THE ROLE OF INSURANCE IN ECONOMIC DEVELOPMENT OF UGANDA

A CASE STUDY OF UAP INSURANCE COMPANY

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DEDICATION

I dedicate this work to my parents Mr. and Mrs. Mwanja, my siblings Petua, Joel, John, Esther who have sacrificed a great deal for my education. May the Almighty God bless you and reward you abundantly.

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Exceptional thanks go to the Almighty God, my parents Mr. and Mrs. Mwanja who have worked tirelessly, sacrificed a lot both financially and morally to ensure that my academic carrier is a success.

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May God bless you all.

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ABSTRACT

Well as the insurance industry in growing at a tremendous pace across the globe, the insurance industry in Uganda remains very small and with minimal contribution to economic development. According to IRA (2013) the insurance market penetration in Uganda is approximately 0.66% of GDP, which is low even in comparison to other African countries.The purpose of this study was to investigate the effect of insurance on the economic development of Uganda, using UAP insurance as a case study. The objectives of the study were to investigate the effect of non-life insurance on the economic development of Uganda, to assess the impact of health insurance on the economic development of Uganda, to investigate the effect of life assurance on the economic development of Uganda.

According to findings by Grant (2012) about the roles, benefits and capabilities of the insurance industry, the insurance industry is said to manage, diversify and absorb the risks of individuals and companies. Insurance is often considered a precondition for the development of other productive activities, such as acquisition of homes, starting or expanding of business. And in turn these activities do fuel demand, facilitate supply and support trade.

The descriptive research design was used and both qualitative research design and quantitative research design were used to collect data.. The data collected was analyzed using SPSS-19 and was presented using tables and pie charts.

The study also revealed that insurance contributes to economic development of the economy, however, insurance penetration in Uganda was still very low compared to her other East African counterparts. The study recommended more awareness campaigns and sensitization from government and other stakeholders like the IRA, UIA and industrial players.

ACRONYMS /ABBREVIATIONS

IRA	Insurance Regulatory Authority
UIA	Uganda Insurers Association
GDP	Gross Domestic Product
KPMG	Klynveld Peat Marvick Goerdeler
USD	United States Dollar
AfDB	African Development Bank
OECD	Organization for Economic Co-operation and Development
UNDP	United Nations Development Program
AIG	American Insurance Group
ARVs	Antiretroviral drugs

CHAPTER ONE

INTRODUCTION

In this chapter, some of the topics to be discussed are background of the study organizational profile, problem statement, objectives of the study, research questions, scope of the study, and significance of the study and limitation of the study.

One of the present biggest challenges is developing an economy of a country ensuring sustainable growth and development to serve as a benchmark for economies the world over. In order to live up to this challenge, most governments direct their efforts towards obtaining and maintaining this sustainable growth and development to ensure a better standard of living for their people. According to Cornell and Jorgensen, (2007) economic development is an increase in economic activity. Economic development often leads to economic development and a common development outcome is increased wealth and income.

It is for this reason that a sophisticated insurance sector is also important in encouraging domestic production, innovation and trade. Insurance reduces the investment risk faced by companies and the state. Many companies find it far more expensive, if not impossible, to take out a loan without purchasing the requisite insurance protection. Insurance thereby reduces the costs of raising the capital they need. This is especially important in emerging markets, as a shortage of capital is one of the major disincentives to investment, Zulfiqar (2015).

ORGANIZATIONAL PROFILE

The insurance industry has emerged prominently to serve as an institution meant to provide services aimed at securing industries against the various risk inherent in their operation, One of the prominent and premier in the industry in Uganda is the UAP Insurance company limited. The Groups' origins in Kenya date back to the 1920s when Provincial Insurance Company of East Africa was incorporated as a subsidiary of Provincial Insurance Company, insurance group based in London, UK. The 1994 merger of Union des Assurances De Paris

(UAP) of France and Provincial of the UK led to the formation of the UAP Insurance Company of Kenya. In 1996, the firm became part of AXA when AXA acquired UAP in France. AXA divested its shareholding in 2000 and the firm became a wholly owned Kenyan company, UAP, (2014).

UAP Holdings expanded to Uganda in 2005, to South Sudan in 2006, to Rwanda and the Democratic Republic of Congo in 2011 and in Tanzania in 2013. All Entries other than Tanzania were Greenfield investment. The group entered Tanzania through the acquisition of Century Insurance Company Limited and re-branded it to UAP Century Insurance Company Limited. In total, UAP has sixteen (16) businesses operating in the region UAP, (2014).

UAP Insurance Company has it as its mission to be Africa's revolutionary financial services group and with its mission to enhance quality of life by delivering peace of mind and financial freedom through an exceptionally motivated team that delivers what customers want, when and where they want it. UAP, (2013) Despite the little attention given by the government, the insurance industry has been playing a very important role in ensuring some degree of security in industry and commerce. It is thus observed that insurance industry when given the necessary attention could play a stranger complementary role in ensuring growth and hence national economic and development.

1.1 BACKGROUND OF THE STUDY

1.1.1 HISTORICAL BACKGROUND

The origin of the present day insurance can be traced to early maritime trades. During those days, merchants whose goods were being carried on the same ship, shared in the losses of fellow merchants. As much as this practice reduced the risk of loss, each merchant could not know in advance of the voyage what the individual share of loss would be. Marine insurance evolved to address this need. Lloyds of London, which is the largest market of marine insurance in the world today, was among the early providers of modern marine insurance, Were and Njiru, (2006).

According to Were and Njuri, (2006) the first life assurance policy was taken out in the year 1585 on the life of William Gybbons for the benefit of Richard Martin. The purpose of the life assurance policy was for protection against premature death. In the first half of the 19th century, only term assurances were being offered. The policies paid only if the life assured died within the term of the policy.

Following the scramble for Africa towards the end of the 19th century, various European powers established their sovereignty on the African soil. This meant that trading operations naturally needed certain services among them insurance. For many centuries, the European had practiced insurance in their home countries and it was obvious that they considered import of this practice to Africa. Since trading operations were confined to foreigners, the privilege of insurance was hence confined to the only, Kogi and Mutonyi, (2007).

1.1.2 CONCEPTUAL BACKGROUND.

Life insurance premiums in Africa maintained strong growth of 13% in 2013, little changed from 2012. In South Africa, the region's dominant market accounting for about 90% of volumes, premiums were up 13%, also around the same as in 2012. Growth was based on increases in new policies and additions to recurring premiums for individual in-force policies. In particular, annuities had strong growth in both single and recurring premiums. Data availability for the rest of Africa is limited. Premiums in Morocco, the second largest market, are estimated to have fallen by 4.5% in 2013, while in Kenya premiums rose 14%. The latest available data for others countries is 2012, or even 2011. Generally the numbers suggest that premiums grew in most African countries IRA, (2015).

According to IRA, (2015) the African insurance market has strong growth potential. Even South Africa, where penetration is high, has a large insurance gap. Premium growth is likely to be sustained by increases in annuity sales. In the rest of sub-Saharan Africa, very low insurance penetration, strong Economic development, increasing disposable incomes and favorable demographics will continue to boost demand. In addition, the rising awareness of the usefulness of insurance and the broader use of micro insurance in combination with innovative distribution models will support insurance growth.

On the other hand, Non-life premiums in Africa are estimated to have increased by 2.1% in 2013. Data are only available for a few countries, but stagnating premium volume in South Africa was the main driver for the weak growth estimate. South African non-life insurers were challenged by weak real economic activity. Estimated premiums written in 2013 rose by only 0.3%, well below the average annual growth of more than 5% recorded in the previous decade this is according to the IRA Annual Insurance Market report (2013).

1.1.3 CONTEXTUAL BACKGROUND

According to the Swiss Re, Sigma Report No.3 (2014), direct premiums written in the global insurance industry grew by 1.4% in 2013 to USD 4 641 billion, down from 2.5% growth in 2012. Emerging markets' premiums were up 7.4% in 2013, slightly stronger than in the previous year. In the advanced markets, however, premium growth stagnated at 0.3%.

Global life insurance premiums written were USD 2 608 billion, with growth slowing to 0.7% from 2.3% in 2012. Growth was solid in Latin America and Africa, and resumed in China and India. Global non-life premium growth slowed to 2.3% in 2013 from 2.7% in 2012, with total premiums of USD 2 033 billion. The advanced markets barely moved, with premiums up just 1.1% (2012: +1.5%) due to stagnation in Western Europe and a slowdown in advanced Asia. In Oceania growth remained solid at 5.1% and in North America it was roughly unchanged at 1.9%. The emerging markets continued to drive global growth.

According to the KPMG report (2013) on insurance, wealthy developed countries dominate the world's insurance industry. In fact, the Group of Seven (G7) alone accounts for almost 65% of the world's insurance premiums even though it covers just over 10% of the world's population.

In those seven countries, an average of US$3,910 was spent on insurance premiums per capita in 2012, according to the reinsurer Swiss Re. In comparison, people in emerging markets spent an average of US$120. It would come as no surprise therefore that the insurance market in Africa is still underdeveloped, as most Africans cannot afford insurance premiums yet.

The insurance penetration ratio, which is the gross value of insurance premiums as a percentage of GDP, is often used as a measure of how deep a country's insurance market is. According to the reinsurer Swiss Re's global insurance report, total premiums in Africa amounted to US$71.9 billion .In the year 2012, insurance penetration translated into a rate of 3.65%. As one would expect, this is well below the global average, which is 6.5%, though it is above the average for emerging markets of 2.65%. Swiss Re, Global Insurance Report (2012)

1.2 PROBLEM STATEMENT

In the 21st century, many countries are moving from entrusting their security with the Banks to the Insurance companies because of the dynamic and significant role Insurance Companies play in ensuring security in the development of their economy. Moreover, in a global economy characterized by rapid social and demographic change and by the emergence of new risks for example through climate change or technological developments, and new needs like health care and pensions, cooperation between private insurance and both private and public institutions is essential. This cooperation can bring benefits in many fields, for example health of the working population, accident prevention, compensation for agricultural risks, international trade (export credit insurance) among others CEA, (2006) which would all in the long run lead to Economic development and development. According to Arkell, (2011) theGDP of countries that liberalized their infrastructure and financial services markets has grown faster than that in countries that did not. In fact, insurance premium growth acts as a leading indicator for Economic development overall. The benefits to be reaped by allowing investment in insurance services is evident from how insurance grows generally faster than GDP and helps to stabilize the economy. Insurance can increase the savings rate, create deeper financial markets and available working capital is greater as a result. Where capital markets are not well developed they might benefit from the long-term investments made by the insurance sector that are held to meet future claims and will not be sold off in the short term.

Despite the tremendous contribution of the insurance companies as regards security to the development of economies, efforts in creating awareness in Uganda have not yet yielded much as many individuals and firms are still disinclined to take on insurance, as they still do not see the need for it. Additionally, the difficult nature of the insurance industry towards the payment of claims makes it unappealing for individuals to undertake insurance policies. This has really affected their growth and the roles they play in the development of the Ugandan economy, hence the need to carry out a study into the roles insurance play in the contemporary Ugandan economy and assess the awareness of insurance among the public.

1.3 PURPOSE OF STUDY

The purpose of the study is to investigate the effect of insurance on the economic development of Uganda. This study is aimed at establishing how the various categories of insurance, which include non-life insurance, life insurance and health insurance also known as medical insurance, contribute to economic development of this country.

1.4 OBJECTIVES OF THE STUDY

1.4.1 MAIN OBJECTIVE OF THE STUDY

The study is to assess the roles being played by the insurance in the economic development of Uganda and seeks to achieve the following objective

1.4.2 SPECIFIC OBJECTIVE OF THE STUDY

- To investigate the effect of non-life insurance on the economic development of Uganda.

- To assess the impact of health insurance on the economic development of Uganda.

- To investigate the effect of life assurance on the economic development of Uganda.

1. 5 RESEARCH QUESTIONS

- What is the effect of non-life insurance on the economic development of Ugandan?
- How does health insurance impact economic development of Uganda?
- What is the effect of life assurance on the economic development of Uganda?

1.6 CONCEPTUAL FRAMEWORK

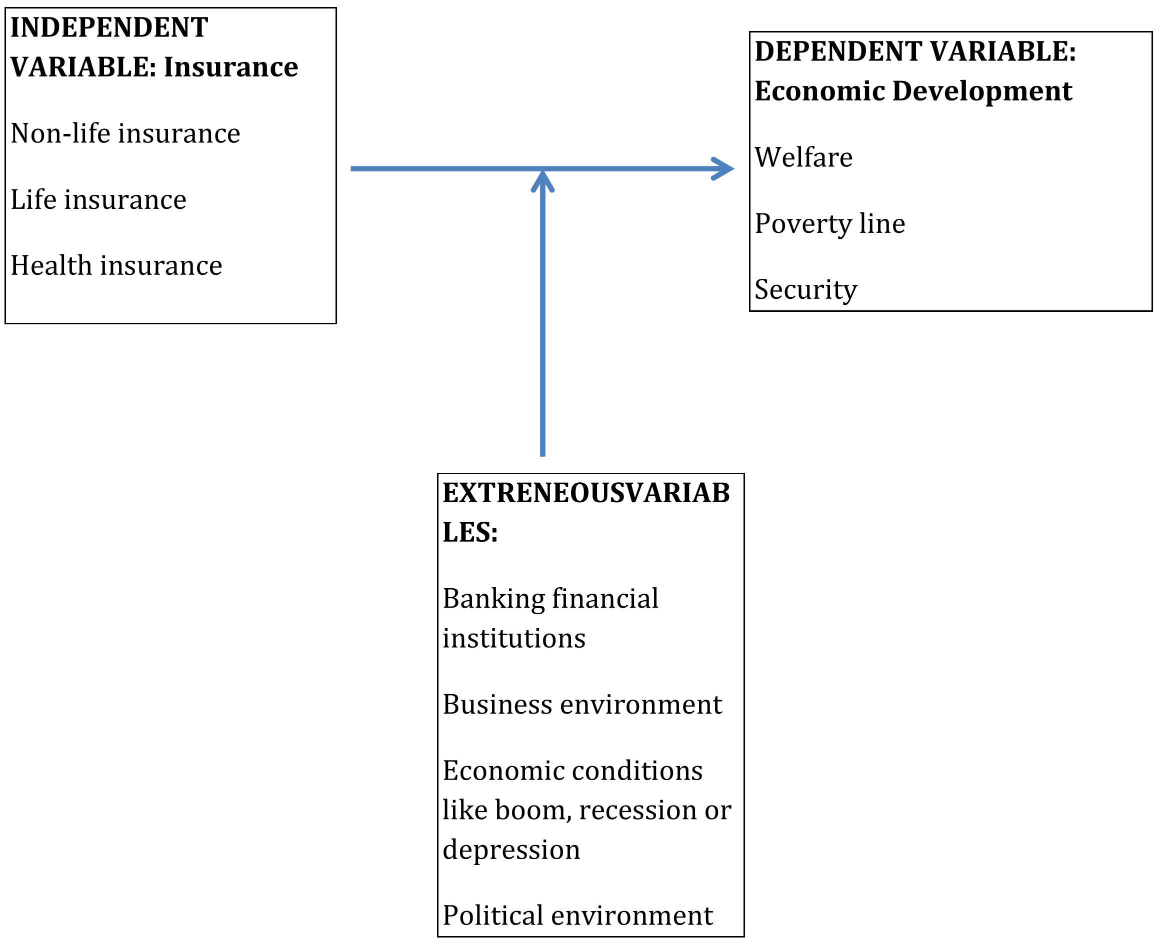

Figure 1.1: sources: researcher.

The conceptual framework above has three units of variables namely the independent variable, dependent variable, and the intervening variable, which is going to be measured by non-life insurance, life insurance and health insurance for the independent variable. The dependent variable will be measured by welfare; poverty line and security while the extraneous variables will include banking financial institutions, the business environment and the economic conditions such as booms, recessions or depressions.

1.7 JUSTIFICATION OF THE STUDY

This study is justified because insurance in our country is considered to be an important vehicle to economic development, but we are experiencing poor performance as indicated by the low penetration standing at 0.85% UIA, (2013) and few players in the market currently 21 insurance companies licensed to carry out non-life insurance and 9 life insurance companies licensed to conduct life insurance business as of the year 2015, IRA, (2015) therefore policy makers and other stakeholders will find difficulty in realizing their expectations of economic development without the study.

According to CEA, (2006) empirical analysis carried out found that the development of the sectors of insurance and financial intermediation increases the total factor productivity by facilitating the efficient allocation of capital.

1.8 SIGNIFICANCE OF THE STUDY.

The research was intended to complement the already existing literature about the role of insurance on the economic development in Uganda.

The findings will help policy makers in Uganda formulate insurance policies that can improve the penetration of insurance services into the country in order to achieve economic development.

This research is relevant for the Ugandan economy given the low penetration of the industry in the economy and East African region as a whole.

1.9 SCOPE OF THE STUDY.

The research covers only the UAP Insurance of Uganda, Kimathi Avenue. The researcher chose UAP Insurance, Uganda because it is within reach and the researcher could get easily access information

1.10 THE OPERATIONAL DEFINITIONS OF TERMS USED IN STUDY.

Insurance is the mechanism whereby the risk of financial loss is transferred from and individual, company, organization, or other entity to an insurance company, IRA, (2015)

According to IFRS, (2005) insurance is a contract under which the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the holder if a specified uncertain future event (the insured event) adversely affects the policyholder.

A life insurance contract is a contract in which one party the assurer agrees to pay a given sum upon the happening of a particular event dependent upon the duration of human life in consideration of payment of a smaller sum or certain equivalent periodical payments by another also known as the assured, Kogi and Mutonyi, (2007)

1.11 ANTICIPATED LIMITATIONS AND THE WAY THEY WILL BE OVERCOME

The researcher in an attempt to gather data for the research work encountered the following difficulties;

The researcher was faced with a problem of time, since combining lectures and other academic commitments with this study, which should be completed within three months, was very hectic a task and affected the findings of the work, he however made use of all available time to its fullest to yield the best results.

The researcher was also faced with financial problems provided that he had to use part of his upkeep money to collect and process the research data gathered from the insurance company and this had effect on the findings of the work and he had to cut his expenditure he opted to collect as much data as possible during the short holiday and also opted for the use of secondary data from recognized research institutions like the Uganda Bureau of Statistics and Price Waterhouse Coopers among others.

Also some respondents were reluctant to answer some questions because they were not confident. Other respondents to questionnaires and interviews are not willing or ready to award the researcher all the necessary cooperation, however the researcher intends to use simplified questionnaires that will be easy for the respondents to answer and less time consuming.

1.12 OPERATIONAL DEFINIONS

Insurance according to Anderson and Brown (2005) is an agreement where for a specified payment called the premium, one party called the insurer agrees to pay the other also known as the policyholder or the designated beneficiary a distinct amount upon occurrence of a specific loss

Economic development on the other hand economic development is concerned with the positioning of an economy on a higher growth trajectory according to Feldman *et al* (2014). Economic development is a product of long-term investments in new idea generations, knowledge transfer as well as infrastructure.

According to the business dictionary Gross Domestic Product is the value of a country's overall output of goods and services typically during a fiscal year at market prices.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter of the study will contain findings by other researchers will be summarized and only those relevant ideas to the study will be highlighted. Areas for which insufficient study had been done will be identified and only those in line with the researcher's objectives will be captured.

2.1 DEFINITIONS OF KEY TERMS OF THE STUDY

Insurance according to Anderson and Brown (2005) is an agreement where for a specified payment called the premium, one party called the insurer agrees to pay the other also known as the policyholder or the designated beneficiary a distinct amount upon occurrence of a specific loss. According to The American College, (2011) insurance is a system for reducing financial risk by transferring that risk from a policy owner to an insurer. The social aspect of insurance involves the collective bearing of losses through contributions by all members of a group to pay for losses suffered by some group members.

Lester, (2009) writes that insurance by nature is an intangible good that involves the payment in advance for an unknowable quality of delivery in the future; as a consequence trust is a critical element. In the past public good classes such as health, disability and work place injury or illness have to date often been delivered through state entities. However the private markets have had dominance in the provision of most classes of insurance.

According to Lester (2009) insurance in its pure form is considered a social good and also classified as a public good due to its ability to generate desirable externalities. Insurance companies, mutual funds and cooperatives enable individuals and firms to protect themselves against infrequent but extreme losses at a cost, which is small, compared to the feared loss.

Economists have demonstrated that Economic development and insurance development are interdependent and that a world without insurance would be much less developed and much less stable, CEA, (2006)

By firms and citizens hedging against adverse events through insurance a safety net is created that allows policyholders to restart their activities no matter what the difficulties they have to cope with. Insurance plays therefore a key role in economic stability. Furthermore, as institutional investors, the insurance sector provides a long-term source of finance for investment in the economy, as a result contributing to sustainable growth, CEA, (2006).

Acquiring insurance is one of the ways in which individuals use financial markets to shield themselves from potential adverse peculiar events that can temporarily or permanently lessen their consumption level, Mexican Commission on Macroeconomics and health, (2001).

Economic development on the other hand economic development is concerned with the positioning of an economy on a higher growth trajectory according to Feldman *et al* (2014). Economic development is a product of long-term investments in new idea generations, knowledge transfer as well as infrastructure. It is highly dependent on the functioning of social and economic institutions as well as cooperation between the private enterprise and the public sector. Feldman *et al* (2014)

According to Bhoola et al, (2014) the gross domestic product of Uganda is relatively small at US$23.5billion. In the year 2012, the growth of Uganda's economy slowed down to 2.8%, its lowest level in over a decade. However, despite a less than favorable economic outlook and a decrease in aid inflows, the Ugandan economy has recovered rather remarkably, with its real GDP growth increasing substantially to 5.2% in the year 2013, AfDB, OECD & UNDP, (2014). The recovery in the economic development of the country is largely attributed to the strong private sector growth and foreign direct investment, together with falling inflation and interest rates. Consumer price inflation since 2005 has been at year-on- year geometric average of 10.0% AfDB, OECD & UNDP, (2014).

Insurance market penetration in Uganda is approximately 0.66% of GDP, which is low even in comparison to other African countries. At the heart of the low market penetration in Uganda is poor sensitization and awareness of insurance products and their benefits research indicates that many Ugandans have never even heard of insurance. Low levels of disposable income and a low savings culture also contribute to Uganda's lagging market penetration, Uganda Insurer's Association, (2013).

There has been persistent premium growth over the last few years in Uganda. According to provisional figures for 2013 published by the Insurance Regulatory Authority in Uganda the total gross written premium was up from UGX 352.23bn (US$ 140mn) in 2012 to UGX 401.99bn (US$ 155mn) in 2013. This indicates a 14.45% growth in gross written premiums, Uganda Insurer's Association, (2013).

According to findings by Grant (2012) about the roles, benefits and capabilities of the insurance industry, the insurance industry is said to manage, diversify and absorb the risks of individuals and companies. Insurance is often considered a precondition for the development of other productive activities, such as acquisition of homes, starting or expanding of business. And in turn these activities do fuel demand, facilitate supply and support trade.

2.2 NON-LIFE INSURANCEAND THE ECONOMIC DEVELOPMENT

Non-life insurance contracts, which insure material and financial risks, typically run for one year and are renewed on the basis of updated risk information, Lester, (2009).

The risk transfer function of the insurance sector contributes, on the one hand, to the creation of a more stable operating environment for companies and, on the other hand, to a reduction in the level of capital required by undertakings to protect themselves against risk. This allows companies to concentrate their attention and resources on their core business. Where appropriate, it enables firms to realize new investments through Research and Development, to innovate by developing and commercializing new products and to extend their market activities to other countries. This impact is particularly significant for SMEs that do not have easy access to the capital market and which are a main source of innovation, CEA, (2006).

Non-life insurance not only provides a stable operating environment, but it also improves companies' responsiveness to risk management, and influences their outlay decisions, CEA, (2006). Differences in price and policy conditions are key factors that influence undertakings' and households' decisions, and contribute to sustainable and responsible use of available resources. For instance, insurance contributes to the reduction of risks linked to climate change by supporting Government policies designed to limit climate change and to reduce its impact, CEA, (2006)

The non-life insurance sector is significantly larger than the life insurance sector, accounting for approximately 89% of the gross written premiums, whereas the life insurance sector accounts only for the remaining 11% according reports from The Uganda Insurer's Association, (2013).

Statistics from the Insurance Regulatory Authority (IRA) indicate that more than 60 per cent of the non-life insurance market the biggest sub-section in Uganda's insurance industry ,is still controlled by only three players; Jubilee, UAP and AIG.

Despite being highly concentrated, with 20 insurance companies, Jubilee Insurance, which accounts for 23.75 per cent of the total market, underwrote (realized) Shs83.4 billion out of the industry's gross written premiums of Shs456.86 billion.

That was followed by UAP whose gross written premiums were reported at Shs56.9 billion, accounting for 16.21 per cent of the market. AIG, which commands 14.27 per cent of the market, underwrote Shs50.1 billion last year. Goldstar Insurance, which is the fourth biggest player in Uganda's insurance industry, accounting for 6.09 of the market, underwrote Shs21.4 billion while Lion Assurance underwrote Shs19.1 billion and accounts for 5.4 per cent of the market.

The improved industry performance was attributed to a gradual shift in public perception about the value of insurance, arising from increased public awareness, product innovation, broadening and deepening of distribution channels and streamlined claims settlement processes among others. Industry gross premium written rose by 30.08% to Shs456.86 billion in 2013 from Shs351.23 billion in 2012.Claims settled increased to Shs90.7 billion, from Shs77.89 billion in 2012, Mabala,(2015).

The outlook on the Ugandan insurance industry is largely positive as a result of the discovery of oil reserves, which are expected to boost the insurance industry. Acts and regulations aimed to create opportunities for banc assurers and micro insurers are in the pipeline and the Insurance Regulatory Authority is involved in encouraging insurers to invest in the development of the agricultural sector, Uganda Insurer's Association, (2013).

The IRA in Uganda has identified the following five drivers to the insurance sector growth, Insurance Regulatory Authority in Uganda, (2013):

Growth in the services sector combined with an appreciation of the importance of insurance;

Increased private and public investment in construction and engineering projects, mainly commercial buildings (private) and infrastructure (public);

Statutory insurance such as workers' compensation and motor third party liability;

Increased capacity of the insurance industry to manage risk, in terms of higher capital bases, an improvement in technical expertise and increased confidence in the industry as a result of improved transparency and compliance to regulation; economic development; and

Strengthened regulatory requirements and improved supervisory procedures implemented by the regulatory body.

Uganda's economy has over the years been affected by the lack of a local reinsurer. This has always resulted in huge funds being ceded out of the country. The Insurance Act was amended to provide for a National Reinsurance Company with mandatory minimum cessions of 15%. Additionally, the Authority embarked on the exercise of putting in place guidelines to strengthen local inward reinsurance and co-insurance arrangements by the insurers. Under the proposals, an insurer will ensure that local capacity has been exhausted before foreign reinsurance arrangements are undertaken. Foreign reinsurance arrangements will require the Authority's approval, Bhoola et al, (2014).

Grant (2012) writes that non-life insurance also known as the commercial lines of insurance; such as insurance on business interruption, workers' compensation, malpractice and liability, crop and shipping, errors and omissions coverage ensures that companies or corporations do not have to set aside funds against exogenous events. This is because insurance is usually integrated into their risk management operations and this in turn allows them to concentrate on their core activities.

2.3 LIFE INSURANCEAND ECONOMIC DEVELOPMENT

Life assurance has historically been an important method through which individuals with relatively low incomes have been able to save and invest effectively for the longer term. By designing relatively simple life insurance and savings contracts, which can be purchased in small amounts on ordinary basis, insurance companies have been able to accumulate large amounts of money from across a large proportion of the population. By pooling these savings from many small investors into large accumulations of investable funds, insurance companies have been able to invest not only in a wider range of investments than individuals would have been able to invest in directly themselves but have also been able to invest in larger scale and more risky investment opportunities which will be more beneficial to the economy, Dickinson (2009).

Lester, (2009) writes that life insurance contracts can be for short periods for example, accidental death or very long periods like the whole of life. In effect life insurance can fundamentally include a savings element, and in many late transition and industrial countries this component dominates funds flows in the sector. This flow of funds effect can be exaggerated by the fact that in recent decades the life insurance sector has begun to compete directly with mutual funds and unit trusts through unit linked contracts offering a life insurance 'tax wrapper'.

Life insurance is a simple answer to a very difficult question. How families manage financially when breadwinners die. It's a subject no one really wants to think about but an individual with dependents life insurance is one cannot avoid. Life insurance payments can be used to cover daily living expenses, mortgage payments, outstanding loans, college tuition and other essential expenses. And, importantly, the death-benefit proceeds of a life insurance policy are almost never subject to government income taxes, Life foundation, (2008).

According to Grant (2012), the insurance industry contributes its experience and technical know-how in risk management by offering complementary products and services as well as designing solutions to difficult challenges thereby providing solution to the would have been increasing financial and behavioral incentives by the state such as tax breaks for retirement savings, regulation to enhance risk protection, avoidance of underinsurance as well as individuals' dependence on the state.

Grant (2012) writes that micro insurance has allowed for the basic insurance concept which involves the payment of fixed premium against the reimbursement for potential loss, for the benefit of protection in areas where such mechanisms were not previously available. Grant further adds that this can largely contribute to the educating of people about the insurance mechanism as well as its benefits which in turn would lead to increased penetration in form of total insurance premiums as a percentage of GDP and the insurance density which is the amount of insurance per capita.

2.4 HEALTH INSURANCE AND ECONOMIC DEVELOPMENT

In order to explain the relationship between health and Economic development, it is necessary to understand the concept of health in a broad sense. Health is not only the absence of illnesses; it is also the ability of people to develop to their potential during their entire lives. In that sense, health is an asset individuals possess. Primarily being healthy is an important source of one's well being in addition to the instrumental value. In instrumental terms, health impacts economic development in a number of ways. For example, it reduces production losses due to worker illness, hence increasing firm's output; it lowers absenteeism rates and improves learning among school children. Health also allows for the use of natural resources that used to be totally or partially inaccessible due to illnesses.

Finally, it permits the different use of financial resources that might normally be destined for the treatment of ill health, Mexican Commission on Macroeconomics and health, (2001).

According to the Mexican Commission on Macroeconomics and health, (2001) health affects Economic development directly through labor productivity and the economic burden of illnesses. When considered indirectly Economic development can be affected since aspects such as child health affect the future income of people through the impact health has on education. This indirect impact is easier to understand if it is observed on a family level. When a family is healthy, both the mother and the father can hold a job, earn money, which allows them to feed, protect and send their children to school. Healthy and well-nourished children will perform better in school and a better performance in school will positively impact their future income. If parents ensure that their children have a high probability of reaching adulthood, in general they will have fewer children and they will be able to invest more in health and education for each of them. Additionally, the loss of health affects the poor to a greater extent since the main, and at times, only asset they have is their body. When they become ill they have fewer alternative solutions and suffer greater consequences.

Individuals can protect themselves by acquiring private medical insurance or accessing state sponsored insurance. Nevertheless, personal and family access to formal private insurance mechanisms is limited by insufficient information as well as by practices in which certain private providers of insurance get the most profitable part of the market. And access to state sponsored insurance is often restricted to workers in the so-called formal sectors of the economy, Mexican Commission on Macroeconomics and health, (2001).

There is a link between poor health and poverty, for every age group, those with lower incomes tend to report poorer health, and the difference increases over time until the age group right before Medicare eligibility in the USA. For the age group that is eligible for Medicare, poor or fair health decreases for the lowest income quintile, thus somewhat narrowing the gap, Wolfe, (2011)

Like many other African countries, Uganda is currently trying to find an efficient, equitable and sustainable health financing mechanism that will raise a substantial amount of funds for the health sector. For the period between 2000/1 and 2005/6, per capita public expenditure on health ranged between US$6 and US$10. This expenditure remains dismally lower than the estimated cost of US$28 of delivering the minimum package in Uganda which notably excludes expensive interventions such as ACTs, ARVs, ITNs and Pentavalent vaccine. It is substantially lower than the US$34 target estimated by the Commission for Macroeconomics for Health, Zikusooka and Kyomuhangi, (2008).

Zikusooka and Kyomuhangi, (2008) stated that a proportion of the population that is voluntarily covered by private health insurance or pre-payment medical schemes, mainly within Kampala. The largest percentage being covered by their employers at the workplace with health benefit packages of varying levels, while a much smaller number of people paying their premiums/medical cover themselves to health insurance agencies or health maintenance organizations. They added that to date, no research has been done in Uganda to estimate the size of Uganda's private health insurance market, nor to describe the types of private health insurance available and the regulation of the market.

2.5 VIEWS AND CONCLUSION

Insurance is of developing importance in domestic economies and internationally. The role of insurance in the development process is difficult to assess, but there is some evidence that the promotion of life insurance programs might have a particularly significant impact on the level of personal savings in many developing countries, Outreville, (1996).

Families buy life insurance for protection. In the event of a family member’s death, life insurance replaces the income that the person earned and that his or her dependents relied on. Some families also buy life insurance as a part of their retirement planning or when planning how their assets and income will be distributed after death (estate planning).Life insurance is based on the law of large numbers. A large number of families share the common risk of losing a wage earner, and each family pays a certain amount of money called a premium each year. When life insurance is used to meet the changing needs of your family, it can be one of the most important parts of your economic security program, Cude and Eisenmann, (1998).

In a world characterized by social changes and particularly by an ageing population, insurance provides an efficient way to support the State in the provision of pensions, healthcare and social security. Through products designed to complement State provision, the insurance sector contributes significantly to guaranteeing a stable and lifelong level of revenue through health care and to limiting the impact of demographic change on states’ budgets. Insurers have also demonstrated their ability to manage other fields of social security such as compensation and rehabilitation following accidents at work, for which insurers of several countries including Belgium, Portugal, Finland, Denmark provide high-quality social protection. These products have a double economic impact, protecting workers from the economic consequences of accidents, and encouraging a healthy working population, CEA, (2006).

CHAPTER THREE

METHODOLOGY

3.0 INTRODUCTION

This chapter will present an outline of how the study was be conducted. It looked at the nature or type of research, the research design, sample study location, the study population, the determination of the sample size, sampling techniques and procedures, data collection methods and types of data, the data collection instruments, the validity and reliability, also the procedure of data collection, data analysis, measurements of variables or model specifications, ethical issues and the limitations to the study.

3.1 THE NATURE OF RESEARCH

The nature of research involved the applied research since its emphasis was be aimed at solving a practical problem by providing data to support development of new theories and will focus on developing knowledge that is directly useful to the practitioners.

The study was both qualitative and quantitative. It was quantitative because it involved views and opinions of the respondents and quantitative because it involved measurement of factors that had led to growth of the insurance industry and those that have kept the level of development low

3.2 RESEARCH DESIGN

The researcher used the case study design, by investigating UAP insurance to examine the contribution of insurance to the economic development of Uganda.

The researcher also used the cross-sectional research design since he intended to collect data from a cross-section of population, which comprised UAP Insurance Company. The cross-sectional research design enabled the researcher collect data from a large number of subjects since it is not geographically bound.

3.3 SAMPLE STUDY LOCATION

The study was carried out in Kampala, Uganda; purposive sampling used to select Kampala as a study site since it is a metropolitan town. In Kampala UAP Insurance Company was purposively selected as the study location. This was because UAP insurance company is one of the leading insurance companies in Uganda and has been in existence for over 14 years. Insurance company found on UAP Insurance Building at 1 Kimathi Avenue between Kampala Casino and UMEME metropolitan offices and behind Speke Hotel.

3.4 STUDY POPULATIONS

There are 22 insurance companies and one reinsurance company in Uganda. Of the 22 insurance companies, there are two pure life companies, 14 non-life companies, and six composite companies, Insurance Regulatory Authority in Uganda, (2013). However the study focused on UAP Insurance. The study population was about 290 individuals which included managers and employees from the three UAP departments which include the life department, non-life insurance and the health insurance department handling underwriting, claims and settlement of claims at UAP and are therefore directly related to this study.

3.5 DETERMINATION OF THE SAMPLE SIZE

The researcher used the table formulated by Krejcie and Morgan (1970) to read off the value for the sample size of a population of 290. The table uses the equation:

$$S = \frac{X^2 NP (1-P)}{d^2 (N-1) + X^2P(1-P)}$$

Where: X^2= table Chi-square value at the degree of freedom of the desired confidence level, in this case 1

N = Population size

P = population proportion (assumed to be .50)

d = Degree of accuracy (Expressed as a proportion)

The determined sample size for the research from Krejcie and Morgan's (1970) table was 40 respondents. The table is included in the appendices section.

3.6 SAMPLING TECHNIQUES AND PROCEDURES

The researcher used both random and non-random sampling strategies. The random strategies included the cluster random sampling where the researcher divided his population into clusters according to departments and the random sampling of every one of the clusters was done to obtain the 40 respondents from UAP. The non-random strategy to be used by the researcher was the quota sampling as the researcher intends to divide the population into relevant strata and once the researcher identifies the people to be studied accidental sampling was made.

3.7 DATA COLLECTION METHODS AND TYPES OF DATA

The researcher used the questionnaire method to obtain and gather data from the field.

3.8 DATA COLLECTIONS INSTRUMENTS QUESTIONNAIRES

According to Amin, (2005) a questionnaire is a carefully designed tool for collecting data in accordance with the specifications of the research questions and hypotheses. The questionnaires will be the main data tool that will be by the used comprising both open-ended and closed-ended questions to be answered by selected respondents. The open-ended questions will give freedom and spontaneity of expression to the respondents and consequent rapport which will give valid results while closed-ended questions will give specific alternatives, which will enable the researcher, attains the intended objective.

3.9 VALIDITY AND RELIABILITY

Reliability is the extent to which the data measuring instruments produced consistent results when different kinds of written information are repeatedly measured under the same conditions. To measure reliability, the interview questions were subjected to the test re-test technique of assessing reliability of data, which involved administering the same tool to the same group of respondents.

Validity is the extent to which the tools used during the study measure exactly what they are intended to measure thus the quality of the research depended largely on the accuracy of the data collection procedures. Calculation of Content Validity Index (CVI) was be done.

3.10 PROCEDURE OF DATA COLLECTION

The researcher carried out a pilot study of study population, test for validity and reliability of selected sample before obtaining primary and secondary data. After all this the researcher went ahead to collect data, which data was then be entered in the SPSS software as an analyzing tool.

Primary data collected was entered and analyzed using the Statistical Package for Social Sciences (SPSS Windows 10). The data was sorted, arranged and organized for interpretation. All the responses that were collected from the field were compiled, analyzed and presented in a convenient form. This was done by the use of frequencies and after the data had been computed into percentages. The researcher then used Microsoft word and excel to analyze the data collected.

3.11 DATA ANALYSIS

The researcher used the univariate analysis. At the univariate level the frequencies and percentages were used after being obtained by the computer (strata) percentage) this data was obtained from the formula;

Percentage = (Number of respondents to the variable /Total number of respondents to the variable)*100

The results were presented in table form or pie chart.

3.13 ETHICAL ISSUES

The researcher acquired a formal letter from the Faculty of Science Dean as formal communication to ensure that confidentiality would be maintained and the reputation of the company. The researcher also requested the respondents to be very honest and to freely express their opinions.

3.14 LIMITATIONS

The researcher was limited with the scope of the study, which would not allow for generalization. The scope of the study provided for the boundary or limits of the research in terms of content, geographical area, sample size, time span and theories.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.0 INTRODUCTION

This chapter presents data collected using the questionnaire, literature review of the study in chapter three and the limitation of the study. The results of the study are presented according to the objectives and research questions. Analyzing and interpreting the available data was done using SPSS software. All responses are presented in terms of frequencies and percentages, which are displayed in tables and pie charts. The statistical data from the quantitative part of the questionnaire was then supported by the qualitative data of the study from the questionnaire. The qualitative data was analyzed based on 1-strongly disagree to5- strongly agree scale rate.

4.1.0 CHARACTERISTICS OF THE RESPONDENTS

The background information of the respondents was considered necessary because their ability of giving satisfactory information on the study variables maybe affected by their background. This information was general information about the respondents' age bracket, their gender, and qualifications held as well as their duration at their current employment at UAP insurance and positions held.

4.1.1 GENDER

The sample of 40 respondents from UAP insurance was selected. The results were analyzed and are shown in the table below

TABLE 4. 1: **GENDER**

GENDER		Frequency	Percent	Valid Percent	Cumulative Percent
	MALE	17	47.2	48.6	48.6
	FEMALE	18	50.0	51.4	100.0
	Total	35	97.2	100.0	
Missing	System	1	2.8		
Total		36	100.0		

Source: *Field primary data*

According to Table 4.1, we get that 47.2% of the respondents were male, 50% were female and 2.8% did not disclose their gender.

Forty (40) questionnaires were distributed to UAP insurance company of which thirty six were returned. The response rate of the questionnaires was therefore ninety percent (90%). This response rate was adequate and conforms to Mugenda and Mugenda (2003) stipulation that a response rate of 50% is adequate for analysis, a rate of 60% is good and a response rate of 70% and over is excellent. From the thirty six respondents (36) from whom the data was collected 50% constituted females the while the remaining 47.2% were males.

4.1.2: AGE BRACKET OF RESPONDENTS

TABLE 4. 2: AGE BRACKET

	Age bracket	Frequency	Percent	Valid Percent	Cumulative Percent
	BELOW 25	4	11.1	11.4	11.4
	25 TO 35	28	77.8	80.0	91.4
	36 TO 45	2	5.6	5.7	97.1
	46 TO 55	1	2.8	2.9	100.0
	Total	35	97.2	100.0	
Missing	System	1	2.8		
Total		36	100.0		

Source: *Field primary data*

From Table 4.2, we get that 77.8% of the respondents were aged between 25 years and 35 years, 11.1% did lie below the age of 25 years 5.6% and 2.8% were between the age of 36 and 45 and 46 and 55 respectively.

4.1.3 LEVEL OF EDUCATION OF RESPONDENTS

TABLE 4. 3: LEVEL OF EDUCATION

Level of education		Frequency	Percent	Valid Percent	Cumulative Percent
	DIPLOMA				
BACHELORS 32 88.9 88.9 94.4		2	5.6	5.6	5.6
	MASTERS	2	5.6	5.6	100.0
	Total	36	100.0	100.0	

Source: *Field primary data*

The Table 4.3 shows that 32 of respondents constituting 88.9% held a Bachelors degree while 5.6% were Diploma holders and 5.6% held Master's degree as their highest level of academic qualification. This indicates that the respondents in this study had a high level of academic qualification and thus were considered ideal in this study, as they would be relied upon to give an informed opinion as sought by the study.

4.1.4 POSITIONS HELD AT UAP INSURANCE

TABLE 4. 4: POSITION HELD AT UAP INSURANCE

	Position held	Frequency	Percent
	INSURANCE AGENT	20	55.6
	LOSS ASSESSOR	1	2.8
	UNDERWRITER	4	11.1
	MANAGER	2	5.6
	OTHER	8	22.2
	Total	35	97.2
Missing	System	1	2.8
Total		36	100.0

Source: *Field primary data*

According to Table 4.4, 55.6% of respondents were insurance agents, who act on behalf of the principle in this case UAP insurance and dealt directly with clients on a regular basis which enabled the researcher get information from clients and general public which was considered. Others constituted 22.2% while underwriters were four and constituted 11.1%, 5.6% where people in managerial positions that see to the operation of activities and therefore had reliable information, loss assessor constituted 2.8%.

4.1.5 PERIOD SPENT AT UAP INSURANCE

TABLE 4. 5: HOW LONG HAVE YOU WORKED WITH UAP?

	Period at UAP	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	LESS THAN 1 YEAR	5	13.9	13.9	13.9
	1 TO 4 YEARS	23	63.9	63.9	77.8
	5 TO 9 YEARS	7	19.4	19.4	97.2
	10 YEARS AND ABOVE	1	2.8	2.8	100.0
	Total	36	100.0	100.0	

Source: *Field primary data*

Table 4.5 shows that most respondents had worked with UAP insurance for a period ranging between 1 and 4 years, with their percentage being at 63.9% meaning they had sufficient knowledge of the operation of the industry and its challenges, 19.4% had worked with the company for a period ranging between 5 to 9years, those less that one year was 13.9% and lastly those that had worked with the company for ten years and over constituted 2.8%

4.2 EFFECT OF NON-LIFE INSURANCE ON THE ECONOMIC DEVELOPMENT OF UGANDA.

The first objective of the study was to assess the effect of non life insurance on the economic development of Uganda of an Insurance company. To achieve this objective, 40 respondents from UAP Insurance were asked to answer a series of questions pertaining to the topic. The results were summarized in the tables below.

4.2.1 NON-LIFE INSURANCE PROMOTES FINANCIAL STABILITY

TABLE 4. 6: NON-LIFE INSURANCE PROMOTES FINANCIAL STABILITY

	Level of agreement	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	1	2.8	2.8	2.8
	DISAGREE	3	8.3	8.3	11.1
	NOT SURE	7	19.4	19.4	30.6
	AGREE	17	47.2	47.2	77.8
	STRONGLY AGREE	8	22.2	22.2	100.0
	Total	36	100.0	100.0	

Source: *Field primary data*

According to Table 4.6, 47.2% of the respondents agree that non life insurance promotes financial stability of the economy, 22.2% strongly agree, 19.4% were not sure,8.3% disagreed and 2.8% strongly disagreed.

The results above indicate that Non-life insurance promotes financial stability. This is supported by CEA (2009) who states that, “the risk transfer function of the insurance sector contributes, on the one hand, to the creation of a more stable operating environment for companies”. This also conforms to the findings by Grant (2012) about the roles, benefits and capabilities of the insurance industry where the insurance industry is said to manage, diversify and absorb the risks of individuals and companies. Insurance is often considered a precondition for the development of other productive activities, such as acquisition of homes, starting or expanding of business. And in turn these activities do fuel demand, facilitate supply and support trade.

TABLE 4. 7 : NON-LIFE INSURANCE CAN SUBSTITUTE GOVERNMENT SOCIAL SECURITY PROGRAMS

Level of agreement	Frequency	Percent	Valid Percent	Cumulative Percent
STRONGLY DISAGREE	2	5.6	5.6	5.6
DISAGREE	12	33.3	33.3	38.9
NOT SURE	7	19.4	19.4	58.3
AGREE	10	27.8	27.8	86.1
STRONGLY AGREE	5	13.9	13.9	100.0
Total	36	100.0	100.0	

Source: *Field primary data*

From Table 4.7 above regarding non-life insurance substituting government social security programs 33.3% disagree with the statement well as 27.8% are in agreement, 19.4% are not sure while 13.9% strongly agree and 5.6% strongly disagree, however considering the sum of those in agreement and strong agreement is 41.7% versus 38.9% of the disagreement and strong disagreement this is supported by CEA (2009) who writes that insurance contributes to the reduction of risks linked to climate change by supporting government policies designed to limit climate change and to reduce its impact.

4.2.3 NON-LIFE INSURANCE FACILITATES TRADE AND COMMERCE.

TABLE 4. 8: NON-LIFE INSURANCE FACILITATES TRADE AND COMMERCE.

Level of agreement	Frequency	Percent	Valid Percent	Cumulative Percent
STRONGLY DISAGREE	4	11.1	11.1	11.1
DISAGREE	4	11.1	11.1	22.2
NOT SURE	7	19.4	19.4	41.7
AGREE	12	33.3	33.3	75.0
STRONGLY AGREE	9	25.0	25.0	100.0
Total	36	100.0	100.0	

Source: *Field primary data*

From Table 4.8, above 33.3% agree that non-life insurance facilitates commerce and trade, 25% strongly agree while 19.4% were not sure, 11.1% disagreed and 11.1% strongly disagreed. Basing on the above summary non-life insurance facilitates commerce and trade.

4.2.4 NON-LIFE INSURANCE ENABLES RISK TO BE MANAGED FOR EFFICIENTLY

TABLE 4. 9 : NON-LIFE INSURANCE ENABLES RISK TO BE MANAGED MORE EFFICIENTLY

Level of agreement		Frequency	Percent	Valid Percent	Cumulative Percent
NOT SURE 2 5.6 6.1 9.1	STRONGLY DISAGREE	1	2.8	3.0	3.0
	AGREE	10	27.8	30.3	39.4
	STRONGLY AGREE	20	55.6	60.6	100.0
	Total	33	91.7	100.0	
Missing	System	3	8.3		
Total		36	100.0		

Source: *Field primary data*

From the Table 4.9, 55.6% of respondents strongly agree that non-life insurance enables risk to be managed more efficiently, 27.8% agree with the same conversely 5.6% of respondents were not sure and 2.8% strongly disagreed. This therefore serves as justification that non-life insurance enables risk to be managed more efficiently.

4.2.5 NON-LIFE MITIGATES LOSS.

TABLE 4. 10: NON-LIFE INSURANCE MITIGATES LOSS.

	Level of agreement	Frequency	Percent	Valid Percent	Cumulative Percent
	STRONGLY DISAGREE	1	2.8	2.9	2.9
AGREE	DISAGREE	2	5.6	5.7	8.6
10	NOT SURE	7	19.4	20.0	28.6
27.8 28.6	STRONGLY AGREE	15	41.7	42.9	100.0
57.1	Total	35	97.2	100.0	
Missing	System	1	2.8		
Total		36	100.0		

Source: *Field primary data*

From the analysis summary in Table 4.10, 41.7% strongly agree that non-life insurance mitigates loss, 27.8% agree with the statement, 19.4% of the respondents were not sure while 5.6% and 2.8% agreed and strongly disagreed respectively. This implies that non-life insurance mitigates loss this is in agreement with the Mexican Commission on Macroeconomics and health, (2001) which writes that acquisition of insurance is one of the ways in which individuals shield themselves from potential adverse peculiar events that can temporarily or permanently lessen their consumption level. This concurs with Grant (2012) where he states that commercial lines of insurance such as business interruption, workman's compensation, fire and flood, malpractice and liability coverage which comprise non-life insurance among others ensure that companies do not have to set aside funds against exogenous events since insurance is integrated into their risk management operations and this allows them to concentrate on their core activities.

4.2.6 NON-LIFE INSURANCE FOSTERS MORE EFFICIENT CAPITAL ALLOCATION.

TABLE 4. 11: NON-LIFE INSURANCE FOSTERS MORE EFFICIENT CAPITAL ALLOCATION.

	Level of agreement	Frequency	Percent	Valid Percent	Cumulative Percent
	STRONGLY DISAGREE	1	2.8	3.0	3.0
	DISAGREE	4	11.1	12.1	15.2
	NOT SURE	9	25.0	27.3	42.4
	AGREE	14	38.9	42.4	84.8
	STRONGLY AGREE	5	13.9	15.2	100.0
	Total	33	91.7	100.0	
Missing	System	3	8.3		
Total		36	100.0		

Source: *Field primary data*

In Table 4.11 above 38.9 % of respondents agreed that non-life fosters more efficient capital allocation, 25% indicated not being sure, while 13.9% strongly agreed with the statement, with 11.1% disagreeing and 2.8% with majority of respondents agreeing (52.8%) then there exists a relationship between non-life insurance and efficient capital allocation.

4.2.7 NON-LIFE NSURANCE BOOSTS REGIONAL COMPETITIVENESS

TABLE 4.12: NON-LIFE INSURANCE BOOSTS REGIONAL COMPETITIVENESS

	Level of agreement	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	4	11.1	11.4	11.4
	DISAGREE	4	11.1	11.4	22.9
	NOT SURE	13	36.1	37.1	60.0
	AGREE	10	27.8	28.6	88.6
	STRONGLY AGREE	4	11.1	11.4	100.0
	Total	35	97.2	100.0	
Missing	System	1	2.8		
Total		36	100.0		

Source: *Field primary data*

In table 4.12,majority of the respondents (36.1%) were not sure if non-life insurance boosted regional competitiveness, 27.8% agreed while those that strongly disagreed, disagreed and those that strongly agreed were all at 11.1% which implies that it is not clear whether non-life insurance boosts regional competitiveness.

4.2.8 NON-LIFE INSURANCE INFLUENCES INVESTMENT DECISIONS IN A PARTICULAR ECONOMY.

TABLE 4. 13 : NON-LIFE INSURANCE INFLUENCES INVESTMENT DECISIONS IN A PARTICULAR ECONOMY.

	Level of agreement	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	1	2.8	2.9	2.9
	DISAGREE	5	13.9	14.3	17.1
	NOT SURE	6	16.7	17.1	34.3
	AGREE	12	33.3	34.3	68.6
	STRONGLY AGREE	11	30.6	31.4	100.0
	Total	35	97.2	100.0	
Missing	System	1	2.8		
Total		36	100.0		

Source: ***Field primary data***

33.3% of the respondents in Table 4.13, above agreed that non-life insurance influences investment decisions, 30.6% strongly agreed with the same while 16.7% were not sure if it did and 13.9% and 2.9% of respondents disagreed and strongly disagreed respectively with the statement that non-life insurance influences investment decisions in a particular economy. Basing on the above analysis with the majority of respondents agreeing with the statement then non-life insurance has influence on an economy's investment decisions.

4.2.9 NON-LIFE INSURANCE FACILITATE PRODUCT IMPROVEMENT AND INNOVATION IN DEVELOPING COUNTRIES.

TABLE 4. 14: DOES NON-LIFE INSURANCE FACILITATE PRODUCT IMPROVEMENT AND INNOVATION IN DEVELOPING COUNTRIES?

Level of agreement		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	YES	24	66.7	68.6	68.6
	NOT SURE	9	25.0	25.7	94.3
	NO	2	5.6	5.7	100.0
	Total	35	97.2	100.0	
Missing	System	1	2.8		
Total		36	100.0		

Source: ***Field primary data***

Table 4.14, shows that's that 66.7% of respondents agreed that non-life insurance facilitates product improvement and innovation in developing countries, 25% were not sure while 5.6% disagreed, however considering that that majority of respondents (66.7%) agreed therefore we can conclude that non-life insurance does facilitate product improvement and innovations in developing countries. This is also in agreement with CEA (2006), which states that non-life insurance enables firms to realize new investments through Research and Development, to innovate by developing and commercializing new products and to extend their market activities to other countries.

4.3.0 ANALYSIS OF OBJECTIVE 2: HEALTH INSURANCE ON THE ECONOMIC DEVELOPMENT.

The second objective of the study was to assess the impact of health insurance on the economic development of Uganda. To achieve this objective respondents were asked a number of questions and results were summarized in tables and pie charts below.

4.3.1 HEALTH INSURANCE IMPROVES HUMAN CAPITAL.

TABLE 4. 15: HAVING HEALTH INSURANCE IMPROVES HUMAN CAPITAL.

	Level of agreement	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	3	8.3	8.6	8.6
	DISAGREE	6	16.7	17.1	25.7
	NOT SURE	6	16.7	17.1	42.9
	AGREE	11	30.6	31.4	74.3
	STRONGLY AGREE	9	25.0	25.7	100.0
	Total	35	97.2	100.0	
Missing	System	1	2.8		
Total		36	100.0		

Source: ***Field primary data***

From the Table 4.15, 30.6% of respondents agreed that health insurance improved human capital, 25% of respondents strongly agreed to the statement while those that were not sure and those that disagreed were both at 16.7% and 8.3% strongly disagreed, considering that majority of respondents agreed that health insurance improves human capital, the researcher concludes that health insurance improves human capital. This is in agreement with the Mexican Commission on Macroeconomics and health, (2001) which states that health insurance affects economic development directly through increased labor productivity and reduction of the economic burden of illnesses.

4.3.1 HEALTH INSURANCE SCHEME HAS IMPROVED MY WELFARE AND THAT OF MY DEPENDANTS.

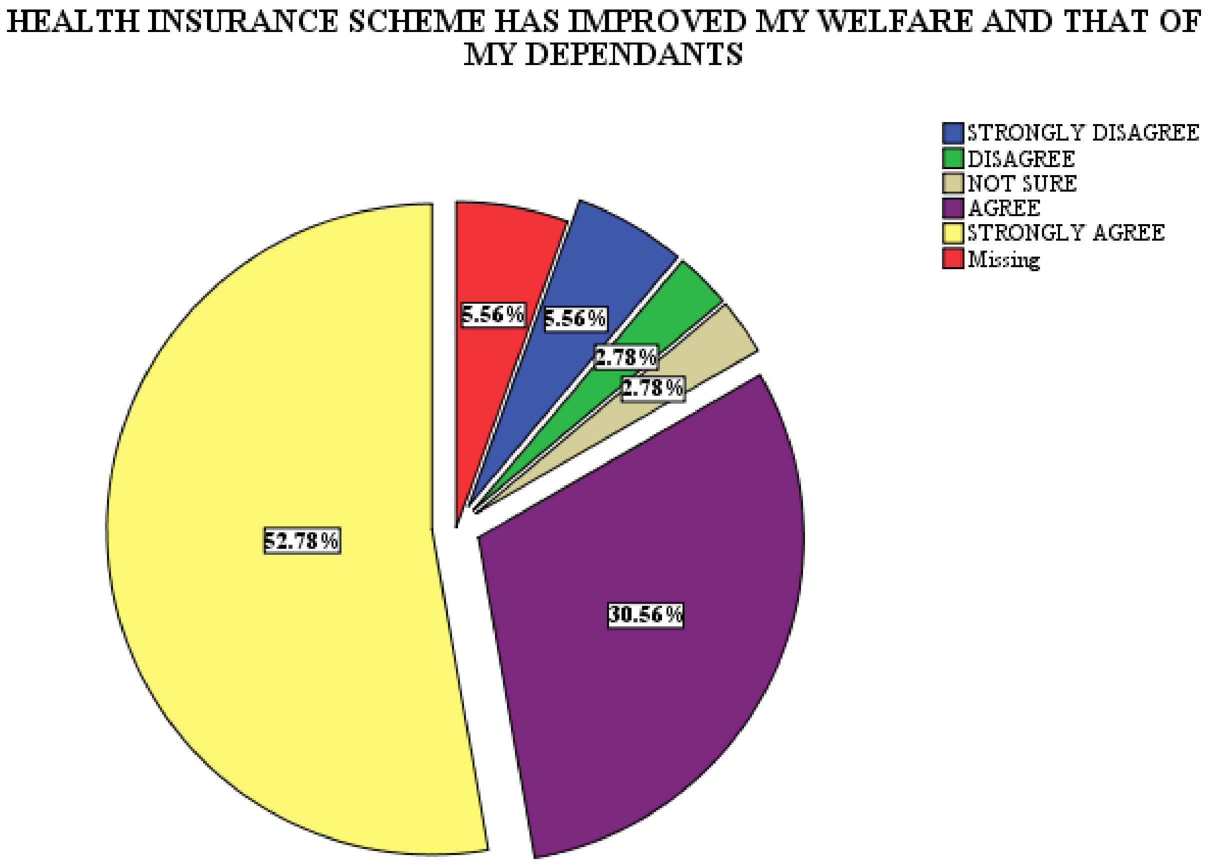

Figure 4. 1Source: ***Field primary data***

From Figure 4.1, 52.78% of respondents strongly agreed that the health insurance scheme improved their wellbeing and that of their dependents, 30.56% agreed, 2.78% were not sure, 2.78% disagreed and 5.56% strongly disagreed while 5.56% of respondents did not respond, basing on the above analysis summary with majority of respondents agreeing, therefore health insurance improves welfare of individuals.

4.3.1 HAVING HEALTH INSURANCE HAS ENABLES INVESTMENTOF INCOMES THAT WOULD HAVE RATHER BEEN SPENT ON MEDICAL EXPENDITURE IN OTHER INCOME GENERATING ACTIVITES.

Table 4. 16 : HAVING HEALTH INSURANCE HAS ENABLED ME INVEST INCOMES THAT I WOULD HAVE RATHER SPEN ON MEDICAL EXPENDITURE IN OTHER INCOME GENERATING ACTIVITES.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	2	5.6	5.7	5.7
	DISAGREE	3	8.3	8.6	14.3
	NOT SURE	2	5.6	5.7	20.0
	AGREE	12	33.3	34.3	54.3
	STRONGLY AGREE	16	44.4	45.7	100.0
	Total	35	97.2	100.0	
Missing	System	1	2.8		
Total		36	100.0		

Source: ***Field primary data***

With majority of respondents agreeing that having health insurance enabled them to invest incomes that would have rather been spent on medical expenses in other income generating activities, 44.4% strongly agreed, 33.3% agreed to the statement conversely 8.3% disagreed while both those that strongly disagreed and those that were not sure were 5.6% of the respondents. Thus health insurance enables investment of individual's surplus incomes in other income generating activities.

4.3.3 HEALTH INSURANCE HAS LED TO THE ESTABLISHMENT OF MORE HEALTH CENTRES IN UGANDA.

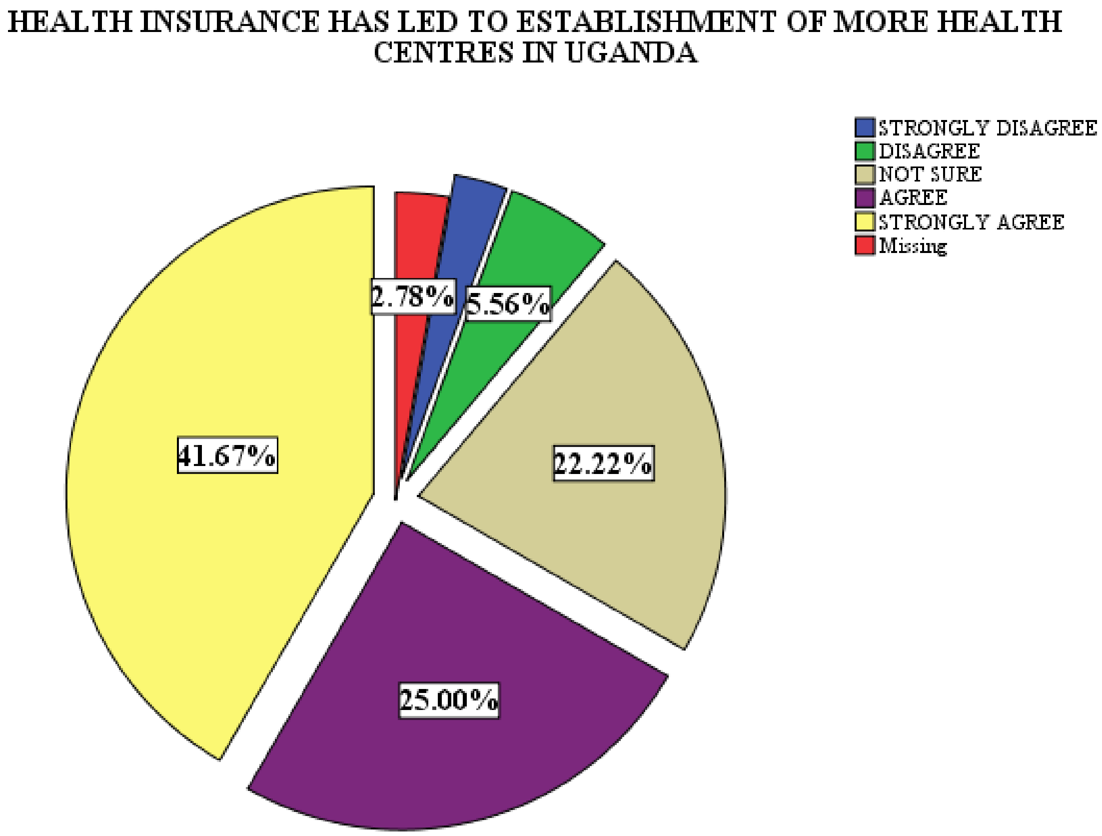

Figure 4. 2: Source: ***Field primary data***

From the figure 4.2 majority of respondents 41.76% strong agreed and 25% agreed that health insurance has led to the establishment of more health centers, while 22.2% were not sure if it did, 5.56% and 2.78% disagreed and strongly disagreed respectively. Basing on the majority respondents health insurance has led to the establishments of more health centers in Uganda.

4.4.0 ANALYSIS OF OBJECTIVE 3: LIFE ASSURANCE ON THE ECONOMIC DEVELOPMENT.

In the third objective of the study the researcher was investigating the effect of life assurance on the economic development of Uganda. To achieve this objective respondents were asked a number of questions and results were summarized in tables and pie charts below.

4.4.1 LIFE ASSURANCE CAN INCREASE PRODUCTIVITY BY REDUCING THE DEMAND FOR AND ENCOURANGING SAVING.

The summary of data analyzed in the table 4.4.1 below shows that 41.7% strongly agreed that life insurance can increase productivity by reducing the demand and encouraging saving, 27.4% agreed, 16.7% were not sure while 5.6% disagreed and 2.9% strongly disagreed. With majority of respondents agreeing then it can be concluded that life insurance increases productivity by reducing demand and encouraging saving.

TABLE 4. 17: LIFE ASSURANCE CAN INCREASE PRODUCTIVITY BY REDUCING THE DEMAND FOR AND ENCOURANGING SAVING.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	1	2.8	2.9	2.9
	DISAGREE	2	5.6	5.9	8.8
	NOT SURE	6	16.7	17.6	26.5
	AGREE	10	27.8	29.4	55.9
	STRONGLY AGREE	15	41.7	44.1	100.0
	Total	34	94.4	100.0	
Missing	System	2	5.6		
Total		36	100.0		

Source: ***Field primary data***

4.4.2 PEOPLE GENERALLY SEEK SECURITY AND AVOID UNCERTAINITY.

From figure 4.3 33.33% of respondents strongly agreed that people do seek security and avoid uncertainty, 27.78% agreed, 13.89% were not sure while 16.7% disagreed and 2.78% strongly disagreed and considering the majority of respondents people generally seek security and avoid uncertainty.

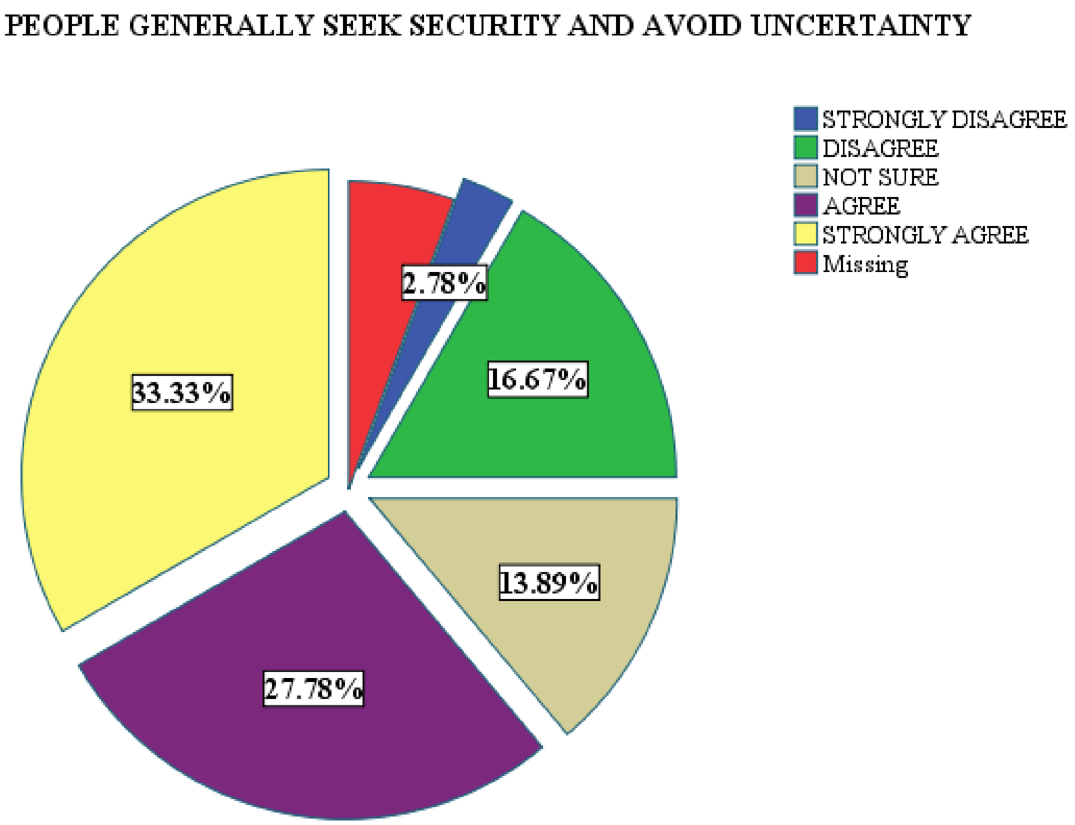

Figure 4. 3: **Source:** ***Field primary data***

4.4.3 LIFE INSURANCE BOOSTS LITERACY LEVELS IN THIS COUNTRY.

From the figure 4.4 27.78% of respondents agreed that life insurance boosts literacy levels in the country, 22.2% were not sure, 19.4% strongly agreed on the other hand 16.67% disagreed and 8.3% strongly disagreed that literacy is not boosted by insurance in Uganda.

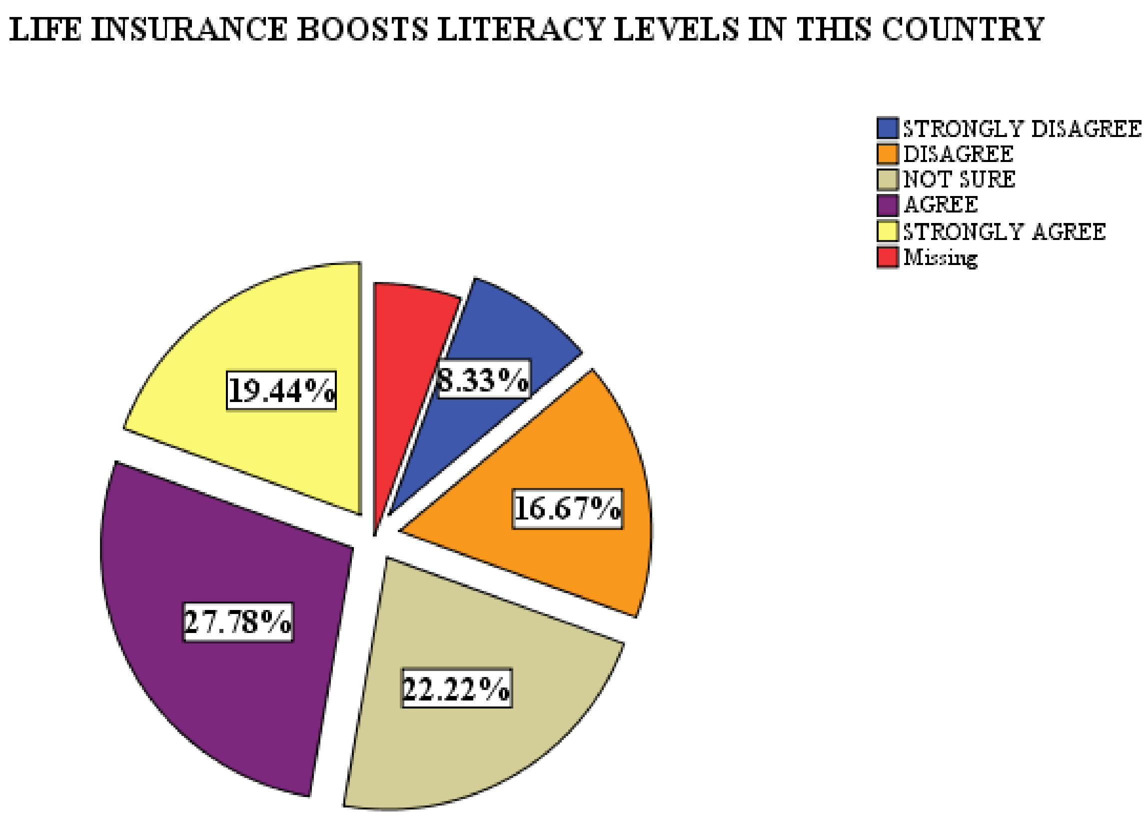

Figure 4. 4: Source: ***Field primary data***

CHAPTER FIVE

SUMMARY CONCLUSION AND RECOMMENDATION

5.0 INTRODUCTION.

This chapter encloses the summary of the findings, conclusions, recommendations and areas of further research as concerning insurance and economic development of a Uganda.

5.1 SUMMARY OF FINDINGS.

From the research findings it was revealed that most responds from UAP insurance above the age of 25 years where within the age bracket of 25 to 35years, majority having obtained a Bachelors degree as their current highest level of academic qualification. These finding also indicated that most of the respondents had worked at the company for more than a year many most of whom ranged between 1 to 4 years.

The findings also showed that majority of respondents agreed that non-life insurance facilitated product improvement and innovations in developing countries like Uganda and these finding tallied with findings by the CEA, (2009) which stated that non-life insurance enables firms to realize new investments through Research and development, to innovate by developing and commercializing of new products or services as well as outspreading their market activities to other countries.

Findings also indicated that non-life insurance promotes financial stability. This can be further supported by findings of CEA (2009), which states that, "the risk transfer function of the insurance sector contributes, on the one hand, to the creation of a more stable operating environment for companies".

Considering that majority of respondents agreed that health insurance improves human capital, the researcher concludes that health insurance improves human capital. This is in agreement with the Mexican Commission on Macroeconomics and health, (2001) which states that health insurance affects economic development directly through increased labor productivity and reduction of the economic burden of illnesses. It was also established that health insurance improves the welfare of individuals. Findings also indicated that health insurance improved human capital of an economy. This is in agreement with the Mexican Commission on Macroeconomics and health, (2001) which states that health insurance affects economic development directly through increased labor productivity and reduction of the economic burden of illnesses.

The findings also tallied with findings by Grant (2012) about the roles, benefits and capabilities of the insurance industry, the insurance industry is said to manage, diversify and absorb the risks of individuals and companies. Insurance is often considered a precondition for the development of other productive activities, such as acquisition of homes, starting or expanding of business. And in turn these activities do fuel demand, facilitate supply and support trade.

5.2 RECOMMENDATIONS.

Following the study, it is revealed that the awareness of insurance to the general public is still limited to a selected group of middle class income earners who are basically located in the metropolitan regions of the country. The study recommends that the government and authorities like the Insurance Regulatory Authority (IRA) and Uganda Insurers Association carry out massive campaigns to educate and inform the general public about the importance of insurance and also show the public that insurance is not a luxury but a necessity given its contribution to economic development.

Grant (2012) writes that micro insurance has allowed for the basic insurance concept, which involves the payment of fixed premium against the reimbursement for potential loss, for the benefit of protection in areas where such mechanisms were not previously available. Grant further adds that this can largely contribute to the educating of people about the insurance mechanism as well as its benefits which in turn would lead to increased penetration in form of total insurance premiums as a percentage of GDP and the insurance density which is the amount of insurance per capita. These two factors contribute economic growth in developing countries.

In addition the insurance industry should invest more in developing new insurance products to suit the public, products not just imported from the west but products to suit the domestic market and in a way to enhance growth of the industry.

5.3 AREAS OF FURTHER RESEARCH.

This study based on contribution of insurance to the economic development of Uganda established that insurance contributed to productivity of labor, growth in investment but more studies should be carried out to determine the effect of limited players in the insurance industry in the economy towards the economic development of the economy.

Secondly, a research should be carried out to determine the extent to which the liberalization of the pension funds and financial markets can lead to growth and development of the insurance industry.

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APPENDICIES.

APPENDIX 1: QUESTIONNAIRE

Dear respondent,

I am Elijah Wanzu, a student of Uganda Martyrs University pursuing a degree of Bachelor of Science in Financial Mathematics. I am conducting a research on the topic “Insurance and it contribution to economic development”. I will appreciate if you could respond by ticking or writing in the spaces provided accordingly.

I would like to assure you that all responses would be kept confidential and used for academic purposes only.

Thank you very much for accepting to participate in this research.

SECTION A: Personal Data

1. What is your gender?

   Male [ ]   Female [ ]

2. What is your age bracket?

   Below 25 years [ ]   25-35years [ ]   36-45years [ ]

   46-55years [ ]   Above 55 years [ ]

3. What is your level of education? (Tick appropriate)

   Diploma [ ]   Bachelors [ ]   Masters[ ]   PhD [ ]

   Your Job title:

   Insurance Agent [ ]   Loss assessor [ ]   Underwriter [ ]

   Manager [ ]   Other: please specify…………………………….

4. How long have you worked with UAP Insurance Company?

   Less than 1year [ ]   1-4years [ ]   5—9years [ ]   Above 10 years [ ]

5. Do you have an insurance policy?

Yes [ ] No [ ]

6. If yes, how long have you had an insurance policy?

Below 5years [ ] 5-10years [ ] above 10years [ ]

SECTION B: Non-Life insurance on Economic Development of Uganda

7. What is your level of agreement with the following statements regarding non-life insurance and economic development in Uganda? With 1=Strongly disagree, 2 = Disagree, 3 = Not Sure, 4 =

Statements	**1**	**2**	**3**	**4**	**5**
a) Non- life insurance promotes financial stability					
b) It can substitute government social security programs					
c) It facilitates trade and commerce					
d) Non-life insurance Mobilizes savings for investment					
e) Enables risk to be managed more efficiently					
f) Non-life insurances encourages loss mitigation					
g) Non-life insurances fosters more efficient capital allocation					
h) Non-life insurance boosts regional competitiveness					
i) Non-life insurance influences investment decisions in a particular economy.					

Agree, 5 = Strongly Agree

8. Does non-life insurance facilitate product improvement and innovation in developing countries?

Yes [ ] Not sure [ ] No [ ]

9. What kind of problems do you encounter as insurers in your line of business?

……………………………………………………………………………….

………………………………………………………………………………

……………………………………………………………………………...

10. Please list the ways in which non-life insurance affects economic development

………………………………………………………………………………..

………………………………………………………………………………..

……………………………………………………………………………….

SECTION C: Health Insurance and Economic Development of Uganda

11. Are you entitled to health insurance?

Yes [ ] No [ ]

12. If yes does the health insurance cover include your dependents?

Yes [ ] No [ ]

13. What is your level of agreement with the following statements regarding health insurance and economic development in Uganda?

Statements	**1**	**2**	**3**	**4**	**5**
a) Having a health insurance improves human capital					
b) Health insurance scheme has improved my welfare and that of my dependents					
c) Having medical insurance has enabled be invest incomes that I would have rather spent on medical expenditure in other income generating expenditures					
d) Health insurance has led to establishment of more health facilities centers in the country					

With 1=Strongly disagree, 2 = Disagree, 3 = Not Sure, 4 = Agree, 5 = Strongly Agree

SECTION D: Life assurance on Economic Development of Uganda

14. What is your level of agreement with the following statements regarding non-life insurance and economic development in Uganda?

With 1=Strongly disagree, 2 = Disagree, 3 = Not Sure, 4 = Agree, 5 = Strongly Agree

Statements	**1**	**2**	**3**	**4**	**5**
a) Life insurance can increase productivity by reducing the demand for liquidity and encouraging savings					
b) People generally seek security and avoid uncertainty.					
c) Life insurance boosts literacy levels in this country					
d) Life Insurance substitutes certainty for uncertainty, through the pooling of groups of people who share the risks to which they are exposed.					

APPENDIX 2: TABLE FOR SAMPLE SIZE DETERMINATION

N	S	N	S	N	S
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	100000	384

N is population Size

S is Sample Size

Source: Krejcie and Morgan (1970)