

# Abysmal Insurance Patronage for Residential Properties in Ghana

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## **Abstract**

Climate change and its consequences reinforce on the need to insure homes or residential properties as a way of adapting to disaster. Currently, the level of property (or home) owners patronage in property insurance is low. The aim of this paper was to assess why homeowners do not insure their properties. 95 residential property owners in Wa, the regional capital of the Upper West region of Ghana were interviewed on their property insurance status and reasons for their status. 80% homeowners had their properties uninsured and stressed that the insurance companies charges high premium, cumbersome and non-transparent process reinstatement, and expressed low confidence in the insurance operators. Others lamented their dependence on the support from the National Disaster Management Organisation, Ghana in case of any disaster. Other findings included little knowledge on property insurance and that the home insurance companies are quiescent in the municipality. The study was carried out on a small geographical scope and national-scale survey is recommended. There is a need for action to increase the motivation among homeowners to insure their landed properties, which should include awareness raising actions in promoting sustainable behaviour. The paper examined a new subject of why low property insurance patronage of homeowners and provides a broad analysis of homeowners' reasons for their actions or inactions.

**Keywords:** Wa-Ghana, Residential property, Home Insurance, Property Insurance, Homeowners, Property Owner

## **INTRODUCTION**

Natural disaster is as a consequence of climatic change. Long draught are experience that brings many fire and loss of vegetation cover, erratic heavy down pour resulting in rain storms and flood. Man and his properties have suffered many hazards from nature globally. Fire, storms and floods are constant threats to assets of humanity. Natural disasters poise a lot of risk to landed properties. Commercial properties especially residential properties are not exceptional to the brunt to natural disaster. Insurance has been identified as one of disaster risk reduction (DRR) tools, especially in developed world. Insurance for residential and other commercial properties has been uncovered as a safe haven for insured landlords. Home insurance is imperative to all stakeholders in the built environment. There are many insurance policies and many financial experts spelt out the need to have these policies in place. Patronizing the right insurance policy is always situational and factors such as children's age, life style and employment benefits are to be considered when planning insurance policy.

Statistics available at Ghana National Fire Service indicates that property worth GH¢2,080,495 were destroyed by 1,237 number of fire out breaks between January and March 2012, with Ashanti Region recording the highest cases of 379 destroying properties estimating at GH¢1,583,410. Central Region recorded the second highest with Brong-Ahafo Region and Upper East Region recording zero cases of fire outbreak. In the Upper West region in particular, the average fire disaster occurrence per year in the Wa municipality within which the municipal chief executive seated, is 9.83% and the number of cases per year are on the increase. The figure for fire disaster has escalated from 53 cases in 2010 to 201cases in (MFO, 2013). In particular, disaster occurrence in Wa is dazed. In Wa township alone, in 177 houses, 189 houses, and 136 houses were affected by storms in 2011, 2012 and 2013 respectively which amounted to many thousands of Ghanaian cedis (NADMO, 2013). In addition, the records from NADMO (2013) for both fire and flood disasters were on the increase which cannot be underestimated.

With the disaster depiction portrayed above, the need of residential property insurance in this region is urgent and essential. Residential property insurance can be generally divided into two categories, namely all-risk (open perils) policy and named perils. Under the all-risk or open perils policy, losses caused by any fortuitous peril not specifically excluded under the policy would be covered. The usual exclusion includes damages from floods, earth quakes, etc. While under named perils, specific cause of damage is listed in the policy in order for compensation to be granted for that particular damage but nothing else. Events like theft, lightening and fire are usually exclusions under this policy. One major issue about property insurance is that people do not research to find out a reliable insurance company and do not know exactly what the insurance company covers (Barry et al, 2008).

The policy of insurance has a long historical standing in Ghana, and is governed by law which is recognize by mortgage decree 1972 (NRCD 96) section 11. The law states that both the mortgagor and the mortgagee have an insurable interest in the mortgage property. This is to

emphasis that both property owners and investors have insurable interest. These days, institutions that gives loans using securities always emphasis on property insurance in other to avert any unforeseen risk. For a loss or damage to be covered under standard from commercial property policies, there must be a direct physical loss to the covered property by a covered peril within the policy period. Direct physical loss often involves some physical alterations to the covered property. The insured must suffer a loss caused by the covered peril or suffer a loss not caused by an excluded peril ( All risk policy), Hence when looking for an insurance policy one must know the exact risk that should be covered by an insurance policy.

Many are the unanticipated disaster confronting property owners in Ghana, some of which include flood, fire, storm and many others. The rapid increase in these occurrences especially fire out break and flood in respective of their measures kept in place to control them, is alarming. The rampant occurrence of these disasters has called on both the public and the private sectors to emerge in the insurance sector. They seek to recover some level of damages should disasters in which the property is insured against occurred. The establishments of insurance policies are within the legal framework of Ghana. Numerous efforts have been made by these insurance companies such as State Insurance Company (SIC), Done Well Insurance Company, Glico Insurance Company, Vanguard Assurance and many others through advertisements on the various media to get the public attention of their policies and benefits.

Chronically, the insurance industry has yielded insufficient rate of return on its key residential property sector, the homeowner's product, since the 1980s (Rollins, 2005). Upon various efforts made by these companies to attract the public to their policies, just few property or homer owners in Ghana insure their properties especially Upper West Region and Wa to be precise. This raises concerns as to what might account for this low patronage of such a nice policy. Why there is a paucity of information on low patronage of property insurance in Wa begs for answer. The study therefore sought to find out many home owners do not insure their residential properties; to identify the causes of low insurance patronage and to recommend or suggest the ways to improve on property insurance patronage.

## **PROPERTY INSURANCE**

There have been many attempts made by various writers and expertise in the derivation of the meaning and definition of insurance. Insurance is a financial arrangement that redistributes the cost of unexpected loss. Thus, insurance involves the transfer of loss exposures (or uncertainty of loss) to an insurance pool and the redistribution of the cost of losses among the members of the pool (Dorfman, 2008). Loss as an insurance term is defined as unintentional decline in or disappearance of value arising from a contingency (Pal, Bolda, and Garg, 2007).

An insurance system redistributes the cost of losses by collecting premium payment from every participant (insured) in the system. In exchange for the premium payment, the insurer promises to pay the insured's claims in the event of a covered loss (Dorfman, 2008). Insurance companies

bear risk in return for a fee called premium. In other words, insurance companies are risk bearers and accept or underwrite the risk in return for an insurance premium. Accordingly, the term insurance may be defined as a co-operative mechanism to spread the loss caused by a particular risk over a number of persons who are exposed to it and who agree to ensure themselves against that risk (Pal et al, 2007).

In legal terms, insurance is coverage by contract whereby one party undertakes to indemnify or guarantee another against loss by a specified contingency or peril (Marples, 2008). Pal et al (2007), argue along with Marples' line, that insurance is a sum of money paid as premium by the insured in consideration of the insurer's bearing the risk of paying a large sum upon a given contingency.

The concepts of insurance distribute the risk of few people over a large number of people exposed to similar type of risk. The transaction involves insured trustees who collect and gather money in a form of premium from individuals to form a pool of fund which is used to indemnify members within the pool. The insured receives a contract called the insurance policy, which details under which the insured will be financially compensated are stated (State Insurance Company, 2012). Insurance can also be a source of investment, pension fund and collateral for the insured. There are various types of insurance policies that many insurance companies offer to the public; some include home insurance, vehicle insurance, business insurance among others (Marples, 2008).

Property insurance is the insurance that protect the physical property and equipment of a business against loss from theft, fire, flood or other perils. This may include specialized forms of insurance such as fire insurance, earthquake insurance, home insurance, and many others (Stephen et al, 2010). Property may be insured in two main ways, either open perils or named perils. Open perils covers all the causes of loss net specifically excluded in the policy. Common exclusions on open peril policies include damage resulting from earthquakes, floods, nuclear incidents, etc. Named perils on the other hand, also require the actual cause of loss to be listed in the policy for insurance to be provided. The more common named perils include damage causing events such as fire lighting, explosion and theft (*ibid*).

This section gives brief historical overview of Ghana's insurance industry. Way back in the late 19th century, the British merchants having been mandated by the British merchant shipping law introduced insurance in Ghana then called Gold Coast. This shipping law compelled all goods being shipped into the British colonies to be carried by ships owned by British citizens therefore the need to insure these ships by the United Kingdom insurance companies became necessary. So the need for these insurance companies to have agents in Gold Coast also arose. Because Gold Coast was still a British colony, insurance transactions were made through the foreign trading companies in Gold Coast acting as chief agents of insurance companies in the United Kingdom and other foreign countries. Gold Coast intermediary insurance companies at times acted between the insurers and the insured under the Act of British parliament, legible to

accept proposal, sign and issue insurance cover on behalf of the insurance companies in the United Kingdom (Kini, 2010).

The first local insurance company was established and registered in the year 1955 but however, operated in 1956 as a life assurance company. After Gold Coast has gained independent in 1957 to become Ghana, the name of the company was also changed to Ghana Insurance Company. An Act was passed by the government in 1962 which took over the Ghana Corporative Insurance Society resulting in the renaming of the Ghana Insurance Company to State Insurance Corporation. Later in 1995, the State Insurance Corporation was converted into a public limited liability company which consequently changes its name to state insurance company (SIC) of Ghana limited with the government of Ghana being the sole shareholder (*ibid*).

According to the mandate of the insurance Act, 2006, SIC has separated its general business from the life business with the incorporation of SIC life limited. By a special resolution passed on 22<sup>nd</sup>, October, 2007 the name of the company became State Insurance Company Limited (SIC, 2012). Today there are many types of insurance companies selling several kinds of insurance products in Ghana. As of July 2009, the insurance industry in Ghana was made up of 21 non-life companies. 17 life assurance companies, 2 reinsurance companies, 38 broking companies, 40 insurance broking companies and loss adjusting company. Statistics as at September 2012, shows that the insurance industry in Ghana was made up of 23 non-life companies, 17 life assurance companies, 2 reinsurance companies, 1 reinsurance broker, 40 insurance broking companies, 1 loss adjuster and about 4,000 insurance agents (National Insurance Commission, 2009).

The following are some of the licensed insurance companies in Ghana; Enterprise Insurance, State Insurance Company (SIC), Prime Insurance, Vanguard Assurance, Donewell Insurance, General Insurance Company, Ghana Union and Industrial. The rest are CDH Insurance, Quality Insurance, Provident, Unique Insurance, Phoenix, Star Assurance, Glico General, Global Alliance now Activa International Insurance, Metropolitan Insurance, Equity Assurance, International Energy Insurance and Regency Alliance. On the other hand, the following companies also falls under the life insurance; Capital Express Life, Vanguard Life, IGI Life, SIC Life, Ghana Union Life, Star Life, Provident Life, CDH Life, Phoenix Life, Metropolitan Life Ghana, Done well Life, Glico Life, Unique Life, Ghana Life and Quality Life, not forgetting Enterprise Life Assurance Company (Frank et al., 2011)

The National Insurance Commission (NIC) is the authoritative body in charge of insurance issues in Ghana. The National Insurance Companies were established by the Insurance Law, 1989 (PNDC LAW 229) which was taken over by the Insurance Act, 2006 (Act 724) in the year 2006. The ultimate goal of the National Insurance Commission under the Insurance Act, 2006 (Act 724) was to establish an efficient, fair, space, safe and stable and insurance market, which will promote healthy competition and growth in the interest of the policy holders for the benefit of all. The Act also obliges them (national insurance companies) to ensure effective administration, supervision, regulation, monitoring and control of the business of insurance

industry in Ghana. The National Insurance Commission was also empowered by the new Act 2006, for regular and site inspection, licensing and appropriate sanctions against defaulting companies. This regular checking ensures transparency in the activities of insurance companies and engenders trust in client (Frank et al, 2011).

Property Insurance: Insurance policies take many forms as indicated earlier on which may include home insurance, vehicle insurance, business insurance among others (Marples, 2008). Property insurance is the insurance that protect the physical property and equipment against loss from theft, fire, flood or other perils. This may include specialized forms of insurance such as fire insurance, earthquake insurance, home insurance, and many others (Stephen et al., 2010). Property may be insured in two main ways, either open perils or named perils. Open perils covers all the causes of loss net specifically excluded in the policy. Common exclusions on open peril policies include damage resulting from earthquakes, floods, nuclear incidents, etc. Named perils on the other hand, also require the actual cause of loss to be listed in the policy for insurance to be provided. The more common named perils include damage causing events such as fire lighting, explosion and theft. There are various types of property insurance coverage available, information about exclusion and defenses that could preclude coverage for a loss, and steps that an insured can and should take when making and proving a claim to maximize recovering for a loss this include, coverage for personal property, coverage for real property and excluded property (Stephen et al., 2010).

One issue that worth mentioning is the demands for Insurance Products. According to the National Insurance Commission (NIC), Ghana's insurance penetration is only 1.69% of the population and contributes almost 2.0% to the gross domestic product of the country and it is expected to rise to 10% if massive education and awareness are created and enforced. A survey conducted by Media and Films Ghana Ltd, reveals that about 70% of Ghanaians have little knowledge about insurance with an indication that majority of the population and businesses are not insured. McCord (2001) evidenced literacy gap as a factor influencing the demand for insurance products. McCord argues that "lack of understanding of the mechanism behind insurance by the public is doing more harm than good". Information has become a powerful tool in modern marketing development and insurance companies would have to ensure constant flow of details about their services and dealings through the media to build confidence in clients. Chankona et al, (2008) on the other hand emphasis on literacy gap by arguing from a point that, lack of effective communication by insurance company in explaining products in a way that is understandable for low-educated and illiterate groups contributes much to the illiteracy in the insurance industry and hence making the public unwilling to part take in the policy. This literacy gap has broken down completely the trust and confidence public has in the insurance industry. Presently, there is a general feeling of apathy and prejudice of insurance companies and their operations in the country (Platteav, 1998).

McCord, (2008) points out the essence of customer retention for building trust and for an insurance to function. Radermacher et al (2006) adds to the importance of trust in two dimensions thus; insurer's willingness to make payments to clients and insurer is able to deliver



the payments. Trust of individuals and communities can be built by education as well as ensuring transparency in the activities of insurance companies. Furthermore, they stressed that “in order for trust to be built, the insurer must not be reluctant to give out compensation and must actually make the payment of compensation to the insured”. A recent study by Boateng (2010) indicated that, generally, there had been a lot of customer complaints about the delivery of insurance services in Ghana. “Some of the complaints had to do with customers not receiving reports concerning insurance policies, delay in the payment of insurance claims, inability of policy holders to read and easily understand the insurance terms used in policy documents as well as frontline staff not properly attending to the needs of customers (Boateng, 2010). However, Boateng’s study was very limited in that it focused on only one company which was Consolidated Discount House Insurance Company Limited (CDHL). The state of customer satisfaction with insurance service delivery is not clear as there is scanty documentation of the issue.

This section will end by discussing marketing strategy deployed and utilized by insurance companies. Marketing strategy has become a powerful tool used by sellers to arouse customers’ interest for their products. This concept is therefore a subject of interest to every ongoing business concern which insurance companies are not left out. Marketing is the act of satisfying customer and not in the old sense of just making sale. However, there are several ways or steps taken by companies to achieve their aims of satisfying their customers need (Kotler et al, 1991). Strategy as defined by Johnson, Scholes and Whittington (2008) is the direction and scope of an organization over a long term, which achieves advantages in changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder’s expectations. Again satisfaction of customer’s expectation or need is emphasized; this indicates how important customers mean to the existence of companies (Stevenson, 2010).

## **METHODOLOGY**

This was descriptive one made of two stages. First, a survey of literature was reviewed on insurance, property insurance, demand for insurance products and marketing strategies. The essence was to show what property insurance was and to survey various reasons why people does not patronize insurance.

Secondly, a survey through door-to-door administration of questionnaire to home owners, was carried out in Wa, the regional capital of the Upper West region of Ghana from January to May of 2013. It was to find out insured and non-insured residential properties, extent of disaster occurrence, the causes of low insurance patronage and the ways to improve on property insurance patronage. In addition, both open-ended and close-ended interview guide and questionnaire were employed in collecting data from the officials of four insurance companies. The researchers considered that both the open and close-ended interview guides and questionnaires were appropriate since this gives the participants the opportunity to express their opinion. Also, officials from three government institutions (Ghana Fire Service, NADMO,

Ghana Statistical Service) were interviewed, thus the officers from the Ghana Fire Service and Ghana Statistical Service in Wa.

The population was Wa township and the target populations were Nakpabuokole, kpaguri residential area, Mango, Kabanye, Tidaaba, Chorko residential area, Dobile, Dondonli, Duukwam and Wapaani area. However, we interviewed the MFO at the Ghana Fire Service, NADMO officer, Ghana Statistical Service, State insurance company (SIC), Star Assurance Company and Glico Life insurance company in Wa.

Our sample frame is a list of all properties in Wa. Here 5,000 properties are taken into consideration for this research work. The sample unit used was ten (10) properties in each of the ten (10) communities in Wa. Stratify sampling technique was employed for the selection of properties in the study area. Random sampling was also use in selecting the ten properties in each locality. This technique gave each property the opportunity of being selected which ensures representativeness. The sampling unit was stratified into ten groups and numbered according to locations, a sample of ten (10) was drawn from each strata on the ratio of 1:10. This gives us a sample size of 100. However, the actual sample size used for the analysis was 95 because we administered 100 questionnaires and 95 subjects responded.

## **RESULTS AND DISCUSSIONS.**

It is significance to show the demographic information the contacted participants of the study. Out of the 100 questionnaires sent out, 95 questionnaires were returned for our analysis representing response rate of 95%. The characteristics of the participants in the insurance industry from property owner's perspective in terms of sex, 63.2% of the participants are males and 36.8% are females. In terms of age, 5.3% of the participants are below 20 years, 35.8% between 20 and 29 years and 38.9% between 30-39, 13.7% are between 40-49 years and 6.3% are 50 years and above, as depicted in table 4.1 below. This implies that majority of the participants are in the economic active population and are capable of insuring their properties. Moreover, in terms of occupation, 46.3% are government workers, 33.7% are private workers, 13.7% are students, per the data we collected and those that do not fall in any of the above (others) constitute 5.3%. In terms of education, 5.3% have no education; those who have secondary education constituted 13.7% and 81.1% have tertiary education as depicted in table 4.1below. This implies that majority of the subject are educated and are also in the working class. These categories of people have fair knowledge on the importance of property insurance. Also, in terms of marital status, 55.8% are married, 38.9% are single, 1.1% is divorced and 4.2% are windowed. Earnings in terms of monthly income of respondents in Ghana Cedis (GH¢) suggested that, 1.1% of them earn below GH¢ 100, 17.9% earn between GH¢ 100 and GH¢ 300, 32.6% earn GH¢ 301 and GH¢600, 48.4% of them earn above GH¢ 600. This means that majority of the respondents are financially sound and may have what it take to insure their properties yet the most of them do not have insurance policies. This emphatically is depicted by table 4.1.



Table 4.1 Demographic Profile of Respondents

Details	Frequency	%	Details	Frequency	%
<b>Gender:</b>			<b>Educational level:</b>		
Males	60	63.2	No education	5	5.3
Females	35	36.8	Secondary education	13	13.7
Total	95	100	Tertiary education	77	81.1
			Total	95	100
<b>Age group:</b>			<b>Occupation:</b>		
< 20year	5	5.3	Government worker	44	46.3
20-29years	34	35.8	Private worker	33	34.7
30-39years	37	38.9	Students	13	13.7
40-49years	13	13.7	Others	5	5.3
≥50years	6	6.3	Total	95	100
Total	95	100			
<b>Marital status:</b>			<b>Income distribution:</b>		
Married	53	55.8	Below GH¢100	1	1.1
Single	37	38.9	GH¢100- GH¢300	17	17.9
Divorced	1	1.1	GH¢301- GH¢600	31	32.6
Widowed	4	4.2	Above GH¢600	46	48.4
Total	95	100		95	100

Source: Field data, 2013

From the table above, it can be gathered that majority of the participants are in the working class, educated and in terms of income, they receive income at the end of the month, yet 80% (deduce from table 4.4) of them do not insure their properties for the reason being that, insurance companies charge high premium, delay in receiving claims and the process involve is cumbersome.

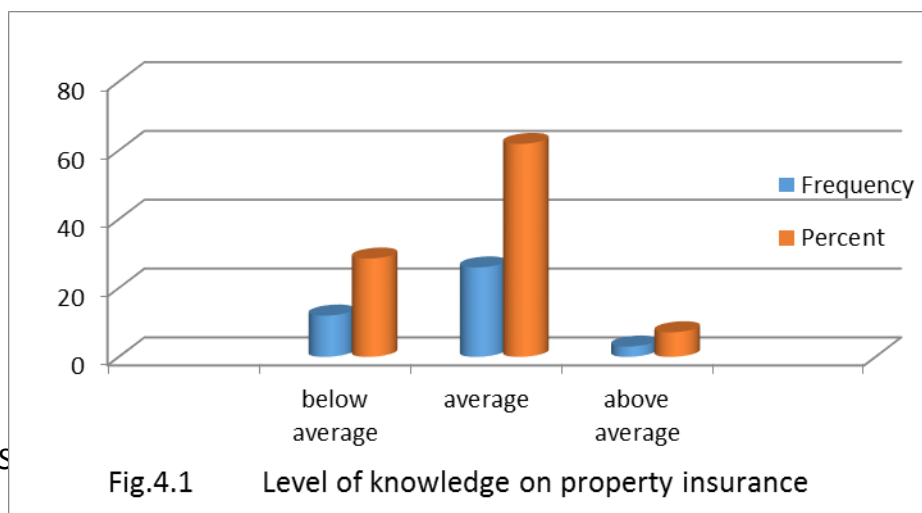
In addition, this study uncovered the disaster occurrence in Wa. Table 4.2 summarized the outcome from our participants. Properties that were destroyed by storm disaster in 2011, 2012 and 2013 (so far) numbered 177, 189, 136 amounted to GH¢295,947, GH¢421,873 and GH¢135,278 correspondingly. This is depicted in table 4.2 above. Again, it can be realized that storm disaster appears to have maximum occurrence among the other disasters at the rate of 47.4% per annum in the municipality.

Table 4.2 Disaster occurrence in Wa

Disaster	Flood		Storm		Fire	
	Frequency	%	Frequency	%	Frequency	%
Semi-Annual	1	1.1	12	12.6	4	4.2
Annual	42	44.2	45	47.4	21	22.1
No occurrence	52	54.7	38	40.0	70	73.1
Total	95	100	95	100	95	100

Source: Field data, 2013

In terms of participants’ knowledge on property insurance, it was realized that participants were aware of the existence of property or home insurance company in Wa township and 67.4% of the participants have average knowledge on property insurance. This is depicted in figure 4.1 below.



The research found out the insurance companies in Wa uses media, seminars, and door-to-door campaigns among others as their marketing strategies in order to encourage property insurance in the municipality. Despite the marketing strategies used by these insurance companies majority of the participants still thinks a lot need be done. Figure 4.3 below shows

the opinions of participants on the marketing strategies and the accessibility of insurance companies.

Table 4.3 Insurance Marketing Strategy		
Details	Frequenc y	Percentage
Market strategies:		
Door to door	14	14.7
Media	59	62.1
Others	22	23.2
Total	95	100
Opinions on marketing strategies:		
Bad	40	42.1
Good	49	51.6
Others	6	6.3
Total	95	100
Accessibility:		
Bad	35	36.8
Good	57	60.0
Others	3	3.2
Total	95	100

Source: Field data, 2013.

From the table above, it can be deduced that 51.6% of participants are of the opinion that, the marketing strategies used by the insurance companies was good, whiles 42.1% thought was bad and 6.3% were uncertain. It is also observed that, 60% thought accessibility to insurance companies was good whiles 36.8% said it was bad, with 3.2% undecided. Furthermore, the research also revealed that only 20% of the participants insured their properties and 80% of them do not insure their properties as depicted in the figure 4.2 below.

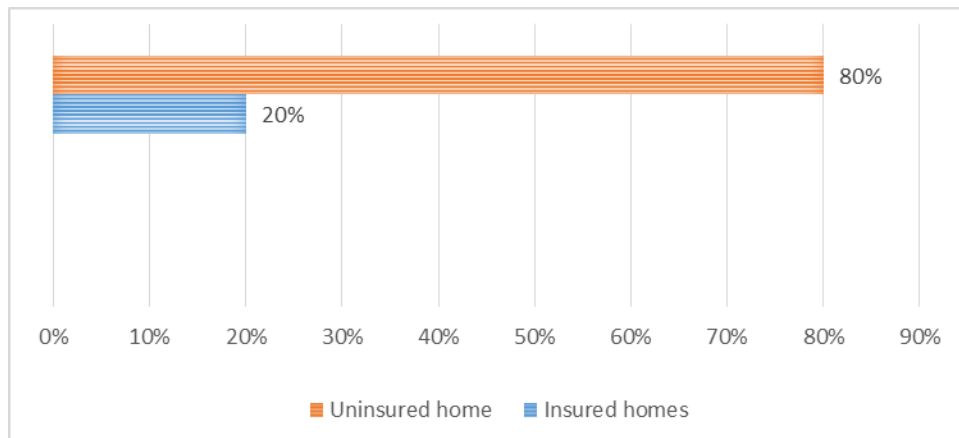


Figure 4.2: Insured and Non-insured Properties Source: Field data, 2013

However, 73.7% of the respondents would recommend property insurance to other people for the reason being that, property owners would be restored or indemnify should the event which the property was insured against occurred and 26.3% of the respondents would not advocate property insurance to other people for the reason being that, insurance company charge towering premium, the progression of taking claims are cumbersome as depicted in table 4.4 below.

Table 4.4 Would you recommend property insurance to any other person

Details	Frequency	Percentage
Yes	70	73.7
No	25	26.3
Total	95	100

Source: Field data, 2013.

To ensure both internal and external reliability and validity the following tests were ran. the Friedman Analysis of Variance Test (FAV) test is conducted using the SPSS v20.0 to test whether any significant difference exists between constructs measures, including functional quality properties, technical sound and income producing capacity of properties in terms of rank or not. The FAV tests the null hypotheses that there were no significance difference between the constructs' measures in terms of rank.

Table 4.5 ANOVA with Friedman’s Test for Mean Ranks

			Sum of Squares	df	Mean Square	Friedman’s chi-square	Sig
Between People			83.663	94	.890		
	Between Items		11.137	1	11.137	14.297	0.00
			2.322	1	2.322	3.566	
Within People	Residual	Balance	60.542	93	.651		
		Total	62.863	94	.669		
	Total		74.000	95	.779		
Total			157.663	189	.834		

Source: Field data, 2013.

According to Table 4.5, since the p-value for the tests is zero, the null hypothesis is rejected and so it could be concluded that there is significance difference between the constructs’ measures in terms of rank and priority. Also, Table 4.6 shows nine (9) common model-fit measurements that were used to assess our model’s fit. According to the Table, although the resultant chi-square statistic was significant, which is not good news as it means that the model is not fit, this was to be expected for large sample sizes greater than 200 cases (Hair et al., 2006). Again, most of the model-fit indices exceed the respective common.

**Measuring the Goodness of fit.**

Table 4.6		Goodness of Fit		
		Value	Df	Value/df
Deviance	3	275.33	94	2.929
Scaled Deviance		95.000	94	
Pearson Chi-Square	3	275.33	94	2.929
Scaled Pearson Chi-Square		95.000	94	
Log Likelihood		130.539		
Akaike's Information Criterion (AIC)	8	265.07		
Finite Sample Corrected AIC (AICC)	9	265.20		
Bayesian Information Criterion (BIC)	6	270.18		
Consistent AIC (CAIC)	6	272.18		

Source: Field data, 2013.

acceptance levels, demonstrating that the measurement model exhibited a good fit with the data collected. Therefore, we proceeded to evaluate and measure properties using measurement model in terms of reliability and convergent validity as depicted in table 4.7 below.

Table 4.7 Reliability statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standard Items
0.249	0.253

Source: Field data, 2013.

From Table 4.7 above, Cronbach's Alpha and Cronbach's Alpha Based on Standard Items are positive demonstrating the reliability validity of the research. The questionnaire explained 56% total variance shared in table 4.8 below demonstrate the validity of the questionnaires. Also, taken

Table 4.8 Total Variance Explained

Initial Eigen values		Extraction SSL			Rotation SSL				
Cmt	Total	% of Var	Cum %	Total	% of Var	Cum%	Total	% of Var	Cum %
1	16.705	47.729	47.729	16.284	46.525	46.526	5.723	16.351	16.351
2	1.832	5.235	52.964	1.400	4.001	50.526	5.490	15.684	32.035
3	1.633	4.665	57.629	1.228	3.509	54.035	5.246	14.990	47.025
4	1.150	3.287	60.916	.710	2.030	56.056	3.164	9.040	56.065

(Note SSL=Sums of Squares Loadings; Cmt = Component; Var =Variance; Cum= Cumulative)

Source: Field data, 2013.

together, the evidence from the high alpha values and significance of Cronbach's Alpha test base on standardized item in table 4.7, combined with 0.56 for variance explained in table 4.8 pointed to a stronger evidence of convergent validity.

Beside the above, a factor loading under parameter regression estimation was undertaken. Table 4.9 depicts the parameter estimation. The essence of this estimation was to find loading of some questions (measures) and related variables.



Table 4.9 Model Summary and Parameter Estimate

Equation	Model Summary					Parameter Estimate	
	R Square	FL	Df1	Df2	Sig.	Constant	B1
Linear	0.021	1.986	1	93	0.162	2.950	0.119
Inverse	0.035	3.416	1	93	0.068	3.636	-0.862
Exponential	0.022	2.133	1	93	0.148	2.803	0.044

Source: Field data, 2013

Factor loads of the indicators are higher than 0.5 which shows that the questions highly explain the variance of their variables so we can say that the measurement model had a high factor validity.

In measuring the categories of participants and the rate at which they insured their properties, Table 4.10 was used to depict the rate at which participants insured and uninsured their properties in various categories namely, gender, age group, income level and level of education. From the table, 20% of the participants insured their properties and 80% do not insured their properties. Out of this 20% and in terms of gender, 73.7% are males and 26.3% are females. This therefore implies that males insured their properties as compared to the females in Wa township. Again, this was not outlandish in this part of the world where traditionally, properties in general are supposed to be owned by only males. This trend of property ownership could be explained by socio-cultural practices in the study area. Further investigation pointed to the fact that about 68% of the 26.3% women with property ownership were highly educated and non-indigenes workers, such as university lecturers. These lecturers are permanently stationed in Wa until their retirement. It was also uncovered that even those indigenous women who had property ownership were also highly educated.

Also, in terms of age group, 5.3% of the respondents are below 20years, 36.8% of them are between 20-29years, 47.3% of them are between 30-39years, 5.3% of them are between 40-49years and 5.3% of the respondents are above 50years. This implies that the active force has the ability to insure their properties if greater awareness is created in the municipality. Eccentrically, 5.3% of participants were less that 20 years who owned properties. This was due to the fact that, traditionally they inherited their ownership from their respective passed fathers. It was based on the circumstance that, usually first male child inherits properties when their father pass-on.

Moreover, in terms of income level, participants who earn below GH¢100 do not insure their properties, 26.3% of them earn between GH¢100-GH¢300, 31.6% of them earn between GH¢301-GH¢600 and 42.1% of them earn above GH¢600. This means that those who earn

income monthly above GH¢600 have the capability of insuring their properties if awareness of the importance of property insurance is created in the municipality. This could be inferred from the views expressed by property owners and attribute their low property insurance patronage to their mistrust and less confidence for insurance companies.

In addition, in terms educational level, respondents who do not have education do not insure their properties which represent 0% and this could be as a result of ignorance. 5.3% of the respondents who insure their properties have secondary education and 94.7% of them have tertiary education which means that they are aware of the importance of property insurance. It was identified that none of our participants were within the categories of Primary and Junior High School. Again, their low property insurance patronage could be explained by their distrust and less confidence for insurance companies.

Table 4.10 Categories of Participants who insured and uninsured their properties

Details	Is your property covered by insurance policy		
	YES	NO	TOTAL
Gender category:			
Male	14	46	60
Female	5	30	35
Total	19	76	95
Age group category:			
Below 20years	1	4	5
20-29years	7	27	34
30-39 years	9	28	37
40-49 years	1	12	13
50 years and above	1	6	6
Total	19	76	95

Income level category:			
Below GH¢100	0	1	1
GH¢100- GH¢300	5	12	17
GH¢301- GH¢600	6	25	31
Above GH¢600	8	38	46
Total	19	76	95

Educational level category:			
No education	0	5	5
Secondary education	1	12	13
Tertiary education	18	59	77
Total	19	76	95

Source: Field data, 2013

In terms of home insurance in Ghanaian regulatory framework, it uncovered that, the Insurance Act 2006, Act 724 section 183 and section 184 requires compulsory insurance for all private commercial buildings. The law came to effect on 1<sup>st</sup> August, 2011. Since then there is no sign of enforcement by the municipal authorities and this could led to 80% of our respondents not insuring their properties in the municipality. Further property owner interrogation yielded that, they were unaware of Act 724 with sections 183 and 184 which oblige all owners of private commercial buildings to insure them. Residential properties or buildings are income generating properties hence, commercial properties. The abysmal patronage of property insurance in Wa could be attributed to weak regulatory framework in the region. This is so because, the Acts are enacted which are practically not forcible.

In the spheres of corporate bodies that provide property insurance services in the municipality, another vital issue was uncovered thus, the scanty and inaccessible property insurance service providers particularly in the Wa municipality. Generally, the companies that provide insurance services include Star Assurance, Glico Life insurance and SIC insurance company all in the municipality. It was uncovered that only one (SIC) out these four insurance companies had home insurance policy.

In respect to why property owners do not insure their properties, an insurance manager lamented that:

“...property owners have very low appreciation of the need to protect property against risk. Property owners believe in NADMO’s support and that paying premium was just an extra cost. Inadequate knowledge on property insurance policies on the part of property owner’s leading to low or no patronage of insurance policies. Again, property owners do not trust the insurance company” (Source: An Insurance Manager).

From the 80% of property owners who did not insure their properties, raised the many reasons for their inaction or action. These were reflected in the statements from property owners:

“...that the insurance companies charge high premium. The process involve in reinstatement is cumbersome which delays receiving of claims, sometimes they are not transparent ...”  
(Source: Property Owner, 2013).

Another, property owner bitterly stressed:

“Generally, I have low confidence in insurance operators and NADMO will support when there is any disaster. Even, there is little knowledge on property insurance and ... maybe the companies are dormant in the municipality. (Source: Property Owner, 2013)

## **CONCLUSION**

The study was purposed to identify why residential property owners do not insure these properties in Wa, the regional capital of the Upper West region of Ghana. It was uncovered only 20% of the contacted homeowners have their homes insured and the shank a number (80%) of homeowner contacted have theirs uninsured. The following reasons were raised for the abysmal patronage of home insurance in the study area: low confidence in and distrust for insurance operator, insurance companies charging high premium; non-transparent and cumbersome insurance processes and delay in receiving claims or indemnification, The study also highlighted homeowners’ over-reliance on NADMO support; little knowledge on home insurance; reluctance of many insurance companies to offer home insurance in the municipality as other factors leading low patronage of home insurance. Again, it was seen that the Act 2006,

Act 724 section 183 and section 184 which necessitates compulsory insurance for all private commercial buildings is not known by home owners due to the fact that it is inactive and unexecuted by the necessary authorities in the region. This suggests for further study to cover all the ten regions of Ghana. Again, the further study should analyze the various reasons for low home insurance patronage for all the regions in Ghana. Not only that, the further studies should examine the critical reasons why homeowners do not insure the properties for each of the ten region. This will provide relevant information or input for policy making concerning home insurance for country. The study also recommend urgent enforcement of the law especially the Act 2006, Act 724 section 183 and section 184. Moreover, the general public should be educated on the importance of home insurance are a safe-net against natural disasters like fire, flood, storm among others.

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