St. Mary's University School of Graduate

FACTORS THAT DETERMINE INSURANCE COMPANY'S PROFITABILITY: A CASE OF ETHIOPIAN INSURANCE CORPORATION

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June, 2020

ADDIS ABABA, ETHIOPIA

FACTORS THAT DETERMINE INSURANCE COMPANY'S PROFITABILITY: A CASE OF ETHIOPIAN INSURANCE CORPORATION

A Thesis Submitted to school of Graduate Studies of St. Mary's University in Fulfillment for the Degree of Masters Business Administration in Accounting and Finance.

St. Mary's University school of Graduate Studies

June, 2020

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Abstract

Insurance sector has its own importance because it is responsible to provide proficient financial aid, channel funds, utilization of resources in optimal manner and investor's treatment. This study was identified the key factors that affect profitability of insurance companies, using the case study of the Ethiopian Insurance Corporation. Despite the fact that the determinant factors for profitability of insurance business are several in numbers, this study was limited only to those factors that have direct and immediate effect on profitability of EIC. The majors, among others, these are claim cost, underwriting result, commission expense, Expense ratio, Return on Investment (ROI), inflation and reinsurance dependency. This study was primarily a case study and therefore, the research was employed quantitative research approach. The data was analyzed with the help of the Statistical Package for Social Sciences (SPSS) version 23 and eviws8. The analysis of this study was being perform using Descriptive analysis using Pearson correlation analysis to observe significance relation between profitability and the determinants and multiple regressions to observe the impact of each determinant separately and as whole. (2000-2019)Secondary data was obtained from the financial statements and finical indicators of Ethiopian Insurance Corporation, and financial publications of NBE are going to be analyzed. The findings of the study showed that return on investment have statistically significant relationship with profitability of EIC. However claim cost and commission expense, expense ratio and inflation has negative but insignificant relationship with EIC profitability. And also underwrite result and Reinsurance dependency have positive but insignificant relationship with profitability of EIC Therefore; the study recommends that Ethiopian insurance corporation focus on investment opportunities and other factor for instance management quality, service quality and public attitude and etc..

***Keywords**: Insurance, determinant factors, profitability, Ethiopian Insurance Corporation*

STATEMENT OF DECLARATION

This is to certify the thesis prepared by Sintayehu Belay entitled: Factor that determine insurance company profitability a case of Ethiopian Insurance Corporation and submitted in Partial Fulfillment of the Requirements for the Degree of Master of Business administration in accounting and finance complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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ACKNOWLEDGEMENTS

First and foremost, I want to thank the Almighty God for his presence of whole my life. I would like to express my appreciation to all who have helped me in conducting this study. First of all; I would like to express my genuine thank to my advisor, Ass. Professor simon Tareke for his comments, advice and inspiration. I am very much grateful to Ato Molla Berhanie marketing director of Ethiopian Insurance Corporation who participated in providing each data.

At last but not least I would like to express my genuine thank to my family who appreciate me and support up to the end

Abbreviations

CE	Commission Expense
CR	Claims Ratio
EIC	Ethiopian Insurance Corporation
ER	Expense Ratio
IF	Inflation
NBE	National bank of Ethiopia
RID	Reinsurance Dependency
ROA	Return on Asset
ROI	Return on Investment
SPSS	Statistical Packages for Social Science
UR	Underwriting Result

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