ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

AN ASSESSMENT OF THE PERFORMANCE OF NON-LIFE INSURANCE IN CASE OF NYALA INSURANCE S.C

BY

KIDEST TESFYAE

JUNE, 2020

ADDIS ABABA, ETHIOPIA

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ADVISOR: TIRUNEH LEGESSE (ASSISTANT PROFESSOR)

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DECLARATION

I, the undersigned, declared this is my original work, prepared under the guidance of TIRUNEH LEGESSE (ASSISTANT PROFESSOR). All sources of materials 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 institution for the purpose of earning any degree.

Name **Signature & Date**

ENDORSEMENT

This research paper has been submitted to St. Mary's University, School of Graduate Studies in order to conduct Thesis II research with my approval as a university advisor.

______________________ ______________________

Name of Advisor **Date & Signature**

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ABBERVIATIONS

AQ	Asset Quality
CA	Capital Adequacy
CID	Confidence interval of
CSP	Customer Service Provision
CRAMEL	Capital adequacy, Asset quality, Reinsurance and Actuarial Issues Management soundness, Earnings and Profitability and Liquidity
EAP	Earning and profitability
ES	Employee Satisfaction
IPP	Insurance Policy Provision
LQ	Liquidity
MA	Management Soundness
NBE	National Bank of Ethiopia
NISCO	Nyala Insurance Company S.C.
RIA	Reinsurance and actuarial
OCS	Overall Customer Satisfaction

ABSTRACT

The study was carried out to assess the performance of Non-life insurance at Nyala Insurance S. C by applying financial and Non-financial soundness indicators. The financial soundness was assessed by using CARAMEL frame work which includes Capital Adequacy, Asset Quality, Reinsurance and Actuarial issues, Management Soundness, Earnings and Profitability and Liquidity. And for the Non-financial soundness Market share, Growth in the number of branches, Market Research, Customer Satisfaction and employee's performance as well as satisfaction was applied. Also the study tried to assess the companies ten years data i.e. from 2009-2018. The sample size was 395 customers and 194 employees and five selected branches and also interview was made to 13 marketing department members. The study findings show that Nyala Insurance S.C utilized depends on its capital to secure new business, has good performance in receivable management and risk related with equity investment is good, risks retained was found to be lower than the statutory limit additionally the companies risk bearing ability is moderate. The company also shows good amount of technical reserves which indicated that it have good survival ratio, loss ratio of the company is low compared to the standard and liquidity risk of the company is high. When we see the market share of the company it is almost the same with the industry but companies existing business are declining which will affect its profitability. Branch expansion of the company is good and the level of customer and employee satisfaction is above average which is also good. Finally the study recommended that NISCO should manage its liquidity, also must manage its asset and liabilities and reduce impact of underwriting risk and review its re-insurance arrangement.

Key words: Non-lifeInsurance Performance, financial soundness indicators, non-financial soundness indicators.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The emergence of insurance business in Ethiopia was closely linked to expatriates & foreign insurance companies operating in Ethiopia participated actively in the establishment of the first domestic insurance company, i.e. Imperial insurance company established in 1951. The emergence of modern insurance in Ethiopia is traced back to the bank of Abyssinia which was established in 1905 as the first Ethiopian bank. The bank had been acting as an agent for a foreign insurance company to underwrite marine and fire insurance policies. Insurance companies provide two types of cover mainly: general insurance (Non-life) and long term insurance (life) covers.

Performance of an organization is the outcome of activities of individuals and units of the organization. The firm's success is basically explained by its performance over a certain period of time. In today's complex and rapidly changing environment, Performance measurement is critical for effective management of any firm, (Ramanadh, 2006) it is useful to obtain valuable information related to flow of fund, the use of fund, effectiveness, and efficiency and also motivates managers to make the best decisions. The performance of any firm not only plays the role to increase the market value of that specific firm but also leads towards the growth of the whole industry which ultimately leads towards the overall prosperity of the economy.

Risk is unavoidable and present in every human situation. It is present in daily lives, public and private sector organizations. The risks, which our ancestors faced, living in their relatively simple societies, were basic in nature and required commensurately simple method of management. By comparison, today's societies having been transformed by enormous changes, are full of more complex risks and hazards that call for more sophisticated and scientific systems of risk management. Most widely used method of dealing with risk is through insurance.

The main business of insurance companies is risk mobilization of individuals and companies based on the system of pooling and diversification. It also strengthens the linkages with other sectors of the economy promoting growth and stability, and creating a sizeable impact on the national income of the country (Simpson ,S.N.Y and Damoah, O.B.O, 2008). Insurance activity is characterized by the reversal of the production cycle because premiums are collected when the contract is signed and claims and costs arise only if specific event occurs (Simpson ,S.N.Y and Damoah, O.B.O, 2008)

In Ethiopia currently 17 insurance companies are operational including the stated privately owned Nyala insurance company S.C after acquiring license from the national bank of Ethiopia to offer insurance service as per the insurance Business proclamation No.86/1994.Ethiopian Insurance companies have a vital role in offering insurance products which meet the requirements of the people at an affordable price. Some of the challenges faced by the insurance sector pertain to the low demand conditions, increased competition in the sector, consolidation, solvency risk, low product innovations and use of technology, and poor delivery of service (Hailu, 2007).

1.2. Statement of the Problem

For all business organizations, profit is the main factor for their existence in ever changing environment. The primary objective of a business undertaking is to earn profit. An insurance company also needs profit not only for its existence but for expansion & diversification. The profitability of an insurance company depends on its performance.

In Ethiopia, the insurance market is dominated by General Insurance business and share of Life Insurance is very low. It is also characterized by stiff competition; companies are ambitious to increase their sales volume and customer base, which often causes aggressive pricing policy that led to an unhealthy spiral of premium cutting. Despite the existence of high competition, the product range in the market is limited, premium setting is based on outdated methods and there is lack of risk assessment methodologies. Besides, very little effort has been made by companies towards technology supported and efficient service delivery methods, (Hailu, 2007). Thus, managing the insurance cycle becomes challenge for Ethiopian insurance industry.

Nyala Insurance Company as an insurer faces mounting pressure to improve profitability, which is directly linked to its ability to accurately assess risk and manage relationships. For NISCO, underwriting high degree risk profile is very susceptible to frequent and outflow of compensated fund consequently impair its performance. Likewise, handling customers with great care and keep on maintaining them increases its credibility and overall performance.

Insurance sector have very important role for economic development not only at a macro level but also in terms of the activities of individuals and businesses. So assessing the performance helps to identify the problems and to see where the company stands by using different indicators.

Therefore, this study aims to assess the performance of general insurance business at NISCO, as it is the dominant one in the market by applying both financial and non-financial soundness indicators.

1.3. Research Questions

This study is designed to provide answers to the following questions:

1. What is the level of NISCO performance on non- life insurance business based on financial soundness indicator CARAMEL frame work parameters?
2. What is the level of NISCO performance on non-life insurance business based on non-financial soundness indicators parameters?
3. What is the overall performance of NISCO in respect of non-life insurance business?
4. What measures should be taken to enhance NISCO's non-life insurance business performance?

1.4. Objective of the Study

1.4.1. General Objective

The general objective of the study is to assess the performance of non-life insurance business of Nyala insurance S.C

1.4.2.Specific Objective

The researcher assess the following specific research objectives after doing the research

1. To assess the level of NISCO's performance on non- life insurance business in terms of financial soundness indicator parameters.
2. To assess the level NISCO's performance on non-life insurance business in terms of non-financial soundness indicators Parameters.
3. To assess the overall NISCO's non-life insurance business performance?
4. To evaluate the trend of NISCO's non- life insurance business performance during the period of the study.

1.5.Significance of the Study

The study is believed to have the following benefits which are presented here under:

- The study basically bring out dimension of performance of non-life insurance that are vital which support management of the company in making strategic decision, sustainable business growth, in critical area of operation;
- The finding of the study will help the company to see where it stands regardless of performance of non-life insurance business and the findings of the study will benefit all stakeholders of the company.
- The findings of the study will initiate other researches to undergo for further research on the same area.

1.6. Scope of the Study

Delimitations are boundaries a researcher imposes to limit the scope of research and can affect the transferability of research (Catherine , M & Rossman., G.B (2015). The research study delimits itself to NISCO and specifically on non-life insurance business. Again, secondary data of 10 years period, July 2008 to June 2018will be collected from financial statements. Moreover, the sample of this study has been delimited to respondents in Addis Ababa; employees working and customers served in claims department and selected five branches.

1.7. Organization of the Study

The research paper has five chapters. The first chapter deals with the introduction part of the paper which includes background of the study, statement to the problem, the objectives, research questions, significance and scope of the study is presented in this chapter. The second chapter consists of review of related literature relevant to the study. The third chapter is research design and methodology. The fourth chapter deals with presentation of data and analysis of results, findings and discussions. And finally the last chapter includes summary, conclusion, limitation of the study and recommendations made by the researcher for the desired outcomes.

CHAPTER TWO
REVIEW OF RELATED LITRATURE

2.1 Insurance

2.1.1 Meaning of Insurance

Insurance is considered a system under which the insurer (insurance company), for a consideration (premium) usually agreed upon in advance, promises to reimburse the insured (client) or to render services to the insured (client) in the event that certain accidental occurrences result in losses during a given period, (Encyclopaedia, 2004). It provides indemnification against loss or liability from specified events and circumstances that may occur or be discovered during a specified period.

The nature of insurance activity, i.e. covering risks for the economy, financial and corporate undertakings and households - has both differences and similarities when compared to the other financial sectors. Insurance, unlike most financial products, is characterized by the reversal of the production cycle insofar as premiums are collected when the contract is entered into and claims and costs arise only if a specified event occurs. Insurers intermediate risks directly. They manage these risks through diversification and the law of large numbers enhanced by a range of other techniques. These and other activities of insurers, i.e. Rate Making, Underwriting, Production, Claim Settlement, Reinsurance, and Investments, aided by intermediaries (brokers and agents) make the evaluation of an insurance company complex, (Rejida, 1992).

Insurance becomes very useful in today’s life. It play significant role in this competitive era. One should know the function of insurance and the most important function of insurance is to provide protection against the risk of loss. It is one type of guarantee that it will make good the losses if they occurred, (Dinsdale, W.A and D.C Mcmurdie, 1980)

An insurer, or insurance carrier, is a company selling the insurance; the insured, or policyholder, is the person or entity buying the insurance policy. The amount of money to be charged for a certain amount of insurance coverage is called the premium. Risk management, the practice of appraising and controlling risk, has evolved as a discrete field of study and practice.

The transaction involves the insured assuming a guaranteed and known relatively small loss in the form of payment to the insurer in exchange for the insurer's promise to compensate (indemnify) the insured in the case of financial (personal) loss. The insured receives a contract, called the insurance policy, which detail the conditions and circumstances under which the insured will be financially compensated.

Insurance plays an important role in economic progress. It gives fully certain to the industrialists towards the risks. The entrepreneurs can more concentrate on innovative and profitable techniques of the production. They should not require thinking over the risks. The industrialist can establish new industries in certain environment. Thus, industries have got development in economic and commerce of the nations.

2.1.2. Importance of insurance

Insurance, like most institution presents society with various benefits. Peace of mind, indemnification, keeps families and business together, provides a basis for credit, and provides investment capital are the most important general benefits of insurance., (Dickson, 1999)

Peace of mind: Almost everyone has a basic desire for some security or peace of mind. To the extent that insurance provides certainty or predictability, it helps an individual or business improving efficiency of actions by reducing anxiety.

Indemnification: The direct advantage of insurance is indemnification for unexpected loss, which means, putting one to the same position he/she was before the unfortunate events occurred.

Provides a basis for credit: One may find it impossible to visualize the credit economy of today without insurance. For instance, fire insurance is invariably used by mortgages who loan money with real or personal property as collateral. Banks wouldn't dare to grant any loans without making sure there is some institution or someone that will pay them their money if the unfortunate happens to the collateral they hold against the credit granted.

Provides investment capital: Insurance premiums are paid in advance of losses which are held by insurers until the time of claim payment, which allows insurers to invest it.

For Economic Growth: As Ansari(2011) referred (Skipper, 2001) Insurance activity may contribute to economic growth by improving the financial system functions, both as a provider of risk transfer and indemnification and as institutional investor, in the following ways:

- Promoting financial stability,
- Minimize the risk of trading and investment
- Facilitating trade and commerce,
- Mobilize domestic savings,
- Allowing different risks to be managed more efficiently by encouraging the accumulation of new capital,
- Fostering more efficient allocation of domestic capital, and
- Helping to reduce or mitigate losses.

2.2. Performance in insurance Company

Performance is the ability of an organization to gain and manage its resources in several different ways to develop competitive advantage, (Iswatia, S and Anshria ,M , 2007). High performance reflects management effectiveness and efficiency in making the use of a company's resources and this contributes to the economy at large, (Batra, 1999). Generally, the performance of insurance companies can be estimated by measuring their profitability, which is a relative measure of success for a business and it acts as a proxy of financial performance. One of the objectives when managing insurance companies is to attain profit (Chen , J and Wong, K, 2004). In fact, it is an essential prerequisite for increasing the competitiveness of a company. In addition, profit attracts investors and improves the level of solvency, and thus, strengthens consumers' confidence. Without profits insurers cannot attract outside capital to meet their set objectives in this ever changing and competitive globalized environment.

Insurance companies performed three distinct jobs: i) Risk pooling, diversifying and loss compensation, ii) Risk management; and iii) Resource mobilization. Academicians are agreed on the positive role of insurance in both developed and developing economies. Insurance enhance the economy through promoting financial stability, mobilizing savings, facilitating trade and commerce, enabling risk management, encouraging loss mitigation, fostering efficient capital allocation, substituting the complement of government social security programs, (Skipper, 2001).

General or non-life insurance companies provide safeguard against the financial loss of any property or liability. However, the period of safeguarding is generally for one year. There is no component of investment and policyholders do not expect the financial return from the policy of general insurance. There are two types of policies: (i) Personal policy having small amount per policy but large numbers policies, (ii) Commercial business having large value per policy, customized customers and small number of policies.

The role of insurance in economic development is as equal as the role of banking institutions. Financial health of insurance is a subject of great concern since every year, insurance companies are declared insolvent; thousands of policyholders suddenly find themselves with some very serious problems. So, that periodic stringent evaluation and monitoring of the financial condition of insurance companies by regulators, investors, and insurer management is essential task, (Das, U.S , Davies N., and Podpiera R, , 2003). A study on the performance of the insurance industry is crucial since the insurance industry is currently facing many challenges, including increased competition, consolidation, solvency risks, and a changing regulatory environment. The question of the efficiency of the firms in this industry is clearly important in order to determine how the industry will respond to these challenges and which firms are likely to survive, (Berger et. al, 1997).

2.2.1. Financial Soundness Indicators for Insurance Companies

CARAMELS Model

In insurance companies' performance, quantitative soundness indicators are presented in CARAMEL framework (Capital adequacy, Asset quality, Reinsurance and Actuarial issues, and Management soundness, Earnings and Profitability and Liquidity) which is a widely acceptable tool to assess the financial efficiency and it is basically ratio based model of evaluating financial performance of insurance undertakings prescribed in the Handbook of Financial Sector Assessment by World Bank and IMF, Das et al. (2003).

Das *et al.*(2003) have proposed a set of indicators for the insurance sector (grouped separately for life and non-life insurance) that should be compiled and used for surveillance of financial soundness of insurance companies and the insurance sector as a whole. Previous works have been concentrating on the banking system, and quoted work is the first scientific approach to indicators of financial stability of insurance market. The set of indicators are presented in table 1.

Although the overall financial soundness of the financial institution depends on many factors such as quality of management or organizational structure, these indicators are verified to achieve an acceptable degree of reliability (Das *et al*; 2003, 21). Many of them are common for life and non-life insurance companies, but it is important to realize that for deeper analysis, different lines of business needs to be analysed separately.

Table 2. 1: Insurance Financial Soundness Indicators: Core Set

Category	**Indicator**	**Non-life**	**Life**
Capital Adequacy	Net premium/capital	X	
	Capital/total assets	X	
	Capital/technical reserves		X
Asset quality	(Real estate+unquotedequities+debtors)/total assets	X	X
	Receivables/(Gross premium reinsurance recoveries)	X	X
	Equities/total assets	X	X
	Nonperforming loans to total gross loans		X
Reinsurance and actuarial issues	Risk retention ratio (net premium/gross premium)	X	X
	Net technical reserves/average of net claims paid in last 3 years (survival ratio)	X	
	Net technical reserves/average of net premium received in last 3 years		X
Management Soundness	Gross premium/number of employees	X	X
	Asset per employee (total assets/number of employees)	X	X
Earnings and Profitability	Loss ratio (net claims/net premium)	X	
	Expense ratio (expense/net premium)	X	X
	Combined ratio = loss ratio + expense ratio	X	
	Revisions to technical reserves/technical reserves		X
	Investment income/net premium	X	
	Investment income/investment assets		X
	Return on equity (ROE)	X	X
Liquidity	Liquid assets/current liabilities	x	x

Source: Das, U., Davies, N., Podpiera, R. (2003): Insurance and Issues in Financial Soundness, (IMF Working Paper No. 3/138)

Capital Adequacy: is viewed as the key indicator of an insurer's financial soundness and prudential standards recognize the importance of adequate capitalization with solvency as key focus area of insurance supervision. However, unfortunately there are no internationally accepted standards for capital adequacy of insurance companies. The greater risk to the financial stability of an insurer stems from underwriting business that is either too great in volume or too volatile for its capital base or otherwise whose ultimate result is too difficult to determine. It promotes the stability and efficiency of financial system and indicates whether the insurance company has enough capital to absorb losses arising from claims. Higher capital adequacy ratio means capital is sufficient to the smooth run of the business (Das et.al, 2003).

According to (Das et.al. 2003) for non-life insurers, two capital adequacy ratios are included within the core set: net premium/capital and capital/total assets. The former reflects risks arising from underwriting operations and the latter reflects asset risk. Net premium is a convenient proxy for the quantum of retained indemnity risk, that is, risk the insurer retains after reinsurance, being the risks that must be covered by own capital. These ratios are easy to calculate and require only information that should be readily available. On the other hand, they need to be interpreted with the knowledge of the risk characteristics of the business that the company or sector writes.

Asset Quality: Financial health is affected by quality of fixed and current asset, real investment and financial investments. The asset quality is measured by Equities to total assets ratio and Real estate plus unquoted Equities plus Debtors divided by total assets ratio. Real estate and unquoted equities are illiquid assets, with real estate often being difficult to value in less developed economies. Receivables may expose the insurer to a considerable credit risk and overstate assets if there are insufficient provisions for collection problems.

The second indicator, receivables (gross premium plus reinsurance recoveries) provides insight into the level of credit control. High level of receivables relative to gross premium and reinsurance recoveries suggests that the credit policy of the insurer is weak; this would be of particular concern if receivables formed a relatively large proportion of assets. The third core indicator, equities/total assets, reveals the degree of insurer's exposure to stock market risk and fluctuations of the economy.

Reinsurance and Actuarial Issues: These ratios also known as the risk retention ratios reflect the overall underwriting strategy of the insurer and depict what proportion of risk is passed on to the reinsurers. It is measured by Net Premium to gross premium ratio and

Net Technical reserves to Average of Net claims paid in last three years. Reinsurance and Actuarial reflects the overall underwriting strategy of the insurer in that it shows what portion of risk is passed on to the reinsurers. Overall, insurer's capital and reinsurance cover need to be capable of covering a plausible severe risk scenario, If the insurer relies on reinsurance to a substantial degree, it is critical that the financial health of its reinsurers is examined.

Management Efficiency: Sound management is crucial for financial stability of insurers. The management efficiency and soundness in fact is outcome of operational efficiency of the companies and measured by gross premiums per employee and assets per employee. Gross premiums are used because they are a reflection of the overall volume of business activity. The analysis needs to reflect the difference in results that single premium versus annual premium business will have on this indicator. It also needs to take into account that insurers may use different distribution channels to sell their products and sometimes may spin off their distribution into subsidiaries or other companies in a group. In general, internet and call-center distribution is cheaper than using brokers or agents, and if possible, these factors should be borne in mind when interpreting the results.

Earnings and Profitability: Earnings are the key and arguably the only source of long term capital. Low profitability may signal fundamental problems of the insurer and may consider a leading indicator for solvency problems. Net claims to net premiums, expenses to net premium, investment income to net premiums, return on equity, combined ratio are used to measures the firm's earnings and profitability.

Liquidity: Liquidity is usually a less pressing problem for insurance companies at least as compared to banks, since the liquidity of their liabilities is relatively predictable and for non-life insurers the liabilities, besides claims are for shorter period of time. Liquidity is measured by liquid assets divided by current liabilities. All liabilities with maturity shorter than one year, including insurance product liabilities under which policyholders are able to surrender the policy and receive a cash payment, should be included in current liabilities. Cash and cash equivalents, government bonds, and quoted corporate bonds and equities are included in liquid assets.

2.2.2. Non-financial Soundness Indicators

There are a number of non-financial performance measures, however only the following parameters are addressed, (Ramanadh, 2006).

1. Sales Related Performance Measures

Sales related performance measured can be addressed by analysing the market share and also the policy sales growth of the company. The published data of various companies provide a means to compare the market share of branches or divisions of various insurance companies operating in the area. A basic comparison is made with the company's market share in total and taking it as an average market share, (Kasturi, 2006).

The policy sales growth is used to measure how many new policies are sold over a given period of time and mostly compares this to a target value. The metric can be defined based on the number of new clients, a measure of number of new policies sold or a combination of the two. Additional to this, policies which are renewed can be differentiated and measured separately. The renewal ratio would measure the number of insured clients that stay after the initial coverage period expires, Kai et.al. (2016)

2. Other Measurement Parameters

Different scholars in their research works have developed various non-financial measurement parameters such as, Kai et.al. (2016) and (Kasturi, 2006) measurement parameters are discussed here under.

Customer Satisfaction: The success of any organization depends upon the satisfaction of the consumers. Among the players in the insurance industry , there is stiff price competition and due to this more attention needs to be given towards consumer satisfaction and also retention if the major players do not want lose their existing customers.

Growth in Number of Branches: it is a result of company's growth and the efforts in expanding services to different locations.

Underwriting Speed: Is a number of business days within which the underwriting decision should be made as defined by the company. Speed of approval is important for customer satisfaction, but also for agent and agency success. A faster approval time leads to more revenue coming in.

Timely Reminders: Average time taken for the serving reminders to the customers and average speed in assessing the accounts that has fallen over due etc.., need to be observed and controlled to maintain quick disposal of the policies and settlements.

Market Research: One important consideration for the non-financial performance or effectiveness of a unit of insurance company is the research and development. Contribution of each unit in finding the markets and developing new products and product lines must be ensured through incentive packages to the managers of units. It is advisable to encourage the units to conduct surveys on various aspects from time to time that interest the insurance companies. The company, which reacts at the earliest foe these changes, will have a competitive edge.

Employee and Agent Training: Employee and agent training are among the essential activities of insurance companies. Operating in a competitive and ever changing business environment, managers and staff of the units must be influenced and trained to adapt interactive control system in which they learn to change their behaviour according to the changes in the environment. Effectiveness of such spending on training and development of the employees and agents is separately assessed to measure the readiness and ability of a branch to adapt the changes in the environment.

Employees Performance and Satisfaction: Human resource management practices create value by attracting and retaining employees, reinforcing employee behaviour and developing employee skills through selection and hiring, staffing, training, compensation, work organization and employee involvement. They affect both managerial and non-managerial employees and also affect efficiency to the extent that both groups play important roles in engaging or supporting profit-generating activities in firms.

2.3. Empirical Literature

The researcher try to see different prior studies which was done related to the performance of the company which was done by different authors which are listed below and the studies point out that several key financial factors are important in determining the business continuities of insurers. The factors are leverage and also write about profitability and & liquidity,(Kahane et al., 1986; (Cummins J.D., S.E , Harrington and

R,Klein, 1995); , growth (Harrington , S.E and P.M ,Danzon, 1994); company size, (Cummins et al., 1995; (Pottier, 1997); reinsurance (Pottier , S.W , and D.W, Sommer,, 1999) and ; (Adams et al., 2003).

Financial soundness indicators (FSIs) are widely used tools to measure the financial health of the institutions. FSIs play a crucial role in financial stability assessments. To maintain efficient, fair, safe and stable insurance markets for the benefit and protection of policyholders, this evaluation method of regulators has emphasized on the financial condition of insurers, (Natalja.L.,and Zoja.S, 2010). The evaluation of insurers generally involves quantitative and qualitative methods or mixture of both. (Das, et al 2003), (Chen , J and Wong, K, 2004)

(Arora, 1988), in her doctoral work, studied quantitative analysis of the investment policy of GIC and examined critically the role played by the GIC in providing finance to industry. The study revealed that the Investment Policy of GIC evolved within the ambit of the provisions of the Insurance Act 1938, and the guidelines issued by the government from time to time, with a view to maximizing investment income, ensuring safety, liquidity of funds and be consistent with national objectives and priorities under the guidelines.

(Manjit.S, & Rohit. R,, 2017)Found in their study Emerging Trends in Financial performance of General Insurance Industry in India that by creating a competitive atmosphere in the market the entry of private sector Insurance Companies had strengthening of general insurance business.

(Shreedevi D. & Manimegalai D., 2013)**,** compared public and private sector general insurance companies in India. The study found that insurers are operating under conditions of shrinking premiums, growing customer expectations, tightening regulations, tougher competition, rising operational costs, etc. In India, general insurance companies were in a budding stage and performance of The New India Assurance Company was satisfactory as compared to others general insurance companies studied.

(Rabindra G, 2013), used the CARAMEL model to depict the financial efficiency and health of general insurance industry in Nepal and concluded that, the financial efficiency of insurance sector insufficient there. Insurance Regulatory Authority of Nepal should have to pay more attention to maintain the financial efficiency of the insurance industry and the management of insurers needs to be more efficient and effective.

(Darzi, 2011)In his Doctoral dissertation entitled "Financial performance of insurance industry in post liberalization era in India" uses the CARAMELS tool to compare the financial performance of public and private sector general insurance companies for the period 2004/05 to 2008/09. He concludes that the financial performance of insurers in post liberalization period is better than pre liberalization era.

(Dar, Showket Ahmad and Bhat, Javaid Ahmad, 2015)has made an evaluation of the financial performance and soundness of selected public and private life insurers in India. They applied the CARMEL model which involves the use of Capital Adequacy ratios, Earnings and Profitability ratios, and Liquidity ratios to assess financial performance and soundness. They observed statistically significant differences in the capital adequacy, earnings and profitability, as well as liquidity ratios of the selected public and private life insurance company.

(Kasturi, 2006)**,** In his article, focused on the performance management system in the insurance corporation in general based on the principles of performance management in the service organization. The study reveals that success of an insurance company depends on four important functions, such as identification of markets, assessment of risks and estimation of losses, penetration into and exploitation of markets, control over investment and operating costs. Performance of a company in financial terms is normally expressed in net premium earned profitability from underwriting activity, return on investment, return on equity etc. Some of the non-financial performance measures may include growth in number of policies, market share, number of branches, speed in policy processing, speed in delivery of policy notes, timely reminder to customers, number of dropouts from the policies, growth in products and product lines, customer satisfaction, speed in settlement of claims, employee training, research and development market intelligence and a survey of number of policies per agent, agents training, retention of efficient agents etc.

Most literatures focus on factors affecting profitability of banks rather than insurance companies. Therefore, there are fewer literatures concerning insurance companies as compared to banks. The existing literatures concerning insurance companies could be classified into two: determinants of financial performance of life and non-life insurance companies. Empirical evidences regarding determinants of insurance companies focused only on internal factors such as age, size, leverage, growth, volume of capital, tangibility of assets and liquidity.

2.4. Overview of Ethiopian Insurance Industry

2.4.1. Insurance in Ethiopia

The history of insurance service is as far back as modern form of banking service in Ethiopia which was introduced in 1905. At the time, an agreement was reached between Emperor Menelik II and a representative of the British owned National Bank of Egypt to open a new bank in Ethiopia. Similarly, modern insurance service, which were introduced in Ethiopia by foreigners, mark out their origin as far back as 1905 when the bank of Abyssinia began to transact fire and marine insurance as an agent of a foreign insurance company (Hailu, 2007).

According to a survey made in 1954, there were nine insurance companies that were providing insurance service in the country. With the exception of Imperial Insurance

Company that was established in 1951, all the remaining of the insurance companies were either branches or agents of foreign companies. In 1960, the number of insurance companies increased considerably and reached 33. At that time insurance business like any business undertaking was classified as trade and was administered by the provisions of the commercial code, (Gebrewahid, 2015).

According to (Hailu, 2007), the first significant event that the Ethiopian insurancemarket observation was the issuance of proclamation No. 281/1970 and this proclamation was issued to provide for the control & regulation of insurance business in Ethiopia. Consequently, it created an insurance council and an insurance controller's office, its strange impact in the sector. The controller of insurance licensed 15 domestic insurance companies, 36 agents, 7 brokers, 3 actuaries & 11 assessors in accordance with the provisions of the proclamation immediately in the year after the issuance of the law.

2.4.2. Ethiopia’s Insurance Industry Today

Ethiopian insurance industry is one of the least developed in the world. This can easily been indicated by its lowest density and penetration rate, the two important indicators of growth of country’s insurance industry. The (GIMAR, 2016) report shows that the country’s Insurance penetration rate is 0.6% of GDP Which is far below even Africa’s average of 3.5% and the density is around 2.4 USD which is at very low relative to Africa's average of around 35 USD.

According to NBE's annual report, currently there are 17 licensed insurance companies operating in the industry including the state owned EIC.

It is clear that the future of any given industry heavily depends on the performance of its existing players and on its ability to attract more investors. When we mean performance, the investors commonly look at the EPS that it yields among other factors. Hence, profitability comes second to none when we talk about attractiveness and performance of a given industry.

Today, more worrisome is appearing to be not the penetration and density of the sector but the declining operating profit due to excessive price war between the companies in the market and higher dependence on investment income especially that of interest income from fixed time deposit. Price undercutting can be explained in terms of stiff competition leading to predatory pricing. This can threaten the stability of the industry if the prices go below the optimum level.

2.4.3 Nyala Insurance Company

Nyala insurance (NISCO) was founded in July 1995 following the liberalization of the insurance business to the private sector in 1994 with the licensing and supervision of insurance business proclamation No.85/1994. Over the years Nyala insurance become one of the leading private insurance companies in Ethiopia with strong financial capacity of birr 300 million subscribed capital, Professional workforce, Over 20 years of experience in insurance operation, Large and increasing customer base, annual turnover and amount of risk covered. Currently, NISCO guarantees protection with care to its customers through three prolonged services, general , life and micro insurance solutions with a network of 45 service outlets distributed all over the country and 315 employees . NISCO has profoundly revised its previous course of business and situation and keenly formulated a forward looking strategic plan that would help the company streamline its resources towards achieving higher growth.

NISCO, a private insurer, has a paid up capital of Birr 258.4 million and has raised a number of its branches to 45. During 2017/2018 budget year, the company written gross premium of Birr 769.4 million among which Birr 700.7 million from general insurance business (increase of 91%) and Birr 68.6 million from long term business (increase 9 %) as compare to the previous year (NISCO Annual Report, 2017/18). With regard to the market share, the company share 9 percent of the market, which is second of the private sector.

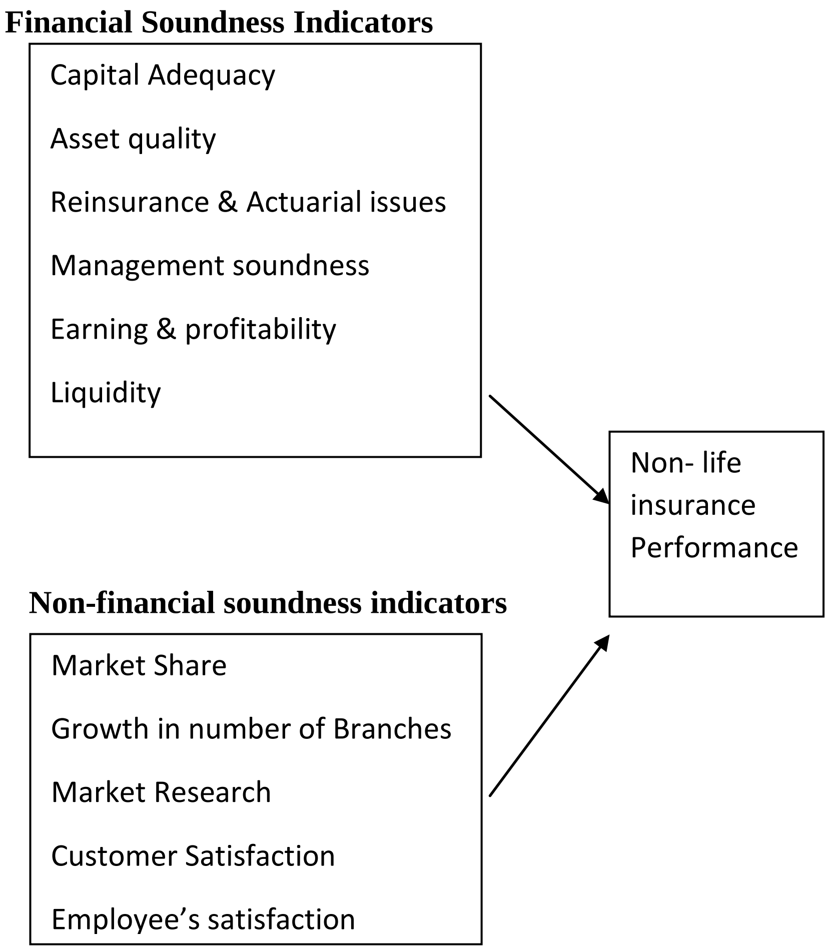
The net earned premium after deducting the reinsurer's share of premium and provision for unearned premium was birr 307.4 million and as compared to the previous year actual of birr 288.8 million showed a growth by 6%. Birr 246.4 million (80%) was earned from the general insurance business, while the remaining birr 61 million (20%) was earned from life insurance.

The company's net insurance claims and policyholders' benefit payable stood at birr 163.5 million and as compared to last year of birr 160.8 million showed a marginal increase by 2%. Net claims incurred with respect to the non-life insurance business amounted to birr 139.5 million showing a 2.4% decrease from the previous year actual of birr 142.9 million. Consequently, the loss ratio of the non-life insurance business resulted at 57% which is lower by 1 percentage point from last year's claim ratio.

2.4. Conceptual Framework

This section provides conceptual framework that was guide the study. According to (Becker, 1998), the conceptual framework grounds the study in the relevant knowledge bases that lay the foundation for the importance of the problem statement and research questions or hypothesis. In addition to that, a conceptual framework is made up of theoretical and empirical work relevant to investigate specific purpose.

Figure2. 1: The conceptual framework or model of the study



CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This chapter presents the methodological concerns which were used in conducting the study and provides a justification for each step taken. It involves the Research Design, Population and Sampling Technique, Sources and Instruments of Data Collection Methods, and Methods of Data Analysis.

3.1. Research Design

The purpose of this study is to assess the current performance of Nyala Insurance S.C focusing on the Non-life insurance business, by applying financial and non-financial performance parameters. Therefore quantitative research method more specifically descriptive research design is utilized in the study. Descriptive studies are used to describe various aspects of the phenomenon. Descriptive research design was used simply to determine, describe or identify what is and this allowed the researcher to describe an accurate profile thorough observation and interpretation technique.

3.2. Population and Sampling Technique

3.2.1. Target Population

The study population is NISCO, which undertakes General and Long Term Insurance businesses. The study used convenience sampling which is non-probability sampling method due to constraint in resources, money and time, it is very difficult to accommodate both operations (General and Long Term), and all the employees and customers of the NISCO in the study. As of June 30, 2018 NISCO has 45 branches, 315 employees and over 30,000 customers, therefore only the general business was studied which NISCO generates its 90% of its premium income was chosen as a sample, and only five branches in Addis Ababa was selected which have high grades in the company by the premium income they generate and also the claims department was studied. For the financial analysis a period of ten year’s data was selected which is from July 01, 2008 up to June 30, 2018.

(Yemane, 1967), provides a simplified formula to calculate sample size. This formula is used to obtain manageable sample size from such large population taking into account 95%Confidencelevel. Hence, the sample size was computed using the following formula:-

$$n = \frac{N}{1 + Ne^2}$$

Where:

n = size of sample

e = maximum tolerable sampling error

N = population size

Source: (Yemane, 1967)

For the customers from the total 30,000.00 which are served in Nyala Insurance S.C Accordingly, the ultimate figure is computed as:

N= 30000

e= 0.05

$$n = \frac{30000}{1+30000(0.05)^2}$$

n=395 sample customers

For the employees from the total 377

N= 377

e= 0.05

$$n = \frac{377}{1+377(0.05)^2}$$

n=194 samples employees

Table 3.1: Population and Sample Size

Population	Population	Sample size
NISCO	General insurance & Long term insurance	General insurance
Financial analysis	24 years	10 years data, 2008-2018
Branches	45	5
Claim department	1	1
Marketing Department	13	13
Employees	377	194
Customers 30,000	30,000	395

Source: compiled (NISCO annual report)

3.2.2. Sampling Technique

The choice of sampling techniques is depending on the feasibility and sensibility of collecting data to answer the research question and to address the research objective,(Saunders et.al, 2003). Accordingly, non-probability sampling technique was used in the research. Non-probability sampling provides a range of alternative techniques based on researcher subjective judgment such as personal experience, convenience, and so on,(Saunders et.al. 2003). Therefore, convenience sampling technique, which is a non-probability technique, was used for two reasons. First the customer and employees are scattered throughout Addis Ababa, which makes it difficult to contact each individual. Second the researcher's work is limited within the demanding of academic time so very limited time and resource to conduct study.

3.3. Sources and Instruments of Data Collection

The study presented both primary and secondary data. Primary data was collected using structured questionnaire (Open ended, closed ended and Likert scale), (Boaduet.al., 2014) and interview; while the main secondary data that was employed in this study was taken from annual audited financial statements, published documents and other relevant materials like the companies' annual reports. The first step was selecting audited financial statements for the year from the year 2008 to the year 2018 of the insurance company in question and the applicable ratios for monitoring performance of Ethiopian insurance industry.

3.4. Methods of Data Analysis

The researcher used SPSS v20 software to do the detail analysis of performance using quantitative, descriptive and qualitative method. The findings of the study were classified, tabulated and analysed using percentage, weighted mean, and graph, statistical as per the objectives of the study. The row data collected from the respondents was edited, coded, classified and tabulated. The processed data then analysed and reported using appropriate statistical measurement and was interpreted carefully. The data was collected and interpreted based on findings. After analysing the data and properly interpreting them, the findings was summarized based on the major results and appropriate conclusions was drawn and finally possible recommendations are forwarded for the company.

3.5 Validity and Reliability

3.5.1 Validity

Validity refers to the extent to which a test measure what we actually wish to measure. It is important that the validity is good, because if the study does not measure what it is supposed to measure the results are useless. There are two major forms external and internal validity. The external validity of research findings refers to the data ability to be generalized across persons setting and time; while internal validity is the ability of a research instrument to measure what is purposed to measure, (Sunders et.al, 2003).

Various actions were taken to ensure high validity. First of all, much energy has been put in the exact wording of the questions. The language and writing format used in the questionnaire was chosen to fit the respondent's frame of reference. Another action taken was data was collected from the reliable source from audited financial statements and respondents' who are employees and customers of NISCO. The other action is that data collection, survey questions were made based on literature review and frame of reference to insure the validity of the result.

3.5.2 Reliability

At its most general term, reliability refers to the consistency or dependability of a measurement technique. More specifically, reliability is concerned with the consistency or stability of the score obtained from a measure or assessment technique over time and across settings or conditions. Reliability demonstrates that the operation of the study such as the data collection procedures can be presented with quality results. In order to gain high degree of reliability the researchers has carefully explained the procedure of the research.

Accordingly, reliability is usually expressed as a correlation coefficient, which is a statistical analysis that tells us something about the relationship between two sets of scores or variables. Adequate reliability exists when the correlation coefficient is 0.70 or higher (Marczyk, G, Dematteo , D and Festinger , D., 2005).

Accordingly, the Cronbach alpha was is found to be between 0.719 and 0.805 therefore all constructs were accepted as being reliable for the study.

Table 3.2: Reliability Test

Constructs	Number of Items	Cronbach's Alpha
Insurance policy provision	3	0.735
Customer service provision	9	0.792
Overall customer satisfaction	19	0.893
Employee satisfaction	15	0.728

Source: Own Survey, 2019

3.6. Ethical Considerations

An important consideration a researcher must not overlook is the issue of ethics in research. The researcher, in accordance with this, took steps to make sure that no respondent in this research work was harmed in any way. First of all, the researcher made sure that permission was sought and the aims and objectives of the study were made known to the Insurance through introductory letters. Who is conducting the study and for what purpose was clearly disclosed for the respondents on the questionnaire. Moreover, the voluntary participation of respondents was done and to follow anonymity and confidentiality ethics of the research, the researcher clearly informed respondents in written form that not to write their names on the questionnaire.

CHAPTER FOUR

RESULT AND DISCUSSION

In this chapter the researcher present, analyse and also interpreted the data which is collected from directly and indirectly such as annual reports & financial statements. the researcher applied non –financial and financial performance assessment parameters by using CRAMEL model ratios to assess Financial performance of NISCO for the non – financial analysis the researcher uses market share growth in number of branches customer & employee satisfaction.

4.1. Analysis of Performance Based on Financial Parameters

As indicated in the earlier chapter the researcher uses financial and non- financial parameters to analyse the performance of Nyala Insurance S.C (NISCO) therefore this is the analysis section which shows the performance of NISCO in financial parameters.

4.1.1 Capital Adequacy Analysis

One of the prominent indicators for the financial capacity of the insurance industry is the capital adequacy (CA) which used to measure the overall financial strength and also it reflects its capacity to absorb loses relative to risk exposure. The researcher uses ratio of capital adequacy to assess the financial strength of NISCO as analysed bellow

a. Net Written Premium to Capital Ratio

The company's objectives when managing capital are to comply with the capital requirements set by the national bank of Ethiopia, safeguard its ability to continue as a going concern, and to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The growth of written premium is considered as risky unless the optimal balance of capital supports it. To ensure safety against in solvency the higher capital adequacy ratio is measured as good and desirable but the insurance company can take up reasonable level of losses arising from operational activities therefore to protect the companies from unexpected losses NBE prescribed is 2.5 times of capital is the maximum allowable net premium.

Table 4.1: Capital adequacy as Measured by Net Premium Written to Capital

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
NET PREMIUM WRITTEN TO CAPITAL	2.45	2.21	2.47	2.53	2.63	2.77	3.09	2.17	2.58	2.70

Source: Computed from NISCO audited financial2009-2018statement

To support financial stability and protect the insured capital is as a moderator as indicated in the Table 4.1 the period 2012 to 2015 and also from 2017 to 2018 the company underwrites more than allowable statutory limit. This shows that NISCO underwrites business which is not supported by optimal balance of capital and also it is not in financial position to take up losses that arises from claim. However its performance was within the standard for other periods within signifies adequate capitalization with solvency.

Table 4. 2: Net Premium written to capital (One-Sample Test)

	Test Value = 2.5							
	N	Mean	Std. Deviation	T	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference
								Lower	Upper
Net Written Premium/ Capital	10	2.5640	.27138	.746	9	.475	.06400	-.3463	.4743

Source: Computed from NISCO audited financial statement

In the above table 4.2 the companies performed above the statutory maximum allowable underwriting limit (max 2.5) on average the company performs 2.56 of its capital which shows 6% difference or above the statutory limit. This difference is statistically not significant as shown (t value = .746; Sig = .475> .06).As a result the business that was generated by NISCO is supported by capital which utilized the available capital to write more premiums is in a good position therefore, we can say that the company is meets its premium to its capital so it indicates that the company in good performance condition accordance with capital to written premium parameter.

b. Capital to Total Assets Ratio

The growth in the assets of the business and how efficiently the capital has been invested to create assets is measured by the ratio capital to total assets. It also indicates the percentage of capital in the total assets portfolio of the company even though NBE has

Not set any benchmark; lower ratio is suggested than a higher one as the higher ratio shows the total reliance on capital while lower ratio shows the greater asset base of the company.

Table 4.3:Capital adequacy as Measured by Capital to Total Asset

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
CAPITAL TO TOTAL ASSET RATIO	19.61	21.47	20.33	17.11	20.25	23.37	16.81	23.02	22.98	23.32

Source: Computed from NISCO audited financial statement

Table 4.3, shows that NISCO's capital dependency has been higher as compared to previous year's performance with ratio 16.81% 2015 and 23.37% 2014 as lower and highest respectively. Due to the shareholders fund was growing majorly which makes NISCO highly relay on its capital. The capital of the company is on its asset which is shows that if the company asset is rely on its capital the company is performing well accordance to capital to asset parameter.

4.1.2. Asset Quality Analysis

The company's financial stability is measured by the quality of assets it have. Invested assets should be evaluated to assess the potential risk in investment or trade debtors' portfolio. For that reason a company should invest its assets with a particular attention to a large single investment by taking this notion in to account, NBE set a statutory limit.

a. Real Estate, Unquoted Equities and Receivables to Total Assets Ratio

According to NBE directive No. SIB/25/2004 the buildings of NISCO the unquoted equities are not applicable as well as does not meet the criteria of company so trade receivable in relation to total asset analysis has been made.

Table 4.4: Asset Quality as Measured by Debtors to Total Assets

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Average
DEBTORS OVER TOTAL ASSET	18.18	21.20	16.90	19.01	21.00	19.23	9.63	7.45	10.25	8.74	15.16

Source: Computed from NISCO audited financial statement

As shown in Table 4.4 there was a fluctuation of, NISCO's trade debtors' the lowest was in 2016 & highest in 2010 this fluctuation ratio was below the maximum allowable statutory standard (50%)throughout the period of study therefore the finding shows good receivable management in the managing the company asset in related with its debt.

Table 4. 5: Asset Quality - Debtors to Total Asset

	Test Value = .5								
								99.9% Confidence Interval of the Difference	
	N	Mean	Std. Deviation	T	Df	Sig. (2-tailed)	Mean Difference	Lower	Upper
DOTA	10	15.16	5.472	8.472	9	.000	14.659	6.39	22.93

Source: Computed from NISCO audited financial statement

As a result which this shows in the table 4.5 the average trade debtor's ratio of NISCO (15.6%), which is below debtors limit (Max 50%) the difference is 34.4 % which is significant (t value = 8.472; Sig = 0.0 < 0.05) below the maximum statuary limit, it shows considerable level; so managing its debt is also shows that the company is performing good.

B. Investment in Equities to Total Assets

As it is presented in Table 4.6 that NISCO's investment in equities during the study period ranges between 12.28% and 23.05%. The lowest investment was observed in 2015 while the highest on 2011. Except for the years 2013 to 2017, NISCO investment in equities has been above the maximum allowable standard (15%) set by NBE, so this shows that the company is above the standard rate and also in this parameter the performance of the company is still in good condition.

Table 4. 6: Asset Quality as Measured Investment in Equities

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Average
INVESTMENT IN EQUITIES OVER TOTAL ASSET %	17.29	22.52	23.05	21.99	14.99	14.20	12.28	12.36	13.15	18.89	17.07

Source: Computed from NISCO audited financial statement

Table 4. 7: Asset Quality - Investment in Equities to Total Assets

One-Sample Test

	Test Value = .15								
	N	Mean	Std. Deviation	T	Df	Sig. (2-tailed)	Mean Difference	99.9% Confidence Interval of the Difference	
								Lower	Upper
IEOTA	10	17.07	4.296	12.457	9	.000	16.922	10.43	23.42

Source: Computed from NISCO audited financial statement

Table 4.7 shows that there is 2% difference between the average investment in equity which is 17.07% and the statutory standard limit 15% and also the difference between the two is statistically significant (t value = 12.45; Sig = .000> .05), NISCO's investment risk in equities is not act in accordance with NBE requirement. As said previously this also shows that the company works above the standard and shows its performing good.

C. Debtors to Gross Premium plus Reinsurance Recoveries Ratio

To assess the credit risk of a company in relation to policyholders' contractual obligations to pay premiums on time the debtors to gross premium plus re insurance ratio is used even though according to Proclamation No. 746/2012 insurance policy on credit bases has been barred since 2012. Hence, the ratio is not applicable to NISCO.

4.1.3. Reinsurance and Actuarial Issues Analysis

Insurers, mainly in general business insurance, often rely heavily on their reinsurers for claim reimbursement. The credit risk arising in reinsurance area can be very significant, making it critically important for insurer to establish formal policies with regard to the selection of reinsurers.

The reinsurance program should be suitable relative to its policy limits and underwriting risks, catastrophe exposures, business, financial capacity and credit quality of the reinsurers involved. Because it plays vital role in the risk distribution process and also provide insurers with varying degrees of financial stability

a. Risk Retention Ratio

In the reinsurance market, cession refers to the part of a risk (policy or risk portfolio) that an insurer transfers to, or finances with, another insurer. The balance of the risk (policy or risk portfolio) is what the ceding insurer retains. This ratio reinsurance premiums divided by gross premiums uses premiums as a proxy.

The premiums for the ratio are more often on a gross-and-written basis than on a net-and-earned basis. The analysis of risk retention ratio clearly indicates risk retention capacity of an insurance company.

Table 4.8: Risk Retention Ratio as Measured Net Premium to Gross Premium

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
RISK RETENTION RATIO	58.8	64.5	68.9	60.8	62.0	63.8	61.6	57.9	63.9	98.6

Source: Computed from NISCO audited financial statement

The above Table 4.8, an increasing retained risk trend especially during in 2018 the researcher found that NISCO retains 66.07% of the risks it underwrites however as per NBE directives the maximum limit for risk retention ratio is 70% but NISCO'S retention ratio is lower than the limit of NBE therefore risk bearing ability is good so this indicates that the company's performance accordance to risk retention is well.

Table 4.9: Reinsurance and Actuarial - Risk Retention Ratio

One-Sample Test

	Test Value = .70							
	N	Mean	Std. Deviation	T	df	Sig. (2-tailed)	Mean Difference	99.9% Confidence Interval of the Difference	
								Lower	Upper
RRR	10	66.076	11.855768	17.438	9	.000	65.376	47.45	83.30

Source: Computed from NISCO audited financial statement

In the above table 4.9 the risk retention ratio was checked against NBE national standard which is max 70% but NISCO retained 66.07% on average which is lower than the limit by 4% this difference found statistically significant (t value = 17.43; Sig = .000< .05), this shows NISCO is shouldering most of the risks, this lead the claims to be covered in house which has an impact on the company's financial stability and profitability so the researcher concludes that the company's performance is good .

b. Survival Ratio

This ratio shows the net technical reserve to average of net claims paid for three consecutive years which sound quantification and assessment of insurance liabilities.

Table 4.10: Survival Ratio

TECHNICAL RESERVE TO NET CLAIM PAID (survival ratio)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	116.63	112.54	103.52	109.99	147.57	140.88	196.13	152.43	170.63	195.72

Source: Computed from NISCO audited financial statement

The Technical reserves ratio shown on the Table 4.10 was higher except during 2011, 2012 and 2010 which shows 103.52%, 109.99 & 112.54 respectively on the average the ratio was 144.60% which showed that the company maintained adequate reserve to mitigate liabilities, therefore the company is safe in its financial status accordance to its survival and also is good in its performance accordance with this parameter.

4.1.4. Management soundness Analysis

The company's management efficiency and soundness can be measured by using ratios that are used to indicate the operational efficiency of the company this may include how the management is deploying its resources to maximize the company's income, how it uses its resources productively and reduces costs. For evaluating current and future operating performance of the company, the company's management operating team objective plays a major role therefore the management performance capacity is mostly qualitative and it is understood by subjective evaluation of management systems, the culture of the organization and the management controlling mechanisms and others. Nevertheless, the management efficiency and soundness can be measured by using ratios that are used to indicate the operational efficiency of the company.

a. Gross Premium to Number of Employees Ratio

The gross premium written of NISCO at the study period grow from birr 117 million to birr 700 million and its capital count increased from 210 to 315 the average NISCO written premium grew on average 16.52% while the staff growth 4.19% . Therefore premium growth over staff is positive and the company utilize its human resources properly.

Table 4.11: Gross written premium to Number of Employees

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	Average
Premium Growth %	2.41	9.4	26.71	21.94	8.33	11.96	14.96	7.86	45.07	16.52
Employee Growth %	0.94	1.4	9.66	3.64	5.00	5.11	11.33	-10.75	11.43	4.19
Ratio%	1.49	8.11	18.87	18.99	3.51	7.22	4.10	16.81	37.98	13.00

Source: Computed from NISCO audited financial statement

4.1.5. Earnings and Profitability Analysis

Earning is a conventional parameter of measuring financial performance and it absorbs normal and expected loss in a given period and provide a source of financial support by generating capital also contribute to the long term viability of an institution to maintain sufficient capital in relation to risk profile and the company's future viability depends on the ability to generate sufficient level of return.

Earnings and profitability analysis measured by the five ratios which are stated as bellow

- Loss ratio
- Expense ratio
- Combined ratio
- Investment Income to Net Earned premium
- Return on equity

a. Loss Ratio

Loss ratio is calculated as the ratio of claims/benefits incurred to earned premiums. This ratio provides a measure of the actual risk coverage per unit of premiums that the insurer has already earned. Insurers aim to achieve a claims ratio below 70% to allow sufficient room to cover policy acquisition expenses and generate reasonable profits. Caution should be exercised when interpreting the development of this ratio as market competition, price (underwriting) cycles and catastrophic losses (e.g. natural disasters and pandemics), among others externalities, can affect the numerator of this ratio. The ratio may also increase (decrease) without any significant changes in the actual loss experience should an insurer increase (decrease) its premium rates.

Table 4.12:Loss Ratio as measured by Claims Incurred to Net Earned Premium

YEAR	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
CLAIM INCURRED TO NET EARNED PREMIUM	54.49	52.04	49.72	41.16	46.08	53.96	57.22	72.12	38.25	20.18

Source: Computed from NISCO audited financial statement

In the table 4.12 the loss ratio is presented and it shows that the highest is 72.12% in 2016 and the lowest ratio is 20.18% in 2018 the regulatory body set 70% as standard in the case of NISCO experience the claim ratio which is below the above standard rate except for the year of 2016 which achieves 72.12% this shows that risk management of NISCO is good therefore its financial strong in its claim entertaining process so its performing good accordance with the claims premium ratio.

Table 4.13: Earning and profitability-Loss Ratio

One-Sample Test

	Test Value = 0.70								
	N	Mean	Std. Deviation	T	Df	Sig. (2-tailed)	Mean Difference	99.9% Confidence Interval of the Difference	
								Lower	Upper
LR	10	48.52	13.66	11.07	9.00	0.00	47.82	27.16	68.48

Source: Computed from NISCO audited financial statement

The financial system need low loss ratio and also in this research paper shows in the above table this claim ratio is checked against the standard limit which is 70% and also the researcher founds that the average claim ratio is found 48.52% which is below the standard by 21.8% this difference is statistically significant (t value = 11.07; Sig = .000 < .05), so the above result shows that NISCO controls loss rate which shows a good and also significant and as earlier is well in pits performance.

b. Expense Ratio

Usually calculated as the sum of policy acquisition expenses (e.g. commissions, advertisement, property inspection cost and other administrative expenses) divided by written premiums. As the expenses are incurred prior to and throughout the coverage period, written premiums may be more appropriate as the denominator (rather than earned premiums) although countries use different approaches (including both gross and net premiums written or earned). A high expense ratio may be due to a rise in market competition (e.g. high commissions and brokerage fees) or inflation in the territory of Operation. Similar to the case of loss ratio interpretation, one needs to be aware of the possibility of the expense ratio rising or falling while holding the denominator (numerator) constant. For example, the ratio may fall even when actual expenses remain unchanged or rise if premium rates rise (at a faster rate than expenses).

Table 4.14Expense Ratio Expense as Measured by Net Earned Premium

YEAR	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
EXPENSE RATIO EXPENSE OVER NET EARNED PREMIUM	66.59	64.32	62.63	53.81	36.43	32.74	38.08	37.52	26.99	17.87

Source: Computed from NISCO audited financial statement

The above Table 4.14, the expense summery decreased from 38.08% to 17.87% in the year 2015 & 2018 respectively but the highest ratio which is 66.59% in the year 2009 has been observed, the expense ratio dramatically declined from 2010 to 2014 but during the other study periods the company managed its expenses well which has a good gesture for improving financial strength so if the company managed its expenses it is also good in its performance or performing good in its expense control.

Table 4.15Expense Ratio Expense as Measured by Net Earned Premium

One-Sample Test

	Test Value = 0.35								
	N	Mean	Std. Deviation	T	Df	Sig. (2-tailed)	Mean Difference	99.9% Confidence Interval of the Difference	
								Lower	Upper
ER	10	43.698	16.993	8.067	9	.000	43.348	17.66	69.04

Source: Computed from NISCO audited financial statement

In Table 4.15, NISCO's expense ratio has been evaluated against that of regulatory limit (Max 35%). It is found that the average expense ratio of NISCO (43.69%) which is 8.69% above maximum limit. Since the difference is statistically significant (t value = 8.067; Sig = .0 < .05), NISCO's performance in controlling expenses is above maximum allowable statutory limits as said earlier is good in its performance.

c. **Combined Ratio**

Calculated as the sum of the claims (loss) ratio and underwriting expense ratio (Combined ratio = Claims (Loss) ratio + Expense ratio). The combined ratio measures whether the premium revenue of an insurer is sufficient to cover its underwriting operations. A ratio greater than 100% means profits and a ratio less than this means lossesin the operation during the period. It is generally used in non-life operations although a similar measure may be used to monitor the sufficiency of premium revenue in the life sector. (100%) indicates that the company is making an underwriting profit, while as the ratio above (100%) means that it is utilizing more money in paying claims and expenses that it receives from premiums.

Table 4.16: Combined Ratio

YEAR	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Average
Combined Ratio	121.09	116.37	112.36	94.97	82.51	86.70	95.30	109.64	82.39	82.27	98.36

Source: Computed from NISCO audited financial statement

As shown in Table 4.16 the combined loss ratio shown as 121.09%, 116.37%, 112.36% 94.97%, 82.51% 86.70%, 95.30%, 109.64%, 82.39%& 82.27% in the year 2009, 2010,2011,2012,2013,2014,2015,2016,2017 & 2018 during the study period NISCO's combined loss ratio has been below 95% margin, which shows is attributed bymoderateloss ratio.

Table 4.17:Combined Ratios

One-Sample Test

	Test Value = 1.05							
							99.9% Confidence Interval of the Difference	
	N	Mean	Std. Deviation	T	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Combined Ratio	10.00	98.36	15.23	20.21	9.00	0.00	97.31	74.29	120.33

Source: Computed from NISCO audited financial statement

The table 4.17, the combined loss ratio average is of the company 98.36% which is found 6.64% below which is 105% set by NBE 105%. The observed performance (t value = 20.21; Sig = .00 <.05)which is statistically significant, and also indicates that the company is making an underwriting profit. Since the average combined loss ratiois below 100%, profit generated from operation found unimpaired, operational gain. Therefore, NISCO's profitability is the result of both underwriting and investment returns.

d. Investment Income to Net Earned premium

Investment income is earning for the company arising from its insurance entities may be adversely impacted by change in the value of investments and that the profile of investments may be inappropriate to much the profile of liabilities.

Table 4.18: Investment Income to Net Earned Premium

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
INVESTMENT INCOME TO NET EARNED PREMIUM	19.42	11.07	8.29	11.49	11.72	15.23	16.86	18.51	13.11	11.30

Source: Computed from NISCO audited financial statement

Table 4.18 shows that the in the year 2011 the company ratio becomes the lower than the other years which is 8.29% that is below the minimum standard which is given 10%but in other nine years which is taken in the study the ratio is above standard ratio which is 19.42%, 11.07%, 11.49%, 11.72%, 15.23%, 16.86%, 18.51%, 13.11% and 11.3% in the year 2009, 2010,2012,2013,2014,2015,2016,2017 & 2018 respectively NISCO's profitability dependent on income generated from its investments, so the company should generate stable & significantly higher income than the minimum standard .

As shown in the table 4.19 the average ratio of the company is 13.7% which greater by 3.7% from the standard which is 10% this difference is statistically significant (t value = 11.81; Sig = .000 = .05) so the investment income of NISCO is good. Therefore, to compensate the loss from its operation NISCO should maintain higher ratios if the company is profitable as needed its performance are good as the indicator which is investment income to net earned premium.

Table 4.19: Earning and Profitability

One-Sample Test

	Test Value = 0.1								
	N	Mean	Std. Deviation	T	df	Sig. (2-tailed)	Mean Difference	99.9% Confidence Interval of the Difference	
								Lower	Upper
Investment Income	10	13.7	3.64	11.81	9	.000	13.60	8.10	19.10

Source: Computed from NISCO audited financial statement

e. Return on equity

It is calculated as the ratio of net income to the sum of cash and invested assets. This profitability ratio measures net income relative to all invested assets.

Table 4.20: Return on Equity

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Return on Equity	19.42	11.07	8.29	11.49	11.72	15.23	16.86	18.51	13.11	11.30

Source: Computed from NISCO audited financial statement

Table 4.21: Return on Equity

One-Sample Test

	Test Value = 0								
	N	Mean	Std. Deviation	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
								Lower	Upper
Return on Equity	10	15.5280	5.03850	9.746	9	.000	15.52800	11.9237	19.1323

According to the return on equity , the value values is 0.15 which interprets as on average, each NISCO generated 15.5% from each Birr of their total asset ,standard deviation = 0.05 it also interprets as there exists 5% variation in values of ROA across NISCO. With its minimum value (0.1192) and also as 0.1913 as maximum value. the variance measures that how individual values is dispersed Or distributed around its mean or expected value and the value less than one indicate reasonable variation and the standard value greater than one it indicate far from its mean value., (Bedru, B, & Yesuf, M. , 2005)

4.1.6. Liquidity Analysis

Liquidity refers to the company's ability to meet its current obligations. Liquidity is a measure of the ability of a debtor to pay his debts as and when they fall due. It is usually express as a ratio of current liability to current asset. Liquidity risk is the measure of probability that a company's cash resources will be insufficient to meet current or future cash needs.

The company may be solvent in the short, medium and long-term. However, it may simply have insufficient cash or not enough investments capable of being turned into cash in a timely way to pay policyholder claims or other creditors when they are due to be paid.

Table 4.22: Liquidity Ratios of Current Liability to liquid asset.

YEAR	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
current asset to current liability	108.22	138.87	139.11	108.80	111.59	53.81	89.037	93.65	85.06	127.32

Source: Computed from NISCO audited financial statement

The rule of thumb for liquidity, it should be above 100%. NISCO exhibited the ratio below 100% during the period 2014 till 2017. Liquidity ratio of NISCO was above 100% for the period from 2009 to 2013 and exceptionally favourable in 2014 (139.11%). Though there has been a fluctuation, the average ratio (105.552%) shows that, NISCO is not in a position to meet its current liabilities. According to NBE directive, it is expected that the ratio should at all times be less than or equal to 1.05 (105%). The maximum tolerance liquidity rate the company should keep on hand is one birr for one birr and five cents obligation.

Table 4.23: Liquidity Ratios of Current Liability to liquid asset.

One-Sample Test

	Test Value = 1.05								
	N	Mean	Std. Deviation	T	Df	Sig. (2-tailed)	Mean Difference	99.9% Confidence Interval of the Difference	
								Lower	Upper
Liquidity Analysis	10	105.552	26.4082	12.513	9.00	0.00	104.50	64.57	144.42

Source: Computed from NISCO audited financial statement

Table 4.23, indicates that the average liquidity ratio of NISCO is 105.5% which is equal to the standard ratio (105%) so this difference is statistically significant (t value = .9.52; Sig = .0.00 < .05). To continue as it is the company needs more liquid funds and unforeseen claims for achieving better liquidity position of the company, also to maintain high liquidity ratio as per the general requirements.

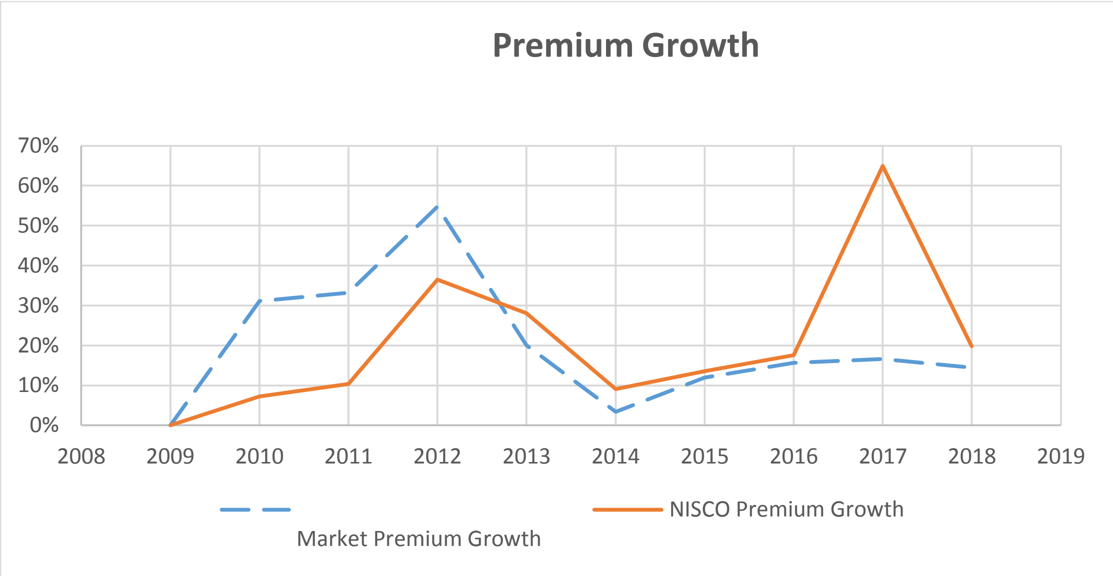
4.2. Analysis of Performance based on Non-Financial Parameters

4.2.1 Premium Growth and Market Share

Market risk is the risk that the company's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as premium rate, interest rates, foreign exchange rates, equity prices, commodity prices and credit spreads. The main market risk arises from trading activities equity investments

The researcher analyse that to analyse the performance of NISCO in terms of premium growth and market share the base is premium, gross premium written by the market, in figure 4.1 the insurance industries growth trend shows the fluctuation pattern which is sharp decline 35% in the period 2013 as compared than the previous year and it is the lowest accordance to the other nine years in the same year the NISCO performance also declines by 8% but even it is above the decline year of the market in year the year on the wards the insurance industries shows decline as compared with the last year period.

Figure 4.1: Premium Growth Analysis



4.2.2.Growth in Number of Branches

In the below table 4.26 NISCO grew its branches from 31 to 45 in the year 2009 to 2018 respectively it makes the company the 2nd in the market by its growth number of branches (NBE, 2018).Though associated increase in NISCO's expense observed, growth inproduction and market share has been exhibited if the company growth its branches it can address all its customers and also its performances are good.

Table 4. 24: Number of branches

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
No. of Branches General Insurance	31	31	32	35	38	40	43	43	45	45

Source: Computed from NISCO audited financial statement

4.2.3. Market Research

The interview questions analysed as follows which is from the period 2012 to 2017 except one year 2018 no new product is developed in the general insurance stream almost all the policy products and also each of the policy detail wordings are aged more than twenty years therefore NISCO is lagging behind the market requirement The company reports its activities which is undertaken in the year four times in year which is quarter reports which shows the detail of the insurance covers in summarized way therefore the regulatory body NBE will assesses the company performance and also once a year the external auditors check the financial transaction of the company in detail. But the company faces different challenges to enhance the performance there is stiff market

completion, new directives launches after the new budget year started which makes the company not to underwrite any class of business and also the new insurance companies that are emerging in the industry the third thing is as known that in the insurance industries there is different sectors but in the case of non - life insurance the awareness level of the society does not meet with the current insurance service which is provide by NISCO therefore the company tries to develop more new policy sectors but still the society doesn't feet the supply of the company. The company have suggestion box in all branches and also marketing department also visit corporate customers periodically even the suggestion box are checked once in month in also give feedbacks in the process of the company so that as can as possible the company works to satisfy its customers both in underwriting and claim process . The company gives trainings to its employees on different sectors accordance to the rule & regulation of the company and the regulatory body and also the company gives trainings to the corporate customer of the company and it gives comment and also suggestions to individuals.

4.2.4. Customer Satisfaction

Customer satisfaction is one of the most important factors for firm's financial success. In a competitive market, the need is to deliver high quality service it is because increased in customer satisfaction increases the loyalty for current customers, lowers the cost of attracting new ones and enhance reputation and profitability, (Shaheen, 2015)by considering this definition assessment is done on the customer satisfaction among the total samples which are 395 questionnaires distributed to the customer of NISCO and analyse was made accordance with the assessment in the table below Table 4.25& Table 4.26

Table 4.25: Demographic Analysis for customer satisfaction questionnaires'

Variables	Number	Percent
Gender		
Male	276	69.9%
Female	119	30.01%
TOTAL	395	100
Age		
18-25	2	0.5%
26-30	138	34.9%
31-40	166	42%
41-50	55	13.9%
>50	34	8.6%
TOTAL	395	100
ACADAMICS		
Diploma	79	20%
1st Degree	257	65.1%
Master's degree	55	13.9%
Doctorate	4	1%
TOTAL	395	100
LOYALITY YEAR		
< 5 YEARS	89	22.5%
6-10 YEARS	104	26.3%
11-15 YEARS	124	31.4%
16-20 YEARS	61	15.4%
>20 YEARS	17	4.3%
TOTAL	395	100

Source: Own Survey, 2019

From the respondents there are 69.9% (276) are male which the remaining 30.01% (119) are females and their age group shows that the highest age group is that of from 31-40 which is 42% (166) respondents and the lowest is the age group 18-25 0.5%(2) respondents and also the researcher have analyse that the academic qualification of the respondents are 257 (65.1%) are degree holder and the lowest is doctorate holder 4 respondents which are 1% from the total while the researcher analyse the loyalty period most of the respondents are form 11-15 years which shows 31% and also the next is 6-10 years 104 respondents which are also 26.3% and also the lowest is >20 years which is 4.3% from the total

Table 4.26: Customer satisfaction analysis

Variables	Strongly disagree		disagree		Neutral		Agree		Strongly Agree	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
INSURANCE POLICY PROVISION										
IPP 1	6	1.5%	13	33.3%	33	8.4%	331	83.8%	12	3%
IPP 2	16	4.1%	18	4.6%	18	4.6%	329	83.3%	14	3.5%
IPP 3	6	1.5%	37	9.4%	27	6.8%	306	77.5%	19	4.8%
CUSTOMER SERVICE PROVISION										
CSP 1	8	2%	24	6.1%	84	21.3%	253	64.1%	26	6.6%
CSP 2	17	4.3%	41	10.4%	38	9.6%	291	73.7%	8	2%
CSP 3	22	5.6%	30	7.6%	49	12.4%	275	69.6%	18	4.6%
CSP 4	20	5.1%	47	11.9%	33	8.4%	270	68.4%	25	6.3%
CSP 5	18	4.6%	64	16.2%	41	10.4%	258	65.3%	14	3.5%
CSP 6	6	1.5%	49	12.4%	44	11.1%	277	70.1%	19	4.8%
CSP 7	9	2.3%	47	11.9%	49	12.4%	274	69.4%	16	4.1%
CSP 8	7	1.8%	63	15.9%	32	8.1%	280	70.9%	13	3.3%
CSP 9	13	3.3%	28	7.1%	75	19%	260	65.8%	19	4.8%
CONT….. OVER ALL CUSTOMER SATISFACTION										
OCS.1	8	2%	82	20.8%	43	10.9%	246	62.3%	16	4.1%
OCS.2	16	4.1%	110	27.8%	24	6.1%	239	60.5%	6	1.5%
OCS.3	21	5.3%	72	18.2%	34	8.6%	256	64.8%	12	3%
OCS.4	4	1%	64	16.2%	35	8.9%	269	68.1%	23	5.8%
OCS.5	9	2.3%	76	19.2%	52	13.2%	242	61.3%	16	4.1%
OCS.6	4	1%	68	17.2%	34	8.6%	280	70.9%	9	2.3%
OCS.7	8	2%	133	33.7%	32	8.1%	213	53.9%	9	2.3%

Source: Own Survey, 2019

The researcher have analysed customer satisfaction by three categories' which are insurance policy provision, customer service provision and as overall customer satisfaction. Therefore, in accordance with the assessment as shown in the above table which shows that in the first categories or on the insurance policy provision that it assess the companies insurance provision questions, 83.8%,83.3% and 77.5% respondents agree on the policy adequacy, provision as requirement and also information provision. So, the researcher concludes that

NISCO provide adequate polices even it also meet the customers' requirements and also Provide information to customers in detail. And the next category that was analysed is customer service provision which includes the service provided by the company which are knowledge to solve customers' problem, notification, receives complaints, provide quality service, helping customers, giving information & how the company handle claims the researcher found out that from the respondents that they agrees the services provided by the company is good. Therefore this shows that the respondents satisfied from the service which is provided by NISCO the other category is that of the questions which indicate that the premium collection from the customers and about recommendation and the researcher try to analyse the overall customer satisfaction by compiling the all three categories. Accordingly the policies & the service provided by NISCO are satisfactory to its customers and also they recommend for others persons to get insurance from this company. From this we can say that the customer's satisfaction implies that the company is performing in a good way and we can say that NISCO is good performing company.

4.2.5 Employee Performance and Satisfaction

Employees of the organization are very important; organization success relies on performance and satisfaction level of its employees as these are the employees who create good or bad impression about the organization, (Khan M. N.H , Haseeb .S,, 2015)Questioners distributed for 194 samples taken from the employee of NISCO based on this feedback as shown in below Table 4.28 employee overall

Table 4.27: Employee's Demographic Analysis

Variables	Number	Percent
	Gender	
Male	109	56.2%
Female	85	43.8%
TOTAL	194	100
	Age	
18-25	39	20.01%
26-30	66	34.0%
31-40	62	32.0%
41-50	27	13.9%
TOTAL	194	100
	Academics	
Diploma	11	5.7%
Degree	135	69.6%
Masters	48	24.7%
Total	194	100
	Experience	
<12 Months	30	15.5%
1-5 years	110	56.7%
6-10 years	28	14.4%
>10 years	26	13.4%

Source: Own Survey, 2019

From the respondents that there are 56.2 % (109) are male which the remaining 43.8 % (85) are females and their age group shows that the highest age group is that of from 26-30 which is 34% (66) respondents and the lowest is the age group 41-50 13.9% (27) respondents and also the researcher analyses that the academic qualification of the respondents are 135 (69.6%) are degree holder and the lowest is diploma holder 11 respondents which are 5.7 % from the total while the researchers analyses the experience of the employees most of the respondents have 1-5 years' experience which shows 56.7% and also the next is < 12 month Which is 30 respondents 15.5 % and also the lowest is >10 years which is 13.4% from the total respondents.

Table 4.28: Employees Satisfaction Analysis

Source: Own Survey, 2019

variables	Strongly Disagree		disagree		Neutral		Agree		Strongly agree	
	NO	%	NO	%	NO	%	NO	%	NO	%
ES 1	-	-	81	41.8%	47	24.2%	66	34%		
ES 2	14	7.2%	93	47.9%	87	44.8%				
ES 3	3	1.5%	43	22.2%	77	39.7%	61	31.4%	10	5.2%
ES 4	19	9.8%	62	32%	31	16%	78	40.2%	4	2.1%
ES 5	8	4.1%	52	26.8%	51	26.3%	63	32.5%	20	10.3%
ES 6	2	1%	37	19.1%	51	26.3%	84	43.3%	20	10.3%
ES 7	9	4.6%	43	22.2%	54	27.8%	68	35.1%	20	10.3%
ES 8	2	1%	39	20.1%	42	21.6%	91	46.9%	20	10.3%
ES 9	12	6.2%	64	33%	35	18%	63	32.5%	20	10.3%
ES 10	1	0.5%	46	23.7%	35	18%	92	47.4%	20	10.3%
ES 11	4	2.1%	25	12.9%	87	44.8%	77	39.5%	1	0.5%
ES 12	11	5.7%	27	13.9%	72	37.1%	84	43.3%		
ES 13	5	2.6%	44	22.7%	63	32.5%	82	42.3%		
ES 14	6	3.1%	30	15.5%	58	29.9%	100	51.5%		
ES 15	2	1%	37	19.1%	51	26.3%	84	43.3%	84	10.3%

In the above table the researcher analyse the question which developed to evaluate whether the company performs in good or not by the non- financial analysis indicator which is employee satisfaction, in this section different question developed which are rules & responsibilities, recognition to their work, fully utilization of skill & experience, satisfactory salary, different packages, modern working tool &technology, training, receiving complaints, participate in decision making, working condition, opportunities , promotion by merits', recommend for others , team spirit in work place & satisfied by the company and from 194 respondents the researcher got 41.8% disagree, 47.9%disagree, 39.7% neutral, 40.2% agree, 32.5% agree , 43.3% agree, 35.1% agree, 46.9% agree,33% disagree ,47.4% agree, 44.8% neutral ,43.3% agree,42.3% agree. 51.5% agree and 43.3% agree respectively. Therefore this shows that the employee satisfaction level is good but the employee have dissatisfaction in some areas, and also NISCO is performing well accordingly. This result implicates that NISCO should work hard to minimize the dissatisfaction of its employees by addressing the needs of its employees and maximize their satisfaction because employees play a major role in the performance of a company.

CHAPTER FIVE

CONCLUSIONS AND RECOMMEDNDATION

In this chapter major finding are summarized, conclusions have been drawn and recommendations are presented to enhance the performance of NISCO, based on the analysis and interpretations made at the previous chapter.

5.1.Summary of Major Findings & Conclusion

The aim of the study was to assess the performance of non-life insurance business in case of Nyala Insurance Company. The total number of sample respondents for this survey stood at 395 from customers, from employees 194 and 10 years of NISCO Financial report. The collected data was analysed using both descriptive and inferential statistics. Based on the analysis made the following summaries are been given.

1. **Findings in financial parameters**

Capital Adequacy

- As shown in the analysis part the researcher conclude that the ratio of net premium to capital is above the standard which signify in good position to write a business and also the capital to total asset ratio shows an increasing trend which shows that NISCO depends on its capital.

Asset quality

- The ratio which is debtors to total asset is shown below the maximum standard set by NBE and the difference is statistically significant and shows good performance in receivable management.
- The investment in equity to total asset ratio exceeds the maximum standard and the observed difference is statistically significant and also investment risk in equity is good.

Reinsurance and Actuarial Issues

- The risk retention ratio is lower than the standard and also it shows that this difference is significant and also its risk bearing ability is moderate.
- And in this analysis the researcher founds that the company contains good amount of technical reserves which signify good survival ratio.

Management Soundness

- The company's management is good in its asset utilization to debt related areas so, the company is said to be good performing in its debt-asset.

Earning and profitability analysis

- Loss ratio is lower than the maximum standard limit which is positively affecting operational profitability.
- The expense management is high; it is observed that the difference between the standard and also it performance is significantly higher than the maximum allowable limit.
- Combined ratio is above the 98.36%, which shows operating profit from general insurance business.
- The investment income to net earned premium ratio is slightly higher than the minimum threshold and the difference is significant, which shows moderate investment management.
- Its return on equity is in line with the market growth.

Liquidity

- The company is in its maximum limit accordance to liquid fund management.
- Also has a good branch expansion that makes a company second in number of branches in the market.
- The company's business has been increasing in terms of products /Insurance policy developments and profitability it is lagging behind the market requirement. The levels of overall customer and employee satisfaction are slightly above average

2. **Non-financial parameters findings**

Market share

- NISCO have almost the same growth rate with the growth of the insurance industries.

Growth in number of Branches

- The company's branches are increased from year to year and also it leads the company to address all its customers easily.

Market research

- The company done more researches and also give trainings to the staffs as well for corporate customers.
- The corporate customers visited periodically.
- The company also works accordance to regulatory body rules & regulations
- The company evaluates the employees and also the company performance.
- The company gives quality service to satisfy its customers as well employees and also have its system to collect feedbacks and solve it.

Customer satisfaction

- From the demographic analysis 276 (69.9%) of the customers are male and the remaining 30.01% (119) are female respondents, the age group is that of the highest number of the customers are aged 31-40 that is 166 (42%), 257 respondents (65.1%) are 1st degree holders in their academic qualification and their loyalty is 16-20 years loyal customers are the highest in number 124 (31.4%)
- By evaluating the insurance policy provision sector which evaluates the adequacy, requirement of customers and giving information questions analysed and most customers agrees that the company provide all the three questions.
- Be evaluating customer service provision which evaluates the service provide by the company is also meets and most customers agrees in this section.
- In overall customers satisfaction sector the researcher finds that most customers of the company are satisfied in the policy given/sold, service provision and also other questions which evaluate their satisfaction.

Employee satisfaction

- From the demographic sector the researcher conclude that 56.2% of workers are male and the remaining 43.8% are females and in the age group most of the workers are in the age group 26-30 years which is 34% , in the academic qualification most employees 69.6% of them are 1st degree holders and also 56.7% of the employees have 1-5 years' work experience
- While the researcher analyses the employee's satisfaction in most sectors the employees satisfied but there is exceptional cases the rules and regulation classification, recognition for the work & participation in decision making

process the employees are dissatisfied in this areas the recommendation is given below.

As a conclusion insurance is a means of transferring risks, it also have different types which is essential in the insurance industries having insurance will bring balance between short term and long term rewards and measuring the performance of each industry is essential and also practical to understand manage and also to improve the companies activity therefore this study analyse the performance of NISCO by using both financial and non-financial parameters. To analyse this indicators the researcher used CRAMEL parameter and the researcher analyses in different parts Capital Adequacy, Asset quality, Reinsurance and Actuarial Issues, Management Soundness Earning and profitability analysis and liquidity and also gives conclusion capital base of NIISCO has been good and it is used to write more business. Receivable and investment management of the company shows good asset quality of the company. NIISCO's operational efficiency is reflected on the sound management. Though the company has low investment income and underwriting profitability has been under strain, the underwriting profit but it is minimal due to high expense ratio and NIISCO registered profit. As to the other assessment parameter, Liquidity ratio, NIISCO should be efficient in terms of liquid fund management to continue its solvent state. As well non - financial the following conclusion is made the overall market share of the company has fluctuation pattern but showing improvements. It has been observed that there have been improvements in NISCO's gross premium written and number of branches, finally, the overall customer and employee satisfaction assessment showed that the satisfaction level is slightly above average. And also the researcher recommend for the government, insurance industries, NISCO, customers and also for the employees of NISCO accordance to the analysis which is made above.

Therefore the researcher analysis all the financial and non- financial parameters to assess the performance of non-life insurance in the Nyala Insurance S.C (NISCO) while the non -financial parameters which are capital adequacy, asset quality, re insurance & actuarial issues , management soundness , earnings & profitability and liquidity and also as non- financial parameters which are market quality, market share , growth in number of branches , market research , customer satisfaction & employee satisfaction this is therefore the researcher conclude that due to the above parameters the company is performs in a good conditions and also recommendations are given by the researcher.

5.2 Limitation of the study

Though it's very important to cover the insurance industry as a whole, because of the limitation of resources like finance, availability of data and most importantly time the study only considered the case of NISCO and again only the performance of the non- life insurance business. It is also obvious that the researcher would not have access to every employees and customers of NISCO, who are scattered all over the country. The study also challenged due to the data were not kept properly in a consumable manner and additionally, the study constrained by time; as it is conducted within an academic time range.

5.3. Recommendations

The researcher recommends the following points to be addressed by government, insurance industries, NISCO, customers and also to employees of NISCO. To overcome the current challenges and enhance its performance.

GOVERNMENT:-The government should work in line with the insurance industries and also at the time of launching new rule &regulations, to control the price competition NBE must set a minimum base of premium, the time should be consider and also should address to all insurance industries and should control their performance.

INSURANCE INDUSTRIES:-The insurance industries all over the countries should work together in the rule& regulation which launched by regulatory body and also should have the same minimum base of premium accordance to NBE.

NISCO

- The company should manage its liquidity to manage its liquidity the company should consider nature, duration &liquidity of the asset and also the liquidity risk should measure over one or several –time horizons that reflects their risk profile and business model.
- The company should also manage its assets and liabilities in this section the company should estimate & control the balance between resource (asset) and expense (liabilities) therefore it is essential to coordinate the asset & liabilities to achieve better efficiency for the company
- The company should reduce the impact of underwriting risk (amount of losses) by improving its underwriting performance through techniques like product selections, gathering sufficient information or detail about subject matter of

insurance before agreement with the insured/issuing insurance policy and increase claims handling practice.

- The company's investment inequities should be limited within the statuary standard.
- In order to increase its profitability as well as future survival, NISCO should review its reinsurance arrangements.
- The company should give high emphasis on the Operating expense.
- NIISCO should enforce risk management practices and proper valuation of risks it underwrites.
- NIISCO should encourage more innovativeness in product development and marketing, and also design new products to suit customers' desire.
- NIISCO must take paradigm shift and strategically plan to enhance its employees and customer retention and satisfaction.

CUSTOMERS: - The researcher also recommend for customers that they should give feed back to the company and also suggest what new product that they need and also about the design & the wording of the policy.

EMPLOYEES OF NISCO: - The employees also have to be upgrade themselves by trainings and also should be committed on their work they also have work to satisfy the customers and also gives suggestions and comments on the insurance which the customer buy and also provide what the customer must have to buy which is necessary to him/her

All the above recommendation is given to work in accordance to non-financial and financial parameters of performance indicators to make the company perform well in the non-life insurance sector.

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APPENDIX: A

NISCO'S FINANCIAL DATA '000'

Year	Gross Premium written	Net Premium Written	Net Earned Premium	Claims Incurred	Expense	Total asset	Total income (before tax)	Capital	Un earned premium	Technical reserve Claims	Investment income	Investment asset	Profit after tax
2009	117,630.14	64,338.11	69,187.85	37,702.10	46,074.15	115,270.75	25,860.43	48,087.88	35,459.73	43,972.09	13.433.00	77,949.71	17,957.93
2010	126,168.69	78,461.11	81,397.47	42,361.92	52,356.99	212,317.65	34,242.20	57,177.62	39,842.39	47,673.67	9,008.87	81,971.91	18,988.43
2011	139,253.81	93,267.73	95,878.22	47,672.38	60,052.88	249,928.27	56,100.00	56,358.38	39,307.01	49,349.20	7,950.45	90,272.89	27,818.62
2012	190,001.81	170,811.87	115,450.98	47,516.10	62,128.48	353,937.38	70,221.47	52,700.19	58,496.95	52,264.70	13,270.16	119,873.39	43,160.19
2013	243,397.26	236,246.44	150,881.70	69,526.97	54,969.10	476,045.13	77,793.34	67,291.79	5,908.19	102,598.53	17,684.96	128,402.43	57,210.12
2014	265,516.03	255,277.79	169,461.54	91,441.88	55,474.80	617,930.53	99,002.28	89,890.41	114,113.28	128,819.04	25,815.43	185,610.11	66,061.83
2015	301,598.92	284,624.89	185,845.44	106,346.07	70,763.30	830.970.09	77,364.24	91,863.64	131,087.31	208,578.18	31,328.36	211,106.22	79,538.14
2016	354,647.52	332,243.11	205,300.60	148,063.74	77,031.24	1,439,950.16	137,000.00	153,115.78	153,491.73	225,692.75	37,993.75	299,784.49	67,445.69
2017	584,918.07	442,947.17	373,508.22	142,851.17	100,805.18	1,174,368.66	159,569.79	171,617.66	154,000.15	243,748.17	48,965.76	318,703.02	103,079.51
2018	700,747.61	546,414.22	691,197.01	139,482.43	123,525.15	1,909,028.76	184,319.66	201,873.40	382,134.86	272,997.95	78,116.69	355,012.26	127,694.06

NISCO'S FINANCIAL DATA'000' CONT……

Year	Average Shareholder's Equity	Liquid Asset	Current Liabilities	Debtors	Industry Gross Premium	Total Liability	Investment In Equity
2009	48,087.89	113,868.37	123,230.64	44,563.13	1,379,321.00	133,232.43	42,385.60
2010	57,177.62	93,593.56	129,978.18	56,456.35	1,824,893.00	140,290.54	59,984.00
2011	56,358.36	95,593.06	132,978.38	46,859.78	2,422,415.00	142,290.54	63,914.00
2012	52,700.19	123,593.15	134,478.56	58,577.46	3,724,760.00	129,290.54	67,741.00
2013	67,291.79	145,593.76	162,478.19	69,793.53	4,497,666.00	172,290.54	49,805.88
2014	85,291.79	201,593.33	108,478.23	73,979.54	4,687,657.00	256,290.54	54,629.00
2015	89,863.64	265,593.21	236,478.00	52,635.56	5,242,085.00	295,290.54	67,119.00
2016	123,115.78	332,593.15	311,478.04	49,563.53	6,093,677.00	324,290.54	82,178.00
2017	162,617.66	402.593.13	342,478.33	76,563.77	7,007,728.55	357,290.54	98,186.00
2018	187,873.40	332,593.11	423,478.11	75,653.61	8,058,887.83	411,290.54	163,569.64

APPENDIX: B

GROSS PREMIUM TO NUMBER OF EMPLOYEES (RATIO)

Year	Gross Premium written '000'	Premium Growth In %	Number of Employees	Employees Growth In %	Gross Premium/ Number of Employees	%	Number of Branches
2009	117,630.14	-	210	-	560,143.52	-	31
2010	126,168.69	2.41	212	0.94	595,135.35	1.49	31
2011	139,253.81	9.40	215	1.40	647,692.13	8.11	32
2012	190,001.81	26.71	238	9.66	798,326.92	18.87	35
2013	243,397.26	21.94	247	3.64	985,414.01	18.99	38
2014	265,516.03	8.33	260	5.00	1,021,215.49	3.51	40
2015	301,598.92	11.96	274	5.11	1,100,725.97	7.22	43
2016	354,647.52	14.96	309	11.33	1,147,726.61	4.10	43
2017	384,918.07	7.86	279	(10.75)	1,379,634.66	16.81	45
2018	700,747.61	45.07	315	11.43	2,224,595.60	37.98	45

APPENDIX: C

EXPENSE PLUS INSURANCE COMMISION TO GROSS PREMIUM(RATIO)

Year	Gross Written Premium	%	Expense Plus Insurance commission	%	Expense + Insurance commission / Gross Premium
2009	117,630,136.00		33,890.44		28.81
2010	126,168,694.00	6.77	52,356.99	54.49	41.50
2011	139,253,809.00	9.40	60,052.88	14.70	43.12
2012	190,001,806.00	26.71	62,128.48	3.46	32.70
2013	243,397,261.00	21.94	54,969.10	(11.52)	22.58
2014	265,516,028.00	8.33	55,474.80	0.92	20.89
2015	301,598,917.00	11.96	70,763.30	27.56	23.46
2016	354,647,523..00	14.96	77,031.24	8.86	21.72
2017	384,918,071.00	7.86	100,805.18	30.86	26.19
2018	700,747,614.00	45.07	123,525.15	22.54	17.63

APPENDIX: D

St. Mary's university

School of Graduate Studies

Department of Business Administration

Questionnaire for Customers: Questionnaire on Assessing performance of Non-life insurance sector: The case of Nyala Insurance S.C

The purpose of this questionnaire is to collect primary data on performance of Non-Life insurance sector in Nyala Insurance S.C (NISCO) as part of fulfilment of Master's Degree program.

I with due respect and gratitude request for your willingness & kindness in filling out this questionnaire.

Please be informed that all information provided will strictly remain confidential and will be exclusively used for academic purpose only.

Therefore, you are kindly requested to put (✓)mark on your choice and provide short answer to the open ended questions where necessary.

PART A:

1. Gender

   A. Male ☐ B. Female ☐
2. Please select your age group

   A. 18-25 ☐ B. 26-30 years ☐ C. 31-40 years

   D. 41-50 ☐ E. above 50 years ☐

3. Select your highest academic or professional qualification?

   A. Secondary education/ Diploma ☐ B. First Degree ☐

C. Second Degree ☐ D. Doctorate ☐

4. How long have you been a customer in NISCO?

   Please state in terms of year's ____

PART ONE: Customer satisfaction questions

No	Please mark on the scale provide how strongly you agree or disagree with each statement	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
Insurance policy provision						
1	NISCO provides adequate variety of non-life insurance policies					
2	NISCO provides non-life insurance policies as per your requirement					
3	NISCO provides clear information or clarification about insurance policy terms, conditions and exception					
Customer service provision						
4	Employees of NISCO have technical knowledge and skill in solving customer's problems					
5	NISCO notify me in advance for insurance renewals					
6	NISCO receives complaints from customers and respond as soon as possible					
7	NISCO provides consistent quality customer service					
8	The staffs of NISCO shows concern and interest to help customers as much as possible					
9	NISCO informs customers exactly when service will be performed					
10	NISCO informs customers what it requires in case of underwriting and claim services					
11	NISCO has simplified underwriting and claims process and procedure					

12	NISCO’s claim service is efficient and fast					
13	Premium charged by NISCO is competitive /fair as compared to other insurance companies					
14	NISCO uses modern working tools/ technology to provide better service to its customer’s					
15	NISCO’s atmosphere is conductive to customers					
16	The service provided by NISCO meets my expectations					
17	NISCO is my number one choice					
18	NISCO will be my first recommendation for someone who asks me needing insurance service					
19	I am satisfied with NISCO’s insurance service					

PART C:

1. Please use the space provided below for any additional information or suggestion on how NISCO can serve better service??

____

____

____

THANKS FOR YOUR TIME AND COOPERATION

APPENDIX: E

St. Mary's university

School of Graduate Studies

Department of Business Administration

Questionnaire for Employees: Questionnaire on Assessing performance of Non-life insurance sector: The case of Nyala Insurance S.C

The purpose of this questionnaire is to collect primary data on performance of Non-Life insurance sector in Nyala Insurance S.C (NISCO) as part of fulfilment of Master's Degree program.

I with due respect and gratitude request for your willingness & kindness in filling out this questionnaire.

Please be informed that all information provided will strictly remain confidential and will be exclusively used for academic purpose only.

Therefore, you are kindly requested to put (✓)mark on your choice and provide short answer to the open ended questions where necessary.

PART A:

1. Gender

   A. Male ▢ B. Female ▢
2. Please select your age group

   A. 18-25 ▢ B. 26-30 years ▢ C. 31-40 years

   D. 41-50 ▢ E. above 50 years ▢
3. Select your highest academic or professional qualification? Please select only one.

   A. Secondary education/ Diploma ▢ B. First Degree ▢

   C. Second Degree ▢ D. Other (please specify) ______________
4. How long have you been employee of NISCO?

   A. Less than 12 months ▢ B. 1 to 5 years ▢

   C. 6to 10 years ▢ D. above 10 years ▢

PART B

No	Please mark on the scale provide how strongly you agree or disagree with each statement	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
1	The rules and responsibilities in my category are clearly defined					
2	I receive the right amount of recognition for my work					
3	My skills and experience are being fully utilized					
4	I earn satisfactory basic pay					
5	The benefit package provided by the company is competitive as compared to the insurance industry					
6	NISCO uses modern working tools and technology to support employee's performance					
7	NISCO provides trainings in such a way that contributes for employees development and attainment of the company's objective					
8	NISCO's top management receives complaints from staffs and respond accordingly					
9	Staffs participate in decisions that affect them					
10	NISCO have very good working condition					
11	I am aware of carrier development opportunities in NISCO					
12	Staff are selected and promoted on the basis of merits					
13	I will recommend NISCO to someone as a good place of work					
14	NISCO's team spirit in branches and departments are high					
15	I am satisfied working in NISCO					

THANKS FOR YOUR TIME AND COOPERATIO

APPENDIX: F

Interview Questions

The purpose of this interview is to collect primary data on the performance of Nyala Insurance S.C as part of fulfilment of Master's Degree program.

I with due respect and gratitude request for your kind response to the following questions.

Please be informed that all information provided will strictly remain confidential and will be exclusively used for academic purpose only.

1. How do evaluate NISCO's performance so Far?? What do you think say the reasons are?
2. What are the most challenges NISCO faces in attempting to enhance its performance?
   In your opinion what must be done to overcome those challenges??
3. How would you associate the customer demand for non-life insurance and the quality of insurance product and service NISCO supply with the growth rate of insurance business in Ethiopia?
4. How important are customer and employee satisfaction and to NISCO performance? In what ways it has impact on the company's performance?
5. How NISCO get feedback from customers, employees and other stake holders? How do you deal with the issues raised?
6. How do you think the training conducted so far to employees and intermediaries contributed to NISCO's performance?

Thank you, I appreciate the time you took for this interview!