

**Addis Ababa University**  
**School of Graduate Studies**  
**Department of Marketing Management**



**INVESTIGATING FACTORS INFLUENCING ATTITUDE  
OF LIFE INSURANCE CUSTOMERS: The CASE OF  
ETHIOPIAN INSURANCE CORPORATION (EIC).**

**A project submitted to the school of graduate studies of AAU School of  
Commerce in partial fulfillment of the requirements for the degree of  
Masters of Marketing Management**

**By Mulubirhan Meles**

Advisor: Dr. Kahsu Mebrahtu Areaya

JUNE , 2015

Addis Ababa, Ethiopia

Dr.Kahsu Mebrahtu

Department of Marketing Management

Addis Ababa University School of Commerce

Addis Ababa, Ethiopia

## C E R T I F I C A T E

This is to certify that this project work, **“INVESTIGATING FACTORS INFLUENCING ATTITUDE OF LIFE INSURANCE CUSTOMERS: THE CASE OF ETHIOPIAN INSURANCE CORPORATION (EIC)** undertaken by Mulubirhan Meles for the partial fulfillment of Master’s of Marketing Management at Addis Ababa University, is an original work and not submitted earlier for any degree either at this University or any other University.

---

**Research Advisor**

## **Declaration**

I, Mulubirhan Meles declare that this work entitled **“INVESTIGATING FACTORS INFLUENCING ATTITUDE OF LIFE INSURANCE CUSTOMERS: THE CASE OF ETHIOPIAN INSURANCE CORPORATION (EIC)**, is outcome of my own effort and study and that all sources of materials used for the study have been duly acknowledged. I have produced it independently except for the guidance and suggestion of the Research Advisor.

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 degree of MA in Marketing Management.

By: Mulubirhan Meles

Signature\_\_\_\_\_

Date\_\_\_\_\_

Advisor: Dr. Kahsu Mebrahtu

Signature\_\_\_\_\_

Date\_\_\_\_\_

**Addis Ababa University School of Commerce**

**School Of Graduate Studies**

Marketing Management Department

**INVESTIGATING FACTORS INFLUENCING ATTITUDE OF LIFE  
INSURANCE CUSTOMERS: THE CASE OF ETHIOPIAN  
INSURANCE CORPORATION (EIC).**

By Mulubirhan Meles

Approval Board Committee

---

Chairman, Graduate Studies

---

Research Advisor

---

Examiner

---

Examiner

---

---

Signature

---

Signature

---

signature

---

signature

---

## **ACKNOWLEDGEMENTS**

This project wouldn't have been completed without the help of almighty God and a great many people. First and for most, my heartily thanks go to almighty father, God for his graciously provision of knowledge, wisdom, inspiration and diligence required for the successful completion of this project and for brining my dreams into reality.

I am also greatly indebted to my advisor Dr. Kahsu Mebrahtu for his countless suggestions, Assistance and invaluable advice.

I highly appreciate and thank EIC life Addis District staffs as a whole who were cooperative and helpful; especially ato Kehase G.Michael Deputy CEO of long term insurance ,ato Assamenew Meressa, Director of Life Addis District and those who are staff members of life insurance underwriting section for their support and cooperation.

I would also like to extend my love and respect to my wife, wr/o Senait Mulugeta who gave me her affectionate support and encouragement.

Last but not least, my warmest appreciation and thanks goes to my predecessors from whom I have borrowed and quoted the various references.

Mulubirhan Meles .

# Table of Contents

## Chapter one:

<b>1.Introduction</b> .....	1
1.1 Back ground of the study .....	1
1.1.1Development of Insurance in Ethiopia .....	1
1.1.2Traditional Insurance .....	2
1.1.3Modern Insurance.....	2
1.1.4Legal frame of reference.....	2
1.1.5The formation of the Ethiopian insurance Corporation .....	3
1.1.6Early Life insurance .....	3
1.1.7Life Insurance in Ethiopia.....	4
1.2 Statement of the problem.....	4
1.3 Objective of the study.....	6
1.3.1Aim.....	6
1.3.2 Specific Objective.....	6
1.4 Hypotheses.....	6
1.5 Significance of the study.....	7
1.6 Scope/Delimitation of the study.....	7
1.7 Organization of the paper.....	8

## **Chapter two:**

<b>Literature Review</b> .....	9
2.1 Introduction.....	9
2.2 Definition and nature of insurance .....	9
2.3 Definition and concepts of life insurance .....	10
2.4 Types of Life Insurance policy .....	11
2.5 Unique principles of life insurance policy .....	14
2.6 Theoretical frame work.....	15
2.7 Socio –cultural school .....	16
2.8 Socio-cultural factors.....	17
2.9 Economic factors.....	17
2.10 Legal and political factors.....	17
2.11 social factors.....	18
2.12 Demographic factors.....	19
2.13 Organizational factors.....	20
2.14 Conceptual Framework.....	22

## **Chapter Three**

<b>3.1 Research Methodology</b> .....	23
3.2 Research Design .....	23
3.3 Sampling Method .....	23
3.4 Methods of data collection .....	24
3.5 Sample size determination.....	25

3.6 Data Analysis Method.....	25
3.7 Validity and Reliability of instruments .....	26

**Chapter Four**

**Results and Discussions**

4.1 Introduction .....	27
4.2 Demographic information.....	27
4.3 Impact of buyers’ age on attitude to life insurance policy purchase .....	29
4.4 Impact of buyers’ sex on attitude to life insurance policy purchase .....	31
4.5 Impact of buyers’ religion on attitude to life insurance policy purchase.....	33
4.6 Impact of buyers’ educational on attitude to life insurance policy purchase.....	35
4.7 Impact of buyers’ income level on attitude to life insurance policy purchase .....	37
4.8 Impact of buyers’ number of dependents on attitude to life insurance purchase .....	39
4.9 Impact of efficiency in claim settlement on attitude to life insurance purchase .....	42
4.10 Impact of Affordability of premium on attitude towards life insurance purchase .....	43
4.11 Impact of Method used by sales agents on attitude towards life insurance purchase .....	45

## **Chapter Five**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

5.1 Summary of results .....	47
5.2 Conclusions .....	50
5.3 Recommendations .....	51
References .....	53
Appendix 1 .....	55

**LIST OF TABLES**

Table 4.1 Demographic Information of Respondents ..... 27

## LIST OF FIGURES

<b>Figure 2.1</b>	<b>Conceptual framework .....</b>	<b>22</b>
<b>Figure 4.1</b>	<b>Respondents age category and Level of Agreement.....</b>	<b>30</b>
<b>Figure 4.2</b>	<b>Respondents sex category and Level of Agreement.....</b>	<b>32</b>
<b>Figure 4.3</b>	<b>Respondents religion category and Level of Agreement.....</b>	<b>34</b>
<b>Figure 4.4</b>	<b>Respondents Academic Qualification category and Level of Agreement.....</b>	<b>35</b>
<b>Figure 4.5</b>	<b>Respondents Income level category and Level of Agreement.....</b>	<b>37</b>
<b>Figure 4.6</b>	<b>Respondents number of dependents category and Level of Agreement.....</b>	<b>40</b>
<b>Figure 4.7</b>	<b>Efficiency in claim Settlement and Respondents Level of agreement.....</b>	<b>42</b>
<b>Figure 4.8</b>	<b>Affordability of premium and Respondents level of agreement.....</b>	<b>44</b>

## **Abstract**

*This research is designed to investigate factors influencing buyers' attitudes towards life insurance policy purchase in Ethiopian Insurance Corporation (EIC) and which factors significantly affect buyers' attitude to the purchase of life insurance policy.*

*Primary data was collected through structured questionnaires. The questionnaires were distributed to a sample of 377 buyers of life insurance policy from EIC. These questionnaires were distributed to active policy holders of residents of Addis Ababa. To this end, non-random convenience sampling has been undertaken. Meanwhile, out of the distributed questionnaires 345 were returned.*

*Data collected is coded, cleaned and analyzed using Statistical Package for Social Sciences (SPSS) version 16.0. Statistics used in the data analysis includes, frequency counts and percentages; spearman correlation analysis technique was also used to test for the strength of the relationships.*

*The study revealed that on the basis of the data obtained from the respondents and results of the tests, age, number of dependents, and affordability of the premium all have a strong impact of varying degrees on attitudes towards life insurance purchase. However, sex, religion income level ,method used by sales agents, efficiency of claim handling all have proved not to have a significant impact on life insurance purchase attitude of buyers.*

*The conclusion for the result described above is that among the variables which have been analyzed deeply age, number of dependents, and affordability of premium have showed a strong association or dependence in a positive direction with the variable attitude of buyers. Therefore if sufficient efforts, marketing budgets are allocated according to their Age, Number of dependents they have and the level of price (premium Sensitivity) of the potential customers, the research result suggests that EIC life insurance profit and market share portfolio can improve significantly.*

# CHAPTER ONE

## INTRODUCTION

Ever since the human race came to this planet, its livelihood has been surrounded by diverse risks ranging from those that are controllable to those that are uncontrollable. The term “risk” is generally associated with unforeseen incidents that leads to undesirable outcome .It denotes something unpleasant and harmful. The fact is that risk becomes part of our– to – day life. Each of us is faced with the possibility of sustaining an undesirable incident on any given day .The undesirable incident could lead to a loss –financial or non- financial. To protect individuals against possible economic loss, the Concept of Insurance came into the picture (Hailu Zeleke, 2007).

Insurance market activity, both as a financial intermediary and as a provider of risk transfer and indemnification, promotes economic growth by allowing different risks to be managed more efficiently. This activity would encourage the accumulation of new capital and mobilize domestic savings into productive investments. *Arena (2008)*, found that a robust causal relationship exists between insurance market activities and economic growth. Insurance activity may contribute to economic growth by improving the financial system functions, both as a provider of risk transfer and indemnification and as an institutional investor, in the following ways: (i).Promoting financial stability, (ii).Facilitating trade and commerce (the most ancient insurance activity), (iii).Allowing different risks to be managed more efficiently by encouraging the accumulation of new capital, (iv).Mobilizing domestic savings, (v). Fostering a more efficient allocation of domestic capital, and (vi). Helping to reduce or mitigate losses (Skipper, 1997).

### 1.1 BACKGROUND TO THE STUDY

#### 1.1.1 Development of Insurance in Ethiopia

*Ethiopia* as one of the most underdeveloped countries is heavily dependent on agriculture oriented economy with the majority of its population subsisting on agricultural income. Consequently the service rendering institution takes up a small share of the whole economy.

Insurance, being one of the service activities, is also very little known to the majority of the people. Infact, insurance, as it is Known today, is a recent phenomenon in Ethiopia.(Haile Michael Kumsa,1992)

### **1.1.2 Traditional Insurance**

There have been traditional associations whereby people contributed either money or labor to assist each other whenever a member faces financial difficulties or needs assistance; among these associations, "Edir" and "Equb" have some similarities with modern insurance.

In the case of "Edir" people from an association whereby each member contributes a fixed sum, normally monthly, to a common fund from which predetermined compensations are paid to members or relatives. The compensations are meant to cover expenses that a member would incur as the result of the incident.

The other insurance type of association is "Equb". "Equb" members contribute a fixed sum of money weekly, biweekly or monthly to a pool of fund and lots are cast whereupon the winner receives the money so collected and uses it for a project if he or she has one or sells it to another member at a premium. (Hailu Zeleke, 2007)

### **1.1.3 Modern Insurance**

In the 1920s, the first insurance business was transacted by the bank of Abyssinia, which served as an agent for a foreign Insurance company. In the wake of the Italian occupation, a number of Italian companies were operating within the country but the liberalization of the country in 1941 caused the dawn for the establishment of local Insurance companies since the beginning of 1950. A decade after foreign and local insurance companies started operation, one local company started underwriting the life insurance business.

### **1.1.4 Legal Frame of Reference**

Until 1960 there had been no insurance law. but in the 1960s two bodies of law were enacted. One of them was the Maritime Code of Ethiopia. In title VII Chapter 1-4, Article 288-356, marine insurance has been properly dealt with. This law was based on the Hague Rules of 1924. The other was the Commercial code of Ethiopia. This law contained provisions on the relevant points of insurance as a commercial activity, especially for property, liability and the insurance of persons. Title III, chapter 1-4, article 654-712 of the commercial code covered the manner under which insurance contracts are entered into; the rights and duties of the contracting parties. On the basis of the provision of article

656 of the commercial code Proclamation number 281, Only thirteen local Insurance had fulfilled the requirements of this proclamation .However they were all nationalized as from 1<sup>st</sup> January 1974, by Proclamation No .261/1975.(Hailu Zeleke, 2007)

### **1.1.5. The Formation of the Ethiopian Insurance Corporation**

The Ethiopian Insurance Corporation was established by proclamation no 68/1975, by taking

Over the assets and liabilities of the nationalized companies with a paid up capital of birr

11million .These Companies became the branches of the corporation.

The tasks of the Corporation as stated in the aforementioned proclamation were to:

- ❖ Engage in all class of insurance Business.
- ❖ Ensure that insurance services reach the broad masses of the people; and
- ❖ Promote efficient utilization of both material and financial resources.

Moreover, the proclamation empowered the Corporation to manage, administer, supervise and direct all insurance business at national levels; and also negotiate, arrange, underwrite and contract reinsurance treaties and policies with foreign reinsurers. (Hailu Zeleke, 2007)

### **1.1.6. Early LIFE ASSURANCE**

Life assurance is by no means a modern invention .Some 2000 years ago, in Roman times, a form of Life assurance was practiced by burial societies. These Societies paid the funeral cost of members out of monthly payments .It is believed that these were year to year arrangements, and there was certainly no scientific evidence on which to base calculations of how much the payments should be.

The earliest recorded life policy in England was effected on June 1583 when the office within the Royal Exchange issued a policy to Richard Martin on the life of William Gibbons, a salter in the city of London. The policy was a twelve month term assurance at a premium of £8 per £100 sum assured .It is not known why the policy was a taken out but it is known there was a dispute about a claim under it .Gibbons died in the twelfth calendar month and the insurer claimed he was not liable on the grounds that the policy was for twelve lunar months, a slightly shorter chamber of insurance set up period at the end of which the life assured was still alive .The insurer lost in court and had to pay.

It appears that office of insurance was not an insurance company as we now understand the term. It was a chamber of insurance set up in 1574 to record contracts of insurance entered into by individual underwriters in case of dispute. Unfortunately, the office and its records were destroyed by the great fire of London in 1666. It is believed that these early policies were short period contracts for one year or less. (Life Insurance Study Guide, 2011)

### **1.1.7. LIFE INSURANCE IN ETHIOPIA**

Till the beginning of the 1950s, there was no locally incorporated insurance company in Ethiopia. The first insurance company known as the imperial insurance company, was formed in 1951. Between 1951 and 1970 there had been a number of agencies representing foreign companies and some local companies were also registered and started competing with the foreign company which was writing life as well as non-life business. Among the Twenty Agencies representing foreign companies, ten of them had been writing life Insurance as well. (Hailu Zeleke, 2007)

### **1.2 STATEMENT OF THE PROBLEM**

Due to social, demographic and economic changes, the world life insurance sector has witnessed substantial growth in recent years. The share of life insurance premiums has increased lately. While life insurance premiums for European countries are 300 billion euro in 1995, it is almost 650 billion euro in 2006. Life insurance and non-life insurance premiums are about equal in 1995. Until 2006, it is observed that life insurance premiums grow much more than non-life insurance premiums (SibelÇelik, Mustafa Mesut Kayali, 2009).

Contrary to the above, Life insurance unlike other class of business makes the lowest portfolio in EIC. Over the years, a scant attention has been given to this class of business. Analysis of the life insurance business during the years 1967-1972 indicates that the share of life insurance in the total gross premium income of the industry declined from 15.1% in 1967 to 7.9% in 1972. (Hailu Zeleke, 2007). Currently, the share of life insurance out of the total insurance business portfolio on average takes 5% of the total premium portion and 95% is accounted for by general insurance (BIRITU, 2014).

Lack of awareness by the public about life insurance, little attention being given to it by the majority of insurers, unfair competition in the market, underdeveloped domestic financial markets, lack of

experience and insurance technique, and absence of domestic actuarial service are some of the reasons behind it (*BIRITU, No 111,2011*).

In closely related view, there is an argument that customers from different cultures may rely on different factors during the process of relationship development with service providers (Suh, *et al.*, 2006). So, these cultural factors might have prompted the consumers into exhibiting different behavioral reactions to insurance services and the relevant strategies designed to marketing them.

In the researcher's belief ,the root cause for this problem lies in the attitude of the public .The public has different views of life insurance manifested by their religion ,culture , difference in demographic make-up as well as Organizational factors. This scenario calls for an immediate intervention.

In order to effect change, the right strategies have to be used; ones that would help the prospect to appreciate the need for an insurance cover. This calls for some level of involvement with the prospect. Smith (1992) argue that for involvement to be attained, using a common language, sharing experiences, participation in culture, and understanding beliefs of the person we intend to engage with are necessary. This implies that, first and foremost, insurance companies must strive to understand the prospect's attitude to the concept of life insurance and then use the right strategies to try and influence their attitudes accordingly. The term strategies here refer to the methods or plans that insurance companies must implement so as to adopt positive public attitude on life insurance products.

Several studies have found evidence that development of the insurance sectors is related to economic growth and key elements in the economic development of a country (Ward andZurbrueg,2000; Webb 2000 and Soo, 1996). Beck and Webb (2003) established that insurance companies play an important role in the financial sector.

It is thus important that for Ethiopia which has gone through high inflation and fast economic growth to propel life insurance segment in order to increase financial stability that will stimulate accelerated growth of domestic output, minimize the rate of inflation, reduce the rate of unemployment and attract investment needed to thrust economic development.

## **1.3 OBJECTIVE OF THE STUDY**

### **1.3.1. AIM**

The aim of this paper is to investigate the various socio-cultural, demographic and organizational elements affecting the attitude of individuals in the purchase of life insurance policy of Ethiopian Insurance Corporation and there by imparting the findings for implementing an effective Marketing strategy to address the problems discovered and be able to reach potential customers at full swing.

### **1.3.2. SPECIFIC OBJECTIVE**

- To analyze The Demographic profile of customers of life insurance in Life Addis District in Addis Ababa.
- To investigate the socio-cultural factors affecting the attitude of individuals towards life Insurance purchase
- To investigate Organizational factors affecting attitude of individuals towards life insurance purchase.

## **1.4. HYPOTHESES**

For this project the following hypotheses are proposed to be tested. The results will thereafter be used for discussion and proposing an effective marketing strategies for EIC.

- **H<sub>0</sub>: Buyers' age and Buyers' attitude to life insurance policy purchase have no significant Statistical association**
- **H<sub>0</sub>:Buyers' sex and buyers'attitude towards life insurance policy purchase have no significant statistical association.**
- **H<sub>0</sub>:Buyers' religion and buyers' attitude towards life insurance policy purchase have no significant statistical association.**
- **H<sub>0</sub>: Buyers' Educational status and buyers' attitude towards life insurance policy Purchase have no significant statistical association.**
- **H<sub>0</sub>: Buyers' Income level and buyers' attitude towards life insurance policy purchase have no significant statistical association.**
- **H<sub>0</sub>: Buyers' number of dependents and buyers' attitude towards life insurance policy purchase have no significant statistical association.**

- **H<sub>0</sub>:Efficiency in claim settlement of EIC and buyers' attitude towards life insurance policy purchase have no significant statistical association.**
- **H<sub>0</sub>:Affordability of premium of EIC and buyers' attitude towards life insurance policy purchase have no significant statistical association.**
- **H<sub>0</sub>:The Method used by sales agents of EIC and buyers' attitude towards life insurance policy purchase have no significant statistical association.**

### **1.5 Significance of the Study**

The project is significant in several aspects: Firstly, the findings of this paper will serve as inputs to marketers of life insurance enterprise including EIC on how they formulate and implement relevant marketing strategies towards addressing the right factors affecting buyers' attitude towards life insurance policy purchase. Second, it is a piece of contribution to the current knowledge in the practice of life insurance marketing in Ethiopia and invites for further research to bring buyers' attitudinal change in the areas of life insurance purchasing and benefits.

### **1.6. Scope/Delimitation of the Study**

The study is limited to be conducted only in Addis Ababa city on Life Addis District, the largest life insurance sales outlet in the country, because Addis Ababa is believed to represent the different scenario prevailing in Ethiopia. Addis Ababa is the residence for diverse ethnic groups with different cultural values and different religions. It is also the home for people with different living standard ranging from the destitute to the highly affluent. Thus it can be said that the findings here in Addis can easily be generalized to the Whole population of. Moreover, the study did not include other macroeconomic factors' effect on buyers' attitude towards life insurance policy purchase as their effects are less controllable by EIC.

The study was also Limited to the responses obtained from individual respondents. Since it is easy to find out the exact reason for their patronage of life insurance and since it is possible to observe variety in their cause for patronage, unlike the corporate clients, the research has deliberately focused on individual (retail) clients disregarding the corporate clients entirely.

There were external (Uncontrollable) variables that deter the smooth implementation of the

project in addition to the limitations of the research design itself. For instance, finding and locating buyers/respondents, the lack of cooperation of the respondents and their commitment to complete filling the questionnaires, lack of sufficient time by the researcher to include the effects of organizational marketing practice and other macro variables on buyers' attitude to purchase of life insurance. Moreover, the time pressure faced by the researcher is also the other constraint to undertake wide survey in Ethiopia with respect to buyers' attitude towards life insurance. The lack of relevant and up to date literature, lack of localized previous research papers in the area of the study were also major constraints in this study.

### **1.7 Organization of the paper**

Chapter one provides the background against which the study was carried out. It focuses on the development of life insurance policies in Ethiopia highlighting the public attitude. In the statement of the problem, the study sought to investigate the factors providing for the underlying attitude of the life insurance consumption. The research objectives were to investigate the effect of demographic factors on buyers' attitude of life insurance in Addis Ababa, to investigate the effect of socio-cultural factors on buyers' attitude of life insurance in Addis Ababa, and to investigate the effect of organizational factors on buyers' attitude of life insurance in Addis Ababa.

Chapter two presented an over view of the related literature to the study. It highlighted the views of past and present scholars on the relationship between the public attitude on life insurance, uptake of insurance and the leading factors. It also contains theories that inform on Attitude. It is concluded by a conceptual framework that shows the relationship of the variables.

Chapter three covered on the methodology used in the study, looked at the research design, study location, target population, sampling procedures and sample size. The chapter also contains descriptions of the research instruments used, measures of testing instrument reliability and validity. Procedure relating to the collection and analysis of data are also discussed in this chapter.

Chapter four is concerned with the analysis, description and interpretation of the buyers' responses with respect to the demographic, socio-cultural and organizational factors influencing attitude of the buyers.

## **CHAPTER TWO.**

### **LITERATURE REVIEW**

#### **2.1.Introduction**

This chapter contains different empirical and theoretical literatures on consumers' attitudes towards patronage of life insurance policy. The review focuses on factors that affect consumers' attitudes towards companies' products; next these factors have been discussed in detail, then It proceeded to discuss the factors contributing to the abysmal consumption of life insurance in the world including Ethiopia.

#### **2.2. Definition and Nature of Insurance**

The concept of insurance is complicated by its many possible meanings and definitions, however, scholars and writers have given various definitions of insurance from different perspectives such as economic, social, legal, etc.

Pfeffer (1956) as cited in Hailu Zelke (2007) provides the following definition of insurance:

“Insurance is a device for the reduction of the uncertainty of one party called the insured, through the transfer of particular risk to another party, called the insurer, who offers a restoration, at least in part , of economic losses suffered by the insured ”.

Pritchett, et al (1996) defined insurance as a social device, in which a group of individuals called “insureds” transfer risk to another party called the “ insurers “ in order to combine loss experiences , which permits statistical prediction of losses and provides for payments of losses from fund contributed ( premiums ) by all members who transferred risks.

These definition presents fundamental nature of insurance that there are at least two parties in an insurance contract; the insured (beneficiary) and insurer; there is transfer of risk from one party (insured) to another party (insurer); the payment of price (premium) is mandatory by the insured for the transfer of risk; and the insurer, on its part pays a sum of money to the insured in the event of occurrence of risk and creates a loss to the insured.

Thus, while payment by the insurer is conditional, the insured is reducing its uncertainty concerning the financial consequences of the risk transferred through scarification of a small certain loss (the

premium). Therefore, from the viewpoint of the insured, insurance can be visualized as a mechanism of substituting “**uncertainty**” with “**certainty**”.

Insurance is a financial arrangement that redistributes the costs of unexpected losses. Insurance involves the transfer of potential losses to an insurance pool. The pool combines all the potential losses and then transfers the cost of the predicted losses back to those exposed. Thus, insurance involves the transfer of loss exposures to an insurance pool and the redistribution of losses among the members of the pool. Certainty of financial payments from a pool with adequate resources and accurate predictability of losses are the hall-marks of insurance transaction (Mark S. Dorfman 2005).

### **2.3. Definition and Concepts of Life Insurance**

Life insurance undertakes to protect the insured’s family, creditors, or others against financial loss growing out of the death of the insured. The contract embodies an agreement in which the insurer undertakes to pay a stipulated sum upon the death of the insured, or at some designated beneficiary. Legal status was given long ago to the definition which indicates the life insurance agreement to be: “a contract by which the insurer, for a certain sum of money or premium proportioned to the age, health, profession, and other circumstances of the person whose life is insured engages that, if such person shall die within the period limited in the policy, the insurer will pay the sum specified in the policy, according to the terms thereof, to the person in whose favor such policy is granted” (John H. Magee and David L. Bickelhaupt, 1964).

The above definition entails that like the general insurance, life insurance policy, has a contractual nature, in addition the policy provides methods for payment of the proceeds in installments or in some manner other than a lump sum; the choice is made by the insured, or by the beneficiary, if the insured has not made a choice.

As a social and economic device life insurance is a method by which a group of people may cooperate to ameliorate the loss resulting from the premature death of members of the group. The insuring organization collects contributions from each member, invests these contributions, guarantees both their safety and a minimum interest return, and distributes benefits to the estates of the members who die (Teklegiorgis Assefa , 2004).

From the above definition, for many people, the risk management tool that is most appropriate for dealing with the exposure of premature death is life insurance . There are many different types of life insurance, but the standard arrangement is contract specifying that upon the death of the person

whose life is insured, a stated sum of money (the policy's face amount) is paid to the person designated in the policy as the beneficiary.

## **2.4. Types of Life Insurance Policy**

From a traditional or historical perspective, life insurance can be classified in to three categories: Term life insurance, Whole life, and Endowment life insurance policy. However, today numerous variations and combinations of these basic types of life insurance are available.

### **A. Term life insurance**

According to Mark S. Dorfman (2005) when a life insurer sells **a term life insurance** policy, it promises to pay the beneficiary if the insured dies within a specified period. If the insured outlives the period, the insurer makes no payment. Thus, Term life insurance has several basic characteristics. First, it provides protection for a temporary period, such as one, five, and ten or twenty years unless the policy is renewed, the protection expires at the end of the period.

Most term insurance policies are renewable, which means the policy can be renewed for additional periods without evidence of insurability. The premium is increased at each renewal and is based on the insured's attained age. The purpose of the renewal provision is to protect the insurability of the insured. However, this results in adverse selection against the insurer. Since premiums increase with age, insureds with a good health tend to drop their insurance, while those with in poor health will continue to renew, regardless of the premium increase.

Therefore, to minimize the adverse selection, many insurers have an age limitation beyond which renewal is not allowed such as age 70 or 80 most of the time and others still to an age of .

Term life insurance is similar to property insurance because if there is no loss to a home or automobile while the policy is in force, the insurer makes no payment. Moreover, like property insurance policies, term insurance does not build savings or cash value, as do other types of life insurance. Thus, term insurance is often spoken of as providing "pure death protection".

Term life insurance is a relatively simple type of insurance, and in part for this reason, it has been among the first insurance products successfully sold on the internet market. However insurers sell several types of term life insurance policies including decreasing term, increasing term, level term, renewable term or convertible term.

Term life insurance can prove useful in solving many financial problems. Usually it can be used when the need for life insurance is temporary. It is also useful when people need the maximum coverage and have limited financial resources as well as the price of term insurance is attractive to many people. In the event of premature death, the education fund need can be met by a level term policy. On the other hand, people often use term life insurance to repay debts as the need for term life insurance is temporary and most debts are temporary. In same manner some or all the need for the income to support dependents can be met by term insurance. The need for funds to support dependent children is temporary until once the children become financially independent, the need for funds to support those ends. However, if a child or a spouse is likely to be a permanent dependent, perhaps because of a physical problem, then term life insurance is unlikely to be the best choice to fund problems caused by a premature death (Mark S.Dorfman 2005).

At any age, term insurance premiums are lower than whole life insurance premiums. Therefore, term insurance should be used when the need is for maximum life insurance protection especially if a buyer's life insurance income is limited. Term life insurance can be a valuable part of an individual's life insurance plans because these policies are flexible and initially have lower premiums than other forms of life insurance. Term insurance cannot solve all life insurance problems; however, generally it should not be used when the need for life insurance is permanent rather than temporary, as would be the case with a burial fund. Nor can term insurance by itself provide a regular forced saving plan, therefore, insuring permanent needs while accumulating savings requires a whole life insurance plan.

## **B. Whole life insurance**

As distinguished from term insurance, which provides short term protection, whole life insurance is a policy that provides life time protection. Whole life insurance policies promise to pay the beneficiary whenever death occurs and that is why mostly “**till death do us part**” is the insurer's promise (Mark S.Dorfman 2005).

Moreover, Whole life policies also promise payment if the insured reaches age 100. When insurers make a claim payment, they say the policy has matured. The insurer knows for a

certainty it must eventually pay a claim on every whole life insurance policy remaining in force(Ibid).

Therefore, whole life insurance in its saving value with its high premium is the basis of several important contractual rights for the insured. That is for instance, policy owners (insureds) can withdraw all their cash value at once if they want to end the policy or they can use the cash value to purchase an annuity at older ages when they need retirement income. More over still owners of whole life insurance can borrow some or all of the cash from the insurer at any time as whole life insurance combines both savings and life insurance protection.

### **C.Endowment life insurance**

Another kind of life insurance policy is an Endowment policy, which pays the face amount of insurance if the insured dies within a specified period; if the insured survives to the end of the endowment period , the face amount is paid to the policy owner at that time (Teklegiorgis Assefa 2004).

From the above definition it is possible to see that Endowment contracts provide death benefits for a specified period of time, just as a term insurance does. However, unlike term insurance, endowment insurance has a cash value, and the policy owner is paid the contract's face amount at the end of the protection period if the insured is still alive. Thus, 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 but most importantly the objective is to pay expenses during retirement, or to retire a debt. In general according to the purpose and need of the writer, life insurance, can have different meanings, names of classifications which may not be included in the above list but whatever the name and classification they are given they all serve common goal that is protection of financial loss at the time of the insured's premature death or illness. For instance, the “**annuity** “type of life insurance is a newly type which furnishes income protection during a period of old age when productive powers have a diminished or disappeared.

## **2.5 Unique principles of Life Insurance Policy**

The essential difference between life insurance and other forms of insurance designed solely to assume the burden of an uncertain peril is that life insurance has, in addition to the function of protecting against uncertainty, the function of accumulation. That is a considerable part of the premiums paid for life insurance represents a contribution on the part of the insured to a fund for investment to be administered by the insurer (John H. Magee and David L. Bickelhaupt, 1964).

### **A. Not a Contract of Indemnity**

While the idea of indemnity is emphasized in writing life insurance, strictly speaking one cannot say that the contract is one of indemnity (ibid). In buying life insurance an insured undertakes to compensate his estate, dependents, or others to whom he is obliged for the loss occasioned in the event of his untimely death. The life insurance contract, therefore, provides for the payment of a definite sum regardless of whether the death of the insured is the occasion of a pecuniary loss to the beneficiary. In fact, quite the contrary may be the case without providing reasons for denying liability on the policy or settling a claim for an amount less than the policy face.

Thus, in its essence the contract of life insurance is an undertaking to pay a certain sum of money on the death of the insured person, without regard to monetary loss. That is why life insurance has been held as “in no way resembling as a contract of indemnity”.

### **B. Uniqueness**

The life insurance policy is a contract of insurance in part only because in other insurance contracts the insurer, for an agreed consideration or premium, undertakes to indemnify the insured against loss or damage caused by the perils indicated in the policy. In all forms of insurance except life insurance, the happening of unfavorable contingency which gives rise to the loss is uncertain. In life insurance the contingency insured against is death which is universal and certain. Here the uncertainty is the time of its coming because the happening of contingency insured against is certain. Thus, life insurance policies unless written only for a term, provide for certain payment and the uncertain element is the time when such payment must be made.

### **C. Additional benefits**

According to John H. Magee and David L. Bickelhaupt (1960) although the basic use of life insurance is the protection of life values, life insurance contracts are so carefully drawn that they have found additional uses. Particularly they are used holding and accumulating assets, and they may also be

used as a means for transferring ownership. Therefore, life insurance has primary function and secondary use; however, in many instances the secondary uses supplement and merge with the primary use and there is no conflict between the secondary uses and the primary function.

## **2.6. Theoretical Framework.**

Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably (Chartered Institute of Marketing, 2000). Marketing can also be defined as the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizations' objectives. In our Context, Insurance services/products are categorized as unsought service/products; unsought products are consumer goods that the consumer either does not know about or knows about but does not normally think of buying. Most major new innovations are unsought until the consumer becomes aware of them through advertising. By their very nature, unsought goods require a lot of advertising, personal selling and other marketing efforts (Kotler and Armstrong 2008).

Different literatures on insurance marketing dictate that there are several evidences of the interconnectedness between insurance and culture. If the business of insurance is to protect people against the financial consequences of unforeseen risks, the marketing aspect of that business depends on dramatizing the risk in the minds of potential customers. Culture can be defined as those customary beliefs and values that ethnic, religious, and social groups transmit fairly unchanged from generation to generation. (Luigi Guiso, 2006)

(Andy Chui, 2008) probed into the ways in which cultural traits of a nation affects consumption patterns of life insurance across countries. Life insurance is a service that is abstract, complex, and focused on unsure future benefits. Because of the uncertainty and ambiguity inherent in the life insurance product, consumers are more likely to respond according to their cultural prescriptions. Their findings show that individualism indeed has a significant, positive effect on life insurance consumption, whereas power distance and masculinity/femininity have significant negative effects.

## **2.7. Socio-cultural School**

(Max Weber, 1924) theorized that people's attitude towards insurance is the outcome of social action. The social action theory explains that human actions are meaningful and that certain reasons

push people into various kinds of actions. To Weber, there are three kinds of action: traditional (based on customs and habits); affective (based on the emotional state of the individual at a particular time); and rational (based on a clear awareness of a goal) (Mike Haralambos 2004 as cited in Fatai Adesina Badru, 2013). This also implies that certain factors tend to influence one's behavior towards insurance. People's preference for insurance might be due to intuitive or cultural reasons. On the other hand, people can rationally behave to have insurance policies for clearly economic reasons.

These days it is high time to look at one's whole business (people, processes and products) and tailor a solution to align systems, services and customer touch points, so that consumers' experience of our product and service is seamless and consistent across all channels. It is as much about developing streamlined system processes as it is about integrated marketing communication channels strategy and delivery. Therefore it necessitates to adopt a strategy called Holistic Marketing. The description of the main characteristics of five key elements of holistic marketing in the insurance industry being relationship marketing, integrated marketing, internal marketing, social responsibility marketing and international marketing (Eva-Cristina Petrescu 2009 as cited in Fatai Adesina Badru, 2013).

The globalization of the insurance market is a fact that cannot be contested, and an international approach to the marketing activity becomes more and more pressing. There are two approaches to the international marketing activity in the insurance sector: multicultural marketing and global marketing (Warren Keegan, 2008).

The multicultural marketing accounts for differences in consumers' perception, attitudes and behavior in different cultural areas. This is because of the increasingly sensitive consumer behavior which in turn has called for the advent of the so called emotions marketing. Nowadays consumers are trying to build an identity through various consumption activities, and consequently a consumer will choose the product / service / company brand that has an image in accordance with the ideas the person holds about himself/herself. The choice being indicative of the type of image the consumer desires. Multicultural marketing recognizes that the cultural heritage is a decisive factor for the success or failure on international markets, and insurance companies should try to adapt their activity to the specific consumer behavior (Stefan Mueller, 2004).

## **2.8. SOCIO –CULTURAL FACTORS.**

Marketing can also be defined as a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others. Gaski and Etzel(1986) classified marketing activities as marketing mix tools of four broad kinds which he called four Ps of marketing: viz.,product, price, place and promotion usually applied to marketing of tangible goods. However to capture the distinctive nature of service performances three more elements associated with service delivery are considered physical environment, process, and people (Chopin and Darrat 2000). Thus, for effective marketing strategies of services all the seven P's (product, price, place, promotion, physical environment, process and people) play an important role.

The following section discusses the existing related literature. Hussels S. (2005) identified the determinants that encourage insurance demand as (i) economic, (ii) political/legal, and (iii) social factors; he concluded that these factors affect the demand for insurance, life as well as property and casualty.

## **2.9. ECONOMIC FACTORS**

Relation between income and life insurance consumption has been confirmed by the cross country studies of Beenstock et al. (1986), Truett and Truett (1990), Browne and Kim (1993), and Outreville(1996). Beenstock et al. (1988), indicate that a positive relationship exists between national income in industrialized countries and spending on property–liability insurance.

## **2.10. LEGAL AND POLITICAL FACTORS**

La Porta et al. (1997, 2000) and Levine (1998, 1999) show that legal environments which provide good investor protection tend to encourage a higher degree of financial intermediation as well as economic growth. Levine et al. (2000) highlights that countries with better creditors' rights, more rigorous law enforcement and better accounting information tend to have more highly developed financial intermediaries. This is particularly relevant to the insurance industry where consumers can be at the risk of opportunistic behavior by insurance companies. For example, this could include companies refusing to pay claims. Ward and Zurbruegg (2002) examined the impact of legal and political determinants on life insurance consumption within Asia and OECD countries. They highlighted that in Asia an improvement in the legal system has a significant and positive impact on life insurance demand, with a 10% improvement in the functioning of the legal system generating a

5.5% increase in life insurance demand. An improvement in the legal system here would relate to better enforcement and legal representation for individuals.

## **2.11. SOCIAL FACTORS**

Insurance can also be seen as a product that is valued subjectively by its customer. In fact, Hofstede (1995) points out that the level of insurance within an economy depends on the national culture and the willingness of individuals to use insurance as a means of dealing with risk. Douglas and Wildavsky(1982) show that the demand for life insurance in a country may be affected by the unique culture of the country to the extent that culture affects the degree of risk aversion. Using education and the uncertainty avoidance index to approximate levels of risk aversion, Esho et al. (2004) confirms that risk aversion has a significant impact on demand for property–casualty insurance.

Another social aspect analyzed by Zelizer (1979) is religion. He noted that historically religion has provided a strong source of cultural opposition to life insurance with some religious groups believing that a reliance on insurance represents a distrust of God’s protective care. In some Muslim dominated countries, the religious beliefs inhibit those forms of insurance that facilitate speculation of future events, thereby discouraging growth of the insurance sector. Wasaw and Hill (1986), Browne and Kim (1993), Ward and Zurbruegg (2002) test whether countries with strong Islamic background have reduced demand for life insurance consumption. Their result generally do confirm that consumers in Islamic nations purchase less life insurance policies, which is reflected in the below global average life insurance penetration in Muslim dominated countries, such as the United Arab Emirates, Qatar, Kuwait and Saudi Arabia.

The foregoing study highlighted the importance of the existence of a dynamic and well-functioning insurance industry for the growth of an economy. The existing literature shows that the demand for various types of insurance is affected by number of factors such as income and life insurance consumption. There is a relation between national income and spending on property–liability insurance, between legal environment and demand for insurance, national culture and the willingness of individuals to use insurance. Besides, risk aversion has significant impact on the demand for property and casualty insurance. Education promotes an understanding of risk and hence aids insurance demand.

## 2.12. DEMOGRAPHIC FACTORS

The selling of insurance on a whim is rendering EIC not to be able to satisfy its customers adequately; in fact the right Market segmenting strategy has not been practiced thus far in terms of Demographic elements .Demographic segmentation consists of dividing the market into groups based on variables such as age, gender, sexual orientation, family size, family life cycle, income, occupation, education, religion, ethnic community and nationality (Kotler and Armstrong, 2005). Demographic factors are the most popular bases for segmenting customer groups. One reason is that consumer needs, wants and usage rates often vary closely with demographic variables. Analysis and understanding of prospective buyers of life insurance according to their demographic characteristics in specific geographical regions thus becomes important. This will enable the insurers to better prepare their marketing strategies as per the requirements of the people in the region.

**Burnett and Palmer (1984)** in the study examined various demographic and psychographic characteristics in terms of how well they relate to differing levels of life insurance ownership. Owners of large amounts of life insurance are better educated, have larger families, have higher incomes, are not opinion leader, are geographically stable, are greater risk takers, are not price conscious, are not information seekers, are low in self-esteem, are not brand loyal and believe in community involvement but they do not rely heavily on the government. They conducted extensive research using Multiple Classification Analysis. Their study proved that demographic variables are important predictor variables.

**Truett and Truett (1990)** showed that age, education, and level of income are factors that affect the demand for life insurance, and that income elasticity of demand for life insurance is much higher in Mexico than in the United States.

**Shotick and Showers (1994)**augment the empirical literature on insurance demand by examining the impact of selected economic and social factors on the purchase of insurance. Although income and number of earners are both positively related to the demand for insurance, the marginal effect from an increase in income is greater for single earner households than for multi-earner households. Also, as either family size or age increases, the marginal increase in insurance expenditure diminishes. They examined that the size of the family and the number of earners in the household are positively related with expenditures on insurance premium. They also tested the curvilinear relationship between demand for life insurance and age.

There is an argument that customers from different cultures may rely on different factors during the process of relationship development with service providers (Suh, et al., 2006). So given this, cultural factors might have prompted Ethiopians into exhibiting different reactions to insurance services. Atmand (2003) asserts that where people below poverty line are high and per capita income is low, and then insurance penetration is bound to be low. This suggests that there might be disparity between the common behavioral response to insurance offerings and what prevails in the Ethiopian Business environment.

### **2.13. ORGANIZATIONAL FACTORS**

Service is an activity or series of activities of a more or less intangible nature than normal, but not necessarily take place in the interaction between the customer and service employee and/or physical resources or goods and/or system of service provider which are provided as a solution to customer's problems Gronroos (2001).

Now a days customer service has become a distinct component of both product and service sectors and with the developments in information technology many businesses find demanding and knowledgeable customers (Agar, 1980).

Quality of services can make for the difference between success and failure in both service and manufacturing organizations. Service quality, customer satisfaction and customer value have become the main concern of both manufacturing and service organizations in the increasingly stiff competition for customers in today's customer-centered era (Wang *et al.*, 2004). Therefore, many organizations are paying increasing attention to improve service quality. In some manufacturing industries "service quality" is taken as a more important order winner than "product quality" (Ghobadian *et al.*, 1994). Service quality improvements will lead to customer satisfaction and cost management that result in improved profits (Stevenson, 2002). Service sector firms these days are compelled by their nature to provide excellent service in order to prosper in increasingly competitive domestic and global marketplaces (Sultan and Simpson, 2000). As service firms find themselves in an increasingly competitive and complex business environment, they are bound to examine their service delivery processes critically.

Babbie (1992) in his study found out that Standards of service delivery among many insurance companies are still low and the focus on the customer has not yet been embraced fully in the industry as it has in the competing financial services. Customer satisfaction therefore has remained low.

Another perception that emerged during a study by Blumler (1979) was that insurance agents are thieves, liars, and conmen. All the insurance managers and agents interviewed acknowledged that they had been confronted with such allegations. However, 47 percent of the general public respondents held this opinion. Nonetheless, there was a marked relationship between this and the perception that insurance sales agents sell policies before explaining adequately what the insured has paid for and what to expect. That is to say, when an insurance agent does not understand the products well, chances are that the prospect will either be sold a wrong product or may not be made to understand what is expected of the policy.

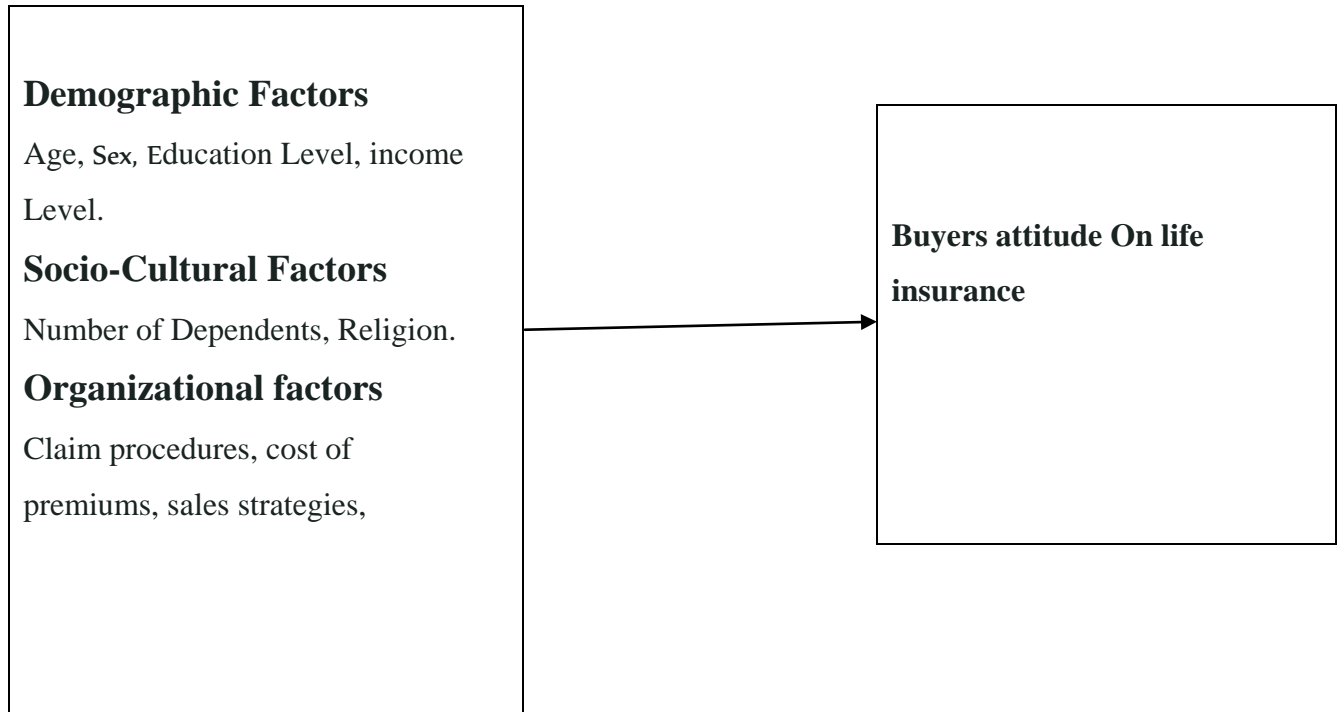
Severin and Tankard(1997) argues that some perceptions are held because people are striving to maximize the rewards in their external environments and minimize the penalties. The misconception is that once someone gets a cover, it includes all risks and what one needs to do is walk into the insurers office with a claim and a cheque will be issued right away. Those who hold this misconception, view insurance as a means of maximizing benefits. Such people never expect any penalties to be associated with any cover and may treat even premiums for personal accident cover as an investment and therefore make claims even if the insured event fails to take place (Hessegrave, 1991).

The right communication strategy would therefore be rendering product knowledge empowerment as was recommended by the general public respondents in a study carried out by (Jefkins,1992). Nearly all of them responded that insurance agents should provide full and fair disclosure of all the required information regarding the policy before making the prospect to sign the proposal form.

## 2.14 Conceptual Framework

### Independent Variables

### Dependent Variable



**Figure 1:** Factors affecting Buyers attitude towards life insurance

: Researcher's own (2015)

Based on the review of literature the study conceptualizes that, the Buyers' Attitude towards life insurance (dependent variable) is a product of various factors borrowed from across different aspects: the demographic factors such as age, Sex, education level, level of income. **In** addition, people from different cultural background perceive insurance from different perspectives which affect their decision to purchase life insurance cover. Life insurance companies based on the nature and operation of their business contribute to the public perception especially on the Claim procedures, cost of premiums and sales strategies by agents.

## **CHAPTER THREE**

### **3.1. Research Methodology**

#### **3.2. Research Design**

First exploratory research design followed by explanatory research was undertaken in the process of this research. Since exploratory research is often conducted in new areas of inquiry, where the goals of the research are: (1) to scope out the magnitude or extent of a particular phenomenon, problem, or behavior, (2) to generate some initial ideas (or “hunches”) about that phenomenon, or (3) to test the feasibility of undertaking a more extensive study regarding that phenomenon, The researcher used exploratory research to identify the possible variables causing for the poor performance of life Insurance in the context of Ethiopian Insurance Corporation, the respondents were those people working in EIC life Addis District underwriting and marketing sections and Who in one way or another have frequent interaction with customers. After eliciting their opinions to find out the possible variables which are defined in terms of Demographic, socio-cultural and organization-specific parameters, the researcher then used Explanatory research design . Explanatory research design seeks explanations of observed phenomena, problems, or behaviors. Explanatory research seeks answers to why and how types of questions. It attempts to “connect the dots” in research, by identifying causal factors and outcomes of the target phenomenon. Thus the researcher has dominantly used this research design to describe, analyze and explain the association between the demographic, socio-cultural , organizational factors and the Attitude of buyers to life insurance policy purchase and test the hypotheses thereupon. With the goal of prescribing strategies to change the public attitude positively.

#### **3.3. Sampling Method**

The aim of this research is to investigate and describe buyers’ attitude towards life insurance policy purchase as well as explaining the underlying causes for the observed pattern of attitude. Thus to conduct the research, the target population has been defined as all individual buyers of Addis Ababa who have purchased life insurance from EIC life Addis District on their own accord; Therefore the researcher has deliberately disregarded those who are life policy owners because the organization they have worked for has granted them as a corporate benefit .This is especially true for those who

work in NGOs and international companies. The major reason for not taking into account these corporate clients was that it would not be feasible to generalize their attitude towards life policy purchase based on the demographic, socio –cultural and organizational parameters. Therefore in order to accomplish the above, the researcher has used convenience purposive sampling method to identify and approach those individual buyers who are readily available or were close to hand.

### **3.4. Methods of Data Collection**

The researcher is already a staff member of Ethiopian Insurance Corporation and has produced a personal letter addressed to the district director. After acquiring permission to administer the questionnaire, the researcher proceeded to identify those individual clients who were readily available. Then by taking their personal addresses from their personal files, the researcher proceeded to self-administer the questionnaire. The preferred instrument for collecting primary data in this study was self-administered questionnaire. Locating and self-administering the questionnaire for each client was a very tiresome job to do .In fact the researcher was able to collect some data by administering on those who came by for other businesses to the district under study. For this reason a a non-probability convenience sampling technique has been adopted. This method is easier to illicit responses; it also provides for flexibility amidst the interaction with customers. Secondly it allows respondents relative freedom and thirdly it is efficient in providing large amounts of data at relatively low cost in a short period. The Structured questionnaires, which was used to collect primary data has been tested for reliability with coefficient of reliability or cronbach's Alpha =0.721 which is within an acceptable range for reliability test. The first section of the questionnaire consists of 6 questions regarding the demographic and socio cultural aspect of the respondents and the second part of the questionnaire consists of 12 statements evaluated on a 1-5 Likert Scale, where '1' indicates strongly disagree with the statement, and '5' refers to strongly agree with the statement. The researcher has made use of proposal form, a secondary source of information, to supplement the primary source of information.

### 3.5. Sample Size Determination

The researcher determined the sample size according to Morgan formula (1979) whereby the target population was determined at a margin error of 0.05 at 95.0% confidence to give a sample size of 377.

Size calculation: Morgan formula

n=Sample population

N=Total population

e = Desired margin of error (0.05)<sup>2</sup>

$$n = \frac{N}{1 + N(e)^2} = \frac{6,756}{1 + 6,756(0.05)^2} = 377$$

### 3.6. Data Analysis Methods

In this project SPSS tool was used to manipulate quantitative data. In the analysis part, first the number of questionnaires was checked if there were any unreturned ones. Among the distributed 377 Questionnaires, 345 were returned with return rate of 91.5% which is taken as acceptable. Then the questionnaires were checked for possible missing data, the data was then coded and fed into SPSS statistical software then spearman correlation technique was used for analysis of the data. This technique was used to check the strength and direction of dependence between the different independent variables and Attitude of life insurance buyers, which is taken as the dependent variable. Therefore according to the decision rule, any coefficient of correlation (r) is deemed to be weak if r lies in the range .0 - .3 any figure above .3 up to .49 is moderately strong and above .5 up to 1 is said to indicate the prevalence of a strong association between the dependent and independent variables. According to the decision rule, where the significance level is set as  $\alpha = 0.05$ , if the probability value (p-value) > 0.05 (the predetermined significance level) then the decision rule dictates to drop the alternative hypothesis and accept the null hypothesis. But if  $P < 0.05$  then the null hypothesis is rejected and the alternate hypothesis is accepted. More over descriptive statistics such as bar charts, histogram, frequency and percentages have used to augment the balance.

### **3.7 Validity and Reliability of the Instruments**

Mugenda and Mugenda (2003) defines validity as the accuracy and meaningfulness of inferences, which are based on the research results. The two also define reliability as a measure of the degree to which a research instrument yields consistent results or data after repeated trials. Validity and reliability were thus established for standardization of the research instrument used in the current study. Content validity of the research instruments was established in order to make sure that they reflected the content of the study concepts. Firstly, the researcher went through the instruments and compared them with the set objectives to ensure that they contained all the information that answered the set questions and addressed the objectives. Secondly, expert input from the EIC life addis district management members was sought to scrutinize the relevance of the items on the instruments against the set objectives. The instruments were then piloted on 30 buyers of life insurance from the same district. Cronbach's Coefficient Alpha was computed for the instrument. A reliability coefficient of 0.721 was achieved therefore the instruments were adopted for the study. A reliability coefficient of 0.7 or over reflect the internal reliability of the instruments (Fraenkel & Wallen, 2000). Piloting was also essential to eliminate ambiguity in question items, establish problems in administering the instruments, test data collection instructions, establishing the feasibility of the study, anticipating and amending any logical and procedural difficulties regarding the study, and allowing preliminary (dummy) data analysis.

## CHAPTER FOUR

### RESULT AND DISCUSSIONS

#### 4.1 Introduction

This chapter presents the results of the study and discussions of the results on the factors affecting buyers' attitude of life Insurance in Addis Ababa city. The chapter is structured into the following subheadings: demographic characteristics of the respondents, demographic factors influencing buyers' Attitude to life insurance, socio-cultural factors influence buyers' Attitude to life insurance, and the organizational factors influencing buyers' Attitude to life insurance. Out of the 377 questionnaires issued to respondents, 345 were filled and returned. As the questionnaires were self-administered the return rate was 91.5% which is quite acceptable. All the questionnaires were filled by EIC's Life Addis District clients who have purchased Individual life insurance policy, disregarding those who own life insurance through their organizations.

#### 4.2. Demographic Information

The first part of the questionnaire consists of the demographic information of the participants with regard to buyers' variables of Age, Sex, Academic qualification, income level and Respondents Socio Cultural variables like Religion and Number of dependents, as summarized here under.

For easier reference illustration of the different variables under study has been presented in a tabular format as listed below illustration of the different variables under study.

Table 4.1 Demographic Information of respondents

	Frequency	Percentage
<b>Age Bracket</b>		
18-27	47	13.6
28-37	70	20.3
38-47	123	35.7
48-57	67	19.4
Over 57	38	11
<b>TOTAL</b>	<b>345</b>	<b>100</b>

<b>Sex of Respondents</b>		
MALE	219	63.5
FEMALE	126	36.5
<b>TOTAL</b>	<b>345</b>	<b>100</b>
<b>ACADEMIC QUALIFICATION</b>		
Elementary	17	4.9
High School	83	24.1
Diploma	107	31
Degree	109	31.6
Masters	28	8.1
PHD	1	0.3
<b>TOTAL</b>	<b>345</b>	<b>100</b>
<b>INCOME LEVEL</b>		
Below 5000	26	7.5
5000-10000	57	16.5
10001-20000	138	40
Above 20000	124	35.9
	1	0.3
<b>Number of Dependents</b>		
None	98	28.4
One	95	27.5
Two	63	18.3
Three	50	14.5
Above Three	39	11.3
<b>Total</b>	<b>345</b>	<b>100</b>
<b>RELIGION</b>		
Orthodox	269	78
Catholic	46	27.5
Protestant	16	18.3
Muslim	11	14.5
Other	3	11.3
<b>Total</b>	<b>345</b>	<b>100</b>

It can be seen from the above table that the majority of the respondents surveyed 123(35.7%) were in the age bracket between 38-47 years, 67(19.4%) were in the age 48-57. The age group 18-27 and Over 57 account for the lowest proportion of respondents i.e. 13.6 % and 11%. Regarding their Gender composition male respondents were 219(63.5 %) while female respondents are 126(36.5%)

of the total sample size. Therefore It can be said that there is somewhat a balanced representativeness of both genders.

With regard to the academic qualification of respondents 109(31.6%) of respondents were degree holders followed by 107(31%) who were diploma graduates, 83(24.1%) have completed high School whereas 17(4.9%) have completed Elementary School. The Masters and PHD Graduates account for 8.1% and 0.3% of the sample size respectively. The Majority of the respondents 149(43.2%) of them have income level above Birr 20,000 .102(29.6%) of them have monthly income in the range of Birr 10,001-20,000., 71(20.6%) have income 5000-10000 and respondents with the least number 23(6.7%) have income level below Birr 5,000.

The other socio-cultural factor under scrutiny was the number of dependents and the type of religion the respondents have and followed .So, to start with the first, Most of the respondents have claimed that they had no dependents these are 98(28.4%) in number followed by 95(27.5%)who claimed they had one dependent ,63(18.3%)said they had two dependent ,50(14.5%)of them had three dependents under them and 39(11.3%)of them had more than three dependents.

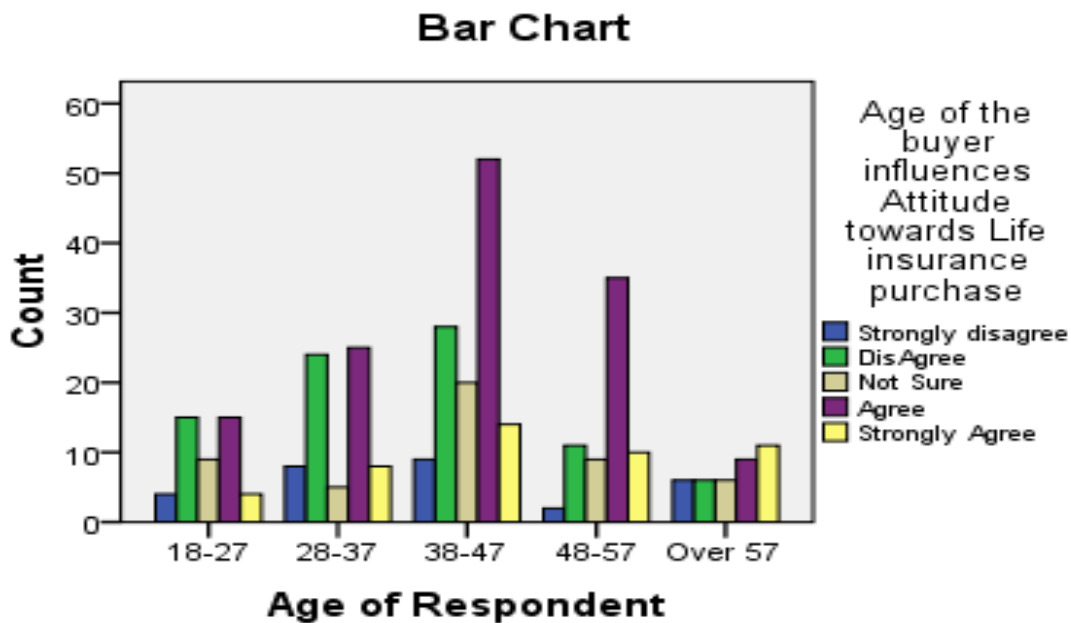
Coming to religion, 327 (94.7%) of the respondents were followers of Christianity. Among these Orthodox takes the lion's share i.e. 257(74.5%) ,Catholic 45(13%),Protestant 25(7.2%),Muslim 15(4.3%)and Other religious sects 3(0.9%).

### **4.3. Impact of Buyers' age on Attitude towards life Insurance policy Purchase.**

Age being one of the Demographic factors influencing purchase decision of the buyers, the researcher has prepared the questionnaire in such a way as to illicit the respondents' level of agreement or disagreement whether their age had an association with the purchase of life insurance policy. Their Responses have been measured on a five point likert scale with 1=strongly disagree, 2=Disagree, 3=Not sure, 4=Agree,5=Strongly Agree.

As can be seen on the chart below with the exception of age groups 18-27 and 28-37, in all the other age groups larger proportion of respondents have agreed that their age has influence on their purchase attitude. In fact the majority of the respondents were in the age group 38 -47.Whereas age group in the range of 48-57 years was with the highest number of respondents who agreed that their age has an association with their attitude towards life insurance. Whereas the age group over 57

years was the category with the least number of respondents; But it was the second next to the category preceding it in terms of the number of respondents who agreed that their age has association with their attitude to life insurance .Overall, the majority of the respondents in all age group have expressed their agreement that their age level has an association with their attitude towards life insurance policy purchase.



**Figure 4.1 Respondents age Category and Agreement Level**

As stated in the methodology the researcher has chosen the spearman correlation analysis technique to test the strength of the association if at all there is an association as well as to test the Hypothesis for the existence of association (dependence) between buyers’ age and their attitude towards life insurance policy purchase.

**Ho: Buyers’ age and Buyers attitude to life insurance policy purchase have no significant statistical association**

**Ha: Buyers’ age and Buyers attitude to life insurance policy purchase have a significant statistical association.**

From the test conducted, it was established that age of buyers playing a significant role in influencing buyers’ attitude to life insurance policy purchase as indicated by  $r=0.553, p=.000$ . This figure indicates the existence of a strong positive relationship between buyers’ age and their attitude

towards life insurance policy purchase. So to test the above mentioned hypothesis since  $p < 0.05$ , implying that there is a strong evidence against the null hypothesis. Therefore the alternate hypothesis **Buyers' age and Buyers' attitude to life insurance policy purchase have a significant statistical association is accepted and the Null Hypothesis is rejected.**

The result of the study in the context of age has been found to exhibit a slight difference with other studies undertaken in Nigeria. In the Ethiopian context the age category 48-57 has the highest level of positive attitude towards life insurance manifested by their level of agreement. According to Tajudeen Olalekan Yusuf, Ayantunji Gbadamosi, & Dallah Hamadu (2009) respondents with age group between 56 and 65 years have highest positive attitude towards insurance than others in the Nigerian case.

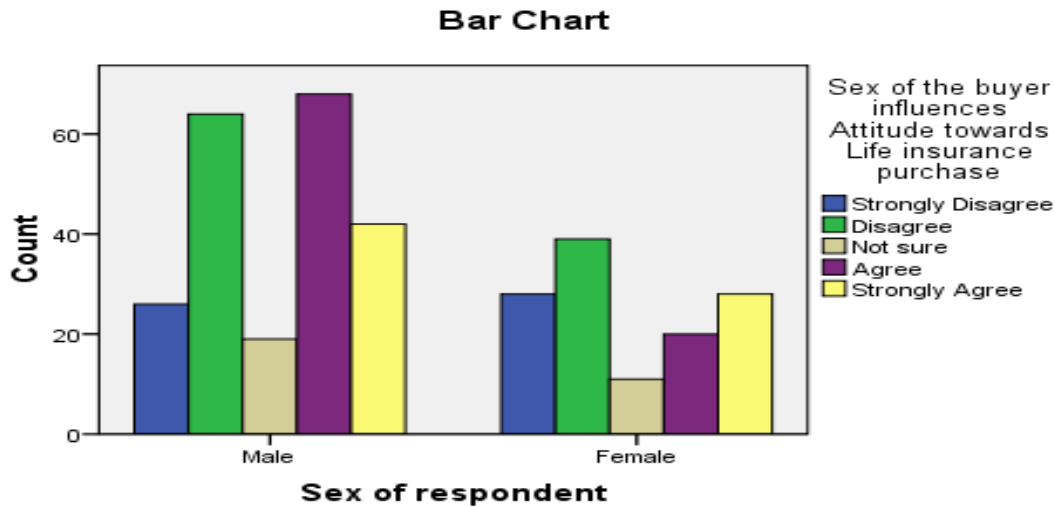
**Interpretation:** The underlying concept derived from the above results is that age has a strong dependence on the attitude of buyers towards life insurance purchase as manifested by the results of the inferential analysis as well as description on the chart; the age groups in the range 18-27 and 28-37 have a moderate level of agreement that their age has influence on their life insurance purchase. This can be attributed to the fact that this age group is the most active group of the society and is less concerned (conscious) about life. Whereas the age groups in the later categories show increasing level of agreement that they are influenced to buy life insurance because of their age. Therefore respondents in this age category are more conscious about life and are well aware that as age increases the susceptibility to death increases as well therefore attitude to life insurance purchase increases.

Thus as a recommendation, it can be said that EIC has to devise a marketing strategy by segmenting the market based on age and investing on promotional activities in a way to take advantage of the positive attitude of those at later age and kindle the interest and awareness of those individuals below the age of 38.

#### **4.4 Impact of Buyers' sex on attitude towards life insurance policy Purchase.**

In the same way as the above the researcher has questioned the respondents to scale using five point Likert scale their level of agreement or disagreement whether their sex has relation with the purchase attitude of life insurance policy.

To describe the scenario using bar chart whether their sex has contributed towards their attitude for life insurance the following bar chart depicting the type of sex against their level agreement has been presented.



**Figure 4.2 Respondents sex Category and Agreement Level**

As can be seen in the chart, the number of male respondents is 219 and the number of female respondents is 126. When we see their level of agreement to the question whether their sex has any influence to their attitude towards purchase of life insurance, the majority of male respondents have agreed that their sex has some sort of influence on their attitude towards life insurance policy purchase. To the contrary the majority of female respondents have not agreed on being influenced to buy life insurance by their sex.

Based on the above data, the strength and direction of the association as well as the following hypothesis has been tested by the researcher using spearman correlation analysis technique.

**Ho: Buyers' sex and Buyers' attitude to life insurance policy purchase have no significant Statistical association**

**Ha: Buyers' sex and Buyers' attitude to life insurance policy purchase have a significant Statistical association**

Accordingly, It was established from the correlation analysis that sex of buyers does not have a significant role in influencing buyers' attitude to life insurance policy purchase as indicated by  $r=0.037$ ,  $p=.493$ . This figure indicates that there is no relationship (dependence) between buyers' sex and their attitude towards life insurance policy purchase. More over to test the above mentioned

hypothesis, since  $p > 0.05$ , then there is a weak evidence against the null hypothesis. Therefore the alternate hypothesis **Buyers' sex and Buyers' attitude to life insurance policy purchase have statistical association is rejected and the null hypothesis is accepted.**

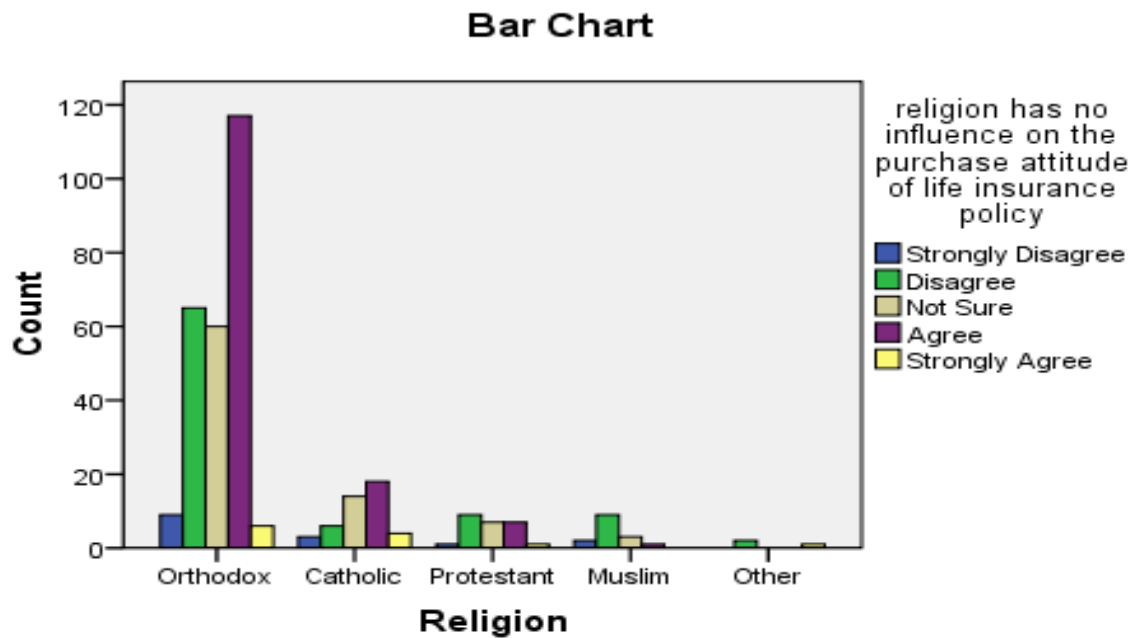
**Interpretation:** The result of the research here indicates that sex has no association with purchase attitude of buyers. This is an indication of the prevalence of equality of men and women in Ethiopia. In other words Women are no more dependents on men for financial support, are getting equal job opportunities, have equal access to education, have equal chance to participate in different social setups. Therefore EIC cannot devise different life insurance marketing strategies for each gender. But a concerted effort is required to raise the awareness level of the society as a whole irrespective of their genders.

The result of above research has been found to be consistent with other studies conducted in Nigeria according to Tajudeen Olalekan Yusuf, Ayantunji Gbadamosi, & Dallah Hamadu (2009)

#### **4.5. Analysis of Buyers' Religion on attitude towards life insurance policy purchase.**

The researcher has questioned the respondents to scale using five point Likert scale their level of agreement or disagreement whether their religion has any association with their attitude towards life insurance policy purchase.

As it is seen on the chart, the larger proportions of respondents are from the orthodox sect of religion. They still have a larger proportion from their counterparts agreeing that religion has no influence on their attitude to buy life insurance followed by Catholic and protestant followers. Only the Muslim and the "other" religions have claimed that their religion has an influence on their attitude towards life insurance policy purchase since it is regarded as distrusting Allah's will as it is commonly believed in many Arab countries.



**Figure 4.3 Respondents Religion Category and Agreement Level**

In order to complement the above descriptive explanation, an inferential analysis has been conducted to arrive at a condition whereby we check whether there is an association between religion and the attitude of buyers towards life insurance policy purchase as well as to test the following hypothesis.

**Ho: Buyers’ religion and Buyers’ attitude to life insurance policy purchase have no significant Statistical association**

**Ha: Buyers’ religion and Buyers’ attitude to life insurance policy purchase have a significant Statistical association**

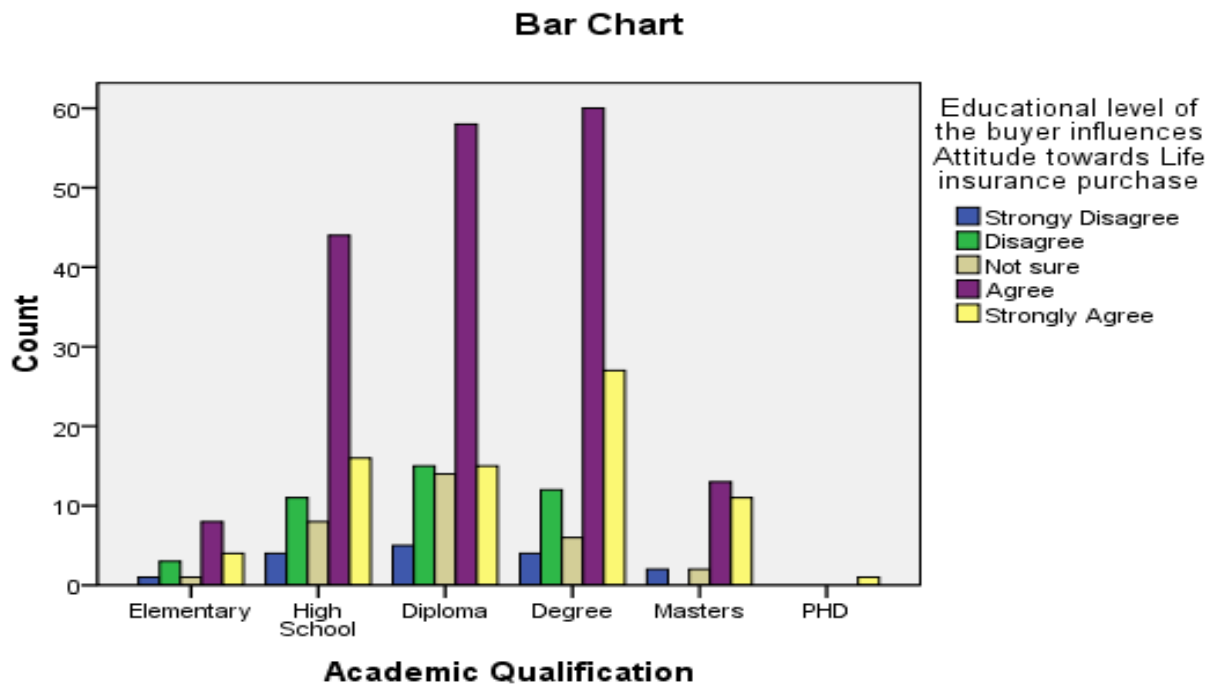
In order to test the direction and strength of the association between the variables and to the hypothesis stated, spearman correlation analysis was used the result of which is  $r=0.076$ ,  $p=0.160$  which indicates that there is no association between religious influence and buyers’ attitude towards life insurance purchase .Furthermore, since  $p > 0.05$ (the preset significance level) and since the decision rule dictates to reject the alternate Hypothesis, the Null Hypothesis **Religion has no association with buyers’ attitude to life insurance policy purchase is automatically accepted thereby rejecting the alternate Hypothesis.**

**Interpretation:** The interpretation of the above analysis is that there is no association between religion and attitude of the buyers towards life insurance purchase. According to the chart, the

Muslim religion had the most proportion of respondents agreeing on the statement that religion has an influence on their attitude towards life insurance policy purchase. Followed by “other religion” sects and the Protestants .This Indicates that EIC doesn’t have to deploy its marketing efforts in segmenting its market based on religion. It also indicates that no matter what effort is invested especially in the Muslim and the protestant religion, it is difficult to bring a substantial change of attitude towards life insurance policy purchase.

#### 4.6 Impact of Buyers’ Educational status on attitude towards life insurance policy purchase

The respondents have been questioned to establish their level of agreement or disagreement using five point Likert scale whether their educational level has any association with their attitude on life insurance policy purchase.



**Figure 4.4 Respondents academic qualification Category and Agreement Level**

In this simple descriptive bar chart it can be said that the proportion of level of agreement whether their educational status has anything to do with their attitude towards life insurance policy purchase has been found to increase with their educational level .Therefore Elementary school graduates were

70.58% of their counterparts who agreed that their educational status has influence on their attitude to life insurance .High school graduates who agreed were 60 (72.28%)out of the total High school graduates. Degree graduates were 87(79.81%) of the total degree graduates who expressed their level of agreement. Masters and PHD graduates take up 85.71% and 100% of their counterparts respectively.

The researcher has prepared the questionnaire in such a way as to illicit the respondents' level of agreement or disagreement whether their age has some association with the purchase of life insurance policy. Their Responses have been measured on a five point likert scale with 1=strongly disagree, 2=Disagree, 3=Not sure,4=Agree,5=Strongly Agree. Therefore as stated in the methodology, the researcher has chosen the spearman correlation analysis technique to test the Hypothesis between buyers' educational status and their attitude towards life insurance policy purchase.

**Ho: Buyers' educational status and Buyers' attitude to life insurance policy purchase have no significant Statistical association**

**Ha: Buyers' educational status and Buyers' attitude to life insurance policy purchase have a significant Statistical association**

Accordingly, the spearman correlation coefficient between the variables educational status's influence on life insurance and attitude of the buyer has been found to be  $r=0.246$   $p=.000$ .This signifies that the relationship between the two variables is moderately weak but since  $p<0.05$ (the preset level of significance) we have strong evidence against the null hypothesis, **therefore the Alternative hypothesis is automatically accepted.**

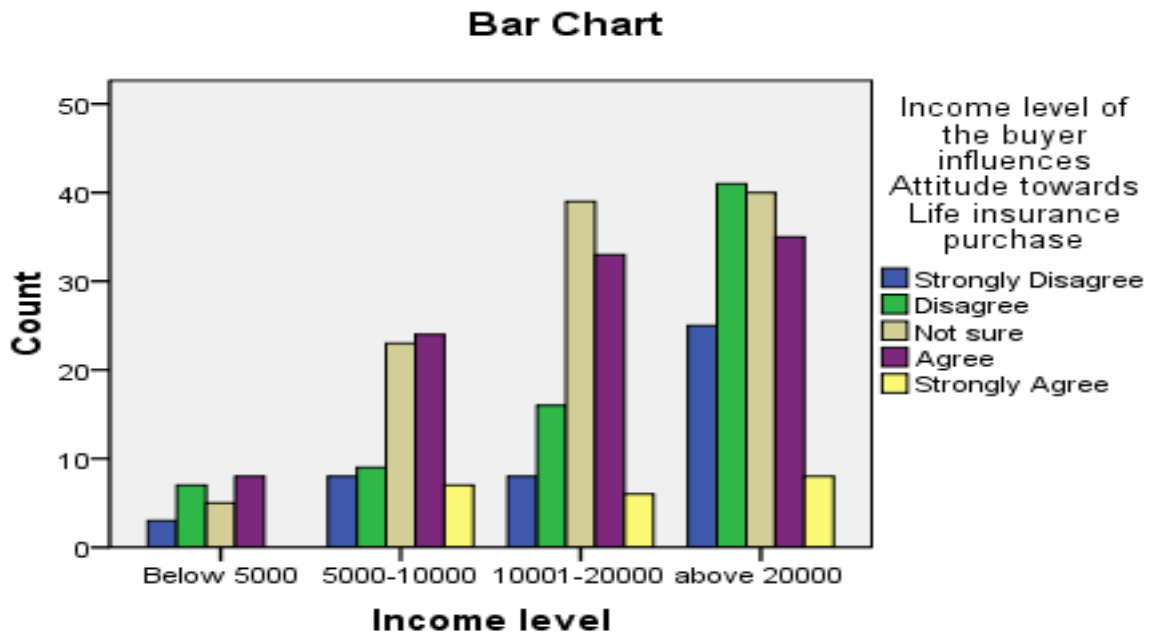
**Interpretation:** The result of the above analysis indicates that there is a weak association between educational level and attitude of the buyer towards life insurance policy purchase. Furthermore, the level of agreement that educational level influences attitude has been found to increase with level of education. This indicates that the more educated individuals are, then they will have a moderate probability to develop a positive attitude towards life insurance policy purchase. Thus, if EIC can segment its target markets based on the level of academic qualification and invest its marketing efforts on these segments, then there will be a good chance to develop easily a positive attitude from

the more educated people .As for the less educated people, to augment for their deficiency in education, a continuous process of enlightening needs to be rendered by EIC.

#### 4.7. Impact of Buyers’ Income Level on attitude towards life insurance policy purchase.

In the same way as all the above, the researcher has questioned the respondents to scale using five point Likert scale their level of agreement or disagreement whether their income level has relation with the purchase attitude of life insurance policy.

To describe the relationship between the income level of respondents and the level of agreement that their income level had influence on their attitude to life insurance purchase, the following chart is presented to illustrate the phenomena.



**Figure 4.5 Respondents income level Category and Agreement Level**

The majority of the respondents are in the monthly income category of Above 20000 and between 10001-20000. In terms of level of agreement, those with income 10001-20000 are those who agreed that income level influences life policy purchase and they are higher in number. The group with

monthly income below 5000 are with the lowest level of agreement. The category between 5000-10000 has a moderate number of agreement regarding the question.

The researcher has prepared the questionnaire in such a way as to illicit the respondents' level of agreement or disagreement whether their income level has some influence on their purchase of life insurance policy. Their Responses have been measured on a five point likert scale with 1=strongly disagree, 2=Disagree, 3=Not sure, 4=Agree, 5=Strongly Agree. Therefore as stated in the methodology, the researcher has chosen the spearman correlation analysis technique to test the Hypothesis between buyers' Income level and their attitude towards life insurance policy purchase.

**Ho: Buyers' income level and Buyers' attitude to life insurance policy purchase have no significant Statistical association**

**Ha: Buyers' income level and Buyers' attitude to life insurance policy purchase have a significant Statistical association**

Accordingly, the spearman correlation coefficient between the variables income level's influence on life insurance and attitude of the buyer has been found to be  $r=0.151$ ,  $p=.005$ . This signifies that the relationship between the two variables is weak but since  $p<0.05$  (the preset level of significance) we have more evidence against the null hypothesis, therefore the Alternative hypothesis is automatically accepted.

**Interpretation:** despite the presence of a weak association between the variables, It can be observed from the chart that the level of agreement grows steadily from the least category of income up to the category 10001-20000. From this point onwards, a decline in the level of agreement is observed. Therefore it is easy to describe the condition that those with income level between 10001-20000 are with the highest level of agreement and those with monthly income levels below 5000 have a least number of agreement because it is difficult to afford for the premium payment. As the income level increases the premium becomes more affordable up to the income level of 20000. From this point onwards, the level of agreement drops signifying the level of positive attitude to life insurance is low. Since the more affluent people in this category are able to withstand the financial loss occurring in the wake of death.

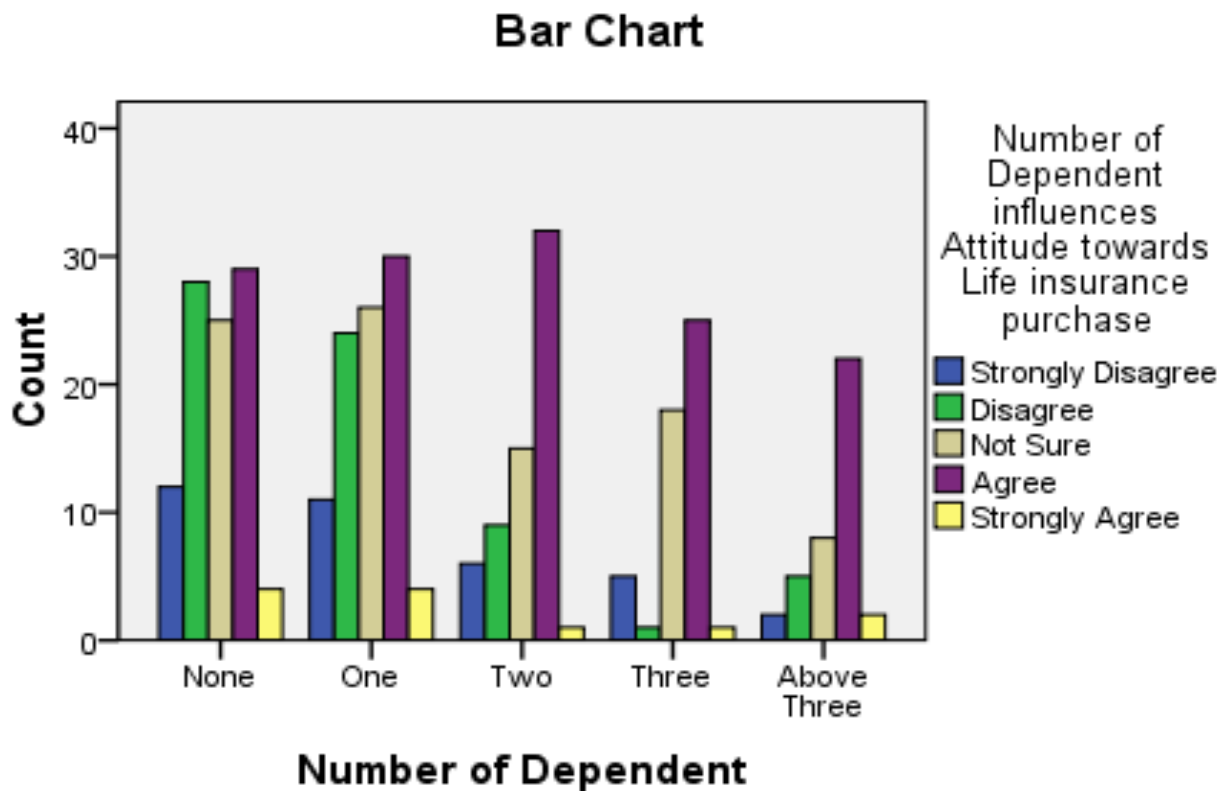
This result is consistent with other studies such as Mark J. Browne (1993) and Tajudeen Olalekan Yusuincef, Ayantunji Gbadamosi, &Dallah Hamadu (2007) who have shown that the demand for life insurance is positively correlated with income.

Therefore it is better for EIC to make a profound marketing effort to take advantage of the income level categories below 20,000. Because these are the people who can pay attention to the awareness creation endeavors. Since these individuals don't have relatively excessive income, they become more conservative in their livelihood and therefore save some money for their protection through life insurance. It has also to devise a scheme whereby the low income people can afford to pay for low benefit policies by paying low premium.

#### **4.8. Impact of Buyers' number of dependents on their attitude towards life insurance policy purchase.**

Number of dependents being one of the socio-cultural factors which could influence attitude towards purchase decision of the buyers, the researcher has prepared the questionnaire in such a way as to elicit the respondents' level of agreement or disagreement whether their number of dependents has some influence on their purchase of life insurance policy. Their Responses have been measured on a five point Likert scale with 1=strongly disagree, 2=Disagree, 3=Not sure, 4=Agree, 5=Strongly Agree.

To describe the relationship between number of dependents of respondents and the level of agreement of respondents that their number of dependents had influence on their attitude to life insurance purchase, the following chart is presented to illustrate the phenomena.



**Figure 4.6 Respondents number of dependents Category and Agreement Level**

The researcher has enquired the respondents to fill up a five point Likert scale questionnaire about their agreement or disagreement whether the number of dependents they had has any relation with their attitude towards life insurance purchase. Therefore the Hypothesis was stated as follows.

**Ho: Buyers' number of dependents and Buyers' attitude to life insurance policy purchase have no significant Statistical association.**

**Ha: Buyers' income level and Buyers' attitude to life insurance policy purchase have a significant Statistical association.**

Therefore as stated in the methodology the researcher has chosen the spearman correlation analysis technique to test the Hypothesis between the influence of buyers' number of dependents and their attitude towards life insurance policy purchase.

Accordingly, the spearman correlation coefficient between the variables number of dependents' influence on life insurance and attitude of the buyer has been found to be  $r=0.506$ ,  $p=.000$ . This

signifies that the two variables have a strong relationship(dependence)between them and since  $p < 0.05$ (the preset level of significance) we have more evidence against the null hypothesis, therefore the Alternative hypothesis is automatically accepted.

As it is evident on the chart above, the majority of respondents who have agreed that they had been influenced into buying life insurance policy because of the dependents they had are respondents with two , three and above three number of dependents under them. Whereas respondents with no and one number of dependent have the majority of them disagreeing that they had been influenced into buying life insurance because of their number of dependents. Analyzing the proportion of respondents who have agreed from each category of respondents, 33.67% of the respondents with no dependents have agreed that number of dependents has influence on attitude to life insurance purchase decision while the major proportion have expressed their disagreement. Coming to the others, 34.6% respondents in the category with one number of dependent, 52% of respondents in the category with two number of dependents, 52.2% respondents in the category with three number of dependents and 61.5%respondents with more than three number of dependents have expressed their agreement that the number of dependents influences ones attitude towards life insurance purchase decision. Observing the pattern we can easily conclude that as the number of dependents of respondents increased, there is an increase in the proportion of agreement from the respective category.

**Interpretation:** This implies that the bread winner of a house hold is compelled to buy life insurance because of the number of dependents .This seems logical as there is a direct link between death of a head of a household and the consequential financial stringency that befalls the dependents. Those people with none and one number of dependents are less concerned about the financial loss consequent upon death. Therefore EIC can take advantage of this scenario by implementing a mechanism of encouraging a vast number of potential customers with many number of dependent.

The result of the above analysis is consistent with other research findings in other countries. Accordingly, previous studies of Lewis (1989) and Campbell (1980) have concluded that purchase (consumption) of life insurance and the number of dependents in a country are positively related

#### 4.9. Impact of efficiency in claim settlement of EIC on Buyers' attitude towards life insurance policy purchase.

The researcher has enquired the respondents to fill up their level of agreement on a five point Likert scale whether the organizational factors of EIC particularly efficiency in claim settlement had anything to do with their attitude towards life insurance policy purchase. Looking at the scenario from a different perspective, we can say that as indicated on the histogram above, the score yielded a normal curve with a mean score of 3.33 in respect of “efficiency in claim settlement has no influence on life insurance purchase”. And the most occurring score being 4 which stands for “Agree” implies that despite the fact that the majority of the respondents agreeing that efficiency in claim settlement has no influence on their attitude to life insurance policy purchase, mean score suggests that the average level of agreement is almost neutral.

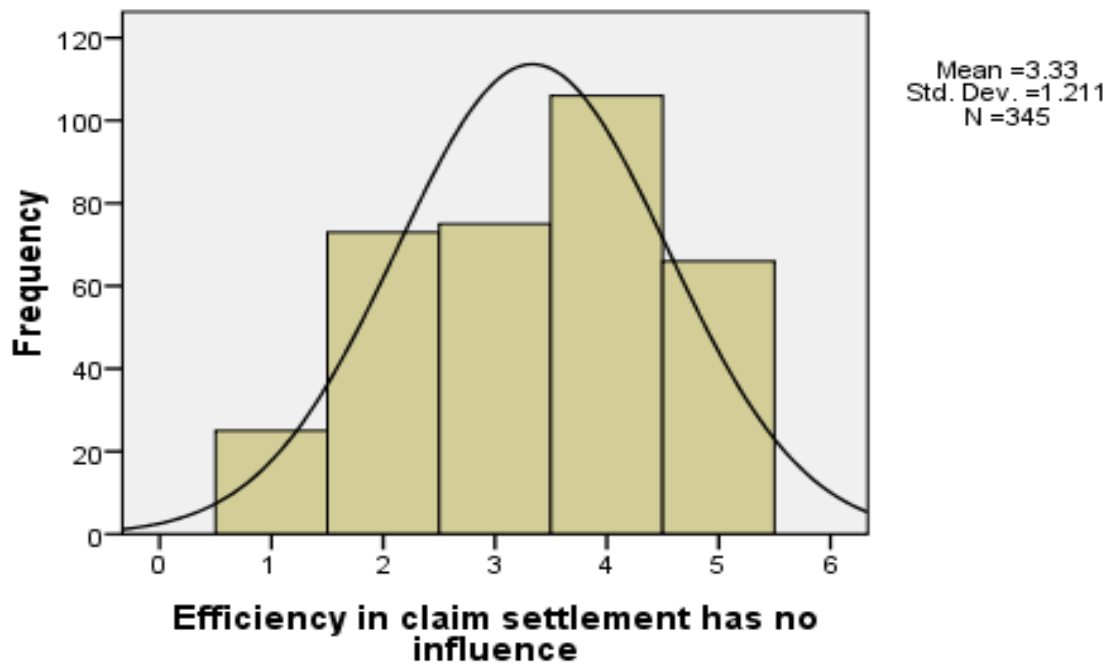


Figure 4.7 Organization's Efficiency in claim settlement

This organizational factor has been under scrutiny to check if it influences buyers' attitude towards purchase of life insurance policy, the researcher has prepared the questionnaire in such a way as to illicit the respondents' level of agreement or disagreement whether their income level has some influence on their purchase of life insurance policy. Their responses have been measured on a five

point likert scale with 1=strongly disagree, 2=Disagree, 3=Not sure, 4=Agree, 5=Strongly Agree. Therefore as stated in the methodology, the researcher has chosen the spearman correlation analysis technique to test the Hypothesis between efficiency in the claim settlement of the organization and their attitude towards life insurance policy purchase.

**Ho: Efficiency in claim settlement of EIC and buyers' attitude towards life insurance policy purchase have no significant statistical association.**

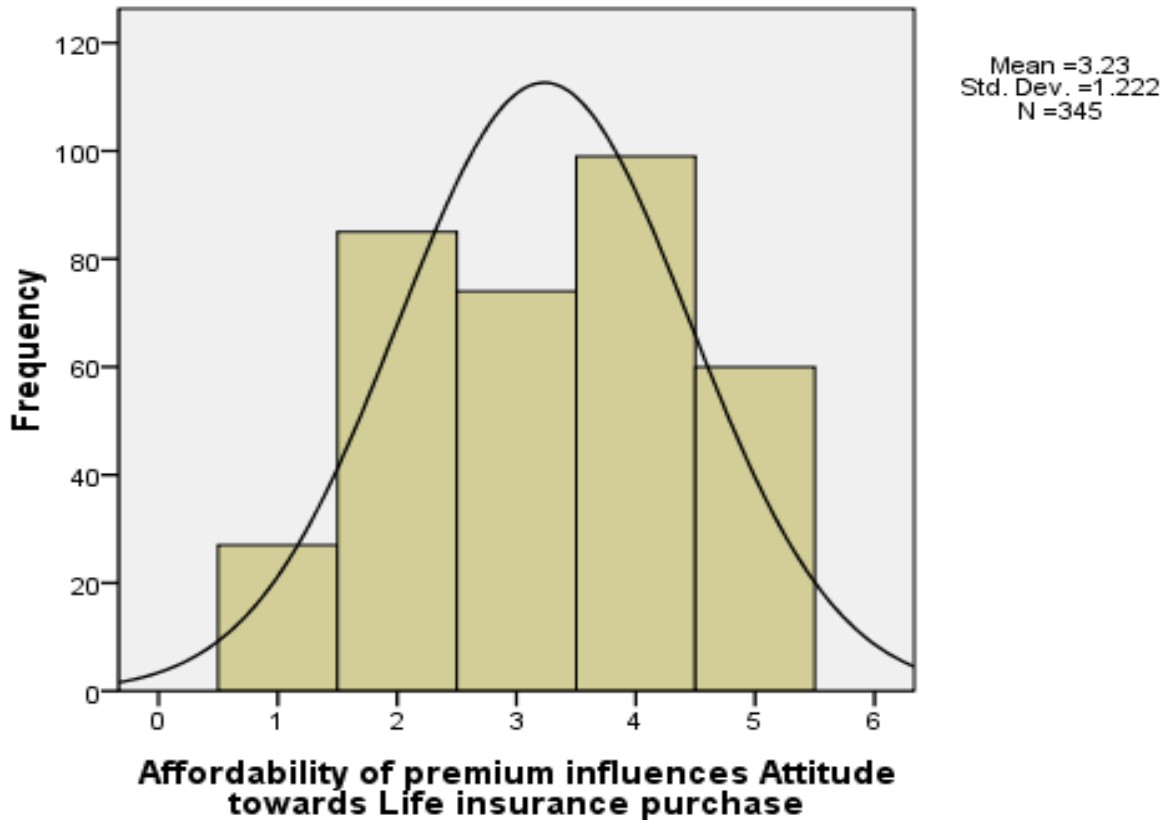
**Ha: Efficiency in claim settlement of EIC and buyers' attitude towards life insurance policy purchase have a significant statistical association.**

Accordingly, the spearman correlation coefficient between the variables Efficiency in the claim settlement of the organization and attitude of the buyer has been found to be  $r=0.178$ ,  $p=.001$ . This signifies that the relationship between the two variables is weak and since  $p<0.05$  (the preset level of significance) according to the decision rule, we have less evidence against the null hypothesis, therefore the Null hypothesis is rejected and the Alternate Hypothesis **“Efficiency in claim settlement of EIC and buyers' attitude towards life insurance policy purchase have a significant statistical association” is accepted.**

Looking at the inferential statistic the dependence or association between the two variables indicate that there is a weak relation or association between the two variables which indicates that buyers are somewhat influenced towards a positive attitude by the efficiency in claim settlement of EIC. Therefore, if the buyers can have a positive attitude because of this organizational factor, then immense level of effort has to be put in to increase our efficiency in this regard.

#### **4.10. Impact of Affordability of premium of EIC on buyers' attitude towards life insurance policy purchase.**

To describe the phenomena in graphical illustration, as it is evident on the histogram the most frequent level of agreement with respect to the statement is “4” which stand for the level of agreement “Agree”. This also implies that the majority of respondents have agreed that the affordability of premium of EIC has a significant role in changing the attitude of individuals to purchase life insurance policy.



**Figure 4.8** Organizations affordability of premium

The researcher has enquired the respondents to fill up their level of agreement on a five point Likert scale whether the organizational factors of EIC particularly **affordability of the premium** had anything to do with their attitude towards life insurance policy purchase. The responses of the buyers have been measured to test the following hypothesis.

**Ho: Affordability of premium of EIC and buyers’ attitude towards life insurance policy purchase have no significant statistical association**

**Ha: Affordability of premium of EIC and buyers’ attitude towards life insurance policy purchase have a significant statistical association.**

This organizational factor has been under scrutiny to check if it influences buyers’ attitude towards purchase of life insurance policy, to conduct the above ,the organizational has been divided into three sects of questionnaire; one of them being affordability of premium influences the attitude of

buyers to life insurance policy purchase. The researcher has prepared the questionnaire in such a way as to illicit the respondents' level of agreement or disagreement whether EIC's premium affordability has some influence on their purchase of life insurance policy. Their Responses have been measured on a five point likert scale with 1=strongly disagree, 2=Disagree, 3=Not sure, 4=Agree, 5=Strongly Agree. Therefore as stated in the methodology the researcher has chosen the spearman correlation analysis technique to test the Hypothesis between affordability of premium of the organization and their attitude towards life insurance policy purchase.

- Accordingly, the spearman correlation coefficient between the variables affordability of premium of the organization and attitude of the buyer has been found to be  $r=0.507$ ,  $p=.000$ . This signifies that the relationship between the two variables is very strong in a positive direction and since  $p<0.05$  (the preset level of significance) according to the decision rule, we have more evidence against the null hypothesis, therefore the Null hypothesis **is rejected and the alternative hypothesis "Affordability of premium of EIC and buyers' attitude towards life insurance policy purchase have a significant statistical association."** is accepted.

The interpretation of the above output suggests that there is a strong association between affordability of premium and attitude of buyers towards life insurance policy purchase. This implies that as EIC makes the premium more affordable then there is a high probability that individuals will patronage life insurance. Therefore, EIC has to make the premium even more affordable as it is one major factor to reckon with.

#### **4.11. Impact of the Method used by sales agents of EIC on buyers' attitude towards life insurance policy purchase.**

The researcher has enquired the respondents to fill up their level of agreement on a five point Likert scale whether the organizational factors of EIC particularly the methods used by sales agents of EIC had anything to do with their attitude towards life insurance policy purchase. The responses of the buyers have been measured to test the following hypothesis.

The responses of the buyers have been measured to test the following hypothesis.

**Ho: The method used by sales agents of EIC and buyers' attitude towards life insurance policy purchase have no significant statistical association.**

**Ha: The method used by sales agents of EIC and buyers' attitude towards life insurance policy purchase have a significant statistical association.**

This organizational factor has been under scrutiny to check if it influences buyers' attitude towards purchase of life insurance policy, to conduct the above, the organizational factor has been divided into three sects of questionnaire; one of them being whether the method used by sales agents influences the attitude of buyers to life insurance policy purchase. I have prepared the questionnaire in such a way as to illicit the respondents' level of agreement or disagreement whether the method used by sales agents has some influence on their purchase of life insurance policy. Their responses have been measured on a five point Likert scale with 1=strongly disagree, 2=Disagree, 3=Not sure, 4=Agree, 5=Strongly Agree. Therefore as stated in the methodology the researcher has chosen the spearman correlation analysis technique to test the Hypothesis between whether the method used by sales agents of the organization and the buyers' attitude towards life insurance policy purchase have a real association.

Accordingly, the spearman correlation coefficient between the variables, the method used by sales agents of the organization and attitude of the buyer have been found to be  $r=0.237$ ,  $p=.000$ . This signifies that the relationship between the two variables is weak in a positive direction and since  $p<0.05$  (the preset level of significance) according to the decision rule, we have more evidence against the null hypothesis, therefore the null hypothesis **is rejected and the Alternative hypothesis "The method used by sales agents of EIC and buyers' attitude towards life insurance policy purchase have a significant statistical association" is accepted.**

The above result can be interpreted as since the existing association (level of dependence) between the two variables is weak, the method used by sales agents has no significant influence in pursuing individuals to buy life insurance. Therefore EIC has to invest huge on the sales agents so that they are well informed with a better methodologies of persuading clients to buy life insurance policies.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Based on the results of the study obtained through the questionnaire distributed to 345 buyers of life insurance policy in EIC the following summary and conclusions were made.

#### 5.1 Summary of results

The aim of the study was to examine the factors affecting Consumers' attitude of life Insurance in Addis Ababa, Ethiopia. The investigation was thus broken down into demographic, Socio-cultural and organizational factors.

- On the demographic characteristics affecting attitude of buyers, the majority 123(35.7%) Of the life insurance buyers are in the age category 38-47,70(20.3%)are in the age category28-37, 67(19.4%) are in the age category 48-57.The least number of buyers account for just 38(11%) of buyers. More over buyers' age is found to have strong positive correlation with attitude of buyers to life insurance policy purchase as evidenced by  $r=.553$  which indicates a society within a certain range of age group are more sensitive about their lives and are therefore ready to be influenced to change their attitude in a positive way towards life insurance policy purchase.
- Regarding the sex of the buyers 219(63.5% ) are male whereas126(36.5%)are female buyers. Apart from this, the inference from the correlation analysis suggests that there is just about no relation or association between sex of buyers and their attitude to life insurance policy purchase as evidenced by the respondents' level of agreement. Thus it can be concluded from the above that Gender cannot determine the attitude of life insurance policy purchase since nowadays equality of the male and female prevails in Ethiopia where women are no more dependents on men's decision making prowess.
- The religion of buyers is one of the socio-cultural factors that was believed to probably have an influence on the attitude of buyers to an insurance policy purchase therefore the respondents have been asked about their level of agreement on the statement" religion has no influence on the purchase attitude of life insurance policy". Among the respondents 257(74.5%) of them are orthodox believers, 45(13%)are catholics,25(7.2%) are protestant ,15(4.3%) are Muslims whereas 3(0.9%) are believers of other religions.

Looking at the other aspect of analysis i.e. the correlation analysis coefficient is  $r=0.037, p=0.493$ . This indicates that there is almost no relation or correlation between Religion and Attitude of Buyers' life purchase. Therefore the null hypothesis "Religion has no association with buyers' attitude to life insurance policy purchase" stands.

No matter what marketing effort is invested on the target markets segmented based on their Gender, the effort is bound to fail to bring about the desired attitudinal change on the side of the general public. Since there was no natural association (dependence) between the two variables in the first place.

- Another important finding in this study is that educational status of buyers and buyers' attitude towards life insurance policy purchase are dependent of one another. Since these two variables in this project are ordinal in nature Spearman correlational analysis was done to identify whether the statistical relationship is strong or weak and the direction of the relationship as well. The p-value of the correlation was also used to test the Hypothesis proposed. Accordingly, the result shows that the relationship to be moderately weak in a positive direction. The majority respondents with major proportion from each group of educational level have agreed that their educational status has some relation to their life insurance purchase attitude. And, their level of agreement tends to increase along with the level of educational qualification.

This indicates that the more educated individuals are, then they will have a moderate probability that they may have a positive attitude towards life insurance

- Regarding describing the influence of Monthly Income level, the majority of the respondents are in the monthly income category of Above 20000 and between 10001-20000 i.e. 149 and 102 respondents respectively, the group in the range of 5000-10000 are 71 in number where as those below 5000 are 23 in number. From this it is easy to observe that majority of the insured are in the higher income group. But when comparing the proportion of level of agreement of respondents from each category it is found that 34% in the income category below 5000, 43.66% in the category 5000-10000, 38.23% in the category 10001-20000 and 28.85% in the category Above 20000 have expressed their agreement that income level influences life policy purchase. Another thing observed from the pattern of level of agreement above is the proportion of respondents who agreed increases in the first two categories but starts to decline thereafter.

From the above, it can be concluded that those with higher income level are less vulnerable to the financial loss their heirs after death. But those with little income level are more concerned about the loss of income in the wake of death.

- By the same token the number of dependent that a buyer has does have a moderate dependency in the positive direction with the attitude to buy a life insurance policy. This has been confirmed by the researcher evidenced by the coefficient of correlation  $r=.506$ . It can be seen on the bar chart as well that the level of agreement from each category of respondents increases with the increase in the number of dependents. This implies that the existence of strong positive association between the two variables can be interpreted as it is easy to affect the independent variable “number of dependents” in such a way as to bring the desired level of attitudinal change towards life insurance purchase by putting forth the right marketing strategy. In other words it can be stated as Buyers of life with large number of dependents can be swayed easily to buy life insurance because they have dependents who might be financially afflicted in case the bread winner of the house succumbs to his death.
- Poor payments of claims by insurance companies contributes a lot to the negative attitude on life insurance cover as cited by 25(7.2%) of respondents who strongly disagreed, 73 (21.2%) disagreed, 75(21.7%) neutral, 106(30.7%) agreed and 66(19.1%) strongly agreed that efficiency in claim handling doesn't influence the attitude towards life insurance policy purchase. This has been confirmed by the correlation coefficient  $r=0.178$ ,  $p=0.001$  which testifies that efficiency in claim handling doesn't influence life insurance policy purchase. The explanation we can crop up with here is that efficiency in claim handling cannot serve as the driving force to buy life insurance since it is clearly stated above that the association is very weak rather it can help to retain customers once they have purchased life insurance policy.
- The other component of organizational factor is the variable that secures a level of agreement on whether affordability of premium influences life insurance patronage. Therefore according to the correlation coefficient  $r=0.507$ ,  $p=.000$  there is a strong positive association between affordability of premium and buyers' attitude towards life insurance policy purchase.

This can be interpreted as since there is naturally a strong association (dependence) between attitude and premium affordability, EIC has to work on making the premium more affordable to buyers. So that It can obtain the desired level of attitudinal change.

- The third element which is instrumental in the attitude formation of buyers is the method used by agents of EIC in their bid to influence the purchase attitude of buyers .Therefore the respondents were asked to express their level of agreement or disagreement, whether the method used by sales agents has any influence on their attitude towards life insurance patronage. Their responses were tested for any dependency with the current attitude of the clients. Accordingly, the correlation coefficient  $r = .188, p = .000$  implicates that there is a weak positive correlation between the two variables.

The above result can be interpreted as since the existing association (level of dependence) between the two variables is weak, the method used by sales agents has no significance in pursuing individuals to buy life insurance. Therefore EIC has to invest huge on the sales agents so that they are well informed with a better methodologies of persuading clients to buy life insurance policies.

## **5.2. Conclusions**

The study concludes that the buyers (respondents) in general have a good attitude towards life insurance policy purchase. But when observed in light of the different demographic, socio-cultural and demographic factors (variables), different attitudinal variations have been observed. Implying that the degree of influence on the attitude towards life insurance policy purchase varies significantly. Accordingly among the demographic factors Age of the Buyer was found to have a strong association with attitude of buyers, whereas sex, income level and Educational level did not have any significant level of association .Therefore, EIC has to exert a lot of effort in targeting potential buyers by customizing its promotion according to their age.

The other factor is the socio –cultural aspect; in this dimension, the variables number of dependents and religion of the buyers has been taken into consideration. Accordingly the number of dependents has been observed to show a strong degree of association with attitude of buyers towards life insurance policy purchase .Whereas, religion was found to have no relation with attitude of Buyer .Therefore EIC has to focus its marketing efforts on those potential customers with large number of dependents and offer its products to cater to their specific demands.

The third dimension that was analyzed was the organizational factors. This factor was broken down into the sub elements such as Efficiency in claim handling, affordability of premium and method used by sales agents. Among these, affordability of premium was found to have a strong association with the attitude of buyers towards life insurance policy purchase .Therefore; EIC has to make the premium more affordable to the public at large as it looks from the result that it is going to cause a huge influx new customers. In the meantime it has to work on the other dimensions so that they become enticing to customers' life insurance patronage.

### **5.3. RECOMMENDATIONS**

Based on the findings and conclusions reached, the following recommendations have been put forth for inclusion in the marketing strategy of EIC to thereby assist the market development endeavors of the company .The recommendations have been forwarded in terms of demographic, socio-cultural and organizational factors which have been tested to have a strong association with the attitude of buyers towards life insurance.

- Accordingly among the demographic factors, only age of the buyer was found to have a strong correlation with attitude of buyers. Therefore, EIC has to exert a lot of effort in targeting potential buyers by customizing its promotion according to their age.
- Regarding the socio-cultural variables, only number of dependents among others had a strong association with attitude of buyers. Therefore it is recommended that EIC should target those individuals who have many number of dependents since according to the study, they seem to be responsive to the marketing messages. For those with no or few number of dependents, the right communication strategy has to be adopted as they constitute a vast pool of potential customers.

- Coming to the organizational factor, affordability of premium among the other variables exhibited strong association with attitude of buyers. Therefore; EIC has to make the premium more affordable to the public at large as it looks from the result that it is going to cause a huge influx of new customers. In the meantime, it has to work on the other dimensions so that they become enticing to customers' life insurance patronage.

Therefore, based on the result of the current study the researcher wouldn't recommend about anything apart from the three major factors discussed above. But it would be wise if EIC could harness the potential benefits of the variables through further studies.

## REFERENCES

1. Agar, M. (1980). *The Professional Stranger: An Informal Introduction to Ethnography*. New York: Academic Press
2. Andy Chui, Chuck Kwok, .National Culture and Life Insurance Consumption. *Journal of International Business Studies*, Vol. 39, 2008, pp. 88-101
3. Arena, M. (2008). Does Insurance Market Activity Promote Economic Growth? A Cross-Country Study for Industrialized and Developing Countries. *The Journal of Risk and Insurance*, 75(4): pp 921-946
4. Atmanand (2003). Insurance and Disaster Management: the Indian Context, *Disaster Prevention and Management*, vol. 12, No.4, pp.286-304
5. Babbie, E. (1992). *The Practice of Social Research*. California: Wad worth Publishing Company
6. Beck, T., Webb, I. (2003). *Economic, demographic, and institutional determinants of life insurance consumption across countries*, *World Bank Economic Review*, 17(1): 51-88.
7. Beenstock, M., G. Dickinson, and S. Khajuria (1988). —The Relationship Between Property-Liability Insurance and Income: An International Analysis, *Journal of Risk and Insurance* 55: 259-272.
8. Blumer, H. (1969). *Symbolic Interactionism: Perspective and Method*. Berkeley University of California Press.
9. Browne, M. J., and Kim, K. (1993). An international analysis of life insurance demand, *Journal of Risk & Insurance*, vol. 60, No. 4, p. 616-634.
10. Dorfman. Mark. S (2005). *Introduction to Risk Management and Insurance*, 8th Ed. Pearson Education Inc, Upper Saddle River, New Jersey, U.S.A.
11. Douglas, M., and A. Wildavsky (1982). *Risk and culture*. Berkeley University of California Press.
12. Gaski, John F. and Michael Marketing, *Journal of Marketing*, Vol.50No.3, p.71-82. J. Etzel (1986). The Index of Consumer Sentiment toward

13. Hailu Zelke (2007). *Insurance in Ethiopia, Historical Development, Present Status and Future Challenges*.
14. Hofstede, G. (1995). —Cultural Constraints in Management Theories, *Academy of Management Executive* 7: 81-94.
15. John H. Magee and David L. Bickelhaupt (1964). *General insurance*, 7<sup>th</sup> Ed, Homewood, Illinois, Richard D. Irwin, Inc
16. Kotler, P. (2003). *Marketing Management*, 11th Ed. Upper Saddle River New Jersey; Pearson Education, Inc
17. Kotler, P. and Armstrong, G. (2008). *Principles of Marketing*, 12th Ed., Upper Saddle River, New Jersey: Pearson Education Inc
18. La Porta, R., F. Lopez-de Silanes, A. Shleifer, and Vishny R. (1997). Legal Determinants of External Finance. *Journal of Finance*, 52(3): 1131 -1150
19. La Porta, R., F. Lopez-de Silanes, A. Shleifer, and Vishny R. (2000). Investor Protection and Corporate Finance. *Journal of Financial Economics*, 58(1-2): 3-27.
20. Levine, R. (1999). —Law, finance, and economic growth, *Journal of Financial Intermediation* 8, 8–35.
21. Luigi Guiso, Paola Sapienza, Luigi Zingales, Does Culture Affect Economic Outcomes?, London: CEPR Discussion Papers, 2006.
22. Mike Haralambos and Martin Holborn, *Sociology: Themes and Perspectives*, London: Harper Collins Publishers, 2004.
23. Outreville, J. F. (1996). —Life Insurance Markets in Developing Countries, *Journal of Risk and Insurance* 63, 263-278.
24. Sibel, Ç. & Mustafa M. K. (2009). "Determinants of demand for life insurance in European countries". *Problems and Perspectives in Management*, Volume 7, Issue 3. 2009.
25. Tajudeen Olalekan Yusuf, Ayantunji Gbadamosi, & Dallah Hamadu (2009). Attitudes of Nigerians towards Insurance Services: An Empirical Study, *African Journal of Accounting, Economics, Finance and Banking Research* Vol. 4. No. 4. P. 34-46.
26. Teklegiorgis Assefa (2004). *Risk Management and Insurance*, Mekele University, Faculty of Business and Economics, Ethiopia.
27. Truett, D. B. and Truett, L. J. (1990). The demand for life insurance in Mexico and the United States: A comparative study, *Journal of Risk and Insurance*, Vol. 57, No. 2, p. 321-328.

28. Ward D, Zurbruegg R (2000). Does insurance promote economic growth? Evidence from OECD countries. *J. Risk Insurance*, pp. 489 –506.
29. Wasaw, B., and Hill R. D. (1986). *The Insurance Industry in Economic Development*, New York: New York University Press.
30. Zelizer, V. R. (1979). *Morals and Markets: The Development of Life Insurance in the United States*. New York:Columbia University Press.

**ADDIS ABABA UNIVERSITY**

**Commerce School of Graduate Studies**

**Post Graduate Program in Marketing Management**

Questionnaire to be filled by **Ethiopian Insurance Corporation’s Life insurance policy holders.**

Dear Respondents,

This questionnaire is designed to collect data about the attitudes of buyers of Life insurance policy. The information that you offer me with this questionnaire is used as a primary data in my study which I am conducting as a partial fulfillment of the requirements for the degree of Master of Marketing Management at Addis Ababa University. This research is to be evaluated in terms of its contribution to the understanding of factors affecting the attitude of life insurance policy buyers in Ethiopian Insurance Corporation and has paramount importance for improvements in the sector.

Therefore, I kindly and earnestly request you respond to all questions contained in this questionnaire by giving your honest answers. I want to assure you that this research is only for academic purpose authorized by Addis Ababa University. No other person could access the collected data. Your response is handled confidentially and interpreted impartially. In the end, I would like to express my deep appreciation for your generous time and prompt responses.

Thank you.

**General Instructions**

- ✓ No need of writing your name.
- ✓ In all cases where answer options are available please tick (✓) in the appropriate box.

**Questionnaire for life insurance policy Holders**

**Part A: Demographic Information**

1. Please Choose your age category.

- |         |     |       |     |
|---------|-----|-------|-----|
| 18-27   | [ ] | 28-37 | [ ] |
| 38-47   | [ ] | 48-57 | [ ] |
| Over 58 | [ ] |       |     |

2. Please indicate your Gender (Sex).

Male [ ]

Female [ ]

3. Kindly indicate your highest academic qualification

Diploma [ ]

Bachelor's Degree [ ]

Master's Degree [ ]

PHD [ ]

Elementary [ ]

High School [ ]

4. Which of the following best describes your income level?

Below Birr 5,000 [ ]

BIRR 5,000 -10,000 [ ]

BIRR 10,000 – 20,000 [ ]

Above BIRR 20,000 [ ]

**PART B: DEMOGRAPHIC FACTORS**

	Statement	5	4	3	2	1
A	Age of the buyer influences purchase decision for life insurance					
B	Sex of the buyer influences purchase decision for life insurance					
C	Educational level of the buyer influences purchase					

	decision for life insurance					
D	Income level of the buyer influences purchase decision for life insurance					

5. What is your level of agreement or disagreement to the following demographic factors influencing attitude towards life insurance? Use the scale provided below in providing your answer.

Strongly agree            5                      Disagree                      2

Agree                      4                      Strongly Disagree            1

Don't Know              3

**Part C: Socio-culture Factors**

6. What is your level of agreement or disagreement on the following socio cultural factors influencing Attitude towards life insurance? Use the scale provided below in providing your answer.

	Statement	5	4	3	2	1
A	Number of Dependents has influence on your life insurance purchase decision					
B	Religion is against the purchase of life insurance policy.					

---

**Part D: Organizational Factors**

7. The following are some of the organizational factors influencing life insurance purchase. Please indicate your level of agreement or disagreement by ticking where appropriate based on the scale below.

Strongly agree                      5                      Disagree                      2

Agree                                      4                      Strongly Disagree                      1

Not sure                                      3

	Statement	5	4	3	2	1
A	Efficiency in claim settlement influences your attitude to buy life insurance.					
B	Affordability of premium influences your attitude to buy life insurance.					

C	The method used by sales agents influences your attitude to buy life insurance.					
---	---	--	--	--	--	--

---

**PART E: ATTITUDE TOWARDS LIFE INSURANCE**

8.The following set of questions relate to your level of Attitude towards life insurance purchase. Please indicate your level of agreement by ticking where appropriate based on the scale below.

Strongly agree                      5                      Disagree                      2

Agree                                      4                      Strongly Disagree                      1

Not sure                                      3

	Statement	5	4	3	2	1
A	I am always ready to refer my friends to buy life insurance products					
B	Compensation by insurance companies is complicated					
C	The life insurance policies make my life or that of others better					

-----**THE END**-----

