



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

**BUYERS' ATTITUDE TOWARDS LIFE INSURANCE**  
**PURCHASE IN THE CASE OF AWASH INSURANCE**  
**COMPANY S.C.**

---

**BY**  
**GENET BEKELE**

**JANUARY, 2018**  
**ADDIS ABABA, ETHIOPIA**

**BUYERS' ATTITUDE TOWARDS LIFE INSURANCE  
PURCHASE IN THE CASE OF AWASH INSURANCE  
COMPANY S.C.**

**BY  
GENET BEKELE**

**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY SCHOOL  
OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE DEGREE OF MASTERS OF  
BUSINESS ADMINISTRATION (MBA)**

JANUARY, 2018  
ADDIS ABABA, ETHIOPIA

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

**BUYERS' ATTITUDE TOWARDS LIFE INSURANCE  
PURCHASE IN THE CASE OF AWASH INSURANCE  
COMPANY S.C.**

**BY  
GENET BEKELE**

APPROVED BY BOARD OF EXAMINERS

\_\_\_\_\_  
Dean, Graduate Studies

\_\_\_\_\_  
Signature & date

\_\_\_\_\_  
Advisor

\_\_\_\_\_  
Signature & date

\_\_\_\_\_  
External Examiner

\_\_\_\_\_  
Signature & date

\_\_\_\_\_  
Internal Examiner

\_\_\_\_\_  
Signature & date

## DECLARATION

I the undersigned declare that this thesis is my original work; prepared under the guidance of Dr. Solomon Markos (Asst. Professor). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Genet Bekele Tulu

Name

.....

Signature & Date

## **ENDORSEMENT**

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

**Dr. Solomon Markos**

**Advisor**

-----

**Signature & Date**

## **ACKNOWLEDGEMENT**

I would like to thank my advisor Dr. Solomon Markos (Asst. Professor) for his kind and professional assistance, constructive comments and advice. I wish to extend my thanks and appreciation to my beloved husband Ermias Demissie for his unreserved support and encouragement in the course of preparing this research paper.

Last but not least, I wish to express my thanks to Awash Insurance Company's Life Insurance team for their cooperation in providing the necessary documents and explanation about the subject matter when needed.

Genet Bekele Tulu

# TABLE OF CONTENTS

ACKNOWLEDGEMENT .....	i
TABLE OF CONTENTS .....	ii
LIST OF ACRONYMS .....	iv
LIST OF TABLES.....	v
LIST OF FIGURES.....	vi
ABSTRACT.....	vii
<b>CHAPTER ONE.....</b>	<b>1</b>
<b>INTRODUCTION .....</b>	<b>1</b>
1.1 Background of the study .....	1
1.2 Statement of the problem .....	4
1.3 Basic Research Questions.....	5
1.4 Objectives of the study .....	5
1.5 Significance of the study .....	6
1.6 Scope of the study .....	6
1.7 Limitations of the study.....	7
1.8 Organization of the Study .....	7
<b>CHAPTER TWO.....</b>	<b>9</b>
<b>REVIEW OF RELATED LITERATURE .....</b>	<b>9</b>
2.1. Theoretical Literature .....	9
2.1.1. Thoughts of Insurance.....	9
2.1.2. Life Insurance Concepts.....	10
2.1.3. Drivers of Consumers in making decision .....	14
2.1.4. Knowledge stage.....	16
2.2. Empirical Review .....	19
2.3. Conceptual Framework.....	20
<b>CHAPTER THREE.....</b>	<b>21</b>
<b>RESEARCH DESIGN AND METHODOLOGY .....</b>	<b>21</b>
3.1. Research Design .....	21
3.2. Population, Sample Size & Sampling Technique.....	21
3.3. Source of Data .....	22
3.4. Data Gathering Instruments.....	23

3.5.	Procedure of Data Gathering.....	23
3.6.	Methods of Data Analysis.....	23
3.7.	Ethical Considerations .....	24
<b>CHAPTER FOUR .....</b>		<b>25</b>
<b>DATA PRESENTATION, INTERPRETATION AND ANALYSIS .....</b>		<b>25</b>
4.1.	Introduction.....	25
4.2.	Reason for Purchasing Life Insurance.....	25
4.3.	Characteristics of Respondents .....	26
4.3.1.	Do Age and Sex difference contribute to the buyer’s attitude towards .....	27
	purchase of life insurance?.....	27
4.3.2.	Does income level affects buyers’ attitude towards purchase of life insurance? .....	28
4.3.3.	Does the education level affect the attitude of life insurance buyers’? .....	29
4.3.4.	What are the types of life insurance preferred by most customers? .....	30
4.4.	Opinion survey on parameters affecting buyers’ attitude .....	31
4.1.1.	Competencies of Awash Insurance Company that influence attitude of buyers.....	32
4.1.2.	What is the level of satisfaction in the provision of life insurance in the case of Awash .....	35
	Insurance Company?.....	35
<b>CHAPTER FIVE .....</b>		<b>36</b>
<b>SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION .....</b>		<b>36</b>
5.1.	Summary of Findings .....	36
5.2.	Conclusion .....	38
5.3.	Recommendation .....	39
References.....		40
Appendix.....		43



## **LIST OF ACRONYMS & ABBREVIATIONS**

AIC	Awash Insurance Company
S.C	Share Company
IRDA	Insurance Regulatory and Development Authority

## **List of Tables**

Table 4.1: Summary of the total count and percentage of respondents by driving force and marital Status .....	26
Table 4.2: Age and Sex Characteristics of respondents .....	27
Table 4.3: Summary of total count of opinion survey for parameters considered to affect buyers' Attitude .....	31
Table 4.4: Summary of total count for competencies of Awash Insurance Company .....	33

## List of Figures

Figure 3.1:	Sample size calculator -----	22
Figure 4.1:	A graph that shows distribution of respondents by driving force for life insurance purchase and marital status-----	26
Figure 4.2:	A graph that shows count of age group in consumption of life insurance considering both male and female -----	28
Figure 4.3:	A graph that shows count of life insurance buyers by income level -----	29
Figure 4.4:	A graph that shows purchase of life insurance distributed by education level -----	29
Figure 4.5:	A graph that shows distribution of different types of life insurance by age group -----	30
Figure 4.6:	A graph that shows distribution of respondents by driving force for life insurance purchase and marital status -----	32
Figure 4.7:	A graph that shows count and percentage of satisfaction level of AIC consumers -----	37

## **Abstract**

*The purpose of this research is to investigate the factors affecting buyers' attitude towards life insurance purchase in the case of Awash Insurance Company S.C. The study is based on the fact that Life Insurance consumption in Ethiopia as a whole and in Awash Insurance Company S.C in particular is very low and tried to identify the main barriers in purchasing of life insurance. Primary data have been collected through questionnaire. Data were collected from 196 participants, tabulated, interpreted and analyzed. Questions that are much related to the insurance experience of the respondents have been prepared. There were also opinion survey type questions that help the participants to exhaustively provide their perception of Life Insurance experience. Statistical tools such as factor analysis represented by graphical measure and tabular presentations, mean and standard deviation are used for analysis. The demographic as well as socio-economic structures have been studied whether they affect the attitude of buyers in the purchase of life insurance. Income and educational status are found to have significant effect in decision making towards purchasing life insurance. In the same way, sex and marital status have also effect on consumption of life insurance. Factors such as premium charges, policy term, rider benefits are found to affect intention to life insurance purchase. Recommendation based on the analysis and conclusion has been provided. It is hoped that Awash Insurance Company uses this research based recommendations to improve the overall consumption of life insurance by its target population.*

**Key words:** *Buyers' attitude, Barriers, Life Insurance, Intention, Characteristic.*

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the study

An attitude is a learned predisposition to respond to a given object or class of objects in a consistently favorable or unfavorable way. The widespread view is that attitudes are complex systems made up of three components. These are; cognitive component referring to the person's thoughts, affective component referring to person's feelings, and the conative component referring to the person's behavioral tendencies (Ajzen and Fishbein, 1980). In marketing context, it is stated that consumers can develop attitudes to any kind of product or service, or indeed to any aspect of the marketing mix, and these attitudes will affect consumption indirectly through intention to consume (Brassington and Pettitt, 2003).

Most people in the insurance industries agree that life insurance business has a high growth rate potential in Ethiopia. On the other hand, relatively low penetration of the sector indicates that there is still a considerable unexploited potential.

Life Insurance consists of a range of advantages as other investment modules have. Financial security is the prime advantage of life insurance. It assists to smooth the progress of economic movements. The life insurance companies to gather large funds collect the premiums from multiple investors. This money finances trade and other financial development activities. It is also useful for tax payment reduction. Policyholders can claim income tax exemptions for the payment of premiums amount (Bhartiata, 2009).

In the present time, life insurance could be utilized as an investment alternative, because a security for loan and for other demands also. As a life insurance plan bought inconspicuously with due concern could be regulated to assist the variety of requirements of a policyholder. Nowadays, life insurance has become substantial in a world where pension plans, social security benefits, and family savings turn insufficient

to respond the financial demand of the complete family, cover wellness prices or to hold a certain life-style, on the off chance of the death of the worker (Nida, 2012).

Variable life insurance is the mixture of savings aspects of whole life insurance and the traditional protection with the growth potential of investment funds. It is comprised of two different elements: the general account and the separate account. The general account is the insurance provider's reserve account, and it is not assigned to the individual policy.

The separate account consists of different investment funds within the insurance company's portfolio, like a money market fund, an equity fund, a bond fund, or some combination of these. Because of this core investment trait, the cash value and death benefit may vary, therefore it is known as "variable life insurance" (Pareto, 2014).

The consumption level has been attributed to a number of factors among them buyers attitude towards life insurance is the major one.

Some studies shows in relation to buyers' attitude to purchase life insurance are that thinking of it as a "regular" expense. When something is considered as an expense, generally the public avoid having that thing. A person who purchases policy can't enjoy the benefits of life insurance before the completion of the tenure of the policy. In this situation he/she may feel paying premiums as an expense. In some instances, people may not have trust on insurance companies regarding payback of their premiums at the end of policy (Ahuja, 2012).

It is believed that a large proportion of community has some specific religious beliefs about the authenticity of life insurance in a way of understanding that purchasing life insurance leads towards gaining security from manmade provision rather than divine protection.

Less awareness about life insurance plans may be considered as a barrier in purchasing a life insurance policy, a reasonable proportion of community is actually unaware of real benefits and privileges that they could get by purchasing life insurance policy. Additionally, education level of common community is not as high as to understand the perks of life insurance policy accordingly (Sigma, 2014).

Life insurance plan is the safest and the most secure way to protect family or dependents against financial contingencies that may arise post the unfortunate event of a person's untimely demise. Under the life insurance contract, the insurer assures to pay a definite sum to the policyholder's family on his demise during the policy term.

Life insurance is an agreement between an insurance company and a policyholder, under which the insurer guarantees to pay an assured sum of money to the nominated beneficiary in the unfortunate event of the policyholder's demise during the term of the policy. In exchange, the policyholder agrees to pay a predefined sum of money in form of premiums either on a regular basis or as a lump sum. If included in the contract, some other contingencies, such as critical illness or a terminal illness can also trigger the payment of benefit. If defined in the contract, some other things, such as funeral expenses might also be a part of the benefits.

Following the nationalization in 1975, the state owned Ethiopian Insurance Corporation emerged as a sole insurer transacting life and non-life insurance. After the partial liberalization of the sector allowing domestic private investors to engage in insurance business in 1991, 16 insurers have so far come to existence with a combined branch network of 264 as of June 2012. Nine of these companies are composite (offering both life and non-life insurance services), while the remaining transact only non-life insurance (Fikru Tsegaye, 2013).

In the eyes of life insurance marketers, the Ethiopian economy with its 85 million plus predominantly young population presents lucrative and diverse business opportunities. Similar to all sectors, insurance in general and life assurance in particular needs to be correlated with the country's development plan as a corollary to the emerging middle class and educated society. However, the intricacies that make up life insurance market in the country are not very well known to most, including to those engaged in the business. This makes the study of the Ethiopian insurance industry appealing as it presents untapped market. But it needs a sound understanding of the dynamics of the markets.

## **1.2 Statement of the problem**

Despite its potential benefits, insurance business in general and life assurance in particular has not yet developed in Ethiopia. This can further be explained by low level of insurance per capita and penetration. A thematic paper presented by (Yared Mola, 2017) indicated that unlike other developed and developing nations Ethiopians consider insurance to be something purchased for material property and don't see the other benefits of insurance. By drawing practical data from 2015 fiscal year, Yared said that Kenya was, for example, able to generate more than USD 602 million from life insurance businesses, while Ethiopia collected only USD 13.7 million. Likewise, the share of the life insurance business in Kenya has risen about 36.2% whereas Ethiopia's is limited to 5.5% (Yared Mola, 2017). This implies that the life insurance business is, despite lucrative opportunities like the growing middle class, playing a less important role in the national economy. Based on this data, Ethiopia stood as the least in the world whilst there is progress and matured market in other African countries.

According to the study conducted by (Zecharias, 2010) while selling is concerned with creating demand for the products that have already been decided, marketing is directed towards identifying the needs and wants of consumers and planning to satisfy those needs. Hence, in this context, the necessity of understanding the needs and want of consumers to marketing could be taken to the bone, the tendon, and the ligament of businesses without which no articulation can take place (Zecharias, 2010).

Zecharias explains that the importance of marketer to understand the factors affecting buyers' and prospects attitude towards life insurance policy purchase, which in turn affects need and wants to their offerings in order to be able to take informed marketing-related decisions (Zecharias, 2010).

It is important to notice that, when you purchase life insurance, you are providing for the future-perhaps the fulfillment of promises to loved ones to maintain a lifestyle, to have the necessary funds for a college education, to be able to comfortably pay off bills, even a mortgage, or to provide the edge to help the continuation of your business by providing funds to help cover outstanding loans, or to make a gift to your favorite charity (Zecharias, 2010).



This study will try to answer the question about the attitudes of consumers towards purchase of life insurance by describing the characteristics of buyers and their consumption intention in the case of Awash Insurance Company.

The purpose of this research is to describe the characteristics of life insurance buyers that refer to those groups of society where life insurance is understood and purchased.

This will help insurance companies to view their policy packages to accommodate the group of people who are not currently covered but have potential to consume life insurance if study based policy is designed. This study tries to recommend feedback that can be considered by insurance companies to increase their customer bases which in return contribute its share to the country's economy.

### **1.3 Basic Research Questions**

The study attempts to address the following basic research questions:

- What are the characteristics (age sex, educational status, income level) of buyer's towards purchase of life insurance in the case of Awash Insurance Company S.C.
- What is the consumption intention of buyers during purchase of life insurance?

### **1.4 Objectives of the study**

#### **General Objective**

The study sought to describe buyers' attitudes and degree of life insurance consumption and intention of buyers during purchase of life insurance in the case of Awash Insurance Company S.C.

#### **Specific Objectives**

*Specific objectives of this study are:*

- To examine the characteristics (age, sex, educational status, income level) of buyers' towards life insurance purchase.
- To describe the degree of life insurance consumption in the case of Awash Insurance Company.
- To analyze the consumption intention of buyers' towards purchase of life insurance.

## **1.5 Significance of the study**

The importance of life insurance in modern economies has been recognized much earlier. It is the essential means by which a disaster to an individual or a community is shared by many. Great catastrophes are thereby lessened, and, it may be, repaired. Apart from the benefit it bestows to the policy owner and beneficiaries upon the occurrence of certain events, such as untimely death, terminal illness, critical illness of a bread winner or maturity depending on the type of contract, life insurance plays a vital role in a country's socio-economic development. This can be achieved through saving mobilization it embraces the national economic development via development of the financial market, creation of employment opportunity and overall enhancing the socio-economic development of the country. This 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.

In this regards, the study shall make the following contributions:

- (i) The study shall contribute knowledge in the area of consumer behavior for insurance firms to identify the nature of buyers' attitudes towards life insurance among non-users so that appropriate marketing strategies can be developed.
- (ii) The study shall contribute to the existing wealth of knowledge and thus stimulate further research in consumer behavior.
- iii) The study shall contribute knowledge in the area of consumption of life insurance services for buyers by identifying predictors of consumption from a developing country context.

## **1.6 Scope of the study**

The study focuses on buyers' attitude towards life insurance in the case of Awash Insurance Company due to awareness and knowledge gap. It is highly dependent on the data collected from the buyers of life insurance from Awash Insurance Company. Life insurance policy purchase is being performed mainly in Addis Ababa where the head quarter is located and our geographical scope is limited to Addis Ababa. It also provides

highlights on general overview of consumer intentions and degree of life insurance in the case of Awash Insurance Company. The research will examine whether the buyers' attitude determine the consumption intention of life insurance and try to analyze the characteristics that contribute to buyers attitude.

However, this paper will not go through other factors like performance and organization issues of the organization and government policies that might affect the buyers' attitude.

### **1.7 Limitations of the study**

Although this study yielded some preliminary findings, its overall process is not without flaws. The main limitations are expressed as follows.

The first limitation concerns the factors affecting the buyers attitude towards purchasing of life insurance where this study doesn't try to evaluate other factors like how insurance companies provide the service as attractive as possible and with efficiency towards satisfying their customers including promoting the insurance products.

The second limitation of this study is the scope where it tried to address only consumers of Addis based policyholders. Due to the fact that Addis Ababa is the capital city of the country where most of the consumers believed to have sufficient educational background and awareness on such matters. Had it been this study conducted in the other parts of the country, it might change the conclusion by some degree.

The third limitation comes from the data collection method where by our primary data for this study is collected through questionnaire and the results of the study may suffer from the inherent drawback of such instrument.

The last one that has been identified as a limitation is that the sample size determination did not include factors like characteristics of study population and others. It considered only confidence level and confidence interval which might affect the accuracy of the result.

### **1.8 Organization of the Study**

The first chapter of this study it has been tried to provide brief introduction about the background of the study followed by statement of problem with basic research questions

where the study tries to answer. This chapter also includes objectives of the study with its significance and indicates the scope that the study bounded in limitations is also explained in this chapter.

In the second chapter, detail review of literatures are explained to provide sufficient knowledge to the readers where many journals, books, published research papers are exhaustively presented in the areas of life insurance.

The third chapter explains what type of methodology has been used in different stage of the study from data collection to analysis. Chapter four devotes to presentation, analysis and interpretation of the data generated from various sources. The last chapter or part five comprises the findings, conclusion and recommendation.

# **CHAPTER TWO**

## **REVIEW OF RELATED LITERATURE**

### **2.1. Theoretical Literature**

This review will critically summarize the current knowledge in the area of life insurance and identifying any major findings in previous studies. In addition, this review of literature will provide the context within which to place this study. With this understanding, theoretical literature, empirical review and conceptual model have been discussed.

#### **2.1.1. Thoughts of Insurance**

Mehr and Cammack (1976) agrees that Insurance is usually thought of as a product that spreads the risk of serious, but low-probability, losses among a group of individuals, thus providing some financial protection to each individual. Kunreuther (1979) said that his product makes good sense, particularly when the protection is purchased against potential losses so large as to be catastrophic, such as total destruction of one's home, a large accident liability judgment, or death of primary family breadwinner. However, it has long been recognized that this sensible product is difficult to sell.

Kotler (1973) considers insurance to be in the category of "unsought goods," along with products such as preventive dental services and burial plots. He notes that unsought goods pose special challenges to the marketer.

Slovic (1977) found that subjects were more likely to buy insurance against small, high-probability losses than insurance against large, low probability losses.

Kunreuther (1979) "It is not the magnitude of a potential loss that inspires people to buy insurance voluntarily; it is the frequency with which a loss is likely to occur".

Kahneman & Tversky (1979) reported a risk-averse individual, therefore, should avoid nearly all types of risk. Empirical evidence, however, suggests most people are risk averse for gains and risk seeking for losses.

Kahneman & Tversky (1984) stated indeed, repeated demonstrations have shown most people lack an adequate understanding of probability and risk concepts Dhar (1997),

Greenleaf and Lehmann (1995); and Tversky and Shafir (1992) have shown that offering more options can generate decision conflict and preference uncertainty, leading to decision deferral.

### **2.1.2. Life Insurance Concepts**

According to policy document of Awash Insurance Company S.C, seven types of life insurance that are being written as policy are:

- Term life insurance:
- Ordinary endowment,
- Anticipated endowment,
- Endowment annuity,
- Education policy.
- Supplementary accident insurance
- Medical expenses insurance

Term life insurance is usually the least expensive course of protection for people interested in life insurance. Some individuals on restricted incomes purchase term life insurance for the basic insurance protection for their families and, as their salaries rise, they convert the term life insurance policy to different forms of life insurance policies. Another type of whole life insurance is a permanent insurance or a universal life insurance policy. Unlike term insurance policies, permanent life insurance has no specified term of coverage for individuals. Flexible premium or Universal Life Insurance is a life insurance policy designed as a permanent policy for the covered individual(s), but it is different from traditional term life insurance policies because it allows the policy owner to vary the amount and timing of premium payments. The policy also allows the policy owner to increase or decrease the death benefit. Monetary values will accumulate based on premium payments that are selected during the selection of the policy. Usually monthly deductions are subtracted from this fund for the expenses and cost of insurance.

The interest is added to this fund afterwards. In some cases the interest rates are stated by the company and vary from time to time depending on the policy. Under federal law,

guidelines are defined for policies to maintain status as life insurance under the internal revenue code. This law puts a cap on total payments to the contract and provides a minimum relationship of death benefit to cash value. Permanent life insurance is subject to a different set of policy conditions normally. A permanent life policy requires for premiums to be paid for as long as the insured individual lives and a permanent life policy accumulates a set cash value during the covered period. If the individual insured were to pass away then the death benefit is payable to the beneficiaries listed on the policy. But the policy can be turned in before the insured individual were to pass away, then the net worth is payable to the insured individual. Another aspect of this policy allows for loans to be made from the insurance company against the monetary value of the policy at a rate of return promised in the policy as security.

The maximum loan rate guaranteed in the insurance policy may be much lower than that available from a bank or other financial institution. Regardless of where the loan is secured from, if the insured individual were to pass away prior to the loan being repaid, the amount of the loan and any interest due must be repaid from the death-benefit amount before the beneficiaries will receive any compensation. Variable life insurance is also a type of permanent insurance but you decide how the premiums are invested instead of the insurer. Variable universal is a combination of variable and whole life insurance policies. These plans allow for variable premiums and the ability to choose your own investments of premiums. Variable/Adjustable: much like universal insurance except it links your death benefits and premiums directly to your investment's performance. You'll also have more control over how the premiums are invested. Life insurance is a good bet but you must know what you need and what you hope to achieve by it. Good research and proper planning can accomplish several different options and goals, it is your choice to want to secure a better financial future in case of death or just to have a partial cash saving and investment plan Bradshaw (2009).

People have to decide for themselves what is going to best for them and for their future. Understanding which life insurance policy will be right for you entail setting one primary objective for yourself and your family by answering two basic questions. First, do I simply need death protection in the event of my death? Second, do I want both

death protection and a savings element for my family and I to cover retirement costs if I do not pass away before retirement (Benedek, 2012)?

There are three fundamental approaches to make this decision for most individuals:

1. The “Human Life Value” approach.
2. The “Human Needs” approach.
3. The “Retirement Needs” approach.

Since a person does not know whether they will live to retirement or pass away earlier, a good life insurance policy will help provide for both the “human” and the “retirement” needs for survivors and themselves. The “Human Life” approach When evaluating from this approach you should base your decision on the thought that a person has an earning capacity that can be approximately calculated by estimating annual net income (earnings minus all taxes), estimating the remaining years of wage earning, and subtracting the interest that would be earned if all the income were received in a lump sum. This procedure allows a person to pin down how much money will be needed in the event of their death to continue providing an equitable life for their survivors. Estimating your earning capacity is a valuable asset in determining what kind of insurance you will need for when you pass away or retire.

The “Human Needs” approach using this approach will take into account the settlement costs of a funeral, taxes, mortgages, and or car payments. It will also provide the income the family needs to readjust to a new lifestyle, income for the family until the children leave the home, life income for the surviving spouse, special needs of the family such as college education for the children, and other needs that may arise from unforeseen circumstances. In adopting this approach to your evaluation, income from all avenues of income such as social security, veteran’s benefits, or trust funds will be subtracted from the total needs of the family once a person has passed away.

The “Retirement Needs” approach Utilizing this approach will require coordinating life insurance and/or annuity purchases with other sources of income such as Social Security, pensions, or personal investments to be able to attain prearranged retirement revenue. Once a person has decided what approach would best fit what he attends to accomplish, he then must choose a type of life insurance. You can buy an individual



policy through a licensed life insurance information company, which evaluate insurance companies in general. Individuals must keep in mind a life insurance information policy is only as good as the company that wrote it. For this reason, choosing a good insurance company is at least as important as selecting the right policy. There are five types of insurance available to individuals for different goals. The Term life insurance coverage will provide protection for a limited, specific period of time depending on the link of coverage selected. If the person covered by the policy should pass away within the time restrictions on the policy, the face or total amount of the policy is payable to the designated beneficiaries. Normally nothing will be paid to the beneficiaries if the individual insured lives longer than the length of the term policy that was selected. Unlike other types of policies, term insurance does not generate cash values (Benedek, 2012).

Smith (1982) said that a typical life insurance contract provides a package of options or rights to the policy owner that is not precisely duplicated by any other combination of commonly available contracts. Viewed from this perspective, life insurance enjoys a unique position in the field of investments and should be judged in this light. An options viewpoint provides a more complete explanation of policy owner behavior towards life insurance than the conventional savings-and-protection view.

Walden (1985) told that the option's package view of the whole life insurance policy suggests that a whole life policy is a package of options, each of which has value and is expected to influence the price of the policy. This viewpoint implies the general hypothesis that price differences between whole life policies can be explained by differences in policy contract provisions and differences in selected company characteristics. As distinguished from term insurance, which provides short term protection, whole life insurance is a policy that provides life time protection.

Diacon (2004) presents the results of a detailed comparison of the perceptions by individual consumers and expert financial advisers of the investment risk involved in various UK personal financial services' products. Factor similarity tests show that there are significant differences between expert and lay investors in the way financial risks are perceived. Financial experts are likely to be less loss averse than lay investors, but are

prone to affiliation bias (trusting providers and salesmen more than lay investors do), believe that the products are less complex, and are less cynical and distrustful about the protection provided by the regulators. The traditional response to the finding that experts and non-experts have different perceptions and understandings about risk is to institute risk communication programmes designed to re-educate consumers. However, this approach is unlikely to be successful in an environment where individual consumers distrust regulators and other experts.

Gründl, et al (2005) found that demographic risk, i.e., the risk that life tables change in a nondeterministic way, is a serious threat to the financial stability of an insurance company having underwritten life insurance and annuity business. The inverse influence of changes in mortality laws on the market value of life insurance and annuity liabilities creates natural hedging opportunities.

Mills (1999) studied the insurance industry is rarely thought of as having much concern about energy issues. However, the historical involvement by insurers and allied industries in the development and deployment of familiar technologies such as automobile air bags, fire prevention/suppression systems, and anti-theft devices, shows that this industry has a long history of utilizing technology to improve safety and otherwise reduce the likelihood of losses for which they would otherwise have to pay. We have identified nearly 80 examples of energy-efficient and renewable energy technologies that offer “loss-prevention” benefits, and have mapped these opportunities onto the appropriate segments of the very diverse insurance sector (life, health, property, liability, business interruption, etc.).

Some insurers and risk managers are beginning to recognize these previously "hidden" benefits.

### **2.1.3. Drivers of Consumers in making decision**

It is common known that the influence of society, of culture, of family and friends are not the only factors that drives a consumer in making a market decision. The subliminal factors like psychological ones and cognitive dissonance play a main role in what consumer perceive and decide in the insurance world. (Solomon, 2008)

Insurances are intangible products that have some special features apart from the material good. Insurances represent a service that cannot be touched, price standardization is not possible, there is no ownership transfer and production and consumption are inseparable. The consumer is a part of the production process so the delivery system must go to the market or the consumer must come to the delivery system. Because the insurance is linked also to the value of risk is very important to analyze if consumer of insurance is risk averse or not. The risk is evaluated before insuring to charge the amount of share of an insured, consideration or premium. There are several methods of evaluation of risks. If there is expectation of more loss, higher premium may be charged. So, the probability of loss is calculated at the time of insurance. (Solomon, 2008)

The insurance serves indirectly to increase the productivity of the community by eliminating worry and increasing initiative. The uncertainty is changed into certainty by insuring property and life because the insurer promises to pay a definite sum at damage or death.

From a family and business point of view all lives possess an economic value which may at any time be snuffed out by death, and it is as reasonable to ensure against the loss of this value as it is to protect oneself against the loss of property. In the absence of insurance, the property owners could at best practice only some form of self-insurance, which may not give him absolute certainty.

Having into consideration this aspect we can say that, the ultimate level beside the real utility of the insurance product in the decision process is played by the perception of the insurance product.

Consumers can evaluate a product along several levels. Its basic characteristics are inherent to the generic version of the product and are defined as the fundamental advantages it can offer to a customer. Generic products can be made distinct by adding value through extra features, such as quality or performance enhancements. The final level of consumer perception involves augmented properties, which offer less tangible benefits, such as customer assistance, maintenance services, training, or appealing payment options. In terms of competition with other products and companies, consumers

greatly value these added benefits when making a purchasing decision, making it important for manufacturers to understand the notion of a “total package” when marketing to their customers. For example when acquiring an insurance, the consumer do not acquire only the risk protection represented by the sum of money paid in case of a disaster but also the feeling of security and the psychological comfort that can be offered by this exchange through the insurance policy.

Nevertheless, is obvious that some people are more risk averse and value more the insurance protection, others like to take risk and the insurance will not appear so appealing.

Also, gender differences relating to risk behavior, the perception of insurances, the information acquisition and reporting, information and moral hazard in financial decision-making together with the importance of differing contextual instances in explaining such differences in building the stereotypes. If some behavioral factors as gut feeling and emotion effect decision making and how the persons react to those is the subject of our debate.

The insurance purchasing and marketing activities do not always produce results that are in the best interest of individuals at risk. We will discuss such behavior with the intent of showing the difference for the insurance interest decision making and the characteristics that influence both men and women.

#### **2.1.4. Knowledge stage**

An attitude satisfies a personal motive and at the same time, affects the shopping and buying habits of consumers. Perner (2010) defines consumer attitude simply as a composite of a consumer’s beliefs, feelings, and behavioral intentions toward some object within the context of marketing. A consumer can hold negative or positive beliefs or feelings toward a product or service. A behavioral intention is defined by the consumer’s belief or feeling with respect to the product or service.

Perhaps the attitude formed as the result of a positive or negative personal experience. Maybe outside influences of other individuals persuaded the consumer’s opinion of a product or service. Attitudes are relatively enduring (Oskamp & Schultz, 2005, p. 8). Attitudes are a learned predisposition to proceed in favor of or opposed to a given

object. In the context of marketing, an attitude is the filter to which every product and service is scrutinized.

The functional theory of attitudes, developed by Daniel Katz (1937) offers an explanation as to the functional motives of attitudes to consumers. Katz theorizes four possible functions of attitudes. Each function attempts to explain the source and purpose a particular attitude might have to the consumer. Understanding the purpose of a consumer's attitude is an imperative step toward changing an attitude. Unlike Katz's explanation of attitude as it relates to social psychology, specifically the ideological or subjective side of man consumer attitudes exist to satisfy a function (Katz, 1937).

The utilitarian function is one of the most recognized of Katz's four defined functions. The utilitarian function is based on the ethical theory of utilitarianism, whereas an individual will make decisions based entirely on the producing the greatest amount of happiness as a whole (Sidgwick, 1907). A consumer's attitude is clearly based on a utility function when the decision revolves around the amount of pain or pleasure it brings.

In insurances case, we can assume that the consumer is thinking at and balance the chances that exists that a risk occur in his/her field of activity and the consequences it brings. If the amount of pain and financial loses is bigger than the pain felt of losing the premium amount of money that it is paid for the insurance policy, this is to say that the consumer accepts the insurance and has a positive attitude in which concerns the insurance.

Changing a consumer's attitude towards a product, service or brand can be a challenge. Three attitude change strategies include: changing affect, changing behavior, and changing beliefs (Perner, 2010). Classical conditioning is a technique used to change affect. In this situation, a marketer will sometimes pair or associate their product with a liked stimulus. The positive association creates an opportunity to change affect without necessarily altering the consumer's beliefs. Altering the price or positioning of a product typically accomplishes changing behavior. In insurance, the deductibles and the marketing strategies in the domain have conditioned clients to be more opened to contract a policy of insurance that is less costly or is comprehensive and include more

risk in a single insurance and this lowers the price making the consumer more inclined to subscribe to such contract.

In a review of the specific literature on gender differences in business decision-making, Johnson and Powell (1994) argue that the research findings before 1980 were instrumental in establishing a dominant view that substantial gender trait differences exist in the nature and outcomes of management decisions involving risk. These studies suggest that women are more cautious, less confident, less aggressive, easier to persuade, and have inferior leadership and problem solving abilities when making decisions under risk compared to men, reinforcing stereotypical views that women are less able managers. Johnson and Powell (1994) re-examine the early business decision-making literature and conclude that the evidence on gender differences is no longer clear-cut.

Studies of insurance decision-making have also identified a lower degree of confidence amongst women in their ability to make decisions and in the out-come of these decisions Estes and Hosseini (1988).

Women had a lower risk preference and a higher degree of anxiety in financial decisions than men, plus a stronger desire to use financial advisers.

In which concerns moral hazard the difference between genders is not important, maybe because of the psychological factors like narcissism that make the person behave more irresponsibly. Suppose an insured individual behaves in a manner, which increase the probability of a loss from what it was before insurance was purchased. Furthermore suppose that the insurer cannot determine that the policyholder has changed his behavior in this way. When there is this type of asymmetric information between buyer and seller, then one has the condition known as moral hazard. There are good reasons for the presence of moral hazard (Estes and Hosseini,1988).

The risk aversion is related with risk perception and other psychological triggers that exist in the decisional process of the consumer.

Mark J. Browne and Kihong Kim (1993) said that perception is another lead factor in the consumer insurance decision. A perceptual set, also called perceptual expectancy or just

set is a predisposition to perceive things in a certain way. It is an example of how perception can be shaped by "top-down" processes such as drives and expectations. Perceptual sets occur in all the different senses. In insurance, perception is determined by culture, social development, education and informational background. That is why in poor country the perception of insurance is different by the one people have in developed countries.

Majority of policyholders think that insurance companies are good at collecting premiums and once one get into trouble they bring you a lot of issues in order to avoid paying claims. 'Insurance companies just collect your money. The perception is if one has an accident the company wants to get a police report or inform that one's policy does not cover this amount.

In the developed countries, people have a financial education and they are opened to having more than one insurance policy.

But what happens about the young perception in insurance? The perception and the attitudes of young people about the necessity of insurances it will be shown in the next survey.

## **2.2. Empirical Review**

An attitude in marketing terms is defined as a general evaluation of a product or service formed over time (Solomon, 2008).

Life insurance is a safeguard for family members if the major suppliers of income were to die and it was to grievously upset the common means for providing the basics of life. This does not include the burdens of financial expenses for burial, taxes, unplanned or emergency expenses, and furthered educational expenses for children or to have the spouse go back to school to become the primary breadwinner of the family. Life insurance is also not affordable when you are young and just starting out with a family and not always a main concern for the young. Most young people do not think about death or their mortality, and hence, they do not see a necessity for life insurance. As we grow older, our needs and wants to secure a financial future for our loved ones necessitate the need to evaluate all options for achieving this goal. The cost and

availability of features such as these could be a key issue in deciding which policy to accept (Solomon, 2008).

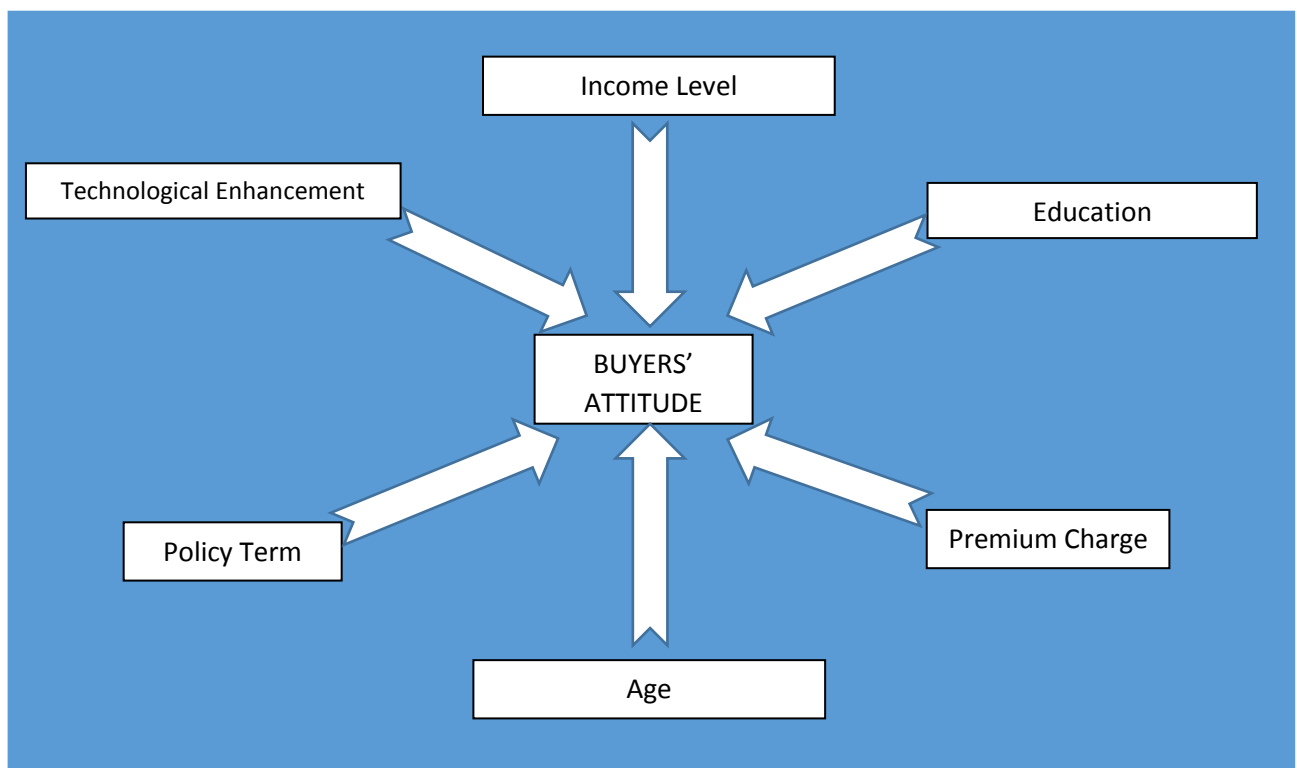
Consumer's attitudes are both an obstacle and an advantage in the decision process. Choosing to discount or ignore consumers' attitudes of a particular product or service, while developing a marketing strategy, guarantees limited success of a campaign.

Differences in attitudes depend also by the gender of decedents. The different features between men and women in the perception of risk and decisional process of making insurance. Women are more risk averse than men. Over an initial range, women require no further compensation for the introduction of ambiguity but men do. Differences appear also in which concerns risk taking, overconfidence and information processing. Perhaps the attitudes formed as the result of a positive or negative personal experience and by other psychological factors outside the common market manipulation (Solomon, 2008).

### 2.3. Conceptual Framework

This conceptual framework clarifies the concepts of the study and proposes dependency of the subject matter. It has been used for interpreting the study findings and explains observations found throughout the study.

The below framework shows the characteristics of consumers and arrangements of insurance that contribute to buyers' attitude in purchase of life insurance.





# **CHAPTER THREE**

## **RESEARCH DESIGN AND METHODOLOGY**

### **3.1. Research Design**

The methodology of this research is based on the following research process. The type of research carried here is descriptive research. It helps the researchers to develop concept more clearly, establish priorities, develop operational definitions and improve the final research design. It also saves time & money. The required data for the study was collected both from the primary and secondary sources. The primary data was collected from questionnaire and interview. The secondary data was collected from various sources like books, magazines, journals and websites. The primary data was collected through the interview schedule and questionnaire which was carefully designed and tested to analyze the degree of consumer behavior towards the life insurance. Sampling technique used here is non-probability convenience sampling method, which is purposive or deliberate reflection of a particular unit of the universe for constituting a sample.

A research design is a framework or blueprint for conducting the research. Research design in this research was flexible enough to provide details of procedures and method applied for collection and interpretation of relevant information. Therefore this study employed descriptive research design because it helps the researcher to acquire accurate, factual, systematic data that can provide with an actual picture.

### **3.2. Population, Sample Size & Sampling Technique**

#### **Population**

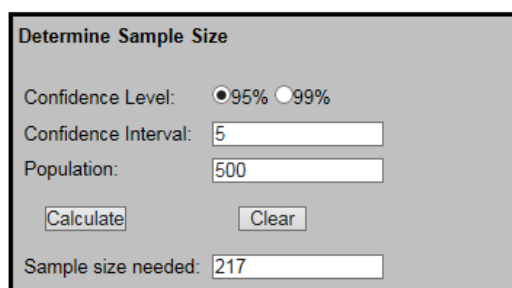
All the customers of Awash Insurance Company life insurance constituted the population of this study. The total number of active individual life policy holders is 500. The reason that the study focuses on customers of Awash Insurance Company who purchased life insurance is because it gives clear idea which group of the society has

become part of life insurance policy holders and this will help the study identify the demographic nature and other parameters.

### **Sample Size**

The sample size of this study is 217 respondents conducted among the customers of Awash Insurance Company. Online sample size calculator is used to determine the size of the sample with confidence level of 95% and confident interval of 5.

**Figure 3.1. Sample size calculator**



The image shows a screenshot of a web-based sample size calculator. The title is "Determine Sample Size". It features two radio buttons for "Confidence Level": "95%" (which is selected) and "99%". Below this is a text input field for "Confidence Interval" with the value "5". Another text input field for "Population" contains the value "500". There are two buttons: "Calculate" and "Clear". At the bottom, a text input field displays "Sample size needed: 217".

### **Sampling Technique**

Convenience sampling is used in descriptive research where the researcher is interested in getting an inexpensive approximation of the truth. As the name implies, the sample is selected because they are convenient. This nonprobability method is often used during preliminary research efforts to get a gross estimate of the results, without incurring the cost or time required to select a random sample.

### **3.3. Source of Data**

Data sources are broadly classified into primary and secondary data. In this research, both sources are used. Primary data was collected from selected policyholders through questionnaires while the secondary data was collected from books, magazines, journals, IRDA annual reports, statistical abstract and so on.

Primary data was required to know the level of knowledge of sample policyholders, about different schemes being offered by Awash Insurance Company to know the impact of knowledge for selection of a policy and so on to make this study qualitative.

Secondary data was required to study the nature, scope and various types of insurance policies being opted by policyholders, global insurance practices, development of insurance sectors in Ethiopia and global insurance practices in order to make this study

quantitative. The research was designed to find out the determinants of buying behavior and policyholders from Addis Ababa where major source of primary data for this study. The data will be collected very carefully as the data increases reliability, usefulness, validity, accuracy and importance of statistical analysis.

### **3.4. Data Gathering Instruments**

Data gathering instruments are processes by which the researcher collects the information needed to answer the research problem. This paper used two types of data collection instruments; paper based questionnaire and one to one interview with Life Insurance policyholders of Awash Insurance Company.

Questionnaire: a series of questions designed to elicit information, which is filled in by all participants in the sample. It is used for this research because with less time the researcher will be able to gather data from a widely scattered sample.

Interview: this involves either structured or unstructured verbal communication between the researcher and subject, during which information is obtained for a study.

### **3.5. Procedure of Data Gathering**

The questionnaire (schedule): The primary data was collected by personally interviewing executives with the help of a structured schedule consisting many questions. Where interviewing personally was not possible or allowed, these questionnaires were distributed to the policyholders. The questionnaire consists of open or closed ended questions. The data was collected by means of a self-administrated questionnaire, which was developed in the following stages:

- (a) Identifying variables and developing first draft.
- (b) Content validity: Check the meaning and purpose of each questions
- (d) Finalizing the questionnaire
- (e) Reliability check: Whether the questionnaire is relevant to the objective

### **3.6. Methods of Data Analysis**

As data means raw information collected from different sources. This raw information needs filtrations in order to convert in to relevant information having been compiled, edited and coded i.e. it has to pass through a process of analysis and has to be interpreted

accordingly before their meaning and implications are understood. Various statistical techniques like factor analysis that is represented by graphical measure and tabular presentations, mean and standard deviation are used for analysis were used for drawing the inferences to present conclusions about the relationships.

In this context, a survey type of analysis was used for the survey method, subjects respond to a series of statements or question in questionnaire or an interview. The survey targets a population of Awash Insurance Company life insurance consumer groups. Though there might be large population in the area of life insurance, our focus group will target a sample, which is part of the population that represents the whole.

Both questionnaires and interviews will include **open-ended questions** (allowing the subjects to respond freely), or **close-ended questions** (including a selection of fixed responses).

### **3.7. Ethical Considerations**

In this paper, ethical standards have been kept to prevent fabrication and falsifying of data. During data collection, ethical behavior also maintained for collaborative work to encourage trust, accountability and mutual respect among researcher and respondents.

# CHAPTER FOUR

## DATA PRESENTATION, INTERPRETATION AND ANALYSIS

### 4.1. Introduction

The main objective of this study is to investigate buyers' attitude towards life insurance policy purchase by conducting a survey with a sample size of 217 buyers from Awash Insurance Company. From the total sample undertaken, the number of respondents is only 196 (90%) and the rest which are not returned constitute 10% or 21 in number.

The data thus collected and plotted in various tables and then they are edited, coded, and tabulated. Statistical tools such as percentage analysis, graph measures are used for analysis.

### 4.2. Reason for Purchasing Life Insurance

From the responses of 2.11, we can understand that most of the respondents consider life insurance as both investments and savings. Out of 196 respondents 152 use life insurance for growth as well as money safety. This number constitutes 77% of the total response. The rest chose one of them.

Bearing this in mind, the research attempted to know the driving force for the customers to get life insurance protection. For the question 2.10 respondents provided different motives which is depicted in the below table.

Table 4.1 Summary of total count and percentage of respondents by driving force and marital status.

Driving force	Marital Status		Total	Percentage
	Married	Unmarried		
Claim guarantee for beneficiaries	95 (48.47%)	38 (19.38%)	133	67.85%
A simple and quick application process	6 (3%)	25 (12.75%)	31	15.81%
Cover for previous illness	13 (6.6%)	19 (9.69%)	32	16.32%
Total	114	82	196	100%

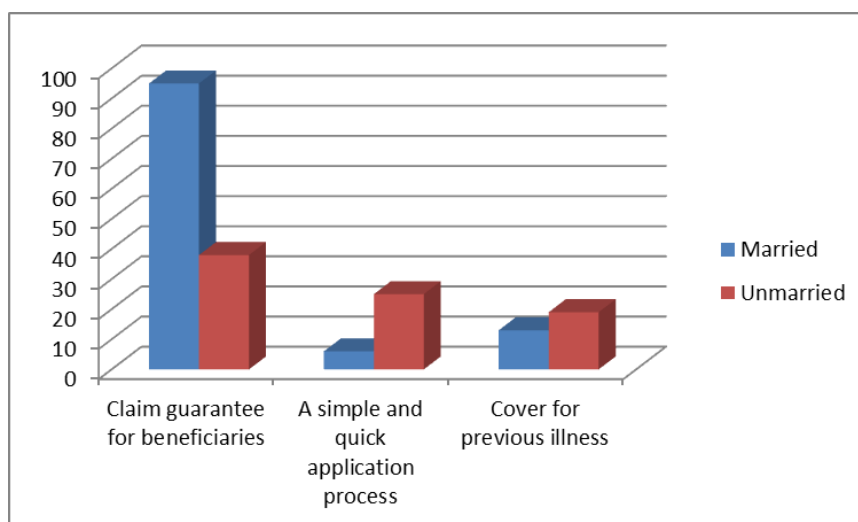
Source: Own survey (2017)

The above table confirms that most of the respondents 133 out of 196 (67.85%) purchase policy of life insurance for claim guarantee for beneficiaries in case of death

rather than getting immediate or short-term benefit. 16.32% of the respondents consider life insurance because they have been covered for their previous illness. The rest 16% of respondents motivated to purchase life insurance for simple and quick application process.

This study tried to investigate the relationship between the driving force for securing life insurance protection and marital status. It gives incredible insight that married people mostly prefer to have “Claim guarantee for beneficiaries” than unmarried people. In the other hand, unmarried people tend to be motivated for the other reasons, “simple and quick application process” and “cover for previous illness”.

**Figure 4.1. A graph that shows distribution of respondents by driving force for life insurance purchase and marital status**



### 4.3. Characteristics of Respondents

In the first part of the questionnaire, it has been tried to identify the demographic characteristics of the respondents which is one of the main factor that affect buyers’ attitude towards purchase of life insurance.

**Table 4.2. Age and Sex Characteristics of Respondents**

Age Range	Sex				Total
	Male		Female		
	Count	%	Count	%	Count (%)
20-30	13	6.63%	10	5.10%	23
31-40	42	21.42%	25	12.75%	67
41-50	56	28.57%	12	6.12%	68
51-60	34	17.34%	4	2%	38
61 & above	0	0	0	0	0
Total	145	73.96%	51	25.97%	196 (100%)

**Source: Own survey (2017)**

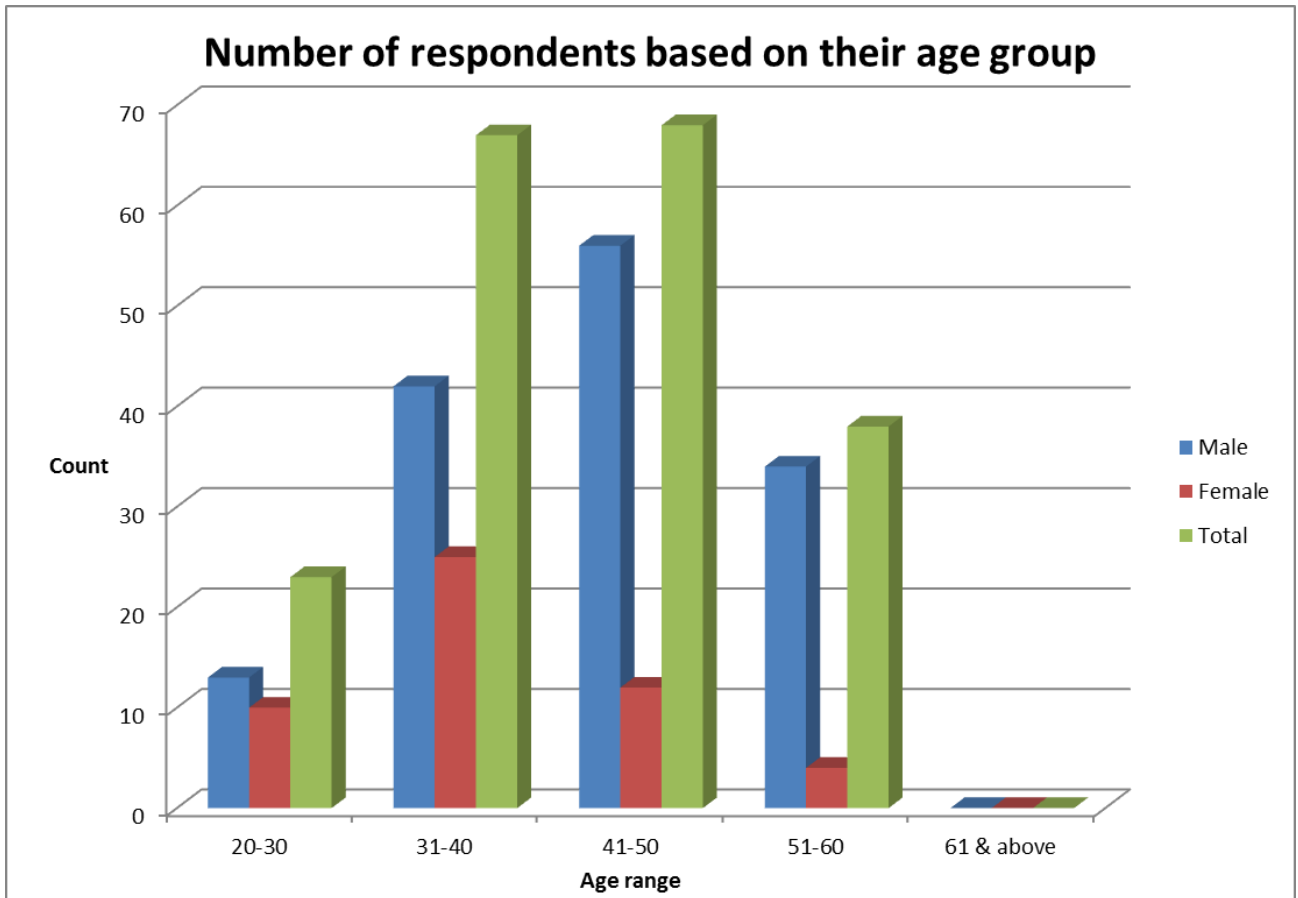
**4.3.1. Do Age and Sex difference contribute to the buyer’s attitude towards purchase of life insurance?**

As we can see in the table above male buyers of life insurance are in large numbers, 145 (73.96%) than female buyers which is 51 (25.97%). In terms of age range, those male buyers of age 31-50 and female buyers of age 31-40 constitute considerably higher proportion of life insurance policy buyers 98 (50%) and 25 (12.75%) respectively.

For both genders, as their age increased and in the early ages the policy buyers of life insurance becomes less and less.

It can be seen in this survey that without sex differentiation majority of life policy insurance holders are within the age group of 31-50 which amounts 135 (68.87%).

Figure 4.2. A graph that shows count of age group in consumption of life insurance considering both male and female.



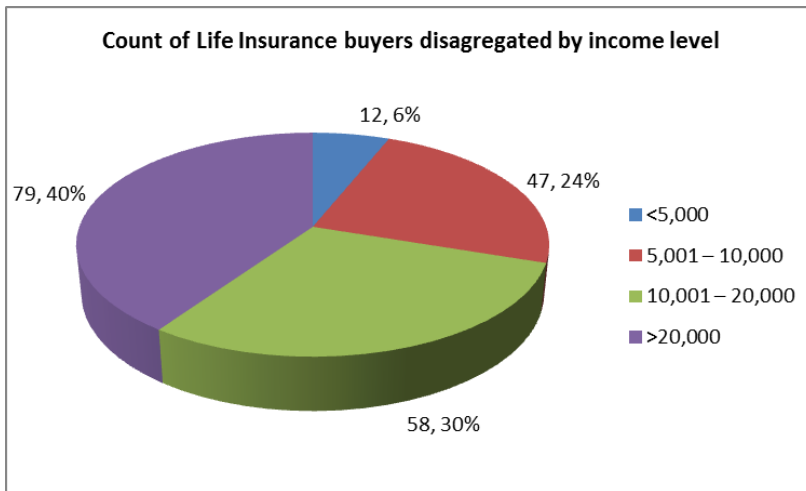
#### 4.3.2. Does income level affect buyers' attitude towards purchase of life insurance?

The survey in the above table shows that income level is significantly affecting the buyers' attitude towards the purchase of life insurance. It shows that as the income increases there is a higher tendency of buying life insurance. However, individuals may tend to ignore getting life insurance with a possible explanation of giving priority to other basic life necessities.

Respondents with an income level more than 20,000 Birr constitute 40% of the total life insurance policy holder in the sample. Those with less than 5,000 Birr income level constitute only 6% of the purchase of total life insurance purchase.



Figure 4.3 A graph that shows count of life insurance buyers by income level

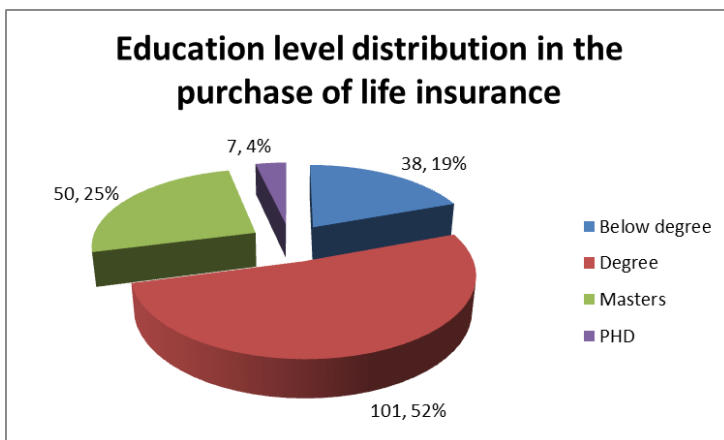


4.3.3. Does the education level affect the attitude of life insurance buyers’?

The distribution of life insurance buyers differ according to their education level. We can observe this distribution in the below graph.

It explains that as long as people reach to level of better understanding to the benefit of life insurance they tend to purchase. The above table shows, those individuals that hold first degree contribute the highest number, 101 (51%) of life insurance purchase. People with Master’s degree contribute 25% of the total purchase. Though we have inclined to conclude that as educational level increases, the attitude towards purchase of life insurance increases, the fact that less people reach that level of education, the number shows smaller.

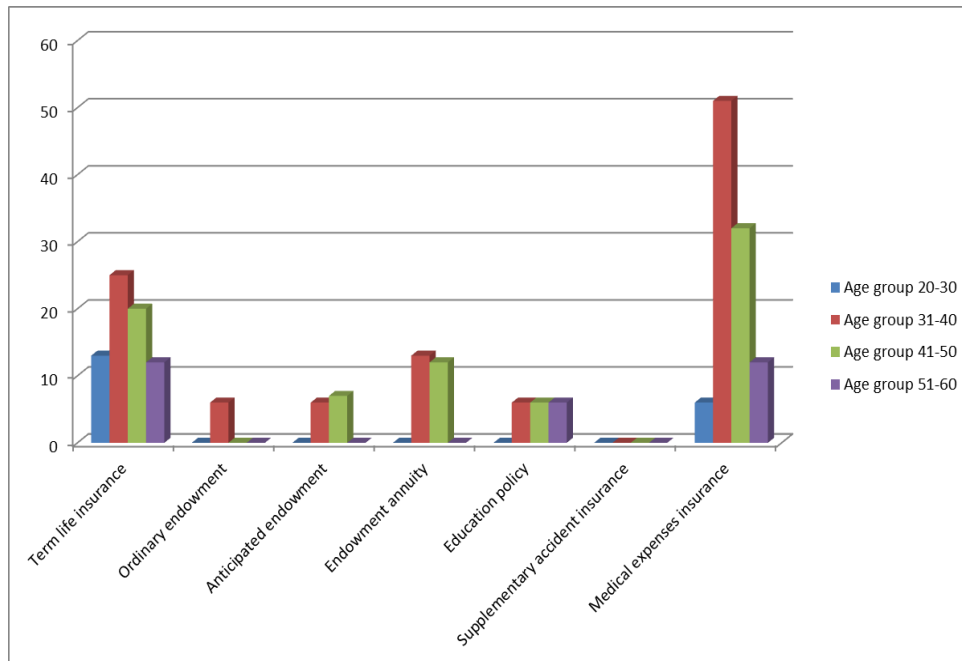
Figure 4.4 A graph that shows purchase of life insurance distributed by education level



#### 4.3.4. What are the types of life **insurance** preferred by most customers?

There are a number of different kinds of life insurances available to customers. Awash Insurance Company adopted seven of them and provided for purchase. Users' choice from various types is indicated in the above:

Figure 4.5 A graph that shows distribution of different types of life insurance by age group



#### 4.4. Opinion survey on parameters affecting buyers' attitude

It is very important for our study to analyze the most important parameters that affect attitude of buyers in life insurance purchase. In the questionnaire, it has been tried to get sufficient answer for this question as analyzed in the below table:

**Table 4.3 Summary of total count of opinion survey for parameters considered to affect buyers' attitude.**

Parameters considered	Highly Important	Important	Neutral	Least Important	Not important
Premium charges	150 (76%)	33 (16%)	0	13 (6%)	0
Policy term	131 (66%)	58 (30%)	7 (4%)	0	0
Rider benefits	20 (10%)	111 (56%)	52 (26%)	13 (6%)	0
Bonus and interests	32 (23%)	65 (33%)	65 (33%)	20 (10%)	14 (7%)
Pre and post services	46 (24%)	46 (24%)	58 (30%)	46 (24%)	0
Accessibility	52 (26%)	78 (40%)	46 (24%)	20 (10%)	0
Company image	39 (20%)	92 (47%)	52 (26%)	13 (6%)	0

	Premium charges	Policy Terms	Riders Benefits	Bonus and Interests	Pre and Post Services	Accessibility	Company Image	Total
Mean	4.63	4.63	3.70	3.41	3.47	3.83	3.80	3.92
Std. Deviation	.796	.553	.740	1.099	1.093	.939	.833	0.86
Sum	908	908	726	669	680	750	745	

**Source: Own survey (2017)**

As per the statistics premium charges has shown highest std.deviaton from the mean which indicates the premium charges to be the top factors.

We can categorize the parameters specified in the above table into two. Those parameters related to the policy itself are premium charges, policy term, rider benefits, bonus and interests. We can see from the responses that out of 196 respondents, 150 of them or 76.5% indicated premium charge is highly important and 33 of them or 16.8% just important where 183 responses out of 196 or 93.4% indicated that premium charges are important in affecting buyers' attitude towards purchase of life insurance.

If we take policy term, 189 out of 196 or 96.4% of respondents believe that terms of life insurance policy are very important for buyers' consideration to decide in the purchase of life insurance.

Rider benefit is also one of the parameters checked by consumers. 131 out of 196 or 66.8% of the respondents indicated that rider benefit is important to be considered as one of the checklist.

There is another element in the questionnaire called Bonus and interest that might affect consumers' decision to purchase life insurance. 50% of respondents or 97 of the total 196 indicated bonus and interest are important to be checked for decision making.

The second part of parameters can be categorized into service delivery. In this category, 53 responses out of 196 which constitute 21.2% consider service delivery in the process of purchase of life insurance is important.

Pre and post services are to be categorized under service delivery where 92 out of 196 or 47% of the respondents believe it is important to consider for buyers to purchase life insurance policy.

Significant number of respondents which are 130 out of 196 or 66.3% indicated that accessibility is one of the important factors that affect buyers' attitude towards purchase of life insurance.

The other factor that indicated to be important by 67% of respondents or 131 out of 196 is company image. It seems very important for buyers to know first the image of the insurance company before deciding to purchase life insurance.

#### **4.1.1. Competencies of Awash Insurance Company that influence attitude of buyers**

The below table presents the responses for the components that affect the competency of Awash Insurance Company in terms of affecting the attitude of buyers towards purchase of life insurance.

**Table 4.4 Summary of total count for competencies of Awash Insurance Company**

Competencies considered	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
Policies/plans of AIC are superior to or more attractive than other insurance companies	51(26.02%)	76(38.77%)	63(32.14%)	6(3.06%)		196
Flexible products/ new products that meet customers' needs	25(12.75%)	63(32.14%)	64(32.65%)	37(18.87%)	7(3.57%)	196
Provides information/details about service innovations on a regular basis through post, telephone, banks etc.	44(22.44%)	82(41.83%)	32(16.32%)	38(19.38%)		196
Premium paid is too low as compared to the benefits derived	13(6.63%)	44(22.44%)	63(32.14%)	76(38.77%)		196
Enhancement of technological capability (e.g. computerization, networking of operation, etc.) to serve customers more effectively	101(51.53%)	32(16.32%)	25(12.75%)	32(16.32%)	6 (3.06%)	196
Agents and employees who have the proper knowledge and competence to answer customers' specific queries and requests	38(19.38%)	70(35.71%)	19(9.69%)	69(35.20%)		196
Provides customer feedback card system for their level of satisfaction with the services of the insure	19(9.69%)	76(38.77)	63(32.14%)	38(19.38%)		196
High rate of return on insurance products as compared to the other saving instruments like fixed deposit in banks.	19(9.69%)	63(32.14%)	45(22.95%)	57(29.08%)	12(6.12%)	196

	Policies/Plans of AIC	Flexible Products	Provides information	Premium paid is too low	Enhancement of technology	Agents who have proper knowledge	Provides customer feedback card	High rate of return	Total
Mean	3.88	3.32	3.67	2.97	3.97	3.39	3.39	3.10	3.46
Std. Deviation	.832	1.034	1.031	.939	1.256	1.156	.907	1.114	1.033
Sum	760	650	720	582	778	665	664	608	

**Source: Own survey (2017)**

Let's look at each parameter where we could evaluate AIC competency in the insurance market.

***Policies/plans of AIC are superior to or more attractive than other insurance companies.***

For the above argument, 127 respondents agree that policies of AIC are more attractive than other similar insurance companies. This number constitutes to 89.7% of the total responses.

***Flexible products/ new products that meet customers' needs***

Concerning flexibility of products that meet customers' needs, only 88 out of 196 or 45% respondents agree that AIC is ahead of other companies.

***Provides information/details about service innovations on a regular basis through post, telephone, banks etc.***

Out of the total 196 respondents, 126 or 64% agree that AIC provides information about service innovations to increase its acceptability in the market.

***Premium paid is too low as compared to the benefits derived***

Contrary to other responses, most participants in this survey disagree with the statement that premium paid is too low in AIC compared to other insurance companies. 76 out of 196 or 39% of them are not convinced.

***Enhancement of technological capability (e.g. computerization, networking of operation, etc.) to serve customers more effectively.***

One of the statements most respondents agree on is the fact that technology enhancement playing vital role in shaping buyers' attitude towards the purchase of life insurance. 133 out of 196 or 68% of participants agree on the above statement.

***Agents and employees who have the proper knowledge and competence to answer customers' specific queries and requests.***

For the argument whether agents and employees plays good role in bringing buyers of life insurance, 108 out of 196 or 55% agree with the idea.

*Provides customer feedback card system for their level of satisfaction with the services of the insurance.*

48% of the participants agree with fact that AIC provides customer feedback card system to measure their level of satisfaction.

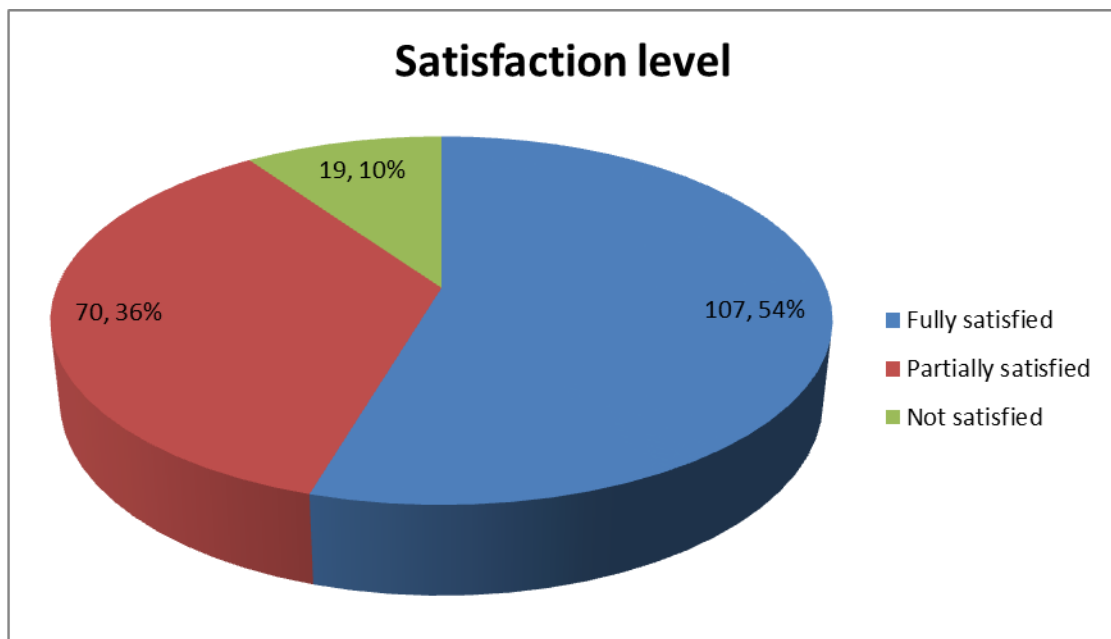
*High rate of return on insurance products as compared to the other saving instruments like fixed deposit in banks.*

However, there are a lot of disagrees for the above statement. 35% of respondents which is huge number do not agree that AIC has high rate of return.

#### **4.1.2. What is the level of satisfaction in the provision of life insurance in the case of Awash Insurance Company?**

From the above figures we can understand that though the sample shows 54% of the correspondents feel that they are full satisfied with the overall life insurance provision, there is a significant number of respondents, 70 out of 196 or 36% who have issues or partially satisfied. This analysis suggests that there is so much to be done to change the service delivery in this area.

Figure 4.6 A graph that shows count and percentage of satisfaction level of AIC consumers



# **CHAPTER FIVE**

## **SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION**

### **5.1. Summary of Findings**

This section of the study addresses the findings, conclusions and recommendations based on the results of data analysis of chapter four.

In this thesis, it has been tried to get detail understanding of the buyers' attitude towards life insurance purchase. The responses for the questions presented to consumers of Awash Insurance life insurance section have been analyzed and the findings revealed in the analysis section have provided insight to those points raised in the first chapter of this study.

In the case of Ethiopia as a whole and Awash Insurance Company in particular, it is one of the findings that gender and age difference have an effect in the decision of life insurance purchase. The study shows that there is high consumption by male population than female. The same way life insurance purchase is not common in the younger generation as compared to the consumption by the age group of 31 and above.

It has been tried to describe the intention of life insurance buyers during its purchase. Three categories have been identified that could be the most likely options. One is claim guarantee for beneficiaries where most of married group of the target population chose. The other two possible intention that consumers consider are simple & quick application process and cover for previous illness. Unmarried consumers compared to the previous intention mostly choose these.

What can be drawn from the participants response is that income level, education, high premium charge, unattractive policy term and little rider benefits are some of the barriers for the contribute for small number of life insurance penetration. Though they have different degree of influence, each parameters play vital role if they can be dealt with better attention.



It could be observed that people with high income category of the population are more involved in purchase of life insurance than those in low income categories even though their education status and their understanding is higher. Policy terms are also very important to attract people who want to use life insurance as investment or saving which is one of the other advantages.

In terms of competency, the analysis shows that enhancement of technological capability (e.g. computerization, networking of operation, etc.) to serve customers more effectively is the factor that increase AIC's competitiveness. The researcher has come to understand that the recent implementation of computerization project in the company has improved staff efficiency and management decision-making process because it brought integration among different functions of the organization. In the other hand, the respondents believed that providing customer feedback card system for their level of satisfaction with the services of the insurance does not contribute much to its competency.

## **5.2. Conclusion**

The purpose of this thesis is to describe the characteristics of buyer's attitude towards purchase of life insurance in the case of Awash Insurance Company. Based on the findings from the analysis and interpretation of collected questionnaire data, this study came to conclude the below points.

One of the research questions was whether the demographic and economic structure of consumers (age, sex, educational status and income level) contributes to their attitudes towards purchase of life insurance. The survey shows that male buyers contribute much of the policy purchase than female and in both male and female, certain age group which is known to be adulthood constitutes the highest number of consumption of life insurance.

The income level and educational status also found to influence in decision of buyers towards purchase of life insurance.

In the questionnaire, it has been tried to reflect the intention when buyers purchase life insurance from Awash Insurance Company. The result shows that most married consumers of life insurance intended to have the policy for "Claims guarantee for beneficiaries" with possible reason that they get it for their dependents.

To answer the basic question in this study, which asks, what the main barriers are in purchasing life insurance, the collected data interpreted to provide enough evidence.

From the survey result, it can be concluded that the barriers in purchasing life insurance includes but not limited are lack of education, high premium charges, lack of awareness to various types of life insurance.

### **5.3. Recommendation**

From the above conclusions, we can infer some recommendations that can positively affect the buyers' attitude and intention towards life insurance purchase.

- Low level of female buyers is an indication of the untapped potential that Awash Insurance Company can work on through developing policy options that benefit women so that they can be attracted towards getting life insurance policy.
- It has also been observed education as a barrier in decision making to purchase life insurance policy. There is great expectation from insurance company to provide their policy detail in great clarity to be understood by all levels of society in terms of education.
- To be competitive in the industry and to encourage the public explore the benefits of life insurance, Awash Insurance Company needs to lower its premium charge and increase rider benefits. Once the vast majority of population attracted to the terms, then the company can adjust the premium charges to get its fair profit.

## References

- (1) Ahuja (2012), People's Attitude Towards Life Insurance: *Pakistan Journal of Social Sciences (PJSS)*, Vol.35, No. 2, pp 1073 – 1083.
- (2) Ajzen I. and Fishbein M. (1980), Understanding of Attitudes and Predicting Social Behavior.
- (3) Awash Insurance Company S.C (2001), Life Insurance Policy Documents
- (4) Black M. and J.F. Finlay, et al (2009) Life Insurance Execution
- (5) Benedek (2012), Three Approaches of Life Insurance
- (6) Brassington and Stephen Pettitt (2003), Principles of Marketing, :  
*Published by Financial Times Management.*
- (7) Dhar (1997), Greenleaf and Lehmann (1995), Tversky and Shafir (1992 )  
Influence of Product Variety on Brand Perception and Choice.
- (8) Daniel Katz (1937), Attitude Structure and Function, *Publisher Lawrance Eribaum Associates.*
- (9) Estes and Hosseini (1988). *The Journal of Psychology, Interdisciplinary and Applied*, Volume 122, issue 6.
- (10) Fikru Tsegaye (2013), Life Insurance Consumption and Potential in Ethiopia Research Paper.
- (11) Henery Sidegwick (1907), *The Methods of Ethics*, 7<sup>th</sup> edition
- (12) Hershey and Schoemaker (1980), Insurance Demand Under Ambiguity and Conflict for Extreme Risk.

- (13) Johnson and Powel (1994), Gender Differences in Business Decision Making, *British Journal of Management*, Volume 5, pages 85-162.
- (14) Kotler (1973), Marketing Management 12<sup>th</sup> Edition
- (15) Kahneman & Tversky (1979), Prospect Theory: *An Analysis of Decision under Risk*.
- (16) Kunreuther (1979), Decision Making Under Risk Applications to Insurance Purchase. *Published in Advances in Consumer Research* Volume 19, P. 177-181.
- (17) Risk Ambiguity and Insurance, *Journal of Risk and Uncertainty* (April, 1989), Volume 2 issue 1, P. 5-35.
- (18) Lars Perner (2010), Understanding Consumers Attitude, *Journal of Marketing Management*, Vol. 2 Published by American Research Institute for Policy Development.
- (19) Mark J. Browne and Kihong Kim (1993), An International Analysis of Life Insurance Demand, *The Journal of Risk and Insurance*, Vol. 60, No. 4, P. 616-634.
- (20) Mehr and Cammack (1976), Buying Behavior of Consumer towards Life Insurance 6<sup>th</sup> edition.
- (21) Solomon (2008), Consumer Behavior 12<sup>th</sup> edition.
- (22) Pareto (2014), Life insurance and Group personal Accident (GPA) Insurance.
- (23) Gründl et al. (2005) *Demographic Risk in Life Insurance Companies*.

- (24) Sigma (2014), Life Insurance Awareness, Vol.2, No.3, P.61-89
- (25) Corrigan and Combs (1977), Human Perception and Performance,  
*Journal of Experimental Psychology*: Vol.3 no. 522-564.
- (26) Stephen Diacon (2004), Investment Risk Perception, Centre for Risk and  
Insurance Studies, Nottingham University.
- (27) Stuart Oskamp (2005), Attitudes and Opinions 3<sup>rd</sup> edition.
- (28) Sidgwick (1907), The methods of Ethics 17<sup>th</sup> and last edition
- (29) Zecharias (2010), Buyers' Attitude Towards Life Insurance Policy Purchase.

**Website source**

Online sample size calculator: <https://www.surveysystem.com/sscalc.htm#two>

**Appendix**  
**ST. MARY'S UNIVERSITY**  
**School of Postgraduate Study**

**Questionnaire for the study of buyers' attitude towards life  
insurance purchase in the case of Awash Insurance Company S.C.**

**Respondents: Life Policy holders of Awash Insurance Company**

Dear Respondents,

The purpose of this questionnaire is to collect primary data for conducting a study on the topic, "Buyers' attitude towards Life Insurance purchase in the case of Awash Insurance Company S.C." as partial fulfillment to the completion of the master's program in MBA-General at St. Mary's University. In this regard, I kindly request your time to provide me with reliable information so that the findings of this study would meet the intended outcome. I strongly assure you for the confidential treatment of your answers. I would like to thank your voluntary participation for the success of my research study.

Direction

- No need to write your name,
  
- If you have any question, please contact me on 0912-00 85 82.

**Part I: Biographical data and Insurance experience**

Instruction: Please put tick mark (**v**) on one box for each question, and write on the blank spaces provided

**1 Personal Information**

**1.1 Gender**

Female

Male

## 1.2 Age

- 20-30 years
- 31-40 years
- 41-50 years
- 51-60 years
- 61 and above

## 1.3 Educational level

- Below Degree
- Bachelor's Degree
- Master's Degree
- PHD (Doctorate)
- Other, specify \_\_\_\_\_

## 1.4 Marital status

- Married
- Unmarried
- Divorced

## 1.5 No of children

- 0
- 1
- 2
- 3
- More than 3

## 1.6 Occupation

- Student
- Service
- Self-Employed



Others

### 1.7 If you are employed, who is your employer

Private company

Share holdings

International Non-government organization

Government organization

others

### 1.8 In which income groups are you represented.

Less than 5000 Birr

5,000 – 10,000 Birr

10,000 – 20,000 Birr

Greater than 20, 000 Birr

## 2 Insurance Experience

### 2.1 For how many years have you stayed with the insurance

One year to five years

Five years to ten years

More than ten years

### 2.2 If you have purchased life insurance, what is the type of life insurance product?

Term life insurance:

Ordinary endowment,

Anticipated endowment,

Endowment annuity,

Education policy.

Supplementary accident insurance

Medical expenses insurance

2.3 Total number of policies bought

- One
- Two
- More than two

2.4 What kind of investment do you prefer?

- Short term
- Long term
- Both

2.5 What criteria have you set to choose insurance company for your life insurance?

- Good service
- Publicity
- Because of the agents
- Characteristics of the product
- Others, \_\_\_\_\_

2.6 How do you prefer to buy life insurance?

- Through insurance agents
- Direct from the company
- Online
- Others, \_\_\_\_\_

2.7 What is the current state of your life insurance?

- The policy is still running
- The policy is cancelled

2.8 Do you feel protected having an insurance?

- Yes
- No

2.9 What is your satisfaction level towards application process and claims handling in terms of Life Insurance?

- Fully satisfied
- Partially satisfied
- Not satisfied

2.10 What was the driving force for you to get life insurance protection?

- Claim guarantee for beneficiaries
  - A simple and quick application process
  - Cover for previous illness
- Other, please specify \_\_\_\_\_

2.11 Do you consider Insurance as an Investment option or as a Savings option?

- Investments – I want my money to grow
- Savings – I want my money to be safe
- Both – I want my money to be safe as well as grow

2.12 During application process, how many questions it would be reasonable to answer

- Up to 10
- 11 to 20
- 21 to 30
- 31 to 40

2.13 What information do you think is reasonable for insurance company to access your personal data?

- Full medical records of the consumer and get best possible price
- Brief report of the consumer's health status
- Do not get any evidence at all

2.14 Are you satisfied with the quality service delivery and benefits of life insurance?

Yes

No

2.15 What do you think are the reasons for others like friends, family members, work colleagues, not buying life insurance (you can choose more than one answer)

Haven't heard before

Lack of awareness about its benefits

It is too expensive

The benefits are not attractive enough

Don't have time to process

Other, please specify \_\_\_\_\_

2.16 Where do you like to invest your money?

In Banks

In Insurances

On Business

## Part II: Opinion survey

Please read each statement carefully and indicate the degree of your agreement on the statements by putting a **tick mark (✓)** in the boxes against each rating scale. The rating scales are as follows:

For the question 2.17

**5=Highly Important, 4=Important, 3=Neutral, 2=Least Important, 1=Not Important**

For the question 2.18

**5=Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree, 1=Strongly Disagree**

2.17 What parameters you have looked into at the time of buying policy from AIC?

Parameters considered	Highly Important	Important	Neutral	Least Important	Not important
Premium charges					
Policy Term					
Rider Benefits					
Bonus and Interests					
Pre & Post Services					
Accessibility					
Company Image					

If any others, please specify

---

---

---

---

2.18 Please indicate your answers for the below questions by putting  in the box provided

Parameters considered	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Policies/plans of AIC are superior to or more attractive than other insurance companies					
Flexible products/ new products that meet customers' needs					
Provides information/details about service innovations on a regular basis through post, telephone, banks etc.					
Premium paid is too low as compared to the benefits derived					
Enhancement of technological capability (e.g. computerization, networking of operation, etc.) to serve customers more effectively					
Agents and employees who have the proper knowledge and competence to answer customers' specific queries and requests					
Provides customer feedback card system for					

their level of satisfaction with the services of the insure					
High rate of return on insurance products as compared to the other saving instruments like fixed deposit in banks.					

If any others, please specify

---



---



---



---

Thank you!