# ST MARY'S UNIVERSITY
# SCHOOL OF GRADUATE STUDIES
# MBA-Accounting and Finance

## (Graduate Program)

**The Opportunities and Challenges of Life Insurance Growth in Ethiopia**

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**A Thesis Submitted to the School of Graduate Studies of St. Mary's University in Partial Fulfillment of the requirements for the Degree of Master in Business Administration in Accounting and Finance**

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**Addis Ababa**

# Declaration

I, the undersigned, declare that this thesis is my original work, has not been presented for degree in any other university and that all sources of materials used for the thesis have been duly acknowledged.

Declared by:  Confirmed by                                        Advisor:

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Place and date of submission: St. Mary's University, May, 2017

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# Certification

This is to certify that Faji Tesfaye Daba has carried out his research work on the topic entitled "**The Opportunities and Challenges of Life Insurance Growth in Ethiopia**". The work is original in nature and is suitable for the submission for the reward of MBA Degree in Accounting and Finance.

**Advisor: Arega Seyoum (PhD):**_____

# St. Mary's University

# School of Graduate Studies

# MBA- Accounting and Finance

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**By**

**Faji Tesfaye**

**Approved by the Board of Examiners:**


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**Advisor**                                        **Signature**


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Next to none, I am most grateful to the Almighty God who guided me through His infinite mercy and loves me throughout my life.

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# Acronym & Abbreviations

AEI -Association of all Ethiopian Insurers

EIC - Ethiopian Insurance Corporation

IMF -International Monetary Fund

G.C – Gregorian calendar

GDP - Gross Domestic Product

GWP – Gross written Premium

NBE - National Bank of Ethiopia

NICE -National Insurance Company of Ethiopia

# Abstract

*The study aimed at identifying and analyzing the opportunities and challenges on growth of life insurance business in Ethiopia. It was focused on the growth of life insurance within respect of gross written premium of all life insurance companies in Ethiopia. There are 17 insurance companies in Ethiopia and out of these, out of these 9 were composite insurance companies (offering both Life and general insurance) for the year 2017. The study was focused on 5 registered life insurance companies. Regarding the research methodology, purposive sampling technique was used in selecting respondents. study have been obtained from both primary and secondary sources. The insurance company and staffs are selected from each company and making a total of 100 respondents. A structured survey questionnaire was administered by the researcher. Data were collected from respondents and the collected data were analyzed using descriptive statistics from the result of the study having high number of population and growth of country's economy were the major opportunities for life insurance business while the culture are depend on religion rather than insurance,  having low income and lack of awareness were the main challenge for the growth of life insurance business in Ethiopia. The insurance companies should work hard (on creating awareness, trust and train manpower) and set the reasonable price. This study concludes with a discussion of findings as well as recommendations for further research in the area.*

***Key Words**, Insurance, Life insurance, growth opportunities, challenges*

# CHAPTER ONE

# 1. INTRODUCTION

## 1.1 Background of the Study

Modern insurance activity in Ethiopia started in 1905, where the Bank of Abyssinia was operating as an agent to a foreign insurance company and began underwriting fire and marine insurance policy. In 1923 the first insurance company was established in Addis Ababa by a company called La.Balois. This was followed by other foreign insurance companies that posted their agents in Addis Ababa. During the Italian evasion the activity was undertaken by their companies, and immediately after the end of the invasion insurance companies from Europe continued to run the business (SuheyliReshid, (2012)).

After the military government that came to power in 1974 put an end to all private insurance companies. Then all insurance companies operating were nationalized and from January 1, 1975 onwards the government took over the ownership and control of these companies & merged them into a single unit called Ethiopian Insurance Corporation. In the years following nationalization, Ethiopian Insurance Corporation became the sole operator.

After the change in the political environment in 1991, the proclamation for the licensing and supervision of insurance business heralded the beginning of a new era. Immediately after the enactment of the proclamation in the 1994, private insurance companies began to increase. Currently, there are many insurance companies in operation. One public owned and other private insurance company (Abate, G. (2012).

Life is the most prized gift of nature, which is a full of risk and uncertainties. Since we are human being we have certain responsibilities to minimize these risks.

Insurance is a social device, in a group of individuals called "insured's" transfer risk to another parts called "the insurer" which provides for payment of losses premiums (fund contributed) by all member who transferred risk.

Life insurance is a contract between a policy owner and the insurer, which the insurer agrees to pay a designated sum of money upon the occurrence of the policy owner's disability due to accident and aging, death or other events and the policy owner agrees to pay a fixed amount to the insurer a designated interval (policy period) Mekonnen G. (2015).

Life Insurance provides dual benefits of saving and protection. Makau(2013) pointed out the life insurance industry also contributed to the development of the Gross Domestic Products (GDP) of the country. Insurance business in general and life insurance in particular has not yet developed in Ethiopia.

As of June 30, 2012, insurance branch to population ratio in Ethiopia was 1:334,608, insurance density (premium/population) reached birr 44.2 per person and insurance penetration (premium to GDP) registered less than 1%, 0.61%. This shows that significant portion of the total population has limited access to insurance services, especially the issue is worse in life insurance (Fortune News Paper, April 14, 2013, Vol. 13, No. 676).

The performance of life insurance industry in Ethiopia seems to be poor yet the industry's importance economic development is vital. Life insurance provides employment opportunities through its marketing and distribution networks such as direct insurance companies, insurance brokers, insurance sales agents, loss assessors and risk managers.

Life insurance products are important vehicle that encourage long-term savings that could be channeled to investment in both private and public sector projects. Because life insurance products offer a means of disciplined contractual saving, they have become effective as instrument for encouraging substantial amounts of savings, competing with other forms of saving (like bank deposits, securities, and other contractual savings) in the market in many countries around the world (Beck & Webb, 2002).

Therefore, the aim of the present study is to identify and analysis the major challenges and opportunities of life insurance business in Ethiopia. In particular, the study focuses focus in identifying the main reasons for citizens or insurance users to give little or no

response to life insurance; and in general, for the slow market penetration of the business in the country. Accordingly, it will help to fill the gap in knowledge and might help as a supporting document for those interested.

## 1.2 Statement of the Problem

The life insurance market in Ethiopia is very small. The loss of income following the premature death of the main income earner of a family may result in terrible financial consequences to the surviving family members. Life insurance allows potential financial loss resulting from the death of the insured to be alleviated through the payment of specified benefits.

Makau (2013) pointed out that life insurance industry also enhances economic activities and contributes to the development of the nation's gross domestic product (GDP). However, the development of life insurance business in Ethiopia is at its lowest stage. According to NBE's report, the life insurance sector in Ethiopia, on average, takes up 5% of the total premium portfolio, with 95% being accounted for by general insurance. According to the same report, the sector only contributes 0.61 percent to the country's gross domestic product (GDP). (Fortune Newspaper, April 14, 2013, vol. 13, No. 676). Hence, it is clear that the sector is at its infant stage compared to Sub-Saharan Africa; it is by far the lowest

According to the International Monetary Fund (IMF) country report No. 13/309issued in October 2013, Insurance is an important vehicle for promoting contractual savings and making resources available for long term lending. The insurance sector in Ethiopia is at a very early stage of development and is very profitable, recording a return on equity (RoE) of 35 percent and a return on assets (RoA) of 8 percent as of June 30, 2012. This suggests that the industry has a large potential to grow and generate significant contractual savings. On the other hand, still a significant segment of the population has no access to insurance services. For example, as of June 30, 2012, insurance branch to population ratio in Ethiopia stood at 334,608, insurance density (premium/population) was birr 44.2 per person and insurance penetration (premium to GDP) was 0.61%, which is below 1%.

Based on the above facts, therefore, the student researcher is highly motivated to critically investigate the major challenges to the current business of life insurance sector in Ethiopia; and try to analyze the prospects of life insurance growth in the country. While taking in to consideration the above studies and inquiry into the opportunities and challenges of life insurance growth, the researcher attempts to work on such valuable empirical evidence in the country. Hence, the research is important to give recommendations for the insurance managers, professionals, regulators and policy makers to support the sector in achieving the excellence so that required economic outcomes could be obtained from the help of the sector in Ethiopia by understanding the major opportunities and challenges of life insurance growth in Ethiopia.

## 1.3 Research Questions

The study attempts to answer the following questions:-

- ❖ What are the major challenges that affect the growth of life insurance business in Ethiopia?

- ❖ What are some of the opportunities of life insurance business in Ethiopia?

## 1.4 Research Objective

### 1.4.1 General Objective

The main objective of the study is to identify and analyze the opportunities and challenges of life insurance business in Ethiopia and to give recommendations based on the results of the research and the empirical findings of the study.

### 1.4.2 Specific Objectives

In order to achieve the general objective of the study, the researchers have identified the following specific objectives;

- ➢ To study the challenges for the growth of life insurance business in Ethiopia.
- ➢ To study the opportunity of life insurance business in Ethiopia.

## 1.5 Significance of the Research

The results of this research are significant in various aspects. Life Insurance Companies will find this study in its suggestions about those opportunities and the challenges of growth of life insurance business in the industry.

The study is also expected to benefit the government, through the Insurance Supervisory organ, National Bank of Ethiopia (NBE) to come up with appropriate legislation and directive by creating conducive environment which enables for the growth of the growth of the life insurance business in Ethiopia.

The findings of the study are also expected to assist academicians in the field and will serve as a reference material for further research. Moreover, this study can potentially serve as a stepping stone for further research in the area.

## 1.6 Scope of the Research

The scope of the research is mainly limited to identifying and analyzing the opportunities and challenges of the growth of life insurance business in Ethiopia and to give recommendations based on the result/ finding of the research.

The research covered more than half of the life insurance companies registered and recognized by the Insurance supervisory organ, National Bank of Ethiopia (NBE), as at June 30, 2016 and operating with in Ethiopia.

Accordingly, the main areas of focus of the current study include:-
- ✓ How government regulations become an opportunity and/or a challenge for the growth of life insurance business in Ethiopia?
- ✓ Assessment of the awareness level of citizens about life insurance services.
- ✓ To see whether or not the growth of the country's economy has favorable effect on the business of life insurance in Ethiopia and
- ✓ Affordability of life insurance product.

In general, the study attempts to identify the major challenges and opportunities of life insurance business in the country; draw sound conclusions and provide feasible

recommendations based on the major findings that would enhance the growth, stability and profitability of the life insurance business in Ethiopia.

## 1.7 Limitation of the Study

Resource constraints, such as time and secondary data were the major limitation in this study. Addis Ababa being a metropolitan city and it is considered to be a good representation of the country. Due to the above site constraint primary data was collected from respondents from respondents who lived in Addis Ababa only. Hence, there might be placement and selection bias which might compromise the quality and reliability of the research findings.

The respondents were unwilling in filling and returning questionnaires. Despite this fact, the researcher was overcome this problem by reminding via telephone, email and visiting in person. The researcher also request approval of the respective company's management to build confidence of respondents and assuring them of confidentiality in handling of the data that they provide and only be used for academic purpose.

To overcoming the limitation in respect secondary data, the researcher was also using other reliable sources, such as Supervisory body of insurance companies (i.e. National Bank of Ethiopia) and others.

**Definition of key Terms**

**Insurance:** Insurance is a social device, in which a group of individuals called "insured's" transfer risk to another party called "the insurer" in order to combine loss experiences, which permits statistical prediction of losses and provides for payment of losses from fund contributed (premiums) by all members who transferred risks.

**Life Insurance:** is a contract with an insurance company. In exchange for premium (payments), the insurance company provides a lump-sum payment, known as a death benefit, to the beneficiaries in the event of the death.

**Gross Written Premium (GWP):** The total premium written by an insurance company before deductions for reinsurance and ceding commission.

**Growth of GWP** is defined as the annual percentage growth (increment) in the firms" total premium between two successive years divided by the preceding year. It is measured by the percentage change in total premium.

**Growth of life insurance** is equal to the growth of gross written premium (GDP)

## 1.8 Organization of the Study

This paper was organized into five chapters. Chapter one deals with introduction, Chapter two the review of the related literature, and chapter three was about research methodology, chapter four deals about data analysis and presentation of findings. Finally, chapter five contains summary of major findings, conclusions, recommendations and suggestions for further research.

# CHAPTER TWO

# 2. LITERATURE REVIEW

## 2.1 Introduction

In this chapter, the opportunities and challenges growth of life insurance business in Ethiopia were given analysis. Different literature were reviewed and the sources of literature were books, texts, journals, magazines, periodicals newspapers, reports of the regulatory body, internet and other media sources, previous research works and observations related to the subject under consideration.

These help to clarify and strengthen the research work and present the findings in an organized manner.

## 2.2 History of Insurance in Ethiopia

The history of insurance service is as far back as modern form of banking service in Ethiopia which was introduced in 1905. At the time, an agreement was reached between Emperor Menelik II and a representative of the British owned National Bank of Egypt to open a new bank in Ethiopia. Similarly, modern insurance service, which were introduced in Ethiopia by foreigners, mark out their origin as far back as 1905 when the bank of Abyssinia began to transact fire and marine insurance as an agent of a foreign insurance company(Mekonnen Gebrewahid, 2015).

According to Hailu Zeleke (2007), the first significant event that the Ethiopian insurance market observation was the issuance of proclamation No. 281/1970 and this proclamation was issued to provide for the control & regulation of insurance business in Ethiopia.

Consequently, it created an insurance council and an insurance controller's office. The controller of insurance licensed 15 domestic insurance companies, 36 agents, 7 brokers, 3 actuaries & 11 assessors in accordance with the provisions of the proclamation by 1971.

Accordingly, as stated by the office mentioned above, the law required an insurer to be a domestic company whose share capital (fully subscribed) not to be less than Ethiopian

Birr 400,000 for a general insurance business, Birr 600,000 in the case of long-term insurance business and Birr 1,000,000 to do both long-term& general insurance business (Mekonnen Gebrewahid, (2015)).

According to proclamation No. 281/1970, Ethiopia and in the case of a company transacting a general insurance business at least 51% and in the case of a company transacting life insurance business, at least 30% of the paid-up capital must be held by Ethiopian nationals or national companies.

After four years that is after the enactment of the proclamation, the military government that came to power in 1974 put an end to all private enterprises. Then all insurance companies operating were nationalized and from January 1, 1975 onwards the government took over the ownership and control of these companies & merged them into a single unit called Ethiopian Insurance Corporation. In the years following nationalization, Ethiopian Insurance Corporation became the sole operator. After the change in the political environment in 1991, the proclamation for the licensing and supervision of insurance business heralded the beginning of a new era. Consequently, in 1994 Insurance proclamation No. 86/1994 issued by the Transitional Government of Ethiopia.

The legislation allowed private insurance companies to be formed and to compete with the EIC, but foreign shareholders were bared. The logic behind the prohibition was that the local industry was weak and needed time to build its reserves, rapid opening of the market would expose Ethiopian companies to domination by financially much stronger foreign insurers. The discussion over whether opening the market to foreign investment might be beneficial continues but to date private insurance companies must still be Ethiopian owned.

Nevertheless, as a broad policy the government continues deregulate, private and seek foreign investment to push the economy forward.

According to the insurance proclamation No 86/1994, which permitted the establishment of private insurance companies in the country, insurance business is classified into two categories, namely general insurance business and long-term insurance business. Long-

term insurance business includes life insurance, annuities, pension business and permanent health insurance business. All other types of insurance business are labeled as general insurance.

Immediately after the enactment of the proclamation in the 1994, private insurance companies began to establish and to increase in number.

There are 16 private insurance companies and one state owned insurance company (EIC) playing in the market as of June 30, 2014. Out of the total 17 insurance companies, 8 are general insurance providers and the remaining are composite insurance companies (which provides both general and long-term insurance business.)

The number of life insurance companies has remained relatively stable. In 2012 the sole life only company, Ethio-Life, become composite and is now known as Ethio-life and general insurance. Oromia Insurance Company a non-life company has also obtained a life license in 2012 and become a composite insurer. Now, there are nine companies licensed to underwrite life insurance and all of these insurers are composite underwriters (Mekonnen Gebrewahid, (2015)).

## 2.3 Definition and Nature of Insurance

The concept of insurance is not easy as it has many possible definitions and meanings in different perspectives. In this respect, scholars and writers have given various definitions of insurance from different perspectives such as economic, social, legal etc. and the following definitions are given.

According to Hailu Zeleke (2007) provides the following economic definition of insurance: „„Insurance is a device for a reduction of one party called the insured, through the transfer of particular risks to another party, called the insurer, who offers a restoration, at least in part, economic losses suffered by the insured.‟‟

Pritchett, et al. (1996:52) provides the following social definition of insurance: Insurance is „„a social device, in which a group of individuals called "insured's" transfer risk to another party called "the insurer" in order to combine loss experiences, which permits

statistical prediction of losses and provides for payment of losses from fund contributed (premiums) by all members who transferred risks.

According to Article 654(1) of the commercial code of the Empire of Ethiopia (1960:140), the legal definition of insurance is: 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."

## 2.4 Definition and the Concepts of Life Insurance

Life insurance provides for the payment of a benefit following the death of the insured. Basically there are three basic types of life insurance policy:

1. Term Insurance

2. Whole life insurance

3. Endowment insurance

### 2.4.1 Term Insurance

Term life insurance is life insurance that provides a death benefit only if the insured dies during the period specified in the policy. The policy benefit is payable only if the insured dies during the policy period and the policy is in force when the insured dies. If the insured lives until the end of specified term, the policy may give the policy owner the right to continue some form of life insurance coverage. If the policy owner does not continue the coverage, then the coverage expires and the insurer has no obligation to provide further insurance coverage.

Term life insurance provides only temporary protection; at the end of the stated term, the policy expires. A policy owner who wants to maintain insurance coverage after the policy expires must apply for a new policy. The following term life insurance policies are available: 1-year term for groups 5-years: term 10-years term: 15-years term: 20-years term, term to age 55,term to age 60 and term to age 65 for individuals (Dawit Mohammed (2011))

### 2.4.2 Whole Life Insurance

Whole life insurance is a type of cash value life insurance that provides life time insurance coverage usually at a level premium rate that does not increase as the insured ages.

Whole life insurance is an agreement under which a death benefit is payable up on the insured's death, whenever that may be. This is so because as the name implies, insurance protection covers the whole of the insured's remaining lifetime.

A whole life policy, just as an endowment policy, acquires cash value after two or three years. This cash value grows with the payment of each premium until it eventually equals the sum assured by the time the insured attains some very high age such as, say, 100 years. In fact, for all intents and purposes, a whole life policy can be viewed as an endowment at the said higher age. If the insured attains this higher age (which we have taken to be 100), it is customary to pay him the sum assured at that time (Dawit Mohammed (2011)),

### 2.4.3 Endowment Insurance

Endowment insurance provides a policy benefit payable either when the insured dies or on a stated date if the insured is still alive on that date. If the insured dies before the maturity date, then the insurer pays the policy's face amount to the designated beneficiary.

Endowment life insurance policies, like term life insurance policies, are available for periods of different lengths. These usually are 10-year, 15 year, 20years, 25 years and 30-year endowment and endowments at age 55, at 60 and at age 65.

An endowment life insurance policy not only provides protection against the risk of early death but also contains a savings element (beginning with the first two or three years) known variably as the "cash value" ,"surrender value" or cash surrender value" (all of which mean the same) (Mekonnen Gebrewahid, (2015)).

## 2.5 Economic Determinants

Based on the empirical review the researcher identified eight main economic determinants of life insurance demand. This includes income, inflation, real interest rate, banking sector development, savings, unemployment, pension and price of insurance.

**Income**: As stated on the work of Beck and Webb (2003), Nesterova (2008), Li et al. (2007) Çelik and Kayali (2009), Redzuan (2011), Loke and Goh(2012), Aderaw (2013) income is the key determinant in the consumption of life insurance both in the long- and short-run Life insurance consumption should rise with the level of income, The expected correlation of the income distribution of a country with life insurance consumption is ambiguous. Beenstock, Dickinson, Khajuria (1986) reason that wealthy sections of the population do not need insurance protection while poorer sections have a limited demand because they operate under income budget constraints. A more equal income distribution with a larger middle class might therefore result in a higher demand for life insurance. On the other hand, while the middle-class may have the greatest demand for life insurance savings products, there may be a minimum level of income at which these policies become affordable. Accordingly, a large middle class in a poor country may result in less individuals being able to purchase life insurance than a less equal distribution with a larger and/or wealthier upper class. The resulting relation of income distribution with life insurance consumption is thus ambiguous.

**Inflation**: Beck and Webb (2003), Li et.al (2007), Nesterova (2008), Çelik and Kayali (2009), Ibiwoye (2010) have all shown that inflation reduce the demand for life insurance. Inflation and its volatility have a negative relationship with life insurance consumption. As life insurance savings products typically provide monetary benefits over the long term, monetary uncertainty has a substantial negative impact on these products 'expected returns. Inflation can also have a disruptive effect on the life insurance industry, when interest rate cycles spur disintermediation. These dynamics make inflation an additional encumbrance to the product pricing decisions of life insurers, thus possibly reducing supply in times of high inflation. The above stated articles have all shown that the use of life insurance is negatively related to inflation.

**Real interest rate:** Beck and Webb (2003), Aderaw (2013) life insurance demand is positively influenced by real interest rate. In addition to the inflation rate and its standard deviation, relationship between life insurance consumption and the *real interest rate*, defined as the difference between the nominal interest rate and inflation. Theory predicts a positive relation; a higher real interest rate increases life insurer's investment returns and so profitability, in turn offering improved profitability of financial relative to real investments for potential purchasers of life insurance policies.

**Banking Sector Development:** As identified by Outreville (1996), Beck and Webb (2003) life insurance demand is significantly influenced by the banking sector development. It is expected that banking sector development to be positively correlated with life insurance consumption. Well-functioning banks may increase the confidence consumers have in other financial institutions, e.g. life insurers. They also provide life insurers with an efficient payment system. The efficient development of the entire financial system - as might be reflected in the absence of interest rate ceilings and other distortionary policies – is thought to help life insurers invest more efficiently. However, a vibrant insurance sector might also foster the development of the banking sector, so that a positive relation between the two variables cannot necessarily be interpreted as evidence for causality. Outreville (1996) finds a significantly positive relationship between financial sector development and life insurance penetration. The total claims of deposit money banks on domestic nonfinancial sectors as share of GDP as indicator of banking sector development.

**Price of Insurance:** The relationship between price of insurance and life insurance demand has been studied in the past by (Depamphills, 1975; Outreville, 1996, Ward & Zurbruegg, (2002), Hwang & Greenford, (2005); Sen & Madheswaran (2007). However, the indicator of price of life insurance is not available in the most of the studies because it is difficult to determine the price of insurance with the various customized nature of policies (Outreville, 1996; Savvides, 2006). The findings of these studies indicates that price of insurance is positively related to life insurance demand (Mantis & Farmer, 1969; Depamphills, 1975; Ward & Zurbruegg, 2002); the price of insurance variable is positive and statistically insignificant in the fixed effects model and is found negatively and statistically insignificant in the pooled cross sectional model (Hwang &Greenford,

2005).This is because the 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 empirical results showed that price of insurance are negatively related to life insurance demand (Outreville, 1990; Brown & Kim, 1993); whereas another study concluded that price situation does not affect life insurance demand at all (Sen & Madheswaran, 2007).

**Savings**: The impact of savings on life insurance demand has been studied in the past (Beck & Webb, 2003; Sen, 2008; Ibiwoye, Ideji, Oke, 2010). Evidence from literature suggests that savings has a negative impact on life insurance demand (Beck & Webb, 2003; Savvides, 2006; Redzuan, Abdul Rahman & S. H. Aidid, 2009). Consumers prefer to consider other alternatives of saving if the effective return within an insurance policy is lower compared to those offered by other saving instruments (Redzuan, Abdul Rahman & S. H. Aidid, 2009); there is a wealth-replacement effect which means that higher private savings displace life insurance and the higher the savings that an individual has, the less would be the motive to 20 buy life insurance to supplement these financial resources in order to reach a targeted level of wealth for retirement or for bequeaths (Savvides, 2006). Other results show that saving variable has a positive relationship with life insurance demand (Sen & Madheswaran, 2007; Sen, 2008) and suggested that an increase in saving activity will enhance life insurance demand by increasing per capita insurance expenditure. Another result provided an ambiguous priority in the effect of personal savings rate on life insurance sales because an individual may have other investment alternatives besides the demand for life insurance (Chang, 1995).

**Unemployment:** Unemployment rate is defined as an indicator of income uncertainty and is also viewed as an uncertainty variable. A few studies have been carried out to explain the relationship between the demand for life insurance and unemployment rate have negative relationship with life insurance.

## 2.6 Life Insurance Market Overview

According to AXCO 2013 Insurance market report, Life and Benefits, the life insurance market in Ethiopia is very small as most of the populations live at a subsistence level. The mechanism of banks requiring life insurance as a condition for making loans is in place but effectively touches a very small proportion of the population. In addition there are plenty of other problems to be faced, such as the availability of actuaries, investment managers and investment opportunities.

Insurance penetration remains a challenge for the Ethiopian insurance sector. One area where penetration could be achieved is micro insurance. Unlike a number of other countries in the region, Microfinance institutions are widespread throughout Ethiopia but micro insurance is essentially undeveloped. The NBE is currently drafting directives to regulate and provide a policy framework for micro insurance. Currently micro insurance is focused on crop, livestock and life insurance. Nyala and Oromia are local insurers that are active in this sector. There are issues that would have to be resolved for micro insurance to make a major impact, including the fact that death certificates are not issued in the rural areas. Furthermore funeral provision is often covered by traditional 'Iquib' associations that offer mutual socio-economic support to members.

Axco's 2013 Insurance market report, Life and Benefits on page 47 stated that „„Ministry of Labor and Social Affairs is in the process of introducing a regulation that requires any domestic worker seeking to obtain a visa to work in an Arab country, to have a prescribed life and accident insurance cover in place before the visa can be issued. This will affect tens of thousands of expatriate domestic workers and have an impact on the demand for life insurance."

## 2.7 Theoretical Framework

### 2.7.1 Opportunity and Challenge of growth life insurance business

Various opportunities and challenges of growth of life insurance business are discussed as below:

### 2.7.1.1 Professional Sales Staff Training

Nowadays, customers expect insurance sales people to have deep product knowledge, to ideas to improve the customers operations, and to be efficient and reliable. These demands have required companies to make a much higher investment in sales force training. They have to be trained on sales techniques and in the company's products, policies, and customer satisfaction (Ogutu, 2004). Kotler (2003) stated that, "customers are value – maximizes." They form an expectation of value and act on it. Buyers will buy life insurance from a firm that they perceive to offer the highest customer – delivered value, which is the difference between total customer value and total customer cost. A buyer's satisfaction is a function of the insurance product's perceived value and the buyer's expectations. Customer satisfaction should be a goal and a marketing tool. Makau(2013) noted that the insurance company's marketing staff especially the sales representatives need to be motivated always. To them, selling is the most fascinating job in the world; they are ambitious and self – starters. However, the majority requires encouragement and special incentives. These may include a bonus, cash rewards, and other allowances.

According to Maigo (2000), life insurance companies should know about the prices they are selling their products and should also understand their customers" needs. Etemesi (2004) cited lack of professionalism as a source of customer dissatisfaction in the insurance industry. Lack of technical and experienced staff can lead to improper interpretation of the policy provisions and consequently payment of a claim that was not otherwise payable under the policy. Munguti (2006) noted that the widespread customer dissatisfaction in the insurance industry has been of great concern to various stakeholders

in the industry. This is due to various impediments to efficient provision of services to customers.

In his book, Dorfman (2004) noted that there have been significant changes in the marketing of all types of insurance in the preceding decades. The marketing of life insurance has been an area of obvious change. During the early part of the twentieth century, it was common for life insurance agents.

## 2.7.1.2 Sales Promotion of Life Insurance Products

According to Makau (2013), promotion includes all activities the company undertakes to communicate and promote its products and services to the target market. Promotion represents the fourth element in the marketing mix commonly referred to as the 4P's of marketing. The promotion element comprises of a mix of tools available for the marketer called the promotional mix. Life insurance companies employ these tools so as to reach their customers and persuade them to purchase their products. Kotler (2003) noted that companies often need to restructure their business and marketing practices in response to significant changes in the business environment, such as globalization, deregulation, computer and telecommunications advancements, and market fragmentations. The main responses of business firms to a rapidly changing environment include empowering personnel to produce more ideas and take more initiative. This should be the case with marketing and selling of life insurance products. Packaging insurance products with multiple benefits will go a long way in growing their uptake.

## *2.7.1.3 Affordability of Life Insurance Products*

According to Kotler (2003), pricing is the amount of money charged for a product or service, or the sum of the values that consumers exchange for the benefits of having or using the product or service. An increasing number of companies are basing their prices on the product's perceived value. Price is considered along with other marketing mix variables before the marketing program is set.

## 2.7.1.4 Government Regulations

Life insurance products selling are highly affected by developments in the political and legal environment. These factors include laws, government agencies and pressure groups that influence and limit various organizations and individuals (Kotler, 2003). Marketers of life insurance products need to understand their customers' purchasing power. The available purchasing power in an economy depends on current income, prices, savings, debt and credit availability (Muchire,2003). Marketers must pay close attention to major trends in income and consumer spending patterns (Kotler, 2003).

## 2.8 Research Gap Emerged from Survey of Empirical Studies

There have been some studies on the insurance industry all of which presented evidence on a number of factors affecting the performance of the industry by taking different variables.

Abate Gashaw(2012) studied on factors affecting profitability of insurance companies in Ethiopia in general. Dawit Mohammed (2011) studied on the topic of enhancing life assurance and its economic and social benefits. Zekarias Mekonnen(2010) studied on buyers' attitude towards life insurance policy purchase a case study on Ethiopian Insurance Corporation. Geda Misganu(2012)

Even though, these studies are valuable in their perspective, they were not dwelling on factors affecting the growth of life insurance business in Ethiopia. Life insurance sector has been contributing very little to the GDP of the country which is affected by various factors as explored in this study.

# CHAPTER THREE

## 3. RESEARCH DESIGN AND METHODOLOGY

### 3.1 Introduction

This chapter deals with how the data were collected to address the objectives stated in chapter one. The chapter covers the methodology that was carried out in the study. The chapter explains research design, the target population, sample design and sampling techniques, research instruments, data collection, and data analysis. The researcher used sample survey questionnaire to collect data from respondents and the collected data were accumulate and analyze in order to generate research findings for reporting.

### 3.2 Research Approach

In achieving the objectives and obtaining answers for the research questions, the study adopts a combination of quantitative and qualitative research approaches (mixed method approach). With regard to the survey, the target population consists of insurance companies.

### 3.3 Research Design

The study adopted descriptive research design to summarize and organize data in an effective and meaningful manner. According to Mugenda (2003), descriptive survey research attempts to collect data from members of a population in order to determine the current status of the population with respect to one or more variables.

Descriptive research was also concerned with conditions or relationships that exists practices that prevails, beliefs, point of view, or attitudes that are held by people, processes that are going on, effects that are being felt, or trends that are developing (Muchire, 2003).

## 3.4 Sample Design and Sampling Technique

The study was adopt purposive sampling technique because there are only nine registered and licensed life insurance providers in Ethiopia. (All nine are composite insurance companies) for the year 2017 according to the National Bank of Ethiopia, Insurance Regulatory body's records.

Therefore, to achieve the objectives sought the researcher selected five of the nine insurance companies by random sampling that provide life insurance products by employing purposive sampling technique.

So, The life Insurance industry in Ethiopia were categorized in to two main blocks (i) one State owned, and (ii),eight private-owned life insurance. From each category four Insurance was used as a sample units that can be based on the random sampling and the total of 100 insurance staff, The researcher chooses to take 5 insurers; one state owned and four private as a sample, because it is often impossible or too much expensive to collect data from all the potential units. Hence, samples were chosen to represent the relevant attributes of the whole population. In this respect, it wise to note the caution by Graziano and Raulin (1997) because the samples are not perfectly representative of the population from which they are drawn, therefore the researcher unlikely to be able to generalize the conclusions to the entire population.

## 3.5 Source and Type of Data

The data required for the study have been obtained from primary sources.

The study has begun with analysis through the review of related literature. In this regard, the researcher has tries to refer different books, published and unpublished documents, journals, articles and research papers to get information on theoretical and empirical frame work of the study.

The primary data were collected from employees and management of the selected 5 insurance companies through questionnaires. The data collection instrument that were structure survey questionnaire which was administer by the researcher.

Questionnaire has its own advantages for the study including time savings, upholding of confidentiality and for being the best source of primary data. The questionnaire was structure in to two parts namely Section A and Section B.

Section A contains general data of the respondents, which is useful for the analysis i.e. socio - demographic characteristics. While section B focuses extensively on the research instrument adopt for the study.

## 3.6 Data Analysis Techniques

Check the data for accuracy and completeness of recording of the responses. After it is checked, then summarized and analyzed using computer software SPSS and Microsoft excel program. It was analyzed using descriptive statistics and inferential statistics. For this purpose frequencies and percentages were used.

# CHAPTER FOUR

## 4. DATA ANALYSIS AND PRESENTATION OF FINDINGS

## 4.1 Introduction

This chapter deals with data analysis, presentation and discussions on research findings. The purpose of this study was to analyze and identify the major challenges and opportunities of life insurance business in Ethiopia and to give recommendations based on the concepts in the literature review, and the empirical findings of the study. Among the variables investigated were having high number of population, lack of information and knowledge, lack professional training of sales staff, lack sales promotion of life insurance products, and law government regulations on life insurance. The study targeted life insurance sales staff of the five registered and licensed life insurance providers' insurance companies in Ethiopia. (Out of nine insurance company's) as at of June 30, 2016, which were selected based on the sampling strategy in the previous chapter. The data that were collected from the respondents were analyzed and presented using tables, charts, frequencies and percentages.

## 4.2 Socio - Demographic Characteristics of Respondent

These were analyzed with regard to response rate, gender, organizational responsibility, length of time worked in the organization and religious affiliations.

### 4.2.1 Response Rate

The researcher distributed questionnaires to 100 respondents as per the sampling design and sampling technique which was stated in chapter three section four. Out of the distributed 100 questionnaires, 75 of them were filled and returned achieving response rate of 75%. This response rate was representative and commendable to make conclusion for the study. According to (Julius 2013) a response rate of 50% is adequate for analysis and reporting: a response of 60% is good and a response rate of 70% and above is excellent. Hence, based on the assertion, the response rate was considered to be excellent.

| Attribute | Frequency | Percentage |
|---|---|---|
| Respondents | 75 | 75% |
| Non-Respondent | 15 | 15% |
| **Total** | **100** | **100%** |

Table 4.1 Response rate of respondents

## 4.2.2 Gender

From the finding of the research, 54.67% of the respondents were male while 45.33% were female. This shows the majority of the respondents were male.
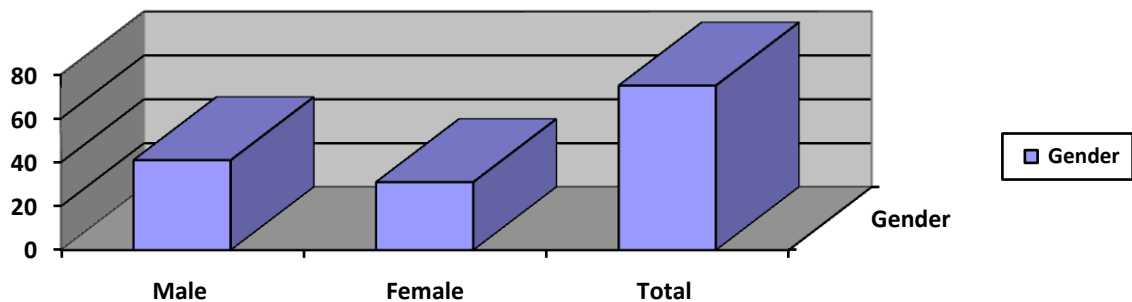


*Figure 4.1 Gender*

## 4.2.3 Respondents Organizational Responsibility

Regarding respondents' organizational responsibility, findings of the study depicts that 14.67% of the respondents were in the management position while 85.33% were not in management position. This shows that most of the responses and views that were given were from the perspective of those who are not in management position.
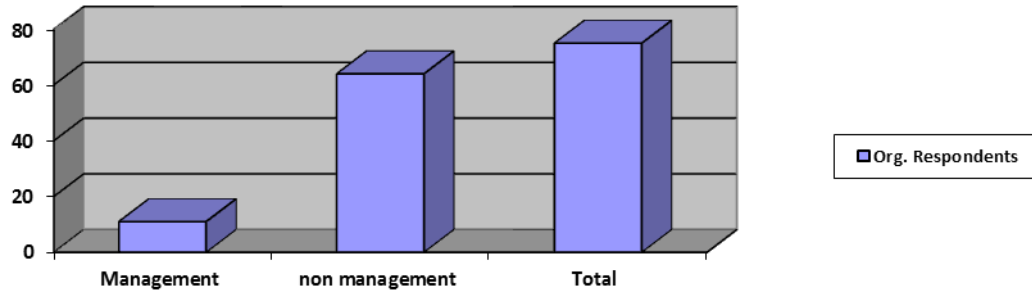
Figure 4.2 Respondents Organizational Responsibility

## 4.2.4 Length of time worked in the Organization

The study findings showed that 12% of the respondents had worked in the organization for less than one year, 69.33% had worked for between 1-5 years, 13.33% had worked for between 5-10 years, and 2.6% had worked for between 10-15 years, while 2.6% had worked for 15 years and above. This depicts that the majority of the sales staff had worked in the companies for between 1-5 years (Figure 4.3).
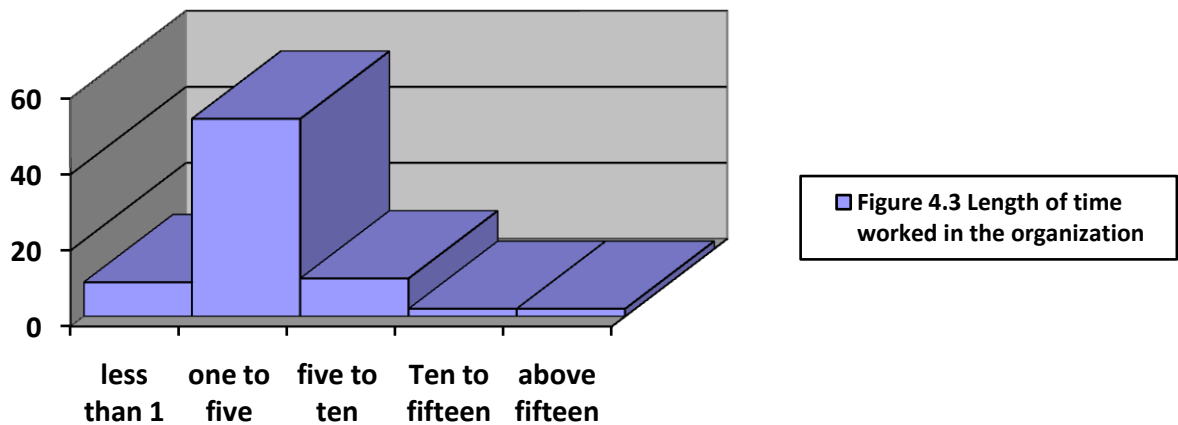


## 4.2.5 Religious Affiliation

Regarding religious affiliation, the study findings indicated that majority, (54.67%) of the respondents were Orthodox Christian, 12% were Muslims, and 28% were Protestants, and 5.33% were catholic. This shows that 100% of the respondents who were insurance

sales staff belong to a certain religion and were knowledgeable about life insurance regardless of their religious affiliation (Figure 4.4).
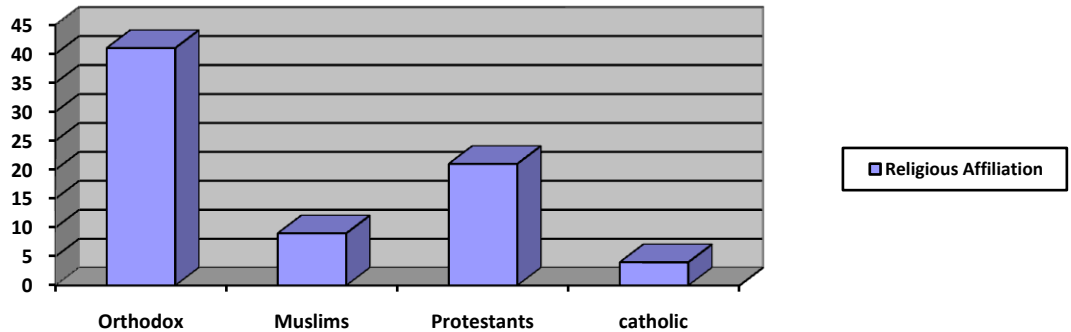


Figure 4.4 Respondents Religious Affiliation**.**

## 4.3 Factors affecting the growth of life insurance business in Ethiopia

From the findings of the study, these thinks affecting the growth of life insurance can be analyzed as below:

### Descriptive Statistics Results

In this section, thing affecting the growth of life insurance business in Ethiopia such as sales professional training, Sales promotion of life insurance products, Affordability of life insurance products and Government regulations are described using various statistical tools.

Regarding the descriptive interpretations for variables or dimensions used on Likert scale; the measurement was used on the basis of the survey; 5 = Strongly agree; 4 = Agree; 3 = Neutral; 2 = Disagree; 1 = Strongly disagree. The mean level of agreement between the group or of the group is categorized on the scale; SA = Strongly Agree (4.51 or greater); A = Agree (3.51 – 4.50); N = Neutral (2.51 – 3.50); D = Disagree (1.51 – 2.50); and, SD = Strongly Disagree (1.49 or less). And, to make more comfortable for analysis three base scale is used, Agree (3.51 and above), Neutral (2.51 to 3.50), and Disagree (less than 2.50) (Dane B., 2007).

The means and standard deviations of the responses are described in table 4.5.1(A). The mean indicates that to what level of agreement the response of all respondents is approached. Standard deviation, however, measures the mean difference between responses. In other words, it measures variation of responses with respect to the mean. It show us whether respondents are highly deviated one another in their responses. Thus, the means and standard deviations of variables are described as request as the analysis.

## 4.3.1. Organization of sales and Marketing Departments

Majority (73.33%) of the respondents accepted and satisfied on how the companies organized their sales and marketing department 17.33% were Highly Satisfied, 6.67%Dissatisfied 2.67% Indifferent.

As we can see from the result, the study findings suggest that respondents had a common agreement that the organization of sales and marketing department in the insurance companies thinks affect the growth of life insurance business in Ethiopia. The result is shown in Table 4.2.

## 4.3.2. Professional sales staff Training

Out of the respondents, majority (78.67%) of the responded were satisfied on professional sales staff training. 9.33% were responded highly while satisfied, 12% were indifferent, This indicates that respondents had a common agreement that undertaking of professional sales staff training positively thinks that affects the growth of life insurance business in Ethiopia. The result is shown in Table 4.2.

From the findings (table 4.2) majority(78.67%) of the respondents gave a rate of satisfied on undertaking professional training and contribute to the growth of life insurance in Ethiopia.

As stated in the literature review, According to Kamau (2003) insurance company's marketing staff especially the sales representatives need to be motivated always. In this respect they can exert their maximum effort without special coaching from the managements with previous studies by Kotler (2003) and deacon et al. (1992).

### 4.3.3. Sales force training and development a major factor

This 52% of the respondents had a common agreement that the company's sales force training and development is a major factor and it affects the growth of life insurance business in Ethiopia.According to Etemesi (2004), lack of professionalism is a source of customer dissatisfaction in the insurance industry.

Lack of technical and experienced staff can lead to improper interpretation of the policy terms, conditions, provisions and exclusions. Consequently, payment of a claim may be made that was not otherwise payable under the policy. On the other hand, a claim may be repudiated that would be payable as per the policy terms and conditions. Consequently, it leads to customer dissatisfaction and litigation. Finally, companies will incur unnecessary costs in addition to its bad reputation.

**Table 4.2 Statements on sales and marketing department**

| Attribute | Response | Frequency | Percentage |
|---|---|---|---|
| Organization of sales and marketing departments | Highly Satisfied | 13 | 17.33% |
| | Satisfied | 55 | 73.33% |
| | Indifferent | 2 | 2.67% |
| | Dissatisfied | 5 | 6.67% |
| | Highly Dissatisfied | 0 | 0% |
| Professional sales staff training | Highly Satisfied | 7 | 9.33% |
| | Satisfied | 59 | 78.67% |
| | Indifferent | 9 | 12% |
| | Dissatisfied | 0 | 0% |
| | Highly Dissatisfied | 0 | 0% |
| Sales force training and development a major factor | Very Much | 25 | 33.33% |
| | Much | 39 | 52% |
| | Not much | 11 | 14.67% |
| | Not affected at All | 0 | 0% |
| | Do not Know | 0 | 0% |

## 4.4. Statements of Sales staff appraisal and ethics

From findings of the study, majority (56%) of the respondents indicated that they were satisfied on exposing of members of sales staff that were involved in unethical practice, 13.33% were highly satisfied, 24% were indifferent, while 6.67% were highly dissatisfied.

This shows that majority of the respondents were satisfied on members of the sales staff that were involved in unethical practice. About 24% respondents were not sure whether exposed or not those members of the sales staff that were involved in unethical practice. This seems there is no transparency and this is an indication of cover up of unethical practices. This leads to a bad image and reputation of insurance companies which will hinder the growth of life insurance in Ethiopia.

| Attribute | Response | Frequency | Percentage |
|---|---|---|---|
| | Highly Satisfied | 10 | 13.33 |
| | Satisfied | 42 | 56 |
| sales staff that are unethical | Indifferent | 18 | 24 |
| | Dissatisfied | 5 | 6.67 |
| | Highly Dissatisfied | 0 | 0 |

Table 4.3 Statements of Sales staff appraisal and ethics

## 4.5. Statements on Customer Satisfaction, Surveys and Promotion

The findings of the study have been analyzed as below.

### 4.5.1. Customer Satisfaction

The result showed that insurance companies were satisfied in ensuring that customers are comfortable with their services. The result of the findings is evident that 17.33% of the respondents were highly satisfied, 69.33% were satisfied, and 13.34% were indifferent, while 0% was highly dissatisfied.

This depicts that respondents had a common agreement that companies were offering services to customers in a satisfactory way which contributes to the growth of life insurance business in Ethiopia (Table 4.4).

## 4.5.2. Customer Surveys

We asked life insurance companies if they carried out adequate customer surveys. The result showed that most of the life insurance companies carried out some form of customer survey to know the satisfaction levels of with their customer. The findings of the study indicated that respondents had common agreement that the companies carryout adequate customer surveys and this positively contributes to the growth of life insurance business is Ethiopia (Table 4.4).

## 4.5.3. Sales Promotion

Regarding sales promotion of life insurance products, the findings of the study indicated that it would lead to enhanced business for the life insurers. As it is shown in table 4.4, the respondents had a common agreement that sales promotion of life insurance products can contribute to the growth of life insurance business in Ethiopia.

From the findings (table 4.4) majority 36% of the respondents gave their promotion through Advertising while though Agent was 22.67 as it is shown in table 4.4.

This confirms the assertion by Kamau (2003) that promotion includes all activities the company undertakes to communicate and promote its products and services to the target market.

| Attribute | Response | Frequency | Percentage |
|---|---|---|---|
| Customer Satisfaction | Highly Satisfied | 13 | 17.33% |
| | Satisfied | 52 | 69.33% |

| | | | |
|---|---|---|---|
| | Indifferent | 10 | 19.23% |
| | Dissatisfied | 0 | 0% |
| | Highly Dissatisfied | 0 | 0% |
| Customer surveys | Highly Satisfied | 9 | 12% |
| | Satisfied | 54 | 72% |
| | Indifferent | 7 | 9.33% |
| | Dissatisfied | 5 | 6.67% |
| | Highly Dissatisfied | 0 | 0% |
| Sales Promotion | Advertising | 27 | 36% |
| | Though Agent | 17 | 22.67% |
| | Personal Selling | 11 | 14.67% |
| | Sales Promotion | 13 | 17.33% |
| | I have no idea | 7 | 9.33% |

**Table 4.4** Statements on Customer Satisfaction, Surveys and Promotion

## 4.6 The strategy Should Life Insurance Companies Follow To Improve The Life Business in Ethiopia

The independent variables are Creating awareness by using different means of promotion about product, Providing effective customer service strategy, Offer the affordable price and tangible benefit, Well advertising and trained man power, Sale the product at branch level rather than only in head office, Invite another benefit behind standard policy and Government regulations while the dependent variable is growth of life insurance.

## 4.7 The Regulator should do to improve penetration of life insurance in Ethiopia

The independent variables were

1. Create awareness about life insurance to the public to each level
2. Proving Authority for Insurance Company
3. Increasing the social security by the government
4. The Government might able to sale the product as a policy
5. The Government might Improving rules and regulation and Subsiding because of

the people still under the level of poverty.

6. Increasing the majority educational level of the population

## 4.8 The Opportunity of Life Insurance in Ethiopia

Results of the study was correlation of independent variables with the dependent variables the opportunity of life insurance in Ethiopia as below:

Having high number of population, most of the population are youngster and have better chance to learn about life insurance, The growth of country's economy may increase the demand of life insurance and Financial Stability of the family during the income provider of the family passed away.

## 4.9 The Challenge of Life Insurance in Ethiopia

Regarding the challenges of life insurance in Ethiopia, the findings of the study is here below:

1. Lack of awareness, information and knowledge about life insurance in all the society.
2. Unfair competition among insurance company
3. lack of political stability.
4. Having low income or poverty
5. Lack of trust on Insurance company
6. Law Real GDP of the country
7. Shortage of skilled man power
8. Ethiopian culture depend on religion rather than insurance
9. Most of population living in rural area (85%+)

# CHAPTER FIVE

# 5. SUMMARY OF MAJOR FINDINGS, CONCLUSIONS & RECOMMENDATIONS

## 5.1 Introduction

This chapter consists of a summary of the findings of the research, conclusions relating to the research objectives, suggestions or recommendations on the Opportunity and challenge on the growth of life insurance business in Ethiopia and finally areas that need further research. Data relating to the objectives of study were collected and analyzed and the findings are presented in chapter four.

## 5.2 Summary of the Findings

The study was aimed at identifying and analyzing the factors affecting the growth of life insurance business in Ethiopia and to give recommendations based on the concepts in the literature review, and the empirical findings of the study.

The study targeted 100 respondents and 75 respondents filled and returned the

questionnaires which make the response rate75%. The study established that 85.33%% of the sales staff in life insurance companies were being at none management position, while 14.67% being at management level. The study also established that 12% of the respondents had been working in the organization for less than 1 year, 69.33% for between 1- 5 years, 2.67% over 15 years, 13.33% for between 5-10 years with only 2.67% had been working for 10-15 years. This indicates that majority of the respondents were knowledgeable about the operations of their companies regarding life insurance business.

The study findings clearly indicated that 78.67% of the respondents believed that Lack of government regulation (rule and regulation, tax, creating awareness to each level of the society, subsidizing the industry) is the main challenge in the life insurance industry. However, among the sales staff, there were 5.33% didn't actually agree and 16% were indifferent. This clearly indicates that the management of life insurance companies needs to do more in asking the government by advising the advantage of life insurance regarding the contribution on GDP, Saving social security and other benefit. This will contribute to enhanced the sale of life insurance product

most (60%) of the respondent  agreed that Ethiopian's  culture are depend on religion rather than insurance, having low income and lack of knowledge have a negative impact that leads to the low penetration of life insurance.

The study also pointed out that  50.67%  of the of the respondent The growth  of country's economy may increase the demand of life insurance is the  most opportunity of life insurance in Ethiopia, and 34.67 % of the respondent agreed  having many population specially  youngster has better  has better opportunity for growth of life insurance in future.

Lastly the study established that life insurance sales staff believes that government regulation and  religion are the main challenge of the life insurance business in Ethiopia whereas  the growth  of country's economy and having many  population specially youngster are the main Opportunity of the life insurance business in Ethiopia.

**5.3 Conclusions**

The purpose of this study was to identify the opportunity and challenge for the growth of life insurance business in Ethiopia.

The first objective was to identify how individual income is a challenge to the growth of life insurance business in Ethiopia. The second objective was study the opportunity life insurance in Ethiopia and the third objective was how the government regulation is the challenge for the growth of life insurance business in Ethiopia. The Ethiopian government can stimulate the growth of life insurance sector by subsidized the policy holder, introducing tax relief as incentive to policy holders in terms of income tax deductibility on premiums paid and tax treatment of the life insurance companies should be introduced by the supervisory authority and creating awareness in every national.

The researcher concludes that all variables have positive the opportunity and challenge on growth of life insurance in Ethiopia.

## 5.4 Recommendations

On the basis of the findings of the study, the following recommendations can be made:

The life insurance companies and Association of all Ethiopian Insurers (AEI) must sensitize its members and they should prepare proposal on the benefits of life insurance such as how life insurance is contributed to the GDP, social security and encouraging saving to the government. The government should accept and change the rule and regulation on life insurance to benefit the people from this product.

The insurance companies should work hard and set the reasonable price due to the most of the individual's income is low which have positive relationship with the life insurance business.

## 5.5 Suggestions for Further Research

Studies need to be conducted using more variables that seem to be pertinent to the study. The studies should be conducted to investigate the interaction of other variables that influence the growth of life insurance business. A replication of the study needs to be done using a larger sample so as to give more insight on life insurance business in Ethiopia. Other opportunity and challenge on whole insurance industry may also the given an in depth analysis through a similar study.

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# St. MARY'S UNIVERSITY

## SCHOOL OF GRADUATE STUDIES

## MBA PROGRAM

### Questionnaire Prepared for Employees of Selected Life Insurance Companies

**Dear Respondent,**

This research is meant for only academic purpose. Therefore, you are kindly requested to provide your response to the questions as honestly and precisely as possible. Responses to these questions will be treated as confidential. Please tick where appropriate or fill in required information on the space provided.

**Section A: Socio-Demographic Characteristics**

Name of you Organization ……………………………………………

Date ……/……/……..

| S. No. | Question | Respondent | (Put a "√" Mark) |
|---|---|---|---|
| 1. | Gender | 1) Male | |
| | | 2) Female | |
| 2. | Respondent organization responsibility category | 1) Management | |
| | | 2) Non-Management | |
| 3. | How long have you worked in the organization | 1) Less than 1 year | |
| | | 2) 1-5 Years | |
| | | 3) 5-10 years | |
| | | 4) 10-15 years | |
| | | 5) 15 years  and | |

| | | | |
|---|---|---|---|
| | | above | |
| 4. | Religious affiliation | 1) Orthodox | |
| | | 2) Muslim | |
| | | 3) Protestant | |
| | | 4) Other | |
| 5 | Marital Status | 5) Married | |
| | | 6) unmarried | |

**Section B: The Opportunity and Challenges of Life Insurance Growth in Ethiopia**

| S. No. | Question | Respondent | |
|---|---|---|---|
| 1. | In your opinion how your company does organize its sales and marketing department? | 1) Highly Satisfied | |
| | | 2) Satisfied | |
| | | 3) Indifferent | |
| | | 4) Dissatisfied | |
| 2. | How do you rate your company in undertaking professional sales staff training? | 1) Highly Satisfied | |
| | | 2) Satisfied | |
| | | 3) Indifferent | |
| | | 4) Dissatisfied | |
| 3. | To what extent is sales force training and development a major factor in the growth and marketing of life insurance policies? | 1) Very much | |
| | | 2) Much | |
| | | 3) Not much | |
| | | 4) Not affected at all | |
| | | 5) Do not know | |
| 4. | Expose sales staffs that are unethical? | 1) Highly Satisfied | |
| | | 2) Satisfied | |
| | | 3) Indifferent | |
| | | 4) Dissatisfied | |
| | | 5) Highly Dissatisfied | |

| | | | |
|---|---|---|---|
| 5. | How do you rate your company in getting the customers satisfied with your services? | 1) Highly Satisfied | |
| | | 4) Satisfied | |
| | | 5) Indifferent | |
| | | 4) Dissatisfied | |
| | | 5) Highly Dissatisfied | |
| 6. | How Does your company carry out customer Survey? | 1) Highly Satisfied | |
| | | 6) Satisfied | |
| | | 7) Indifferent | |
| | | 4) Dissatisfied | |
| | | 5) Highly Dissatisfied | |
| 7. | How does your company promote its services? | 1) Advertising | |
| | | 2) Though Agent | |
| | | 3) Personal Selling | |
| | | 4) Sales Promotion | |
| | | 5) I have no idea | |
| 8. | How do you view affordability of life insurance products as a challenge of life insurance growth in Ethiopia? | 1) Strongly Agree | |
| | | 2) Agree | |
| | | 3) Neutral | |
| | | 4) Disagree | |
| | | 5) Strongly Disagree | |

9) In scales of 1 – 5 with 1 representing the lowest priority and 5 representing the highest priority, which two or three factors will in your opinion be "game changers" and can shape the life insurance business in Ethiopia over the next five years?

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

| Sources of growth | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Awareness to the public on life insurance products and benefits | | | | | |
| Innovation | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Product packaging with various benefits | | | | | |
| Professionalism in companies and by sales persons | | | | | |
| Image and Reputation of the public towards the insurance industry, insurance companies and life insurance products | | | | | |
| Customer Service | | | | | |
| Technology | | | | | |
| Change of distribution channels Government Regulatory changes i.e. increase tax relief as an incentive | | | | | |
| Affordable Pricing | | | | | |
| In your opinion do you believe that there is a growth of life insurance in Ethiopia? | | | | | |

10) In your opinion, what do you think your company and other life insurance companies should do to improve penetration of life insurance in Ethiopia?

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11) In your opinion, what do you think the regulator should do to improve penetration of life insurance in Ethiopia?

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12) In your opinion, what are the opportunities of life insurance in Ethiopia?

_____

_____

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_____

_____

13) In your opinion what is the challenge of life insurance in Ethiopia?

_____

_____

_____

_____

_____

Appendix-

List of Composite Insurance Companies Providing Life Insurance as at June 30, 2016.

|   | **Name of Insurance Company** | Date of establishment |
|---|---|---|
| 1 | Ethiopian Insurance Corporation (EIC) | 1975 |
| 2 | Awash Insurance company | 01/10/1994 |
| 3 | United Insurance Company | 09/11/1994 |
| 4 | Africa Insurance company | 22/12/1994 |
| 5 | Nile Insurance Company | 11/04/1995 |
| 6 | Nyala Insurance Company | 27/06/1995 |
| 7 | Nib Insurance Company | 02/05/2002 |
| 8 | Ethio-Life & General Insurance Company | 23/10/2008 |
| 9 | Oromia Insurance Company | 26/01/2009 |

Source: National Bank of Ethiopia

Table 1.1 Ratio of life insurance primium to the total premium portofolio.

| S.N. | Country | **Ratio of life Insurance to the total premium** |
|---|---|---|
| 1. | South Africa | 77.8% |
| 2. | Zambia | 75.5% |
| 3. | Namibia | 73.4% |
| 4. | Averege for sub sahara Africa | 32.4% |
| 5. | Ethiopia | 5% |

**Source:** African Insurance Organizetion, 2012.

Appendix-

Gross written Premium of Life Insurance Market from 2009-2014 G.C

| Year | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|
| GWP | 99,993 | 114,739 | 160,596 | 271,395 | 299,514 | 273,871, |
| Growth in % | 34.92 | 14.74 | 39.97 | 68.99 | 10 | (8.56) |