

**UNIVERSITY OF NAIROBI**  
**COLLEGE OF AGRICULTURE AND VETERINARY SCIENCES**

JVM 561: RESEARCH PROJECT

**IDENTIFICATION OF BARRIERS FOR UPTAKE OF INSURANCE COVER FOR  
PETS IN NAIROBI CITY**

SUPERVISOR: Dr. Joshua Onono

**J30/2061/2010**

GEOFFREY MWANGI WANJIKU.

## Declaration

This project is my original work and has not been presented for a degree in any other university.

Signed ..... Date .....

This project has been submitted for examination with my approval as the project supervisor

Signed ..... Date .....

## **Dedication and Acknowledgement**

### **Dedication**

Dedicated to all practicing veterinarians, pet owners and insurance companies

### **Acknowledgement**

I am highly grateful to my supervisor Dr. Joshua Onono for his unwavering dedication, encouragement, support and wise counsel for the entire period of this study. Special gratitude also to Dr. Sarat the proprietor of Sarit Veterinary clinic for allowing me to interact with his valued clients as I administered the questionnaires, Dr. Alan Alavula a practicing veterinarian in the same clinic who joyfully informed the client of my presence and encouraged them to allow me interview them. Highly appreciated are also the university of Nairobi small animal clinic clinicians who allowed me to interact with the clients in the consultation rooms. It will also be very unfair if I don't appreciate my lovely wife who comes second to none for her encouragement and helping me administer the questionnaires in the East side of Nairobi area and last my Course mates who also took the questionnaire to the different parts of Nairobi where they resided.

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## **List of Abbreviations**

**APPA**-American pet products Association

**APPMA**- American pet products and Manufacturers Association

**DVM**-Doctor of veterinary Medicine

**KES**-Kenya shilling

**USD**-United states Dollar.

## **Abstract.**

This project aimed at determining the barriers for uptake of pet animals' insurance cover in Nairobi City. The targets respondents of this survey were the pet owners. The data was collected through the use of a structured questionnaire which was administered to the pet owners. Most of the respondents had high level of education with approximately 52% having university degrees. Approximately 26% of these respondents were also operating businesses. Are also specialists who going by their occupations although the biggest number of them are businesspersons amounting to 26%. The respondents had various reasons for keeping pets; amongst these were the benefit of companionship which accounted for about 32% of the reasons for keeping pets. Further, they also preferred that these pets live together with them in their houses and not in kennels or catteries.. The respondents also had small family sizes with an average of 3 persons. However, there was a very low uptake of pet insurance with only one respondent out of fifty respondents interviewed reported having pet insurance. This translates to only 2% pet insurance penetration within Nairobi city. The reasons for this low uptake were due to lack of knowledge of the presence of this product in the market. In conclusion, this study has revealed that the penetration of pet insurance policy in Nairobi is low and there is a need for insurance companies to develop and market to the large number of pet owners who are leaving within the city of Nairobi.

**Key words: pet insurance policy, Nairobi city, veterinary markets**

# CHAPTER 1

## 1.0 INTRODUCTION

Insurance is a risk-transfer mechanism that ensures full or partial financial compensation for a loss or damage caused by event(s) beyond the control of the insured party. ([www.businessdictionary.com](http://www.businessdictionary.com)). Generally insurance is a form of risk management. The first record of insurance practice dates back to time when the Chinese and Babylonians were borrowing to ship goods and then they would pay off the loans once they received payment.

Pet insurance has been around as long as human health insurance, having started in Sweden in 1890. Today about 50% of Swedish pets mostly dogs are insured. In United Kingdom pet insurance began after World War 2. (McConnell, 2010). According to this report, pet insurance had hit 30% just because companies would pay veterinarians a commission for selling pet insurance policy to their clients. The year 2010 only 1 % of United States pet owners had insurance coverage for their pets. In Kenya though there has been a marked increase in the numbers of pets kept as is evidenced by the increase in number of pets being admitted for treatment in the Clinics around Nairobi no research has attempted to describe the level of penetration of pet insurance and its uptake by pet owners in Kenya. This study attempts to establish a baseline for pet insurance policy uptake in Kenya and may act as a guide for insurance companies which are interested in developing this product.

## CHAPTER 2

### 2.0 LITERATURE REVIEW

Insurance exist because bad things happen even to those who mitigate risks. But for insurance to make sense the risk of loss has to be both reasonable and possibly significant. Obvious risk such as property loss or damage, early death, auto accidents and so forth have been long insured against (McConnell, 2010). Through insurance, the risk is spread over time and over a large population, with the assumption that not all insurers will file claims at the same time. As our society has grown wealthier and the classic family structure has receded due to mobility, pets are increasingly becoming important members of the urban families around the world. The animal-human bond has strengthened over time and a case in point is the relationship between the 3 legged dog owned by the retired Uruguayan president Jose Pepe Mujica (<http://www.bbc.com/news/magazine-20243493>). Consequently pet owners are willing to spend more resources to keeping their pets happy and healthy. The trend drives increases in “stop treatment” amount, making pet insurance a more compelling proposition (McConnel,2010). According to the APPA, In 2008 Americans spent more than \$ 11 billion on their pets which represented an 8.5% increase as compared to the amounts spent in 2007. Despite this spending the group reported that less than 3% of pet owners have insurance policies for pets although this represents an increase from less than 1% in the year 1995. It is important to note that pet insurance has major differences from human insurance though both are majorly concerned with health. In the 1950s and 1960s, the United states government realized that employers paid for human insurance while ignoring two groups of people; low income earners and the aged. It therefore intervened by establishing Medicare program. In Kenya, the National hospital insurance fund was established to address the same problem as it had been shown that people in the most productive years (25- 44) and who had skills had health insurance covers but not for the old and young (Ipsos Synovate healthcare report; 2010).

According to McConnell, (2010), following the reduction of the number of people in higher income class in the United States during the period of 1950s and 1960s, employers began to offer benefits to their employees and their families. Amongst these benefits was the employer-paid health insurance cover. The big question is, will these societal and economic pressures occur to veterinary medicine industry? Likely as the employer and the government will not pay for pet insurance the cost of vet care is often left for the owner of the animal and this is the reason why pet insurance policy may be of great importance as families become more bonded to pets.

According to the APPA article, In the United States most pet insurance companies sell indemnity insurance policy or free-for-service insurance, providing compensation for accidents or for care covered by policy. The policy holders have a contract with the insurance provider and they submit a claim for reimbursement of cost incurred on treatment of the pet. The insurance companies in Kenya can borrow this approach to develop a product for the Kenyan industry.

## **CHAPTER 3**

### **3.0 PROBLEM STATEMENT**

The purpose of identifying the barriers affecting the pet animals insurance in Nairobi is so as to tailor make solutions for this barriers that will in turn help the insurance companies to make more pet owner friendly policies that will go a long way in helping reduce animal and human suffering in times that the animals are sick. The research will also expose the need to have more companies offering pet insurance and hence creating employment for the marketers, actuarial and other professionals involved. It is important to note that we cannot find solutions for problems not known and that's why the project is keen to highlight these challenges.

## **CHAPTER 4**

### **4.0 OBJECTIVES**

#### **General objective**

To identify barriers affecting the uptake of pet insurance cover in Nairobi city

#### **Specific objectives**

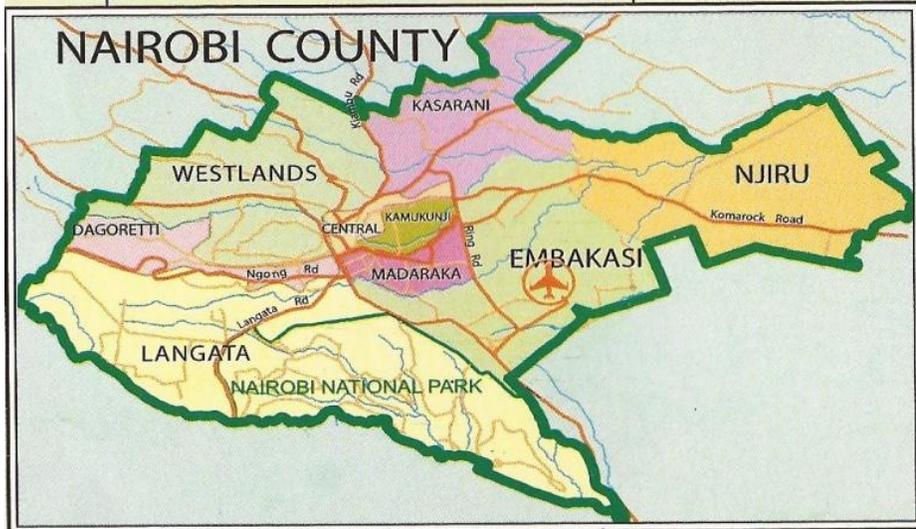
- a. Investigate which category of pet owners take insurance cover for their pets.
- b. Investigate what premium pet owners should be charged by insurance companies.
- c. Identify by what means the pet owners obtain information about pet insurance

### **4.1 MATERIALS AND METHODS.**

#### **4.1.1 Study Area.**

This study was carried out with pet owners around Nairobi city. These respondents were accessed from Veterinary clinics situated in Nairobi city. The clinics were well spread out in areas including Westland's, Lavington, Runda, University of Nairobi veterinary clinic, Karen and Rongai. However, in other areas of the city, respondents were accessed from their various places of worship. The map of Nairobi showing various regions is shown in Figure 1 below.

**Figure 1-Map of Nairobi County showing the different regions and sub urban areas.**



#### **4.1.2 Study methods.**

Data was collected using a questionnaire. This questionnaire contained both open and closed ended questions (see appendix 1).

#### **4.1.3 Authorization.**

During the collecting of data it was required that there be a formal authorization. In regard to this the researcher wrote letters to the various places and especially the veterinary clinics. The official letters were then sent via e-mail and also delivered by hand. The letters detailed the reason of data collection, day and time when this was to be done (see appendix 2).

#### **4.1.4 Data analysis**

The data were entered into appropriate computer software and analysis involved deriving descriptive measures and also organizing the results in Tables, charts and graphs.

## CHAPTER 5

### 5.0 RESULTS AND DISCUSSION.

The types of animals kept as pets by the respondents varied greatly. These included canines, felines, reptiles, amphibians and avian. The most common type of pet kept were the canines (58%) while the felines were a distant second with about 17% of the respondents reporting keeping them. In the canine and feline categories they were of different breeds. Table 1 below shows the types of pets which were kept by respondents.

**Table 1-A tabulation for different types of pet kept by pet owners within Nairobi City**

<b>Species</b>	<b>percentage</b>
<b>Canine</b>	29(58%)
<b>Feline</b>	17(34%)
<b>Others</b>	4(8%)

The canine breeds kept included: Besenji, Scottish terrier, Maltese, Pomedian, Golden retriever, Boarbel Poodles, Dachshund, Chihuhua, Havanese, Japanese spitz, Bishon, German shepherd, Doberman and crosses of different breeds. For the cats, the breeds kept included: Domestic short haired and Tabby cat. The other types of pets kept included: parrots, hamsters, ornamental fish, tortoises and turtles. It has been reported that it is more profitable to insure dogs than any other pet species (Donovan et al., 2013). For the current report, the reason for insuring dogs was due to their large numbers. This also agrees with an earlier study mentioned above. The survey also established that purchase prices for these pets ranged between Kes 1800 to 90000. The ornamental fish had the lowest price while the Boerbells dogs were the most expensive. Also the veterinary cost that the owners incurred annually was established in which it ranged between Kes 3000 to 360000. Again ornamental fish had the lowest veterinary cost while dogs and cats and

especially those families with more than one cat or dog incurred higher veterinary costs. The question of what food these pets were fed came also was in the questionnaire and there were two categories which was either commercial food or home cooked food. About 58% of the respondents stated that they feed their pets on home cooked food while the rest fed on commercial food.

Another important issue aspect relating to the pet that the survey was able to establish is how these pets were housed. This would be a concern to an insurer because a pet housed outside have more issuable risks than that which lives inside a house with the owners. From this study, most of the pets were living with their owners (46%). While only 28% of the respondents had their pets staying outside their houses. The Table 2 below shows how the pets were housed.

**Table 2- The nature and types of housing for pets in Nairobi city as reported by pet owners**

<b>Housing of the pet</b>	<b>Frequency and percentages.</b>
Pets leaving inside owners house	23(46%)
Pets leaving outside owners house	14(28%)
Pets leaving both inside and outside owners house	13(26%)

This is an indication that pet owners not only treat their pets as part and parcel of their family but also they indeed want to be close to them. In line with this the survey also established the relationship of pet owners with their pets. Most pet owners felt that they had excellent relationship with their pets (48%) with only 24% reporting that they had good relationship with their pets. Table 3 below shows the nature of relationship between the pet owners and their pets as reported by pet owners in Nairobi.

**Table 3-The nature of relationship between pet and their owners in Nairobi city**

<b>Relationship description</b>	<b>Frequency and percentage</b>
<b>Good</b>	12(24%)
<b>Very good</b>	14(28%)
<b>Excellent</b>	24(48%)

This is an encouraging finding especially to any insurance company with pet insurance policies targeting the Nairobi market. Excellent relationship means that the pet owners see these parts as part of their lives and therefore could be willing to secure them by insuring them. In relation to this, the survey also established the benefits that the pet owners obtained from keeping pets. Various reasons were given and are tabulated in the table below.

**Table 4-Benefits of keeping pets within Nairobi city as reported by pet owners**

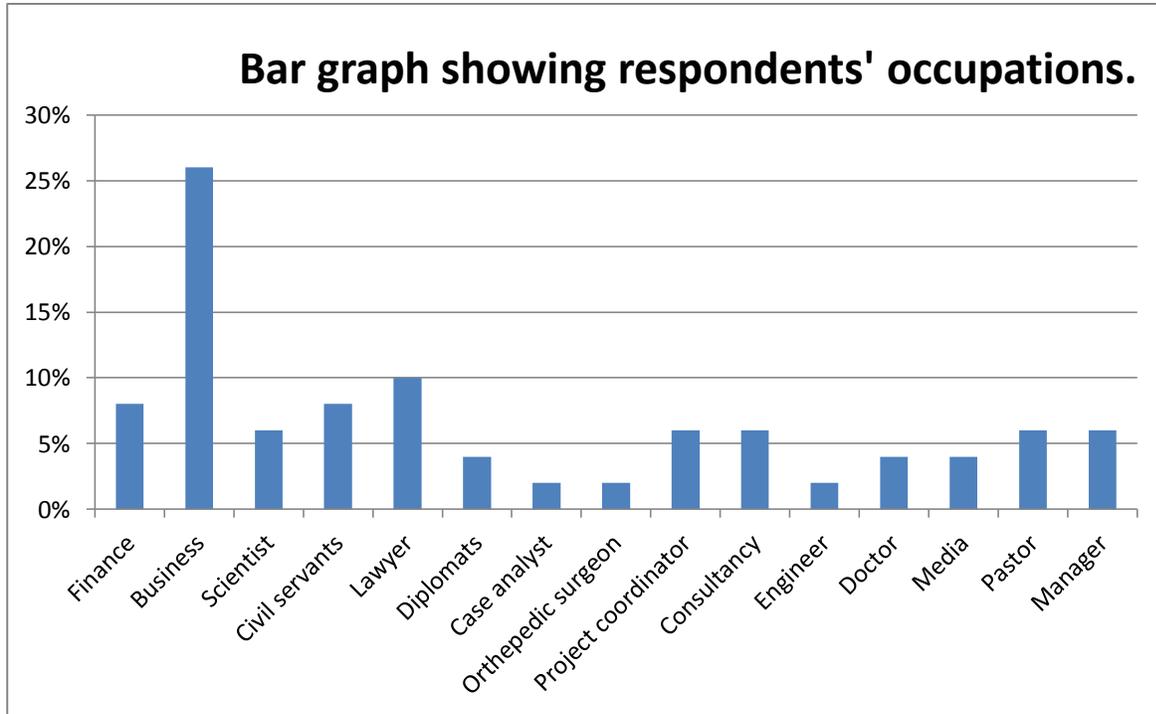
<b>Benefit for keeping pet</b>	<b>Frequency and percentage</b>
Bring joy	6(12%)
Source of entertainment	5(10%)
For companionship	16(32%)
Instill a sense of responsibility to children	4(8%)
Promote stress relief and relaxing	6(12%)
Offer security	8(16%)
Enlarges family	3(6%)
Assist in exercising	2(4%)

From the above figures it is apparent that pets are kept for different reasons. Companionship is the benefit that most pet owners reap from keeping these pets. These pets are not ornamental but contribute so much to the quality of life of pet owner as they said that it relieves stress, brings joy, helps in exercising and entertains. This can be supported by the fact that in the United States alone 70 million homes own at least one pet a member of their house hold (Dotson et al. 2007). Animals have been said to provide more consistent and reliable form of companionship compared to human beings who are mostly overcome by materialistic desire (Brickel 1986). When considering stress relief, pets and especially dogs helps to lower blood pressures, helps prevent heart diseases, helps to find depression and therefore lowers healthcare costs (APPMA.org) and this probably underpins why 61 million dogs are pets in the United States alone (APPA 2002). In the survey other benefits like pets being part of the family and seen as increasing the family members was also noted meaning that there is a strong bond between pet owners and their pets. Some of the household heads stated that they bought the pets were for their children as this instilled in them a sense of responsibility in that they feed, wash and look after this pet. For ladies respondents they mentioned companionship and love and this agree with the findings by Bradshaw, (1995). In fact another researcher (Cusack 1988) contends that pets can be confidantes unlike human being who even when under oath, there is still a probability of betrayal.

Where does this stress come from? Why do they need to relax, relief stress and exercise? What is the respondents' occupation? The survey established also the occupation of these respondents.

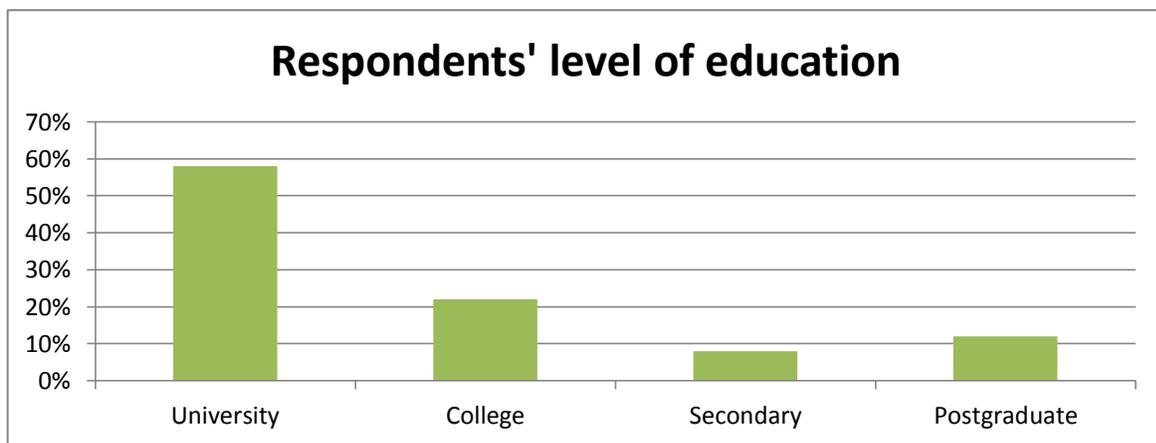
As shown in the Figure 2 below, most of the respondents were business people.

**Figure 2-Bar graph showing the different types of occupation for respondents who are keeping pets within Nairobi city**



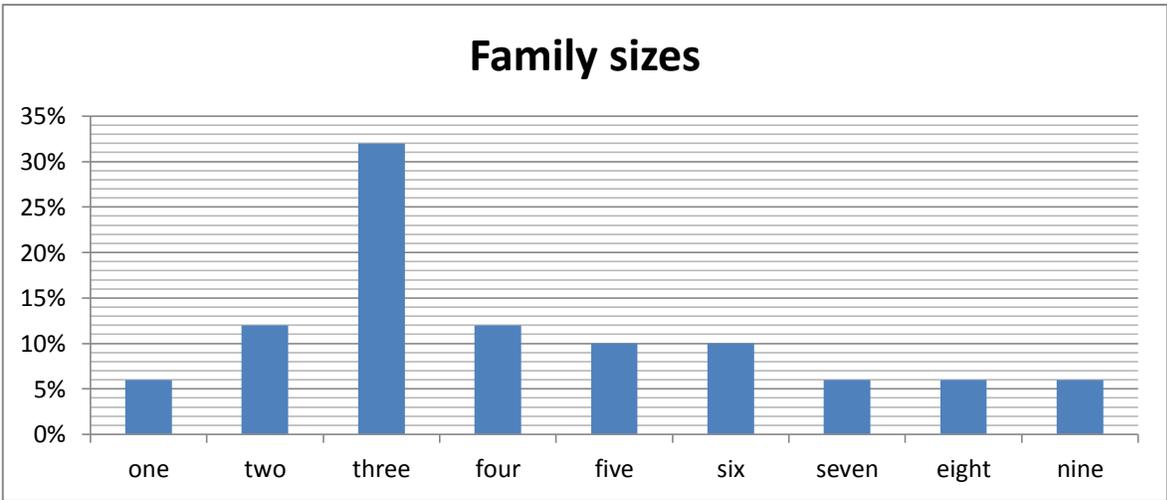
These respondents were therefore people who were specialists in different fields and it can be concluded that their disposable incomes were high and could constitute a market for the pet insurance product. Further, these respondents had high level of education as shown in Figure 3 below.

**Figure 3-Bar graph showing levels of education for the respondents who are keeping pets within Nairobi city**



The sizes of the families were varied as shown in the Figure 3 Below. The average size of these families was three persons (36%). Large families' sizes with about 7 to 8 members were few. This may partly explain one of the benefits that pet owners get from keeping these pets. Generally we see that people who are keeping pets do not have large families but are in well-paying professions and are able to live in areas that attract high rental income in Nairobi city.

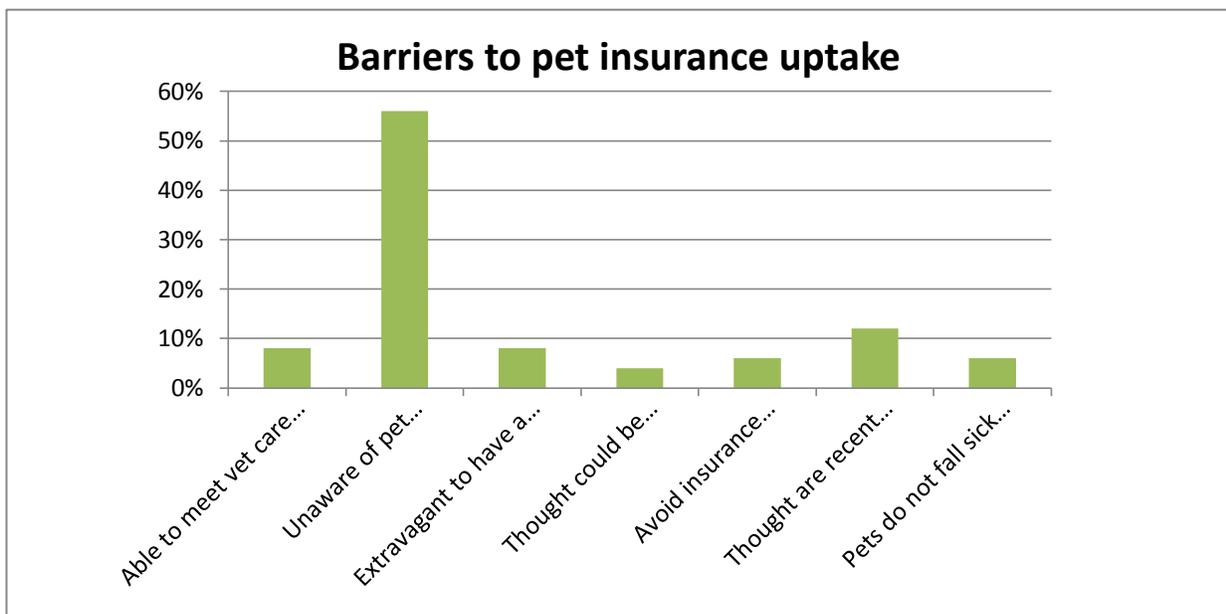
**Figure 4-Bar graph showing average family sizes for pet owners within Nairobi city**



From the survey only one respondent had a pet insurance policy. The survey was not only interested in establishing whether respondents had pet policy, but also why not if the respondent indicated otherwise. The reasons respondents gave for not having the pet policy are shown in the Figure 4 below. From the results, it is evident that little has been done on marketing of pet insurance policy products by insurance companies. This is clear as pet owners were unaware of such products being on offer. This fact is underpinned further by only one respondent having a pet policy. This respondent mentioned that knowledge of this policy was obtained from a friend.

Lack of adequate information as a barrier was followed by many respondents having acquired their pets recently and therefore not having enough information of what products are available in the market. However, this in itself could mean that the number of people owning pets in Nairobi is increasing and therefore if more aggressive marketing is done there could be positive results due to the increasing pet owners.

**Figure 5-Bar graph showing barriers for uptake of pet insurance policy by pet owners within Nairobi city**



## CHAPTER 6

### 6.0 Conclusion

The survey has been able to bring forth out some important insight as concerning issues affecting the small animal ownership. As to matters pertaining insurance of these pets information to the masses is important and the development of insurance products that are geared to insure the risks that are associated with the pets. One major limitation that can be associated with this survey is that most of the data was collected from the veterinarians' waiting room; therefore, areas with no establishment of veterinary clinics were disadvantaged. In this regard the respondents exhibited the same kind of behaviors in that they were in a hurry due to time constraints and therefore sometimes left some questions unanswered. It was though disappointing to have only one of the respondents having her pet insured although not against ailments but rather against theft and damage. The survey exposed me as the researcher to know the many breeds of dog breeds and other different reptiles and amphibians that are kept as pets.

### 6.1 Recommendations.

As a result of this survey I would like to recommend the following:

- a. That the insurance companies should do more than they are doing now as it pertains to the marketing of pet animals insurance and by this there is not only creation of employment but also to offer timely treatment for pets unlike when the clients wait until they have money to do so and in some instance the animals may die or the vets recommends euthanasia.

- b. Insurance companies should also speed up the processing of policy holders claims so as to avoid the discouragement of pet owners who would want to insure their pets and are afraid of time consuming process.
- c. The cost of the policies should be as low as most of the clients thought arbitrarily that it s expensive not realizing that their personal insurance is highly subsidized by their employer but should be made to understand that pet health and human health and other risks have major differences though they also have similarities.
- d. There should be insurance companies that are only concern about pets and that will ensure development of products that are well thought out for pet owners so that there wouldn't be policies that have a blanket cover and treat pets just as household property as it is for the one respondent who has insured the pets under domestic cover policy that involves only theft, destruction by accidental fire and death by malicious intent e.g. by robbers.

## CHAPTER 8

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## Appendix 1.

A copy of research questionnaire.

5<sup>th</sup> year Research project questionnaire.

1. How many people are in your household? \_\_\_\_\_
2. How many males and females are in your household? Indicate number.  
Females \_\_\_\_\_  
Males \_\_\_\_\_
3. Do you have a health insurance?  
 Yes             No
4. How much do you pay for is policy? \_\_\_\_\_
5. What is the level of education of the family head?  
 Primary school  
 Secondary school  
 College  
 University  
 No formal education  
Any other \_\_\_\_\_
6. What is the primary occupation of the household head? \_\_\_\_\_
7. Which part of Nairobi do you reside? \_\_\_\_\_
8. Which species of pet do you own?  
 Dog     Cat     Both    Any others \_\_\_\_\_
9. How many pets do you own? Indicate number  
Dog \_\_\_\_\_            Cat \_\_\_\_\_

10. Which breed(s)?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

11. How much did you purchase each? \_\_\_\_\_

12. What benefits do you obtain from keeping pets?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

13. Are the pet(s) trained?

Yes       No

14. What is your estimated annual budget for veterinary care? \_\_\_\_\_

15. How are your pet(s) housed?

Outside your house in a kennel/cattery or cage.

Inside your house.

Outside your house in free range.

Others specify \_\_\_\_\_

16. Who takes care for the pet(s)?

A house worker.

Boys.

Girls

Household head

17. What type of food do you give the pets?

Commercial dry food.

Home cooked food.

Others specify \_\_\_\_\_

18. How do you define your relationship with your pet?

Good     Very good     Excellent

19. Do you have an insurance policy for your pet?

Yes                       No

20. If you say NO for question 19, then why?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

21. What type of policy have you taken for the pet(s) \_\_\_\_\_

22. Which company insures your pet? \_\_\_\_\_

23. How did you know about this insurance policy?

- A friend.
- Print media.
- Electronic media
- Internet.
- A veterinarian.

Others specify \_\_\_\_\_

24. How much do you pay for the premium? KES \_\_\_\_\_

25. What is your view on the cost of premium?

Fair                       Costly

## **Appendix 2**

SARIT VETERINARY CLINIC.

RE: REQUEST TO COLLECT PROJECT DATA FROM YOUR CLIENT:

My name is Geoffrey Mwangi a 5<sup>th</sup> year student at the faculty of veterinary medicine in the University of Nairobi. As part of requirement for successful completion of my degree its mandatory that every final year student do a research project. My research is on barriers preventing the uptake of companion animals insurance in Nairobi area. Therefore, my request is to allow me collect data from your clients as from 11am to 4pm on Saturday 7<sup>th</sup> march in your clinic. Thanks in advance.

Cell phone number: 0724526239

Yours faithfully

Geoffrey Mwangi.