

St. MARY'S UNIVERSITY COLLEGE  
BUSINESS FACULTY  
DEPARTMENT OF MANAGEMENT

AN ASSESSMENT OF LIFE INSURANCE POLICY  
IMPLEMENTATION  
(THE CASE OF AWASH INSURANCE HEAD  
OFFICE)

By  
MEHERET GIRMA

JUNE, 2010  
SMUC  
ADDIS ABABA

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A SENIOR ESSAY SUBMITTED  
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FACULTY OF BUSINESS  
DEPARTMENT OF MANAGEMENT

APPROVED BY THE COMMITTEE OF EXAMINERS

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Dep't head

\_\_\_\_\_  
signature

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Advisor

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Internal Examiner

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External Examiner

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# **CHAPTER ONE**

## **1. Introduction**

### **1.1 Background of the Study**

Insurance industry is one of the areas of service giving sector where a big effort is required in order to satisfy the stockholder. There is no single definition of insurance. Insurance can be defined from the viewpoint of several disciplines, including law, economics, history, risk theory, and sociology.

Insurance is the pooling of accidental losses by transfer of such risks to insurers, who agree to indemnify insured for such losses, to provide other pecuniary benefits on their occurrence or to render services connected with the risk. ( E.Rejda, 2003:18).

Life insurance is a contract between the policy owner and the insurer, where the insurer agrees to pay a designated beneficiary a sum of money upon the occurrence of the insured individual's or individuals' death or other event, such as terminal illness or critical illness. In return, the policy owner agrees to pay a stipulated amount at regular intervals or in lump sums. There may be designs in some countries where bills and death expenses plus catering for after funeral expenses should be included in Policy Premium.



As with most insurance policies, life insurance is a contract between the insurer and the policy owner whereby a benefit is paid to the designated beneficiaries if an insured event occurs which is covered by the policy.

The value for the policyholder is derived, not from an actual claim event, rather it is the value derived from the 'peace of mind' experienced by the policyholder, due to the negating of adverse financial consequences caused by the death of the Life Assured. To be a life policy the insured event must be based upon the lives of the people named in the policy. (*S. Jackson, CPA, 1997*)

## **1.2 Background of the organization**

Awash insurance corporation (AIC) a unique company in its cross-sectional composition was licensed on October 1, 1994 as commenced its operations on January 2, 1995 Over the course of thirteen years AIC has grown wide and made its presence felt by great many with the quality service it renders and the continuous expansion of branch network that currently reached 23. The total number of staff reached 263 with having more university graduates and insurance professional. (The company Borsher, June30, 2008)

The founding subscribers were 456 individual and corporate investors form all walks of life residing across the country and abroad. The total number of shareholders currently is 544.

Board is composed of nine professionals-cum-businessmen. The management team consists of duteous and dedicated professionals. AIC has a strong capital base with over 35 million birr paid -up capital. Its subscribed capital is 50 Million.

AIC operates form 24 fully fledged branches and 3 contact offices and many others are in the pipeline Awash insurance company has able protected and taken care of its customers and their properties thought its service years.

Two life's insurance policy are offered by Awash insurance Corporation that are life insurance and General Insurance. Life insurance has different types that are Term life insurance, Endowment annuity, Endowment, and whole life insurance. On the other hand Group life insurance that are permanent group life insurance and large group life insurance. Every type of life insurance has their won policy and procedure. Awash Insurance Corporation give 38 types of insurance policy to the clients. From this only 6 of them are life insurance policy that shows life insurance policy still has low demand. (Company Brosher,2008)

### **1.3 Statement of the problem**

The environment of modern business particularly large industries unit shows incredible change and become complex. These complexities create grater need for special attention to the risk facing organization and individuals. To share this risk Awash Insurance Corporation offered two policies that are life insurance and non-life insurance policies. When we compare these two policies, life insurance has low compared to non-life insurance. The aim of this research is to address the problem of life insurance policy implementation. There are problems in implementing the life insurance policy in the organization that are, the low income of the customer/economic constrains and the organization has done little in promoting the life insurance to the public. The motive of this research is to examine why people do not want to insure their life.

## **1.4 Research Question**

The following are major questions addressed in the study

1. What are the factors that hinder life insurance policy implementation?
2. What measures are taken by the management to solve the problems?
3. Is life insurance policy consistent with public need and financial capacity?

## **1.5 Research Objective**

### **1.5.1 General objective**

The general objective of this research is assessing the real problem of life insurance policy implementation in Awash Insurance Corporation.

### **1.5.2 Specific objective**

1. To assess factors that affect policy implementation.
2. To find out the kind of technique the manager has used to solve policy implementation problems.
3. To find out the solutions for its effective implementation.

## **1.6 Significance of the study**

The study enables Awash Insurance Corporation managers to give more emphasis about the life insurance policy implementation problems in the organization. And also important for the policy maker to revise their policy and to find out factors that affect the policy implementation. This research also gives the employees the opportunity to share their ideas about the policy implementation. Finally, it is

important to other researchers as reference and it also important for the student researcher as getting well experience to do another research paper.

### **1.7 Scope/Delimitation/ of the study**

Now a day Awash insurance corporation has 3 main branches' and 24 sub branch's that are operating in all over the county. The area of the study is limited to one of the insurance corporation, which is Awash Insurance Corporation head office main branch , endowment and Whole life insurance because of time and resource constrain. The subject of the study focus on personal and group life insurance policy implementation.

### **1.8. Definition of terms**

**LIFE INSURANCE:-**Life insurance is a contract between the *insurer* and the *policy owner (policyholder)* whereby a benefit is paid to the designated Beneficiary (or Beneficiaries) if an *insured event* occurs which is *covered* by the policy. To be a life policy the *insured event* must be based upon life (or lives) of the people named in the policy (WIKIPEDIA, free encyclopedia).

**POLICY:-**It is the means by which annual objectives will be achieved it includes guidelines, rules, and procedures established to support efforts to achieve the stated objectives. (Strategic policy Handout prepared by Eprim Admasu)

**IMPLEMENTATION:** - Accomplishment, carrying out, discharge [concise dictionary (Microsoft Encarta 2008)

**POLICY IMPLIMENTATION:** - The deliberate plan of action to guide decisions and achieve rational outcome is become carrying out.

## **1.9 Research Design and Methodology**

### **1.9.1 Research Design**

The study uses descriptive research in order to get background knowledge and better understanding of the organization problem.

### **1.9. 2 population and Sampling technique**

This research study was conducted on the basis of sampling technique. Samples has been taken and analyzed to describe the over all picture of life insurance policy implementation in AIC. Data has been collected on the basis of simple random sampling techniques to give equal chance to the employees. Out of the 263 workers currently engaged in the hade office of AIC, 25% samples are taken for data analysis. and uses available sampling for the manager and policy maker because they are limited in number.

### **1.9.3 Types of Data**

Both primary and secondary data sources were used for this study. The primary data includes information from questionnaire and interviews. The secondary data were collected from external sources such as information from the Internet, books, brochures, and other miscellaneous materials available in the library.

### **1.9.4 Method of data collection**

In this research, the questionnaires were distributed for the employees and interview for the policy maker's and also manager. Secondary data were collected form company browser, books and internet etc.

### **1.9.5 Method of data Analysis**

The study uses tables to give more understanding of the research findings. Finally, this study use percentage for tabulating, analyzing, and interpreting data correctly.

### **1.10 Organization of the study**

This study covers four chapters. The first chapter deals with background of the study , statement of the problem, objectives of the study, significance of the study, methodology, sampling design, Delimitation of the study , limitation of the study, and organization of the study. The second chapter focus on the literature review, the third chapter treats data presentation, interpretation and analysis. The fourth chapter covers summary, conclusion and recommendation.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 What is life insurance?**

Life insurance is a type of insurance that insured human life in the case of death or accident/disabled or in the case of elders that lack economic satisfaction. To create this satisfaction people gets insurance about their life. Life insurance pays death benefit to designated beneficiaries when the insured dies. The death benefits are designed to pay for funeral expense, uninsured medical bills, estate taxes, and other expenses because of death. (George, 2003 page 24)

A human life has value for many reasons. Many of these reasons are philosophical in nature, and would lead us in to the realm of religion, esthetics, sociology, psychology, and other behavioral science. The greatest interest here are economic values, although it is very difficult to separate the discussion in such away that an economic analysis would have no implications or over tones for over views.( Teklegiorgis Assefa ,2004 page 133)

A human life has economic value to all who depend on the earning capacity of that life, particularly. to two central economic groups; ***the family and the employer***. To the family, the value of the earning capacity of each or its members probably most easily measure the economic value of a human life. To the employed, the economic value of a human life is measured by the contributions of an employee to the

success of the business firm. If one argues that in a free competitive society, a worker is paid according to worth and is not exploited. The worker's contribution again is best measured by earning capacity is probably the only feasible method of giving measurable economic value to human life. Viewed from an individual standpoint, life insurance is a method of creating an estate. It is a method of seeing to it that plans for accumulating property for the benefit of others. (Teklegiorgis Assefa, 2004 page 133)

Life insurance is usually not a particularly popular subject to discuss. Images of pushy salesmen waving the policy that "you absolutely must have" instantly come into your mind. However, if purchased wisely, life insurance can be used to meet many different needs of the policy holders.

Life insurance is unique. No investment or asset can provide the purchaser with such extraordinary leverage and the ability to create liquidity when, in many cases, it is most needed. A young professional looking to create an estate in order to replace future income lost to the family in the event of a premature death cannot make a better purchase. But not everyone falls into this category.

Obviously, most people purchase life insurance solely for the ultimate payout upon the death of the insured in order to provide for their dependents. However, life insurance can also be used to pay death taxes and estate settlement costs, to shift wealth from one generation to another or to benefit selected charities. Certain types of life insurance also have an investment feature in which funds accumulate while the policy is in place and may be used to pay future premiums. In a business context, life insurance can be used to fund all or a portion of a buy-sell agreement between partners or co-shareholders.



Life insurance policies are typically divided into two major types: term insurance and permanent insurance. From these two basic policies, the insurance industry has developed a number of products using the same essential principals. (*S. Jackson, CPA,1997*)

## **2.2 Life Insurance Policies**

According to the commercial code of Awash life insurance is “a contract by which the insurer, for a certain sum of money of premium proportioned to the age, health, profession and other circumstance of the person whose life insured engages that is such person shall die with in the period limited in the policy, the insurer will pay according to the terms specified there of, to the person in whose favor such policies are granted.”

From this definition of the commercial code, we can consider the following main important features of life insurance.

- A. Life insurance like other insurances is a contract between the insurer and the insured/ whose life is insured or some one who has an insurable interest./
- B. Its purpose is financial protection of the dependents of the insured with financial compensation amounting the sum assured if the insured die while the policy in force. Of course, life insurance may also be engaged in encouraging saving to accumulate an educational fund that could be used to pay tuition fees for children when they join higher education and to settle an outstanding balance of debt.
- C. The insure charges premium based on age, sex, health condition, occupation and other criteria's.
- D. Life insurance policy gives protection against special types of risks, i.e., death whose occurrence is certain
- E. Life insurance is not strictly a contract of indemnity because life is priceless. (*Green ,1984 page 240*)

Major types of life insurance policies

1. Personal life insurance policy
2. Group term life insurance policy

2.2.1. The personal life insurance has different types these are

1. Term insurance
2. Whole life insurance
3. Endowment life insurance
4. Endowment Annuity

#### **2.2.1.1. Term life insurance policy**

Term insurance is life insurance for a specific period of time. The insured decide the size of the death benefit and pay the agreed upon premiums. If the insured expire before the policy does, he/she wins. The insured beneficiaries get the full payout. If she out live the term of the policy, the insured no longer covered. She can buy a new term policy, but the expired policy is finished this type of insurance has its own advantages and disadvantage to being with its advantages.

- a) it is in expensive
- b) It pays enough to provide financial security
- c) its widely available and
- d) It can be purchased for desired length of time.

Even though, it has those advantages it has also some draw back like-

- a) it does not have cash value
- b) May not be renewable when term ends.
- c) new policy which cost more than the old policy and
- d) It provides no tax advantage.

Term insurance has different forms. Some of this are-

- I. Level term insurance: It provides sum assured through out the term of the policy.

- II. Convertible term insurance: Gives policy holder the option to convert his/ her term policy into other types during the tenure of the term policy.
- III. Non- convertible term insurance: This type of policy can not be converted in to other forms of life insurance contract, but it could be renewable.
- IV. Renewable term insurances: Can be renewed with no evidence of insurability. In this case, premium charges are adjusted to reflect the standard premium at the attained age.
- V. Decreasing term insurance (“Mortgage- Redemption policy”):In this policy, the amount of claims to be paid to the insured decrease periodically. Although the face amount declines over time, the premium is level thought the period these policies are usually issued to borrowing of each year is automatically reduced and is equal to the outstanding loan, which will be paid if the insured dies before the end of the term. (Dorfman,2005 page 257-259)

Term assurance provides life insurance coverage for a specified term of years in exchange for a specified premium. The policy does not accumulate cash value. Term is generally considered "pure" insurance, where the premium buys protection in the event of death and nothing else. There are three key factors to be considered in term insurance: Face amount (protection or death benefit),Premium to be paid (cost to the insured), and Length of coverage (term).

Various insurance companies sell term insurance with many different combinations of these three parameters. The face amount can remain constant or decline. The term can be for one or more years. The premium can remain level or increase. Common types of

term insurance include Level, Annual Renewable and Mortgage insurance.

Level Term policy has the premium fixed for a period of time longer than a year. These terms are commonly 5, 10, 15, 20, 25, 30 and even 35 years. Level term is often used for long term planning and asset management because premiums remain consistent year to year and can be budgeted long term. At the end of the term, some policies contain a renewal or conversion option. Guaranteed Renewal, the insurance company guarantees it will issue a policy of equal or lesser amount without regard to the insurability of the insured and with a premium set for the insured's age at that time. Some companies however do not guarantee renewal, and require proof of insurability to mitigate their risk and decline renewing higher risk clients (for instance those that may be terminal). Renewal that requires proof of insurability often includes a conversion options that allows the insured to convert the term program to a permanent one that the insurance company makes available. This can force clients into a more expensive permanent program because of anti selection if they need to continue coverage. Renewal and conversion options can be very important when selecting a program.

Annual renewable term is a one year policy but the insurance company guarantees it will issue a policy of equal or lesser amount without regard to the insurability of the insured and with a premium set for the insured's age at that time.

Another common type of term insurance is mortgage insurance, which is usually a level premium, declining face value policy. The face amount is intended to equal the amount of the mortgage on the policy owner's residence so the mortgage will be paid if the insured dies.

A policy holder insures his life for a specified term. If he dies before that specified term is up (with the exception of suicide see below), his estate or named beneficiary receives a payout. If he does not die before the term is up, he receives nothing. Suicide used to be excluded from ALL insurance policies, however, after a number of court judgments against the industry, payouts do occur on death by suicide (presumably except for in the unlikely case that it can be shown that the suicide was just to benefit from the policy). Generally, if an insured person commits suicide within the first two policy years, the insurer will return the premiums paid. However, a death benefit will usually be paid if the suicide occurs after the two year period.

( [www.investorwords.com](http://www.investorwords.com) )

### **2.2.1.2. Whole life insurance policy**

Insurance protection covers the entire lifetime of the policy holder whose designated beneficiaries are paid when ever the policy holder dies. A policy holder pays a constant premium over the life of the policy, cash accrues in early periods but declines subsequently as risk of death rises, cash surrender value the amount available in cash up on voluntary termination of a policy by its owner before it becomes payable by death or maturity. A policy holder is entitled to the cash value if he/she cancels the policy. The policy holder may also borrow from the insurance company against the cash value of the policy.

Individual can either with draw the total cash value at retirement or turn that value into annual payments. (Green, 1984 page 244)

Whole life insurance provides for a level premium, and a cash value table included in the policy guaranteed by the company. The primary advantages of whole life are guaranteed death benefits, guaranteed cash values, fixed and known annual premiums, and mortality and expense charges will not reduce the cash value shown in the policy. The primary disadvantages of whole life are premium inflexibility, and the internal rate of return in the policy may not be competitive with other savings alternatives. Also, the cash values are generally kept by the insurance company at the time of death, the death benefit only to the beneficiaries. Riders are available that can allow one to increase the death benefit by paying additional premium. The death benefit can also be increased through the use of policy dividends. Dividends cannot be guaranteed and may be higher or lower than historical rates over time. Premiums are much higher than term insurance in the short-term, but cumulative premiums are roughly equal if policies are kept in force until average life expectancy.

Cash value can be accessed at any time through policy "loans" and are received "income-tax free". Since these loans decrease the death benefit if not paid back, payback is optional. Cash values support the death benefit so only the death benefit is paid out.

Dividends can be utilized in many ways. First, if Paid up additions is elected, dividend cash values will purchase additional death benefit which will increase the death benefit of the policy to the named beneficiary. Another alternative is to opt in for 'reduced premiums' on some policies. This reduces the owed premiums by the unguaranteed dividends amount. A third option allows the owner to take the dividends as they are paid out. (Although some policies provide other/different/less options than these - it depends on the company for some cases) ([www.investorwords.com](http://www.investorwords.com))

There are three main types of whole life insurance. These are discussed in brief as follows. (Green, 1984 page 244)

**A. Ordinary (straight) life insurance**

In this type of whole life insurance, constant premiums are payable as long as the insured lives. It provides life time protection. It has also an investment (saving) element.

This type of whole life insurance is preferable basically when life time protection is needed and additional saving are desired the situation in which some persons are under insured after the policy is purchased can be mentioned as its limitation. (Teklegiorgis Assefa, 2004 page 139)

Ordinary, or whole life insurance, pays the face amount to your beneficiary when you die

you can name anyone, even a trust, as a beneficiary. Tax consequences to the beneficiary vary, depending upon who the policy owner is. See Estate Planning for information on estate planning and tax consequences for various assets.

What makes ordinary life insurance different from term life insurance? An ordinary life insurance policy is a combination of a term insurance policy and a “savings account.” The policy owner pays a level premium, which is usually higher in the early years, and excess amounts are used to fund the savings account (also known as the cash value). Ordinary life insurance allows the policy owner to choose one of the following options, even if the insured doesn't die. Receive some of the premium back in the form of a low-cost policy loan

surrender the policy for cash receive a reduced life insurance benefit at death continue the current life insurance benefit for a reduced time period

An ordinary life insurance policy combines the term life insurance policy with the savings account where the cash value grows based on a set interest rate. Most insurance companies will provide a minimum (or guaranteed) interest rate and a “current” (usually higher) interest rate. Be careful of the guaranteed and current interest rates because if they are under today’s inflation rate, you will ultimately be losing money. (*militaryfinance.umuc.edu*)

### **B. Limited payment insurance**

This is also a type of whole life insurance, which provides lifetime protection. It has the saving element. Here level premiums are paid only for a specified period of time. After the expiry of the specified time the policy is said to be paid up. No more premiums are to be paid to keep the policy in force until the time of the death of the insured.

The policy is desirable when one intends to stop premium payments after reaching a given age level usually up on retirement but wants to continue with the insurance protection to the end of the insured life. (Teklegiorgis Assefa, 2004 page 139)

Limited payment life insurance, sometimes referred to simply as limited pay life insurance, is really a way of having the best of all worlds with a whole life policy. You pay a premium for a predetermined number of years and you have your policy for the rest of your life. ([www.lifeinsurancehub.net](http://www.lifeinsurancehub.net))



### **C. Single payment life insurance**

A type of whole life insurance in which payment of premium is just made one at the beginning of the insurance contract.

#### **2.2.1.3. Endowment life insurance policy**

This type of insurance policy lasts for a specified term pays the face value of the policy whether the insured dies or not. It protects the beneficiary if the insured dies within the endowment period and in addition it provides for

the payment of the face amount to the insured if he/she is living at the end of the endowment period.

Endowment insurance can be regarded as a combination of term insurance for the endowment period and pure endowment that would provide benefits only those who survive.

Endowment insurance may be a useful way for some persons to accumulate a specified sum over a stated period of time whether they live or die. It could be expensive and hence its limitation. (Dorfman,2005page 268)

An endowment policy is a life insurance contract designed to pay a lump sum after a specified term (on its 'maturity') or on earlier death. Typical maturities are ten, fifteen or twenty years up to a certain age limit. Some policies also pay out in the case of critical illness.

Policies are typically traditional with-profits or unit-linked (including those with unities with-profits funds).

Endowments can be cashed in early (or 'surrendered') and the holder then receives the surrender value which is determined by the insurance company depending on how long the policy has been running and how much has been paid in to it.([www.investorword.com](http://www.investorword.com))

#### **2.2.1.4. Endowment Annuity**

If the customers want to have endowment annuity their annuity age must from 55,60 year or annuity stat from 65<sup>th</sup> age that differentiates based on their choice declare insured value and contract with insurer company. Any person want to endowment annuity insurance at least then years before annuity age must purchase this type of insurance. (Awash insurance corporation brusher)

Annuity: In effect this is a form of pension plan. The insured pays a stipulated amount of money into the insurance company, either all at once, annually, or in any agreed-upon manner. At a specified age the insured receives a stated monthly sum of money for the rest of his life. Such sum may be made payable to him or to anyone else whom the insured party designates. In both the Endowment and Annuity, should the insured die before his payments into the company are completed, beneficiary receives the full face value of the policy. (www.investopedia.com)

### **2.3 The Group Term life insurance**

A type of insurance coverage offered to a group of people. This coverage will provide a benefit to the beneficiaries if the covered individual dies during the defined covered period. As with other types of group benefits, group term life insurance is generally cheaper than comparable individual policy coverage. For this reason, group term life insurance is often a key component in employee benefit packages. (www.investopedia.com)

It has two types these are:

### **2.3.1 Permanent group life insurance**

This type insurance is renewed annually. If the contract are not renewed it does not have any money return to the insured. In this case, the insurance will cover if some one dies or if the some one disabled. (Awash insurance corporation brusher)

Permanent life insurance is life insurance that remains in force (in-line) until the policy matures (pays out), unless the owner fails to pay the premium when due (the policy expires OR policies lapse). The policy cannot be canceled by the insurer for any reason except fraud in the application, and that cancellation must occur within a period of time defined by law (usually two years). Permanent insurance builds a cash value that reduces the amount at risk to the insurance company and thus the insurance expense over time. This means that a policy with a million dollar face value can be relatively expensive to a 70 year old. The owner can access the money in the cash value by withdrawing money, borrowing the cash value, or surrendering the policy and receiving the surrender value.

The four basic types of permanent insurance are whole life, universal life, limited pay and endowment. ( [www.investopedia.com](http://www.investopedia.com))

### **2.3.2 Large group life insurance**

Large group life insurance is a type of insurance at least 200 members that has been issued by the insurer. This insurance contract may give access if a person dies in natural death or deaths that come from any accident (Awash insurance corporation brusher)

## **CHAPTER THREE**

### **Data presentation, analysis and interpretation**

#### **3.1 Back ground and Characteristics of Respondents**

A total of 56 questionnaires were distributed to the staff members of AIC of which 40 of them were completed and returned. The question designed in form of close ended and open ended questions and the results are summarized as follows.

**Table 1 Gender of Respondents**

| Item   | Number | Percentage |
|--------|--------|------------|
| Male   | 23     | 57.5       |
| Female | 17     | 42.5       |
| Total  | 40     | 100        |

**Source: primary data**

As show in table 1, 57.5 % are male respondents and 42.5% are female ratio. This implies the male employee is grater than Female employee

**Table 2 Educational level of respondents**

| Item                         | Number | Percentage |
|------------------------------|--------|------------|
| Certificate                  | 7      | 17.5       |
| Diploma                      | 15     | 37.5       |
| 1 <sup>st</sup> Degree       | 12     | 30         |
| 2 <sup>nd</sup> Degree       | 6      | 15         |
| Above 2 <sup>nd</sup> Degree | 0      | 0          |
| Total                        | 40     | 100        |

**Source: primary data**

The above table shows 17.5% of the employee have certificate, 37.5% of them are diploma holder and 30 % and 15% of them are 1<sup>st</sup> Degree and 2<sup>nd</sup> Degree holder respectively. This again adds value for the reliability of the study.

**Table 3 Work Experience of the respondents**

| Item              | Number | Percentage |
|-------------------|--------|------------|
| A.5- years& below | 8      | 20         |
| B.6-10 years      | 10     | 25         |
| C.16-20 years     | 12     | 30         |
| D. 21-23 years    | 10     | 25         |
| E. Above 15 years | 0      | 0          |
| Total             | 40     | 100        |

**Source: primary data**

As indicated in table 3, 20% of the respondent has less than 5 years and below experience and 25% of them has 6-10 year experiences, 30% of the respondents have 16-20 years experience. Moreover, 25% of them have 21-23 year working experience so this data show that most of the respondent have more than 5-year experience, which is good to get sufficient information.

### 3.2 Data Analysis and presentation

**Table 4 Evaluation of insurance policy holder**

| S.N | Item                                             | No. of respondent | Percentage |
|-----|--------------------------------------------------|-------------------|------------|
| 1   | Do you have a life assurance?                    |                   |            |
|     | Yes                                              | 28                | 70         |
|     | No                                               | 12                | 30         |
|     | Total                                            | 40                | 100        |
| 2   | Which kind of life insurance policy do you have? |                   |            |
|     | A. Whole life insurance policy                   | 8                 | 20         |
|     | B. Endowment insurance policy                    | 8                 | 20         |
|     | C. Term life insurance policy                    | 19                | 47.5       |
|     | D. Endowment Annuity policy                      | 2                 | 5          |
|     | E. Others                                        | 3                 | 7.5        |
|     | Total                                            | 40                | 100        |

**Source: primary data**

70% of the AIC employees have a life insurance policy out of this only 20% of the respondents purchase whole life insurance policy and also the same 20% of the respondents have endowment insurance policy, 47.5% of respondents have a term life insurance policy, 5% of the respondents have endowment Annuity policy, the last 7.5% have other life insurance policy.

30% of the respondents don't have any kind of life insurance policy due to the reason that they are not permanent employee in the organization and to buy the policy it is expensive for them.

Table 4 shows that 70% of the respondents have a life insurance policy that shows the AIC employee's have a life insurance offered by the company.

**Table 5 Factors that affect to implement life insurance policy**

| No | Factors that affects the life insurance policy implementation | Total number of respondent | Number of respondent agree with the problem | Percentage of respondents agreed with the problem |
|----|---------------------------------------------------------------|----------------------------|---------------------------------------------|---------------------------------------------------|
| 1  | Lack of public awareness about life insurance                 | 40                         | 40                                          | 100                                               |
| 2  | Low promotion about life insurance                            | 40                         | 28                                          | 70                                                |
| 3  | Low income to buy the life insurance policies                 | 40                         | 35                                          | 87.5                                              |
| 4  | HIV/AIDS test                                                 | 40                         | 25                                          | 62.5                                              |
| 5  | Others                                                        | 40                         | -                                           | -                                                 |

**Source: primary data**

The above table show that out of 40 respondent, 40(100%) of them responded that there is low public awareness about life insurance

28(70%) of the argued that the organization has done low promotion about life insurance policy as compared to non-life insurance.

35(87.5%) of the respondent argued that the low level of incomes of members of the society to buy the life insurance policies is the major factor to implement the policy.

HIV/AIDS is also one factor that affect to implement the policy out of 40

respondent 25(62.5%) of them agreed that this diseases is major problem.

**Table 6, Payments of AIC as compared to others**

| Item                                                                                    | No. of respondent | Percentage |
|-----------------------------------------------------------------------------------------|-------------------|------------|
| How do you evaluate the payment of life insurance premium of AIC as compared to others? |                   |            |
| A. Very good                                                                            | 15                | 37.5       |
| B. Good                                                                                 | 12                | 30         |
| C. Fair                                                                                 | 8                 | 20         |
| D. Bad                                                                                  | 5                 | 12.5       |
| E. Very bad                                                                             | 0                 | 0          |
| Total                                                                                   | 40                | 100        |

**Source: primary data**

37.5% of the respondents responded that the AIC premium payment of life insurance policy is Very good.

30% of the respondents argue that the organization have good payment of life insurance policy as compared to others.

20% of the respondent is argued that AIC have Fair price as compare to others.

The reaming 12.5% of the respondents is responded that the insurance company has bad premium of life insurance policy as compares to others.

From the above table most of the AIC employee argued that the premium charged for life insurance policy is very good as compares to others .



**Table7 Responses regarding to the life insurance policy implementation**

| Item                                                                                   | No of respondent | Percentage |
|----------------------------------------------------------------------------------------|------------------|------------|
| Do you have a chance to discuss about the policy implementation with your supervisors? |                  |            |
| Yes                                                                                    | 28               | 70         |
| No                                                                                     | 12               | 30         |
| Total                                                                                  | 40               | 100        |
| Which policy is needed to get improvement in order to attract customer?                |                  |            |
| A. endowment life insurance policy                                                     | 20               | 50         |
| B. Whole life insurance policy                                                         | 10               | 25         |
| C. Endowment Annuity policy                                                            | 5                | 12.5       |
| D. Term life insurance                                                                 | 5                | 12.5       |
| E. Others                                                                              | 0                | 0          |
| Total                                                                                  | 40               | 100        |

**Source: primary data**

From the above table it can be shown that, most of the respondents have a chance to discuss about the policy implementation with their supervisors the remaining few of them are not given a chance to discuss about the policy implementation with their supervisors.

30% of the respondents said that they do not have a chance to discuss about the policy implementation with their supervisors.

From the data, endowment life insurance policy is highly preferable by most customers.

25 % of the respondents argued that whole life insurance is needed to get policy improvement.

12.5% of them said that endowment annuity policy is needed to get improvement in order to attract customer.

12.5 % of AIC employee argued that term life insurance is also needed the improvement in order to get more customers.

The company has to improve the policy implementation and create awareness about life insurance policy in order to solve more policy.

The AIC employees say that so far it is good, but our client suggestion is our back bone we are open to accept the suggestion. High lack of public awareness about life insurance has been considered at the main problem of the business.

**Table 8 Evaluation of policy performance**

| Item                                                                                 | No of respondent | Percentage |
|--------------------------------------------------------------------------------------|------------------|------------|
| Dose awash insurance corporation evaluate the performance of each policy every year? |                  |            |
| A. yes                                                                               | 30               | 75         |
| B. No                                                                                | 10               | 25         |
| Total                                                                                | 40               | 100        |

**Source: primary data**

Table 8 show most of them respondents argue that AIC evaluate the performance of each policy every year, were few of them argue that AIC doesn't evaluate the performance of each policy every year.

75% of respondents said AIC employee dose evaluate the performance of each policy every year.

25% of respondents said that AIC policy employee doesn't evaluate the performance of each policy every year.

In order to evaluate the policy implementation, most of the employee said that it is difficult to implement the life insurance policy implementation but

endowment, term, and medical life insurance policy is very good in the corporation

**Table 9 Method used to create Awareness**

| Item                                                                                  | No of respondent | Percentage |
|---------------------------------------------------------------------------------------|------------------|------------|
| What method the corporations use to create awareness about the life insurance policy? |                  |            |
| A. TV advertising                                                                     | 10               | 25         |
| B. Magazine                                                                           | 2                | 5          |
| C. Brusher                                                                            | 8                | 20         |
| D. Newsletter                                                                         | 5                | 12.5       |
| E. All                                                                                | 15               | 37.5       |
| Total                                                                                 | 40               | 100        |

**Source: primary data**

The above table shows that out of 40 respondents 37.5% of them respond that the corporation uses all method to create awareness about life insurance policy.

25% of respondent argued that corporation used TV advertising to create awareness of about life insurance policy.

20% of respondent argued that corporation used brusher advertising to create awareness of about life insurance policy.

12.5% of respondent argued that corporation used Newsletter advertising to create awareness of about life insurance policy.

5% of respondent argued that corporation used magazine advertising to create awareness of about life insurance policy.

Which implies the AIC use more in advertise its life insurance policy by news letter.

**Table 10 Training of access to life insurance policy**

| Item                                                         | No of respondent | Percentage |
|--------------------------------------------------------------|------------------|------------|
| Have you taken any training on life insurance policy so far? |                  |            |
| A. yes                                                       | 34               | 85         |
| B. No                                                        | 6                | 15         |
| Total                                                        | 40               | 100        |

**Source: primary data**

85% of respondents said that they have taken training on life insurance policy

15% of respondents said that they haven't taken training on life insurance policy

From table 10 most of AIC employees have take training on life insurance policy and few of them haven't taken training on life insurance policy

**Table 11 Life insurance policies implementation**

| Item                                                                   | No of respondent | Percentage |
|------------------------------------------------------------------------|------------------|------------|
| What kinds of life insurance policies have high policy implementation? |                  |            |
| A. Whole life insurance policy                                         | 8                | 20         |
| B. Endowment life insurance policy                                     | 15               | 37.5       |
| C. Term life insurance policy                                          | 10               | 25         |
| D. Endowment annuity policy                                            | 2                | 5          |
| E. Others                                                              | 5                | 12.5       |
| Total                                                                  | 40               | 100        |

**Source: primary data**

20% of the respondents argued that whole life insurance have high policy implementation than other policies.

37.5% of the respondent argued that even if endowment policy has high premium payment it has high policy implementation as compared to other policies.

25% of the respondents argued that term life insurance policy has high policy implementation, 12.5% of the respondents argued that endowment annuity policy have high policy implementation and the last 5% of respondents argued that medical expense high policy implementation

From table 11 even it can be understood that endowment policy has high policy implementation than other life insurance policy. The last endowment annuity policy is lowest policy which is chosen by customers.

This implies that in the AIC endowment life insurance policy is the highest policy implementation.

### **3.3 Analysis of Interview Result**

The student researcher has conducted interviews with one of the top level management that is claim-handling department. Accordingly the result of the interview shows the following.

- ❖ The interviewee argued that the industry as a whole is not yet matured enough in a society.
- ❖ The management argued that their promotional evaluate for the life insurance is not strong as compared to the non-life insurance due to the lack of awareness and attitudinal problems of the society.
- ❖ The external factor that facilitate for the purpose of claim handling process by itself is obstacle to provide effective service delivery and the internal factors affect by lack of well skilled man power also shortage of financial capacity
- ❖ The respondent said that the management to solve the problem of life insurance policy implementation by building the financial capacity of the company through providing fair premium.
- ❖ The interviewee argued that working with the government and other organization to improve social economic capacity
- ❖ Making sustainable and comprehensive public relation campaign in order to create the necessary public image about life insurance products.

- ❖ The use of giving training in the company to creating good belongingness of the company, adding value on the employee it self and increasing the profit of the company.

## **CHAPTER FOUR**

### **4. Summary, Conclusions and Recommendations**

The study was design to asses life insurance policy implementation in Awash insurance corporation. The study tried to identify the problem and summarized the main findings. In order to do this the researcher distributed 56 questionnaires to the staff members of AIC of which 40 of them were completed and returned. The questions were designed in form of close ended and open ended questions and the results are summarized as follows.

#### **4.1 Summary**

- The researcher found the efficiency of the promotional campaign is not effective enough
- 37.5% plus 30% of the respondent said that they premium payment of life insurance policy is very good and good respectively
- The Fact gathered form employee shows only endowment life insurance policy is high preferable policy and 50% of respondent said that this policy needed get improvement in order to attract other customers.



- 70% of the respondent said that there were the chances to discuss about the policy implementation with their supervisor.
- 75% of the respondent said that the AIC dose evaluate the performance of each policy every year.
- Most respondent said that the society as a whole has no enough information about life insurance.
- 25% of the respondents said that HIV /Aids also one factor that affect implement the policy.
- The factor gathered form employees 37.5% of the respondents that the corporation uses all communication method to create awareness to about life insurance policy.
- 85% of the respondent said that the company workers take training on life insurance policy implementation.

## 4.2 Conclusions

Based on the analysis made on the previous chapter and the student researcher concludes the overall findings of life insurance policy implementation as follows

- The efficiency of the promotional campaign that is used by AIC is not effective enough.
- Compared to the other insurance company, AIC has greater premium payments for life insurance.
- The lengthy and unnecessary work process leads AIC to incur additional cost and loss of customers.
- Only endowment life insurance policy is highly preferable policy than other policies.
- The society as a whole has no enough information about life insurance to purchase the policy. The customs and beliefs of the society have also affected to search the importance and advantage of insurance.
- More of AIC employees discuss about policy implementation with their supervisors
- HIV/AIDS is one factor that affects implementation policy.
- Government regulations and procedure as well as other organizations are also obstacles to some extent to provide quality service delivery.
- Even if endowment policy has high policy implementation. Most of the employees argued that it needs improvement in order to get more customers.

- The company workers take training on life insurance policy implementation.
  
- Awash Insurance Corporation to create awareness about life insurance uses all advertising meted only.

### **4.3 RECOMMENDATIONS**

Based on the findings of the study and conclusion the following recommendation forwarded.

- The corporation should develop a mechanism to assess the impact of these training programs and should take the necessary measure in this regard.
- AIC should create social awareness about the importance of life insurance and AIC should look the implications of life insurance on the overall performance of the corporation and arranging continues meetings workshops, trade fairs and exhibitions.
- In order to implement more policies, AIC should revise the policy and develop other new policies which is suitable for more customer.
- The policy must be revised specially in HIV/AIDS in order to attract a potential customer.
- The Management must be build the financial capacity of the company through providing fair premium
- The organization must work with the government and other organization to improve social and economic capacity to create the necessary public image about life insurance products
- The management should give the necessary training to workers to create good belonging ness of the company, add

value to the employee and increase the profit of the company.

- The management shall discuss with employee about life insurance policy implementation in order to avoid lengthy and unnecessary work process.
- The corporation should use other Promotional mix such as Personal Selling, Sales promotion, Public relations, Corporate image, Direct Marketing and Exhibitions.



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# Appendices



**Appendix A**  
**Questionnaire to Awash Insurance Corporation**  
**Employee**

The aim of this Questionnaire is to assess life insurance policy implementation of Awash insurance Corporation. The study is conducted in partial fulfillment of the requirements of BA degree in business Management. The data you provide will be used for academic purpose and is kept confidential. Moreover as the data is required for academic purpose, you are encouraged to freely express your views and concerns. I do believe that the findings of the study contribute to the effort being exerted in developing the higher education sector.

This questionnaire contains different variable, including closed ended and open ended questions. You are kindly requested to provide your answer for the closed ended question by Marking ( ✓ ) next to your choice.

I would like to thank you for the Awash Insurance Corporation head office main branch employee in advance for your kind cooperation.

Thank you

**Meheret Girma**

**Part I Personal information**

1. Sex

A. Male

B Female

2. Education

A. Below Certificate

B. Certificate

C. Diploma

D. 1st Degree

E. 2nd Degree

F. Above 2nd Degree

3. Work Experience

A. 5 Years and Below

B. 6-10

C. 11-15

D. 16-20

E. 21-25

F. More than 25 Years

**PART II    General Information**

4. Do you have a life assurance?

A. Yes

B. No

5. If your answer to question number four is yes which kind of life insurance policy do you have?

A. Whole life insurance policy

B. Endowment insurance policy

C. Term life insurance policy

D. Endowment Annuity policy

E. Other \_\_\_\_\_.

6. What are the factors that affect the life insurance policy implementation?

A. Lack of public awareness about life insurance

B. Low promotion about life insurance

C. Low income to buy the life insurance policies

D. HIV/AIDS test

E. Others \_\_\_\_\_.

7. How do you evaluate the payment of life insurance premium of AIC as compared to others?

A. Very good

B. Good

C. fair

D. bad

E. Very bad

8. Do you have a chance to discuss about the policy implementation with your supervisors?

A. yes

B. No

9. Which policy is needed to get improvement in order to attract customer?

A. endowment life insurance policy

B. Whole life insurance policy

C. Endowment Annuity policy

D. Term life insurance

E. Others \_\_\_\_\_.

10. Dose Awash insurance corporation evaluate the performance of each policy every year?

A. yes

B. No

11. What method does the corporation use to create awareness about the life policy to the public?

A. By TV advertising

B. By Magazine

C. By Brosher

D. By News letter

E. All

12. Have you taken any training on life insurance policy so far?

A. yes

B. No

13. What kinds of life insurance have high policy implementation?

A. endowment life insurance policy

B. Whole life insurance policy

C. Endowment Annuity policy

D. Term life insurance

E. Others \_\_\_\_\_.

14. How do you evaluate the policy implementation?

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15. What is your idea to make better policy implementation in the corporation?

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16. If you have any additional suggestions in life insurance policy implementation of your corporation , you may use the space below for your comments?

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## **Appendix B**

### **Interview Questions to Manager**

1. Is life insurance policy well known in the society?
2. Is life insurance policy strong in promotion compared to non life insurance policy? Why?
3. Do you give any training for the employee on how to implement the life insurance policy?
4. Do you face any internal or external factors that affect the life insurance policy implementation?
5. What kinds of solution dose the management take to solve the problem of life insurance policy implementation policy?
6. What are the outcomes of the training programs of awash insurance?

## **DECLARATION**

I undersigned declare that senior essay project is my original work prepare under the guidance of Abera Legessa. All of materials used for the manuscript have been duly acknowledge.

Name of Student Meheret Girma

Signature: \_\_\_\_\_

Please of Submission: \_\_\_\_\_

Date: \_\_\_\_\_

## **SUBMISSION APPROVAL SHEET**

This senior research paper had been submitted to the department of management in partial fulfillment for the requirement of BA Degree in management with my approval as an advisor

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date of Submission: \_\_\_\_\_