THE IMPACT OF INSURANCE PREMIUMS AND INVESTMENT ON INDEMNITY

A CASE STUDY OF NATIONAL INSURANCE CORPORATION.

BY

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DEDICATION

This dissertation is dedicated to my family, friends and the community of Uganda Martyrs University that has been my constant source of inspiration. They have given me the drive and discipline to tackle any task with enthusiasm and determination. Without their love and support this dissertation would not have been made possible.

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LIST OF ABBREVIATIONS

BOD: Board of Directors

DV: Dependent Variable

IV: Independent Variables

NIC: National Insurance Corporation

NICON: National Insurance Corporation of Nigeria

SAP: Structural Adjustment Programme

SPSS: Statistical Package for Social Scientists

UMU: Uganda Martyrs University

US: United States

USA: United States of America

ABSTRACT

The study examined the impact of insurance premium and investment on the insurance firm's ability to indemnify its clients. The study objectivities were to; examine the effect of total Premium collected on indemnity of NIC Customers, find out the effect of nature and type of investment of premium on indemnity in NIC, establish the effect of the types of insurance policies offered by NIC, on indemnity in NIC and determine the effect of age of the insured on indemnity of NIC clients. A case study design was used and data was collected from a sample of 50 respondents, self-administered questionnaires; interview guide and documentary review guide were used in the study.

Findings from the study indicated that total Premium collected was used to lower the overall costs, to underwrite losses so as to remain competitive and survive in the insurance market and to buy shares in listed companies with a view of getting dividends. It was also exposed that premiums collected led to financial viability of NIC and provided coverage for losses that could arise many years in future.

From the study it was concluded that Investment of premiums had led to financial viability of NIC, had maintained the solvency of a life fund and provided coverage for future losses that might arise. It was discovered that premium investment led to the ability of NIC to settle its claims with considerable ease, honour its indemnity obligations, foot its overhead costs and make a profit. It was exposed that National Insurance Corporation offered various insurance policies which included health insurance policy, life insurance policy, disability insurance policy, homeowner's insurance policy, renter's insurance policy and auto - insurance policy. To add to the above, the study revealed that age of the insured had a great impact on indemnity of NIC clients whereby age of the insured enabled the determination of insurance demand, it played an important role in determining adequate life insurance coverage and eligibility of the insurance considered age as an important factor.

Finally, it was recommended that the organizational management should introduce other insurance policies that are needed by clients in order to increase on premium collected, the premium collected should not be kept idle on the insurance premium account to await claims being lodged and they should be pro-active and forward-looking and should invest this money through creating a float.

CHAPTER ONE

1.0 Introduction

This research study was on the impact of insurance premiums and investment on indemnity. Indemnity means a legally binding promise by which one party undertakes to accept the risk of loss or damage another party may suffer and/or to compensate the other party for the loss or damage.

Insurance means a form of indemnity provided by an insurer under which the insurer agrees to indemnify the party purchasing the insurance policy in respect of certain specified losses and liabilities upon the occurrence of certain specified events. Types of insurance that are relevant for the conduct of clinical trials include: professional indemnity, medical indemnity, public liability and products liability. Therefore, insurance premium was the amount paid by the client to purchase an insurance policy.

1.1 Background of the Study

1.1.1 Historical Background

The history of insurance describes the development of the modern business of insurance against risks, especially regarding cargo, property, death, automobile accidents, and medical treatment. The industry helps to eliminate risks (as when fire insurance companies demand the implementation of safe practices and the installation of hydrants), spreads risks from the individual to the larger community, and provides an important source of long-term finance for both the public and private sectors (Boyer, 2000)

According to Levine (1997), Insurance is an intricate economic and social device for the handling of risks to life and property. Insurance provides indemnification against loss or liability from specified events and circumstances that may occur or be discovered during a specified period. By its nature, insurance contract postulates that a sum of money will be paid on the happening of the insured event by the insurers; however, the event must be uncertain. The uncertainty related to whether the event will ever happen as in fire or accident insurance or as in life insurance where death is a necessary end to all human life, but the time of death is uncertain. According to the finance-growth nexus theory, financial development promotes economic growth through channels of marginal productivity of capital, efficiency of channeling savings to investment, saving rate and technological innovation (Levine, 1997).

Globally, several interesting lines of research have begun to map the specific contributions of insurance to the economic growth processes as well as to the well- being of the poor through increased level of indemnity. In particular, several studies have focused on the relationship between insurance and economic growth. However, no consensus has emerged on the impact of insurance development and economic growth. For example, studies such as Arena (2006), Haiss and Sumegi (2008), Mojekwu et al. (2011), and Pen-Fen et al. (2011) found that insurance had positive impact on economic growth. However, study by Webb et al. (2005) showed that insurance had no significant positive effect on economic growth. In The USA Insurance in the United States refers to the market for risk in the United States of America, the world's largest insurance market by premium volume. Of the $4.640 trillion of gross premiums written worldwide in 2013, $1.274 trillion (27%) were written in the United States

In Africa, the practices of insurance businesses as they exist today are relatively young in Africa commercial venture. It is axiom that the importance of modern commerce in insurance cannot be over-emphasized as insurance industry, among its numerous functions, is a major mobilizer or funds for economic development, as well as being a provider of financial security for individual and corporate bodies. There was a phenomenal increase in the number of insurance companies in Nigerian financial market following the introduction of Structural Adjustment Programme (SAP) in mid-1986. The need for intervention and control of the government led to the formation of National Insurance Corporation of Nigeria (NICON), in s1989 which was later christened NICON Plc.

1.1.2 Conceptual Background:

The total premiums collected could extend coverage to individuals and improve on the indemnity of the parties. Some premiums could affect indemnity by requiring that individuals enroll in plans that meet certain design specifications in order to qualify for subsidies or comply with a mandate. The more comprehensive the insurance coverage, the higher the premium would be. Because of the resulting increase in the use of many services, total spending also would be greater under proposals that reduced cost sharing.

The insurer collects premiums from very many people and creates an insurance fund. If the amount of premium for a given insurance period exceeds the amount of claims made on the pool, the insurer makes an underwriting profit, which he uses to pay his overhead costs and dividends to the shareholders Byamugisha (1974). Mukasa (1996) was of the view that the premium should not be kept idle on the insurance premium account to await claims being lodged.

The estimates of the total premiums collected through the claim provisions of an insurance company may well affect its indemnity and also its solvency because, as noted by Grace and Leverty (2005), “underestimating loss reserves (under-reserving) (claim provisions -underproviding) understates liabilities and overstates policyholders' surplus. In contrast, overestimating loss reserves (over-reserving) (claim provisions -over-providing] overstates a firm's liabilities and understates its policyholders' surplus."

Naturally it is a common occurrence whereby an insured would like to increase the limit of indemnity purchased to an amount higher than what is currently being purchased which determines the total premium collected by the company. . Obviously the insured is already paying a set amount of premium for the current level of cover. However, now the insurer has to determine the correct additional premium to charge the insured in respect of the increased level of cover (ie. the increased limit of indemnity) (Miccolis, 1977).

When looking at the insurance clauses in contracts it is important to ensure that the contractor has the correct natures of insurance. The types of investments done are also important because they can determine the levels of indemnity are appropriate. This is because; if the limit of indemnity is inadequate some insurers may be left with inadequate or no compensation, uninsured claims could force the organisation into insolvency, harming the interests of the service users, staff and creditors (Mukasa, 1996).

It is important to note that the nature and type of investment normally affects company's indemnity through the insurance prices. Insurance prices in a competitive market vary inversely with interest rates as insurers invest the premiums they collect for long periods before the settlement of claim; Cockrell, (1992) suggests that when interest rates drop the cost of covering a given future payout goes up. Due to these events, most insurers switch from the occurrence policy form to the claims-made form.

The Insurer accumulates a common fund or reserve from the premiums of the Insured persons in normal periods and he utilizes the same in relieving any unusual loss burden that occurs at an unfavorable period. Because of the need for an Insurer to be able to indemnify promptly the insured who suffers loss, it is desirable that Insurance business is transacted on a cash basis since the premium paid is a very small percentage of the sum insured Sebuufu (2000). Insurance therefore becomes a device by which the insured transfers his own financial burden of some potential misfortune to the Insurer, who in consideration of accepting to assume the potential risk receives a premium (Cockerell, 1982).

It is important to note that indemnity insurance policies are generally set up based on a claims-made basis, meaning that the policy only covers claims made during the policy period. A key component is the wording. Typically a policy will provide indemnity to the insured against loss arising from any claim or claims made during the policy period by reason of any covered neglect, error or omission committed in the conduct of the insured's professional business during the policy period. Claims which may relate to incidents occurring before the coverage was active may not be covered, although some policies may have a retroactive date, such that claims made during the policy period but which relate to an incident after the retroactive date (where the retroactive date is earlier than the inception date of the policy) are covered (Cockrell, 1992).

The level of indemnity of insurance companies required may not be the same for all contracts or for all types of insurance. It is influenced by the nature of the contract and the levels of risk involved. This is not limited to potential financial loss from poor advice and potential financial loss from failing to deliver contract.

Some policies are more tightly worded than others and while a number of policy wordings are designed to satisfy a stated minimum approved wording, which makes them easier to compare, others differ dramatically in the coverage they provide and such insurance policies tend to affect the indemnity of the insurance companies (Cockrell, 1992). Coverage for “negligent act, error or omission” indemnifies the policyholder against loss or circumstances incurred only as a result of any professional error or omission. A “negligent act, negligent error or negligent omission” clause is a much more restrictive policy, and would deny coverage in a lawsuit alleging a non-negligent error or omission

The ages of the insured normally determine the premiums that they are supposed to pay and the premiums form the backbone of an insurance firm's capital reserves. This is so because initially, the pool is made up of premium collections from which those who suffer loss are compensated. Even where the firm seeks to rely more on the proceeds from the float, the float is a creation of the premium fund Young (1994).

Britannica (1984) avers that the Insured must pay a premium in consideration of the Insurer's Covenant to make good the loss in the event of the Insured's suffering loss during a defined Insurance period.

1.1.3 Contextual Background:

In Ugandan Context, The primary benefit is seen in the financial compensation made available to insured victims of the various insured events. On the commercial side, this enables businesses to survive major fires, liabilities etc. From a personal point of view, the money is of great help in times of tragedy (life insurance) or other times of need. The Uganda Insurance Commission complaints bureau received a number of complaints from the insuring public over the previous years concerning Insurance Companies' failure, reluctance and delays in settling claims when lodged. In a statistical summary, for example, in the year 2000, a total of 72 complaints were received by the bureau of which 47 were in respect of insurance firms' failure, delay and reluctance to settle claims. In 2001 54 complaints were received out of which 35 were in respect of insurance claims non-settlement. In 2002, 43 complaints were received of which 17 were in respect of insurance firms' failure to settle claims. In 2003, 15 of the 27 complaints received were for non-payment of claims. In 2004, 24 of the 46 complaints received were for non- payment of claims NIC (2004)

The new National Insurance Corporation Ltd that has emerged from the majority acquisition by IGI is strongly positioned to offer a broader range of insurance and risk management services. The new will offer clients more responsive customer service, increased financial stability, innovative new products and services, prompt payment of genuine claims and much more. The rich history of National Insurance Corporation Ltd, coupled with the proven management and technical capabilities of IGI, will help ensure its success as well as continue to surpass the expectations of their customers.

Indeed, the accumulated experience of National Insurance Corporation Ltd management and staff along with the able leadership of their distinguish BOD, will enable National Insurance Corporation Ltd continue to design and implement sophisticated insurance programs that are truly responsive to the needs of their customers. Its aim is to merge the core competences and capabilities of IGI and National Insurance Corporation Ltd to provide professional and customer-focused service to all their clients whatever their size and needs are.

NIC (National Insurance Corporation) is licensed insurance company in the country, that was established by the act of parliament 1964 and is a medium-sized insurance services provider in Uganda, Located in Kampala city.

1.2 Problem Statement

The most complicated aspect of the insurance business is the actuarial science of ratemaking (price-setting) of policies, which uses statistics and probability to approximate the rate of future claims based on a given risk. At the most basic level, initial ratemaking involves looking at the frequency and severity of insured perils and the expected average payout resulting from these perils. Thereafter an insurance company will collect historical loss data, bring the loss data to present value, and compare these prior losses to the premium collected in order to assess rate adequacy. Naturally, the float method is difficult to carry out in an economically depressed period. The Insurance firms in many countries have continuously failed to indemnify their clients as and when they lodge in claims. This could partly be due to many problems including unethical and unprofessional malpractices, allegations of dishonesty, fraud, or similar morally culpable behaviour which derail the firm's ability to raise adequate capital reserves in terms of premium and return on investment that is a necessary buffer of indemnity. This prompted the researcher to investigate the impact of insurance premium investment on potential of insurance companies to indemnify clients.

1.3 Purpose of the study

The purpose of the study was to examine the impact of insurance premium and investment on the insurance firm’s ability to indemnify its clients.

1.4 Research Objectives

i. To examine the effect of total Premium collected on indemnity of NIC Customers
ii. To find out the effect of nature and type of investment of premium on indemnity in NIC
iii. To establish the effect of the types of insurance policies offered by NIC, on indemnity in NIC
iv. To determine the effect of age of the insured on indemnity of NIC clients.

1.5 Research Questions

i. What is the effect of the total Premiums collected on indemnity of NIC customers?
ii. How does premium investment affect the compensation procedure to NIC Customers?
iii. What are the different types of insurance policies offered by NIC?
iv. How does the insured's age affect his/her level of indemnity?

1.6 Research Hypothesis

i. The total Premiums collected have no significant effect on indemnity of NIC customers?
ii. Premium investment has no significant effect on indemnity of NIC customers?
iii. The types of insurance policies offered by an insurance company have no significant effect on indemnity?
iv. Age has no significant effect on indemnity of NIC customers?

1.7 Scope of the Study

1.7.1 Content Scope

The study was confined to establishing the effect of insurance premium on indemnity of NIC customers**.** The study was then refocused on the effect of the total Premiums collected on indemnity of NIC customers, how does premium investment affect the compensation procedure to NIC Customers, the different types of insurance policies and how the insured’s age affect his/her level of indemnity.

1.7.2 Time Scope

This study considered the time period from the year 2010 to 2014. This period was be used because of the availability of good quality and reliable data.

1.7.3 Geographical Scope

Geographically, the study was confined to employees and clients of National Insurance Corporation, Kampala city headquarter, located at Plot 3, Pilikington Road, Kampala Pilkington Road, Central Uganda. This was used because it was near to the researcher.

1.8 Significance of the Study

This study was of immense benefit to authorities in the insurance industry, relevant government agencies (policy makers) and students in the universities.

To the authorities in the industries, the findings exposed the various means of tackling the challenges of insurance investment in the economy it. It revealed some of the loopholes in their endeavor to enhance on the activities of insurance in the economy. Therefore, an effective solution would be preferred to assist their efforts.

The relevant government authorities, a suggestion in the government policies that appreciated the need for a reduction in policing the affairs of the industry was made. This included reducing fraud-related losses and more accurate less reserving through greater investigator efficiency. This ensured that insurers were given a free hand to operate within the armpit legitimacy.

The findings of this research also benefited under graduates in the universities. It added to the volume of literature that was available in the library on the topic and also serves as a source of reference for further research

1.9 Justification of the study

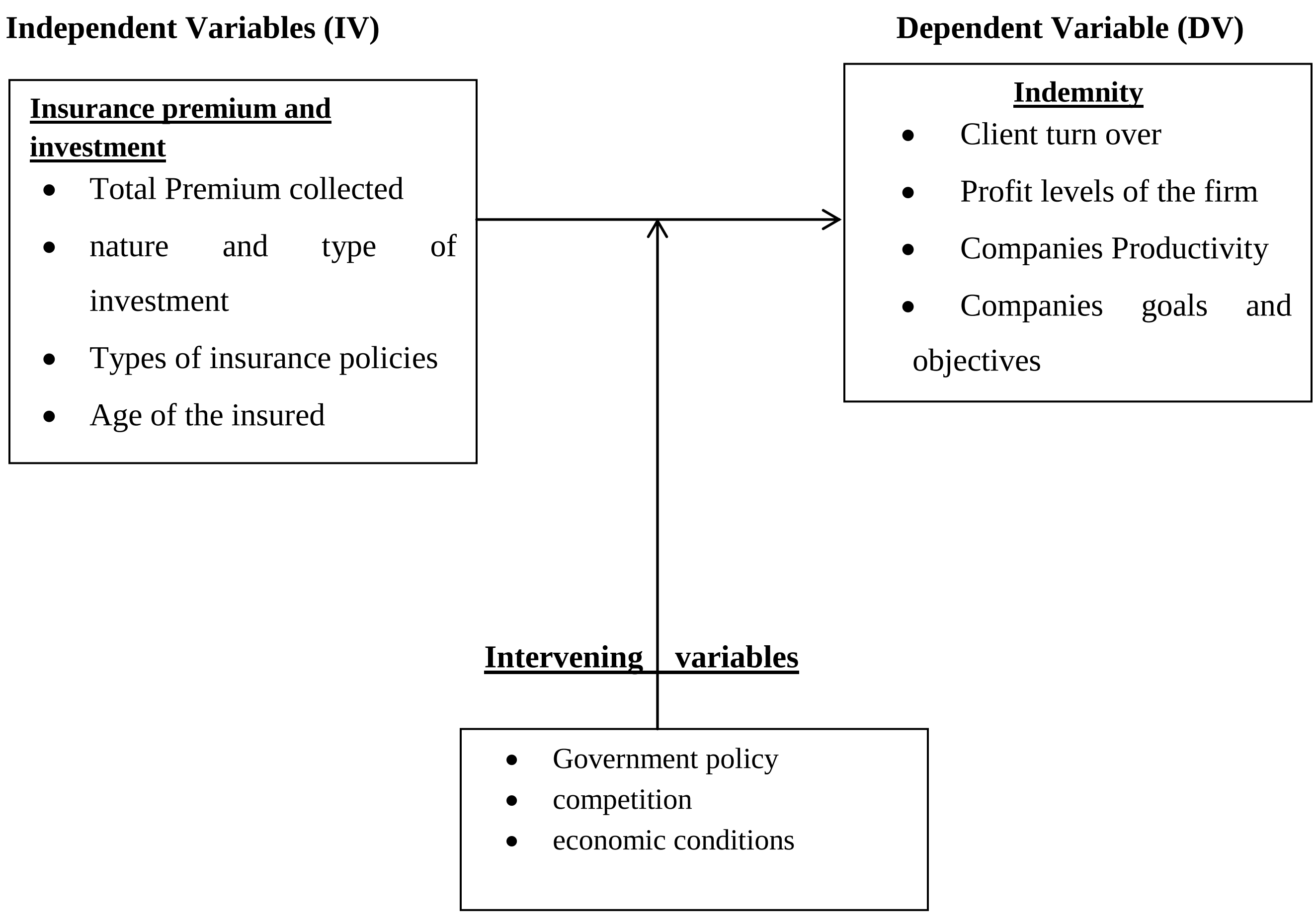
Due to the high level of illiteracy in the Uganda society, many people are unaware of insurance policies. However, with the enactment of Insurance Decree, the awareness of insurance policies was enhanced. Thus, more people took steps to insure their properties or lives. Unfortunately, however, much as the high percentage of them normally ends up unable to have their claims indemnified, either as a result of a breach of one insurance principle.

Therefore, the need to find out the impact of premium investment on the indemnity couldn't be under looked.

1.10 Conceptual Frame Work

Sekeran, (2003) states that, a conceptual framework helps to postulate or hypothesize and test certain relationships which improve the understanding of a situation.

Figure 1.1: **Conceptual framework showing Insurance premium and investment and its effect on indemnity.**



Source: Adopted and Developed by the researcher from and Zilcha (1985)

Explanation of the Conceptual Framework

The conceptual framework describes the relationship between the independent variables and the dependent variable. The independent variable is premium and investment which is characterised by total Premium collected nature and type of investment, types of insurance policies and age of the insured. The dependent variable is indemnity which is measured in terms of client turn over, profit levels of the firm, companies Productivity and company's goals and objectives. The conceptual frame work was modified and developed basing on Zilcha (1995). In this study, it is assumed that insurance premium and investment have a significant impact on the indemnity, however other factors that affect are referred to as intervening variables which include government policy, competition, and economic conditions like the level of inflation. All these affect the relationship.

CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction

Chapter two provides a review of literature related to the study. The literature review relates to objectives of the study and concern concepts of insurance, investment and indemnity, Level of demand forecasting by insurance companies, types of insurance policies Insurance policies offered by insurance companies, impact of investment of premiums on indemnity.

2.1 Total Premium Collected and Indemnity

Insurance is viewed as an economic devise whereby individuals pay a premium to protect them against large financial loss. It provides a sense of security, the counter part of risk Clare (2000). The essence of insurance is to insulate the insured from the risk of loss through the pooling risks of a large number of similarly exposed persons into a common premium fund from which the few members who suffer large losses are compensated. Irukwu (1994) observed that in modem life man lives in an environment heavily infested with risks. These risks extend from risk of damage to property to risk of injury to life and loss of life through accidents. He further noted that this risky environment has made the need for insurance much more important today than ever before. Lowe (1999) also explained the workings of insurance adding that for a small premium, the insured are protected against a potential risk by transferring it to an insurer who specializes in the bearing and managing of risks.

The insurer collects premiums from very many people and creates an insurance fund. If the amount of premium for a given insurance period exceeds the amount of claims made on the pool, the insurer makes an underwriting profit, which he uses to pay his overhead costs and dividends to the shareholders Clare (2000). The total premium should not be kept idle on the insurance premium account to await claims being lodged. The insurance companies should be pro-active and forward-looking and should invest this money through creating a float.

Ezirim, (2002) pointed that the premium should not be kept idle on the insurance premium account to await claims being lodged. The insurance companies should thereby be pro-active and forward-looking and should invest this money through creating a float. A float is the process where the insurance company acts as an institutional shareholder and uses the premium to buy shares in listed companies with a view of getting dividends. The firm may also buy other securities such as debentures, government bonds and Treasury bills. The effect will be to diversify the firm's capital: base and hence enhance its ability to settle claims when they occur.

Clare (2000) noted that insurance companies' work as a medium through which the insured relieves himself of his own financial burden of some potential misfortune to an insurer who accepts to bear the burden in consideration of the insured paying a small fee called a premium. When the risk materializes, the insurer is bound to make good the loss. The techniques that are used by firms to analyze the risks a firm wishes to underwrite include statistics and probability. The scientific techniques are used in conjunction with other factors relating to specific classes of insurance to determine insurance premium rates that are deemed to be not only competitive but affordable Harrows (1997). In order to ensure some uniformity, the insurance Act cap 213 Laws of Uganda, charges the Uganda Insurance Commission with the duty of approving minimum rates of insurance premiums and maximum commissions in respect of all classes of insurance.

Given the current economic climate more and more businesses are finding it increasingly difficult to pay or maintain their premiums and the professional services industry is no exception.

An insurance premium is the amount of money charged by a company for active coverage. Total insurance involves the sum a person pays in premiums, also referred to as the rate, is determined by several factors, including age, health, and the area a person lives in. People pay these rates annually or in smaller payments over the course of the year, and the amount can change over time. When insurance premiums are not paid, the policy is typically considered void and companies will not honor claims against it (McCarthy, & Timothy 2000).

Generally, premiums cover whatever is detailed in the insurance policy, and the services provided or paid for depend entirely on the specific policy and type of protection. The following are the most common varieties and the basic services they often cover. Consumers should keep in mind that not all of these types of insurance are available or common in all countries, and there are many other kinds (Clare, 2000)

Insurance premium is usually collected in monthly, semi-yearly, or yearly payments, depending on the type of policy. Policyholders also often have the option of combining their payments with fees for other services, or taking out several types of policies with one company to lower the overall costs. For example, buying both car and renter's insurance from the same insurance company may give the buyer a discount on both (Lowe, 1999)

2.2 Nature and Type of Investment and Indemnity

An integral part of the Insurance business to all insurance classes is to ensure that the firm accumulates substantial funds to meet both the claims over the Insurance period and make a profit. Non-life insurance contracts are normally short-term contracts covering 12 months, and the bulk of the funds cover liabilities to policy holders for the unexpired periods of their policies (reserves for the unearned premiums) plus provision for claims which have been reported but are still outstanding. In the normal course of events, a non- life insurer can expect to have met most of all of his liabilities under Insurances accepted during anyone year within three or four years. The bulk of life Insurance, on the other hand, is essentially long term investment (Zhuo, 1998).

The system of level annual premiums, often payable over 20 years or longer means that the insurer accumulates funds during the early years of his contracts to meet the excess of claims over income in the later years when mortality rates are heavier and endowment policies begin to mature. This means that life funds are available for long-term investment and indeed success for investment is essential to maintain the solvency of a life fund because an assumed rate of interest is included in the calculations of premium rates. In addition to the funds necessary to cover their liabilities to policy holders, both life and non-life insurers endeavor to build up additional reserves to meet expenses, investment losses and in the case of life business, any shortfall in investment earnings Grose (1992). Sebuufu (2000) observed that there is ample evidence regarding the relative importance of life Insurance as a big source of personal savings. Together with pension funds, life Assurance is a major source of long-term contractual savings and the investment policies.

Companies seek to protect themselves from making underwriting losses or to make good the underwriting losses so as to remain competitive and survive in the insurance market and hence keep indemnifying clients by establishing what is called a float, Sebuufu (2000). Under this arrangement, the firm will use premiums as and when they are paid to invest in other profitable ventures. The most common areas of investment are risk free investment such as Government bonds, Treasury bills and purchase of securities in Public listed companies. Returns on investment in terms of interest and dividends are then deposited on their capital reserve account. In times of adverse claims that surpass premiums collected, part of the proceeds from the float is used to top-up the underwriting loss and hence pay claims appropriately. The firm would thus not only be able to pay claims, despite the underwriting loss, but also pay its cost overheads and dividends to the shareholders. Clare Chou Chua (2000). In Uganda, the requirement for an insurance company to invest is not only recommended but also legally mandatory.

Investment of premiums leads to financial Viability of Insurance Company. The most important virtue of an insurance company is its ability to promptly and competently honor its indemnity obligations. Elements of Insurance (2005) advised that the mancia1 stability and strength of the insurance company should be a major consideration for an insurance broker when placing insurance business of his client. It further observed that an insurance premium paid currently provides coverage for losses that might arise many years in future. For that reason the viability of the insurer is very important. A number of insurance companies have become insolvent leaving their policyholders with no coverage (or coverage only from a government - backed insurance pool with less attractive payouts for losses (Brennan, et al. 1996). A number of independent rating agencies provide information about insurance companies. The financial viability of an insurance company will indeed provide it with capacity to settle insurance claims as and when they arise. Financial viability of an insurance firm will be influenced by levels of premiums, sound investment portfolio and sound risk management policies (Lowe 1999).

In order for an Insurance Company to be able to settle its claims with considerable ease, it is important that it retains a stable client base where its annual number of clients is relatively stable Grose (1992). Companies normally choose not to keep premiums on a stagnant account waiting to make underwriting profit. They instead invest the premiums as and when received in other profit making ventures in order to earn a return on investment. This method of investment is called afloat whereby Insurance premiums are invested and the Company is able to collect investment income on the money it has reserved for claims that have not yet occurred or have not yet been paid, Clare Chou Chua (2006). Overtime the interest is compounded into significant capital reserves; the Insurance Company now acts as an institutional investor by buying securities in very enterprising listed companies where they earn interest and dividend. The latter then constitute a solid source of income out of which the company honors its indemnity obligations, foots its overhead costs and makes a profit

2.3 Types of Insurance Policies and Indemnity

Insurance generally covers all risks that can be quantified. Any type of risk that can be quantified has a type of insurance or policy to protect it. There are numerous insurance policies among which the following are very common (Zhuo, 1998). The Automobile Insurance is probably the most common form of insurance and may cover both lega11iabi1ity claims against the driver and loss or damage to the vehicle itself. The financial loss insurance is a policy that protects individuals and companies against various financial risks. For example a business might purchase cover to protect it from loss of sales if a fire in a factory prevented it from carrying out business for a time. Insurance might also cover failure of a creditor to pay money he owes to the insured person. Fidelity guarantee and surety bonds are also included in this category of insurance.

Gap insurance policy covers the excess amount on your auto loan in an instance where your insurance company does not cover the entire loan. Depending on the companies specific policies it might or might not cover the deductible as well. This coverage is marketed for those who put low down payments, have high interest rates on their loans, and those with 60 month or longer terms. Gap insurance is typically offered by your finance company when you first purchase your vehicle. Most auto insurance companies offer this coverage to consumers as well. If you are unsure if GAP coverage had been purchased, you should check your vehicle lease or purchase documentation (Wadlamannati, 2008).

The liability insurance on the other hand covers legal claims against the insured. According to the Commonwealth of Australia (2002), liability insurance protects the insured against the consequences of being legally liable for injury or damage to third parties, such policies usually provide that the insured must take "all reasonable steps" to prevent the liability arising. There is a number of liability insurance, including personal liability, public liability, professional indemnity and product liability.

According to Ezirim, (2002), the protection given under liability insurance is twofold: In the first instance it affords a legal defense in the event of a lawsuit commenced against the policy holder and in the second case an indemnification (payment on behalf of the company) with respect to a settlement or court verdict.

Benjamin (1987) noted that one of the features of liability insurance is its "long tail". This means that there can be many years between an injury occurring and the time an insurer receives notice of" a claim. The life insurance provides a cash benefit to a deceased's family or other designated beneficiary, and may specifically provide for burial and other funeral expenses.

Life insurance policy provides a monetary benefit to a decedent's family or other designated beneficiary, and may specifically provide for income to an insured person's family, burial, funeral and other final expenses. Life insurance policies often allow the option of having the proceeds paid to the beneficiary either in a lump sum cash payment or an annuity. In most states, a person cannot purchase a policy on another person without their knowledge (Appleman, Appleman, & Holmes, 2013).

The travel insurance policy is an insurance cover taken by those who travel abroad. It covers certain losses such as medical expenses, loss of personal belongings, travel delays and personal liabilities. The workers' compensation Insurance covers an employer against claims for workers who suffer injury during the course of their employment. It replaces all of or part of a workers wages lost and accompanying medical expenses incurred due to job-related injury. In Uganda compensation is up to a maximum of 60 months equivalent of a worker's monthly gross pay.

Health Insurance policy: Health care costs are extremely high and it can be hard for the average person to afford health care. Large medical expenses could wipe out an individual's savings. To protect individuals from this risk, health insurance can be purchased. Health insurance provides protection against financial losses resulting from injury, illness, and disability. The purpose is to provide coverage for emergency or routine medical expenses. Health insurance may cover hospital, surgical, dental, vision, long-term care, prescription, and other major expenditures. Coverage depends upon the policy because the terms vary among different health care policies. Health insurance may be purchased by an individual, or through their employer. Some children may be covered under their parent's health insurance until they are 19 or while they are in college. According to Personal Finance (Goldsmith, 2001), most (61%) Americans have employer-based health insurance.

Life Insurance policy: Seventy percent of American adults have life insurance (Goldsmith, 2001). Life insurance is a contract between an insurer and policyholder specifying a sum to be paid to a beneficiary upon the insured's death. The contract is a policy which states the amount to be paid to the beneficiary upon the insured person's death. A beneficiary is the recipient of any policy proceeds if the insured person dies. The purpose is to provide money for family members or dependents when a wage earner dies. A dependent is a person who relies on someone else financially. Life insurance is not necessary if a person is single with no dependents. Life insurance is necessary for people who have a dependent spouse, dependent children, an aging or disabled dependent relative, or are business owners.

Disability Insurance policy: One out of ten people will become disabled before age 65 (Insurance Education Foundation). Insurance is available to prevent the risk of losing income due to a disability. Disability insurance replaces a portion of one's income if they become unable to work due to illness or injury. The insurance typically pays between 60% – 70% of one's full time wage. It never pays 100% of the wages because there is no incentive to go back to work. Factors such as the length or severity of a disability influence the percentage of income a person will receive. Many employers offer disability insurance as part of the benefits package.

Homeowner's/Renter's insurance: According to the Insurance Education Foundation, (2010) a fire occurs in someone's home in the US every 74 seconds. Homeowner's and renter's insurance can protect against this risk. Home owner's insurance policy combines property and liability insurance into one policy to protect a home from damage costs due to perils. A peril is an event which can cause a financial loss like fire, falling trees, lightning, and others. Property insurance protects the insured from financial losses due to destruction or damage to property or possessions. Liability insurance protects the insured party from being held liable for other's financial losses. The homeowner's insurance should cover the replacement cost which will pay to rebuild the home if it is completely destroyed. Renter's insurance protects the insured from loss to the contents of the dwelling rather than the dwelling itself. It covers major perils, provides liability protection, and provides for additional living expenses if the dwelling is rendered uninhabitable by one of the covered perils. Renter's insurance is necessary because the landlord's insurance policy on the dwelling does not cover the renter's personal possessions.

2.4 Age of the insured and Indemnity

Age is an important factor that is normally considered by insurance organizations. For example, old-age and survivors' insurance is the cornerstone of the many social insurance systems. It grants pensions of two basic types: old age pensions to people of retirement age, and so called survivors' pensions to spouses or dependent children of a deceased insured person. Old-age pensions should enable their beneficiaries to retire with a considerable measure of financial autonomy. Survivors' pensions aim to ensure that families already burdened by the death of a close family member are spared financial hardship (Boyer, 2000).

Life expectancy and enrolment ratio: According to the study by Browne et al. (1993), the discussion on life insurance demand is expanded by adding some variables which include average life expectancy and enrolment ratio at third level of education. The study considering 45 countries for two separate time periods (1980 and 1987) concluded that income and social security expenditures are significant determinants of insurance demand. But, inflation was found to have a negative correlation. Dependency ratio, education and life expectancy were not significant but incorporation of religion, a dummy variable showed that Muslim countries have significant negative affinity towards life insurance.

Dowlen (1995) documented that if a contract insures the life of a single individual, either of the following two ages may be treated as the attained age of the insured with respect to that contract, the insured's age determined by reference to the individual's actual birthday as of the date of determination (actual age); or; the insured's age determined by reference to contract anniversary (rather than the individual's actual birthday), so long as the age assumed under the contract (contract age) is within 12 months of the actual age as of that date.

Age plays an important role in determining adequate life insurance coverage which also affects the indemnity of a company (Dowlen, 1995). The older you are, the higher the premium that is charged. Therefore, if you lie about your real age to reduce your premiums you may to pay a huge price for it. In this situation, your insurer may choose to cancel your policy entirely, increase your premiums or adjust your policy amount.

Much of the information insurance companies use to determine rates is based on statistics, and one of the most influential statistics is age. By compiling data collected over a period of several years, insurance companies have calculated which age groups are more likely to be involved in auto accidents. This isn't a factor that the insurer has any control over, so have to just be prepared for higher rates in case they fall into a high-risk age group (Dickson 1999).

In health insurance, People who are shopping for health insurance coverage may want to consider their age as one factor that will determine how much they pay. A recent Associated Press report focuses on the struggle that some people are facing, especially in their fifties and early sixties, as they try to pay for private coverage before they become eligible for Medicare

2.5 Conclusions

There has been a general exploration of insurance premiums and its practices, total premiums collected nature & type of insurance investments, the different types of insurance policies and age of the insured in insurance companies. From the above literature, I can conclude that insurance premiums and investments can really have an impact on indemnity as confirmed by Miranda, & Joseph Glaube (2006) hence the relevance of this research study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents the methodology that was used in the study. It covers the research design, study population, sample population, size, sampling procedures, data collection methods and their corresponding data collection instruments, data management and analysis procedures, reliability and validity and ethical considerations.

3.1 Research Design

The study used a case study design approach involving both quantitative and qualitative methods using structured questionnaire, interviews, and document analysis. A case study provided an in-depth study of the problem with limited time scale (Amin, 2005). The case study approach is perceived as the most preferable way of obtaining holistic, in-depth insights into the impact of Insurance Premiums and Investment on Indemnity using National Insurance Corporation as a case study. Yin (1994) argues that case study research strategies are appropriate for the investigation of how and why questions, especially when the concern is to study contemporary issues over which the researcher has no control. Case study research is also applicable when the boundary between a phenomenon under investigation and its organizational and social context is unclear (Yin, 1994).

A triangulation of quantitative and qualitative research techniques was adopted, in order to exploit the synergies offered by different methodologies (Barifaijo, Basheka and Oonyu, 2010). Both primary and secondary data was collected through interviews, Questionnaires and document review.

3.2 Study Population

The study was conduct at National Insurance Corporation. The study considered a total population of 55 respondents as follows: Administrative staff, (10), other staff members (45).

3.3 Determination of the Sample Size

A total of 50 respondents were selected based on Krejcie and Morgan (1970) sampling guidelines using the probability simple random sampling method, and non-probability methods of purposive sampling criteria. Table 3.1 shows the different population categories targeted, sample and sampling methods that were used in the study.

Table 3.1: Sample Size and Selection

S/N	Category	Population	Sample size	Sampling Technique
1	Administration	10	10	Purposive
2	Other staff	45	40	Simple random sampling
Total		**55**	**50**	

Source: National Insurance Corporation Payroll Report (2013)

3.4 Sampling Techniques and Procedure

3.4.1 Sampling Techniques

In this study, purposive sampling technique was used to select key respondents because it is best suited for selecting information-rich cases for in-depth study (Barifaijo, Basheka and Oonyu, 2010). Simple random sampling technique was also used to collect information from other staff members from the other departments. This technique has high generalizability of findings; hence it was suitable for a large study population (Sekaran and Bougie, 2010).

A sample of 40 NIC staff members were randomly selected from the entire population of NIC staff members. This was done by selecting their names randomly from a list provided by NIC

These two groups were selected with a view that they form a representative sample of the entire population that was selected earlier by the researcher to participate in the study about the insurance industry.

3.5 Sources of Data

The researcher used both primary and secondary data collection methods. Both qualitative and quantitative techniques was used to examine the impact of insurance premiums and investment on indemnity in National Insurance Corporation

3.5.1 Primary Data

Primary data was collected by using questionnaires and an interview guide.

(a) Questionnaire

A questionnaire method helped to get the information and data concerning the topic of my study. The researcher formulated a close-ended questionnaire that was answered by the respondents in written form by the staff members of National Insurance Corporation. The questionnaires were self-administered so as to provide quick responses and the analysis is faster and suitable. The respondents were also requested to fill in the questionnaires. The data and information was later be processed by editing and computed and then be analyzed by use of tables, pie charts and graphs to identify answers to the topic of study

(b) Interviewing

In this method, the researcher interviewed the respondents face to face to obtain in-depth information on the impact of insurance premiums and investment on indemnity in National

Insurance Corporation. The researcher used a structured interview guide on the targeted respondents. The interview guide was organized so that it encompassed information about insurance premiums and the way NIC invests in them. The interview guide was used to collect qualitative data from the administration of NIC to supplement the information that was obtained from the questionnaire.

3.5.2 Secondary Data

Secondary data was obtained by carrying out documentary review. Document analysis was involve reviewing existing published and unpublished information relating to institutional factors affecting internet banking adoption by customers. The researcher reviewed publications and reports from National Insurance Corporation and other researcher-generated documents, journals and reports. References from which the information was drawn are recognized in this study.

3.6 Validity and Reliability

3.6.1 Validity

Validity refers to the extent to which questions in an instrument accurately measure the variables there in (Hair et al., 2003). In other words, Validity is the accuracy and meaningfulness of inferences, which are based on the research results (Mugenda and Mugenda, 1999). The questionnaire was subjected to expert face validity and theoretical content validity tests. A content validity index (CVI) is an indication of the degree to which the instrument corresponds to the concept it is designed to measure. Amin's (2005) recommended minimum content validity index of 0.7 which was considered.

3.6.2 Reliability

Reliability refers to the degree to which a set of variables are consistent with what they are intended to measure (Amin, 2005). When the items on an instrument are not scored right versus wrong, Cronbach's alpha is often used to measure the internal consistency which is often the case with attitude instruments that use likert scale (Barifaijo, Basheka & Oonyu, 2010). Mugenda & Mugenda, (2003) stresses that a coefficient of 0.80 or more implies that there is a high degree of reliability of the data, and that's what the researcher adopted.

3.7 Data Analysis

3.7.1 Quantitative Data Analysis

The data collected was edited, coded and later analyzed using Statistical Package for Social Scientists (SPSS) computer program. Quantitative data was presented in form of descriptive statistics using frequencies and percentages.

3.7.2 Qualitative Data Analysis

Qualitative data analysis involved identification and transcribing the qualitative findings into different themes (Mugenda and Mugenda, 1999). The themes was then edited, coded and arranged in different categories to generate useful conclusions and interpretations on the research objectives which was deduced for reporting in a narrative form.

3.8 Measurements of Variables (Quantitative studies)

The variables were measured by operationally defining concepts. For instance the questionnaire was designed to ask responses about the impact of insurance premiums and investment on indemnity in National Insurance Corporation. This was channelled into observable and measureable elements to enable the development of an index of the concept. The characteristics of the respondents were measured at nominal and ordinal.

3.9 Ethical Considerations

The goal of ethics in research is to ensure that no one is harmed or suffers adverse consequences from research activities (Cooper and Schindler, 2001). The following was done to ensure that the respondents' rights are protected:

i. The researcher sought an introductory letter from the UMU which was presented to the management of NIC to seek permission and consent. The data obtained from the respondents was treated purely as academic and confidential for the safety, social and psychological well-being of the respondents.

ii. Informed consent was sought and appropriate documentation was kept,

iii. Questionnaires were coded guarantee anonymity as no one of the respondents were named at any time during the research or in the subsequent study, and

iv. Respondents were selected for their willingness to participate without compulsion and no risks to the respondents were identified at any stage during the research.

3.10 Limitation of the Study

i. Cost; the researcher experienced a problem of limited finances with respect to this study. Costs regarding this limitation included transport, printing and photocopying of relevant materials.

ii. Time; the researcher experienced a time constraint in data collection, analyzing of data and in final presentation of the report.

iii. Non responses; the researcher also experienced a problem of non-response from respondents who were given the questionnaires to fill. However, the researcher assured the respondents that any information given was treated with maximum confidentiality.

3.11 Conclusion

The chapter was basically the backbone of the research, because it sought for information about insurance premiums and indemnity, by using different data collection methods, within the employees of NIC and available documents about insurance companies.

CHAPTER FOUR

PRESENTATION AND INTERPRETATION OF THE FINDINGS

4.0. Introduction

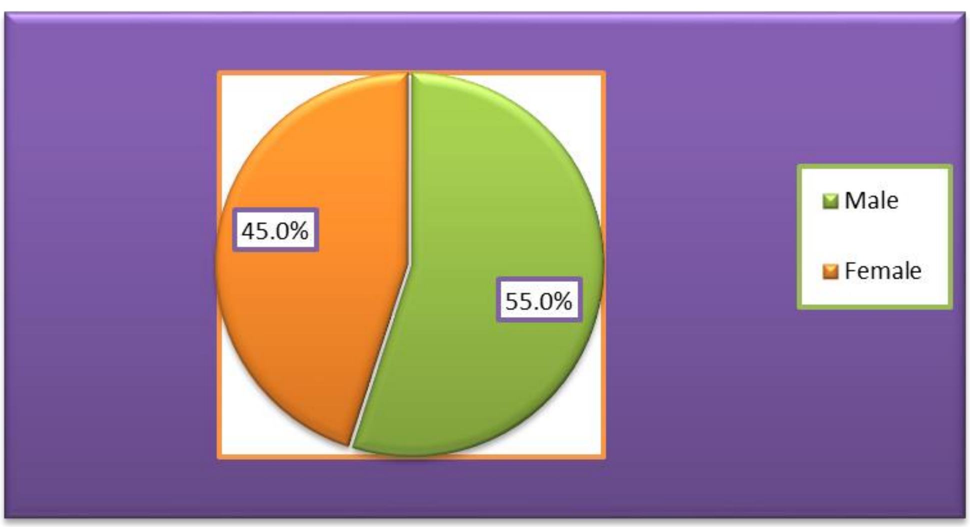
This chapter presents the findings of this study. It highlights the characteristics of the respondents and presents the findings that were generated from interactions the findings on the impact of insurance premium and investment on the insurance firm's ability to indemnify its clients from National Insurance Corporation. The study based on the study objectives and the following results were established.

4.1. General information

In this section, efforts were made to document the background information of the respondents such as gender, age group, academic qualification, category and time spent in service

4.1.1 Gender of the Respondents

Figure 4. 1: **Showing the Gender of the Respondents**



Source: Primary data

From figure 4.1, it is presented that the majority (55.0%) of the respondents were males while the minority (45.0%) of the respondents were females. This testified that there was gender imbalance in the study in that there were more men than women. This helped the researcher to get views from different sexes thus producing information that is not biased.

4.1.2 Age group of the Respondents

Table 4.1: Showing the Age group of the Respondents

		Frequency	Percentage	Cumulative Percentage
Valid	18 - 30 years	12	30.0	30.0
	31 – 40 years	19	47.5	77.5
	41 – 50years	4	10.0	87.5
	Above 50 years	5	12.5	100.0
	Total	40	100.0	

Source: Primary data

Results from table 4.1 show that, the largest percentage that is (47.5%) of the respondents had years arraying from 31 to 40, these were followed by (30.0%) who were between 18-30 years, (12.5%) were above 50 years whereas the minority (10.0%) had years arraying from 41-50 years. This evidenced that most employees at National Corporation Insurance were in their productive ages of 31 – 40 years. This was relevant because respondents from different age groups have varying knowledge and experiences.

4.1.3 Education Qualification of Respondents

Table 4.2: **Showing the Education Qualification of Respondents**

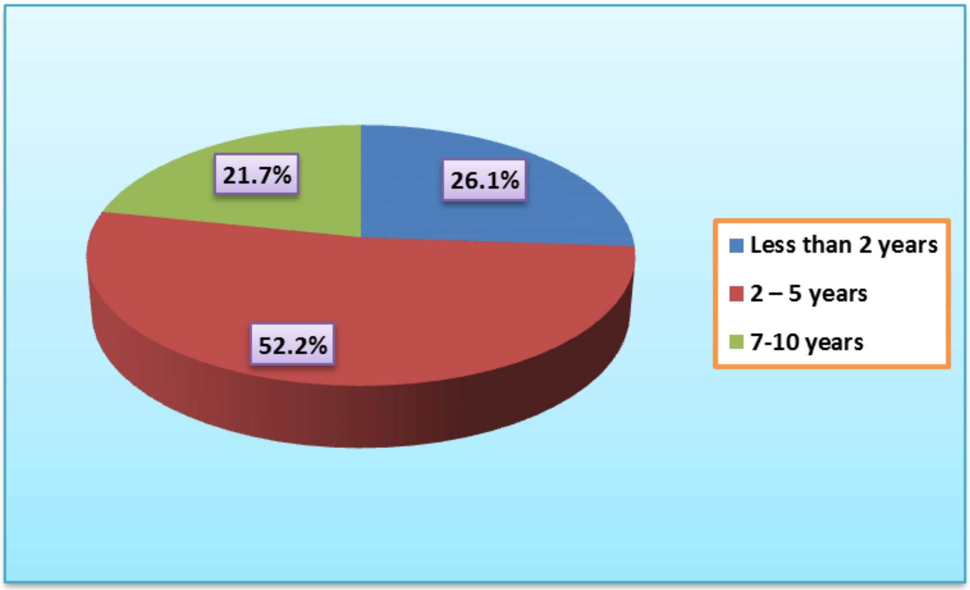
		Frequency	Percentage	Cumulative Percentage
Valid	Certificate	6	15.0	15.0
	Diploma	10	25.0	40.0
	Degree	19	47.5	87.5
	Masters	5	12.5	100.0
	Total	40	100.0	

Source: Primary data

According to table 4.2, it was revealed that the majority (47.5%) of the respondents were degree holders, followed by (25.0%) who had a diploma, then (15.0%) of the respondents at national Insurance co-operation were certificate holders while the minority (12.5%) had obtained a Master's degree. This implied all of the respondents had received some education qualification though the bigger numbers were degree holders. This helped the research not to waste time since the respondents easily understood how to answer the questions in the questionnaires.

4.1.4 Time of service in organization

Figure 4. 2: Showing the Time Spent by Employees in Service



Source: Primary data

According to figure 4.2, the majority (52.2%) of the respondents had spent 2-3 years at National Insurance Corporation, (26.1%) had worked with the company for less than 2 years whereas the minority (21.7%) had spent 7-10 years working with the insurance company. This depicted that most employees had experience with NIC which assisted the researcher to obtain relevant information for the research topic.

4.2 Total Premium collected and Indemnity of NIC Customers

The first objective of the study was to examine the effect of total Premium collected on indemnity of NIC Customers. To accomplish this, the researcher explored the level of agreement and disagreement of NIC employees as regards to the statements in table 4.3.

Table 4.3: **Showing the Effect of Total Premium Collected on Indemnity of NIC Customers**

Total Premium collected	Agree		Not sure		Disagree	
	Frequency	%	Frequency	%	Frequency	%
Total Premium is invested through creating a float	35	87.5	2	5.0	3	7.5
Total Premium collected is used to lower the overall costs	38	95.0	0	0.0	2	5.0
Total Premium is used to underwrite losses so as to remain competitive and survive in the insurance market	37	92.5	1	2.5	2	5.0
Premiums collected have led to financial viability of NIC	39	97.5	0	0.0	1	2.5
The premium is used to buy shares in listed companies with a view of getting dividends	34	85.0	4	10.0	2	5.0
Insurance premium paid currently provides coverage for losses that might arise many years in future	38	95.0	1	2.5	1	2.5

Source: Primary data

The findings of the study indicated that the majority (87.5%) of the respondents agreed that total premium was invested through creating a float. This was in agreement with Ezirim, (2002) who stressed that the premium should not be kept idle on the insurance premium account to await claims being lodged. The insurance companies should thereby be pro-active and forward-looking and should invest this money through creating a float

The study findings also showed that the majority (95.0%) of the respondents agreed that total premium collected was used to lower the overall costs. For example, buying both car and renter's insurance from the same insurance company may give the buyer a discount on both. On the other hand, Policyholders also often have the option of combining their payments for the car with fees for other services, or taking out several types of policies with one company to lower the overall costs (Lowe, 1999).

Table 4.3 shows that the majority (92.5%) of the respondents agreed that total premium was used to underwrite losses so as to remain competitive and survive in the insurance market. This was in line with the findings of the interview where one of the respondents marked that,

> "*Our firm uses premiums as and when they are paid to invest in other profitable ventures*."

The respondent also specified that

> "*Common areas of investment that are risk free investment include Government bonds and Treasury bills*"

According to the findings in table 4.3, it was also revealed that the largest portion that is (97.5%) of the respondents agreed that premiums collected had led to financial viability of National

Insurance Corporation. As seen from the findings, Dickson (1999) also emphasized that the most important virtue of an insurance company is its ability to promptly and competently honor its indemnity obligations

More to the above, the study findings presented in table 4.3 showed that the majority (85.0%) of the respondents agreed that premium was used to buy shares in listed companies with a view of getting dividends. This confined some of the statements made by the respondents during the interview, where one of the respondents pointed out that

> *"The insurance company can act as an institutional shareholder and uses the premium to buy shares in listed companies with a view of getting dividends"*

The study findings shown in table 4.4 also indicated that the majority (95.0%) of the respondents agreed that insurance premium paid provided coverage for losses that could arise many years in future. These findings were supported by (Brennan, *et al.* 1996) who argued that a number of insurance companies have become insolvent leaving their policyholders with no coverage or coverage only from a government - backed insurance pool with less attractive payouts for losses. He also stressed that insurance payments could be used to cover the losses.

4.3 Nature and type of Investment of Premium and Indemnity in NIC

The second objective of the study was to find out the effect of nature and type of investment of premium on indemnity in NIC. To accomplish this, the researcher explored the level of agreement and disagreement of NIC employees with the statements in table 4.4.

Table 4. 4: **Showing the Effect of Nature and type of Investment of Premium on Indemnity in NIC**

Nature and type of Investment of Premium	**Agree**		**Not Sure**		**Disagreed**	
	F	**%**	**F**	**%**	**F**	**%**
Leads to financial viability of NIC	37	92.5	1	2.5	2	5.0
It has led to the ability of a NIC to settle its claims with considerable ease	38	95.0	1	2.5	1	2.5
Investment of premiums have maintained the solvency of a life fund	36	90.0	2	5.0	2	5.0
Investment of premiums has provided coverage for future losses that might arise	40	100.0	0	0.0	0	0.0
Premium Investment has enabled the NIC to honor its indemnity obligations, foots its overhead costs and makes a profit	34	85.0	1	2.5	5	12.5
Premium investment has enabled the company to foot its overhead costs	36	90.0	2	5.0	2	5.0
Premium invested has enabled the company to make a profit	33	82.5	3	7.5	4	10.0

Source: Primary data

The findings of the study presented in table 4.4 indicated that the majority (92.5%) of the respondents agreed that investment of premium led to financial viability of National Insurance Corporation. These findings were in line with Brennan, *et al.* (1996) who stressed that the most important virtue of an insurance company is its ability to promptly and competently honor its indemnity obligations losses

According to the study findings, it was revealed that the majority (95%) of the respondents agreed that investment of premium led to the ability of National Insurance Corporation to settle its claims with considerable ease, In conformity to the study findings, one of the interviewed respondents attested that;

> "*Investment of premium helped the insurance company to retain a stable client base where its annual number of clients is relatively stable."*

Additionally, another respondent also mentioned that;

> *"National Insurance Corporation instead invest the premiums as and when received in other profit making ventures in order to earn a return on investment*"

More to the above, the study findings in table 4.4 revealed that (90.0%) of the respondents agreed that investment of premiums had maintained the solvency of a life fund.

In relation to the study findings, it was testified that the majority (85%) of the respondents agreed that premium Investment had enabled NIC to honor its indemnity obligations, foot its overhead costs and make a profit. This confirmed some of the statements made by the respondents during the interview, where one of the respondents pointed out that

"*In a case where the amount of premium for a given insurance period exceeds the amount of claims made on the pool, the insurer makes an underwriting profit, which he uses to pay his overhead costs*"

The findings also revealed that the majority (90.0%) of the respondents agreed that premium investment had enabled the company to foot its overhead costs. This was in agreement with Mukasa (1996) who marked that if the amount of premium for a given insurance period exceeds the amount of claims made on the pool, the insurer makes an underwriting profit, which he uses to pay his overhead costs

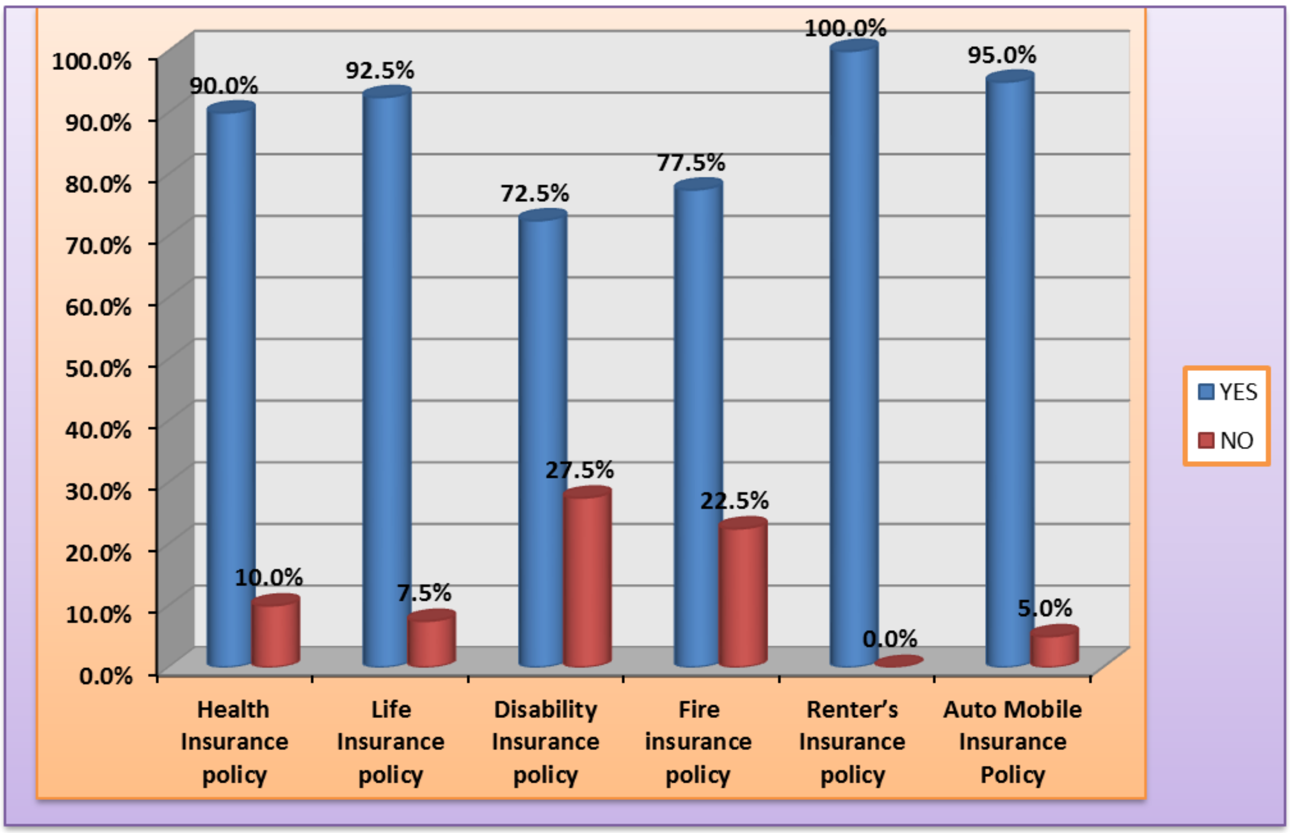
In addition to the above, the study findings in table 4.4 showed that the (82.5%) of the respondents agreed that premium investment had enabled National Insurance Corporation to make a profit. This was in line with one of the interview respondents who noted that

"*Investment of premium has led to accumulation of substantial funds to meet both the claims over the Insurance period and make a profit*"

4.4 Types of Insurance policies offered by insurance companies

The third objective of the study was to find out the types of Insurance policies offered by insurance companies. To accomplish this, the researcher explored the level of agreement and disagreement with the following statements in figure below.

Figure 4.3: Types of Insurance Policies offered by Insurance Companies



Source: Primary data

From figure 4.3, it is evident, that, the policies that are common issued by NIC are health Insurance policy with 90.0% agreement from the respondents, life insurance policy, with 92.5%, Renters insurance policy with 100% of the respondents agreeing to it and auto mobile insurance policy with 95.0% agreeing to it.

This was in line with the findings of the interviews where one of the respondents pointed out that

> "*Health care costs are extremely high and it can be hard for the average person to afford health care therefore Health insurance policy was established at National Insurance Corporation to provide protection against financial losses resulting from injury, illness, and disability*."

Life insurance policy is also a common policy as it was supported by 92.5% of the respondents agreeing. This is because a Life insurance policy provides a monetary benefit to a decedent's family or other designated beneficiaries, and it specifically provides income to an insured person's family, burial and funeral (Holmes *et al*, 2013).

72.5% of the respondents agreed to Disability Insurance policy is offered by National Insurance Corporation. One of the respondents emphasized that

> "*Disability insurance policy offered assists to replace a portion of one's income if one becomes unable to work due to illness or injury and that the insurance company typically pays between 60% – 70% of one's full time wage*"

Findings in the figure 4.3 show that Homeowner's Insurance Policy is another policy offered by NIC where 77.5% agreed to it. This was in line with Boyer (2000) who pointed out that home owner's insurance policy combines property and liability insurance into one policy to protect a home from damage costs due to perils. "A *peril is as an event which can cause a financial loss like fire, falling trees, lightning, and others"* one of the respondents elaborated.

More to that, the study findings showed that all respondents that is (100.0%) agreed that renter's Insurance policy is offered by National Insurance Corporation. This was in line with the findings of the interview where one of the respondents commented that

> "*Renter's insurance policy offered by NIC protects the insured from loss to the contents of the dwelling rather than the dwelling itself and it covers major perils, provides liability protection, and additional living expenses if the dwelling is rendered uninhabitable by one of the covered perils*"

From the findings, it was also indicated that the largest portion (95.0%) of the respondents agreed that Auto mobile - Insurance Policy is offered by National Insurance Corporation.

4.5 Age of the Insured and Indemnity of NIC Clients.

The fourth objective of the study was to determine the effect of age of the insured on indemnity of NIC clients. To accomplish this, the researcher explored the level of agreement and disagreement with the statements in table 4.5.

Table 4.5: **Age of the Insured and Indemnity of NIC Clients**

Age of the Insured	**Agreed**		**Not Sure**		**Disagree**	
	F	**%**	**F**	**%**	**F**	**%**
Age of the Insured enables the determination of Insurance demand.	37	92.5	1	2.5	2	5.0
Age plays an important role in determining adequate life insurance coverage	38	95.0	0	0.0	2	5.0
Eligibility of the insurance considers age as an important factor	38	95.0	1	2.5	1	2.5
Life expectancy and enrolment ratio depends a lot on age of the insured	35	87.5	2	5.0	3	7.5
Age is an influential statistics in determining the rates	36	90.0	1	2.5	3	7.5

Source: Primary data

The findings of the study indicated that the majority (92.5%) of the respondents agreed that age of the insured enabled the determination of insurance demand, , (5.0%) of them disagreed while the minority (2.5%) of the respondents were not sure whether age of the insured enabled the determination of insurance demand. This was in line with Boyer (2000) who argued that age is an important factor that is normally considered by insurance organizations when determining the demand of insurance by the insured.

According to the findings of the study, it was presented that the majority (95.0%) of the respondents agreed that age played an important role in determining adequate life insurance coverage, whereas (5%) of the respondents disagreed. These findings were in agreement with Dowlen (1995) who pointed out that age plays an important role in determining adequate life insurance coverage which also affects the indemnity of a company and also noted that the older you are, the higher the premium that is charged.

In relation to the findings of the study, it was revealed that (95%) of the respondents agreed that eligibility of the insurance considered age as an important factor, (2.5%) of the respondents were not sure that eligibility of the insurance considered age as an important factor. One of the respondents pointed out that;

> "*People who always shop for health insurance coverage wanted to consider their age as one factor that will determine how much they were supposed to pay*"

In addition to the above, the study findings in table 4.5 showed that the majority (87.5%) of the respondents agreed that life expectancy and enrolment ratio depended a lot on age of the insured, (5.0%) were not sure whether life expectancy and enrolment ratio depended a lot on age of the insured while (7.5%) disagreed. This depicted how life expectancy and enrollment ratio depended a lot on age of the insured. From the study findings, it was also revealed that the majority (90.0%) of the respondents agreed that age was an influential statistics in determining the rates, (2.5%) were not sure whether age was an influential statistic in determining the rates while (7.5%) of them strongly disagreed. This was supported by the findings of the interview where by one of the respondents mentioned that

"*Much of the information insurance companies use to determine rates is based on statistics, and one of the most influential statistics is age*"

4.6 Conclusion

This chapter has provided logical flow and discussion of the study results putting into consideration the objectives of the study which were to examine the effect of total Premium collected on indemnity of NIC Customers, to find out the effect of nature and type of investment of premium on indemnity in NIC, to establish the effect of the types of insurance policies offered by NIC, on indemnity in NIC and to determine the effect of age of the insured on indemnity of NIC. The study further summarizes and concluded the findings as seen in chapter five that follows

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter generates the summary of the findings and conclusions drawn from the study based on the findings presented in data analysis and the study objectives. The chapter also advances the recommendations, as well as identifying the areas for further studies.

5.1 Summary of the findings

5.1.1 Total Premium collected and indemnity of NIC Customers organizational performance

The findings revealed that the majority (87.5%) agreed that the products that total premium was invested through creating a float which meant that premium should not be kept idle on the insurance premium account to await claims being lodged, the majority also agreed that total premium collected was used to lower the overall costs, to underwrite losses so as to remain competitive and survive in the insurance market and had led to financial viability of National Insurance Corporation. It was also revealed that the majority (85%) of staff of the company agreed that premium was used to buy shares in listed companies with a view of getting dividends which depicted that the insurance company could act as an institutional shareholder and use the premium to buy shares in listed companies with a view of getting dividends and more to that, the majority agreed that insurance premium paid provided coverage for losses that could arise many years in future

5.1.2 Nature and Type of Investment of Premium and Indemnity in NIC

The study revealed that majority of the respondents (92.5%) agreed that investment of premium led to financial viability of National Insurance Corporation which showed that the most important virtue of an insurance company is its ability to promptly and competently honor its indemnity obligations losses. It was also (95.0%) agreed on that investment of premium led to the ability of National Insurance Corporation to settle its claims with considerable ease and retain a stable client base where its annual number of clients is relatively stable. The findings also indicated that the most respondents (90.0%) agreed that investment of premiums had maintained the solvency of a life fund and had provided coverage for future losses that might arise. The findings also presented that most respondents (85.0%) agreed that premium Investment had enabled NIC to honor its indemnity obligations, foot its overhead costs and make a profit where by in a case the amount of premium for a given insurance period exceeded the amount of claims made on the pool, the insurer could make an underwriting profit, which was used to pay its overhead costs. The study findings further revealed the majority (90.0%) insisted that premium investment had enabled the company to foot its overhead costs and also led to accumulation of substantial funds to meet both the claims over the Insurance period and make a profit

5.1.3 Types of Insurance policies offered by NIC and Indemnity in NIC

The study further revealed the majority of the respondents (90.0%) agreed that NIC offers Health Insurance policy, Life Insurance policy, Disability Insurance policy, Fire insurance policy, Renter's Insurance policy, and Auto Mobile Insurance Policy.

5.1.4 Age of the insured on indemnity of NIC clients

The findings indicated that most respondents (92.5%) agreed that age of the insured enabled the determination of insurance demand and also that age is an important factor that is normally considered by insurance organizations when determining the demand of insurance by the insured. It was also agreed by (95.0%) of the respondents that age played an important role in determining adequate life insurance coverage which was demonstrated from the fact that the older you are, the higher the premium that is charged. The study findings further attested that the majority (95.0%) insisted that eligibility of the insurance considered age as an important factor which implied that people who always shop for health insurance coverage want to consider their age as one factor that will determine how much they were supposed to pay. It was agreed by most respondents (87.5%) that life expectancy and enrolment ratio depended a lot on age of the insured and was an influential statistics in determining the rates,

5.2 Conclusions

In conclusion it was discovered that Total Premium collected was used to lower the overall costs, to underwrite losses so as to remain competitive and survive in the insurance market and to buy shares in listed companies with a view of getting dividends. It was also exposed that premiums collected led to financial viability of NIC and provided coverage for losses that could arise many years in future. From the study it was concluded that Investment of premiums had led to financial viability of NIC, had maintained the solvency of a life fund and provided coverage for future losses that might arise. It was also discovered that premium investment led to the ability of NIC to settle its claims with considerable ease, honor its indemnity obligations, foot its overhead costs and make a profit. It was also exposed that National Insurance Corporation offered various insurance policies which included health insurance policy, life insurance policy, disability insurance policy, homeowner's insurance policy, renter's insurance policy and auto - insurance policy. To add to the above, the study also revealed that age of the insured had a great impact on indemnity of NIC clients whereby age of the insured enabled the determination of insurance demand, it played an important role in determining adequate life insurance coverage and eligibility of the insurance considers age as an important factor. From the study it was discovered that life expectancy and enrolment ratio depends a lot on age of the insured and age was an influential statistic in determining the rates.

5.3 Recommendations

It is recommended that the organizational management should introduce other insurance policies that are needed by clients in order to increase on premium collected.

The premium collected should not be kept idle on the insurance premium account to await claims being lodged and they should be pro-active and forward-looking and should invest this money through creating a float.

The organization management should set premiums that can cover all losses that the client incurs. This helps to avoid extra expenses which results into poor performance of the company

It is further recommended that the government should clearly specify its policies in order to avoid misunderstanding with the clients.

5.4 Areas for further study

More study and research should be made on the following areas and topics.

The contribution of total Premium collected on development of the insurance company.

The relationship between the investment types of premium on indemnity.

The impact of premium investments on competitiveness of an organization.

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Appendix I: Questionnaire

I am a student of Uganda Martyrs University undertaking a Bachelor of Science in Financial Mathematics. I am carrying out a research study on the topic: "**the impact of insurance premiums and investment on indemnity".** This questionnaire is therefore intended to seek information on the above subject matter. The information is purely for academic purposes and all the answers will be handled with utmost confidentiality

I therefore request that you kindly spare sometime and fill this questionnaire by ticking appropriate options and filling in the blank spaces where necessary. All information will be kept confidential and will never in any circumstance be personalized.

Thank you

SECTION A: BACKGROUND CHARACTERISTICS

1. Gender

(a) Male ☐ (b) Female ☐

2. Age Group

(a) 18-30 years ☐ (b) 31 -40 years ☐ (c) 41-50years ☐ (d)Above 50 years ☐

3. Education qualification

(a) Certificate ☐ (b) Diploma ☐ (c) Degree ☐ (d) others ☐

4. How long have you been in service at this company?

(a) Less than 2 years ☐ (b) 2 – 5 years ☐ c) 7-10years ☐

SECTION B: Level of Demand Forecasting by Insurance Companies

The following abbreviations are used; **SA =** (Strongly Agree)**, A=** (Agree)**, N=** (Neutral)**, D=** **(**Disagree), **SD=** (Strongly Disagree)

5. To what extent do you agree with the following statements with regard to total Premium collected on indemnity in NIC?

	Total Premium collected on indemnity	**SA**	**A**	**N**	**D**	**SD**
a	Total Premium is invested through creating a float.					
b	Total Premium collected is used to lower the overall costs					
c	Total Premium is used to underwrite losses so as to remain competitive and survive in the insurance market					
d	Premiums collected have led to financial viability of NIC					
e	The premium is used to buy shares in listed companies with a view of getting dividends					
f	Insurance premium paid currently provides coverage for losses that might arise many years in future					

SECTION C: The impact Nature and Type of Investment on Indemnity in NIC

The following abbreviations are used; **SA =** (Strongly Agree)**, A=** (Agree)**, N=** (Neutral)**, D= (**Disagree), **SD=** (Strongly Disagree)

6. To what extent do you agree with the following statements with regard to the impact Nature and Type of Investment on Indemnity in NIC?

	Impact of investment of premiums on indemnity	**SA**	**A**	**N**	**D**	**SD**
a	Leads to financial viability of NIC					
b	It has led to the ability of a NIC to settle its claims with considerable ease					
c	Investment of premiums have maintained the solvency of a life fund					
d	Investment of premiums has provided coverage for future losses that might arise					
f	Premium Investment has enabled the NIC to honor its indemnity obligations, foots its overhead costs and makes a profit					
f	Premium investment has enabled the company to foot its overhead costs					
h	Premium invested has enabled the company to make a profit					

SECTION D: Types of Insurance policies offered by insurance companies

7. Which the following insurance policies are used by NIC?

	Types of insurance policies offered by NIC	**YES**	**NO**
a	Health Insurance policy		
b	Life Insurance policy		
c	Disability Insurance policy		
d	Homeowner’s insurance policy		
e	Renter’s Insurance policy		
f	Auto - Insurance Policy		

SECTION E: Age of the Insured on Indemnity

The following abbreviations are used; **SA =** (Strongly Agree)**, A=** (Agree)**, N=** (Neutral)**, D= (**Disagree), **SD=** (Strongly Disagree)

8. To what extent do you agree with the following statements with regard to the Age of the insured on indemnity offered by insurance companies?

Age of the Insured		**SA**	**A**	**N**	**D**	**SD**
a	Age of the Insured enables the determination of Insurance demand.					
b	Age plays an important role in determining adequate life insurance coverage					
c	Eligibility of the insurance considers age as an important factor					
d	Life expectancy and enrolment ratio depends a lot on age of the insured					
e	Age is an influential statistics in determining the rates					

THANK YOU FOR YOUR TIME AND COOPERATTION

Appendix II: Interview guide for management of national insurance Co-operation and its employees

I am a student of Uganda Matyrs University and currently collecting data for compilation for my dissertation as a partial requirement for the award of award of Bachelor of Science in Financial mathematics. I am here to conduct an interview for a maximum of 12 minutes. The interview I am conducting relates to the impact of insurance premiums and investment on indemnity. You have been selected to share with us your experience and make this study successful. The Interview I am conducting is basically aimed at obtaining qualitative information to compliment the quantitative information which I am also collecting from other staff and the potential clients of NIC. Information given will be treated with utmost confidentiality

1. In your view, how does the impact of total Premium collected affect the indemnity in NIC?
2. What is the nature and type of investment you have in NIC?
3. To what extent does nature and type of investment have on the indemnity in NIC?
4. How do the various types of insurance policies you have affect the indemnity in NIC
5. Do you consider age as a key factor in insurance?
6. To what extent does the age of the insured affect the indemnity in NIC?
7. In your opinion what do you think could be done to enhance the solvency of issues related to indemnity?

THANK YOU FOR YOUR TIME