

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



**ASSEMENT OF MARKET SHARE OF ETHIOPIAN
INSURANCE CORPORATION
IN THE INSURANCE INDUSTRY**

**BY
ASHENAFI MENGISTU**

**August, 2020
ADDIS ABABA, ETHIOPIA**

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INSURANCE CORPORATION IN THE INSURANCE
INDUSTRY**

**BY
ASHENAFI MENGISTU**

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**August, 2020
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Statement of Declaration

I Ashenafi Mengistu, hereby declare that the work entitled assessment of market share of EIC in insurance industry is the outcome of my own effort and study and that all sources of materials used for the study have been acknowledged. I have produced it independently except for the guidance and suggestion of my research advisor Zemenu Aynadis (Ass. Prof). This study has not been submitted for any degree in this university or any other university. It is offered for the partial fulfillment of the award of Master degree in Business Administration.

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August, 2020

ENDORSEMENT

This is to certify that Ashenafi Mengistu has carried out this project work on the topic 'Assessment of market share of EIC in insurance industry'. This work is original and suitable for the submission in partial fulfillment of the award of Master Degree in Business Administration.

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August, 2020

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ACRONIYMS

EIC **Ethiopian Insurance Corporation**

NBE..... **National bank of Ethiopia**

SC..... **Share Company**

ABSTRACT

The global insurance has grown significantly and insurance has become an important sector of the business economic system and a major global economic activity in recent years. Insurance activities accelerate economic and productivity growth. Efficient insurance is also important to a country's competitiveness and source of employment. The purpose of this paper is to uncover and understand the major factors that influence insurance marketing activity process. To this end, investigating and analyzing factors influencing the market share is worth of pondering. Hence, the purpose of this study was identifying and asses market shares of EIC in the insurance industry providers performance in Ethiopia. The influence of important factors such as price, Customer service, Skilled Human labor, Business Environment, Regulatory enforcement & Regulatory agencies have been considered. The study has incorporated both primary and secondary source of data. The primary data was collected using 4 scale Liker's scale questionnaire. Secondary data was collected using corporation data center information and internet website. Out of 90 total populations 90 valid responses were collected. The data was analyzed descriptively through the use of Statistical Packages for Social Studies (SPSS) version 20. Result is presented in tables. The study tried to focus on assessment of market share of EIC in the insurance industry.

CHAPTER ONE

INTRODUCTION

1.1. BACKGROUND OF THE STUDY

Insurance is defined as a co-operative device to spread the loss caused by a particular risk cover a number of persons who are exposed to it and who agree to ensure themselves against the risk (Mishra, 1986:3, insurance principle and practice).

Insurance is unlike most other product: it is a conditional promise in turn for a fee (the premium), the insurer promise to make a payment (referred to as the claim) if an event of a specified nature occurs (Usually referred to as an insure peril) and the insured consequently suffers loss or damage. (Dickson Gordon ,2009).

Insurance as a service industry has a vital role to play in the economic and social development of the country it must be understand that insurance fulfills, reliving of catastrophes or smothering of losses, assist in organization and encouragement of risk taking and entrepreneurship, send and initiate people to save and invest, protects and conserves the wealth of the nation, and generates wealth for national development by mobilization of funds to utilized for economic development of the country. (Insurance in Ethiopia, paper presented to the industry by Hailemiecheal Kumsa, 1998, and Legal Aspects of insurance, EIBI Teaching material, 1996)

The political shift that took place in Ethiopia 1974 also brought a change in economic policy. The emerging free market halted and was replaced by the command economy, which was the order of the day. The insurance Companies that existed then were not immune from this predicament.

Accordingly proclamation No. 261/1974 nationalized all the thirteen companies then operating as from January 1, 1975,

The Board of all nationalized companies were dissolved and a New provisional insurance Board set up, the nationalized companies operating independently, all reporting to the provisional Insurance Board for about one year. These companies eventually consolidating their operation into one unit and all their assets and liabilities taken over by the Ethiopian Insurance Corporation (EIC) established under proclamation No. 68/1975 on January 1, 1976 with a paid up capital of Birr 11 Million and making nationalized companies as Main Branches and Branches of the corporation. These nationalized companies had by 1975, Birr 38.6 million in premium income and incurred claims amounting to 32 million. EIC has continued to operate since 1975 under the direction and control of the National Bank of Ethiopia as its supervision Authority until 1994.

In accordance with the council of Ministers Regulation No. 201/1994, EIC has been re-established as a public enterprise as form 19 September 1994 with a fully paid up capital of Birr 61,007,038. The Corporation is governed by the public Enterprises proclamation No.25/1992. EIC's premium income has grown form Birr 50 million in 1976 to over Birr 8billion by June 30, 2018. The vision of EIC is to be "world class insurer and its mission is to provide its customers an efficient & reliable insurance service. The objective of EIC is to provide secure efficient and cost effective insurance services.

A new and comprehensive law to regulate the licensing, operation and supervision of insurance business has been promulgated under proclamation No. 86/1994 on February 1, 1994. (Legal Aspects of Insurance, EIBI Teaching material, 1996). This allowed the operation of insurance business to private investor.

As indicated by AXCO in 1997, once a dominate power in the industry particularly holding 100% of the market, immediately following the 1994 proclamation lost 13% of its market share to newly established companies who have not even completed their first anniversary

Thus the Ethiopian Insurance market has become an arena where the public & private insurance companies contest to grasp a large chunk of the market.

1.2. STATEMENT OF THE PROBLEM

EIC once the market only player during the period of monopoly controlling 100% of the insurance business in the country is now losing its market share to its rivals, the private insurance companies. The market share of EIC seems to be mined by the private insurance companies that were established during the period of liberalization, beginning 1994, following the enactment of proclamation No. 86/1994. The proclamation was enacted on 1st February 1994 that allowed the operation of insurance business to private investors of Ethiopian nationals only. Subsequent to the proclamation, new private insurance companies took license from national Bank of Ethiopia within a brief time and started operation immediately. The EIC that served the economy for nearly two decade (1975 - 1994) gave up its monopoly power (Hand book of insurance, 1999.)

EIC seems facing a problem of losing its market share year by year to its competitors despite all efforts by the top management to avert the situation. What encourage the student researcher to engage in this study is to make analyses on the main causes of EIC's loss of market share by comparing with the private insurance companies. By doing so, the researcher will provide a recommendable solution to the problems encountered so far, and build up a sound and sustainable market share based on local and international principles and practices.

The market share of the insurance industry can be affected by customers of different sectors due to price, credit sales, financial strength & customer service of the insurance provider, and customer preference to place at the insurance company where they have a share.

Currently the Ethiopian insurance industry provide insurance service for the following sectors private, Public, and Government covering Motor, Marine, Fire & Lightning, general accident and life risks. The student researcher will further investigate on the type of customer sector and class of business which EIC currently losing its market share and is more vulnerable to its main rivals.

The Industry registered a gross premium income of about Birr 3,990,930, 4,797,180, 4,961,528, 5,557,129, 6,426,68 , 7,493,571 and 8,574,000 billion, during the year 2012,2013, 2014, 2015, 2016,2017 and 2018 respectively. The industry registered a growth rate of 20.2%, 3.42%, 12%, 15.64%,16.6% and 14.41% during the periods under consideration. The Ethiopian Insurance Corporation during the same periods registered a gross premium income of Birr 1,637,842, 2,168,218, 1,982,536, 2,096,476, 2,296,135 and 2,721,396 billion showing growth rate of 11.2%, 14.4%, 20.3%, 15.7% and 14.26%. However, when we look in to the market share of EIC during the periods under review it has been able to acquire the following, 41%, 45.2% 40%, 37.7%, 35.7% and 35.3% showing a declining trend. On the other hand the private companies show increasing trend: 59%, 54.8%, 60%, 62.3%, 64.3% and 64.7% during the same periods. (Compiled from annual financial reports of companies)

1.3. BASIC RESEARCH QUESTIONS

This paper attempt to address the following questions in order to identify the problem

1. Which class of business and which sector bases of EIC contribute highly to its market share as compared to privet insurance companies?
2. Which sector of the business is shifting to the private insurance company from EIC?
3. As the figure highlighted above suggest, the annual production or gross premium of EIC is increasing where as its market share is shirking, why?
4. What are the competition variables in the insurance industry?
5. What are the main causes for EIC market share losses?

1.4. OBJECTIVE OF THE STUDY

1.4.1 General Objective

The main objective of this work is to assess market share of EIC in insurance industry and the main causes of EIC's loss of market share.

1.4.2 Specific objectives

1. To examine which class and sector of business highly contributed to EIC market share.
2. To examine the sector of business shifting to private insurance company.

3. To examine the root causes behind the opposite relationship between EIC gross premium and market share.
4. To examine the competition variables in the insurance industry.
5. To examine the main causes of EIC loss its market share to private insurance company.

1.5. SIGNIFICANCE OF THE STUDY

- I) The research outcome will help the Corporation as a starting point identify the problems associated, in market share with its competitors and find out remedial solutions. It can help the corporation to identify slack areas of performance and make remedial measures. In general it can help the corporation to at least indicate its strategic priority areas and make proper revaluation of its strategic plan.
- II) The research paper helps the student research to get more practical knowledge about how to conduct research
- III) In addition to the above the research paper can be used for the following purpose:
 - Can be used as a base of reference by other scholars for research purposes
 - Can be used as point of discussion for the academic community in this regard.
 - Can be used as a resource material by other private insurance companies in order to evaluate their performance

1.6 DELIMITATION OF THE STUDY

This research is undertaken based the primary and secondary data available within the insurance industry addressing the problems associated with the market share of EIC in terms of premium income and consequent loss of market share as compared to the exhibited increase in total market premium. Even if the corporation Branch offices are placed in all the region of the country the study is conducted only in A.A where the centralized secondary data and most of the managerial staff whose job is highly related to the insurance market are available. And all primary data are collected from employee's of EIC only.

1.7 limitation of the study

Although this study focuses on assessment of market share of EIC in insurance industry of Ethiopia, it is acknowledged that this study has some limitations and there is enough room for further study. The major limitations of the study are based on available information from secondary and primary sources. Accuracy of the study depends on provided information but adequate attention is given to reliability and validity of the research by persuading respondents about the importance of their response on the validity of this work and through crosschecking different literatures.

1.8 ORGANIZATION OF THE STUDY

The paper will organized in Five chapters:

The report is organized into five chapters. Chapter one were the introductory chapter that covers the background of the study, a statement of the problem, research questions and objectives of the study, significance, scope of the study and organization of the study. The second chapter presents the review of theories and literatures on the assessment of market share of EIC and industry at all. Research methodology of the study presented in the third chapter, and it includes study area, research design, and the population of the study, sampling techniques, and data collection procedures and data analysis approach. Chapter four presents the data presentation and data analysis of the study. It includes data analysis and reliability analysis, and follows with demographic evaluation of age, gender, income, education, and occupation of the respondents, and descriptive analysis. Chapter five finally presents the findings, conclusions, and recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 THE DEVELOPMENT OF INSURANCE IN ETHIOPIA

Insurance as a risk transfer mechanism has developed over several hundreds of years. As business and insurance are directly and positively correlated, it is not possible to think the later without the development of business activities in a given economic environment. Thus, the introduction and development of insurance business in Ethiopia was very much linked with the entry of foreign non-insurance companies and the expansion of business activities in the country.

Like ancient Romans, Greeks and Chinese, Ethiopians have long history of acquaintance to insurance-like social devices. The traditional self-help social welfare institutions known as *Idirs*, which are still in use, have been in function since time immemorial. Consequently, Idirs can be referred as the forerunner of the modern insurance transaction in Ethiopia. (Pre-Service Training Handout of EAFS, 1997)

The introduction and development of insurance in Ethiopia can be categorized and discussed in to the following periods:

- a) The Period of Agents,
- b) The Middle Period,
- c) The Period of Monopoly, and
- d) The Period of Liberalization.

It seems justifiable and prudent to discuss this periods before embarking upon our main theme, which is “Comparison of Market Share of EIC With Private Insurance Companies”.

2.2 THE PERIOD OF AGENTS (EARLY1900 TO EARLY 1950’S)

As most scholars would agree, the commencement of modern insurance service in Ethiopia dates back to the beginning of the 20th century. Regardless of the scant documentary evidence to substantiate historical facts, the introduction of insurance in 1905 during the reign of Menelik II, left its birth-mark of modern insurance service in

Ethiopia. It is not, however, clear as to who took the first move to start the business. Some sources say that it was the Habesha Bank (Bank of Abyssinia) which, acting as an agent for a foreign insurance company, started rendering modern insurance service for the first time in Ethiopia. Others argue that it was the Bank of Egypt that started to provide modern insurance service in Ethiopia.

There are also sources that indicate an agent was undertaking Industrial Accidents and Fire insurance services prior to 1920 in Asmara. This was then followed by the opening of an office in 1923 in Addis Ababa by an Austrian national named Weizengher, acting as an agent of an overseas insurance company called Baloise Fire Insurance Company. Two other Italian companies started insurance business in 1925 through a common agent stationed only in Asmara. Representing Istituto Nazionale Delle Assicurazioni and Le Assicurazioni D'Italia, the agent was transacting Fire, Marine, General Accident, and Life insurance businesses.

Available sources also indicate that other foreign expatriates in Ethiopia took only brief time to involve themselves in insurance business by acting as agents for foreign insurance companies. Quite many agent offices were, therefore, operating in the country until Italy invaded Ethiopia in 1936.

During the years of Ethio-Italian war (1936-1941) and until the end of World War II, only Italian insurance companies were allowed to operate in Ethiopia and all other operators were forced to terminate their services. This paved the way for the opening up of additional offices of Italian companies in Eritrea and in the central regions of the country.

Following the end of World War II, however, seven British and other overseas insurance companies opened their offices at different places and served until 1950. Phoenix, Caledonia, Royal, South British, London Union, and Queen's Land insurance companies were operating between 1941 and 1950. (Seyoum, insurance Teaching materials; 1986)

2.3 THE MIDDLE PERIOD (MID 1950S TO 1974)

The year 1951 marked the end of what can generally be conceived as the period of agents. This year witnessed the launching, for the first time in Ethiopia, of an insurance company called Imperial Insurance Company. It was formed by joint initiatives taken by some enlightened Ethiopians (some members of the royal family and the ruling aristocracy), expatriates and foreign companies that had already established business in Ethiopia.

The significant expansion of business activities in the country, in general, and the financial sector in particular led to the coming into existence of some more insurance companies. According to the Central Statistics Office's (CSO) survey on Insurance Companies Operating in Ethiopia, carried out in 1962, there were two domestic companies and 32 foreign companies, the latter represented by 18 agents. The two registered domestic companies were Imperial and National Ethiopian Insurance Company.

A preliminary survey undertaken in 1967 by the Addis Ababa Chamber of Commerce reported that 30 foreign companies represented by branches and agents and 10 domestic insurance companies were transacting insurance business in Ethiopia. These numbers increased to 33 and 15 respectively in 1970. However, though there were quite a substantial number of agency offices transacting in Ethiopia, none of them excel over the others and were able to dominate the market. With the coming of one national insurer the market was dominated by its huge presence by occupying about 30 % of the market premium to its account within a very few years of opening.

2.4 THE PERIOD OF MONOPOLY (1974 TO 1994)

The political change that took place abruptly in 1974 marked a turning point in the insurance operation as it did in all other economic sectors. Literally every sector of the economy was falling under the government control, owing to the socialist ideology, and the country became victim of retarded economic development.

Those thirteen privately owned insurance companies operating immediately before the socialist revolution were nationalized as of January 1, 1975 by Proclamation No. 261/1974. The boards of directors of all those nationalized companies were dissolved. A new Provisional Insurance Board, whose members were elected from the government organs, was appointed to control and administer the industry.

The nationalized companies were first made to operate as autonomous business entities operating independently and without changing their organizational structures. Then, in January 1976, all those autonomous branches were merged, and the Ethiopian Insurance Corporation (EIC) was formed by Proclamation No. 68/1975, repealing proclamation No.281/70.

With a paid up capital of Birr11 million, the Corporation reorganized itself in to six Main Branches, streamlined based on geographical structure, to transact general insurance business. Each Main Branch with its respective sub-branches around the country was made to report to the Head Office. There was also another one, Life Main Branch that was set up without any branch net work. This was with the aim of rendering service all over the country from the main branch office in Addis and through commission agents stationed at various cities including Addis Ababa.

After May 28, 1991, when a change in government took place, free market principles began to operate. In February 1994, the Licensing and Supervision of Insurance Business Proclamation No. 86/1994 were issued. Subsequently, new privately owned insurance share companies emerged gradually and the period of monopoly came to an end. During this period as its name implies EIC controls the total market to its own account without any competition domestic or foreign.

2.5 THE CURRENT PERIOD (1994 ON WARDS)

Following the change of government in 1991, a new economic order has been adopted which principally aimed at reorienting the economy along the free market path and economic recovery by doing away with the centralized economic system. In the effort to assist such reforms, the then transitional government issued various decrees, laws, directives, etc. Among these, the Licensing and Supervision of Insurance Business

Proclamation No. 86/1994 that was enacted on 1st February 1994 allowed the operation of insurance business to private investors of Ethiopian nationals only. Moreover, it gave the power and authority to License and to supervise insurance business in Ethiopia to the Nationals Bank of Ethiopia (NBE).

Subsequent to the proclamation, new private insurance share companies took license from NBE within a brief time and started operation immediately. The Ethiopian Insurance Corporation that served the economy for nearly two decades (1975 to 1994) gave up its monopoly power. In response to this change, the Corporation was reestablished and restructured in accordance with the Council of Minister's Regulation No. 201/1994 issued on 19th September 1994 with a fully paid up capital of Birr61 million. Moreover, the corporation was made under the governance of the Public Enterprise Proclamation No. 25/1992.

The monopoly power of the Ethiopian Insurance Corporation has apprehended with the opening up of private insurance companies since 1994. Currently, therefore, the market premium is shared amongst one state-owned and eleven private companies.

2.6 OPERATIONAL PROFILE AT THE DIFFERENT PERIODS

During the middle period there exists a *laissez faire* operational environment, however, the premium income of the country in 1966 had reached Birr 14.2 million, shared among 30 foreign and 10 domestic insurance companies. Although the operating results of individual insurers were poor, the insurance industry as a whole was exhibiting a relatively rapid expansion and profitability. This profitability was partly attributed to investment incomes, which at times exceeded the profits from insurance activities. Some domestic insurance companies were, however, demonstrating increasing trend in market share, underwriting surplus and net profit from year to year. Imperial, Lion and Blue Nile insurance companies can be cited as good examples.

Table 2.1. An Example for the Performance of Insurance Companies during 1960s

	Company	1964	1965	1966	1967	1968	1969
Underwriting Surplus	Imperial	603,465	713,622	703,082	685,144	783,359	816,000
	Lion	198,980	231,634	321,851	417,575	711,316	739,250
	Blue Nile	121,000	108,000	76,270	178,130	272,266	464,475
Net Operating Profit	Imperial	119,145	167,702	80,963	1,624	134,890	258,000
	Lion	32,000	231,634	321,851	417,575	711,316	739,250
	Blue Nile	22,000	32,000	(70,857)	(21,666)	23,280	169,720

Source: Development of Insurance in Ethiopia, Hailu Zeleke, Department of Accounting, Addis Ababa University, February 1991.

Most of the insurance companies were transacting General (Non-Life) insurance business. Volume of gross premium during the period 1967-1972 had been increasing at an average rate of 16% per annum. An average of 51% of this premium would, however, go out of the country by way of reinsurance. Gross Loss Ratio, i.e. gross claims as a percentage of gross premium income, was approximately 50%.

Larger proportion of the premium would come from Motor and Fire insurance policies. They would, in fact, account for 55-60 percent of the total portfolio, averaging at 57.5%.

Table 2. 2. Share of Gross Premium by Class of Insurance

Year	Motor (%)	Fire (%)	Marine & Aviation (%)	Workmen's Compensation (%)	Others (%)
1967	49.8	15	14.7	10.6	9.8
1968	49.6	16.6	14.4	10.2	9.2
1969	49.9	20.6	12.8	10.9	11.8
1970	42.8	21.1	7.9	10.3	18
1971	39.1	24.7	12.7	10.9	12.6
1972	41.6	23.6	9.8	10.6	14.3
Average	44.63	20.27	12.05	10.58	12.48

Source: Development of Insurance in Ethiopia, Hailu Zeleke, Department of Accounting, Addis Ababa University, February 1991.

As can be seen above, motor class of business had the highest share of gross premiums (on average 44.63%), followed by fire insurance (20.27 %). Workmen's compensation insurance had on average, a share of 10.58%, which remained stable during the period.

As was the case for the companies prior to nationalization, during the period of monopoly the non-life side of the insurance business by far dominates the life side. In fact, Motor, Marine and Fire classes of business account for the largest proportion of the portfolio, the minimum for the period 1976 through 1987/88 for example being 68%. The share of Life insurance in the total premium during this period had further declined to an average of 4%. A substantial part of claims under the general insurance was also accounted for by Motor and Marine classes combined ranging between 48% and 83%.

The Corporation's results over the days of monopoly had been remarkable in many aspects. The underwriting results were always positive figures of high magnitude. There were always larger cash deposits than insurance funds. The value of current assets were always far larger than liabilities to be met. Cession rates went to as low as 50%, which meant increased retention capacity and saving of foreign currency. Even more, the Corporation in 1980 has started inward reinsurance (i.e. acceptance of reinsurance from other companies) from some African countries.

Ethiopian Insurance Corporation lasted for 19 years as the sole, government-owned insurer in the country. During these years of monopoly, the total income of the Corporation grew from Birr 50 million to Birr 254 million. By the end of 1993/94 fiscal year, its capital had reached Birr 500.4 million.

The monopoly power of Ethiopian Insurance Corporation has closed down with the opening of private insurers since 1994. Currently, therefore, the market premium is shared among one state-owned and eleven private companies.

2.7 MARKET SHARE FOR INSURANCE

As defined by Shrom B. life and insurance marketing, market share is the ratio of a company's sales of a product service during a certain period with a specified market to the total industry sales for the type of product during the same period in the market accordingly market share for the insurance means the sales of insurance policies of a company over the total sale of the industry during the same period

Prior to 1994, the growth rate of the Ethiopian Insurance Industry means the Ethiopian Insurance Corporation as it was the only insurance provider. It's market share 100 percent in 1994/95 had been decreasing as a rapid rate and the share of private insurance companies increasing at an increasing rate as shown in the table below.

Table 2.3 – Market share between EIC and private insurance companies in Birr, 000

Year	Industry	EIC	Private	Market share		Growth		
				%		%		
				EIC	Private	Industry	EIC	Private
1993/94	246,000	246,000	0	100.0	0.0	0	0	0
1994/95	282,800	282,800	0	100.0	0.0	15.0	15.0	0
1995/96	302,100	247,800	54,300	82.0	18.0	6.8	-12.4	0
1996/97	335,600	227,200	108,400	67.7	32.3	11.1	-8.3	99.6
1997/98	366,100	207,600	158,500	56.7	43.3	9.1	-8.6	46.2
1998/99	387,200	200,600	186,600	51.8	48.2	5.8	-3.4	17.7
1999/00	424,000	199,000	225,000	46.9	53.1	9.5	-0.8	20.6
2000/01	455,000	210,800	244,200	46.3	53.7	7.3	5.9	8.5
2001/02	554,300	296,000	258,300	53.4	46.6	21.8	40.4	5.8
2002/03	556,600	267,500	289,100	48.1	51.9	0.4	-9.6	11.9
2003/04	568,200	277,200	291,000	48.8	51.2	2.1	3.6	0.7
2004/05	640,200	302,000	338,200	47.2	52.8	12.7	8.9	16.2
2005/06	796,900	345,000	451,900	43.3	56.7	24.5	14.2	33.6
2006/07	971,500	416,000	555,500	42.8	57.2	21.9	20.6	22.9
2007/08	1,199,000	496,000	703,000	41.6	58.6	23	19.2	26.5
2008/09	1,399,500	600,000	799,500	42.5	57.2	16.7	20.9	13.7
2009/10	1,492,211	722,426	769,785	41.9	58.1	17.1	20.4	14.7

2010/11	2,461,222	963,243	1,497,979	40	60	16.9	20.2	16.3
2011/12	3,990,930	1,637,842	2,353,088	41.0	59.0	20.75	20.2	15.7
2012/13	4,797,180	2,168,218	2,628,962	45.2	54.8	4.2	3.42	18.4
2013/14	4,961,528	1,982,536	2,978,992	40.0	60.0	11.83	12	22.6
2014/15	5,557,129	2,096,476	3,460,653	37.7	62.3	16.24	15.64	29.1
2015/16	6,426,685	2,296,135	4,130,550	35.7	64.3	17.06	16.6	28.2
2016/17	7,493,571	2,721,396	4,772,175	36.3	63.7	13.73	14.41	14.71
2017/18	8,574,000	2,974,764	5,405,532	35.5	64.5	13.7	15.7	15.9
2018/19	9,096,762	3,435,554	5,661,208	35.8	64.2	12.4	16.2	16.4

Source- Compiled from Annual Financial Reports of companies

Table 2.4 – Industry premium growth rate by class of business

Class of business	2015		2016		2017		2018		2019		AVERAGE	
	Indu.	EIC	Indu.	EIC	Indu.	EIC	Indu.	EIC	Indu.	EIC	Indu.	EIC
Motor	7.7	1.0	25.1	18.8	28.2	28.6	13.0	14.8	14.6	14.2	17.7	15.5
Marine	28.6	33.6	23.9	7.8	3.8	2.2	48.2	63.7	5.6	2.6	22.0	22.0
Fire	8.5	11.4	11.1	5.2	12.8	10.1	11.2	2.6	16.5	17.0	12.0	9.3
Workmen's	(2.7)	6.6	20.1	17.2	20.4	18.1	23.7	16.5	10.2	17.3	14.3	15.1
Engineering	50.3	49.2	102.7	117.5	92.4	34.8	58.2	296.8	10.0	(6.3)	62.7	98.4
Others	21.2	14.7	31.7	25.3	13.1	(15.7)	51.4	51.2	11.9	18.2	25.9	18.7
Total	14.1	13.9	27.6	18.2	24.2	12.8	28.6	51.4	11.9	7.7	21.3	20.8
Life	23.3	16.6	27.2	16.8	34.4	20.0	31.6	16.8	23.0	19.7	27.9	18.0
G. Total	14.6	14.2	27.6	18.0	24.8	13.5	28.8	47.7	12.6	8.8	21.7	20.4

Source- Compiled from Annual Financial Reports of companies

Private insurance companies reached 50% market shares between 2015/16 and 2017/18. The following years up to 2018/19 can be regarded as a stabilization effort of the EIC. Again during the last three years the market share of the private sector has been on a higher wavelength. The insurance industry has also been growing very rapidly during the last 3 years (12.7 %, 24.5%, and 21.9%) and it is estimated that the current years result will be higher and conservative forecast for the coming year, 2016/17, is an increasing growth rate. The last three years growth rate of private insurance companies was 16.2%, 33.6%, and 22.9%. The awareness and knowledge of the public about insurance has changed. Greater numbers of Agents- brokers have also played their part.

2.8 RECENT DEVELOPMENT

The following table indicates that total paid up capital has increased by 49.4%, which should alert EIC to launch a recovery strategy in capital share as well as regain loss in market share.

The total capital of the industry stands at Birr 264,261,738. The average capital of the industry is therefore Birr 26.4 million. The total paid up capital of all private companies during early month of July 2011 was Birr201.6 million or an average amount of Birr 25.2 million.

Table 2.5. -Gross written Premium and Paid up Capital 30 June 2018

Company	Initial Paid up Capital	Paid up Capital	Gross written Premium	Market Share %
Africa	15,000,000.00	26,000,000.00	82,948,965.00	8.5
Awash	7,382,000.00	28,688,500.00	86,986,747.00	8.9
EIC	7,007,038.00	57,007,038.00	420,366,874.00	35.5
Global	3,750,000.00	16,835,500.00	12,688,851.00	1.3
Nib	13,788,500.00	25,825,000.00	66,400,000.00	6.8
Nice	3,251,000.00	9,298,800.00	30,371,731.00	3.1
Nile	10,005,000.00	36,000,000.00	107,630,000.00	11.1
Nyala	7,000,000.00	31,000,000.00	83,500,000.00	8.6
United	7,963,000.00	27,953,000.00	81,294,075.00	8.4
Total	125,146,358.00	258,610,838.00	972,187,379.00	100.0
Average Capital	13,905,151.00	28,734,538.00	108,020,820.00	26.6
Private company's Average	8,517,415.00	25,200,475.00	68,977,563.00	36.5

Source- Compiled from Annual Financial Reports of companies

2.9 THE INSURANCE MARKET IN THE ETIOPIAN CONTEXT

As indicated above the premium share of the insurance companies in the Ethiopian insurance market one can reasonably assume that each private company with the exception of few is increasing its relative market share whereas EIC is losing grounds each and every year.

The examination of such market analysis has been carried out for all the years from the 1994 Proclamation allowing the domestic investor to enter and invest into the insurance sector which have been under the control of the governmentally owned Ethiopian Insurance Corporation.

2.10. SECTOR

As the practice of insurance industry, sector means categories of customers according to their ownership of the subject matter insured.

Each individual Insurance Companies in the industry categorizes its customers in different ways. This approach highly depends on the company's future plan and the way it wants to employ in the analysis of its customer database. Based on this fact EIC currently classifies its customer base in to three sectors: that is, the Private, the Public and the Government Sector. (Internal Source)

The Private sector refers to private individuals, private companies and NGO's and other international organizations. The Public sector refers to those governmental owned organizations administered under the Public Enterprise Proclamation No. 25/1992. The Government sector refers to different organizations under the government domain, mainly falling under different Ministry's.

Table 2.6. – EIC'S Market share from Private Sector of the industry

Class of Business	2015 %	2016 %	2017 %	2017 %	2018 %	Average
Motor	16.7	17.4	18.8	19.2	19.9	18.4
Marine	15.6	15.7	13.9	13.5	14.2	14.58
Fire	31.8	30.5	28.9	31.1	31.9	30.84
Workmen's	16.1	18.3	21.3	21.8	23.9	20.28
Engineering	12.0	23.1	33.8	63.9	52.1	36.98
G. Accident	16.3	29.3	31.7	3.19	31.8	28.2
Others	2.0	2.1	1.9	1.6	2.0	1.92
Life	70.4	63.8	55.7	48.8	47.3	57.13
Total	19.3	20.3	22.5	26.2	25.1	22.68

Source- Compiled from Annual Financial Reports of companies

EIC is currently underwriting insurance businesses of Public and Government organizations, losing its ground of its customers belonging to the private sector. The private insurance companies on the other hand underwrite businesses belonging to the private sector. (Internal Source)

2.11 CLASS OF BUSINESS

Insurance policies sold in the Ethiopian Insurance market are classified into two broad categories; these are

- I. General Insurance Business or Non-Life Insurance business; and
- II. Long Term Insurance Business or Life Insurance business.
 - i. General Insurance Business or Non-Life Insurance Business

It provides insurance coverage in respect of property, pecuniary & liability risks

Under this heading, the following are among the main categories of policies sold to the insuring public:

- Motor Insurance,
- Fire & Lightening Insurance business,
- General Accident Insurance business, and
- Marine Insurance business.
- Workmen's compensation
- Aviation
- Engineering

ii. Long Term Insurance Business or Life Insurance business Life Insurance

Under this heading, the following main types of policies are available to the insuring public:

- Endowment
- Whole Life
- Term Insurance
- Annuity e.g., Group Annuity or Educational Annuity
- Hospitalization and Sickness Insurance
- Provident Fund and Pension

Here under EIC'S premium production by class of business and sector is shown

Table 2.7. Financial information of insurance industry

Year	2013	2014	2015	2016	2017	2018
Gross premium						
1. Non life						
Aviation	231,630	245,484	220,740	270,325	458,788	573,795
Engineering	733,469	431,989	430,400	421,490	507,961	754,017
Fire	229,701	280,738	308,990	384,289	487,361	580,848
Liability	117,025	163,821	189,801	167,654	221,856	293,605
Marine	531,721	536,721	490,450	502,670	532,261	470,889
Motor	2,101,661	2,421,725	2,830,635	3,489,111	3,982,203	4,346,543
Accident & Health	147,137	169,551	192,002	184,656	260,469	294,112
Pecuniary	329,351	352,796	416,304	466,792	429,814	453,614
Workmen's comp	53,175	58,256	29,454	141,449	160,567	180,105
Others	22,796	26,576	93,309	65,241	92,468	165,697
Non life total	4,497,666	4,687,657	5,242,085	6,093,677	7,133,478	8,8113,225
Growth in %	20.75	4.22	11.83	16.24	17.06	13.73
2. Life insurance	299,514	273,871	315,044	333,008	360,093	460,775
Growth in%	10	(8.56)	15.03	5.7	8.13	27.96
Change	#REF!	164,348	595,601	869,556	1,066,886	1,080,429
Growth in %	#REF!	3.42	12	16	17	14.41
Net premium						
1. Non life						
Aviation	5,135	(1,749)	14,753	4,071	5,392	1,740
Engineering	130,619	109,454	192,818	196,572	245,802	214,252
Fire	106,372	131,273	161,512	173,002	234,462	285,477
Liability	102,174	144,713	169,106	150,273	194,589	213,019
Marine	304,786	308,038	253,048	239,238	312,089	250,126
Motor	1,978,279	2,323,094	2,718,095	3,325,761	3,652,888	3,939,793
Accident & health	128,425	152,126	168,712	173,575	234,614	258,319
Pecuniary	194,071	185,896	216,731	208,523	208,436	232,004
Workmen's	52,497	57,790	68,987	141,309	152,984	171,262
Others	8,961	12,415	74,170	25,017	46,946	14,985
Non life total	3,011,319	3,423,050	4,037,932	4,637,741	5,588,202	5,580,977
2. Life insurance	272,022	242,130	283,435	288,747	322,141	410.913
Ret. Ratio on Non-life	67	73	77	76	74	69
Retention ratio of life	91	88	90	87	89	89

Table 2.7.1 EIC premium production by sector of business Birr in, 000

SECTOR	2011/12	Share 2011/12	2012/13	Share 2012/13	2013/14	Share 2013/14	2014/15	Share 2014/15
GOV'T	244,099	14.9	369,290	17.0	438,356	21.0	407,728	19.5
FINANCE		-		-		-	330,811	15.8
PUBLIC	692,378	42.2	816,381	37.7	682,207	32.8	548,957	26.2
PRIVATE	703,802	42.9	980,275	45.3	961,973	46.2	804,204	38.4
Grand Total	1,640,279	100	2,165,947	100	2,082,536	100	2,091,699	100

2015/16	Share 2015/16	2016/17	Share 2016/17	2017/18	Share 2017/18	2018/19	Share 2018/19
548,888	23.9	623,296	22.9	637,343	21.4	677,560	19.7
128,668	5.6	153,403	5.6	156,204	5.3	184,376	5.4
683,512	29.8	1,031,367	37.9	1,280,148	43.0	1,708,567	49.7
935,681	40.7	913,330	33.6	900,813	30.3	865,052	25.2
2,296,748	100	2,721,396	100	2,974,508	100	3,435,555	100

NB: Finance Sector has been started to be reported and analyzed starting only from the fiscal year of 2014/15.

The Industry registered a gross premium income of about Birr 3,990,930, 4,797,180, 4,961,528, 5,557,129, 6,426,68 , 7,493,571 and 8,574,000 billion, 9,096.762 during the year 2012,2013, 2014, 2015, 2016,2017,2018 & 2019 respectively. The industry registered a growth rate of 20.2%, 3.42%, 12%, 15.64%,16.6% and 14.41% during the periods under consideration. The Ethiopian Insurance Corporation during the same periods registered a gross premium income of Birr 1,637,842, 2,168,218, 1,982,536, 2,096,476, 2,296,135, 2,721,396 and 3,435,554 billion showing growth rate of 11.2%, 14.4%, 20.3%, 15.7% and 14.26%, However, when we look in to the market share of EIC during the periods under review it has been able to acquire the following, 41%, 45.2% 40%, 37.7%, 35.7% , 35.3% and 35.8% showing a declining trend. On the other hand the private companies show increasing trend: 59%, 54.8%, 60%, 62.3%,

64.3% ,64.7% and 64.2% during the same periods. (Compiled from annual financial reports of companies)

From the two main classes of insurance business EIC is in fact leading the market by example in case of long term insurance business, whereas it is losing its position as a leader in the General Insurance Business. (Internal Source)

Even in case of long term insurance business EIC in actual sense has lost most of its market share. During the period running from 2012 up to 2019 only EIC's share has declined from about 41% to 35.3%. The private sector dominance in the category of business is clearly visible.

From the general insurance business EIC holds about 30 % of the motor premium of the industry, which indicates that the difference goes to the private, companies. However, even holding the great majority of the premium from this class the figure suggests that EIC's premium is still eroding year by year.

On the other hand EIC still holds the chunk of the premium from marine class of business, about 58% against 42% left the rest of the private sector. Though it is a fluctuating trend, and even in this particular case the figure again suggests that its market share is decreasing year by year.

In cases of Fire, Workmen's Compensation and accident classes of insurance business EIC has tried to somewhat maintain its market share despite the fact that it is losing its share in small amounts.

In addition to the Life insurance business a noticeable decline in the market share of EIC is clearly noted in case of Aviation and Other Classes of insurance businesses, where EIC's market share declined from 97% to 72% in case of Aviation and from 14 % to 3% in case of Other classes of insurance business during the period running from 2012 up to 2019.

An exceptional surge in the market share is noted in engineering class of insurance business where its market share rose from 36% to 72% during the period running from 2012 up to 2019. This is no surprise because most of heavy constructions, such as roads, dams and other gigantic enterprises of such nature are carried out by the government.

2.12 COMPETITION IN THE LOCAL MARKET

a) Historical Background Ethiopia

The Insurance Industry has witnessed both competition and monopoly. Competition is a situation in a market in which sellers of a product or service independently strive for the patronage of buyers in order to achieve a particular business objective, e.g., Profits, Sales and/or Market share. (SIP)

Competitive rivalry between firms may take place in terms of Price, Quality, Service, or Combinations of those and other factors, which adds value to customers. Businesses will develop new products, innovate their business and production process by latest technology, Set up cost management to reduce prices and improve customer service to attract new customers. Consumers, therefore, receive wider product choice, enjoying quality products/services and a well-structured competitive market would ensure: the quality, reasonable pricing, and availability. (SIP)

Competition in the Ethiopian scenario can be analyzed in the eras discussed above:

- From 1951 up to 1974 we have witnessed competition among insurance companies, which has been regarded as intense and irresponsible with rate reduction to the lowest level; or rate cutting.
- The 1974 to 1994 is characterized by the period of Monopoly where the Ethiopian Insurance Corporation holds 100% of the total premium of the market for itself without any competition.
- From 1994 onward, very strong and stiff competition where underwriting principles are compromised for market share with mainly but not limited to the following variables:
 - a) Price
 - b) Customer service
 - c) Capital base / financial strength
 - d) Credit sales
 - e) Other factors

The Ethiopian scenario is characterized by unfair competing behavior with low premium rate, / nonexistent underwriting policy and criteria / requirement, defamation and

labeling of others, under-table commission payment, unprofessional and un ethical policy and practice, and provision amendment of standard policy wording without due regard to reinsurance contracts and professional ethics. (Hailu Zeleke, Insurance in Ethiopia, 2005)

- Price is dominant variables, seemingly because all companies offer similar service. Price cutting or cut throat premium rating or price focused competition strategy where price cut up to or as much as 300% is a notable factor as competitive weapon in the industry. The price charged for the insurance product is uneconomical & non-commensurate with the risk covered. It is assumed that Motor class of business is a competition area, which comprises 60% market total premium.(Companies Annual Report)
- Therefore, price is practically the same or similar rates exist except discounts which can vary, and discounts can be copied easily by others. Irresponsible Under-cutting is reflected in profitability. Motor class of business being the major battle ground with slight / no apparent change on rate structure since 1959 (AOA–UK)where the Subject Matter of Insurance the vehicle is rated. Marine insurance rates are slashed up to almost 99%.(companies annual report)
- Credit Sales –As the practice of the Ethiopian Insurance Industry credit sales means issuing or renewing an insurance policy by accepting a portion of the total premium in advance (down payment) and collecting the remaining balance within the next three months. The reason for such practice is to attract new customers and to retain existing ones.

Is another variable of competition in the market where there exists no legal provision for non-payment of premium. It is not the legal position as it is in other countries which dictates “No premium No cover”. Besides the lack of the having the legal backing for non-payment of premium, the market is exhibiting imprudent credit sales. Customer shift to others without paying the premium they owe to that insurer and where there is no exchange of information or cooperation between insurers in this regard. This shows lack of discipline or having a spoiled market discipline by giving priority only to production results but not profitability by insurance companies in the industry.

- The third competition variable are the Products sold by the Industry which are similar products without product differentiation, market segmentation / niche market is practically minimal or is non-existent, introduction of new products is substantially minimal where Floriculture/ Horticulture, Travel / COUPON, Condominium, Enhanced Householders comp insurance (Domestic) can only be sited to have been introduced in to the market for abut the last two decades of the industries progress in the free market. This shows that R&D is at its brink or non-existent. In some cases some of the existing products are on the verge of dissipating from the market and competition on traditionally known and customary and high demand insurance products.

- The Other variables can be cited as follows:
 - The industry uses the same organizational structure, where the imaginary walls between our functional units is solid rock
 - The industry pays much attention and expend considerable human and economic resource on support processes rather than the Core Business Process
 - The industry uses almost similar Policy and Procedure Operations manual, and also on others
 - The industry serves almost the same customer
 - The industry almost provides the same “quality of service” which appears identical to the Public let alone to the customer
 - The industry shares the same market
 - The system the industry inherited does not allow creativeness and innovative ideas
 - The industry’s organizations are mainly production based rather than market based etc.

For new entrants the market is not saturated and now there is news of new companies under formation. In Ethiopia seemingly known for the existence of weak competition where EIC and four insurers dominate the market the losing of market share is accelerating every year.

2.13 COMPETITIVE SITUATION

EIC’s major competitions are NILE Insurance Company (S.C), NYALA Insurance Share Company, UNITED Insurance Company (S.C) and AWASH Insurance

Company and Nib Insurance Company (SC) is emerging on the ranks. From the total annual market premium EIC currently holds only 35.3% the balance being and shared by its competitors. The premium rates they currently charge is on a average 32% below what EIC is charging Furthermore, the heavy advertisement spending, and their efficient claims payment has enabled them to penetrates the market and eat away EIC's market share year by year.

2.14 DISTRIBUTION SITUATION

The major competitors of EIC extensively train commissioned sales agents and send them to knock the door of each and every customer in the main marketable areas. The business solicited through these sales agents is substantially increasing. The use of salaried agents and licensing of/or Institutional agency arrangements are the second methods used by the competitors, which enabled them to receive the major portion of their premium income.

The balance of business has been collocated by opening branch offices in identified target market areas and providing trainings to employees of major clients and allowing the client to receive the commission (through their own employee, has also provided them a competitive edge than EIC. Though, EIC renders its services through seven Regional Functional Main Branches, 30 local branches situated in various parts of the country, 3 contact offices, and around 1108 sales agents trained so far, the market share dominated for almost two decades is now being highly depleted by competitors.(Internal)

The strategy of increasing profit by increasing market share might result in locating in high, traffic areas and strategy that emphasize convenience for the customer may result having many location where customers can transact business or market purchase. A poor location could result in lack of customers and /or high operating cost. Adding location can be a defensive strategy designing to maintain market share to prevent competitors from entering a market. (William J. Stevenson, 2005)

In the case of EIC all the main branches are located at the same location clustered together or very near to one another in the central town and mainly a little bit

away from areas of main commercial activities. Opening of offices at the customers' convenience is a little bit bureaucratic and requires quite a substantial time. This has been cited as a major factor for losing the market share EIC to the private insurance companies.

2.15 FUTURE TREND

EIC's endeavor to reengineer its process and radically improve customer satisfaction level in the delivery of its service might be seen as a solid ground for future aspirations of the Corporations. Future service delivery standards by providing it at the customers grounds can have a substantial impact in the future market share.(Internal Source)

2.16 SWOT ANALYSIS

An analysis of strength, weakness, opportunities, and threats to determine how well the company's skill and resource match the predicted market opportunities.

2.16.1. OPPORTUNITIES / THREATS ANALYSIS

The main opportunities and threats presented by the external environment and achievement on EIC's Insurance Premium Income are as follows:

Clients are developing confidence on the financial capacity of EIC to handle major claims

- EIC is protected by Public Enterprises proclamation Act.

2.16.2. THE MAIN THREATS ARE FOLLOWS:

- Inability to sale shares to the general public as done by the private insurance companies in order to raise capital and broaden its market share.
- The inability to establish a sister company engaged in the Banking business; as this is possible and practiced by almost all private insurance companies.
- Being ignorant of the technical and legal aspects of the insurance business the public is to incline to believe the aspersions cast by an unsatisfied claimant.
- The image of EIC which has been smeared with inefficiency as a result of delayed claim settlement as compared to its competitors is also a main threat in losing the market share to its competitions.

2.16.3. STRENGTH /WEAKNESS/

Strength and weakness internal to the corporation, its strategies and positions in relation to its competitors are as follows:-

2.16.4. STRENGTH OF EIC IS AS FOLLOWS:-

- It is still a market leader, a dominant figure in the market
- The capital employed certainly will convince traders to deal with EIC
- It has the capacity to reduce the premium far below its competitors without affecting its profit to a considerable degree.
- It has quite extensive experience and has a specialist at the head office level to deal with all Insurance Covers.

2.16.5. THE MAIN WEAKNESSES OF EIC ARE AS FOLLOWS:

- EIC's premium for its Insurance products is expensive as compared to its competitors
- The "acid test" of insurance product is fair, fast and firm claim payments. EIC's claim and survey staffs are renowned for their delayed action.
- EIC's customer service and service delivery cannot be compared to the private sector, as it has many hand offs and require more cycle time,
- EIC's Advertisement campaign is not particularly attractive and lacks to address the main issue, which target prospects, would want to hear? Furthermore, as compared to the percentage of premium income and profit it generates, most insurance policies has never been advertised on their own merits,
- EIC Clings to market agreement and requires time space to alter such "gentle men" agreement, which are not legally binding; and maintains to pay lower commission rates to agents.
- EIC's branch offices are far from trading areas most of the time. The consumers of its products are found far from branch out lets.

CHAPTER THREE

RESEARCH DESIGN & METHODOLOGY

3.1 Introduction

This chapter describes the approach, methods and techniques adopted to collect and analyze data. As a result, the research design, data requirement and sources, sampling frame and techniques, data collection tools, data analysis and presentation methods are discussed. According to Yin (2003), a research methodology defines what the activity of research is, how it proceeds, how progress measures, and what constitutes success. Kumekpor (2002) also defines it as the methods, procedures and techniques used in an attempt to discover what we want to know. The aim of the study is to assess the market share of EIC in insurance industry.

3.2 Research Approach

The three methods that are commonly implemented in a research are quantitative, qualitative and mixed, where one of them is not better than the others. All of this depends on how the researcher wants to do a research of study (Creswell, 2005). This study used the mixed approach because for variable that cannot assume numeric values we used qualitative variable and for variable that can assume numeric value we used Quantitative variables. This mixed method approach helps to triangulate the data and result collected through survey method (Greener, 2008; Saunders 2007). Primary data collected using quantitative method was analyzed using descriptive and inferential analysis, and present in tabular forms. Whereas the data obtained using interviews was analyzed qualitatively. The qualitative data gives an advantage of having an in depth insight in insurance practice and related challenges so that results can be presented in more accurate way.

3.3 Research Design

Research can be classified as exploratory, descriptive and explanatory (Saunders, Lewis and Thornhill, 2007). The objective of descriptive research is, to portray an accurate profile of persons, events or situations" (Robson, 2002). This study, with descriptive research type, tries to examine the market share of EIC in the insurance

industry performance with the purpose of identifying the gaps or problems and build up a sound and sustainable market share based on local and international principles and practice. In this study both qualitative and quantitative approaches are used. Quantitative data was collected through questionnaire and qualitative data through interview.

3.4 Data Type and Source

In conducting the study primary & secondary data type will used to achieve the objective of the study. This resource consists of books & literatures, manual and periodical reports of the insurance corporation and NBE, data collected by the insurance corporations for other purpose, and documents written in connection with insurance industry. Furthermore questionnaires are distributed to collect primary data from managerial staff of E.I.C.

3.5 Data collection instruments

The main tool for data collection was a questionnaire and interview .A questionnaire is a formalized set of questions for obtaining information from respondents that translate the researchers' information needs to a set of specific questions that respondents are willing and able to answer. For the purpose of data collection the researcher was used closed ended questionnaire were prepared by considering factors influencing market share of the insurance. Thus, closed ended questionnaires helps to avoid pressure up on respondents in any direction so as to get a better and required data in study area. The questionnaire were structured in a four-point likert scale type format. In this technique, the degree of agreement or disagreement is given a numerical value ranging from one to four. Thus, a total numerical value can be calculated from all the response.

3.6 Procedure of data Collection

The important data for the final study was collected using questionnaire and interview .The procedure adopted for each of the data source tool as depicted below.

Procedure for questionnaire: Questionnaire developed based on the specific objective of the study a four point likert scale. During the dispatching of questionnaire the respondents notified the purpose of the study, the confidentiality of the answer given by them and also told data is strictly adopted only to the finalization of the thesis and then

question distributed to respondents on the appropriate time and place for them. After one week the answer collected and the data analysis carried on.

Procedure for Interview: Structured and unstructured interview was prepared and researcher contacted in person the managers and deputy managers to make appointment to have interview at the time and place convenient for both. Before commencing the interview the interviewer thanks the interviewee and rectify the purpose of interview in short and started the actual interview. All the needful and planned interview adjourned the interviewer thanks the interviewee and end the interview.

3.7 Population of the study

Target population in statistics is the specific population about which information is desired. According to Ngechu (2004), a population is a well-defined or set of people, services, elements, and events, group of things or households that are being investigated. This research sought to gain information from people involved in the marketing activity of the industry. This included EIC staffs , the target population was 90 staff in the corporation who were directly linked to performance of market share of the corporation execution and easily understand the bottleneck with in the operations.

3.8 Sample and Sampling Technique

Because the total population is finite and small in number, the study does cover all the total population of the study and sampling technique is not applied. However, the respondents that represent the company are selected using convenience-sampling techniques and these are those managerial staff, marketing department heads, underwriters, working in departments that practice the marketing activities. The total number of people in the target population was significantly small. A census sampling technique therefore enabled the researcher to collect a wide variety of views and hence promote reliability and validity of the data collected.

3.9 Method of Data Analysis

The study collected both qualitative and quantitative data, and therefore, data was analyzed according to its type. For the analysis of the quantitative data descriptive

statistics supported by SPSS software was applied, and for qualitative data document analysis was done.

Using SPSS mean and standard deviation are calculated to show the respondent firms experience in insurance practices, and frequency and percentage are considered to present the respective factors which influence market share process. Generally, data presentation and interpretation was made using tables in order to display the collected data in a concise and meaningful way. The data are finally interpreted based on statistical findings.

CHAPTER FOUR

DATA PRESENTATIONS, ANALYSIS AND INTERPRETATION

A Total of 90 questionnaires were distributed to those individuals who are highly related to the insurance market, and 90 responses were collected. The data collected is analyzed using tabular methods and the percentage of the responses to each question is summarized as follows.

4.1 Demographic characteristics of respondents

Data related to their profile was collected and analyzed to know the respondent's educational information, job title, years stayed in the organization and department /work unit. A percentage and frequency characteristic of the respondents is presented in the following subsequent figures and tables.

4.1.1 Educational Information.

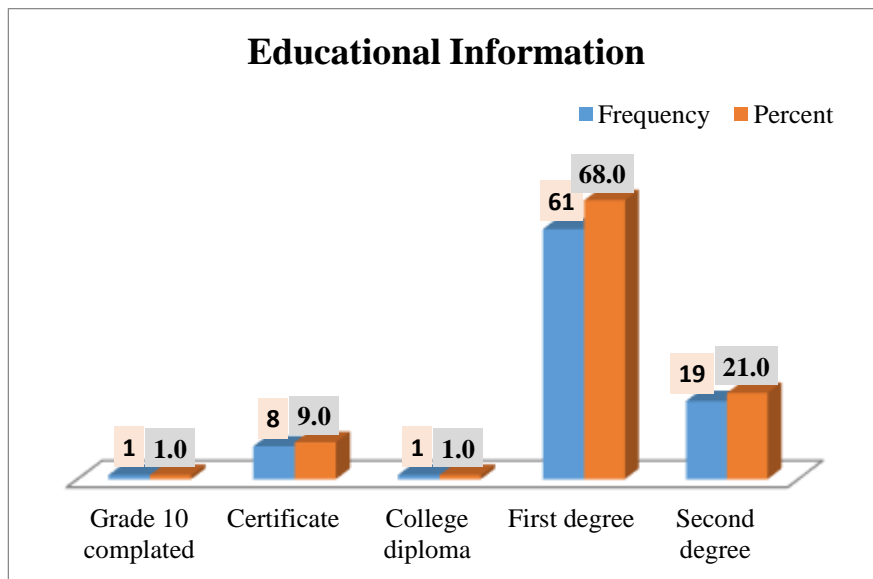


Fig 4.1 Educational information, Source, SPSS, 2020

The graph above shows the educational status of the respondents. 68% of the respondents have BSC/BA degree, 1% have collage Diploma, 21% have second Degree & above 1% have Grade 10 completed and 9% certificate. The result shows the respondents have better analytical skills to respond to the questionnaires since they are well educated and have knowledge and information required for factors affecting market share.

4.1.2 Job title

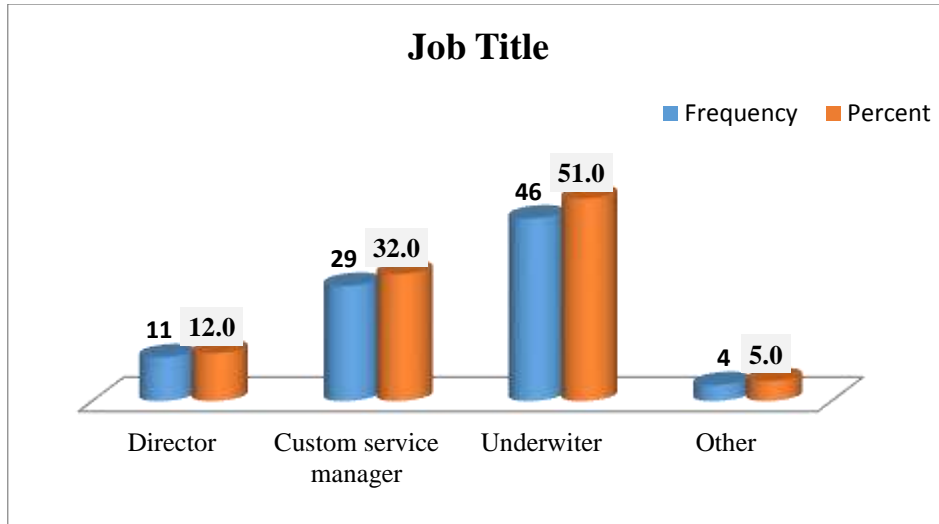


Fig 4.2 Job title, Source SPSS, 2020

The Positions of respondents was analyzed and the result is shown in the above graph (Figure 4.2). The result percentage rate shows majority of the respondents are underwriter in position by 51% in each, custom service manager second place by 32%, directors third place by 12% and other department has a share of 5%. The respondent's position percentage result shows factors affecting market shares has been assessed in different views & role on each respondents.

4.1.3 Respondents Experience in the Company

Figure 4.3 shows the respondents experience in the company. The result shows 14% of the respondents have less than 2 years of experience in the corporation, 48% of the respondents have 2-5 years of experience, 24% of the respondents have 6-10 years of experience and 13% of the respondents have more than 10 years experience in the corporation. It can be seen from the result that majority of the respondents have 2-5 Years of Experience which has good awareness on factors that has influence on market shares.

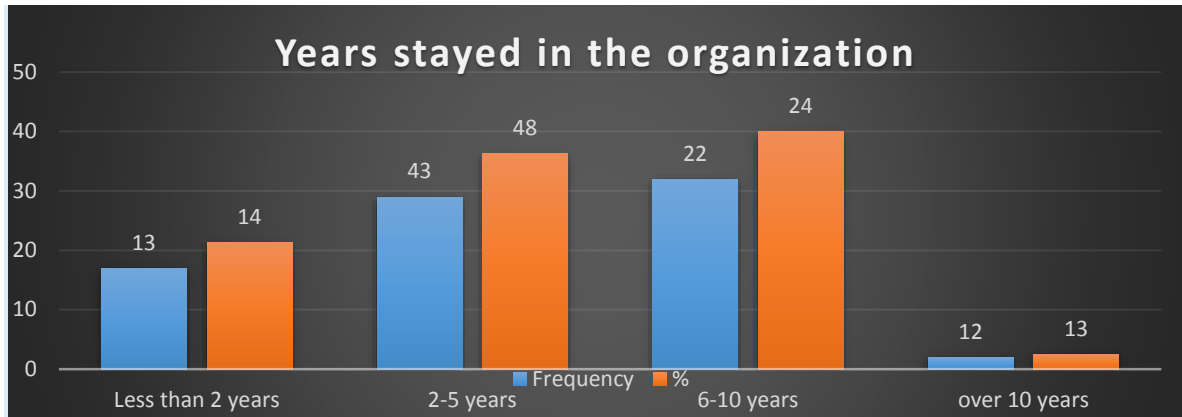


Fig 4.3 Years stayed in the organization, Source SPSS, 2020

4.1.4 Respondents Gender

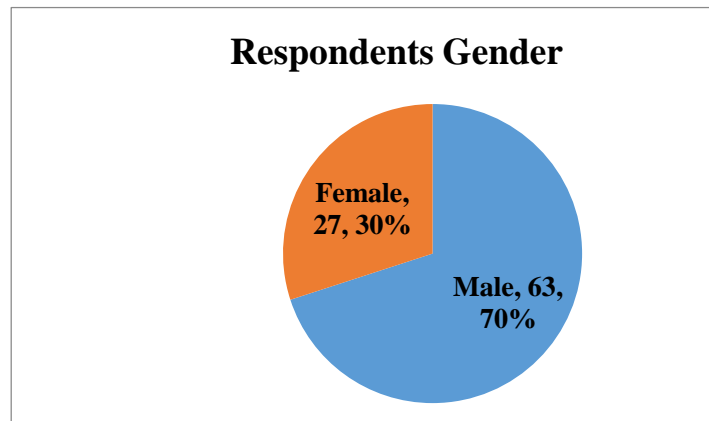


Fig 4.4 genders in the corporation, Source SPSS, 2020

Figure 4.4 shows the genders ratio in the corporation according to 70% the respondents are male and the balance 30% of the respondents are females.

4.1.5 Age of Respondents

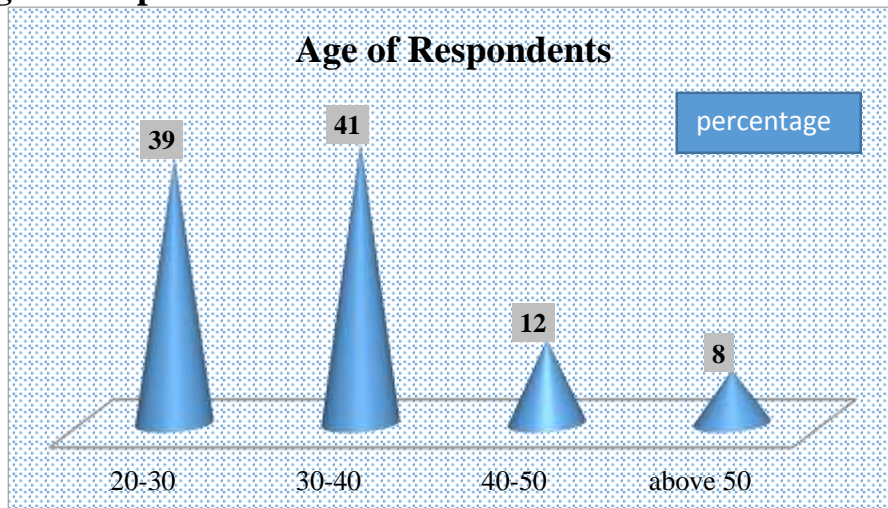


Figure 4.5 age of the respondents

Figure 4.5 shows the age of respondents in the corporation. The result shows 41% of the respondents are at age of between 30-40, 39% of the respondents are at age between 20-30 12% are at age of 40-50 and 8% the respondent are above 50 years which shows the corporation have young and educated staff which enables to respond the questions accordingly to assess the market share of the corporation from the industry.

4.1.6 Department/work unit

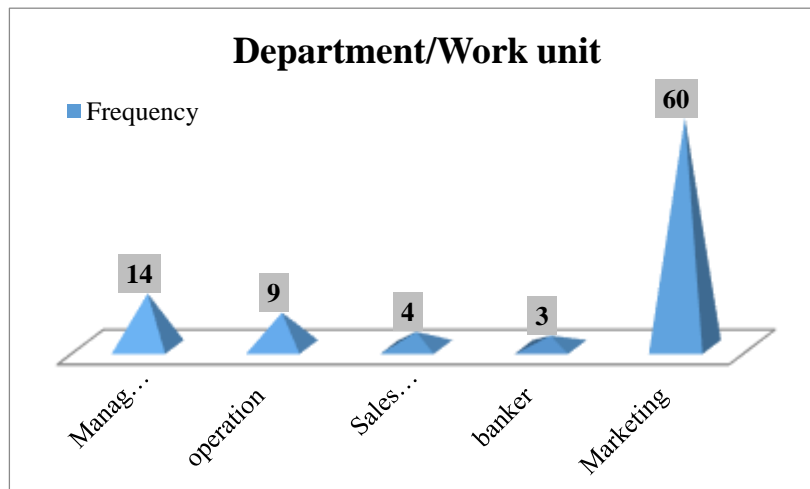


Fig 4.6 Department/ work unit, Source SPSS, 2019

Working unit of respondents was analyzed and the result is shown in the above graph (Figure 4.6). The result frequency rate shows majority of the respondents from marketing departments in position by 60%, Management department take the second place by 14%, 9% from operation, 4% from sales agent and 3% bankers (accountant of the company). The

respondents position frequency result shows the challenges of the market share has been assessed in different views by different departments which have different in marketing activity.

The first question was intended to determine which sectors of the customer base are contributed more to EIC market shares.

Table 4.1 customer sector Vs market share

1. From your experience which sector bases of EIC contributed to highly to EIC market share are	Totally Agree		Partially Agree		Neither Agree Nor Disagree		Totally Disagree	
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent
Private customer sector	30	33	47	52	7	8	6	7
Government sector	73	81	16	18	1	1	0	0
Public Sector	58	64	30	33	2	2	0	0
Over all	54	59	31	34	3	4	2	2

According to the data indicated in the above table, out of the total respondents 30(33%) totally agreed that private individuals and companies are contributing high to EIC market share, whereas 47 (52%) of respondents partially agree, 7(8%) of the respondents neither agree nor disagree and the balance 6(7%) totally disagree.

On the other hand as far as the government and public customer base are concerned, these sectors of the customer base contribution to EIC market share are high. Accordingly 73(21%) totally agree, 16(18%) partially agree 1(1%), and no one are disagree to the question that the government sector of EIC's customer base is contributing more to EIC market share. On the other hand 58(64%) totally agree, 30(33%) partially agree 2(2%) neither agree nor disagree and no one is totally disagree to the question forwarded to them that the public sector of EIC's customer base are contributing more to EIC market share.

The same response is supported by the secondary data collected and shown on section 2.7.1 (EIC premium production by sector of business) depicts that EIC is currently holding the majority share of insurance business from the public and government sectors;

This question raised up to some marketing & management staff of the corporation to know which sector of business is more contributed to EIC market share and the finding is also support that government & public sector have majority share more share to the corporation market share because most of government institution are forced to have insurance policy from EIC to the financial relationship that any profit of the corporation is refunded to government budget like commercial bank of Ethiopia. Hence majority of government institution are directly or indirectly forced to buy insurance policy from EIC but, to some extent some amount of public sector are shifting to insurance company where they have a share i.e some privet insurance company are established by share of some government organization like Oromiya insurance share company which it the majority of the share is hold by Oromiya regional government development association & the state itself. Additionally from interview respondents the marketing performance of the corporation is not satisfactory and the level of promotion the awareness about insurance product benefits of the corporations in not significant so, the corporation must work on improving the marketing practice on the company.

Table 4.2 Customer sector shift

2. Do you agree that most of customers which are shifting to the private insurance companies are	Totally Agree		Partially Agree		Neither Agree Nor Disagree		Totally Disagree	
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent
Private individuals & private companies	85	94	3	3	1	1	1	1
Government	0	0	16	18	1	1	73	81
Public Organizations	0	0	30	33	2	2	58	64
Over all	72	80	16	18	1	1	0.3	0.3

According to the data indicated in the above table, out of the total respondents 85(94%) totally agreed that privet individuals and companies are shifting to privet insurance companies, whereas 3 (3%) of respondents partially agree, 1(1%) of the respondents neither agree nor disagree and the balance 1(1%) totally disagree.

On the other hand as far as the government and public customer base are concerned, these sectors of the customer base are not shifting to the privately owned insurance companies. Accordingly 73(21%) totally disagree,1(1%) neither agree nor disagree, and the balance of only 16(18%) partially agree to the question that the

government sector of EIC's customer base is shifting to the privately owned insurance companies. On the other hand 58(64%) totally disagree, 2(2%) neither agree or disagree, 30(33%) partially agree and the balance no one is totally agree to the question forwarded to them that the public sector of EIC's customer base is shifting to the privately owned insurance companies.

The same response is supported by the secondary data collected and shown on section 2.9 (the insurance market in the Ethiopian context) depicts that EIC is currently holding the majority share of insurance business from the public and government sectors; but only losing its ground of its customers belonging to the private sector. The private insurance companies on the other hand hold insurance business, mostly belonging to the private sector.

Some respondents also made supplementary comments by stating that International organizations and communities are more inclined to support the private sector. The chain of decision making in governmental organizations are long and waiting time is considerable. Therefore, foreign investors are willing to shift to the private organization. Some of the interview result show that the corporation are currently losing its market share from privet sectors and motor class of business where is stiff competition in the competitive environment due to inconvenient Procedures on claim handling and underwriting process and to some extent the corporations inability to provide suitable credit sale facility to such class of business customers.

The Third questions raised to respondents were directed to investigate as to whether it is the existing or the new customers that are shifting to the privately owned insurance companies. In other words this question is intended to investigate to whether EIC is losing its existing customer or is it not able to attract emerging new customers?

Knowledge of such fact allows us to know the real problems at hand, by identifying the factor associated with the erosion of EIC's market share. This question allow us to asses EIC's effort in attracting new business and retaining existing business.

Table 4.3 Customer type Vs market share of EIC

3. Do you agree that most of the customer base which the Corporation is losing to the Privately owned insurance companies belong to	Totally Agree		Partially Agree		Neither Agree Nor Disagree		Totally Disagree	
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent
Existing customers	54	60	29	32	3	3	4	4
Potential customers	55	61	26	29	7	8	2	2
Over all	55	61	28	31	5	6	3	3

Out of the total respondents 54(60%) totally agree that the existing customers of EIC are shifting to the privately owned insurance companies: whereas 29(32%) of the respondents partially agree 3(3%) neither agree nor disagree. The balance 4(4%) or totally disagree.

55(61%) totally agree, and 26(29%) partially agree 7 (8%) agree or disagree that EIC is losing the new customers to the privately owned insurance companies. The balance 2(2%) totally disagree.

The Forth question is intended to investigate which class of insurance business in EIC is currently losing its market share; in other wards which class of insurance business is shifting to the privately owned insurance companies.

Table 4.4 Class of insurance business Vs market share of EIC

4. From your experience which main class of insurance market share is shifting to the privately owned insurance companies?	Totally Agree		Partially Agree		Neither Agree Nor Disagree		Totally Disagree	
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent
Motor Insurance	83	92	5	6	2	2	0	0
Fire and lightning Insurance	18	20	67	74	3	3	2	2
Marine and Aviation Insurance	16	18	48	53	9	10	17	19
General Accident Insurance	12	13	26	29	33	37	19	21
Life Insurance	13	14	13	14	22	24	42	48
Over all	28	31	34	38	14	15	14	16

According to the data collected and summarized in the above table, 83(92%) of the respondents totally agree that EIC's market share of Motor insurance is shifting to the privately owned insurance companies. Whereas, 5(6%) of the respondents partially agree, 2(2%) neither agree nor disagree, and the balance no one is totally disagrees that EIC's market share of Motor insurance is shifting to the privately owned insurance companies.

Regarding Fire and lightning insurance 18(20%) of the respondent agree that this class of insurance business is shifting to the private insurance companies. 67(74%) respondent partially agree on the opinion of shifting, whereas 3(3%) neither agree nor disagree, and 2(2%) totally disagree.

In case of Marine & Aviation insurance 16(18%) of the respondents totally agree is shifting to the privately owned insurance companies, and 48(53%) partially agree, the remaining 9(10%) neither agree nor disagree and the remaining other 17(19%) totally disagree on the shifting of this class of insurance business to the privately owned insurance companies.

In case of General Accident Insurance Business, 12(13%) totally agree and 26(29%) partially agree 33(37%) neither agree nor disagree, and the balance 19(21%) totally disagree of the shift of the class of insurance to the privately owned insurance companies.

The final question rose to respondents about the shift of life insurance business of EIC to the private owned insurance companies. Accordingly 13(14%) of the respondent totally agreed that the life insurance business of EIC in shifting to its competitors, whereas 13(14%) partially agreed, 22(24%) neither agree nor disagree and the rest 42(48%) totally disagree. In other words it can reasonably be generated that EIC is able to maintain its share in life insurance business to the determinant of its competitions.

The same fact has been supported by interview and the secondary data collected and presented under section 2.7.2 (market share analysis of the industry) that EIC is leading the market in case of long term insurance business (Life insurance) whereas it is

losing its position as a leader in the general insurance business. Accordingly, the same source from the general insurance business EIC holds below 50% and its share of the market is decreasing from year to year. This means that the difference goes to the private insurance companies. The interview result show that EIC is currently market share from private individual and private companies as result of customers price sensitivity specially in Ethiopia motor insurance business. It is also noted that EIC's market share of the Life business found in a better and growing position as compared to the general market. The interview result

Table 4.5 Class of business Vs market share contribution

5. From your experience which main class of business are currently contributed more to EIC market share	Totally Agree		Partially Agree		Neither Agree Nor Disagree		Totally Disagree	
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent
Motor Insurance	76	84	12	13	0	0	2	2
Fire and lightening Insurance	41	46	47	52	1	1	1	1
Marine and Aviation Insurance	39	43	35	39	14	16	2	2
General Accident Insurance	20	22	25	28	40	44	5	6
Life Insurance	23	26	34	38	20	22	13	14
Over all	40	44	31	34	15	17	5	5

According to the data collected and summarized in the above table, 76(84%) of the respondents totally agree that EIC's market share of Motor insurance is contributed more to corporation market share. Whereas, 12(13%) of the respondents partially agree and the balance 2(2%) totally disagrees that EIC's market share of Motor insurance is contributed more to EIC market shares.

Regarding Fire and lightning insurance 41(46%) totally agree of the respondent agree that this class of insurance business contribution is high to the corporation 47(52%) respondent partially agree on the opinion of market contribution, whereas 1(1%) neither agree or disagree, and 1(1%) totally disagree. That fire & Lighting insurance class of business contribution to the corporation market share.

In case of Marine & Aviation insurance 39(43%) of the respondents totally agree that these class of business is contributed more to corporation market shares 35 (39%) partially agree, 14(16%) neither agree nor disagree and the other 2(2%) totally disagree on the contribution of this class of insurance business to the corporation market shares.

In case of General Accident Insurance Business, 20(22%) totally agree and 25(28%) partially agree 40(44%) neither agree nor disagree, and the balance 5(6%) totally disagree on the contribution of the class of insurance to the corporation market shares.

The final question rose to respondents about the contribution of life insurance business of EIC. Accordingly 23 (26%) of the respondent totally agreed and 34(38%) partially agree that the life insurance business of EIC contribution to the market shares. 20(22%) neither agree nor disagree and the rest 13(14%) totally disagree, In other words it can reasonably be generated that EIC is able to maintain its share in life and motor insurance business to the determinant of its shares from the industry.

The same fact has been supported by the secondary data collected and presented under section 2.7 (financial information off insurance industry)

Table 4.6 Competition variables Vs market share of EIC

6. From your experience why even to gross premium of the insurance industry growing, the market share of EIC is shrinking?	Totally Agree		Partially Agree		Neither Agree Nor Disagree		Totally Disagree	
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent
Price of product and Financial Strength	75	83	11	12	3	3	1	1
Service quality	41	46	42	47	6	7	1	1
Poor management	17	19	40	44	27	30	6	7
Know-how of customers about EIC strength	16	18	35	39	24	27	15	17
Credit sale	10	11	15	17	47	52	18	20
Over all	32	36	29	32	21	24	8	9

As indicated in the above table, 75(83%) of the respondents indicated that they totally agreed that there is inverse (negative) relationship between industry growth ratio and EIC market shares. In other words, the private insurance companies are used price & financial factors to trap more market share from the industry. On this opinion 11(12%) of the total respondents partially agree and 3(3%) neither agree nor disagree. The balance 1(1%) totally disagree on the price financial factor.

Regarding the service quality, the collected data indicate that 41(46%) of the respondents totally agree that privately owned insurance companies attract the insurance business as the result of better service quality provided to customer in the industry service 42(47%) partially agree 6(7%) neither agree nor disagree. The balance 1(1%) totally disagree that EIC loses its market share as a result of service quality.

On the other hand 1(19%) of the respondents totally agree on the poor management factor of the competition variables and 40(44%) partially agree 27(30%) of the respondents are neither agree nor disagree of and the balance 6(7%) of the respondents are totally disagree of poor management factor in the industry.

On the know of customer about EIC strength factor as a competition variable 16(18%) of the respondents totally agree, and 35(39%) partially agree, whereas 24(27%) neither agree nor disagree and the balance 15(17%) totally disagree. In other words, know of customer about EIC strength had the majority share of 18+39(57%) of totally partially agree for positive impact for shrinking EIC share even the gross premium of industry is growing. 10(11%) of the respondents totally agree on the credit sales factor to maintain and attract the existing and new customers or to hold its monopoly power on the market share of industry 15(17%) partially agree, 47(52%) neither agree nor disagree on the balance 18(20%) totally disagree on the credit sales factors of the industry growth rate and EIC share shrinking through the time. The same fact from the interview shows that EIC is currently losing market share due to price of the product, service quality, poor management and credit sales facility provided by privately owned insurance corporations in Ethiopian insurance industry.

The Seventh question is addressed to respondents to investigate the competition variables used by competitors to retain existing customers of EIC and also attract and trap new customers. Accordingly, the responses are tabulated here under.

Table 4.7 Competition factors Vs market share of EIC

7. In your opinion which factors of competition are used by privately owned insurance companies to trap existing customers of EIC and attract new customer?	Totally Agree		Partially Agree		Neither Agree Nor Disagree		Totally Disagree	
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent
Price	82	91	8	9	0	0	0	0
Customer service	30	33	53	59	5	6	2	2
Credit sales	20	22	24	27	31	34	15	17
Capital base or finance	13	14	11	12	8	9	58	64
Sales of shares	12	13	23	26	26	29	29	32
Over all	32	35	24	27	14	16	21	23

As indicated in the above table, 82(91%) of the respondents indicated that totally agree that the privately owned insurance companies attract the existing customers of EIC and the new customers as a result of using low price. On this opinion 8(9%) of the total respondents partial agree and no one is neither agree nor disagree and totally disagree on the price factor which used by privately owned insurance company.

Regarding the customer service the collected data indicate that 30(33%) of the respondents totally agree that the privately owned insurance companies attract the insurance business as the result of better customer service 53(59%) of the total respondents partially agree 5(6%) neither agree nor disagree. The balance 2(2%) totally disagree.

On the other hand 20(22%) of the respondents totally agree on the credit sales factor of the competition variable and 24(27%) partially agree the 31(34%) of Neither agree & nor disagree 15(17%) the respondent totally disagree.

On the capital base Finance factor as a competition variable 13(14%) of the respondents totally agree, and 11(12%) partial agree, whereas 8(9%) neither agree nor disagree and the balances 58(64%) (the majority) totally disagree. 12(13%) totally agree, 23(26%) partially agree 26(29%) neither Agree or disagree on the balance 29(32%) totally disagree on the sales of shares factor to maintain and attract existing new customer. The same facts are sported through interview which shows that the private

insurance companies are used price, customer service and credit sale to trap existing and new customers from EIC and the industry. This also shows as that EIC price of product are high, similarly the service quality and credit sales facility have significant impact on market shares losses of EIC as compared to private insurance companies,

The eighth question was directed to weight the position of the price of EIC's products as compared to its competitors

Price of EIC's Products Vs Competitions

Table 4.8 EIC price of products Vs competitors

Do you believe that EIC's price of its products as compared to competitors is.			
Label		Frequency	Percent
Valid	High	78	87
	Average	12	13
	Total	90	100.0

According to the response collected the interview and questioners the result are stated in the above table 78(87%) of the respondents totally agreed that EIC's price of insurance product is high as compared to the privately owned insurance companies.

On the other hand 12(13%) of the respondents totally agreed that EIC's price is average as compared to its competitors', finally no one of the respondents totally agreed that EIC's price of its' product is low as compared to its' competitors',

Therefore, to these questions the responses made from any of the three approaches (i.e EIC's price of its' product is high, average and low) it seems that higher percent of respondents believe that EIC's price is higher in every regarded than the private insurance companies' price. As the clients are price sensitive in the insurance industry, EIC's price affects its market share negatively. Generally the price sensitivity factors are major cause to EIC to lose its market share from the industry through time.

The Ninth question directed to verify and weight of the intensity of competition in the Ethiopian Insurance market.

Table 4.9 Intensity of Insurance Market Competition

How do you rate, in your opinion the competition in the Ethiopian insurance market?			
Label		Frequency	Percent
Valid	High	63	70
	Medium	25	28
	Low	2	2
	Total	90	100

According to the data indicated in the above table, 63(70%) of the respondents totally agreed that the existing competition in the Ethiopian insurance market b/n competing firms is high, Similarly, 25(28%) totally agreed that the existing competition in the Ethiopian insurance market b/n competing firms is medium, On the other hand, 2(2%) of the respondents totally agreed that the existing competition in the Ethiopian insurance market b/n competing firms is low,

The Tenth question is directed to verify or investigate as to whether EIC is losing its market share as the result of competition.

Table 4.10 EIC market share Vs competition atmosphere

Do you believe that EIC is losing its market share as a result of competition atmosphere?			
Label		Frequency	Percent
	Yes	56	62
	Indifferent	18	20
	No	16	18
	Total	90	100

Regarding this question 56 (62 %) of the respondent indicated that EIC is losing its market share as a result of the competition atmosphere, and 18(20% are indifferent. And the balance 16 (18%) of the respondent indicted EIC no losing market share are result of completion atmosphere. The same facts are also supported through interview which all the management and marketing staff are totally agree that EIC losing its share as result of competition.

The secondary data collected and shown under section 2.7 (market share of insurance) indicate that the market share of EIC is decreasing at a rapid rate and the share of private insurance companies increasing at an increasing rate. The same has been depicted under table 2.7.2 (market share between EIC and private insurance companies).

Table 4.11 EIC market share Vs sales of share

Do you agree that the inability of EIC to sale shares to the general public has affected EIC's ability to retain and build up its customer's base?			
	Label	Frequency	Percent
Valid	Yes	46	52
	Indifferent	42	47
	No	2	1
	Total	90	100

The Eleventh question is directed to investigate as to whether the inability of EIC to retain its market share has been as the result of its inability to sale share to the public. In this regard 52% of the respondents agree and 47% are indifferent. The balances 1(1%) don't agree. i.e inability of EIC to sale share to the general public had its own impact on retaining the corporation market share where other company are should its share to the public which results the attraction of customer to where they had a share because of sense of ownership created by the company in the mind of share holders.

Table 4.12 EIC market share Vs employees efficiency

Do you believe that the ability of the employees and management to serve the customers efficiently and effectively affect the market share of EIC?			
	Label	Frequency	Percent
Valid	Yes	75	83
	Indifferent	5	6
	No	10	11
	Total	90	100

The Twelfth question is dictated about the ability of employees & management to serve the customers efficiently & effectively effect the market share s, regards this 75 (83%) of the respondents are agreed say (yes) to employees capacity are among the dominate factors to loss its market share to private insurance company 5(6%) are

indifferent and the balance 10(11%) are say no to employees & management factors impact on market shares. In other words such factor had significant impact on the faller (shrinking) of the corporation market shares from the industry.

Table 4.13 EIC market share Vs customer satisfaction

Do you believe that the EIC claim handling and underwriting process had an impact on EIC market share?			
Label		Frequency	Percent
Valid	Yes	87	97
	Indifferent	1	1
	No	2	2
	Total	90	100

The final question is dictated about claim handling and underwriting process impact on EIC market share so 87 (97%) of the respondent say yes about the impact of such factors on the corporation market share. Whereas 1(1%) are indifferent and the balance 2(2%) are say no. which shows the significant impact of claim & underwrite process on corporation market shares. The same facts discovered by the researcher through interview that the claim settlement and underwriting process are among a major factors to the corporations customers dissatisfaction.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary of the Major Findings

Having in mind that EIC Which has been the only insurance company 44 years ago and holding 100% of the insurance business in Ethiopia but now it is losing its ground to the privately owned insurance companies established since 1994, the period of liberalization or the period of the " free market"

The study project by the student researcher is purported to answer the following basic research questions:-

1. Which class of business and which sector bases of EIC contribute highly to its market share as compared to private insurance companies?
2. Which sector of the business is shifting to the private insurance company from EIC?
3. As the figure highlighted above suggest, the annual production or gross premium of EIC is increasing where as its market share is shrinking, why?
4. What are the competition variables in the insurance industry?
5. What are the main causes for EIC market share losses?

Accordingly, from the collected and presented secondary data in this paper and from the feedback received from the questionnaire respondents the following summaries of the major findings are made.

- The class of business highly contributing to the market share of EIC is motor class of business followed by fire & lighting and the customer sector base that is highly contributing to the market share of EIC is the government & public sectors the government sector.
- The customer base (sector) of EIC, which is shifting to the privately owned insurance companies, is the private individual & private company sector or private customer base. In other words, It can reasonably be argued that there is a lack of inflow of new business from the private sector.
- The class of business which are shifted to private insurance company are motor insurance class of business which is followed by fire & lightning

- EIC had a draw back on retaining (holding) the existing customer as well as the potential customer
- There is an increase in the gross premium income of EIC but the market share as a whole is somewhat shrinking .the main reasons are being the fast growth of premium income and the growing number of newly immerged privet insurance companies. In addition to the price factor which is imposed by the corporation in competition environment which all are provided the some types of policy coverage at lower price and service quality provided by the corporation which results unsatisfied custom bases.
- The price of insurance products is the main weapon in the competition followed by customer service & credit sales.
- The price of its product /premium/ required by EIC is high as compared to its competitors in /stiff/ competitive environment which provided the same type of policy should lower price which results EIC to loss its market share in competitive environment.
- The inability EIC to sold its share to general public had its own impact on down /shrinking/ of the corporation market share even the gross premium of the industry is growing, to some extent some privately owned insurance companies are used this factors as mechanism attracting new & potential customers from the industry.
- Inability of employees to serve customers in satisfactory way which create a great source of confidence and happiness to the customers in addition to lack of smooth mechanism on claim handling & under writing process are a major cause to EIC market share losses.

5.2 CONCLUSIONS

- The class of business contributing to its market share is motor insurance.
- The Government and public sector of the customer base contribute the highest Market share.
- The private sector of the customer base is shifting to the privately owned insurance companies

The Motor class of insurance is mainly shifting to the privately owned insurance Companies followed by Fire and Lightning class of insurance.

- There is an out flow of existing business as well as lack of sufficient inflow of new business, which reduces the market share of EIC.
- EIC's Market share is declining, where as the share of private insurance companies is increasing?
- The annual production of EIC is increasing from year to year where as its market share is decreasing.
- There exists intense competition among the players in the insurance market.
- The main factor responsible for the loss of EIC's market share is the ability of privately owned insurance companies to ask lower premium /price/ and good customer service as well as raised and sales shares to private sectors Furthermore, the price sensitivity of customers, partiality the private sector looking for low price of insurance products, aggregates the erosion of EIC's market share to a considerable degree.
- EIC is losing its market share because of competition, backward claim handling & under writing process as well as inefficient employees& management capacity to serve the customers efficiently & effectively.
- Furthermore, it is verified that the gross premium income of EIC shows an increasing in actual terms whereas its market share is falling as compared to its Competitors.

Therefore, It can be concluded that it is the motor class of insurance business and the private sector of the customer base of EIC that is shifting to the privately owned insurance companies. It has also been verified that EIC's price of its products are higher than its competitors. Where price is the main weapon of competition in the market, and customers are shopping for the list price because of lack of product differentiation. Moreover, the shift of existing customer s are also triggered by the nature of customer service, which lacks flexibility and adaptation to the current and emerging customer demand by EIC.

The ability of raising and sealing shares, better customer's service and credit sales to private sector together with price as the main and dominant competition

variable, the privately owned insurance companies were able to attract and maintain the private sector base by which EIC's market share is affected.

5.3 RECOMENDATION

The following recommendations are believed to implement by EIC so that the identified problems can be improved.

- The corporation can retain existing business and attract new business from the private sector, if it can partially privatize, be able to sale shares to the general public, and purchase share from potential private organizations. By doing so the corporation (EIC) establish to way strong relationship with such customers.
- In order to retain its market share and attract new business in motor class of business, EIC should revise price, improve its customer scurvies and introduce approaches in handling motor class of business. Specially on bureaucratic claim settlement process of the corporation.
- In order to increase and retain the share of privet sector, EIC should partially privatized and be able to rise and sale shares to the general public, particularly to the privet sector of the customer. Furthermore it can also purchase shares from potential privet organization. By doing so it can establish reciprocity arrangements which provide mutual benefit to both parties.
- The corporation can maintain a leading role, and excel its competitors in private sector by introducing a combination of the following measures.
 - Identify its core competencies in this sector and employee market segmentation in its marketing strategy and adopt a product (product differentiation) that fits the best to the particular segment.
 - Review the pricing strategy with more emphasis being given to products sold to the private sector. On the other hand being leader in the market, EIC can play better if it can persuade the market players and the Government for the introduction of market minimum tariff rate which enable EIC concentrate the competition only on the delivery of customer services.
 - As all the main branches are located at the same location clustered together or very near to one another in the central town and mainly a little bit away from area of commercial activities, it should be scattered at customer's convenience.

- EIC should improve its claim service especially in motor class of business.
Furthermore, a new credit policy that meets the present customer demands.
- EIC should work on life insurance class of business where there is untouched potential. Other than focusing on class of business which had stiff competition and promotion of the corporation must create awareness and promote about its product and its benefit to the general public which enables to have better image in the mind of the public as whole.

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St. Mary's University
School of Graduate Studies
Business Administration
A Master Thesis Study on assessment market share EIC in insurance industry.

Dear respondents,

Re: A request to participate in Research

I am a graduate student of Business Administration in General Management at St. Mary University, Addis Ababa. I am currently conducting a research study on “assessment market share EIC in insurance industry” required for the fulfillment of MA degree in Business Administration in General Management. This research is fully endorsed by St. Mary University, School of graduate studies.

The management of market share activities has become a valuable way of improving organizational performance. The aim of this study is to evaluate factors influencing market share activities in EIC. The findings would benefit apparently all stakeholders of the insurance industry including the management, clients, employees and citizens of the nation. The results from this study would help to identify bottlenecks, waste, problems and improvement opportunities in the insurance operational performance of the sector. Your participation will form a critical part of the research. So, your genuine, frank and timely response is vital for successfulness of the study. Therefore, I kindly request you to respond to each items of the question very carefully.

The study is purely for academic purpose and thus shall not affect you in any case. Besides, your responses will be treated with the strictest confidence. No reference will be made to any individual and the information will be reported in an aggregate form. A summary of my finding will be provided upon request.

I can be contacted via phone or email at the address listed below. If you have any queries please do not hesitate to contact me. I thank you in advance for your cooperation and consideration.

Sincerely,
Ashenafi Mengistu
St. Mary's University
School of Graduate studies
Tel: +251912 099343/930 24 55 24
Email: ashenafimengistu43@gmail.com

ANNEX 1

General Instructions:

- There is no need of writing your name
- Where answer options are available please tick (√) in the appropriate box for part I and tick for your response to each statements of part II.

Thank you for scarifying your precious time in advance!

PART I: Demographic Information

1. Educational Information

Grade 10 completed Grade 12 Completed Certificate
College Diploma First Degree Second Degree & Above

2. Job title

Director Customer service Manager Underwriter
Other -----

3. Years stayed at the organization

Less than 2 Years 2-5 years 6-10 years Over 10
Years

4. Gender Male Female

5. Age 20-30 30-40 40-50
above 50

6. Your department/Work unit-----

Part II

Indicate your level of agreement with regards to factors affecting market share of EIC, please tick the appropriate choices that indicates the level of agreement with each statement.

Note that:-

- No needs to write your name
- Put a tick mark (√) to your best choice with explanation (if necessary)

No	Please mark one that fits the best	TOTALLY AGREE	PARTIALLY AGREE	NEITHER AGREE NOR DISAGREE	TOTALLY DISAGREE
1.	From your experience which sector bases of EIC contributed to highly to EIC market share are				
	a) Private customers sector				
	b) Government sector				
	c) Public sector				
2.	Do you agree that most of customers which are shifting to the private insurance companies are				
	a. Private individuals and private companies?				
	b. Government				
	c. Public Organizations				
3.	Do you agree that most of the customer base which the Corporation is losing to the Privately owned insurance companies belong to				
	a. Existing Customers				
	b. Potential Customers				
4.	From your experience which main class of insurance market share is shifting to the privately owned insurance companies?				
	a. Motor Insurance				
	b. Fire and Lightning Insurance				
	c. Marine and Aviation Insurance				
	d. General Accident Insurance				
5.	From your experience which main class of business are currently contributed more to EIC market share				

	a) Motor insurance				
	b) Fire and lighting insurance				
	c) Marine & aviation insurance				
	d) General accident insurance				
	e) Life insurance				
6	From your experience why even to gross premium of the insurance industry growing, the market share of EIC is shrinking?				
	a) Price of products and financial strength				
	b) Service quality				
	c) Poor management				
	d) Know how of customers about EIC strength				
	e) Credit sale				
7	In your opinion which factors of competition are used by privately owned insurance companies to trap existing customers of EIC and attract new customer?				
	a. Price				
	b. Customer Service				
	c. Credit Sales				
	d. Capital Base or Finance				
	e. Sales of shares				
7	Do you believe that EIC's price of its products as compared to competitors is				
	a. High				
	b. Average				
	c. Low				
	d. I don't know				
8	How do you rate, in your opinion the competition in the Ethiopian Insurance market?				
	a. High				

	b. Medium				
	c. Low				
	d. Non existent				
		YES	INDIFFER ENT	NO	
9	Do you believe that EIC is losing its market share as a result of the competition atmosphere?				
10	Do you agree that the inability of EIC to sale shares to the general public has affected EIC's ability to retain and build up its customer's base?				
11	Do you believe that the ability of the employees and management to serve the customers efficiently and effectively affect the market share of EIC?				
12	Do you believe that the EIC claim handling and underwriting process had an impact on EIC market share				

Annex 2

Appendices II

Interview questions

Interview questions with the top managers of EIC working on marketing and strategic management.

1. What can you say about your company's marketing performance?
2. What are the major problems to EIC market share loses?
3. Do you believe that EIC is losing its market share duty competitive environment, inefficient customer service and high price of it product?
4. Which class of business and sector bases of EIC is currently shift to privately owned insurance company?
5. do you believe the corporations claim settlement and underwriting process have an impact on EIC market share?

Annex 3 Market Share Analysis of the industry and EIC

In Birr, 000

F.Y	INDUSTRY PREMIUM	EIC PREMIUM	PRIVATE COMPANIES	MARKET SHARE	
				EIC (%)	PVT (%)
2012	3,990,930	1,637,842	2,353,088	41.0	59.0
2013	4,797,180	2,168,218	2,628,962	45.2	54.8
2014	4,961,528	1,982,536	2,978,992	40.0	60.0
2015	5,557,129	2,096,476	3,460,653	37.7	62.3
2016	6,426,685	2,296,135	4,130,550	35.7	64.3
2017	7,493,571	2,721,396	4,772,175	35.3	64.7
2018	8,574,000	2,974,764	5,405,532	35.5	64.5
2019	9,096,762	3,435,554	5,661,208	35.8	64.2

Annex 4

Descriptive Statistics

Descriptive Statistics			
	N	Mean	Std. Deviation
Educational information.	90	4.98	.874
Job title	90	2.48	.768
Years stayed at the organization.	90	2.37	.893
Age	90	1.89	.905
Department or work unit.	90	3.96	1.593
Private customers sector.	90	1.88	.819
Government sector.	90	1.20	.429
Public sector.	90	1.38	.532
Private individuals and private companies.	90	1.09	.414
Government	90	3.50	.877
Public organizations.	90	2.76	1.105
Existing customers.	90	1.52	.768
Potential customers.	90	1.51	.738
Motor insurance.	90	1.10	.369

Fire and lightening insurance.	90	1.88	.557
Marine and aviation insurance	90	2.30	.977
General accident insurance.	90	2.66	.962
life insurance 1	90	2.81	1.080
Motor insurance 1	90	1.20	.545
Fire and lightening insurance 1	90	1.58	.580
Marine and aviation insurance 1	90	1.77	.794
General Accident insurance 1	90	2.33	.887
Life insurance 1	90	2.26	1.001
Price of product and financial strength.	90	1.22	.556
Service quality.	90	1.63	.661
Poor management.	90	2.24	.839
Know-how of customers about EIC strength.	90	2.42	.971
credit sale.	90	2.81	.886
price	90	1.09	.286
Customer service.	90	1.77	.654
Credit sales.	90	2.46	1.018
Capital base or finance.	90	3.23	1.142
Sales of shares.	90	2.80	1.041
Do you believe that EIC's price of its products as compared to competitors is?	90	1.13	.342
How do you rate , in your opinion the competition in the Ethiopian insurance market?	90	1.32	.516
Do you believe that EIC is losing its market share share as a result of competition atmosphere?	90	1.56	.781
Do you agree that the inability of EIC to sale shares to the general public has affected EIC's ability to retain and build up its customer's base?	90	1.96	.733
Do you believe that the ability of the employees and management to serve the customers efficiently and effectively affect the market share of EIC?	90	1.28	.654
Do you believe that the EIC claim handling and underwriting process had an impact on EIC market share.	90	1.06	.313
Valid N (list wise)	90		

Reliability Test

Case Processing Summary

		N	%
Cases	Valid	90	100.0
	Excluded	0	.0
	Total	90	100.0

a. Likewise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.811	40