



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
MBA - PROGRAM**

**ASSESING FACTORS CONTRIBUTE TO THE DECLINING
RATE OF LIFE INSURANCE IN ETHIOPIAN INSURANCE
CORPORTATION**

BY:

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JUNE 2014

ADDIS ABABA, ETHIOPIA

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RATE OF LIFE INSURANCE IN ETHIOPIAN INSURANCE
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ASMIYA GEBREGIORGIS TEDLA

**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL
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DECLARATION

I, the undersigned, declare that this thesis is my original work; prepared under the guidance of **Dr.Mesfin Lemma**. 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

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Acronyms

AIO – African Insurance Organization

EIC – Ethiopian Insurance Corporation

GDP – Gross Domestic Product

GWP – Gross Written Premium

NGO – Non Governmental Organization

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ABSTRACT

The main aim of this thesis was to assess factors that contribute to the declining rate of life insurance in Ethiopian insurance corporation branches Addis Ababa. The study is basically a survey that used both qualitative and quantitative approaches. For the purpose of data collection self administered questionnaire was adopted, pre-tested and personally administered to the target population by following the appropriate ethical procedures. One hundred forty five (145) respondents are sampled from the total population of four hundred twenty four (424) management bodies, brokers and agents of Ethiopian insurance corporation branches in Addis Ababa using the sample size determination table developed by Yamen, (1967). Out of the distributed 145 questionnaires only 115 returned constituting 79.31% response rate. The findings of this thesis show that the current performance of life insurance in EIC is declining and the corporation is losing its market share from the industry. Based on this, it's recommended that The Ethiopian Insurance Corporation should give greater attention to improve the performance of life insurance in Ethiopia as well as in order to stay competitive in the dynamic insurance environment should solve both internal and external challenges through the mechanisms of building its Image, adjusting the existing price (rate chart), revising the policies, adopting new products and most of all working on the public awareness of the existing products will help EIC to stay competitive in the industry and increase its market share and profit.

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Insurance is designed to protect the financial well-being of an individual, company or other entity in the case of unexpected loss. Some forms of insurance are required by law, while others are optional. It also contributes to a country's economic development in different ways like it promotes entrepreneurship, It is also a risk transfer mechanism whereby the individual or the business enterprise can shift some of the uncertainties of life on the shoulder of the others and insurance provides all the people to live a cleaner, healthier, comfortable and easy life.

The fundamental purpose of insurance, whether of people or of property is protection against possible economic loss, economic loss being simply defined as the unintentional and permanent loss of something which has monetary value.

We all recognize that, unlike the value of property, the value of a human being cannot be measured in terms of money. But as far as insurance is concerned, the economic value of a person is basically represented by his income. The total or partial, temporary or permanent loss of this income represents an economic loss to all those who are dependent on that income for their livelihood. The loss of such income can come about through a variety of causes; but not all such causes are necessarily insurable since as indicated above an insurable risk must involve a loss that is unexpected and, so far as the individual insured is concerned, unpredictable.

Even though the Ethiopian market presents a lot of opportunities for life insurance business the intricacies that make up the life insurance market are not very well known to most when compare to other countries market with similar growth paths.

Ethiopia's growing economy and predominantly young population offers great potential for life insurance by virtue of two aspects foundational to the concept of insurance; risk spread through pooling and possibility of charging affordable premiums made possible by large numbers of assureds. Along with, akin to all sectors, insurance needs to be correlated with

the country's growth and transformation plan as well as the expected rising demand for life insurance.

The importance of life insurance in modern economies is unarguable and has been recognized for centuries. It is the essential means by which the "misfortune of an individual is shared by many, the disaster to a community shared by other communities; great catastrophes are there by lessened.

Ethiopian Insurance Corporation has been carrying on life and general insurance business as a composite insurance company since its establishment in 1976. However, the state of development of the life business has remained very low. The insurance market started to grow especially after the 1994 opening of the sector to Ethiopian private investors by proclamation No.86/94. Since then, the general insurance business has been growing dramatically while for various reasons, the life insurance business failed to reap the benefits especially considering its importance and untapped potential for development.

Apart from its benefits life insurance gives to the policy holder and beneficiaries in the event of occurrence of certain events, such as death, terminal illness, critical illness or maturity depending on the type of contract, life insurance plays a vital role in a country's socio economic development.

Life insurance through mobilizing private savings will play a decisive role in scaling up the economy, creating employment opportunity and contributing to overall socio-economic development of a country. There will be a development of contractual saving which in turn will enhance the supply of long-term financial products, thereby triggering a series of effects on the development and structure of the financial markets.

Despite its benefits, Ethiopia's life business stood as the least in the world whilst there is progress and matured market in South Africa, Morocco, and Egypt amongst African countries. The contribution of life insurance business to GDP in some countries such as the USA was 5.14%, England 3.68%, whilst African average was 1.48%. On the other hand, Ethiopia's life business contribution to GDP is only 0.02% (Swiss Re, Economic Research and Consulting, 2012).

Moreover, according to the NBE quarterly report (fourth quarter, 2009/2010) the insurance density (life insurance premium per population) is 1.29 in the reporting period (i.e 2009/2010) which is the lowest and insignificant compared to other countries.

However, with the advent of year 2011, Ethiopian Insurance Corporation has witnessed a new era of change and transformation. One of the major outcomes of this change was breaking the previous corporate structure, beliefs and assumptions about life insurance which culminated by organizing long term insurance business as independent core process and opening various branches. Even the prevailing socio economic and market factors of the country have been favorable for the growth and development of life insurance business; all the necessary efforts have not been exerted at corporate level. Virtually, the life insurance business has been shunted from the corporate dashboard, and annexed to the general insurance business.

Therefore this study will assess the factors that contribute to the declining rate of life insurance in Ethiopia by taking the Ethiopian Insurance Corporation as a sample through collecting various reports and distributing questionnaires.

1.2. Statement of the Problem

Ethiopian Insurance Corporation has been carrying on life and general insurance business as a composite insurance company since its establishment 1976. Though, the current Ethiopian market with its 80 million plus people, presents lucrative and diverse opportunities for life insurance business however, the development of life insurance business has remained very low. The insurance market started to grow especially after the 1994 opening of the sector to Ethiopian private investors. Since then the general insurance business has been growing dramatically while for various reasons the life insurance business failed to reap the benefits especially considering its importance and untapped potential for development.

Life insurance, apart from the benefit it offers to the policy owners and beneficiaries in the occurrence of certain events such as death, terminal illness, critical illness or maturity depending on the type of life insurance contract, life insurance plays a vital role in a country's socio economic development. According to research conducted by NBE (National

Bank of Ethiopia) on the economic and social benefit of life insurance, in addition to the abovementioned benefits, the major benefits of life insurance comprise, through mobilizing private savings that will lay a decisive role in scaling up the economy, creating employment opportunity and contributing to overall socio-economic development of a country (Birritu, August 2011).

Despite its benefits life insurance is one of the least developed insurance markets in Ethiopia. For instance, according to African Insurance Organization (AIO) conference on life insurance in 2012 the contribution of the life insurance business to the total gross written premium of the insurance industry is on average only 4.55 % as of Dec, 2012 while its share is more than 77.8%, 33.8% and 29.2% in South Africa, Kenya and Morocco respectively. Accordingly the major share of premium written in the world insurance market is generated from the life insurance business. However, this is not the case both in Ethiopian Insurance Corporation's (EIC) and the industry as a whole. For example, the gross written premium of EIC for the year 2011/12 was Birr 1.6 billion but only 9.5% was generated from the life insurance business yet this is the best share that the business had ever seen and from the total gross written premium birr 4.0 billion only 6.7% comes from the life sector.

According to the EIC, Strategic Management Team the average share of life insurance for the past 14 years was 5.2% for the industry while it was 7.7% for EIC. However, even if the premium collected from life insurance is increasing each year, among the nine insurance companies that transact life insurance business the share of EIC has decreased from 58.3% as in June, 2012 to 45% as in June 2013 and consequently reached 38% as at 30th September, 2013. And at the same time the share of life insurance is constantly declining and reached 4.5% & 2.5% at industry and company level as by September, 2013 from 6.7% & 4.5% in December, 2012 respectively while in EIC it was planned to raise the share of life insurance to 25% in the year 2007.

Therefore the aim of this research is to find out factors that contribute to the declining rate of life insurance compared to the general insurance in EIC as well as the share of EIC from the industry and reviling the challenges of life insurance in Ethiopian Insurance Corporation.

1.3. Research Questions

Thus, this study will answer the following questions:-

1. What are the main factors that contribute to the low premium share of life insurance from the total gross written premium?
2. What are the factors that contributed for the decreasing share of EIC's life insurance from the industry?
3. What are the challenges that EIC faces in providing life insurance to its customers?

1.4. Objective of the Study

1.4.1 General Objective

The main objective of this study is to determine the factors that contribute to the current performance of life insurance in EIC and based on the results of the study suggest possible solution for the future.

1.4.2 Specific Objectives

- ❖ To assess the hindering factors in providing life insurance.
- ❖ To explain the reasons for the huge variation between Life & General Insurance.
- ❖ To assess the reasons behind the decreasing market share of EIC life insurance from the market.

1.5. Scope of the Study

Theoretically, insurance can be of many types, however this paper will only deal with life insurance that conceptually be supported via the practice and existing demand report which will be obtained from EIC.

Geographically, despite the fact that there are other branches of EIC which are located outside Addis Ababa, the study will focus on those branches which are found in Addis Ababa unlike other cities, due to the expectation that there is high awareness and customers of life insurance on the head office and branches in Addis Ababa than other branches, moreover the selected location makes it unproblematic to easily found life insurance Agents & brokers.

1.6. Limitations of the Study

Methodologically, it is considered that reviewing of well-articulated literature helps in designing conceptual frame work of any study; unfortunately, this study may face lack of intensive literature specifically in relation to life insurance of Ethiopian context.

Moreover, conceptually, awareness of life insurance on the society is not comprehensive of all its aspects in comparison with life insurance global standards; as a result these points may have their own shade on the study.

1.7. Significance of the Paper

This research will be done to give an overall insight concerning the customer's awareness & challenges of life insurance in Ethiopia in the case of Ethiopian Insurance Corporation. The outcome of this study will help the organization (EIC) to identify the factors and problems that resulted in the low performance of life insurance and it also gives insight for the Management of the corporation on the potential market and ways to improve performance of life insurance.

1.8. Definitions of Key Terms

Insurance: Insurance is the equitable transfer of the risk of a loss, from one entity to another in exchange for payment.

Life insurance: Life insurance (or commonly life assurance, especially in the Commonwealth) is a contract between an insured (insurance policy holder) and an insurer or assurer, where the insurer promises to pay a designated beneficiary a sum of money (the "benefits") in exchange for a premium, upon the death of the insured person

Customer: A customer (sometimes known as a client, buyer, or purchaser) is the recipient of a good, service, product, or idea, obtained from a seller, vendor, or supplier for a monetary or other valuable consideration, in this study recipient of life insurance.

1.9. Organization of the Paper

This study paper is divided in to five chapters. The first chapter contains the general introduction of the paper which includes background of the study, statement of the problem, scope of the study and organization of the paper. The second chapter deals with the review of related literatures. The third chapter deals with research method. The fourth chapter deals with results and discussions finally the fifth chapter includes summary of results and tries to forward relevant conclusion and recommendation of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1. Assessment on the Ethiopian Insurance Industry

2.1.1. Share of Life insurance from industry Gross Written Premium

The major share of premium written in world insurance market is generated from life insurance business. However, this is not the case both in EIC's and industry's context. According to the report by NBE the gross written premium of EIC for the year 2011/12 was Birr 1.6 billion but only 9.5% was generated from life insurance business. In the same year the share of life insurance business from the total gross written premium Birr 4.0 billion only 6.7% comes from the life sector. It can be said that in 2012, EIC's life insurance performance was better than the industry.

As shown in table 4.1 the average share of life insurance for the past 14 years was only 5.2% for the industry while it was 7.7% for EIC. This shows that the share of life insurance of the corporation was above the industry's average. However, it can be shown that EIC'S life insurance share as compared to the industry is constantly declining over the years.

							In 000'Birr
	Industry			EIC			% Share EIC from the total Life insurance GWP
	Total GWP	Life insurance GWP	% Share of life Insurance	Total GWP	Life insurance GWP	% Share of life Insurance	
1999	400,225	13,054	3.3	212,925	12,338	5.8	94.5
2000	439,312	15,261	3.5	213,276	14,307	6.7	93.7
2001	474,487	19,379	4.1	228,388	17,621	7.7	90.9
2002	577,556	23,225	4	316,580	20,342	6.7	87.6
2003	581,179	25,605	4.4	289,964	22,452	7.7	87.7
2004	597,211	29,273	4.9	296,582	23,397	7.9	79.9
2005	676,316	36,088	5.3	329,689	27,283	8.3	75.6
2006	542,778	45,911	5.4	377,212	31,878	8.5	69.4
2007	1,033,211	61,698	6.0	453,959	38,240	8.4	62.0
2008	12,682,010	81,180	6.4	541,154	44,653	8.3	55.0
2009	1,479,652	100,324	6.8	637,194	53,467	8.4	53.3
2010	2,043,153	114,739	5.6	833,700	58,328	7.0	50.8
2011	2,583,011	160,596	6.2	1,061,759	76,688	7.2	47.8
2012	3,990,930	266,170	6.7	1,640,279	155,206	9.5	58.3
Average Annual	1,213,374	70,893	5.2	530,904	42,586	7.7	71.9

Source: EIC, Strategic Management Team and NBE

2.1.2. Market Participants in Ethiopian Life Insurance Business

According to EIC's strategic management team report as at June, 2012, a total of eight companies were carrying on life insurance business. At the same time EIC was leading the industry with 58.3% market share followed by Nyala and Awash with 9.4% and 8.2% market share respectively.

However, as at December, 31st, 2012 this picture has changed remarkably that EIC's share of the life insurance sector has decreased to 48% and consequently reached 38% as at 30th September, 2013. As depicted below even between 2012 and 2013, there was a dramatic deterioration of market share on EIC's side so if it continues like this the corporation will probably lose its customers as well as its current image as a leading insurance company in Ethiopia.

Table 2.2: Market Participants in the Ethiopian Life Insurance Industry					In million
Birr					
No.	Insurance Companies	Written Premium (2012)	Market Share (%)	Written Premium (2013)	Market Share (%)
1	EIC	155,206	58.3	125	45.9
2	AWASH	21,827	8.2	34	12.5
3	NILE	17,225	6.5	20	7.3
4	AFRICA	13,247	5	13.2	4.8
5	NIB	13,203	5	21	7.7
6	NYALA	25,020	9.4	26.2	9.6
7	UNITED	14,485	5.4	16.6	6.1
8	ETHIO-LIFE	5,957	2.2	1.4	0.5
	Market Total	266,170	100.0	272	100

Source: EIC, Strategic Management Team and NB

2.1.3. The growth rate of Life insurance business

According to report by the Swiss Re (2012), Ethiopia is part of a group where the growth of the insurance market is low. However according to the report, the low income group which Ethiopia is a member was registering an average 8.0% growth in life insurance but still life insurance's contribution to the country's real GDP in 2011 was around 0.1% which makes it one of the lowest even in Sub-Saharan Africa while the general insurance contributed around 0.7% during the same period.

Looking at the growth of the insurance industry in terms of gross written premium over the past ten years, the life sector gross written premium has grown on average by 28.5% while the average growth rate for the general insurance business was 22.2% over the same period. In 2012, Close study of life insurance in EIC reveals over 90 million of the gross written premium was generated from cover for travelers of Gulf states, the average growth rate in both business i.e 24.7% and 18.9% respectively was below the industry average.

The table below shows us even if the premium collected in 2012 was above every year's premium the life insurance growth was way below the industries growth besides more than half of the premium that is collected in 2012 was only from one sector that is from travelers to gulf state so with the absence of this sector the life insurance business in EIC will decrease its share even more than it is decreasing know which is what is happening in 2013.

Table 2.3: Life Insurance Growth Rate						
Years	Industry			EIC		
	Life insurance GWP	Life insurance Growth rate	General Insurance Growth rate	Life insurance GWP	Life insurance Growth rate	General Insurance Growth rate
2003	20,605	10.2	0.6	22,452	10.4	-8.4
2004	29,273	14.3	2.8	23,397	4.2	2.3
2005	36,088	23.3	13.2	27,283	16.6	11.2
2006	45,911	27.2	24.6	31,878	16.8	14.4
2007	61,698	34.4	22.6	38,240	20.0	20.3
2008	81,180	31.6	22.7	44,653	16.8	19.2
2009	100,324	23.6	16.7	53,467	19.7	17.7
2010	114,739	14.4	38.1	58,328	9.1	30.8
2011	160,596	40.0	26.4	76,688	31.5	27.4
2012	266,170	65.7	54.5	155,206	102.4	54.5
Average Growth		28.5	22.2		24.7	18.9

Source: EIC, Strategic Management Team and NB

2.2. Related Literature

Under these topic definitions given by different authors on the areas of insurance, specifically life insurance, types of life insurance and some threats for the development of life insurance are reviewed.

2.2.1. Definitions of Life Insurance

“Insurance may be defined as a system of combining much loss exposure, with the cost of the losses being shared by all the participants”. (Crane1980:8)

Article 654(2) of the commercial code of the Empire of Ethiopia (1960:140) provides a legal definition of insurance as follows:

An insurance policy is a contract whereby a person called the insurer undertakes against payment of one or more premiums to pay to a person, called the Beneficiary, a sum of money where a specified risk materializes.

The primary purpose of insurance is to provide financial compensation (to indemnify) the policy holder in the event the risk insured against materializes and a loss occurs to the policyholder, which leads to a decline in the financial position of the policyholder. Through

indemnification, the policy holder would then be restored to his/her previous financial position except in the case of life and personal accident insurance.

Insurance provides various benefits to individuals, families, organizations, and the country as a whole. Firstly, insurance companies are business organizations and they strive to remain profitable and create value to their owners. The governments will also benefit in the form of tax collection. Secondly by providing cover to other organizations against variety of risks, insurance enables the sustainability of such organizations. Probably, many organizations that have to operate under risky environment would not have been established or would not become sustainable in the absence of insurance. In the event of frequent and severe losses due to accidental misfortunes, organizations may be unable to raise the required finance from owners and /or creditors to replace the resource lost. Purchase of insurance provides organizations (policy holders) with financial compensation at all times in the event the risk insured against materializes and creates a loss.

Purchase of life or disability insurance enables the insured to protect his/her families against financial distress in the event the insured dies or sustains disability injury that leads to loss of job, which leads to loss of income. Insurance also reduce uncertainty and anxiety associated with the occurrence of misfortune.

In general, in addition to the above advantages insurance promotes financial stability it also facilitates trade and commerce. Both insurers and reinsurers have economic incentives to help insured's reduce losses and enabling risk to be managed more efficiently.

2.2.2. Types of Insurance

Insurance Company insures wide variety of uncertain aspects of our life and society that can be classified as life and general insurance.

General insurance

Considers all insurance except life insurance it is also called pure insurance due to the nature of measuring any risk in terms of money.

Life insurance

Is a contract that is made between an individual and insurance company where individual agrees to pay premium and in return, insurance company pays a certain sum of money either on the death of insurer or on the expiry of a fixed period.

Life and general insurance are broad concepts but for the fulfillment of this study life insurance is discussed in detail below.

2.2.3. Life insurance

Life assurance is by no means a modern invention. (Chris; 2011). According to Chris Marshall some 2,000 years ago, in Roman times, a form of life assurance was practiced by burial societies by paying the funeral costs of members out of monthly payments.

Life Assurance and Annuity Association was the first life insurance company that was established in England by Dr Assheton on 4 October 1699. But this company failed after 46 years, going bankrupt due to premiums being set too low.

By the twentieth century, there were a large number of life offices doing business with different types of policies like health insurance, group policies, waiver of premium benefits and critical illness cover.

We all recognize that, unlike the value of property, the value of a human being cannot be measured in terms of money. But as far as insurance is concerned, the economic value of a person is basically represented by his income. Life insurance products like whole life, endowment policies have two components: savings and protection.

Life is uncertain. A man may die relatively young, leaving his dependent without adequate financial supports. So, life insurance plays a major role to overcome this deficiency.

Life insurance is a way to protect the survivors and dependents against financial hardship. A life insurance contract or policy is a legal agreement between the insured and insurance company that guarantees payment of the face value of the policy, upon death.

“As a social and economic device life insurance is a method by which a group of people may cooperate to ameliorate the loss resulting from the premature death of members of group” (Teklegiorigis, 2004; 134)

There are four basic classes of life insurance contracts:

- a. Term policy
- b. Whole-life
- c. Endowment and
- d. Annuities

A. Term Policy - Is the simplest product it only contains one element – it pays the beneficiary in the case where the policyholder dies within a specific period of time. (Tapen Sinha;39)

Term life insurance is cover provided under an agreement to pay a death benefit (the sum assured) only if the death of the insured occurs during a specified period of time that is the term covered by the policy.

Even if term insurance is inappropriate if one wish to save money for specific need or you wish to accumulate a fund for retirement, term insurance is inappropriate, it is beneficial for a short period of time and helps in immediate need. For example, it is a good choice of parents to have coverage of young children for term life insurance until their children grow enough to make living themselves.

B. Whole life - The basic life insurance need is to provide funds for the support of dependents after one’s death. The person in modest circumstances relies heavily on whole life insurance to meet those needs,since it is the only plan that will meet them on a guaranteed basis; regardless of the date of the insured’s death. Limited payment whole life policies are generally appropriate in a situation where the insured wishes to restrict the premium payment period to the years prior to his retirement age so as to eliminate the payment of premiums from reduced income.

C. Endowment-Endowment life insurance policies are appropriate for any situation in which a fund needs to be accumulated by the end of a specified period. Such a fund could be used to purchase or supplement retirement pension,

to finance children's university education, to start a small business and a host of other purposes. In the meantime, the policy affords cover for dependents.

Thus, in endowment insurance the primary need is that of saving, insurance protection being only incidental. Before maturity, such saving can be drawn out as a loan to meet financial emergencies, or the policy used as a security for a loan from commercial bank, etc...

D. Annuities –an annuity is a periodic payment to an individual that continues for fixed period or for the duration of a designated life or lives. The fundamental purpose of a life annuity is to provide a lifetime income that cannot be outlived to an individual.

“An old age without money can be tragedy, however, an annuity insurance operations transfers funds from those who die at a relatively early age to those who live to relatively old ages” (Teklegiorgis, 2004:140)

2.2.4. Threats for development of life insurance

1. Inflation

Inflation has been identified as one of the factors that influence life insurance demand.

Most studies reveal that the relationship between inflation and the demand for life insurance is not significant. However; it can be summarized that the cost of life insurance protection would increase with anticipated inflation resulting in a decline in life insurance sales. (Liebenberg, Carson & Hoyt, 2010).

In a stable economy, insurance guarantees are often expressed in nominal amounts. Furthermore, insurance premiums are generally set at the beginning of the contract; there may be clauses for adjustments, but such clauses are still relatively rare. High inflation, which is frequent in emerging economies, makes it essential to take this problem into account, since the expression of guarantees in nominal amounts constitutes a major risk for the holders of life insurance policies.

On the other hand, there is no evidence found that the life insurance industry itself suffered an adverse impact over the periods of high inflation in China. This is because the period of high inflation was also a period of high economic growth, and in line with that, consumers were less sensitive to the negative impact of inflation as inflation did not have a detrimental effect on people's living standard (Hwang & Gao, 2003).

In case of our country Policy holders are not usually aware of the fact that they are running this risk, which can possibly give rise to mistrust and feelings of having been misinformed.

2. There is a negative relationship between inflation and life insurance demand. (Ahmad, Juliana, Mohd, 2012). **Consumers' lack of familiarity with life insurance products**

The range of life insurance products marketed in an emerging economy must necessarily take into account the fact that consumers know little about the workings of financial markets. In centralized economies in particular, it was extremely rare to purchase financial products that could shift income from one phase of a person's life to another and provide for various contingencies.

Similarly, many central and eastern European countries enjoy comprehensive social cover which guarantees universal access to healthcare, retirement benefits and survivors' pensions. Consumers are therefore unfamiliar with savings products or precautionary insurance covers.

Ironically, insurance services seem not to have been so accepted enthusiastically in developing countries. The abysmal level of insurance culture in developing economies has attracted relative interests among researchers and practitioners alike. Risk has been identified as a central fact of life in the rural areas of less-developed countries (Udry, 1994). Some of the problems associated with this have been marketing (Omar, 2002) and lack of knowledge of life insurance product (Carrin, 2002).

Life insurance products are not well known by the public in Ethiopia. This is partly due to the fact that marketing strategies are not aiming at changing the attitude of the public towards life insurance.

3. Underdeveloped Domestic Financial market

In order to do business confidently and affectively, insurance companies need to be able to invest their assets in markets that are sufficiently well developed and efficient. In most developing markets, financial markets offer limited choices of products-bonds with a variety of maturities and issuers, shares in domestic or foreign companies, etc. and auxiliary services like auditing firms and rating agencies. Generally, insurance operations cannot develop unless companies have sufficient access to wider financial markets.

The countries with well-being developed banks have higher levels of lifeinsurance consumption as well as increased consumer confidence in other financial institutions (Beck & Webb, 2003); and as more financial assets are accumulated, the people will also purchase more life insurance (Li, Moshirian, Nguyen & Wee, 2007). Due to this, financial development was introduced as financial intermediation which can be an important source of growth in the insurance and Takaful industry.

The financial market has not yet been developed in Ethiopia. Financial instruments available in the market are limited to government papers (treasury bills and bonds) and few corporate bonds. Moreover, there is no secondary market for these financial securities. Therefore, long-term savings generated from life insurance does not have sufficient access to investments in the financial market. As a result the Ethiopian life insurance operations lack this opportunity.

4. Lack of experience and insurance technique

In most emerging economies, the people start out insurance transaction with little understanding. There is little or no specialized training in the subject. As a result, insurance companies in these countries often lack experience and qualified staff, which makes their operation, continues and lose ground.

This problem might be resolved by exposing the domestic market to a wider exposure so as to facilitate transfer of experience and risk management techniques, actuarial methods, risk selection policy, new product design, etc. transfers of technical and managerial know-how are especially important in the insurance industry because insurance companies unlike industrial multi nationals, cannot merely divide their

production processes between their home country and emerging markets to take advantage of differential production cost, and wage costs in particular.

5. Lack of actuarial data

Insurance companies in emerging economies suffer from lack of reliable data base, on which to base their actuarial risk calculations and tariffs. In countries where notably statistical data on health problems were not recorded properly and in which ways of life have undergone or are undergoing sudden change, life expectancy data cannot provide a sufficient basis for computing life insurance premiums, even if the most sophisticated actuarial methods are used.

According to some researches longer life expectancy which is used to proxy the price of insurance has a positive effect on life insurance demand by resulting in a reduction in the price of insurance which leads the people to use life insurance (Outreville, 1996); the researcher suggested that the lower the price of insurance, it is expected to encourage more life insurance demand (Hwang & Greenford, 2005). Other results showed that price of insurance are negatively related to life insurance demand (Brown & Kim, 1993); whereas another study concluded that price situation does not affect life insurance demand at all (Sen & Madheswaran, 2007).

It is only by instituting a comprehensive and reliable system of data collection that this challenge can be overcome. To set up such a system is probably a matter for the legislators, but private insurance companies can help by pooling their own databases. As long as data is insufficient, substantial margins of error will have to be factored in to ensure that pricing does not cause a deficit.

Some of the resultant income should then be returned to the insured in the form of profit sharing. In Ethiopia, domestic actuarial services providers are not available. As a result, the value that could be gained or added from such service is lacking and this created a big gap in the life insurance sector.

2.3. Empirical Review

Under this section I tried to view conclusions of some articles related with life insurance both from the Ethiopian and global perspective.

Under the Ethiopian perspective Dawit Mohammed studied the reasons for the underdevelopment of life insurance in Ethiopia and reached at the following conclusions.

Regarding the global perspective different authors like RabindraKedar, Fatima Alinvi and Maira Babri reached at different conclusions as depicted below.

2.3.1. Ethiopian perspective empirical review

Birritu No. 111, National Bank of Ethiopia, Dawit Mohammed (2011), studied Enhancing Life Assurance and its Economic and social Benefits and concluded that life insurance is not well developed in Ethiopia due to lack of awareness by the public about life assurance, little attention given to it by the majority insurers, unfair competition in the market (underpricing), under developed domestic financial markets, lack of experience and insurance technique, and absence of domestic actuarial service are some reasons behind it. Ethiopia is undergoing dynamic changes in social, political and economic spheres. These changing conditions will certainly give rise to new types of insurable risks and hence the need for protection will also result in the expansion of the middle class and the private sector. This will definitely trigger the rise in demand for life insurance service. Population size, dependency rate, cultural values and norms and above all the level of income of the population as a whole are among the factors that favor market demand for life insurance.

Currently, competition in the Ethiopian insurance market is getting stronger. Private insurance companies- at least some of them are ambitious to increase their sales volume, have been granting unfair and unjustified discount to attract clients and attain their sales volume forecast. This aggressive pricing policy has led to an unhealthy spiral of premium cutting.

2.3.2. Global perspective empirical review

Sigma No. 6/2013, Swiss Re Ltd (2013), a study on life insurance: focusing on the consumer. The results of this study show that large portion of the population lack adequate insurance coverage even though many are aware of the usefulness of life insurance. The extent of un- and under insurance is large and implies unnecessary financial hardship for families facing an unexpected loss. So there is a need for collective and coordinated communication programs to educate people on the role and importance of life insurance and risk mitigation. On the other hand understanding consumers and how they make decision will enable insurers to improve their approach. Technological developments and the spread of the internet and social media affect all facets of life, including consumer preferences and buying behavior. Life insurers must also adapt their distribution strategies to the digital age, communicate more effectively and foster long-term relationships with their customers. In addition to the above, consumer research is needed to close the knowledge gap and reach those who currently do not consider buying life insurance. There is a long way to go in overcoming these challenges but the political rewards for society and life insurers from doing so are tremendous.

Rabindra KedarNepal (2012) studied insurance market in Nepal and came up with the following conclusion, Poor educational background; high poverty level and political instability are the key factors that have played a significant role in denying more participation in Insurance sectors. On the other hand Due to rapid advancement in information sectors, people's awareness towards insurance has been a key factor in this positive change. In the present context, people are being more knowledgeable about the importance and the benefits that insurance provides in their personal and professional life. These days insurance are not only the means of saving the money but it has been more like securing the future from uncertainty. These encouraging developments in insurance sector have opened a door for fierce competition in insurance industry.

Fatima Alinvi & MairaBabri (2007) on their study of Customers' Preferences of Insurance Services; Came up with the conclusion that insurance companies could benefit from providing services adjusted to the needs of people in different life situations e.g. students, parents, home-owners etc. providing information to a specific age group between 18 and 27, about insurances in combination with semester starts could be beneficial as many young

people move out of their parents' houses. Furthermore, a customer-orientation with focus on each customer as an individual is essential. This individual focus would allow insurance companies to build trust-based, long-term relationships with potential as well as existing customers and enhance their ability of providing individually adjusted services. Since insurance companies fight for the same customers, establishing an informative, honest, and open relationship with potential customers would allow a seed of trust to be planted with them. In the long run, trust and integrity along with good prices would allow better chances to keep loyal customers than acquiring them through hasty measures because insurance-takers are likely to switch services and even companies if they receive better offers. In order to achieve a customer-orientation with the possibility of building trust-based relationships with customers, the entire company needs to have a certain mindset. The company culture needs to be customer-oriented and this culture should be evident in all customer contact at all levels in the organization. Hence, it's suggested that making regular market studies would enhance this process.

The insurance industry in India has witnessed paradigm shift in a relatively short span of time since liberalization (1999). Since liberalization there has been surge in premiums, players and outreach in Indian insurance industry. Post liberalization and favorable regulatory environment put in force by the regulator (IRDA), has given fillip to insurance penetration and insurance density. The insurance industry, like many other industries, has also become competitive with insurers offering multiple products and with continued product differentiations. Combinations of these factors, along with strong economic growth during last decade or so, have positioned India as a regional insurance hub, and now aspire to become an international financial center.

In Post liberalization scenario insurance industry has changed significantly because of several factors. Channel innovation has ensured that insurers are able to reach to a wider customer base and technology innovations have enabled the industry to leapfrog over developed markets. The liberalization has also been extended to pricing by way of de-tarification and in future may further be extended to product terms and structure. New business segments such as micro and health insurance have also grown very fast. However, given the global economic scenario and its fallout on the Indian economy, the Indian

insurance industry has also witnessed the negative impact of the economic meltdown during the last one and a half year. A slowdown in premium growth rates was seen in the year 2009, which is expected to continue during the coming one or two years (Ernst & Young, 2010). The recent change in the market environment has forced players to revisit their expansion plans as well as their overall business strategy. Several players are seeking to undertake cost efficiency measures, process re-engineering, and are reviewing their organizational structure etc.

It is very surprising that increasing public reach, inflating premiums, product innovations has been accompanied by increasing underwriting losses, which remains the big issue even today. Against this backdrop, the study was aimed at evaluating the impact of liberalization on financial performance of insurance industry and how insurers are responding to these changes which is of utmost importance. In present study an attempt has been made in previous chapters to analyze the financial performance of public insurance and private insurance companies together with comparative financial performance of public and private insurers. The present study has particularly been undertaken to gain insight into the impact of liberalization on various aspects under study insurance companies.

2.4. Conceptual framework

The conceptual framework indicates the crucial process, which is useful to show the direction of the study. Therefore the aim of this research is to find out factors that contribute to the declining rate of life insurance in Ethiopia as well as the share of EIC from the industry compared to the general insurance by looking at some contributing factors (Inflation, Consumers' lack of familiarity with life insurance products, Underdeveloped Domestic Financial market, Lack of experience and insurance technique and Lack of actuarial data)

Customer satisfaction regarding the service quality in the insurance industry is very crucial issue to look into because the industry regulators need to be empirically informed regarding how consumers generally feel about the service quality of the insurance companies in the insurance industry. A few empirical evidences exist on consumer satisfaction for specific companies in the insurance industry. In this regard it is not only feasible to look for satisfaction it should be grass root assessment of on the customer awareness for insurance.

Inflation can touch nearly every aspect of life company operations which includes the Assets, Liabilities and Operating costs. Inflation often, but not always equates with interest rate increases. The timing and magnitude of the near-term relationship between inflation and rates will matter tremendously. Inflation in other markets especially equity markets could help de-values expensive equity market guarantees sold in the pre-crisis era. Life insurers will have to take a broad look at their ALM strategies to manage through the uncertainty. Just as the crisis has renewed demand for equity market guarantees at higher prices, an inflationary period should ignite demand for new products to protect against inflation risk.

The retention of more business underwritten depicts increasing risk bearing capability of insurers, which is a healthy sign in insurance business. However, the growing reinsurance ratio also indicates the growing capability to handle risks efficiently.

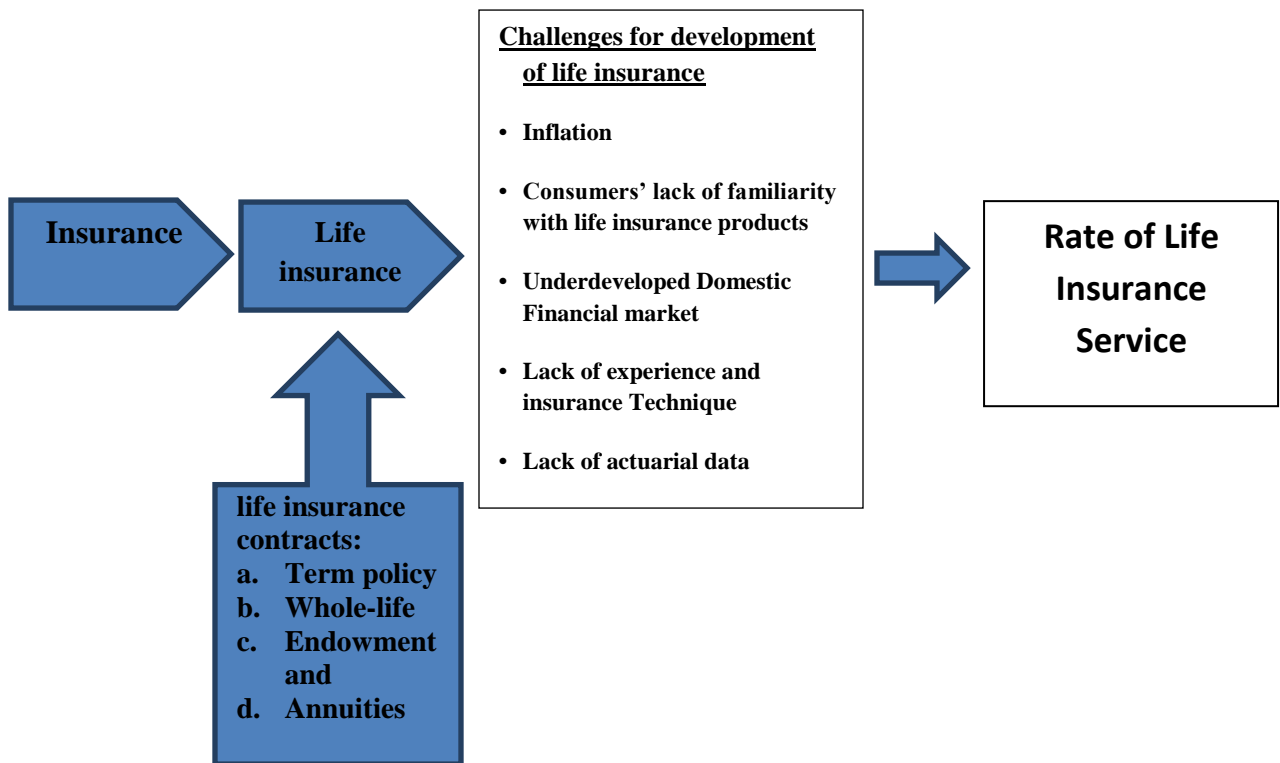


Figure 1: Conceptual frame work

Source: Designed by the researcher

CHAPTER THREE

RESEARCH METHODS

3.1. Research Design

As this study is assessing factors that contribute to the declining rate of life insurance in Ethiopian Insurance Corporation, descriptive research design was used as a main research method because it is a method that describes the study systematically, factually and accurately utilizing facts.

In the course of analyzing the problems both primary and secondary data collection procedures were employed.

3.2. Data Type and Source

In order to gather the data from relevant sources, both primary and secondary data collection instruments were used.

- **Primary data:** primary data is a data originated by the researcher for the specific purpose of addressing the research problem. It is what the researcher originally collects from the sample population. In this study the primary data will be gathered from both the management bodies of the corporation, agents & brokers which are currently working with the corporation by using self designed questionnaire.
- **Secondary data:** The secondary sources of data were collected from review of journals, articles, both published and unpublished earlier research works by the corporation & the national bank of Ethiopia and from the annual reports of the corporation.

3.3. Population of the study

A legitimate insurance agency must be licensed by a state board before legally selling life insurance to customers; this process demands the collaboration of different actors in the life insurance sector. Hence, as part of this study, the total population includes management bodies, agents and brokers of an insurance that they specifically deal in life insurance.

3.4. Unit of analysis

The data collected from the sampled respondents such as Management bodies of EIC and Agents and Brokers of life insurance working in EIC was unit analysis. In addition results of secondary data were part the unit analysis.

3.5. Sample and Sampling Technique

The target population of this study are Management bodies of EIC and Agents and Brokers of life insurance working in EIC and the size of the study population is 357 (Three hundred fifty seven) Agents, 46 (forty six) Brokers and 21 (Twenty one) management stuffs totally 424 (four hundred twenty four). To make the study manageable and because of cost and time constraint appropriate sampling methods were employed. First out of the 13 branches that are found in Ethiopia 5 branches that are located in Addis Ababa were selected (which are Life Addis District, Mexico branch, Merkato branch, Bole branch and Megenagna branch). Then out of the Four hundred twenty four (424) total population size one hundred forty five (145) was selected with the proportion of (all twenty one of the management bodies, all brokers and seventy eight agents) as sample size for the study using the sample size determination table developed by Yamaen, (1967) with precision level of $\pm 7\%$.

3.6. Procedure of Data Collection

The procedures followed when collecting data in this study was started by asking the willingness of the Ethiopian Insurance Corporation to conduct the research on their company with a supportive letter from Saint Marry University. Then after getting the permission from the corporation, first pilot test on the questionnaire was conducted on 15 participants to check if there are missed points that have to be included and if the design of the questionnaire is comfortable to respondents. Then the primary data which is relevant to the study was collected from the sample through questionnaire. Participants were informed that their participation is on a voluntary basis and all information provided would be kept private and confidential. The questionnaires were distributed to those who agree to participate in the study and also the researcher briefly explain to respondents if there are unclear points when

they fill up the questionnaires. And also side by side relevant secondary data were collected from different documents, different web-sites, other research works and journals.

3.7. Methods of Data Processing and Analysis

In this study after collecting the relevant data were analyzed and interpreted using both qualitative and quantitative techniques which includes descriptive statistics, and percentage method using tables. Spreadsheet and SPSS software version 16.0 were employed to analyze the data. Then, after analyzing the data and properly interpreting those findings were summarized and based on the findings the appropriate conclusion was drawn and the possible recommendations will be forwarded.

3.8. Ethical Consideration

This study is an organizational work and all sources of materials used for the thesis have been dually acknowledged. This study is done based on the respondent's response only and because of this questionnaire requests specific information the researcher used it only for the purpose of the study will not be passed on to third party or attributed directly in any public way. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institutions for the purpose of earning any degree.

CHAPTER FOUR

RESULTS AND DISCUSSION

This chapter consists of the presentation, analysis and the interpretation of data gathered through secondary data, i.e., written documents & primary data, i.e., self-administered questionnaire distributed to management bodies, Agents and Brokers of EIC. Under this section, demographic characteristics of respondents, the frequency and mean score of respondents and in general data's which were collected from the management bodies, Agents and Brokers of EIC were presented and analyzed.

In this study 145 questionnaires were distributed to the respondents and only 115 questionnaires were returned. That means the response rate was 79.31%. The remaining 20.69% of the respondents failed to return the questionnaires.

4.1. Respondents' Characteristics

In order to ensure the accuracy of the response the respondents profile was assessed as follows. The profile covers the gender, age and education level of respondents.

Table 4.1: Gender and Age of Respondents

Personal data	Number of respondents	Percentage
Gender		
Male	80	69.56
Female	35	30.44
Age		
18-30	22	19.13
31-45	50	43.48
46-60	30	26.09
Over 60	13	11.30

Source own survey, 2014

The respondents' gender as displayed in table 4.1 above indicates that there were more males as compared to females. Male respondents represented 69.56%, on the other hand 30.44% were females. As far as age of respondents and table 1 above indicates 19.13% of the

respondents were in the range of 18-30 years, 43.48% of the respondents were in the range of 31-45 years, 26.09% were in the range of 46-60 years and 11.30% of the respondents were above 60 years.

Table 4.2: Education level of Respondents

Education level	Frequency	Percentage
High school	0	0
Certificate	0	0
Diploma	21	18.26
First degree	76	66.09
Second degree and above	18	15.65
Total	115	100

Source own survey, 2014

With regard to educational level of respondents table 4.2 above shows that, none of the respondents were High school and Certificate holders, Diploma holders represented 18.26%, First degree holders represented 66.09% which takes the largest share and finally Second degree and above holders represented 15.65% of the respondents.

4.2. Managements response on contributing factors to low premium share of life insurance

In the next section the researcher presents the mean of all questions distributed to the management bodies and frequency of some factors that contributed to the low premium share of life insurance when compared to the non life insurance in Ethiopian Insurance Corporation.

Table 4.3: Mean score of Management respondent

Que 1 – 10										
N	Valid	23	23	23	23	23	23	23	23	23

Missing	0	0	0	0	0	0	0	0	0	0
Mean	1.9565	2.4348	3.0435	3.5217	1.7826	3.0435	3.913	4.3478	3.6522	1.3478
Que 11 – 20										
N Valid	23	23	23	23	23	23	23	23	22	23
Missing	0	0	0	0	0	0	0	0	1	0
Mean	3.2609	4	3.4783	3.6522	3.7391	4.2609	4.5217	1.565	3.091	2.826
Que 21 – 28										
N Valid	23	23	23	23	23	23	23	23		
Missing	0	0	0	0	0	0	0	0		
Mean	2.565	3.609	3.913	3.783	3.957	4.13	3.957	3		

Source own survey, 2014

Table 4.4: Frequency score of Management’s response on public awareness

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid SD	4	17.4	17.4	17.4
D	16	69.6	69.6	87.0
SHA	3	13.0	13.0	100.0
Total	23	100.0	100.0	

Source own survey, 2014

As shown in the above table 4.4, out of the total 23 respondents 17.4 % of them responded strongly disagree, 69.6% disagreed, while 13% responded somehow agreed and none of them respondents responded agree and strongly agreed. And as shown in table 4.3 above the mean score (**1.9565**) is also lower than the median value of 3.00 which shows that the public is not aware of the concept of life insurance at all which leaves EIC with a lot of work to do.

Table 4.5: Frequency score of Management on clarity of policy wordings, terms and conditions

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid SD	3	13.0	13.0	13.0
D	11	47.8	47.8	60.9
SHA	5	21.7	21.7	82.6
A	4	17.4	17.4	100.0
Total	23	100.0	100.0	

Source own survey, 2014

As indicated in the above table, out the total 23 respondents, 13% of the respondents strongly disagree, 47.8% of them agree, 21.7% were somehow agree and 17.4% agree and none of them responds strongly agree about the clarity & understandability of policy wordings, terms

and conditions of a product on the market and also the mean score (**2.4348**) which shows the policies of the products that are currently on market are not clear and easily understandable.

Table 4.6: Frequency score of Management’s response on limitedness of product in EIC

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SD	3	13.0	13.0	13.0
	D	5	21.7	21.7	34.8
	SHA	5	21.7	21.7	56.5
	A	8	34.8	34.8	91.3
	SA	2	8.7	8.7	100.0
	Total	23	100.0	100.0	

Source own survey, 2014

As indicated on table 4.6, 13% of the respondents responds strongly disagree, 21.7% of them disagree, 21.7% responded somehow agree, 34.8% agree and 8.7% of them responded strongly agree. In addition, the mean score (**3.0435**) which shows that the existence of limited types of product contributed to the low performance of life insurance in the organization.

Table 4.7: Frequency score of Management on contribution of life insurance to the GDP

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	D	2	8.7	8.7	8.7
	SHA	5	21.7	21.7	30.4
	A	9	39.1	39.1	69.6
	SA	7	30.4	30.4	100.0
	Total	23	100.0	100.0	

Source own survey, 2014

Table 4.7 shows, out of the total respondents 8.7% of them responded disagree, 21.7% of them responds somehow agree, 39.1% were agreed, 30.4% responded strongly agree and non of the respondents strongly disagree with mean score of (**3.9130**) which is higher than the median value, Showing that the management of EIC agreed that the profit which is generated from life insurance would contribute to the GDP growth if it was invested.

Table 4.8: Frequency score of Management’s response on combination of life insurance buyers

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid D	3	13.0	13.0	13.0
SHA	5	21.7	21.7	34.8
A	10	43.5	43.5	78.3
SA	5	21.7	21.7	100.0
Total	23	100.0	100.0	

Source own survey, 2014

For the question under table 4.8, it shows that 13% of the respondents disagreed, 21.7% of them responds somehow agree, 43.5% of them agree, 21.7%strongly agree and none of the respondents strongly disagree. And the mean value is **(3.7391)**, which shows that major clients of EIC life insurance are NGO’s and rich people.

Table 4.9: Frequency of Management’s response on number of life insurance customers in comparison with property insurance

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid A	11	47.8	47.8	47.8
SA	12	52.2	52.2	100.0
Total	23	100.0	100.0	

Source own survey, 2014

As shown above out of 23 respondents 11 of the respondents that is 47.8% of them agreed to the fact that the number of life insurance customers is very small compared to the property insurance and the rest 12 respondents (52.2%) strongly agreed to the above point so unlike other countries even developing countries the performance of life insurance unlike non life insurance is low and need to work hard in this area of the life insurance sector.

Table 4.10: Frequency score of Management’s response on promotion of life insurance

	Frequency	Percent	Valid Percent	Cumulative Percent
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Valid	SD	10	43.5	43.5	43.5
	D	13	56.5	56.5	100.0
	Total	23	100.0	100.0	

Source own survey, 2014

In relation to promotion and public awareness, as shown above in the table 43.5% of the respondents strongly disagree and 56.5% disagree and non of the respondents strongly agree and agree and somehow agree that promotion and public awareness has been done in EIC regarding life insurance. Actually the mean value was **(1.5652)** which was way below the median means that the marketing part of life insurance has not been touch yet.

Table 4.11: Frequency score of Management’s response on rate revision and its contribution to the increment of customers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SHA	11	47.8	47.8	47.8
	A	10	43.5	43.5	91.3
	SA	2	8.7	8.7	100.0
	Total	23	100.0	100.0	

Source own survey, 2014

The rate given by management towards rate revision, shows 47.8% of them responds somehow agree, 43.5% of them agree, 8.7%strongly agree, none of the respondents responded disagree and strongly disagree. In addition, the mean score of respondents’ response is **(3.6087)** showing that if the rates have been revised it would increase the number of customers as well. Many of the respondents agreed that there exists a positive relationship between the rate revision and increment of number of customers.

Table 4.12: Frequency score of Management’s response to attractiveness of sales of life insurance

	Frequency	Percent	Valid Percent	Cumulative Percent
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Valid	D	1	4.3	4.3	4.3
	SHA	5	21.7	21.7	26.1
	A	12	52.2	52.2	78.3
	SA	5	21.7	21.7	100.0
	Total	23	100.0	100.0	

Source own survey, 2014

Relating to the actual performance of the insurance 21.7% of them responds strongly agree, 52.2% of them agree, 21.7% of them somehow agree, 4.3% disagree and none of the respondents respond strongly disagree to the idea that the current sales of life insurance are not attractive. And the mean score is **(3.9130)**. The above analysis of data regarding the current sales implies the current performance of the organization regarding its sales performance is not attractive as expected.

The above 9 tables clearly shows us some of the factors that contributed to the low premium share of life insurance when compared to the non-life insurance in EIC.

4.3. Managements response on factors that contribute to the decreasing share of EIC’s life insurance

Table 4.13: Frequency score of Management’s on competitiveness of other insurance companies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SD	3	13.0	13.0	13.0
	D	3	13.0	13.0	26.1
	SHA	9	39.1	39.1	65.2
	A	6	26.1	26.1	91.3
	SA	2	8.7	8.7	100.0
	Total	23	100.0	100.0	

Source own survey, 2014

According to the above table, 13% of them responded strongly disagree, 13% of them disagree, 39.1% said somehow agree, 26.1% of them responded agree and the rest 8.7% respondents respond strongly agree and the mean score of the respondents’ response was

(3.0435) which is a little bit above the median. The results show that the growing competitiveness of other insurance company's contributed to the declining share of EIC.

Table 4.14: Frequency score of Management on design of new products

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid SD	1	4.3	4.3	4.3
D	3	13.0	13.0	17.4
SHA	6	26.1	26.1	43.5
A	9	39.1	39.1	82.6
SA	4	17.4	17.4	100.0
Total	23	100.0	100.0	

Source own survey, 2014

As illustrated on table 4.14, 4.3% of the respondents responded strongly disagree, 13% of them responds disagree, 26.1% somehow agree, 39.1% of them responds agree and the rest 17.4% respondents respond strongly agree and the mean score is (3.5217) about the respondents expectation that share of EIC will eventually grow if new, simple and understandable products were designed. The result shows somehow In order for EIC to increase its market share the management body of EIC believe that it should introduce new products.

Table 4.15: Frequency score of Management's response on travelers to Gulf state

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid SD	9	39.1	39.1	39.1
D	10	43.5	43.5	82.6
SHA	4	17.4	17.4	100.0
Total	23	100.0	100.0	

Source own survey, 2014

As shown in the above table, out of the total 23 respondents 39.1% of them responds strongly disagree, 43.5% of them disagreed, 17.4% responded somehow agreed and none of them respond agree and strongly agreed the mean score (1.7826) is lower than the median value (3.00). The above analysis implies that the premium that is collected from travelers to the Gulf state strongly affected the share of EIC especially in 2012.

Table 4.16: Frequency score of Management on employee’s awareness of the product they are selling.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	D	5	21.7	22.7	22.7
	SHA	10	43.5	45.5	68.2
	A	7	30.4	31.8	100.0
	Total	22	95.7	100.0	
Missing	System	1	4.3		
Total		23	100.0		

Source own survey, 2014

The above analysis shows even though one respondent fail to respond the question, the response of the rest management body’s regarding employees awareness of the products that they are selling, 21.7% have disagreed, 43.5% have somehow agreed and the rest 30.4% have agreed with the statement. This implies that employees somehow are aware of the products even though they need intense training since still they are near to the median value which shows **(3.0909)**.

Table 4.17: Frequency score of Management on life insurance training

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SD	1	4.3	4.3	4.3
	D	8	34.8	34.8	39.1
	SHA	14	60.9	60.9	100.0
	Total	23	100.0	100.0	

Source own survey, 2014

4.3% strongly disagree, 34.8% disagree, 60.9% somehow agree and none of the respondents respond agree and strongly agree with mean score value of **(2.5652)** which is below the median this indicates that effort has not been made to develop the employees and brokers/agents.

Table 4.18: Frequency score of Management on customization of product

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SHA	8	34.8	34.8	34.8

A	12	52.2	52.2	87.0
SA	3	13.0	13.0	100.0
Total	23	100.0	100.0	

Source own survey, 2014

As shown in table 4.18 the management bodies of EIC 34.8% responded somehow agrees, 52.2% agreed and 13% strongly agreed that lack of customized product contribute to the low share of life insurance when compared to general insurance with the mean score value of **(3.7826)**.

Table 4.19: Frequency score of Management’s response on contribution of adding features to the existing product

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid SD	1	4.3	4.3	4.3
SHA	3	13.0	13.0	17.4
A	14	60.9	60.9	78.3
SA	5	21.7	21.7	100.0
Total	23	100.0	100.0	

Source own survey, 2014

According to the above table 4.19, out of the total 23 respondents: 21.7% strongly agree, 60.9% agree, 13% somehow agree, 4.3% of respondents strongly disagree and none of the respondents disagree with the mean score value of **(3.9565)** agreeing with the idea of adding features to the existing products will boost the sales of the organization.

Table 4.20: Frequency score of Management’s response on drawing marketing strategy

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid SHA	5	21.7	21.7	21.7
A	10	43.5	43.5	65.2
SA	8	34.8	34.8	100.0
Total	23	100.0	100.0	

Source own survey, 2014

The above results indicates that 34.8% strongly agree and 43.5% agree, 21.7% respond somehow agree and none of the respondents respond strongly disagree and disagree. The mean score value is **(4.1304)** which is above the median which is **3** this indicates that it

would be more advisable to draw more articulated marketing strategy in order to enhance the company's performance.

Table 4.21: Frequency score of Management on contribution of ICT to development of the sector

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid D	2	8.7	8.7	8.7
SHA	5	21.7	21.7	30.4
A	8	34.8	34.8	65.2
SA	8	34.8	34.8	100.0
Total	23	100.0	100.0	

Source own survey, 2014

The above table indicates that if the recently developed ICT contribute to the development of life insurance in EIC, among the 23 management respondents 8.7% of them disagreed that the currently implemented ICT contribute to the development of life insurance while 21% of them somehow agreed 34.8% of them responded agree and the rest 34.8% strongly agreed. The mean score value is **(3.9565)** showing that the organization should use easy and updated ICT in order to develop the sector.

Table 4.22: Frequency score of Management's response on filing system of the corporation

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid SD	2	8.7	8.7	8.7
D	5	21.7	21.7	30.4
SHA	8	34.8	34.8	65.2
A	7	30.4	30.4	95.7
SA	1	4.3	4.3	100.0
Total	23	100.0	100.0	

Source own survey, 2014

As shown in the above table 8.7% of the respondents strongly disagree, 21.7% disagree, 34.8% somehow agree, 30.4% respond agree and the rest 4.3% replied strongly agree with the mean score value of **(3.0000)** which is equal to the median and this implies that poor filing system exists in the organization so special attention should be giving to it because

poor filing system in an organization leads to customer complaints and dissatisfaction and finally loss of customers in general.

In the above 10 points I tried to articulate some points that lead EIC to loose of its life insurance market share from the industry in general.

4.4. Managements response on challenges that EIC faces in providing life insurance

Table 4.23: Frequency score of Management’s response on revision of the rate chart, terms and conditions.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid SHA	5	21.7	21.7	21.7
A	5	21.7	21.7	43.5
SA	13	56.5	56.5	100.0
Total	23	100.0	100.0	

Source own survey, 2014

As depicted on table 4.23, regarding the revision of the rate chart, 21.7% of them responds somehow agree another 21.7% of them agree, 56.5%strongly agreed and none of them disagreed and strongly disagreed and the mean score is **(4.3478)**. From the above discussion we can understand that the rate chart, the terms and conditions are not revised for long time and need to be revised in order to cope up with the dynamic environment.

Table 4.24: Frequency score of Management’s response on Endowment policies in relation to inflation

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid D	3	13.0	13.0	13.0
SHA	8	34.8	34.8	47.8
A	6	26.1	26.1	73.9
SA	6	26.1	26.1	100.0
Total	23	100.0	100.0	

Source own survey, 2014

As shown in the above table 4.24, out of the total 23 respondents,13% of them responds disagree,34% of them respond somehow agree, 26.1% agree, 26.1% strongly agree and none of them responds strongly disagree about endowment polices are loss to customers. In

addition, the mean score (**3.6522**) which is higher than the median value shows that majority of the respondents believe that some polices are loss to customers due to inflation.

Table 4.25: Frequency score of Management’s response on revision of products in relation to inflation

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid SD	16	69.6	69.6	69.6
D	6	26.1	26.1	95.7
SHA	1	4.3	4.3	100.0
Total	23	100.0	100.0	

Source own survey, 2014

As depicted on the above table, 69.6% of the respondents responds strongly disagree, 26.1% of them responds disagree, 4.3% respond somehow agree and none of them respond agree & strongly agree to the idea that products are revised to accommodate inflation with mean score higher than the median value so the products need to be revised in order to accommodate inflation

Table 4.26: Frequency score of Management’s response on price of a product

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid D	4	17.4	17.4	17.4
SHA	11	47.8	47.8	65.2
A	6	26.1	26.1	91.3
SA	2	8.7	8.7	100.0
Total	23	100.0	100.0	

Source own survey, 2014

According to the above table, 17% of the respondents respond disagree, 47.8% of them responds somehow agree, 26.1% agree, 8.7% strongly agree and none of them responds strongly disagree. Adding up to the above data the mean score (**3.2609**) of respondents response is higher than the median value which implies the rate which EIC uses is a bit expensive.

Table 4.27: Frequency score of Management response on those who can afford the product

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SHA	4	17.4	17.4	17.4
	A	15	65.2	65.2	82.6
	SA	4	17.4	17.4	100.0
	Total	23	100.0	100.0	

Source own survey, 2014

As shown in the above table, out of the total 23 respondents regarding the affordability of life insurance, 17.4% of them responds somehow agree, 65.2% of them agree and 17.4% strongly agree to the fact that the low income earners cannot afford the product. And the mean score is (4.00) which is higher than the median means that the price of life insurance does not take in to account the low income earners in EIC.

Table 4.28: Frequency score of Management whether the price charged recognizes the economic status of the society

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	D	4	17.4	17.4	17.4
	SHA	7	30.4	30.4	47.8
	A	9	39.1	39.1	87.0
	SA	3	13.0	13.0	100.0
	Total	23	100.0	100.0	

Source own survey, 2014

The above results indicates that 39.1% agree and 13% of the respondents strongly agree to the fact that the products that are currently available in EIC does not recognize the needs and economic status of the society while 30% somehow agreed to this fact the rest 17.4% disagreed to the fact that both the product and the price does not consider the economic status of the people.

Table 4.29: Frequency score of Management on limitedness of affordable product

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	D	4	17.4	17.4	17.4
	SHA	4	17.4	17.4	34.8
	A	11	47.8	47.8	82.6
	SA	4	17.4	17.4	100.0
	Total	23	100.0	100.0	

Source own survey, 2014

As shown above regarding the affordability of the products, since the mean was above the median it can be said that affordable products are limited in EIC so need to introduce new products or adjust the price of the products that are currently in market.

Table 4.30: Frequency score of Management’s response regarding the effect of introducing new and affordable products

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SHA	3	13.0	13.0	13.0
	A	11	47.8	47.8	60.9
	SA	9	39.1	39.1	100.0
	Total	23	100.0	100.0	

Source own survey, 2014

As depicted in the above table, it shows that the mean value is **(4.2609)** which is way above the median value so in order to maximize the number of customers and sales the corporation should concentrate on introducing new and affordable products.

Table 4.31: Frequency score of Management on performance of employees

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SD	4	17.4	17.4	17.4
	D	4	17.4	17.4	34.8
	SHA	8	34.8	34.8	69.6
	A	6	26.1	26.1	95.7
	SA	1	4.3	4.3	100.0
	Total	23	100.0	100.0	

Source own survey, 2014

As shown under table above out of the total respondents 17.4% of them responded strongly disagree and disagree while 34.8% somehow agree, 26.1% agreed and 4.3% of respondents strongly agree that the low performance of employees contributed to the small number of life insurance customers in EIC with mean score (4.57). The mean value shows that it is above the median so in order for EIC to increase its number of customers it needs to pay huge attention to the performance of its employees.

Open Ended Questions Distributed to Management Bodies

➤ Main challenges in selling life insurance products in EIC

- Religious factors
- low level of awareness
- Due to the price of the products most people are not able to afford to buy life insurance
- Socio Cultural factor
- Conceptual problems
- Internal problem of EIC
- Lack of customized products
- Considering it as a luxury item
- Lack of promotion
- Limited product offering & rates are not revised
- Life insurance is not priority

➤ Reasons behind the decreasing market share and low performance of EIC life insurance

- Products are not developed unlike other insurance companies
- Poor marketing strategy (Unable to publicize and promote its products)
- Absence of well trained employees
- Lack of updated ICT
- Loss of premium that is collected from travelers to the gulf state
- Poor service delivery
- Unfair Price cutting of other insurance companies

- Due attention is given to the non life insurance by the corporation
- The prevalence of Increasing number of competitors in the industry
- Lack of effective leadership
- Lack of modern and acceptable product mix
- Loss of customers due to poor service & and fail to bring new customers due to poor marketing strategy
- Current selling system is not attractive in EIC
- Lack of flexibility, always depends on rules and regulations rather than customers interest.
- Inability to keep skilled employees which leads to loss of customers
- Unethical sales practices by brokers and sales agents

4.5. Agent/Brokers response on Factors that contribute to the low premium share of life insurance

On the next section the researcher will present the mean of all questions distributed to the Agents and Brokers as shown on table 4.32 and frequency of seven factors that contributed to the low premium share of life insurance on the Agents/ Brokers side.

Table 4.32: Mean score of Agents/ Brokers

	Que1	Que2	Que3	Que4	Que5	Que6	Que7	Que8	Que9	Que10	Que11	Que12	Que13	Que14	Que15	Que16	Que17	Que18
N Valid	92	92	92	92	83	92	92	92	92	92	92	92	92	92	92	92	92	92
Missing	0	0	0	0	9	0	0	0	0	0	0	0	0	0	0	0	0	0
Mean	1.8913	4.0652	3.8804	4.0109	3.4096	3.6522	3.5000	3.5978	3.7391	3.0326	4.8696	1.1848	2.8587	1.2065	3.4565	3.9565	3.0761	3.5

Source own survey, 2014

Table 4.33: Frequency distribution of Agents/brokers on factors that contribute to the law premium share of life insurance from the gross written premium

Agent / Brokers response to public awareness					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SD	32	34.8	34.8	34.8
	D	41	44.6	44.6	79.3
	SHA	16	17.4	17.4	96.7
	A	3	3.3	3.3	100.0
Agent / Brokers response to clarity of policy wordings , terms and conditions of a product					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	D	1	1.1	1.1	1.1
	SHA	22	23.9	23.9	25.0
	A	39	42.4	42.4	67.4
	SA	30	32.6	32.6	100.0
	Total	92	100.0	100.0	
Agent / Brokers response on combination of life insurance buyers					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	D	9	9.8	9.8	9.8
	SHA	21	22.8	22.8	32.6
	A	47	51.1	51.1	83.7
	SA	15	16.3	16.3	100.0
	Total	92	100.0	100.0	

Agent / Brokers response to number of life insurance customers in comparison with property insurance					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SHA	2	2.2	2.2	2.2
	A	8	8.7	8.7	10.9
	SA	82	89.1	89.1	100.0
	Total	92	100.0	100.0	
Agent / Brokers response to promotion of life insurance					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SD	78	84.8	84.8	84.8
	D	11	12.0	12.0	96.7
	SHA	3	3.3	3.3	100.0
	Total	92	100.0	100.0	
Agent / Brokers response on rate revision and its contribution to increment of number of customers					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	D	9	9.8	9.8	9.8
	SHA	44	47.8	47.8	57.6
	A	27	29.3	29.3	87.0
	SA	12	13.0	13.0	100.0
	Total	92	100.0	100.0	
Agent / Brokers response to the sales attractiveness of life insurance					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	D	7	7.6	7.6	7.6
	SHA	10	10.9	10.9	18.5
	A	55	59.8	59.8	78.3
	SA	20	21.7	21.7	100.0
	Total	92	100.0	100.0	

Source own survey, 2014

As shown in the above table 4.33, 92 respondents forwarded their ideas regarding some factors that contributed to the low premium share of life insurance in comparison to the non life insurance.

34.8% of them responds strongly disagree, 44.6% of them disagree, 17.4% responded somehow agree, 3.3% of them responds agree and none of the respondents respond strongly agree with the mean score value of **1.8913** which implies that the public is not aware with the concept of life insurance so EIC as a state office, need to work on creating awareness regarding its advantages and its contribution to the country in general.

On the other hand only 1.1% of the respondents disagreed that the policy wordings, terms and conditions of a product on the market are not clear and understandable, while 42.4% and 32.6% agreed and strongly agree respectively the rest of the respondents which is 23.9% responded somehow agree leaving us to the point that many of them believed that the policy wordings, terms and conditions of a product on the market are not clear and understandable.

Regarding composition of life insurance customers only 9.8% disagreed, 22.8% of the respondents somehow agreed, 51.1% have agreed and 16.3% have strongly agreed that NGO's and rich people are major buyers of life insurance in EIC with the mean of **3.7391**.

Only 2.2% of the respondents replied somehow agreed the rest of the respondents replied agreed and strongly agreed with respective percentage of 8.7% and 89.1%. The mean score shows **4.8696** showing that the number of customers share being minimal compared to non-life insurance.

Only 3.3% of the respondents replied somehow agreed the rest of the respondents, 12% have disagreed and 84% have strongly disagreed showing mean score of **1.1848**. This implies that promotion and public awareness have not been done yet in EIC.

9.8% have disagreed, 47.8% replied somehow agreed, 29.3% have agreed, 13% strongly agreed and none of the respondents strongly disagreed on the statement that rate revision will somehow increase number of customers.

The current sales of life insurance are not very attractive compared to the property insurance, only 7.6% of the respondents disagreed while the rest 10.9%, 59.8% and 21.7% replied somehow agreed, agreed and strongly agreed respectively.

4.6. Agents/Brokers response on factors that contribute to the decreasing of EIC’s life insurance share

Table 4.34: Frequency distribution of Agents/brokers response to factors that contributed for the decreasing share of EIC’s life insurance from the industry

Agent / Brokers response to the product offerings					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	D	4	4.3	4.3	4.3
	SHA	23	25.0	25.0	29.3
	A	45	48.9	48.9	78.3
	SA	20	21.7	21.7	100.0
	Total	92	100.0	100.0	
Agent / Brokers response to employee’s awareness of the product they are selling					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SD	3	3.3	3.3	3.3
	D	22	23.9	23.9	27.2
	SHA	52	56.5	56.5	83.7
	A	15	16.3	16.3	100.0
	Total	92	100.0	100.0	
Agent / Brokers response regarding life insurance training to Agents/Brokers					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SD	76	82.6	82.6	82.6
	D	13	14.1	14.1	96.7
	SHA	3	3.3	3.3	100.0
	Total	92	100.0	100.0	

Agent / Brokers response on customization of product					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	D	12	13.0	13.0	13.0
	SHA	61	66.3	66.3	79.3
	A	19	20.7	20.7	100.0
	Total	92	100.0	100.0	
Agent / Brokers response on contribution of adding features to the existing product					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SD	3	3.3	3.3	3.3
	D	7	7.6	7.6	10.9
	SHA	31	33.7	33.7	44.6
	A	43	46.7	46.7	91.3
	SA	8	8.7	8.7	100.0
	Total	92	100.0	100.0	

Source own survey, 2014

Majority of the respondents have agreed to the limited product offering that EIC offers to its customers amounting to 48.9%, whereas 21.7% of them have strongly agreed, 25% responded somehow agree and 4.3% disagree.

Under the above table only 3.3% of the respondents strongly disagreed to the statement that Employees are well aware of the product that they are selling, while 16.3% have agreed and 23.9% & 56.5% have disagreed and somehow agreed respectively. The mean score showing under table 4.35, **2.8587**, showing that the company needs to implement capacity building programs in order to improve the sector's performance.

As shown under the table 4.34 from the total respondents only 3.3% of them somehow agreed that there is Agent/Broker development, the rest 14.1% and 82.6% have disagreed and strongly disagreed.

Only 13% of the respondents disagreed, majority of the respondent's i.e 66.3% of them have somehow agreed to the statement that lack of customized product contribute to the low share of life insurance when compared to non- life and the rest 20.7% have agreed. As per table 4.32, the mean score is **3.0761**, implying that customization will boost the market share of a company.

The statement that sales will increase if more important features are added to the existing products, is accepted by almost all respondents where 8.7% & 46.7% have strongly agreed and agreed respectively on sales would increase if EIC designed new products, 33.7% replied somehow agree, 7.6% & 3.3% of the respondents have disagreed and strongly disagreed respectively.

4.7. Agents/brokers response on challenges that EIC faces in providing life insurance

Table 4.35: Frequency distribution of Agents/brokers response on challenges that EIC faces in providing life insurance

Agent / Brokers response regarding complexity of products					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	D	3	3.3	3.3	3.3
	SHA	15	16.3	16.3	19.6
	A	52	56.5	56.5	76.1
	SA	22	23.9	23.9	100.0
	Total	92	100.0	100.0	

Agent / Brokers response regarding price of a product					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SD	1	1.1	1.2	1.2
	D	4	4.3	4.8	6.0
	SHA	45	48.9	54.2	60.2
	A	26	28.3	31.3	91.6
	SA	7	7.6	8.4	100.0
	Total	83	90.2	100.0	
Missing	System	9	9.8		
Total		92	100.0		
Agent / Brokers response on those who can afford the product					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	D	6	6.5	6.5	6.5
	SHA	39	42.4	42.4	48.9
	A	28	30.4	30.4	79.3
	SA	19	20.7	20.7	100.0
	Total	92	100.0	100.0	
Agent / Brokers response whether the price charged recognizes the economic status of the society.					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SD	3	3.3	3.3	3.3
	D	10	10.9	10.9	14.1
	SHA	29	31.5	31.5	45.7
	A	38	41.3	41.3	87.0
	SA	12	13.0	13.0	100.0
	Total	92	100.0	100.0	

Agent / Brokers response on limitedness of affordable product in the existing product mix.					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SD	2	2.2	2.2	2.2
	D	7	7.6	7.6	9.8
	SHA	28	30.4	30.4	40.2
	A	44	47.8	47.8	88.0
	SA	11	12.0	12.0	100.0
	Total	92	100.0	100.0	
Agent / Brokers response regarding the effect of introducing new and affordable products.					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	D	24	26.1	26.1	26.1
	SHA	49	53.3	53.3	79.3
	A	11	12.0	12.0	91.3
	SA	8	8.7	8.7	100.0
	Total	92	100.0	100.0	

Source own survey, 2014

From the whole sample respondents 23.9% of them strongly agreed, 56.5% have agreed, 16.3% responded somehow agree and the rest 3.3% of them disagreed to the statement that life insurance products are complex to be understood with mean score value of **4.0109** implying that life insurance products are very complex to be understood by consumers.

As it is shown above in table 4.35, 7.6% replied strongly agreed, 28.3% have agreed, 48.9% replied somehow agreed, 4.3% & 1.1% have disagreed and strongly disagreed respectively and 9.8% of the respondents fail to answer the question with this result the mean score value is **3.4096** which is above the median which is 3 showing that the company should look in to the

existing rate and adjust it because majority of the respondents replied that the existing price being expensive.

Regarding affordability, 6.5% have disagreed, 42.4% replied somehow agreed and the rest 30.4% and 20.7% have agreed and strongly agreed respectively showing that the currently available life insurance products ignore the low income earners as shown under table 4.35 the mean score value is **3.6522**.

Only 3.3% of the respondents strongly disagreed to the statement that the product and the premiums charged do not recognize the needs and economic status of the society while 10.9% of them disagreed and the rest 31.5%, 41.3%, 13.0% have somehow agreed, agreed and strongly agreed showing mean score value of **3.5000**.

As its shown under table 4.35, Majority of the respondents have agreed on the limitedness of affordable product in the existing product mix, 12.0% have strongly agreed, 47.8% have agreed, 30.4% have somehow agreed and 7.6% & 2.2% have respectively disagreed and strongly disagreed with mean score of **3.5978** which is above the median.

26.1% of respondents disagreed on developing affordable products to increase sales; while 53.3% have somehow agreed and 12% and 8.7% of them have agreed and strongly agreed as shown under table 4.35 above. The mean score is **3.0326** this implies that affordability takes huge effect on sales.

Open Ended Questions Distributed to Agents/ Brokers

➤ Challenges that you face as an Agent/Broker in selling life insurance products?

- High premium charges, other insurance companies are doing high premium discount so as to snatch customers from EIC
- The existence of small and middle income earners and would not be able to afford it.
- Lack of awareness, attitude and personality.
- Limited product offering
- Lack of skilled man power (qualified man power)
- Lack of clarity of policies
- Lack of fast answer for premium quotation

- Management is not open of discussion
- Bad company image
- By the agents side many of them mentioned that they need to be treated fairly like employee of the organization to boost their morals.
- Due to lack of knowledge the employees even the higher officials treat our customers badly.

➤ **Please suggest any possible solutions for the problem you are facing when working with EIC?**

- Drawing policies that could be understood by the customer and the representatives of the company including brokers.
- Giving employees, agents and brokers an intense training and even facilitate transfer of experience outside Ethiopia.
- Since we (Agents) are representatives of the company the higher officials need to create ways to communicate with us and solve problems that we face when trying to bring or keep clients.
- Need to make rate revision.
- Training employees on how to handle customer (customer service)
- Introduce customized products.
- And build the company image.
- In order to create awareness to the public the company needs to use different marketing strategies.
- Adjust filing system.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

In this study the main aim was to find out factors that contribute to the declining rate of life insurance compared to the general insurance in EIC as well as the share of EIC from the industry and reviling the challenges of life insurance in Ethiopian Insurance Corporation. In this study the researcher tried to collect both secondary and primary data by preparing both open and close ended questionnaires that are distributed to both the top management bodies of EIC, including managers of all 4 branches that are located in Addis Ababa and Agents/Brokers that are currently working with the corporation. Out of the total 145 sample population 115 respondents respond to the questionnaire administered. Based on the findings and analysis of this research work the following summary of findings and conclusions were drawn and recommendations were forwarded with regard to the main aim of the research.

5.1. Summary of Findings

As seen in the data analysis part on average large number of respondents including the management respondents implied that life insurance sales is not attractive and is declining every year except for some exceptions, like the fact that EIC is the only insurance company that is allowed to collect premium from travelers to Gulf state, which boosted the production of life insurance sector in 2012, which does not exist after this period.

Both respondents agreed on some points, those points were divided in to three sections:

- ✓ The first one was to show factors that contributed to the low premium share of life insurance from the total gross written premium. Under this section all the respondents agreed on some points like there is a gap in public awareness, the existence of unclear policy wordings, limited types of product that exist in the corporation, limited combination of customers, the existence of small number of customers and lack of promotion are some of the factors under this section.
- ✓ On the other hand, factors like increasing competitiveness of other insurance companies, lack of simple and easily understandable products, due to lack of adequate

training low level of employees awareness regarding the product that they are selling, lack of customized products and other internal problem of the corporation like poor filling system and the fact that the use of unfamiliar ICT system are some of the points that were mentioned by the respondents.

- ✓ Some challenges were also mentioned: the fact that some policies are consider loss to the customers, besides the current premium does not consider the low income earners and in general almost all of the respondents agreed that the price is expensive and does not recognize the need and economic status of the society. Beside all the above points especially by the Agent and Brokers side the low level of employee's performance was the main challenge they face when selling life insurance in EIC.

5.2. Conclusion

From the analysis and findings of the data conclusions can be made as follows:

Life insurance in Ethiopia is at its infant stage with low market share when compared to the general insurance. It is characterized by unattractive sales and its contribution to GDP is also very low when compared to the Sub-Saharan countries due to different reasons among those reasons, the low level of public awareness was the main reason that was highly agreed by all the respondents. Due to this its gross written premium is also very low when compared to the non life insurance in 2012 it was only 9.5%. Respondents also implied that this sector is characterized by unclear policy wordings and conditions, besides it's a sector where marketing (promotional) part has not been touched yet.

It's believed that if profit which was generated from life insurance were invested it could have contributed to the GDP. Generally speaking due to this majority of the respondents believed that their customers are NGO's and rich people and they are very small in number.

On the other hand EIC's life insurance share when compared to the industry, it is constantly declining and constantly losing its market share except for the year 2012, (that is due to high premium that was collected from travelers to Gulf state) and reached 38% in 30thSeptember from 58.3% in 2012.

Another point was if EIC have defined product development strategy to innovate or modify & add riders to the existing products its market share would increase and the number of customers would increase if they involve in creating customized products for majority of the society. Besides simplified and understandable products with better benefits would also increase the number of customers and grows its market share in the industry it also increase its share from the total written premium in the corporation.

Moreover, other factors that contributed to the low performance of life insurance in the corporation are the internal factors, those include low level of agents and employees awareness regarding the products that they are selling, low level of performance, poor filing system that exists in the organization, lack of updated ICT. It is also believed that the increasing competitiveness of other insurance companies, loss of premium from travelers to gulf state are some of the factors that leads to the loss of market share in EIC.

Some challenges that the company face in selling life insurance are also mentioned:

Besides the low level of awareness, the respondents are also convinced that the existing products did not recognize the current demand of the society; some of the products are also consider being loss to the consumer due to inflation. Rates, terms and conditions being not revised or expensive and lack of affordable products are also contributed to be some of the contributing factors to the low performance of life insurance in EIC. According to the response of some agents and brokers some people consider it as a luxury item and as if it's not a priority in their life.

Besides socio-cultural and economic factors are also some of the factors, in addition, poor service delivery, lack of effective leadership, lack of flexibility, inability to keep skilled employees, lack of professional trainings both for employees and agents/brokers, and the existing bad company image are also some of the challenges in selling life insurance in EIC.

Finally, unethical sales practice by brokers and unfair price cutting of other insurance companies also contributed to the continuous declining market share of Ethiopian Insurance Corporation.

In general, unlike the non life insurance, it can be said that due attention is not given to the life insurance.

5.3. Recommendations

As per the findings and further analysis of this study the following recommendations are forwarded so as life insurance companies specially Ethiopian Insurance Corporation may consider and implement them in order to improve the performance of life insurance in Ethiopia.

- ❖ The first step that should be taken in order to improve the performance of life insurance in our country is to create public awareness. Especially EIC as a state owned company can influence the government owned companies to consider life insurance as one of the advantages to its employees and the corporation needs to take a huge responsibility in creating public awareness by communicating its advantages both to the individual and the public in general and its contribution to the GDP. On the other hand in order for EIC to at least maintain its share both from the industry and from the general insurance it needs to invest its profit generated from life insurance which will lead to accumulation of more capital which will boost customer's confidence on the organization and increases the sectors contribution to the GDP.
- ❖ Insurance companies in order to develop the life insurance sector need to work together in developing a new product that suits to the current economic status of the society by developing a strategy of being innovative through product revision or new inclusion or being copier by adopting products developed by others outside and inside the country. Developing customized products to fit different parts of the societies like farmers, the youth and those with low income. Since a single actuary does not exist in the country, the state owned insurer should take the initiative by not only giving the opportunity for education but rewarding for progressive achievement made by professionals. This would enable the country to have its own actuaries who design and modify products needed.
- ❖ Revising some policies towards inflation sensitive policies by automatic sum assured upgrade plan. Adjusting the mortality table since life expectancy of the country is increasing this would enable to decrease the mortality rate charged to products and this might result in increase sales. The other thing that is expected from EIC is in

order to boost its life insurance share is that the corporation needs to work on promoting its products and build its image by using different marketing strategies besides the above the corporation need to give the life segment a separate structure to operate without the inference of the general insurance.

The corporation also needs to concentrate on the following issues:

- ❖ Using easily understandable ICT
- ❖ Training and updating its employees not only the technical terms but also leadership and trainings related with customer handling should be giving.
- ❖ Creating smooth environment with Agents and Brokers because it leads to development of the sector.

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S.#		SA 5	A 4	SHA 3	D 2	SD 1
1.	Do you agree that the public is well aware of the concept of life insurance?					
2.	The policy wordings , terms and conditions of a product on the market are clear and understandable					
3.	The share of EIC's is declining due to the growing competitiveness of other insurance companies.					
4.	Share of EIC will eventually grow if new, simple and understandable products were designed.					
5.	Do you agree that Loss of premium that is collected from travelers to the Gulf state is the only reason for the loss of market share In EIC?					
6.	The existence of limited types of products in EIC resulted in low performance of the corporation.					
7.	Do you agree that the life insurance business would contribute more to the GDP if profit is generated from investing the available funds besides transacting the business only?					
8.	The rate chart and the terms and conditions are not revised in response to the dynamic environment.					
9.	Endowment policies, for example, are loses to customers in our current economic situation – where inflation is high.					
10.	The products are always revised to accommodate inflation.					
11.	The rate of existing products in general is a bit expensive?					
12.	Low income earners cannot afford the existing life product.					
13.	The product and the premiums charged do not recognize the needs and economic status of the society.					
14.	Affordable products are limited in the existing product mix.					
15.	Majority of life insurance buyers are NGO's & rich individuals, because they can afford the price.					

S.#		SA 5	A 4	SHA 3	D 2	SD 1
16.	Introducing affordable products will maximize number of customers and sales.					
17.	The number of life insurance customers is very small compared to the property insurance?					
18.	Do you agree that promotional and public awareness creation activities are well done?					
19.	Employees are well aware of the product that they are selling.					
20.	So, do you agree that having very small number of customers is somehow contributed by low performance of employees?					
21.	There is a continuous human resource and Agent/Broker development.					
22.	Number of Customers will obviously increase if your company carried out Rate Revision,					
23.	The current sales of life insurance are not very attractive.					
24.	The low share of life insurance sales compared to property insurance is partly due to the lack of customized product?					
25.	Sales will increase if more important features are added to the existing products.					
26.	Having well articulated marketing strategy would enhance the company's performance.					
27.	Do you agree that using of ICT contribute something to the development of the sector in EIC					
28.	Do you agree that poor filing system that exists in EIC contributed to the declining of its market share?					

29. What are the main challenges in selling life insurance products in Ethiopia?

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30. What do you think are the main Reasons behind the decreasing market share and low performance of EIC life insurance?

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S.#		SA 5	A 4	SHA 3	D 2	SD 1
1.	Do you agree that the public is well aware of the concept of life insurance?					
2.	The policy wordings , terms and conditions of a product on the market are not clear and understandable					
3.	Considering the product offerings, how much do you agree that EIC have limited offerings?					
4.	Some life insurance products are complex to be understood by consumers?					
5.	The rate of existing products in general is a bit expensive?					
6.	Low income earners cannot afford the existing life product.					
7.	The product and the premiums charged do not recognize the needs and economic status of the society.					
8.	Affordable products are limited in the existing product mix.					
9.	Majority of life insurance buyers are NGO's & rich individuals, because they can afford the price.					
10.	Introducing affordable products will maximize number of customers and sales.					
11.	The number of life insurance customers is very small compared to the property insurance?					
12.	Do you agree that promotional and public awareness creation activities are well done?					
13.	Employees are well aware of the product that they are selling.					
14.	There is a continuous Agent/Broker development.					
15.	Number of Customers will obviously increase if EIC carried out Rate Revision,					
16.	The current sales of life insurance are not very attractive compared to the property insurance.					
17.	The low share of life insurance sales compared to property insurance is partly due to the lack of customized product?					
18.	Sales will increase if more important features are added to the existing products.					

19. What are the main challenges that you face as an Agent/Broker in selling life insurance products?

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20. Please suggest any possible solutions for the problem you are facing when working with EIC?

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Thank you for your precious time!

APPENDIX 2
Sample size determination table

Sample Size for $\pm 3\%$, $\pm 5\%$, $\pm 7\%$, and $\pm 10\%$ Precision Levels where Confidence Level Is 95% and $P=.5$.				
Size of Population	Sample Size (n) for Precision (e) of:			
	$\pm 3\%$	$\pm 5\%$	$\pm 7\%$	$\pm 10\%$
500	a	222	145	83
600	a	240	152	86
700	a	255	158	88
800	a	267	163	89
900	a	277	166	90
1000	a	286	169	91
2000	714	333	185	95
3000	811	353	191	97
4000	870	364	194	98
5000	909	370	196	98
6000	938	375	197	98
7000	959	378	198	99
8000	976	381	199	99
9000	989	383	200	99
10000	1,000	385	200	99
15000	1,034	390	201	99

20000	1,053	392	204	100
25000	1,064	394	204	100
50000	1,087	397	204	100
100000	1,099	398	204	100
>100000	1,111	400	204	100
a = Assumption of normal population is poor. The entire population should be sampled. (Yamane, 1967)				