



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**ASSESSING THE DETERMINANTS OF LIFE
INSURANCE BUYING BEHAVIOR AT ETHIOPIAN
INSURANCE CORPORATION FROM CUSTOMERS
PERSPECTIVES BETWEEN 2011-2015**

**BY
YEWORKWEHA ASSEFA**

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OF THE REQUIREMENTS FOR THE DEGREE OF
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**ADDIS ABABA, ETHIOPIA
MAY, 2016**

**ST.MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
SCHOOL OF BUSINES**

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BY

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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of ZemenuAynadis (Ass.prof.) All sources of material used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institutions for the purpose of earning any degree.

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Signature

Endorsement

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

ZemenuAynadis (Ass.prof)

Advisor

Signature

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LIST OF ACRONOMYS

EIC	Ethiopian Insurance Corporation
IMR	Insurance Market Report
GDP	Gross Domestic Product
AKI	Association of Kenya Insurers
MAP	Mortgage assurance protection
LAD	Life Addis district

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ABSTRACT

The study is intended to investigate the major determinants of life insurance buying behavior in Ethiopia insurance corporation life Addis district. The study focuses on the relationship of life insurance with six selected independent variables (income, attitude, perception, premium, culture, and buying intention). The approach for this study is quantitative research approach. To find the major determinant factors for life insurance buying behavior, the researcher adapted correlation and descriptive mode which indicates that about 96.56 percent of determinant of life insurance buying behavior is explained by the selected six factors. it show that explanatory variables such as perception, attitude, premium, and the intention of buying behavior are statistically significant at 10 percent significance level., attitude, premium, and intension of buying behavior are positively related with life insurance buying behavior. Dependence ratio does not have a statistically significant relationship with life insurance. Income is the most important determinant factor that influences buying behavior for life insurance followed by perception, premium and culture. It was recommended that, the National Bank of Ethiopia and the managements of Ethiopian insurance companies should further enhance public's awareness and financial literacy by using different approaches since the sector have a great importance for the customers and all privet insurance company's.

Key Words: *Attitude, Life insurance, buying behavior*

CHAPTER ONE INTRODUCTION

1.1.BACKGROUND OF THE STUDY

As an introduction, the chapter briefly discusses topics such as the study's and industry background, statement of the problem, objectives of the research, definition of terms, scope of the study and finally ends with the general report format of the research paper.

The insurance industry is founded on the idea of risk diversification and loss minimization. Even though insurance products provide protection of life and wealth of policyholder's, they are secondary goods in which the exact value of any benefit is unknowable and advanced payment is required (Aranee, 2011).

Considering this, over the last few decades, behavioral economists, both theorists and empirical researchers, have made significant headway into the problem of explaining how individuals make purchasing decisions in insurance and, more generally, in risky situations. Their theories take us beyond expected utility theory and move us into a realm of theories that better reflect the context of our daily lives and of our psychology (Desrosiers, 2012). Besides, understanding how customer behaviors and attitudes are changing is critical. Previous assumptions and received wisdom about customers may no longer be reliable, and those insurers who are able to respond best to what customers want now are most likely to succeed (Ernst and Young, 2012).

Thus, Insurers need to continually evolve customer propositions to meet needs and expectations, particularly for improved information and transparency (Ernst and Young, 2012). For insurers to be successful in the long-run, they need to put an attractive value proposition for insured's and price (sufficiently) for it. To facilitate this, are better insurers depend on their understanding the behavior of their customer in situations that involve risk (Defrosters, 2012).

Hence, by considering this the researcher wanted to investigate empirically some of the factors that explains the life insurance service purchase behavior in Ethiopian Insurance Corporation since the industry faces many problems with unhealthy competition.

Introduction to Ethiopian Insurance Corporation.

In Ethiopia insurance service said to be started in 1905 by foreign company (Hailu, 2007).The Company did not reside in the country rather open an agency in the Bank of Abyssinia; it is the first bank in the country. During this time, there were numerous foreign insurance agents and reached 17 in 1951(Zeleke, 2007).

The first domestic insurance company was established in 1951 called the Imperial Insurance Company Ltd. Locating its head quarter on the currently Ethiopian Insurance Corporation's Eastern District Building situated at Meskel Square (ibid).

During the Derg regime (1975), all the foreign private and the domestic companies confiscated and became under the possession of the government forming the Ethiopian Insurance Corporation and solely operated in the country transacting life and non-life insurance until private domestic insurance companies emerged since 1991 (Ethiopian Business Review 2015).

Currently there are 17 insurance companies operating in the country. Nine of these companies are composite (offering both life and non-life insurance services), while the remaining transact only non-life insurance. The state owned Ethiopian Insurance Corporation (EIC) takes the major market share, about 40 percent (National Bank of Ethiopia 2015).

The local life insurance market grew extremely well in 2011 and 2012, in local currency terms, with growth of 40% and 69% respectively, the account having produced an average annual growth of about 20% over the last five years. Ethiopian _life and benefits report, (ACXO, 2013).

The number of life insurance companies has remained relatively stable. In 2012 the sole life only company, Ethio-Life, became composite and is now known as Ethio-Life and General Insurance. Also in 2012, anon-life company, Oromia Insurance Company, obtained a life license and

The sole life only company, Ethio-Life became composite and is now Named Ethio-Life and general insurance. Also in 2012, a non-life company, Oromia insurance company obtained a life licence and became a composite insurer. There are now a total

of nine companies (EIC, Awash, United, Nile, Nyala, Nib, Africa, Ethio-Life and Oromia) licensed to underwrite life insurance; all of them are composite underwriters. Ethiopian _life and benefits report, (ACXO, 2013).

The state owned insurer EIC, the monopolist insurer under the communist regime, remains the largest insurer in the country, with a 47.76% share of the market as at 2011.

The life market in Ethiopia is very small as most of the population lives at a subsistence level. The mechanism of banks requiring life insurance as a condition for making loans is in place but effectively touches a very small proportion of the population. In addition there are plenty of other problems to be faced, such as the availability of actuaries, investment managers and investment opportunities. Ethiopian _life and benefits report, (ACXO, 2013).

What is Life insurance: life insurance is a contract between a policy owner and the insurer, where the insurer agrees to pay designated sum of money upon the occurrence of the policy owner's disability due to accident, death or other events. And the policy owner agrees to pay a fixed amount to the insurer at designated interval. While the main objective of insurance companies is to mitigate insurable risks, in tandem they also play an important role in development of the financial sector. They mobilize savings which can be channeled for long term investments which help economic growth and development.

Life is full of uncertainties. Unexpected events an important mechanism that protects against risk is purchasing insurance to guarantee the benefit in the event of certain financial loss due to occur death or accident. (Beck and Webb,2002) .on their study on determinants of life insurance consumption described that life insurance products are important vehicle that encourage long-term savings that could be channeled to investment in both private and public sector projects.

Because life insurance products offer a means of disciplined contractual saving, they have become effective as instrument for encouraging substantial amounts of savings, competing with other forms of saving (like bank deposits, securities, and other contractual savings) in the market in many countries around the world. According to (Munir and Khan, 2012).Life insurance provides individuals and the economy as a

whole with a number of important financial services. In the face of increasing urbanization, mobility of the population, and formalization of economic relationships between individuals, families, and communities, life insurance has taken increasing importance as a way for individuals and families to manage income risk.

Premature death of a family head can bring serious financial consequences for the surviving family members because of the loss of their family heads income gone forever leaving unfulfilled financial obligations, such as dependents to support, children to educate and mortgage to repay. Life insurance allows individuals and families to share the risk of premature death with many others and to alleviate the financial loss from the premature death of the primary wage earner (Garman and Forgue, 2006). Thus, the main reason for the buying of life insurance as a medium to long-term tax favored saving and investment.

In Ethiopian Insurance Corporation there are different types of life insurance policies including: Term insurance policy, Endowment policy, Health insurance policy, Term life insurance provides protection for a limited period but permits the policy holder to renew the policy without evidence of insurability if the policy is guaranteed renewable. The right to renew, however, is limited to a specified age and the premiums increase with age as the probability of death increases.

The benefits from term life insurance are paid only if the insured dies within the period of validity. Endowment life insurance not only pays the death benefit to the beneficiaries of the insured but also has a saving component built into the policy. In endowment life insurance policy, the premium remains level throughout the life of the policy.

The premiums paid in the early years are excessive relative to current death claims, whereas the premiums paid in the later years are inadequate relative to the probability of death. The excess premiums paid in the early years are invested by the insurance company at a compound rate of return to accumulate cash, and the accumulated funds are then used to supplement the inadequate premiums paid during the later years of the policy. The manner of investing and building up the cash value is regulated by contract and law, and is usually referred to as a legal reserve.

The difference between the face amount of the policy and the legal reserve is called the net amount at risk or, literally, the insurance. Thus, endowment life insurance policy combines an element of protection (the net amount at risk) and an element of savings (the legal reserve). The policyholder has the right to borrow the cash value or surrender the policy for the cash value without tax liability.

Whole life is temporary life insurance, nonprofit; whole life insurance has the lowest element saving, and gives the greatest protection against premature death. Under whole life policy premiums for such policies are generally relatively low and it can be payable throughout life, or only up to a stated age. The purchase of life insurance is one of the most important purchasing decisions for individuals and families (Anderson & Nevin, 1975) and it is a critical component of a long-term financial plan. Though with such prominent long term benefits, Medical Insurance police offer medical expenses cover, which refunds medical expenditure to a Defined annual limit. Health insurance is often regarded as accommodation business and is not general (ACOS Report, 2013).

As compared to other African countries is small and declining which calls for serious attention. During the 2006/07 fiscal year total premiums received by insurance companies as a percentage of GDP of certain African countries indicated a higher percentage than Ethiopia. For example, South Africa contributes 15.2 percent, Namibia 8.1 percent, Botswana 3.9 percent, Morocco 3.4 percent, Kenya 2.5 percent, Tunisia 2.0 percent, Angola 1.4 percent, Egypt 0.9 percent, Nigeria 0.6 percent, Algeria 0.6 percent, and Uganda 0.6 percent (Smith & Chamberlain, 2010). The level of the insurance sector can be said to be in its embryonic stage. There may be some factors that have affected the growth of the insurance market, particularly the life market in Ethiopia which requires an investigation Insurance penetration remains a challenge for the Ethiopian insurance sectors specially life insurance (AkI Annual Report, 2014).

1.2. STATEMENT OF THE PROBLEM

The Ethiopian insurance corporation faces numerous problems emanating from various sources because of those challenges the life insurance market share has been fluctuating up and down more of deteriorating. These problems emanate from: the insurers themselves, the government and the public (insurance buyers). Although each party is expected to contribute its share to growth of life insurance sector, more of expected from the customer themselves since they are the main actors in the life insurance industry (ACOS Report, 2013).

Considering this, the study more specifically will focus on some of the factors determine life insurance buying behavior since decision-making under risk and uncertainty is somewhat more complex compared to decision-making under certainty and indicates very specific circumstances, as life insurance products appear less accessible to consumers compared other products and entail longer lasting relationships (Cairn Huber and Tobias Schlager, 2011). Hence, a thorough understanding of consumers' decision-making process and reasons for buying can be considered crucial for companies that focus on the consumer.

Research on consumer decision-making in a state of risk and uncertainty is a cornerstone of various research disciplines, for instance economics, psychology, marketing, or finance. The common purpose of studies in this area is to better understand how consumers make decisions, thereby deriving crucial theoretical and practical implications (Huber and Schlager, 2011). The buying behavior of the insurer is the crux of the matter.

The buying behavior of customer is interrupted by some determinant factors, which will delay the fluctuation of life insurance market that have so many gaps; in research low awareness level of customers, lack of life insurance expert...etc. are problems of in the insurance market. It has led to poor sales practice. Therefore, this study tries to examine those determinant factors and their impact on life insurance purchasing behavior.

1.3. RESERCH QATIONS

Based on the above stated background and statement of the problem this study aimed to answer the following questions:

1. How have on attitude ofcustomers on risk rehabilitation towards risk influence the buying behavior of life insurance?
2. Can perception of customers determine buying decisions of life insurance?
3. Does Income significantly affect buying decisions of life insurance?
4. If prices are discounted dose it change the buying decision?
5. Can Culture influence significantly the buying behavior of life insurance?

1.4. OBJECTIVES OF THE STUDY

With regard to the objectives of this study, the researcher tried to address one broad general objective and some more specific objectives just derived from the general objective and these were presented below.

1.4.1. General Objectives

The general objective of this study is to examine the determinants of life insurance buying behavior of selected customer of Ethiopia Insurance Corporation

1.4.2. Specific Objectives

Based on the above general objective, the following are specific objectives of the study:

1.4.2.1 Is there a clear policy and strategic options in place that accommodate the economicstatus of customer?

1.4.2.2.How have customer perceived to buying life insurance.

1.4.2.3. To know the relationship between life insurance buying intention and Othervariables.

1.4.2.4. To know the opinion of customers and the management about determinant factors of life insurance buying intention

1.5. DEFINITION OF KEY TERMS

Attitude: is a lasting, general evaluation of people (including oneself), objects, advertisements, or issues. An attitude is a lasting because it intends to endure over time. It's general because it applies to more than a momentary event, such as hearing a loud noise, though you might overtime, develop negative attitude towards all loud noises (Solomon 2009 p256).

Perception: is the process by which people select, organize and interpret these sensations as light, color, sound, odor and texture through the sensory organs. The study of perception then focuses on what we add to these raw sensations in order to give them meaning (Solomon 2009 p52).

Price: is the amount of money one must pay to obtain the right to use the product or service (Hawkins and David, 2010 p21).

Income: the amount of money received over a period of time either as payment for work, goods, or services, or as profit on capital (Microsoft Encarta, 2009).

Culture: Culture is a society's personality. It includes both abstract ideas, such as values and ethics, and material objects and services, such as the automobiles, clothing, food, art and sports that a society produces and values. Put in another way, culture is the accumulation of shared meanings, rituals, norms, and traditions among the members of an organization or society (Solomon 2009 p578).

1.6. SIGNIFICANCE OF THE STUDY

The main reason for this study is that the researchers have not paid enough attention to this subject in the insurance sector. Therefore, this study is expected to provide empirical evidence on the determinant of life insurance buying behavior. That many parties like management, regulators, investors, customers and private insurance companies will be benefited from the results.

Management: by identifying the determinants of life insurance buying behavior, the management of Ethiopian Insurance Corporation will take the necessary actions to improve the performance of their company and choose the right decisions.

Regulators: National bank of Ethiopia will be interested in knowing whether the life insurance market is grows or not to take the necessary measures to support for grousing.

Investors: Investors interested in such studies in order to protect their investment, and directing it to the best investment.

Customers: Customers interested in knowing the ability of Ethiopian Insurance Corporation to pay their obligations based on the indicators of the life insurance benefit. Moreover, the researcher also contributes that this study can potentially serve as a stepping stone for further research in the area.

1.7. SCOPE OF THE STUDY

The study has not gone up to addressing all types of products and services of the Ethiopian insurance corporation due to time and financial constraints rather the study is merely addressing the determinants of life insurance buying behavior. In five selecting corporate customer of EIC found in Addis Ababa which has different types of life insurance policy coverage and which factors are affected the buying behavior of life insurance policies without any overall types of product. It would have also been very useful, if it included of all types of business on insurance buying behavior. However, due to the constraints of cost, time and other resources, the researcher was forced to limit the study only on those selecting customers ‘of EICdeterminants of life insurance buying behavior.

1.8. LIMITATION OF THE STUDY

One of the limitations of this research is small number of insurance data set. The life insurance data prior to 1983 were not available; the question of whether the results suffer from small sample bias may arise. Another main problem in this study has been inconsistent of data from different institutions, Lack of previously conducted studies on similar topic and accessibility of sufficient current literature on the subject of life insurance in the Ethiopian context makes this study difficult.Originally the researcher has planned to use multiple regression models to know the determinants of life insurance buying behavior of customers. However, the model is found to be unfit for the fact that the F test is insignificant.

1.9. ORGANIZATION OF THE PAPER

The general report of the study has five chapters. Chapter One contains background of the study, statement of the problem, research questions, objectives of the study, significance of the study, and Scope of the study. Chapter two deals with review of the relevant literature to support the study's theoretical foundation empirical and review. Chapter three states method of the research design data collection and interpretation and analysis. Chapter four describes the results/findings of the study, and interprets and discusses the Findings chapter five presents the conclusions and recommendations based on the findings of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1. INTRODUCTION

This chapter is dedicated to different literature reviews and prior empirical study reviews tries to elaborate and support the idea of the study. Thus in order to have a complete understanding about the study has been organized in three bigger topics: theoretical background on basic concepts, empirical review from previous studies and the conceptual framework and their respective definition of terms.

Insurance is a financial arrangement that redistributes the costs of unexpected losses. Insurance involves the transfer of potential losses to an insurance pool (Dorfman, 2009).

According to (Zelege,2007), citing Pritchett et al defined insurance as a social device in which a group of individuals (called “insured’s”) transfer risk to another party (called the “insurer”) in order to combine loss experiences, which permits statistical prediction of losses and provides for payment of losses from contributed (premiums) by all members who transferred risk.

Article 654(2) of Commercial Code of Ethiopia provides a legal definition of insurance as follows: an insurance policy is a contract where by a person called the insurer undertakes against payment of one or more premiums to pay a person, called the beneficiary, a sum of money where a specified risk materializes. Life is full of uncertainties. Unexpected events an important mechanism that protects against risk is purchasing insurance to guarantee the benefit in the event of certain financial loss due to occur death or accident (Beck and Webb, 2002).Consumer buyer behavior refers to the buying behavior of final consumers, Individuals and household who buy goods and services for personal consumption.” (Armstrong &Kotler, 2003, p. 128).

2.2. THE CONCEPT OF CONSUMER BEHAVIOR

Consumer Behavior is the study of individuals, groups, or organizations and the processes they use to select, secure, use and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society. Defined Consumer behavior in an advanced way as “the totality of consumers’ decisions with respect to the acquisition, consumption, and disposition of goods, services, time, and ideas by human decision-making units (*Hawkins and Mothersbaugh, 2010*).

What Affects Consumer Behavior

The many factors that affect acquisition, usage, and disposition decisions can be classified into four broad domains the psychological core, the process of making decisions, the consumer’s culture, and Consumer behavior outcomes. (*Hoyer & MacInnis, 2008*).

The Psychological Core: Internal Consumer Processes

Before consumers can make decisions, they must have some source of knowledge or information upon which to base their decisions. This source—the psychological core—covers motivation, ability, and opportunity; exposure, attention, and perception; categorization and comprehension of information; and attitudes about an offering. (*Hoyer & MacInnis, 2008*).

Social factor: Social factor divides the society into a hierarchy of distinct classes. The members of each class have relatively the same status and members of other classes have either more or less status. It includes family, group etc. (*Hoyer & MacInnis, 2008*).

Cultural factor: It has potent influences that are brought up to follow the beliefs, values and customs of their society and to avoid behavior that is judged acceptable. Beliefs, values and customs set subculture apart from other members of the same society. Thus sub-culture is a distinct cultural group that exists as an identifiable segment, within a larger, more complex society (*Hoyer & MacInnis, 2008*).

Personal factor: It is a very important factor. Personal factors also influence buyer's behavior. They include age, income, occupation, life style. They simply direct our outer personality. (*Hoyer &MacInnis, 2008*).

Psychological factor: The buying behavior of consumer is influenced by a number of psychological factors which includes motivation, perception, learning, beliefs and attitude and personality (*Hoyer &MacInnis, 2008*).

2.3. RESK AND UNCERTAINTY

An understanding of risk and how to deal with it is an essential part of modern economies because Risk is an ever-prevalent challenge to both individuals and society (*Eeckhoudtet al, 2004*).

According to (*Kunreuther and Pauly, 2012*). Risk is an integral part of human existence, but fortunately, there are ways to deal with it. One solution is insurance. Insurance allows you to protect yourself financially against a potentially high but uncertain loss relative to your wealth by making a certain and much smaller payment in the form of a premium.

According to (*etal, 2012*).The notion of risk is inextricably linked to the notion of uncertainty: Uncertainty is having two potential outcomes for an event or situation. Certainty refers to knowing something will happen or won't happen. Uncertainty causes the emotional (or physical) anxiety or excitement felt in uncertain volatile situations. Gambling and participation in extreme sports provide examples. Uncertainty causes us to take precautions. We simply need to avoid certain business activities or involvements that we consider too risky. For example, uncertainty causes mortgage issuers to demand property purchase insurance. The person or corporation occupying the mortgage-funded property must purchase insurance *on real estate* wanted to lend them money. If we knew, without a doubt, that something bad was about to occur, we would call it apprehension or dread. It wouldn't be risk because it would be predictable. Risk will be forever, inextricably linked to uncertainty (*Baranof et al 2012*).

Thus, Risk is a consequence of uncertainty—it isn't uncertainty itself. Consequences can be positive or negative. i.e., the “consequence of uncertainty” is that the observed outcome deviates from what we had expected. If the deviation from what was expected is negative, we have the popular notion of risk. “Risk” arises from a negative outcome, which may result from recognizing an uncertain situation (*Baranof et al, 2012*).

Attitude: An attitude is a lasting, general evaluation of people (including oneself), objects, advertisements, or issues. An attitude is a lasting because it intends to endure over time. It's general because it applies to more than a momentary event, such as hearing a loud noise, though you might overtime, develop negative attitude towards all loud noises (*Solomon 2009*).

The functions of Attitudes: According to (R.Solomon, 2009) citing the work of the psychologist Daniel Katz there are four functional theories of attitudes to explain how attitudes facilitate social behavior:

Utilitarian function: relates to the basic principles of reward and punishment. We develop some attitudes toward products simply on the basis of whether these products provide pleasure or pain. If a person likes the taste of a cheeseburger, that person will develop a positive attitude toward cheeseburger (change the example by insurance). Ads that stress straightforward product benefits (e.g., you should drink Diet Coke just for the taste of it”) appeal to the utilitarian function.

Value-expressive function: Attitudes that perform a value- expressive function express the consumer's central values or self-concept. A person forms a product attitude not because of its objective benefits, but because of what the product says about him as a person (e.g., “What sort of man buys insurance?”). Value- expressive attitudes are highly relevant to the *lifestyle* analyses, which consider how consumers cultivate a cluster of activities, interests, and opinions to express a particular social identity.

Ego-defensive function: Attitudes we form to protect ourselves either from external threats or internal feelings perform an ego-defensive function. An early marketing study indicated that housewives in the 1950s resisted the use of instant coffee because it threatened their conception of themselves as capable of homemakers. Insurance

products that promise to help a man project a “macho” image (e.g., Marlboro cigarettes) may be appealing to his insecurities about his masculinity.

Knowledge function: we form some attitudes because of need for order, structure, or meaning. This need is often present when a person is in an ambiguous situation or is confronted with a new product (e.g. “Bayer wants you to know about pain relievers”).

Components of Attitude: An attitude has three components: affect, behavior, and cognition. Affect is how a consumer feels about an attitude object. Behavior refers to his intentions to take action about it (but not result an actual behavior). Cognition is what he believes to be true about the attitude object (*Solomon, 2009*).

Attitudes toward Risks: Attitudes towards risk should affect consumers’ willingness to take risk in a variety of situations (*Guiso and Paiella, 2004*). Different people have different attitudes toward the risk return tradeoff (*Baranof et al. 2012*). They can be

- Risk averse,
- Risk neutral, or
- Risk seeking (or loving) People are **risk averse** when they shy away from risks and prefer to have as much security and certainty as is reasonably affordable in order to lower their discomfort level. They would be willing to pay extra to have the security of knowing that unpleasant risks would be removed from their lives. Economists and risk management professionals consider most people to be risk averse.

A **risk seeker**, Someone who will enter into an endeavor as long as a positive long run return on the money is possible, however unlikely. It is much like a gambler.

Risk neutral, when; one’s risk preference lies between the extremes of risk averse and risk seeking. Risk neutral individuals will not pay extra to have the risk transferred to someone else, nor will they pay to engage in a risky endeavor. To them, money is money. They don’t pay for insurance, nor will they gamble.

To do with shunning physical risks such as snowboarding or rock climbing. Rather, risk aversion means only that someone has a decreasing marginal utility of wealth—as their wealth increases, the gain from adding money to their wealth (the slope of the utility function) gets smaller and smaller. Thus, the demand for insurance arises from risk

aversion on the part of insured's.

According to (L. Guiso & M. Paiella, 2004), differences in risk aversion among individuals should show up sharply in their occupational choices, their decisions on how to allocate accumulated assets, how much insurance to buy in the market and how much to self-insure.

Attitudes toward Insurance: Understanding consumers—their attitudes toward insurance and how their view of the industry is the first step in tapping the full potential of consumer insight (*Franken et al. 2010*). Risk aversion is individuals' main incentive in the purchase of insurance policy (*Sehhat and Kalyani, 2011*).

According to (L. Guiso and M. Paiella, 2004), the classical model of the demand for casualty insurance as elaborated by (Mossin, 1968) implies that risk-averse individuals should fully insure if insurance is offered at fair terms. If insurance is unfair, the amount purchased will depend on one's degree of risk aversion: the more risk-averse will demand more insurance coverage. Nevertheless, even some risk averse may choose not to insure if departure from fairness is significant. Thus, differences in risk aversion should predict not only the amount of insurance demand among insurance holders but also the decision to buy an insurance policy among risk-averse consumers.

2.4. Perception and Perceived Risk

Perception is the process by which incoming stimuli activate our sensory receptors: eyes, ears, taste buds, skin, and so on (*Hoyer and McInnis, 2008*). On the other hand, (Michael R. Solomon, 2009), stretched this definition of perception as the process by which people select, organize and interpret these sensations as light, color, sound, odor and texture through the sensory organs. The study of perception then focuses on what we add to these raw sensations in order to give them meaning.

Perceived risk is the extent to which the consumer is uncertain about the personal consequences of buying, using, or disposing of an offering (*Hoyer & McInnis, s, 2008*). Perceptions of risk vary across cultural groups.

According to (*Hoyer and McInnis, 2008*), if negative outcomes are likely or positive outcomes are unlikely, perceived risk is high. Consumers are more likely to pay

attention to and carefully process marketing communications when perceived risk is high. As perceived risk increases, consumers tend to collect more information and evaluate it carefully. Perceived risk can be associated with any product or service, but it tends to be higher when little information is available about the offering, When the offering is new, When the offering has a high price, When the offering is technologically complex, When brands differ fairly substantially in quality and might cause the consumer to make an inferior choice, When the consumer has little confidence or experience in evaluating the offering, or When the opinions of others are important, and the consumer is likely to be judged on the basis of the acquisition, usage, or disposition decision.

In insurance, perception is determined by culture, social development, education and informational background. That is why in poor country the perception of insurance is different by the one people *having* in developed countries (*Michaela & Iliescu, 2013*). (*Franken et al of Boston Consulting Group researchers, 2010*), also stated that consumers can be segments on the basis of their perceptions about insurance besides income, wealth, or life stage (such as student, young worker, or senior).

2.5. Price

Price is the amount of money one must pay to obtain the right to use the product or service. Economists often assume that lower prices for the same product will result in more sales than higher prices. However, price sometimes serves as a signal of quality. A product priced “too low” might be perceived as having low quality (*Hawkins and Mothersbaugh, 2010*). It is important to note that the price of a product is not the same as the cost of the product to the customer. Consumer cost is everything the consumer must surrender in order to receive the benefits of owning/using the product or service. For instance, the cost of owning/ using an automobile includes insurance, gasoline, maintenance, finance charges, license fees, parking fees, time and discomfort while shopping for the car, and perhaps even discomfort about increasing pollution, in addition to the purchase price. One of the ways firms seek to provide customer value is to reduce the non-price costs of owning or operating a product. If successful, the total

cost to the customer decreased while the revenue to the marketer stays the same or even increases (*Hawkins and Mothersbaugh, 2010*).

The demand for insurance arises from risk aversion on the part of insured's. (*Baker & Siegelman, 2011*). Furthermore, as (*troe and Iliescu, 2013*). Argued that Insurances are intangible products that have some special features apart from the material good. Insurances represent a service that cannot be touched, price standardization is not possible, there is no ownership transfer and production and consumption are inseparable. The consumer is a part of the production process so the delivery system must go to the market or the consumer must come to the delivery system. Because the insurance is linked also to the value of risk is very important to analyze if consumer of insurance is risk averse or not.

The assumption of risk adverse individuals implies that if the premium is below the actuarially fair Value, rational people definitely should buy insurance. On the other hand, a rational person should not pay a premium greater than the maximum claim that could be received from the insured event (*Kunreuther and Pauly, 2005*). (*S. Shavell, 2000*) said that risk-averse individuals will buy full coverage when premiums are fair.

2.6. Culture and Cultural Dimensions

(Solomon, 2009), considers Culture as a society's personality. It includes both abstract ideas, such as values and ethics, and material objects and services, such as the automobiles, clothing, food, art and sports that a society produces and values. Put in another way, culture is the accumulation of shared meanings, rituals, norms, and traditions among the members of an organization or society.

Culture is the 'lens' through which people view products. Ironically, the effects of culture on consumer behavior are so powerful and far-reaching that it's sometimes difficult to grasp their importance (*Solomon, 2009*).

Our culture determines the overall priorities we attach to different activities and products, and it also helps to decide whether specific products will make it. A product

that provides benefits to members of a culture at any point in time has a much better chance of attaining marketplace acceptance (*Solomon, 2009*).

The relationship between consumer behavior and culture is a two-way street. On the one hand, consumers are more likely to embrace products and services that resonate with a culture's priorities at any given time. On the other hand, it's worth-while for us to understand which products do get accepted because this knowledge provides a window into the dominant cultural ideals of that period (*Solomon, 2009*). Culture is not static. It is continually evolving, synthesizing old ideas with new ones. A cultural system consists of these functional areas (*Solomon, 2009*)

Ecology; the way a system adapts to its habitat. The technology a culture uses to obtain and distribute resources shapes its ecology. The Japanese, for example, greatly value products that make efficient use of space because of the cramped conditions in their urban centers.

Social Structure: the way people maintain an orderly social life. This includes the domestic and political groups' dominant within the culture (e.g., the nuclear family versus the extended family; representative government versus dictatorship).

Ideology: the mental characteristics of a people and the way they relate to their environment and social groups. This relates to the idea of a common worldview. Members of a culture tend to share ideas about principles of order and fairness. They also share an ethos, or a set of moral and aesthetic principles.

Cultural Dimensions: Although every culture is different, four dimensions account for much of this variability as M. Solomon cited the work of (Geert Hofstede, 1980). These are:

Power distance: the way members perceive differences in power when they form interpersonal relationships. Some cultures emphasize strict, vertical relationships (e.g., Japan), whereas others, such as the United States, stress a greater degree of equality and informality.

Uncertainty avoidance: the degree to which people feel threatened by ambiguous situations and have beliefs and institutions that help them to avoid this uncertainty (e.g., organized religion).

Individualism: the extent to which the culture values the welfare of the individual versus the group. Cultures differ in their emphasis on individualism versus collectivism. In collectivist cultures, people subordinate their personal goals to those of a stable in-group. In contrast, consumers in individualist cultures attach more importance to personal goals, and people are more likely to change memberships when the demands of the group (workplace, church, etc.) become too costly. Whereas a collectivist society will stress values such as self-discipline and accepting one's position in life, people in individualist cultures emphasize personal enjoyment, excitement, equality, and freedom. Some strongly individualist cultures include the United States, Australia, GB, Canada, and the Netherlands. Venezuela, Pakistan, Ethiopia, Taiwan, Thailand, Turkey, Greece, and Portugal are some examples of strongly collectivist cultures.

Masculinity/Femininity: the degree to which a culture clearly defines sex roles. Traditional societies are more likely to possess very explicit rules about the acceptable behaviors of men and women, such as who is responsible for certain tasks within the family unit.

Empirical Review Ecology the way a system adapts to its habitat. The technology a culture uses to obtain and distribute resources shapes its ecology. The Japanese, for example, greatly value products that make efficient use of space because of the cramped conditions in their urban centers.

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behaviors of men and women, such as who is responsible for certain tasks within the family unit.

The influence of Attitude on Insurance Buying Behavior

Consumers' attitudes are both an obstacle and an advantage in the decision process. Choosing to discount or ignore consumers' attitudes of a particular product or service, while developing a marketing strategy, guarantees limited success of a campaign (*Mihaela and Iliescu 2013*). Even though it is difficult for insurance companies to understand consumers' attitudes, evidences show that it might be worthwhile to know more about consumers' attitudes since they significantly influence product perceptions and finally consumers' purchase intention (*Huber and Schlager 2011*).

2.7. The influence of Perception on Insurance Buying Behavior

Perception is another lead factor in the consumer insurance decision. It is common known that the influence of society, of culture, of family and friends are not the only factors that drives a consumer in making a market decision. The subliminal factors like psychological ones and cognitive dissonance play a main role in what consumer perceive and decide in the insurance world (*Mihaela and Iliescu 2013*). Knowing about the influence of perceptions on purchase intention, purchase intention can be influenced by decreasing consumers' perception of risk and enhancing consumers' perceived transparency and perceived protection. The ultimate level beside the real utility of the insurance product in the decision process, is played by the perception of the insurance product. (*ibid*)

Evidences showed that this can be done by enhancing consumers' trust in the insurance agent, e.g., through a harmonized customer relationship management, or in the company, e.g., through a sound risk management and a transparent communication (*Huber and Schlager, 2011*).

Most insurance relates to events with a low probability of occurrence that by definition is not a usual part of the human experience. Hence, there are likely to be misperceptions associated with the risk that may lead individuals to purchase non-optimal insurance or no insurance at all (*Kunreuther and Paul, 2005*).

2.8. The influence of Income on Insurance Buying Behavior

Income is commonly found to be positively related to the demand for life insurance, holding other factors constant. The effect of current income on life insurance demand is examined in numerous studies (*Duker 1969; Ferber and Lee, 1980; Truett and Truett, 1990; Showers and Shotick, 1994; Gandolfi and Miners, 1996*). (*Showers and Shotick, 1994*) used a Tobit analysis to analyze the effect of household characteristics on the demand for total life insurance with data from the Consumer Expenditure Survey in 1987. The dependent variable used was premium expenditures on life insurance products. They assumed that life insurance was a normal good. The Tobit analysis indicated that a positive relationship existed between income and expenditures on life insurance premiums. They explained that as income increased the household has a motive to buy more life insurance because life insurance is bought as a function of the income replacement needed, in the event of an unexpected death of the major wage earner (*Li, 2008*).

2.9. The influence of Price on Insurance Buying Behavior

According to research made by (BCG, 2010) in France, Japan, and Consumers say that their decision-making process when buying insurance is rational and disciplined. They genuinely want to compare products and prices, draw on objective sources to make an informed choice, and arrive at a product that delivers the best value.

According to the survey made by (Ernst and Young, 2012), price is undoubtedly an important factor when considering an insurance purchase, but so are service and brand.

2.10. The influence of Culture on Insurance Buying Behavior

Nations with a low degree of Power Distance, a high level of Individualism, and a high degree of Uncertainty Avoidance tends to have a high level of life insurance consumption. Empirical results suggest that consumers may respond to insurance solicitations according to their cultural belief, not only economic rationality (*Treerattanapun, 2011*).

(Douglas and Wildavsky, 1982) (Cited in *Outreville, 2014*).also show that the demand for insurance in a country may be affected by the unique culture of the country.

2.11. The influence of level of education

Education, as an index of the stock of human capital within a household, is associated with life insurance demand. Normally, people with higher education, which would implies that they have greater expectations of income growth, have more awareness of the necessity of life insurance purchase. Burnett and Palmer (1984) indicated that higher education is related to greater life insurance demand. Thus, the education level of the household head is hypothesized to be positively associated with life insurance consumption. In this study, education is categorized into four dichotomous variables: less than high school (control group), high school, some college, and college degree or more (Mil li, Augest2008).

2.12. The influence of life expectance

(*Nesterova, 2008*), (*Redzuan, 2011*), (*Aderaw, 2013*).Identified that life expectance have a significant and positive impact on the demand for life insurance. Life expectance is measured by the number of years the average individual in a country is expected to live. Dependence ratio: studies have shown that dependency ratio is positively related to the demand for life insurance (*Brown and Kim, 1993; Curak and Gaspic, 2011*). Dependence ratio is measured by the Number of family members dependent on the main source of income. (Mil Li, Augest2008).

2.13. The influence of Employment

Previous studies have consistently conclusion that, if household heads or husbands are employed, more life insurance will be purchased by individuals or households. These studies' authors include (Hammond et al, 1967), (Mantis and Farmer, 1968), (Duker, 1969), Ferber and Lee (1980), (and Fitzgerald, 1987). (Fitzgerald, 1987) developed a one period model of the amount of life insurance purchased by a married couple with data from the Wisconsin Assets and Income Survey (1946-1964).

The dependent variable in this study was the face amount of life insurance held by the husband. The results showed that occupation of husband had a positive impact on the

amount of life insurance purchased. (Gandolfi and Miners, 1996) found that the wife's employment status has a negative impact on the husband's life insurance ownership. They argued that full-time labor force participation by the wife reduces the husband's life insurance demand. The analysis of (Baek and DeVaney, 2005), however, indicated that labor force participation by the wife enhanced the purchase of both cash value and term life insurance of the household.

2.14. The influence of demographic factors

Just two research articles have examined the influence of health status or life expectancy on the life insurance purchase. (Zhu,2007) studied an individual's choices on the purchase of life insurance and the purchase of stocks using one-period and two-period models. Zhu argued that when an individual decided the purchase of life insurance and stocks, he or she would consider his or her personal circumstances, such as wealth, future income, health status and survival probability, attitudes toward risk and bequest. Zhu found that an increased survivor probability encouraged the individual to hold more life insurance similarly, (Baek and DeVaney, 2005).

2.15. The influence of Asset factors

Previous researchers have demonstrated that life insurance purchasing behavior is determined by a household's asset allocation decisions. (Headen and Lee, 1974) found limited evidence that investment in stocks and bonds lessen life insurance purchase, while savings account holdings increase the purchase of life insurance. Liquid assets are expected to have a negative effect on life insurance holdings because, if a household has more liquid assets to prevent unexpected financial risk, the household would buy less life insurance. Other investments such as stocks, bonds, mutual funds, retirement accounts, and annuities are expected to enhance life insurance purchases since household heads with more financial experience and knowledge might be more likely to include cash value life insurance as an investment vehicle and demand life insurance to protect their financial assets from estate taxes.

2.17. Life insurance policy and practices in Ethiopian Insurance Corporation

Ethiopian Insurance Corporation has one district in Addis Ababa and thirteen branches has throughout the country and they have above seventeen types of life insurance policy. There are; three groups

Endowment: Ordinary Endowment, Anticipated Endowment, policy (with profit).children's education policy (with profit), endowment Annuity, joint endowment, joint Annuity, Group endowment, preneed funeral insurance.

Term: Individual term life insurance, Group term life Assurance, modified large group Term life Assurance, individual Mortgage protection Assurance, Group Mortgage protection Assurance, Joint Mortgage protection Assurance

Whole life Assurance: individual Medical Assurance, Group Medical Assurance, Executive Medical Assurance, Travel Health insurance etc...

According Ethiopian insurance corporation life products', claims paid report, premium income of each class of business and the ratio of loss is as follow.

No	Ethiopian Insurance Corporation life Production and Claims Paid Report					
	PREMIUME INCOME	ACTUAL 2011	ACTUAL 2012	ACTUAL 2013	ACTUAL 2014	ACTUAL 2015
	Class of business					
1	Endowment	96,449,000	32,675,723	28,241,364	32,147,399	26,923, 282
2	Whole life	-	-	-	3,495	-
3	Term insurance	39,378,000	70,666,365	75,082,814	33,362,713	42,792,498
4	Medical insurance	4,529,000,	3, 591, 597	18,845,887,	33,362,713	42,792,498
5	Funeral					
6	MPA	15,883,000	18,845,887	3,321,610,321	16,522,761	27,311,926
	TOTAL	156,239,000	125,779,572	125,780,386	99,261,552	122,145,751
1	CLAIME PAID	4,075,000	11,178,421	12,590,463	12,590,463	12,838,989
	Death					
2	Maturity	3,508,000	11,178,421	12,590,463	12,590,463	12,871,719
3	surrender	8,729,000	14,898,508	7200,065	7200,065	10435003
4	Medical	11,246,000	10,593,662	11,402,720	13,081,857	12,655,274
5	others	649,000	1,001,538	1,451,752	1,494,159	2,698,314
	TOTAL	28,207,000	41,217,403	37,765,923	39,487,467	60,499,299

PREMIUM EARNED,CLAIMS INCURREDAND LOSS RATIO					
premium	160,596,000	266,170,000	299,514,000	273,871,000	315,044,000
NetPremium Earned	160,596,000	248,701,000	272,022,000	242,130,000	283,435,000
Net Claims incurred	54,843,000	58,839,000	90,072,000	96,168,000	157,627,000
Loss Ratio	34.1	23.7	33.1	39.7	55.6

CHAPTER THREE

3.1. Research Design

The study adopted descriptive research design. This is because the aim of this study is to describe the present determinant factors of life insurance buying behavior of customers with regarding like attitude, perception, income, price, culture.

3.2. Population and Sampling Technique

3.2.1. Population

Population for this study focused in Ethiopian insurance corporation life Addis district corporate Customers and Managers of the life Addis district as the target population of the study. In Life Addis district there are higher number of customers, and availability of data for the purpose of this study. The researcher selects five different non-government organization customers. Those are Helvetia's Ethiopia, access to trade, Ethiopian Rain water, and Federal courts employee.

3.2.2. Sampling technique

The researcher took simple random sampling techniques to determine the representative sample. Based on Israel, (Glenn, 1992), the following simplified formula to calculate the sample size is used $n = \frac{N}{1 + N * (e)^2}$ where n =sample size= N and e =level of precision. Then, by applying the stated formula, the number of sample customers for the study is determined to be five non-government organization who are EIC life district customers those have total employee are 1,134. In the case of homogametic of the product the number of sample size is took 126 customer usingconveniencesampling technique. For central Addis district are selected by the long experience and they have different types of produce and they addressed for different customers.

3.2.3. Data type, source and data collection technique

In this study, primary and secondary data source are considered. The primary data were used to answer the research question objectively. It helped to get firsthand information from respondents and real experience of customers regarding the service.

This has included data collection through use of questionnaires prepared to customers and semi-structured interview prepared to managers. On the other hand, secondary data helped to get related information on the subject matter that cannot be obtained from primary sources. The student researcher will take both Primary and Secondary data in order to capture relevant and appropriate information from customers, and marketing manager.

3.2.4. Data Analysis Methods

The researcher changed the plan to use correlation and descriptive analysis. The correlation analysis is used to know the association between the insurance buying intention and other factors. Following the correlation analysis the collected data is analyzed using simple descriptive analysis so as to know the customers opinion towards that independent variables which the researcher had planned to measure the impact using multiple regression analysis. Even if the researcher can't directly measure the impact of the independent variables on the dependent variable, correlation analysis and the descriptive analysis are used to know the association between the dependent and independent variables is as per the theory. Pearson correlation is used in order to expresses the direction and strength of the relationship between the independent and dependent variables (*Leary, 2012*).

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION AND PRESENTATION

Chapter four describes the data analysis and interpretation part. The researcher planned to use multiple regression but shift to descriptive analyses because the model fitness problem. When tested after data are collected and tested, it does not fit, and in the researcher proposal their hypotheses to in our plan but unable to test it for the same reason. In proposal there's the section tried to make analysis, interpretation and presentation on the response rate of the research instrument, the descriptive and differential statistics of life insurance consumers response aided bySPSS version200.

4.1. Respondents

A Total of 126 questionnaires were distributed for five life insurance customers organization found in Addis Ababa.Seven respondents could not be returned and a total of returned 3 responses were excluded from analysis due to irrelevant information and not correctly filling the questionnaires. Thus, the study analyzed the data on only 116 responses of insurance consumers which resulted a sufficient percentage (92%) response rate.

Table:4.2.Demographic of Respondents

Gender of respondent	Frequency	Percent	Valid Percent	Cumulative Percent
Female	54	46.6	46.6	46.6
Male	62	53.4	53.4	53.4
Total	116	100.0	100.0	100.00
Age of respondents	Frequency	percent	Valid percent	Cumulative percent
18-25	8	6.9	6.9	6.9
26-31	12	10.3	10.3	17.2
32-38	28	24.8	24.8	24.8
39-45	22	19.0	19.0	19.0
46-52	33	28.4	28.4	28.4
Above 52	13	11.2	11.2	100.0
Total	116	100.0	100.0	100.0
Level of Education	Frequency	percent	valid percent	Cumulative percent
Diploma	12	11.2	11.2	11.2
Degree	46	39.7	50.9	50.9
Masters and Above	57	49.1	100.0	100.0
Occupations of Respondent	frequency	percent	Valid percent	Cumulative percent
	116	100.0	100.0	100.0

Source: Survey Data (2016)

The study covers a total of 116 respondents. Out of which 54 were females, 62 were male and. It indicates that male respondents have a highest proportion (53.4%) as far as gender is concerned and female respondents cover 46.6 % of the total respondents of the survey

As it shown in Table 4.2 respondents were below of the age of 25, 12 were and 25-31, 28 were and 32-38, 22 were between 39-45, 33 were between the age 46 and 52, and 13 respondents were above the age 52 years. It can be said that majority of the respondents (28.4%)

Fall in the between the age group 46 and 52 which implies that most of the respondents are youth and, they have family and they are more responsible. age group 19 % were those respondents who are in the age category of 39 and 45 which also shows a higher rate of age composition compared to other age groups and it implies that the study also comprises respondents who are in middle age. Those respondents who are below the age 25 and above 52 have the smallest percentage which is only 6.9%. In general, the study touches in its survey all age groups. The chart (Figure 4.2.) shows this age composition of the respondents Table 4.2. below shows the frequency and percentage

When we see respondents' educational level composition, among those Respondents 12 have Diploma. With 46 degree holder and 57 Master's degree and above in educational level. There was one respondent who did not fill his/her educational level. This indicates educational level has positive impact of life insurance buying behavior.

Table 4.2 below stipulated this educational background distribution of the total respondents. When we look at distribution of respondents by their occupation or career 116 were those who are engaged in office working non-government office. And there was one respondent who does not reply to this profile category.

From the above data it can be shown that all of the respondents (100%) are engaged in office work .which indicates most of the customers decide in buying life insurance policy for themselves.

The above table of 4.2. Shows the distribution of respondents by their income level. The data shows 18 respondents earn below 7,000 Birr per month which indicates (15.5%) of the respondents have low income level. Others respondents earn greater than

7, 000 Birr per month but less than 14,000 Birr which accounts about 14.7% out of the total respondents. Those who earn 14,001 and 21, 000 Birr per month were 25

respondents which cover 21.6%. Only 15.5 % (18) responds earn between 20,001 and 28,001 Birr About12.9 %(15) per month.

Out of the total respondents the last one and the huge amount of salary is Birr 28001-35,000 and above35, 000 per month (15) and 19.8 %(20) respondents are above35, 000. Lastly, there were 3 respondents who weren't willing to mention their income level. Thus, from the data gathered it can be concluded that income is dispersed among almost all customers of life insurance buyers.

4.3. Correlation and Descriptive Analysis on Determinants of Life Insurance Buying Behavior.

Table 4.3	Correlation of variables	Perception	Attitude	Income	Premium	Culture	Intention
Perception	Pearson correlation	1	849	962	808	925	552
	Sig.(2-tailed		069	009	0098	024	335
	N	5	5	5	5	5	5
Attitude	Pearson correlation	849	1	757	447	653	222
	Sig.(2-tailed	069		138	450	232	845
	N	5	5	5	5	5	5
Income	Pearson correlation	962	757	1	922	989	727
	Sig.(2-tailed)						
	N	5	5	5	5	5	5
Premium	Pearson correlation	808	447	922	1	967	933
	Sig.(2-tailed)	098	450	026		007	020
	N	5	5	5	5	5	5
Culture	Pearson correlation	925	653	989	967	1	813
	Sig.(2-tailed)	024	232	001	007		813
	N	5	5	5	5	5	5
Intention	Pearson correlation	552	122	727	933	813	1
	Sig.(2-tailed)	335	845	164	020	094	
	N	5	5	5	5	5	5

Source: Survey Data (2016)

** Correlation is significant at the 0.01 level (2-tailed).

*correlation is significant at the 0.05 level (2-tailed)

Table 4.3. Shows the correlation between explanatory variable and the intention of life insurance buying behavior bin as noted in Brooks (2008), Correlation between two variables measures the degree of linear association between them. To find the association of the independent variables with the intension of the life insurance customer buying behavior Correlation coefficient was used. Values of the correlation coefficient are always ranged between positive one and negative one. A correlation coefficient of positive one indicates that a perfect positive association between the two variables; while a correlation coefficient of negative one indicates that a perfect negative association between the two variables. A correlation coefficient of zero, on the other hand, indicates that there is no linear relationship between the two variables. As it could be seen from table 4.7, result attitude, perception, income, premium, and culture were positively correlated variables with intention of life insurance buying behavior, the degree of correlation among dependent and independent variables attitude, perception, income, premium and culture have positive and significant correlation with intention of life insurance buying behavior with the coefficient of 0.96, 0.98, 0.65, 0.80 and 0.93 respectively.

4.4. Descriptive.

Mean is the simplest measurement of central tendency and is a widely used measure. Its chief use consists in summarizing the essential features of a series and in enabling data to be compared. It is amenable to describe treatment and is used in further statistical calculations. It is a relatively stable measure of central tendency (*Kothari 2004*). Accordingly,

1=strongly Disagree 2=Disagree 3= Neutral 4=Agree 5=strongly

Table 4.4. The Attitude of customers towards life insurance policy

NO	Attitude	SDA		DA		NT		AG		SA		TOTAL		Mean	Mean of means
		F	%	F	%	F	%	F	%	F	%	F	%		
1	I usually avoid risks which affect my life	29	25	11	9.5	11	9.5	18	15.5	47	40.5	116	100	3.37	3.33
2	I like to transfer all risks to insurance company	31	26.7	24	20.7	16	13.8	3	2.6	42	36.2	116	100	3	
3	I would rather be safe than sorry	20	17.2	9	7.8	29	25	11	9.5	47	40.5	116	100	3.48	
4	I do not choose risky alternatives	6	5.2	19	16.4	17	14.7	11	9.5	63	54.3	116	100	3.91	
5	I only make a decision when i think unpredictable uncertainty	14	12.1	9	7.8	35	30	17	14.7	41	35.3	116	100	3.53	
6	I would buy life insurance policy if it is not match to premium	25	21.6	6	5.2	37	31.9	13	11.2	35	30.2	116	100	3.23	
7	I decided to have insurance coverage because of the greater fear of death.	26	22.4	8	6.9	47	40.5	16	13.8	19	16.4	116	100	2.94	
8	I don't prefer buying life insurance policy because the benefit is materialized after death. But still I do buy.	25	21.6	14	12.1	43	37.1	17	14.7	17	14.7	116	100	2.88	
9	I have more awareness about life insurance policy and that's why I decided to buy it	11	9.5	13	11.2	31	26.7	11	9.5	50	43.1	116	100	3.65	

Source: Survey Data (2016)

AsTable4.4.Shows when we look at in detail the variables Attitude and Perception exhibit a mean of 3.33 and 3.87 which indicates that on average most respondents are similar. 40% of the respondents attitude is to transfer the risk it insurance company 54.3% are agree to avoid the risk alternative or they are were to avoid the risky way of living those are indicate tow thing for researcher, customers are ready to buy life

Source: Survey Data (2016)

Insurance policy.Idea in their mind about the life insurance policy. So we can say when life insurance customers are having positive attitude about the product or serves So we

can say when life insurance customers are have positive attitude about the product or serves the

Table 4.5 .The perception of customers towards life insurance policy

When we look at in table 5.4 the variables perception exhibit a mean of 3.70 and 58% of Respondent says even they have no idea before when they buying the life insurance Policy Know they are appreciated the product or they have a good perception. However, for the variables Income (mean=3.36), Premium (mean=3.70), Culture (mean=3.53), and Life Insurance Buying Behavior (mean=5.27) on average most responses are close to positive response, this is indicate the customer perception is good ,so it is positively affecting to life insurance buying behavior.

1=strongly Disagree 2=Disagree 3= Neutral 4=Agree 5=Strongly Agree

Table 4.6.the income of customers towards life insurance policy

No.	Income	SDA		DA		NT		AG		SA		TOTAL		Mean	Mean of means
		F	%	F	%	F	%	F	%	F	%	F	%		
1	I prefer lower premium due to low income.	4	3.4	9	7.8	24	20.7	48	41.4	31	26.7	116	100.0	3.59	3.36
2	It is good If government could give insurance coverage for society in case of financial lose.	31	26.7	24	20.7	16	13.8	3	2.6	42	36.2	116	100.0	3.53	
3	I have life insurance policy for protection only in the case of un affordable premium.	20	17.2	9	7.8	29	25.0	11	9.5	47	40.5	116	100.0	3.27	
4	In case of low income I am not in a position to buy high sum assured life insurance policy.	6	5.2	19	16.4	17	14.7	11	9.5	63	54.3	116	100.0	3.26	
5	The expected investment return on the premiums paid would encourage me to purchase a life insurance policy.	16	13.8	9	7.8	17	13.8	51	44.0	23	19.8	116	100.0	3.18	

Source: Survey Data (2016)

Table4.6. about indicate that Incomes major factor for buying behavior of life insurance police, in these perspective 54.3% says in case of low income we have low amount of life insurance or we can't buy the cash value of insurance policy. This is indicates,

the customer is arise to be much money they are ready to buy additional life insurance policy the respondent customers towards life insurance policy even the least rate 19.8% of respondent is said we expected the investment return, this indicates they have long term relation to the life insurance policy use it or have. if customers are explain it detail the benefit of the product is they are loyal customer for that product and they are prompters. So in the perspective of our research objective this is indict how customers know the benefit of life insurance so it has positively high power to determine of the life insurance buoying behavior.

1=strongly Disagree 2=Disagree 3= Neutral 4=Agree 5=Strongly Agree

Tab-le 4.7.The premium of customers towards life insurance policy

NO	Premium	SDA		DA		NT		AG		SA		TOTAL		Mean	Mean of means
		F	%	F	%	F	%	F	%	F	%	F	%		
1	When evaluating an insurance premium I consider lower premium.	17	14.7	11	9.5	16	13.8	42	36.2	30	25.9	116	100.0	3.26	3.70
2	Due to inflation the cost of living is increasing so I can't afford buying life insurance policy.	9	7.8	13	11.2	10	8.6	51	44.0	23	19.8	115	100.0	3.31	
3	When I buy life insurance policy I always concenter the mode	10	8.6	15	12.9	4	3.4	38	32.8	49	42.2	116	100.0	3.76	
4	When I buy life insurance policy I assume that premium is consistent elsewhere	8	6.9	13	11.2	11	9.5	30	25.9	54	46.6	116	100.0	3.77	
5	I believe that the more I pay higher premium, the more the sum assured would be higher.	3	2.6	5	4.3	11	9.5	25	21.6	72	62.1	116	100.0	4.24	
6	I prefer company's offering discount advantage than a reputable company with no discount of the insurer in evaluating life insurance buying	9	7.8	9	7.8	12	10.3	35	30.2	51	44.0	116	100.0	3.75	
7	As long as my life and medical insurance expense is covered by my company, I don't worry whether the premium is higher or lower	10	8.6	8	6.9	14	12.1	40	34.5	44	37.9	116	100.0	3.63	
8	It is better to buy life insurance than to save in commercial bank because it hold the death risk	5	4.3	10	8.6	15	12.9	30	25.9	56	48.3	116	100.0	3.92	

Source: Survey Data (2016)

According to Table 5.6, respondent indicates the mean of premium is 3.70% or on average 62.5% of respondent say life insurance depends on money or premium, when

we pay more we can get more benefit or life insurance coverage so it implies high deterrent power of influence,

1=strongly Disagree 2=Disagree 3= Neutral 4=Agree 5=Strongly Agree

Table 4.8. The culture of customers towards life insurance policy

NO	culture	SDA		DA		NT		AG		SA		TOTAL		Mean	Mean of means
		F	%	F	%	F	%	F	%	F	%	F	%		
1	I don't want to buy insurance because it contradicts with my religion.	33	28.4	9	7.8	16	13.8	14	12.1	44	37.9	116	100	3.23	
2	I have no culture to buy life insurance, but our insurance agent pursued to buy life insurance policy before ten years later.	17	14.7	19	16.4	4	3.4	22	19	54	46.6	116	100	3.13	
3	I want to have insurance coverage for my family, but my religion does not allow it.	5	4.3	19	16.4	19	16.4	36	31	37	31.9	116	100	3.68	
4	I buy insurance policy because it promotes the wellbeing of my family	17	14.8	20	17.2	11	9.5	22	19	45	38.8	115	100	3.48	3.53
5	Life insurance policy protects my financial lose and to save my money	5	4.3	4	3.4	10	8.6	50	25.9	47	40.5	116	100	3.9	
6	I buy insurance coverage because it is a modern way of life style	6	5.2	5	4.3	15	12.9	37	31.9	53	45.7	116	100	3.89	
7	As there is wide difference in service quality among insurance companies ,I always follow my legal adviser recommendation	4	3.4	14	12.1	47	40.5	15	12.9	35	30.2	116	100	3.46	

Source: Survey Data (2016)

1=strongly Disagree 2=Disagree 3= Neutral 4=Agree 5=strongly Agree

Table 4.9.The intention of customers towards life insurance policy

NO	Intention	SDA		DA		NT		AG		SA		TOTAL		Mean	Mean of means
		F	%	F	%	F	%	F	%	F	%	F	%		
1	if education level is high, people are aware to buy life insurance	9	7.8	7	6	10	8.6	44	38	46	40	116	100	2.63	
2	Life expectance has a significant and positive impact on the demand for life insurance.	5	4.3	5	4.3	7	6	49	42	50	43	116	100	3.06	
3	If the number of dependent is low I should buy high amount of life insurance.	5	4.3	7	6	10	8.6	54	47	40	43	116	100	3.1	
4	I recommend people to buy life insurance as it gives mental relief to the insured	7	6	9	7.8	8	6.9	50	43	40	35	116	100	3.64	
5	I consider life insurance as very important for people	11	9.5	15	13	19	16	40	35	31	43	116	100	3.67	
6	I feel people should buy/renew life insurance as a way to respond to life risks	7	6	9	7.8	5	4.3	49	42	46	40	116	100	3.94	
7	I feel it is important to buy as many life insurance packages as possible	6	5.2	5	4.3	5	4.3	63	54	37	32	116	100	3.83	
8	I feel life insurance is interesting tool to secure one's family	4	3.4	7	6	15	13	53	46	37	32	116	100	3.97	
9	I prioritize life insurance than other luxurious life facilities	24	20.7	6	5.2	16	14	30	26	40	35	116	100	3.53	5.27

Source: Survey Data (2016)

As indicated in the above table 4.9.The intention of life insurance buying behaves determined by response or result is 5.27 when we described these implies life insurance buying behavior influenced by deferent factors and the buying decision also come to positive or negative impact.

CHAPTER FIVE

SUMIMRY OF FINDING, CONCLUSIONS AND RECOMMENDATIONS

The basic aim of this chapter is to present the overall overview of the research by summing the main findings of the analysis part and give recommendations. Accordingly, the chapter briefly sums up the overviews of the study and its main findings

5.1. Conclusions

The study aims to examine the determinant factor of life insurance buying behavior between different variables and the buying intension of Life insurance buying behavior and its main determinants and their statistical significance. Based on the analysis made in previous chapter on factors that determine life insurance buying behavior is the following conclusions are drawn.

There is significant positive relationship between income and buying behavior of life insurance. In this situation, as income rises, insurance become more affordable. This study find out that the most important factor that influence for life insurance buying behavior. Similar to, the correlation showed positive and strongly statistically significant relationship between life insurance buying behavior intention and level of income.

There is a significant positive relationship between premium and the determinant factor of life insurance buying behavior. Similar to the description and correlation showed positive and statistically significant relationship between life insurance buying behavior and each variable.

There is a significant positive relationship between attitude and the determinant factor of life insurance buying behavior. Similar to the correlation, the descriptive showed positive and statistically significant relationship between determinant factors of buying behavior of life insurance buying behavior. The positive relationship between attitude

and life insurance buying behavior implies that higher increases life insurer's investment returns and profitability, it ultimately leads to high life insurance demand.

Premium is an important factor that determined of life insurance buying behavior. Perception level has led to greater awareness and understanding of the role of life insurance. Similar to the correlation result showed positive and strongly statistically significant positive relationship between determinant of life insurance buying behavior and level customer perception. If it the customer perception is positive it assume that it has greater awareness and understanding of the benefit of life insurance, therefore another factor that has driven the increasing demand for life insurance buying. Because people who have positively perception the product benefit they are willing to buy the life insurance policy.

5.2. Recommendations

The researcher recommended some alternative ways pertaining to promote and increase demand of life insurance in Ethiopian Insurance Corporation. Hence, the possible and constructive recommendations are forwarded as follows.

The positive relation between customer's perception and life insurance buying behavior implies that life insurance companies should have to do more in creating awareness to the general public.

Thus, the National Bank of Ethiopia and the managements of insurance companies should further enhance public's awareness and financial literacy by using different approaches. For example they should use media, internet and billboard as a medium of promoting the life insurance and made a program such true story regarding the life insurance benefits. This program will give big picture to society about how important the life insurance is to their family as extra saving to the future use a, health, education and financial losses.

Understanding of regulatory authority should be improved on life insurance, especially The National Bank of Ethiopia; since the sector have a great importance for the economy. National Bank of Ethiopia should have to give much attention for the development of this sectors.

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APPENDIX

APPENDIX A
St. Mary's University
Masters of Business Management Graduate program

Questionnaire on assessing the Determinants of life insurance buying behavior At Ethiopian Insurance corporation From customer perspective between 2011-2015

Dear Respondents:

My name is YeworkwohaAssefa. Currently, I am a student at St. Mary University. I conduct this research as a partial fulfillment for Master degree in Business Administration. I am conducting a research entitled "*Assessing the Determinants of life insurance buying behavior at Ethiopian Insurance Corporation*". Therefore, I kindly request your genuine cooperation to answer the survey questions as your cooperation is highly appreciated and has invaluable contribution for the success of this study. It is not necessary to write your name on the questionnaire. And I would like to assure you that the information will be kept confidential. Hence please fill free to answer all the questions honestly and accurately based on the instructions given under each section.

I would like to express my heartfelt gratitude in advance for sharing your valuable information and allocating your precious time in completing this questionnaire.

Section I

Direction: Please circle the appropriate response category which mostly explains yourself.

1. Gender:

A. Female

B. Male

2. Age:

A. below18- 25

B .25-31

C.32-38

D .39-45

E. 46-52

F. above 52

3. Educational Background

A. High School and Below

B. Diploma

C. Degree

D. Masters and Above

4. Occupation

A. Employee

B. Business man

C. Student

D. Other

5. Income Level (per month in Birr)

A. Below 7,000

D. 21, 001 – 28, 000

B. 7,001 – 14,000

E. 28, 001 – 35, 000

C. 14, 001 – 21, 000

F. Above 35, 000

Section II

Direction: Please indicate your degree of agreement/disagreement with the following statements by circling the appropriate number.

(Where, **1: Strongly disagree 2: Disagree 3: Neutral 4: Agree 5: strongly agree**)

Key: SDA, strongly disagree; DA, Disagree N, Neutral A, Agree SA, strongly agree.

<i>S.NO</i>	Statements	<i>SD</i> <i>A</i>	<i>DA</i>	<i>N</i>	<i>A</i>	<i>SA</i>
I	Attitude					
1	I would rather be safe than sorry	1	2	3	4	5
2.	I do not choose risky alternatives	1	2	3	4	5
3	I only make a decision when I think unpredictable uncertainty	1	2	3	4	5
4	I would buy life insurance policy if it is not match to premium	1	2	3	4	5
5	I decided to have insurance coverage because of the greater fear of death.	1	2	3	4	5
6	I don't prefer buying life insurance policy because the benefit is materialized after death. But still I do buy.	1	2	3	4	5
7	I have more awareness about life insurance policy and that's why I decided to buy it.	1	2	3	4	5
II	Perception					
8	I buy insurance policy because it is useful As pension.	1	2	3	4	5
9	Life insurance policy can prevent negative outcomes in my family and myself.	1	2	3	4	5
10	Life insurance provides a sense of security.	1	2	3	4	5
11	I have no idea before our agents tell me about life Insurance	1	2	3	4	5
12	I don't have trust on insurance companies however our company is perches life insurance and I am benefited.	1	2	3	4	5
13	I feel more confidence due to having a life insurance policy	1	2	3	4	5

14	I believe insurance is holed my risk or my responsibility	1	2	3	4	5
15	Comparing to other countries Ethiopian insurance market doesn't have much of an option	1	2	3	4	5
16	I prefer to buy a life insurance policy from a reputable insurance company service?	1	2	3	4	5
17	life Insurance policy is use full during financial lose	1	2	3	4	5
18	Life Insurance buying gives psychological security.	1	2	3	4	5
III	Income					
19.	I prefer lower premium due to low income.	1	2	3	4	5
20.	It is good If government could give insurance coverage for society in case of financial lose.	1	2	3	4	5
21.	I have life insurance policy for protection only in the case of un affordable premium.	1	2	3	4	5
22.	In case of low income I am not in a position to buy high sum assured life insurance policy.	1	2	3	4	5
23.	The expected investment return on the premiums paid would encourage me to purchase a life insurance policy.	1	2	3	4	5
1V	Premium(price)					
24.	When evaluating an insurance premium I consider lower premium.	1	2	3	4	5
25.	Due to inflation the cost of living is increasing so I can't afford buying life insurance policy.	1	2	3	4	5
26.	When I buy life insurance policy I always consider the mode of payment	1	2	3	4	5
27.	When I buy life insurance policy I assume that premium is consistent elsewhere.	1	2	3	4	5
28.	I believe that the more I pay higher premium, the more the sum assured would be granted.	1	2	3	4	5
29.	I prefer company's offering discount advantage than a reputable company with no discount of the insurer in evaluating life insurance buying.	1	2	3	4	5

30.	As long as my life and medical insurance expense is covered by my company, I don't worry whether the premium is higher or	1	2	3	4	5
31.	It is better to buy life insurance than to save in commercial bank because it hold the death risk	1	2	3	4	5
V	Culture					
32.	I don't want to buy insurance because it contradicts with my religion.	1	2	3	4	5
33.	I want to have insurance coverage for my family, but my religion does not allow it.	1	2	3	4	5
34.	I have no culture to buy life insurance, but our insurance agent pursued to buy life insurance policy before ten years later.	1	2	3	4	5
35.	I buy insurance policy because it promotes the wellbeing of my family.	1	2	3	4	5
36.	Life insurance policy protects my financial lose and to save my money.	1	2	3	4	5
37.	I buy insurance coverage because it is a modern way of life style	1	2	3	4	5
38	As there is wide difference in service quality among insurance companies ,I always follow my legal adviser recommendation	1	2	3	4	5
	others					
39.	if education level is high, people are aware to buy life insurance	1	2	3	4	5
40.	Life expectance has a significant and positive impact on the demand for life insurance.	1	2	3	4	5
41.	If the number of defendant is low I should buy high amount of life insurance.	1	2	3	4	5
42.	I recommend people to buy life insurance as it gives mental relief to the insured	1	2	3	4	5
43.	I consider life insurance as very important need for people	1	2	3	4	5

44.	I feel people should buy/renew life insurance as a way to respond to life risks	1	2	3	4	5
45.	I feel it is important to buy as many life insurance packages as possible	1	2	3	4	5
46.	I feel life insurance is interesting tool to secure one's family	1	2	3	4	5
47.	I prioritize life insurance than other luxurious life facilities	1	2	3	4	5

APPENDIX B

St. Mary's University School of Graduate Studies MBA interview question for life Addis District Manager.

- 1 Do you believe that your life insurance customers are coming to waking?
2. Do you believe individual perception is one of the determinant factors life insurance buying behavior?
3. Do you believe your company is deliver according the customer need and went? If your answer is yes how doing you messier it or how do you know it?
4. What do you observe it the society attitude of about life insurance?
5. The privies research tells as Ethiopian life insurance market is low than comparing others African countries, and local market also, what is your opinion?