

# THE AWARENESS OF HAVING LIFE INSURANCE POLICY: AN EXPLORATORY STUDY AMONG LAGOS STATE UNIVERSITY STUDENTS IN OJO, LAGOS, NIGERIA

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## Abstract

*The paper examines the level of awareness of the importance Life Insurance policy among the Nigerian students using students of Lagos State University, Ojo-Lagos, in the South-West part Nigeria as our case study. This University was better known in the mid nineties for incessant Cult clashes right in the University campus, which resulted to unwanted deaths and maiming of innocent Students and Staff alike. We discovered that lost their lives , lost “entirely” because most of them were not insured. It was discovered through the simple descriptive survey adopted for this study, that most students are actually aware of the significance of Life Insurance policy especially the financial benefits one can derive in case of unexpected death of their parents but they are handicapped of possessing the policy because they cannot afford to buy one. The survey revealed that 71 percentage see taking Life Insurance necessary, 22 percentage see taking Life Insurance Compulsory, while 7 percentage did not see to why someone should considered taking Life Insurance. The study also found that taking care of Children’s future took approximately 67 percentage as main goal for the University Students taking Life Insurance in the future. Whereas 20 percentage perceived Wealth creation as the reason of taking Life Insurance policy after graduating from the University, while other reasons took 13 percentage.*

*Conclusively, it is suggested that the various stakeholders should make extra effort to let people know the importance of having Life Insurance at the early stage. University Students are most potential group because most of them are ready to buy this policy after they have graduated from the University.*

**Keywords:** Insurance, Brokers, Policy, Compensation, Security Policyholders, Risk, Retirement  
**JEL Classification:** D31, E21, G22, M52

## INTRODUCTION

Life insurance has grown to encompass a wide variety of products. Most obviously and primarily, in its fundamental form, it is “*death insurance*”. It aims to compensate these policyholder’s dependents from financial losses following the demise of the policy hold. It compensates them for the loss of income; helps pay off the policy holder debts. Effectively, life insurance policies build up an off – balance sheet fund which the policy holder’s heirs tap into on policy holder demise. (Narasimham, 2000). Life insurance in the present age performs an important function for risk planning and channels a large flow of savings into investments through financial and capital markets. Life insurance is an important vehicle for encouraging and mobilizing individual savings calculate on an actuarial basis, to provide for a certain sum of money in an uncertain future. It is an instrument for contractual savings, based on an anticipated future value (i.e policy claim) from a sum of discounted present values (i.e the premiums). ( Omar 2007)

## RESEARCH METHODOLOGY

The research samples for this are students from Lagos State University, Ojo, there are about 6,000 students registered with this institution. The 500 questionnaires using random sampling technique were distributed in a period of 27 days in June - July 2007. A total of 458 results were received and compiled. This questionnaire is divided into two (2) sections, first was designed to gather the students' bio data and the second part was designed to gather the respondents' awareness on the importance of having life insurance policy.

## LITERATURE REVIEW

Life insurance has become the most widely used means of family financial security planning. Apart from that, it can help ensure the financial security of family, pay the support of dependents and meet outstanding financial obligations when the policyholder dies. Furthermore individuals and families need to become aware of the benefits, issues and differences in various life insurance plans, (BCG, 2003).

Life insurance programs are an important part of an individual's financial plan. The traditional view of life insurance as a commodity – simply underwriting coverage, differentiated by price and little else evolving as communication, education, and benefit enhancements are added. Research and trends support the evolution of employer - based life insurance programmes from merely providing a benefit to beneficiaries at the point of claim to a programme that is an important, vent critical components to an individual's overall financial plan (metlife, 2001).

There are three main types of life insurance policies in actuarial literature (Back, 2000) including (a) whole life insurance – which provides a death benefit for lifetime (b) term life insurance - that provide a death benefit for a limited number of years and, (c) environment life insurance – which is a term life insurance with a saving component. In general terms, life insurance is a way of dealing with risk and a saving medium for consumers. It also plays important psychological and social roles. As (Hofstede, 1995) stated, the major function of life insurance is to protect against financial loss from loss of human life. Besides covering the risk of death, it also covers the risks of disability, critical illness, etc. Life insurance is therefore developed on the concept of human life value (Saying, 2003). Human life value approach focuses on the economic component of human life. Any event affecting an individual's earning capacity, retirement or unemployment (Black, 2000). The human life value concept provides the philosophical basis for thee life insurance, which is a product deigned to protect the individual against two distinct risks Premature death and superannuating (Browne, 1993).

## FINDINGS AND DISCUSSIONS

### *Opinion respondents of Genders towards awareness*

Table 1 below shows that almost 86 percent of the respondents are agreed and aware that having life insurance would bring a lot of benefits such as providing financial security in the events of premature death or uncertain dire occurrence which merely providing a benefit to beneficiaries. It is proven that both male and female respondents are both aware with the roles of life insurance.

#### *Opinion respondents of Ethnic groups towards awareness*

Tables 2 provide details on ethnic groups from Hausas, Ibos, Yorubas, and other ethnic groups towards the importance of having life insurance. This is proved as over 100 percent of Yoruba ethnic group, approximately 30 percent of Ibo ethnic group and slightly more than 30 percent other ethnic group e.g. Ijaw, Irhobo, Itsekiri, Tiv e.t.c ethnic groups agreed and aware of the vital roles of insurance as part of their financial planning. Majority of these ethnic groups are believed and agreed with all the elements in the awareness section. This shows that most Nigerian students regardless from which ethnic groups they belong are very concerned and aware of the importance of having life insurance policy. There is no hassle for the insurance companies to convince these students as they are always aware of being a risk taker and the role of insurance policy in providing them some sort of financial protection.

#### *Opinion respondents' age groups towards awareness*

Table 3 shows most can be categorized as a potentially good risk planner when the study shows that most respondents from the age of 16-25 were well aware about the risk of having life insurance to protect them from unexpected events that can lead to financially insecurity. This is proven when majority of the respondents ( i.e. 70 percent and 72 percent respectively totally agreed and agreed) and aware with the benefits of having life insurance. This indicates that the University students were actually aware on the risk of life uncertainty and perceived taking insurance as one way to address this risk.

#### *Opinion respondents' information about life insurance towards awareness*

The study as indicated in Table 4 found that there were 2 major sources for the respondents getting the information on the benefit of having life insurance whether there were from their parents, family members (44 percent) or from life insurance agents (more than 23 percent). Both sources contributed higher portion than other alternatives such as relatives, friends and mass media. This proved that those who stay close to the students really had a major impact towards creating awareness towards the importance of having life insurance. Personal touch indeed plays a vital role in creating and convincing potential insurance client.

#### *Opinion respondents' reasons of taking life insurance towards awareness*

The findings in Table 5 shows that there were six listed factors that lead to the main reasons for respondents in considering taking life insurance policy namely; death, accidents, illness, disability, disasters and retirement. The study concluded that majority of the respondents have chosen the three best factors that contribute into their main reason for taking the life insurance; accidents count 43 percent, illness count at more than 22 percent, and premature death count at about 16 percent. Although our life expectancy has slightly increased, our lifestyle has also become fast-paced, leading to more health complications and unnecessary illnesses. Consider the growing prevalence of lifestyle-related diseases such as heart trouble, diabetes and obesity.

#### *Opinion respondents' classification of having life insurance towards awareness*

Respondents gave a different reactions on the reasons that might encourage them taking life insurance policy. Majority of the respondents see taking life insurance necessary (almost 72 percent), about 22 percent see taking life insurance policy as compulsory, and only about 7

percent did not see to why someone should considered taking them. This is a very good indicator for this reflects that life insurance can be classified as a must in their everyday life and reflect that they are fully aware of its importance.

*Opinion respondents' goals of having life insurance towards awareness*

In Table 7, the study found that taking care of children's future (approximately 67 percent) as main goal for the University students taking life insurance in the future. Whereas 20 percent perceived Wealth creation as the reason of taking life insurance policy after graduating from the University, living to long, and dying too soon (approximately 7 percent and 6 percent respectively).

## **RECOMMENDATIONS AND CONCLUSION**

This study though exploratory in nature, provides useful information to both policy makers in thee government and also the insurance accompanies.

The authorities at various level of tiers of government and stakeholders should encourage and intensifies campaign to help creating the awareness among the populace so that they could at least have some sort of extra financial protection to face the unexpected future events. Considering forms of risks Nigerians face daily, also our lifestyle has also become fast – paced, leading to more health complications and unnecessary illnesses.

Also, considering the growing prevalence of lifestyle – related diseases such as heart trouble, diabetes etc. The need to have insurance policy cannot be seen as option but a necessity due to the uncertainty of future events. The increasing costs of living and medical costs in Nigeria provide strong support to the need of having insurance policy as protection and security against unexpected financial obligation if anything happen to the policyholder.

Insurance Companies should take an effort to let people know the importance of having life insurance at the early stage. Giving talks and conduct awareness campaigns to students in the tertiary institutions might open up their mind so that they will be prepared in taking insurance policy in the future. They might not take them now but they will almost definitely take them in future, providing information on the importance of having life insurance should not be considered as business perspectives only but should also serve as responsibility to the society as a whole.

This group is the most potential group that insurance companies and brokers should target as their potential clients in the future. As most of them are ready to buy life insurance after they have graduated from the university, the insurance brokers need to take early step to promote and give this group an enlightenment towards the importance of having life insurance.

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## APPENDICES

**Table 1** Respondents Genders towards Awareness

	<i>Gender</i>		
	<b>Male</b>	<b>Female</b>	<b>Total</b>
Totally Agree	21 {28%}	54 {72%}	75 {16.37%}
Agree	92 {29.21%}	223 {70.79%}	315 {68.78%}
Less Agree	14 {26.42%}	39 {73.58%}	53 {11.57%}
Not Agree	6 {40%}	9 {60%}	15 {3.28%}
<b>Total</b>	133 {100%}	325 {100%}	458 {100%}

**Table 2** Respondents Ethnic groups towards Awareness

	<i>Ethnic groups</i>					
	<b>Hausa</b>	<b>Ibo</b>	<b>Yoruba</b>	<b>Others</b>	<b>Foreign Students</b>	<b>Total</b>
Totally Agree	4 {5.33%}	9 {12%}	49 {65.33%}	13 {17.34%}	0 {0%}	75 {16.37%}
Agree	18 {5.71%}	56 {17.78%}	203 {64.44%}	37 {11.75%}	1 {0.32%}	315 {68.78%}
Less Agree	2 {3.77%}	6 {11.32%}	37 {69.81%}	8 {15.09%}	0 {0%}	53 {11.57%}
Not Agree	2 {13.33%}	4 {26.67%}	9 {60%}	0 {0%}	0 {0%}	15 {3.28%}
<b>Total</b>	26 {100%}	75 {100%}	298 {100%}	58 {100%}	1 {100%}	458 {100%}

**Table 3** Respondents Age towards Awareness

	<i>Ages</i>			
	<b>16-25</b>	<b>26-35</b>	<b>35 and above</b>	<b>Total</b>
Totally Agree	53 {70.67%}	16 {21.33%}	6 {8%}	75 {16.37%}
Agree	226 {71.75%}	63 {20%}	26 {8.25%}	315 {68.78%}
Less Agree	34 {64.15%}	12 {22.64%}	7 {13.21%}	53 {11.57%}
Not Agree	9 {60%}	4 {26.67%}	2 {13.33%}	15 {3.28%}
<b>Total</b>	322 {100%}	96 {100%}	41 {100%}	458 {100%}

**Table 4** Respondents information about life insurance policy

<i>Gender</i>			
	<b>Male</b>	<b>Female</b>	<b>Total</b>
Parents/Family Members	14 {17.07%}	68 {82.93%}	82 {44.09%}
Relatives	11 {55%}	9 {45%}	20 {10.75%}
Friends	11 {64.71%}	6 {35.29%}	17 {9.14%}
Electronic and Print Media	11 {45.83%}	13 {54.17%}	24 {12.90%}
Insurance Brokers	18 {41.86%}	25 {58.14%}	43 {23.12%}
<b>Total</b>	<b>65 {100%}</b>	<b>121 {100%}</b>	<b>186 {100%}</b>

**Table 5** Respondents reasons for taking life insurance policy

<i>Gender</i>			
	<b>Male</b>	<b>Female</b>	<b>Total</b>
Accidents	58 {29.29%}	140 {70.71%}	198 {43.23%}
Death	19 {26.03%}	54 {73.97%}	73 {15.94%}
Illness	29 {27.88%}	75 {72.12%}	104 {22.71%}
Disability	8 {29.63%}	19 {70.37%}	27 {5.90%}
Disasters	6 {35.29%}	11 {64.71%}	17 {3.71%}
Retirements	13 {33.33%}	26 {66.67%}	39 {8.52%}
<b>Total</b>	<b>133 {100%}</b>	<b>325 {100%}</b>	<b>458 {100%}</b>

**Table 6** Respondents classification of life insurance policy

<i>Gender</i>			
	<b>Male</b>	<b>Female</b>	<b>Total</b>
Compulsory	31 {31.31%}	68 {68.69%}	99 {21.62%}
Necessity	87 {26.52%}	24 {73.48%}	328 {71.62%}
Unnecessary	15 {48.39%}	16 {51.61%}	31 {6.77%}
<b>Total</b>	<b>133 {100%}</b>	<b>325 {100%}</b>	<b>458 {100%}</b>

**Table 7** Respondents goals priorities towards awareness

	<i>Gender</i>		
	<b>Male</b>	<b>Female</b>	<b>Total</b>
Wealth Creation	19 {20.65%}	73 {79.35%}	92 {20.09%}
Children's Future	92 {30.07%}	214 {69.93%}	306 {66.81%}
Living too long	12 {36.36%}	21 {63.64%}	33 {7.21%}
Dying too soon	10 {37.04%}	17 {62.96%}	27 {5.90%}
<b>Total</b>	133 {100%}	325 {100%}	458 {100%}