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Evaluating Factors Affecting Supply of Short-Term Insurance in Botswana

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Abstract
This research investigated factors affecting the supply of short-term insurance (STI) particularly in Botswana since different researches conducted in other markets may not be applicable everywhere else. Literature was collected from books, journals and the Internet. A simple random sampling technique was used to administer questionnaires to underwriters from five STI companies operating in Gaborone, Botswana and twenty five consumers from the general public in order to deduce factors that affect the supply of insurance. Data was analysed using Statistical Packaging for Social Sciences (SPSS) version 22 and it revealed that insurance plays a huge role of contributing to the economic growth of Botswana through taxes, financial security and investment .The findings evidently showed minimal and unsatisfactory public awareness levels of insurance products. Insurance companies have also been identified as having limited consumer knowledge. The challenges faced by STI include limited resources, limited consumer knowledge and insecurities & trust issues of consumers and these adversely affect effective service delivery.Short term insurers were advised to open more channels of interacting with customers to enable address of questions, provision of information and or advice and handling customer feedbacks such as online services. Another recommendation was on STI employees' training and development initiatives to improve service delivery. Insurance companies were urged to simplify their policy documents so that consumers can easily comprehend and interpret them. The regulator of the insurance industry (NBIFIRA) may set rules and regulations favoring the growth of short-term industry and the economy at large.

1. Introduction

A proliferation of insurance companies (both life and non-life insurance), broking as well as agency firms and pensions hit the Botswana markets recently. Buyers of insurance in Botswana range from individuals, commercial companies, parastatals and the state. However, most Batswana are still reluctant to take insurance because they do not see the need for it. The difficulty nature of the insurance industry towards the payment of claims makes it unattractive for insurers to undertake insurance policies, thus really affected their growth and the roles they play in the development of the Botswana economy, hence the need to carry out a study into the factors that affect the supply of STI in Botswana.

Insurance is vitally important to protect your assets, valuables and even yourself in case an unexpected incident should occur. It is also of great importance to the economy of a country like Botswana. The growth of the insurance industry is largely influenced by two factors; demand and supply. This study investigated the factors that affect the supply of STI in Botswana therefore the focus was on the suppliers of insurance.

Africa is still underdeveloped as most Africans cannot afford insurance premiums yet. Access to insurance products only starts to increase quickly in the upper middle income brackets. With most Africans still just struggling to meet the basic food and other day-to-day needs, insurance is still a long way to go off for the majority of Africans.

A research conducted by KPMG titled' Insurance in Africa' shows that apart from lack of means, other reasons for low insurance penetration in Africa are that people do not trust financial service providers, given how poor Africans are and how challenging the business environments are, not enough incentive for multinational companies to enter African markets and develop the sector. The report also sited other reasons like poor legal and judicial systems, lack of human capital and expertise, shallow financial markets make it difficult to raise enough money to capitalise insurance/re-insurance companies and communities often make use of informal forms of insurance rather than using the services of formal insurers.

A market review conducted on the 21 January 2013 on "Africa's diverse insurance market offer growth opportunities, untapped demand" shows that insurance penetration in Africa is growing, but from a very low base. Insurers are attempting to make insurance more accessible through micro insurance and to a lesser extent in certain countries, through Takaful product offerings that comply with the Islamic Shari'a law. Insurers are exploring new distribution methods for personal lines, driven by expanding use of mobile telephones.

Insurance penetration remains low across Africa. The whole of Africa, with the notable exception of South Africa, has an insurance penetration of roughly one per cent. The sector in African countries is at different stages of development and relatively diverse product offering with only 7 countries having a penetration rate exceeding 2 %. The industry is mostly dominated by the non-life insurance business, with life insurance at an early stage of development. Life insurance is relatively undeveloped in most countries, since not only is there insufficiently developed data on mortality and longevity but also a shortage of specialised skills needed. South Africa accounts for 93 % of life business and over 50 % in non-life business in sub-Saharan Africa. (2014 Partnership forum 10 – 12 June Dakar, Senegal New Frontiers in African Finance)

There are considerable opportunities for further developing both general and life insurance in the continent. Products that can usefully be developed include, but are not limited to, health insurance, micro-insurance, agricultural insurance and other products that can alleviate poverty and promote small and medium enterprises (SMEs). One area of great interest is catastrophe insurance. Clearly floods, droughts, earthquakes and other types of adverse climatic conditions may have a profound impact on the populations affected by them, and significant developments are underway in creating the conditions to insure against these events. The insurance industry in Africa has been growing at a moderate pace relative to other sectors of the financial services industry. Life insurance premiums in Africa fell by 2.4% to USD 47bn in 2010 after the 1.7% increase in 2009. South Africa represents the principal market, accounting for more than 90% of regional premium volume. In Egypt, the third largest market in the continent, the premiums shrank by 18%. Takaful companies have begun to set up operation across several African countries with the potential to attract the Muslim population. (2014 Partnership forum 10 – 12 June Dakar, Senegal New Frontiers in African Finance)

There is very little available data on the non-life insurance sector. Swiss Re informs that the non-life premiums in Africa rose 4.1% to USD 19bn, a 3.8% increase compared to 2009, with South Africa, the largest market accounting for half of the regional non-life premium volume, experiencing a 4.2% growth

Insurance is a risk transfer mechanism that ensures full or partial financial compensation for the loss or damage caused by event(s) beyond the control of the insured party. Under an insurance contract, a party (the insurer) indemnifies the other party (the insured) against a specified amount of loss, occurring from specified eventualities within a specified period provided a fee called premium is paid. In general insurance, compensation is normally proportionate to the loss incurred, whereas in life insurance usually a fixed sum is paid.

- STI is also known as non-life insurance or general insurance. Any insurance other than 'Life Insurance' falls under the classification of General Insurance. It comprises of:
- Insurance of property against fire, theft, burglary, terrorism, natural disasters etc.
- Personal insurance such as Accident Policy, Health Insurance and liability insurance which covers legal liabilities.
- Errors and Omissions Insurance for professionals, credit insurance etc.
- Policy covers such as coverage of machinery against breakdown or loss or damage during the transit.
- Policies that provide marine insurance covering goods in transit by sea, air, railways, waterways and road and cover the hull of ships.\
- Policies that provide marine insurance covering goods in transit by sea, air, railways, waterways and road and cover the hull of ships.
- Insurance of motor vehicles against damages or accidents and theft

In every society the insurance industry is characterized by buyers as well as sellers of insurance. The buyers demand for insurance services which are supplied by insurance sellers. The insurance industry in Botswana is where it is because there are factors that affect its growth rate and the focus of this research will be on the factors that affect the supply.

According to Neelam and Gulati (2013), insurance started thousands of years ago but still it is at the preliminary stage as compared to the banking industry. It appears that people are not patronizing insurance in Africa due to several reasons. There is not enough education about insurance; people see it as a cheat on the society. He continues to cite that a whole building will be there without any insurance coverage. People feel reluctant to go for insurance because when they see the kind of stress people go through before claiming their claims, it does not encourage them to take insurance policies.

There are various factors that affect the supply of insurance in every economy. This study therefore seeks to find answers to the questions and to investigate the factors that affect the supply of STI particularly in Botswana.

2. LITERATURE REVIEW

According to www.insuranceeurope.en insurance is the transfer of risk. It transfers the risk of financial losses as a result of specified but unpredictable events from an individual or entity to an insurer in return for a fee or premium. If a specified event occurs, the individual or entity can claim compensation or a service from the insurer. Insurance is therefore a means of reducing uncertainty. In return for buying an insurance policy for a smaller, known premium, the possibility of a larger loss is removed. By pooling premiums and insured events, the financial impact of an event that could be disastrous for one policyholder is spread among a wider group.

Risk pooling

Pooling spreads the cost of losses between a number of policyholders. For example household contents insure against fire, when the risk of a fire is pooled, the large cost to the few who suffer from a fire is spread between all members of the pool. The average cost to members of the pool (the premium) is relatively low, as only a small number of them are likely to suffer a loss. Insurance protects people and businesses against the risk of unforeseeable events. It is a risk transfer mechanism by which the losses of the few are paid for by the many, with the premiums based on the risk of each individual or entity.

How insurers assess a risk?
The process by which the risk of the policyholder is assessed is called underwriting. The premium and terms of the insurance contract are based on the insurer's assessment of the level of the risk. Each individual or entity wishing to be insured brings a different level of risk to the insurer; a timber house is at greater risk of fire than one made of brick, for example. To make sure that each insured pays a fair premium, insurers use a series of rating factors to assign the level of risk. In general, the higher the risk, the higher the premium. The underwriting process will differ from insurer to insurer, depending for example on the level of risk they are prepared to accept. Terms and conditions may be applied to policies to further homogenize the risks by removing particular events or circumstances under which claims would be paid. Terms and conditions are also important to help reduce the impacts of moral hazard and adverse selection. Risk assessment is economically efficient, as it allows the price of the insurance to reflect the cost of providing it. While underwriting must be consistent with the law, any restriction of the freedom of insurers to underwrite and price according to the risks they are accepting will most likely lead to higher insurance prices and therefore lower availability, affordability and choice for consumers.

According to www.insuranceeurope.com for a risk to be insurable, a number of prerequisites need to be in place. These are:

The risk must be definable and financially measurable
Insurance provides financial compensation against a risk materializing or offers a benefit or service if that risk occurs. The risk must therefore be fully definable, in order to remove any dispute over whether the loss has occurred (and hence when a claim payment is due). It must also be possible to put a price on the cost of the loss, in order to determine the level of compensation required. For insurance against car theft, for example, determining when the event has occurred and how much compensation is due is relatively straightforward.

The risk should be random and independent
It is not possible to insure against an event that will definitely occur, since it involves no uncertainty and therefore no transfer of risk takes place. The occurrence of the insured event should be unpredictable and happen purely by chance, or at least be outside the control of the beneficiary of the insurance, otherwise moral hazard could result. Definite events, such as damage caused by wear and tear or depreciation, and events that are caused voluntarily and intentionally by the insured or someone hired by the insured, usually cannot be insured.

The insured must have an insurable interest
There must be a recognizable relationship between the insured and the risk. Typically, this "insurable interest" is established by ownership or direct relationship. For example, people have insurable interests in their own homes and vehicles, but not in those of their neighbors.

The insurer must be able to calculate a fair premium for the risk
The premium charged to the policyholder must make economic sense. On the one hand, the insurer must be able to charge a premium that is high enough to cover future claims on its pool of risks and its expenses while still making a profit. On the other hand, the amount charged to insure an individual or entity must be a sum that the insured is willing to pay and must be substantially below that of the covered amount or it would not make sense to purchase the cover. This balance is best struck in an open, competitive private insurance market.

Importance of insurance to the economy
Insurance helps people and businesses to assess, manage and reduce their risks. It benefits policyholders as it provides a means of turning large, unexpected costs into manageable smaller payments. Without insurance, people would be less likely to engage in some activities of modern life because the potential financial costs they would be exposed to would be too great. For example, people would be less likely to start their own business, since they would have to be entirely responsible for the cost of an accident or fire. They might also be less likely to buy their own home for the same reasons.
The benefits of insurance include:

Consumer and business confidence
Insurance provides individuals and companies with the confidence to go about their daily life and business and to

enter into transactions with others. They can be secure in the knowledge that the company they are doing business with will be able to continue to operate and will be able to meet its obligations. For example, holidaymakers gain comfort and confidence from booking with a hotel that has insurance which would refund their deposit should a significant event, such as a fire, close the hotel.

Control of risks and promotion of safe practices

Society in general benefits from a competitive insurance market that can use sophisticated risk pricing to encourage better risk management practices. The prospect of lower premiums can change behavior, encouraging individuals and businesses to reduce their risks where they can by altering their behavior or taking preventative measures. Examples include individuals giving up smoking to reduce their life insurance premiums or fitting smoke alarms to reduce their household insurance costs, and businesses implementing more effective risk management systems to reduce their liability premiums. Another common example is the promotion of safer driving through no-claims discounts on motor premiums.

Long-term investment in the economy

Insurers invest the premium income they receive, making them among the largest institutional investors. For life insurance companies in particular, the products they write are long-term in nature, and so correspondingly long-term investments are made and held to maturity. This steady flow of long-term capital provided to the financial markets by the insurance industry is crucial for the financial system as a whole, as it reduces market volatility and thus contributes considerably to the stability and functioning of markets.

Stable and sustainable savings and pension provision

Insurers are significant providers of savings and pension products. The products they provide are fundamental to old age financial security, particularly in light of ageing populations. As well as using their experience and sophisticated models to ensure a fair premium is charged, insurers are able to combine different risks. This reduces the likelihood of claims being significantly different from what was assumed in the underwriting and in turn reduces the costs of offering the products, such as, taking on both the longevity risks inherent in pension products and the mortality risk from life assurance products reduces the financial impact of changes in life expectancy (increases in life expectancy will increase the costs to the insurance company for pensions products, as they will need to pay out for longer, but have an offsetting benefit for the insurance company on life assurance products).Without a competitive and innovative insurance industry, many aspects of our modern society and economy would cease to exist or would function much less effectively.

Insurance Makes Businesses Safer

Having to purchase insurance makes a business aware of the risks that it takes in its everyday operations. Therefore, it is more likely to have strong worker safety program and is motivated to prevent losses which would cost it more money in insurance premiums. This side benefit of insurance protects workers from businesses who try to squeeze more profit out of employees or tolerate unsafe actions in order to increase revenues.

Insurance Eases Businesses Transactions and Protects Our Purchases

Insurance helps businesses operate smoothly with their everyday transactions. Without insurance, business would face significant liability when conducting what we consider the simplest business functions such as signing contracts, financing operations, manufacturing products, or even when hiring new employees. Protection of our purchases is the typical benefit that most people associate with insurance coverage. Without homeowners' insurance or auto insurance, very few people would be able to finance a new car or home loan. Almost all lenders require a borrower to have some form of insurance in order to protect the bank's liability should that asset be destroyed or damaged when the owner does not have 100% equity in the asset.

Insurance Provides Recovery

Insurance policies allow businesses to replace their buildings and inventories in the event of a major catastrophe such as an earthquake or hurricane. It also allows homeowners to rebuild as well from the sudden loss because of a major event.

The Non-Bank Financial Institutions Regulatory Authority Act and the Insurance Industry Act and the International Insurance Act regulate the establishment, licensing and operation of short-term insurers in Botswana. The Income Tax Act; regulates the taxation of retirement fund contributions, investment income and benefits. According to the Non-Bank Financial Institutions Regulatory Act, a STI policy provides cover against loss, damage, liabilities and more. You pay a premium (either monthly or annually) to an insurance company who in return provides the cover to compensate you when you suffer a loss on insured items. The insurance company determines your premium based on your risk profile (age, gender, where you live, security measures, item insured, value of the item, claims history of the insured etc.) High risk = high premium and low risk = reduced premium.

Problems faced by insurance companies

Maintaining Funds in Hard Economic Times

Price Waterhouse Coopers stated that instead of seeing collapsing assets, insurance companies have to deal with problems relating to collapses in hedge funds, structured securities and equities, according to the company's "Top Nine Insurance Industry Issues in 2009" publication. As a result, credit markets seized sales in life insurance policies dropped, asset management fees lowered and bond and mortgage insurers lost significant amounts of capital. In an effort to hold on to whatever funds they have, insurance companies are doing what they can to deny claims, pay less in settlements and defend their claim decisions in court, a battle that can take several years, according to a 2007 CNN article.

Solvency

Companies that offered whole and term life insurance began offering "market-sensitive" products in an effort to expand product portfolios, according to Price Waterhouse Coopers. This gave policyholders competitive returns and gave insurance companies an edge in the financial service market. Consequently, reserve calculations are subjective, more complex and the investment portfolios require more attention in order to manage them so returns and cash flow align with future liabilities. Market sensitive products that involve long- and short-term investments for companies that sell life insurance are seeing low returns. As a result, insurance companies need to look at other avenues to ensure solvency and increase retention. (www.ehow.com)

Trends Impacting Customer Relevance

Three trends are influencing insurance companies with regard to customer relevance:

Heightened Consumer Expectations

In today's Internet- and mobile-enabled world, customer expectations are being shaped by daily transactions and interactions with companies across various industries. For example, Amazon.com has raised standards for online service, while Hilton Hotels and Harrah's Casinos have become well known for providing superior customer experiences. As a result, insurance companies must establish their own benchmarks for service delivery against those of leading experience providers, not their peers. (Insurance Europe 2012)

Threats from New Entrants and Niche Players

The inability of traditional insurance companies to deliver what consumers expect is creating an opportunity for new entrants and niche players to erode the market shares of incumbents. Sheila's Wheels, for example, is a successful online niche player that provides affordable car, home, travel, and pet insurance for women. Targeted products and services include insurance for lost purses and discounts at female-friendly automotive repair shops. (Insurance Europe 2012)

Consumers' Comfort Level with New Technologies

Today, consumers have countless choices for products and services from a myriad of companies across multiple channels. Greater use of the Internet for virtual communication, entertainment, and commerce has also made customers much more informed. This increased comfort level with new technologies has spawned a new breed of consumers capable of quickly finding, evaluating, and purchasing products online. With regard to insurance, people now use the Internet to find and compare products. Several companies are taking advantage of this trend to make it even easier for consumers to buy from the lowest-cost provider. Comparis.ch (Switzerland), Confused.com (United Kingdom), and Versicherungsvergleich.de (Germany) are three examples of firms providing information that allows consumers to compare a wide range of insurance offerings.

How the insurance sector fosters economic growth

The insurance industry promotes economic growth and structural development through the following channels:

i). Providing broader insurance coverage directly to firms, improving their financial soundness.

ii). Fostering entrepreneurial attitudes, encouraging investment, innovation, market dynamism and competition.

iii). Offering social protection alongside the state, releasing pressure on public sector finance.

iv). Enhancing financial intermediation, creating liquidity and mobilizing savings. As major institutional investors, insurers gather dispersed financial resources, and channel them towards investment opportunities, facilitating companies' access to capital.

v). Promoting sensible risk management by households and firms, contributing to sustainable and responsible development.

Regulator

The regulator of the insurance industry in Botswana is Non-Bank and Financial Institutions Regulatory Authority. Its principal objective is to regulate and supervise non-bank financial institutions so as to foster Safety and soundness of the non-bank financial institutions, highest standards of conduct of business by non-bank financial institutions and Fairness, efficiency and orderliness of the non-bank financial sector.

According to an article on Mmegi dated 21 may 2010; the Insurance Industry is one of the most important service providers in the country, and even beyond, offering financial and social security to the insuring members and their families. It also contributes significantly to the nation's Gross Domestic Product and macroeconomic outlook The Insurance Industry Act and the NBFIRA Act collectively makes up the regulatory framework governing the conduct of insurance business with the main object of protecting the interests of all stakeholders. The Regulatory Board in its roles should be the most informed body as the 'Blue Eye' of the industry and as it is undoubtedly the most superior Board determining who should be licensed to do what and for how long.

Regulation is vital to ensure that policyholders can feel confident buying insurance products. Inappropriate regulation, however, can have a significant impact on the ability of insurers to function effectively and sustainably and to supply the insurance products that individuals and businesses wish to purchase.

According to Grupta the insurance regulator has certain powers it possesses and various functions to play. These include:

i). It has the general supervisory power of insurance industry and it has the administrative powers.
ii). It has the mandate of preparing a code of conduct to the agents, surveyors and loss assessors and other intermediaries associated with insurance business.
iii). Request information from insurers inspect accounts and other documents, look into audits of the insurers, intermediaries and other organizations connected with the insurance business.
iv). Regulate the margin of solvency and investment of funds by insurance companies.
v). Promoting efficiency in the code of conduct of insurance business.
vi). To act as the adjudicator in the settlement of disputes between the insurers, intermediaries and insured.
vii). To control and regulate the rates, terms and conditions that may be offered by insurers.

3. RESEARCH METHODOLOGY

An exploratory research design was used to investigating the factors that affect the supply of STI in Botswana. Researches may have been conducted in other states but might not address specific issues peculiar to Botswana since it is a unique state on its own. The target population of this study was five STI companies in Gaborone Botswana and twenty five consumers (general public). This research used the random sampling to allow all members of the population to have an equal chance of being selected to participate in the study. The researcher used both closed and open ended questions, and also offered respondents multiple choice questions from which to choose the statement which most nearly described their response to a statement or item. Data collector bias was reduced through questionnaires administered by individually by the researcher, and regulating conditions such as presenting similar personal attributes to all respondents, such as, friendliness and support. Privacy, confidentiality and general comfort was ensured in the physical and psychological environment where data was collected. The questions were formulated in simple language for clarity and ease of understanding to maximize validity. Statistical Packaging for Social Sciences (SPSS) Version 22 was using for data analysis. A simple random sampling technique was selected over other methods of sampling to ensure that respondents have equal chances of being selected. To render the study ethical, the rights to self-determination, anonymity, confidentiality and informed consent were observed. Subjects' consent was obtained before they completed the questionnaires.

4. DATA REPRESENTATION, ANALYSIS AND INTERPRETATION

Only half of the respondents showed a higher level of awareness of what STIs are and those findings it could be concluded from those findings that Batswana are not entirely bereaved of knowledge about STI. Although Batswana possess some knowledge on insurance, the findings show that there is reluctance in purchasing insurance policies. To those who have STI policy it was mainly, excess buy back cover, house protection, cover motor, buildings combined cover, workers compensation cover, and business contents cover. Of the 52% that had said they have not taken any STI cover, data analysis showed that they would still not considering taking this policy in future.

76 % of the respondents said that the short term covers are affordable and a similar percentage of the respondents attested to being able to distinguish STI from long term insurance. From these findings it was clear that Batswana are gaining knowledge on insurance generally and knows the most important benefits of STI with the respondents considering protection of purchases as the most important benefit of STI, since it gives independence, increase capacity of self-reliance and gives peace of mind. From these findings it shows that most Batswana acquired short insurance covers or deem it to be important because through this insurance they will be

able to recover their property in case of a loss.

A further 44 % of the respondents cited that they prefer to use /used brokers to attain their insurance cover whereas 56% prefer to use /used direct insurance companies to attain their cover. Respondents were asked to give reasons for their preferences and from those who selected direct insurance companies, their reasons were:

- insurers are able to give elaborate responses,
- they don't trust brokers,
- service delivery and reliance of insurers is limited and dissatisfactory,
- need first-hand information,
- claims process is easier through direct insurance companies,
- can be directly accountable when need arises.

Whereas, for those respondents who opted for brokers, their reasons were:

- brokers are easier to access/allow for extensive reach
- brokers have information on different companies

Table 4.1 Contribution of insurance to the economy

	Frequency	%	Valid %	Cumulative %
Taxes	7	28.0	28.0	28.0
financial stability	3	12.0	12.0	40.0
Security	7	28.0	28.0	68.0
Investment	2	8.0	8.0	76.0
not applicable	6	24.0	24.0	100.0
Total	**25**	**100.0**	**100.0**	

Respondents were responses were grouped into four categories of contributions and asked open handed questions that required them to explain as to how they think insurance contributes to the economy. Table 4.1 above shows responses ranging from those who think that insurance contributes to the economy through payment of taxes, financial stability, security and a form of distributing investment., From these findings it was apparent that consumers have a certain level of understanding on what insurance is all about so much that they were able to deduce how it contributes to the economy. When attaining an insurance cover a policy document was usually provided. Aim was to find out if those respondents who have taken insurance cover found this policy document easy to understand. 56 % of the respondents relayed that the policy document was not easy to understand. From the findings it's evident that policy documents are structured in a way that makes it difficult to understand them which then calls for policymakers to rectify this.

Respondents were given three options of recommendations to choose the best fitting for improvement of insurance services. 12 % of the respondents recommended that core products should be bundled with adjacent value added services to become relevant to customers specific life situations.56% of the respondents recommended that insurance companies should offer online services to customers to enable them to apply for insurance, add coverage or update information when they have time and at their own convenience. The remaining 32% recommend that insurers must interact with customers more often, be able to answer questions, give advice and address the complaints of customers. Insurance companies ought to really consider online services and offering personalized services to their clients. Insurance companies cited limited resources, limited consumer knowledge and consumer insecurities & trust issues as some of the challenges/problems that they face in terms of reaching their target market.

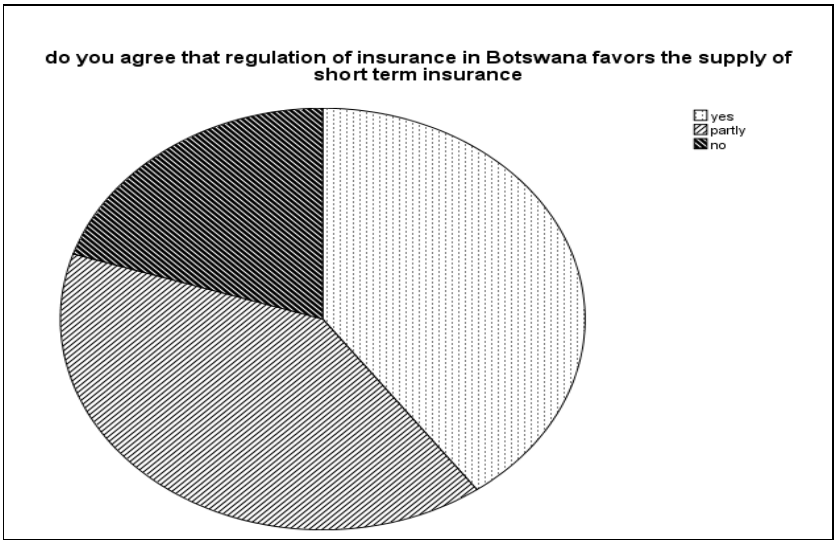

Figure 4.15 Does regulation of insurance in Botswana favor the supply of insurance

Figure 4.15 above shows that 40% of the respondents fully agree that regulation of insurance in Botswana favors the supply of STI, 40% partly agreed to this whereas 20% did not agree to this. From these findings it is evident that laws and rules passed by the regulator have an impact on the operability and profitability of insurance companies. Regulation can be a barrier to the growth and development of the insurance industry.

5. CONCLUSION AND RECOMMENDATIONS

Reija (2003), advocates that the insurance sector plays a fundamental role in the economy. A world without insurance would be much less developed economically and much less stable. The risk transfer function of the insurance sector contributes, on the one hand, to the creation of a more stable operating environment for companies and, on the other hand, to a reduction in the level of capital required by undertakings to protect themselves against risk. This allows companies to concentrate their attention and resources on their core business. Where appropriate, it enables firms to realize new investments in R&D, to innovate by developing and commercializing new products and to extend their market activities to other countries inside and/or outside continents. Reija, also mentioned that by protecting firms and citizens against adverse events, the insurance sector provides a safety net that allows policyholders to restart their activities whatever the difficulties they have to cope with. Insurance sector provides a long-term source of finance for investment in the economy, thus contributing to sustainable growth. Insurance not only provides a stable operating environment, but it also improves companies' awareness of risk management, and influences their investment decisions. Differences in price and policy conditions are key factors that influence undertakings' and households' decisions, and contribute to sustainable and responsible use of available resources, such as that insurance contributes to the reduction of risks linked to climate change by supporting government policies designed to limit climate change and to reduce its impact.

The data collected revealed that insurance plays a huge role of contributing to the economic growth of Botswana through taxes, financial security and investment .The findings were quite evident that the level of awareness of the public was minimal or at a non-satisfactory level. Insurance companies have identified limited consumer knowledge as one of the factors that has directly affected them. Findings show that challenges faced by STI include limited resources, limited consumer knowledge and insecurities & trust issues of consumers and these adversely affect effective service delivery.

Recommendations

Short-term insurers may consider developing and offering online services to customers, enabling them to apply for insurance and coverage or update information when they have time and at their convenience. Short term insurers were advised to open more channels of interacting with customers to enable address of questions, provision of information and or advice and handling customer feedbacks. Another recommendation was on STI employees' training and development initiatives to improve service delivery. Insurance companies were also urged to simplify their policy documents so that consumers are able to easily comprehend and interpret them. The regulator of the insurance industry (NBIFIRA) may set rules and regulations favoring the growth of short-term industry and the economy at large.

An optimal regulatory environment is needed to allow the insurance sector to play fully its role in the economy: This implies less burdensome regulation, better adapted to the real needs of insurers and customers. It also means that solvency regulation should contribute to an optimal allocation of capital through a pure economic risk-based system. Financial awareness and alertness to the social changes taking place in our society should be encouraged. People need to be made aware of the change to social security to enable them to take adequate decisions related to their future pensions and healthcare (for private persons) and to their economic activities (for business).The regulatory environment for insurance should encourage risk-based pricing. Risk management should be stimulated to make sure public and private institutions reduce the impact on their activities. (Insurance Europe 2012)

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