.2.1 INSURANCE LIMITING FEATURES

An insurance policy should not contain provisions that allow one side or the other to unilaterally void the contract in exchange for benefit. Provisions that void the contract for failure to perform or for fraud or material misrepresentation are ordinary and acceptable.

The policy should have a term of not more than about three years. This is not a hard and fast rule. Contracts of over five years duration are classified as 'long-term,' which can impact the accounting treatment, and can obviously introduce the possibility that over the entire term of the contract, no actual risk will transfer. The coverage provided by the contract need not cease at the end of the term (e.g., the contract can cover occurrences as opposed to claims made or claims paid).

The contract should be considered to include any other agreements, written or oral, that confer rights, create obligations, or create benefits on the part of either or both parties. Ideally, the contract should contain an 'Entire Agreement' clause that assures there are no undisclosed written or oral side agreements that confer rights, create obligations, or create benefits on the part of either or both parties. If such rights, obligations or benefits exist, they must be factored into the tests of reasonableness and significance.

The contract should not contain arbitrary limitations on timing of payments. Provisions that assure both parties of time to properly present and consider claims are acceptable provided they are commercially reasonable and customary.

Provisions that expressly create actual or notional accounts that accrue actual or notional interest suggest that the contract contains, in fact, a deposit.

Provisions for additional or return premium do not, in and of themselves, render a contract something other than insurance. However, it should be unlikely that either a return or additional premium provision be triggered, and neither party should have discretion regarding the timing of such triggering.

All of the events that would give rise to claims under the contract cannot have materialized prior to the inception of the contract. If this "all events" test is not met, then the contract is considered to be a retroactive contract, for which the accounting treatment becomes complex.

2.2.2 INSURANCE INSULATES TOO MUCH

By creating a "security blanket" for its insured, an insurance company may inadvertently find that its insured may not be as risk-averse as they might otherwise be (since, by definition, the insured has transferred the risk to the insurer). This problem is known to the insurance industry as moral hazard. To reduce their own financial exposure, insurance companies have contractual clauses that mitigate their obligation to provide coverage if the insured engages in behavior that grossly magnifies their risk of loss or liability.

2.2.3 CLOSED COMMUNITY SELF-INSURANCE

Some communities prefer to create virtual insurance amongst themselves by other means than contractual risk transfer, which assigns explicit numerical values to risk. A number of religious groups, including the Amish and some Muslim groups, depend on support provided by their communities when disasters strike. The risk presented by any given person is assumed collectively by the community who all bear the cost of rebuilding lost property and supporting people whose needs are suddenly greater after a loss of some kind. In supportive communities where others can be trusted to follow community leaders, this tacit form of insurance can work. In this manner the community can even out the extreme differences in insurability that exist among its members. Some further justification is also provided by invoking the moral hazard of explicit insurance contracts.

2.2.4 COMPLEXITY OF INSURANCE POLICY CONTRACTS

Insurance policies can be complex and some policyholders may not understand all the fees and coverage included in a policy. As a result, people may buy policies on unfavorable terms. In response to these issues, many countries have enacted detailed statutory and regulatory regimes governing every aspect of the insurance business, including minimum standards for policies and the ways in which they may be advertised and sold.

Many institutional insurance purchasers buy insurance through an insurance broker. Brokers represent the buyer (not the insurance company), and typically counsel the buyer on appropriate coverage, policy limitations. A broker generally holds contracts with many insurers, thereby allowing the broker to "shop" the market for the best rates and coverage possible.

Insurance may also be purchased through an agent. Unlike a broker, who represents the policyholder, an agent represents the insurance company from whom the policyholder **buys**. An agent can represent more than one company.

2.2.5 REDLINING

Redlining is the practice of denying insurance coverage in specific geographic areas, purportedly because of a high likelihood of loss, while the alleged motivation is unlawful discrimination. Racial profiling or redlining has a long history in the property insurance industry in the United States. From a review of industry underwriting and marketing materials, court documents, and research by government agencies, industry and community groups, and academics, it is clear that race has long affected and continues to affect the policies and practices of the insurance industry.

In determining premiums and premium rate structures, insurers consider quantifiable factors, including location, credit scores, gender, occupation, marital status, and education level. However, the use of such factors is often considered to be unfair or unlawfully discriminatory, and the reaction against this practice has in some instances led to political disputes about the ways in which insurers determine premiums and regulatory intervention to limit the factors used.

Other criticisms include:

Insurance policies contain too many exclusion clauses. For example, some house insurance policies do not cover damage to garden walls.

Most insurance companies now use call centers and staff attempt to answer questions by reading from a script. It is difficult to speak to anybody with expert knowledge.

According to Colin Barrow (1992), 6-15 % of the working populations in developing countries are small business men and women, and this translates to about three million people in Uganda out of the working population, who entirely depend on business proceeds. This is a clear indicator that over half of all the people in commercial and industrial employment in Uganda work in business ventures.

2.3 WHY BUSINESS MATTER.

Colin Barrow says that, businesses are a vital spark in the economy almost without the exception through the 1980s and 1990s. Countries have sort ways and means to stimulate an increase in the number of firms starting up in the economy and maintaining them. Their reasons for these concerns are as follows

2.3.1 RESPONSIVE TO CHANGE

Small businesses normally being endowed with limited resources, are always at the mercy of market falls, when economic conditions change so must they, large firms are always not so nimble and can always continue in a direction not signaled or required by the economy for some time before recognizing the need for change.

2.3.2 A MAJOR SOURCE OF INNOVATION

Businesses play a major role in creating new technologies and products. During the last decade the roles of large and small businesses in the development of new technologies and products have differed substantially. When they do develop new products they tend to emerge from incremented improvements or refinements. Small businesses are more likely to strive for the unexpected, leap- frog innovation.

Small firms seem to encourage innovation because, less restive organization provides for more individual initiative. In small technology firms, innovation is necessary to ensure survival where as the large firms tend to simply maintain its product market position.

2.3.3 JOB CREATION

Until the mid 1970s, popular methodology had it that, big businesses created most new jobs. That view was first seriously challenged by Prof. David L. Birch of the Massachusetts institute of

Technology. In his work, he disclosed that between 1989 and 1976 in the United States, small businesses with twenty or fewer employees created 66% of all new jobs in most nations. In England alone, such businesses created 99% of all new jobs.

2.4 CHALLENGES IN SUSTAINING BUSINESSES.

According to C. B Gupta (1995), individual weaknesses pose the biggest challenge to business managers. The sustainability and development of the business sector calls for an appropriate institutional frame work to fulfill specific institutional functions related to sustainability of firms, ranging from policy formulation, development, financing, training, infrastructure and above all insurance of business ventures.

Inadequate credit, both for investment and as working capital is a major challenge to sustainability of businesses in developing nations, due to a serious problem of accessibility of institutional credit. This presents a high financial risk because of the inability to mobilize the required collateral for the same.

Another key challenge to most businesses is the financial barriers and financial management related difficulties.

Ezra Solomon (1963), in his theory of financial management, defined the finance function as the study of the problems involved in the use and acquisition of funds by a business. Its main concern should be to find a rational basis for answering what total value of funds should be invested in the business, and how should the required funds be financed.

V. K Bhalla (1997) expresses management as a global oriented activity, which is a blend of art and science through which important decisions f what to invest in, how to finance it, and how to combine the two in order to maximize some appropriate objectives are taken.

The broad and dynamic field of Finance affects the financial investment of virtually every business. The performance of a firm is measured in financial terms. The success of the firm depends on how it is perceived by, and reacts to external economic markets.

Financial barriers include shortage of lendable funds, lack of collateral security, high interest rates, high administrative costs coupled with high risk attendant to small scale business projects. The inaccessibility f lendable funds on one hand and the inability of capital markets to mobilize savings on the other hand for most business is the major cause of lack of credit to most businesses.

Further still, small scale industries lack collateral security, so banks do not lend for fear of assuming more than normal risks with depositors funds. This is worsened by the fact that the majority of these businesses are without bank accounts, so there character is difficult to assure and they operate at near subsistence margins which imply low capitalization and no mortgage assets. Business owner also have low education which is expressed in low capacity to benefit from credit facilities, unless credit is attended by an advisory component system, which is normally weak or lacking entirely in the East African region.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 INTRODUCTION

This part of the study was concerned with the way the study was conducted. It gives a detailed explanation of the methods of data collection and analysis. It also elaborates on the research approach, geographical area, population sample, and the strategy used in the sampling process.

3.1 RESEARCH APPROACH/ PHILOSOPHY

The researcher adopted explanatory, descriptive and analytical research approach based on the data that was provided by the staff of AIG Insurance Company Ltd, using questionnaires and interviews that were fully answered by the respondents, and used the data held by the latter, about its client's performance to make a logical finding.

3.2 THE GEOGRAPHICAL AREA

The researcher conducted the study in the city of Kampala, Central Uganda in Uganda, which is one of the East African countries. Specifically at AIG Insurance Ltd-Uganda

3.3 POPULATION OF THE STUDY

The population of the study was 20 employees of AIG Insurance Ltd- Uganda, from all the levels in the organization chosen randomly at convenience, with at least some few of the senior managers of the company. As shown below

Table 1: Categories of respondents

Departments	Number of employees
Management	3
Human Resource Department	3
Underwriting Department	3
Claims Department	3
Accounts Department	2
Administration	1
Compensation Department	5
Total	20

Source: primary data

3.4 SAMPLING STRATEGY

The researcher used simple random sampling method to choose on the employees of AIG Insurance Company Ltd. from the departments within the company, with at least some few of the senior managers of the company.

3.5 DATA COLLECTION METHODS

The study adopted primary and secondary sources of data from AIG Insurance Company Ltd to gather information on the study. For primary source the researcher used questionnaires and interview guides, while for secondary sources the researcher used the company reports, and company policy manual.

3.6 RESEARCH INSTRUMENTS

The researcher concurrently used questionnaires and interview guides within the frame work of the organization to constitute the pool of research instruments, to ensure up to date data was collected.

3.6.1 QUESTIONNAIRES

The researcher supplied the questionnaires to the respondents after making appointments with them, and made sure questionnaires were developed and pre- tested on the employees of AIG Insurance Company Ltd., to test the suitability of the intended purpose, before the actual administering to help the researcher collect a lot of information over a very short period of time.

3.6.2 INTERVIEWS

The oral interview was conducted in a friendly conversation, between the researcher and the company staff- AIG Insurance Company Ltd. This allowed the researcher to collect information that could not be easily put in print by the company, for strategic business purposes. This was done inform of person to person verbal communication, in which one person (or a group of persons), asked the other questions to elicit information or opinion.

3.6.3 DATA ANALYSIS, INTERPRETATION AND PRESENTATION

This involved the usage of Simple quantitative techniques such as percentages, to derive logical and informative findings, coupled with tables and descriptive statistics which helped in coming up with a comprehensive conclusion and recommendation.

Tables were used for presentation of summarized data for every assessment, analysis, interpretation and presentation of information

The coded data for every assessment was analyzed using qualitative method, and conclusions were made with qualitative approach completed with making inferences of dominant characteristics of the findings.

3.7 LIMITATION OF THE STUDY

The main limitations the study faced were:

- a) Most of the AIG employees were busy people therefore, limited time was given to the researchers' questionnaires, and getting the correct and elaborate information from them was not so easy.
- b) The research was based on a single service industry, on which not enough literature has been published as regards its operations.

3.7.1 SOLUTION TO LIMITATIONS OF THE STUDY

- a) The researcher developed the questionnaires in away that made it easy and simple to understand, to ensure the respondents fully gave and elaborate information.
- b) The methodology and conclusions provided a solid basis for future research, and enough and diverse literature on the above service industry.

3.7.2 RELIABILITY AND VALIDITY OF RESEARCH INSTRUMENTS.

The validity and reliability of research instruments were determined in a pilot testing. The pilot study was conducted on a selected group of respondents before the interview guides and questionnaires were taken for actual data collection. The validity and reliability of the research instruments were further established through consultation with my colleagues.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION AND PRESENTATION

4.0 INTRODUCTION

This chapter is for presentation and interpretation of the raw data collected from the field. The target group was twenty people, but the response population was ten.

The data was analyzed and presented in frequency tables, histogram and in descriptive form.

4.1 SAMPLE DISTRIBUTION

Table 1: Showing how many firms are insured by AIG insurance

RESPONSE	NUMBER OF PEOPLE	PERCENTAGE
10 - 15	0	0
15 - 20	0	0
20 - 25	0	0
25 - 30	9	90
50 and above	1	10
TOTAL	10	100

Source: Primary data

Analysis

As revealed above (table 1), 90 percent of the employees of AIG staff believed that, the company has insured roughly 25-30 companies.

While 10 percent of the employees believed that, the company has insured more than 50 companies.

This implies that the company has an average of 40 companies insured.

4.2 PREMIUM DEFAULTING

Table 2: Showing weather there are cases of premium defaulting

RESPONSE	NUMBER OF PEOPLE	PERCENTAGE
Yes	6	60
No	2	20
Not sure	2	20
TOTAL	10	100

Source: primary data

Analysis

As indicated above (table2), 60 percent of the respondents agreed that there are cases of premium defaulting, 20 percent said there are no cases of defaulters and another 10 percent of the respondents were not sure if there are cases of premium defaulting.

This implies that, AIG insurance company Ltd experience a great deal of premium defaulting, and most probably the firms that are insured by the company frequently don't pay there premiums.

4.3 RECOMMENDATION OF INSURANCE SERVICES WITH AIG

Table 3: Showing recommendation to take up insurance services with AIG

RESPONSE	NUMBER OF PEOPLE	PERCENTAGE
Yes	10	100
No	0	0
TOTAL	10	100

Source: primary data

Analysis

As evidenced above (table 3), all the employees of AIG would wish to encourage more firms to take up insurance with them.

This implies that AIG insurance is keen on having more firms joining their pool of insured firms.

AIG insurance has a company according to most of the respondents noted that, the company hardly develops new insurance services to offer their clients. They basically, follow the trend that most of the Insurance companies have set, that is offering only the common policies being offered by most of the firms.

This implies that, AIG insurance company doesn't change with the changes that are being experienced by their clients in the various markets that they serve, which is often dynamic and full of ever changing risks.

4.4 FREQUENCY OF AIG INSURANCE MEETING ITS CLIENTS

Table 4: Showing how frequently AIG insurance co. meets its clients

RESPONSE	NUMBER OF PEOPLE	PERCENTAGE
Twice a year	0	0
Once after every year	1	10
Once after every 2 years	2	20
Once after every 3 – 5 years	4	40
None of the above	3	30
TOTAL	10	100

Source: primary data

Analysis

As indicated above (table 4), only 10 percent of the employees of AIG insurance company believed that the company meets her clients once a year to counter confirm with them about insurance service satisfaction, while 20 percent believed the company meets her clients once after every two years, 40 percent believed the company do meet her clients at least once after every 3 – 5 years, and the remaining 30 percent were not sure whether the company do in deed meet her clients on such kind of forums on service satisfaction.

This implies that, AIG insurance company is not curios to find out whether her clients are indeed satisfied with all the services they are being provided with, or if the services are worth the premiums they pay to the insurance company.

4.5 RESEARCH AND DEVELOPMENT DEPARTMENT

Table 5: Showing whether AIG has a research and development department

RESPONSE	FREQUENCY	PERCENTAGE
YES	10	100
NO	0	0
TOTAL	10	100

Source: primary data

Analysis

As indicated above (table 5), all the employees of AIG confirmed that the company has a research and development department.

This implies that, the company despite the fact of having a research and development department, they seems not to be so concerned with developing new services for their clients, instead they must be only doing research on ways of reducing their levels of risk and increasing on their pool of funds and other portfolios that the company owns.

AIG insurance company Ltd. according to the respondents seems to involve a lot of bureaucratic procedures that makes it difficult for most of their clients to be compensated incases of risk occurrence as immediately as possible. As most of the employees noted that some claims can last as long as five to ten years, pending court ruling on cases that become complex and involve the courts of law. However, all in all most of the times the duration for compensation of the various clients differ greatly and there is no definite time frame for compensation.

According to the respondents, AIG insurance company has only one branch in Uganda, which is located in Kampala; however AIG has got some other portfolios of asset separate from the insurance company that contributes to the general company well being financially.

This implies that, AIG insurance company doesn't generate the pool of funds for its insurance services operation from any other source, separate from the only clients the company has insured in its Kampala branch.

According to the respondents, most of the prospective agents that AIG insurance company insure eventually, are basically netted through a wide range of insurance brokers, as well as direct insurance sales by the marketing department of AIG insurance company.

This implies that, most of the clients are convinced by way of making relatively competitive offers to such kind of prospective clients, in comparison to what they would otherwise be offered by other AIG insurance company competitors.

CHAPTER FIVE

DISCUSSION OF THE FINDINGS, SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.0 INTRODUCTION:

The study was carried out to find out the extent to which acceptance of insurance services can lead to sustainability of firms, with the case of AIG insurance Company Limited – Uganda. This chapter therefore gives the discussion of the findings, summary, conclusions and recommendations to the study.

5.1 SUMMARY OF THE FINDINGS OF THE STUDY

The study revealed that AIG Insurance Company Ltd-Uganda is a member of the AIG Inc, which is an International conglomeration of Companies with many branches across the world, with varying investments. But in Uganda, AIG Insurance Company Ltd, one of the constituents of the AIG Inc is based in Kampala.

The findings in chapter four revealed that AIG insurance company has roughly forty companies insured with them. This is a clear indicator of a very good client base that can build a good pool for their insurance business operation.

Premium defaulting is another key issue in the insurance industry, and it determines the ability of an insurance company to be in a position to pay or rather compensate its clients, whenever a misfortune or a risk against which an insurance policy was taken occurs.

According to the information gathered, AIG insurance company has a great deal of premium defaulting cases of about sixty percent. This greatly affects the company's ability to compensate its clients.

However, the firms that are insured by AIG as well seem not to be committed to paying their periodical premiums as agreed.

The information in Chapter four evidenced that all employees of AIG insurance company would wish to have as many as possible firms joining their insurance schemes. This contradicts the actual practice of many firms not willing to insure their undertakings. This clearly shows a strong feeling by the firms that by taking an insurance policy, they will not be adding any value to their firms or even indeed protecting them as such from any kind of misfortune.

AIG insurance has a company according to most of the respondents noted that, the company hardly develops new insurance services to offer their clients. They basically, follow the trend that most of the Insurance companies have set, that is offering only the common policies being offered by most of the firms.

This implies that, AIG insurance company doesn't change with the changes that are being experienced by their clients in the various markets that they serve, which is often dynamic and full of ever changing risks. In essence, the insurance company fails to precisely address the firm's major risk concerns which are very diverse, and complex.

The information gathered evidenced, the level of lack of concern by the AIG insurance Company Ltd, whether the services they offer to their clients duly meet their expectation in all the aspects as they may consider, or give priority. The general lack of concern by the staff of AIG Insurance Company is also evidenced by the disparity in their response where some of them were not even sure whether the company really meets her clients.

This clear indicates that, AIG insurance company is not curious to find out whether her clients are indeed satisfied with all the services they are being provided with, or if the services are worth the premiums they pay to the insurance company.

The study also revealed that, AIG insurance company has a research and development department according to the respondents from the company. However, the research and development department of AIG insurance Company seems not to be so keen on developing new insurance products for their clients, who are constantly faced by complex and diverse business risks from time to time.

This clearly indicates that, the research and development department is not committed to the well being of their clients parse, but they must be only keen on doing research on other fields that may only be of great importance to them as a company and not in developing new products that will always satisfy the firms that seek insurance cover from the insurance company.

This is manifested by the way all the employees of AIG, unanimously recognized the presence of a research and development department in the organization, which equally so seems to be a department that is highly recognized by the Company. But it becomes clear, that they seems to be not that much engaged with developing new products for the company's clients.

5.2 CONCLUSION:

AIG insurance company Ltd. according to the findings seems to involve a lot of bureaucratic procedures that makes it difficult for most of their clients to be compensated incases of risk occurrence as immediately as possible. As most of the employees noted that some claims can last as long as five to ten years, pending court ruling on cases that become complex and involve the courts of law.

This must have been the clear reason why most firms are not willing to take up insurance services with the insuring companies like AIG insurance Company. The firms normally would wish to have a speedy recovery incase of risk occurrence so that they can always get back to business. This is one aspect that the insurance service providers are never so keen on, as most of the time, especially involving claims of relatively huge amounts they normally drag the whole process of compensation, which is never taken kindly by most of the firms who all along have been paying their premiums so religiously, and as such would wish for speedy compensation.

The study equally so indicated that, AIG Insurance Company Ltd only has one branch in Uganda, which is at the capital city - Kampala. However, AIG has other portfolio of assets separate from the insurance company.

This implies that AIG Insurance Company doesn't generate the pool of its funds from any other source apart from the funds pooled together from the few clients they have at the Kampala branch

5.3 RECOMENDATIONS

As a recommendation, AIG insurance company generates most of their clients by way of using insurance agents, who do the brokering service for the AIG insurance company at a fee called brokerage fee. However, the marketing department of AIG insurance company equally do their marketing as a way of getting their prospective clients, thus they should be making very competitive offers in comparison with what other insurance companies offer.

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APPENDIX I: PROPOSED BUDGET

Activity	Cost (UgShs)
Typing	50,000
Questionnaire Administration	20,000
Literature collection	50,000
Telephone calls	10,000
Printing	60,000
Transport	50,000
TOTAL	240,000

APPENDIX II: THE TIME FRAMEWORK OF THE STUDY

Event/Activity	Time
planning and Introduction	June
Literature Review and Collection	June
Proposal writing	August
Data collection	August
Data analysis and Interpretation	August
Dissertation Writing	September
Submitting	September

APPENDIX III: QUESTIONNAIRES ON ASSESSMENT OF ACCEPTANCE OF INSURANCE PRODUCTS FOR SUSTAINABILITY OF FIRMS IN UGANDA.

Introduction

Dear respondent,

My name is Karuchi Caroline Wanja, a student of Kampala International University, (KIU), School of Business and Management. I am conducting a research study on acceptance of insurance services for sustainability of firms as a partial requirement for the award of a bachelor's degree in Business Administration. You are kindly requested to answer all the questions to the best of your knowledge, which will be highly appreciated.

The information given will be exclusively used for academic purposes, and will be treated with utmost good faith and confidentiality. Your cooperation will be highly appreciated and thanks in advance.

QUESTIONNAIRE

Kindly tick (✓) as appropriate and make comments where applicable.

APPROXIMATELY HOW MANY FIRMS ARE INSURED BY AIG INSURANCE?

10-15

15-20

20-25

25-30

50 and above

2. ARE THERE CASES OF PREMIUM DEFAULTING EXPERIENCED IN AIG INSURANCE COMPANY?

Yes

No

Not sure

.....
3. WOULD YOU RECOMMEND FIRMS TO TAKE UP INSURANCE SERVICES WITH AIG INSURANCE COMPANY?

Yes

No

.....
.....
4. HOW FREQUENTLY DOSE AIG INSURANCE COMPANY DEVELOP NEW INSURANCE SERVICES?

.....
.....
.....
5. AFTER HOW LONG DOSE AIG INSURANCE COMPANY MEET ITS CLIENTS FOR CONSULTATION PURPOSES ON INSURANCE SERVICES SATISFACTION?

Twice a year

Once after every year

Once after every 2 years

Once after every 3-5 years

None of the above

.....

6. DOSE AIG INSURANCE COMPANY HAS A RESEARCH AND DEVELOPMENT DEPARTMENT?

Yes

No

7. HOW LONG DOSE IT TAKE FOR AIG INSURANCE COMPANY TO COMPENSATE ITS CLIENTS?

.....

.....

8. WHAT RANGE OF SERVICES DOSE AIG INSURANCE COMPANY OFFER?

.....

.....

.....

9. HOW MANY BRANCHES DOSE AIG INSURANCE COMPANY HAVE IN UGANDA?

.....

.....

.....

10. HOW DOSE AIG CONVINCED THEIR PROSPECTIVE CLIENTS TO TAKE UP VARIOUS INSURANCE COVERS IT OFFERS?

.....

.....

THANK YOU FOR YOUR COOPERATION

APPENDIX IV: CURRICULUM VITAE

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PERSONAL DETAILS:

NAME	:	KARUCHI CAROLINE WANJA
NATIONALITY	:	KENYAN
DATE OF BIRTH	:	10 th January 1986
MARITAL STATUS	:	SINGLE
I.D NUMBER	:	24767161
LANGUAGE SPOKEN	:	ENGLISH & SWAHILI

CAREER OBJECTIVE

To rise to the highest level of corporate management with prospects for advancement.

PERSONAL ATTRIBUTES

- Fast learner, able to understand new concepts
- Team player
- Good organizational and communication skills

PROFESSIONAL QUALIFICATION

2006_2009: Bachelor of Business Administration (BA) Degree, Majoring in Finance and Banking

COMPUTER SKILLS

- Introduction to Computers
- Ms-Word
- Ms-Excel

BACKGROUND EDUCATION:

MARCH 2006-2009	:	Kampala International University Pursued a degree in Business Administration
August 2005-January 2006	:	Access Program (Kampala International University) Final grade, G.P.A 3.7
2000_2004	:	NGUVIU GIRLS HIGH SCHOOL (KENYA) K.C.S.E C+ (PLUS)
1992_2000	:	E.A.P.C. KIGUMO BOARDING PRIMARY SCHOOL (KENYA) K.C.P.E

EXTRA CURRICULLUM ACTIVITIES

High School : Member of Mathematics and Debating Clubs

HOBBIES

Making Friends, travelling and socializing

REFERRES

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