



**ADDISABABA UNIVERSITY**

**SCHOOL OF GRADUATE STUDIES**

**COLLEGE OF DEVELOPMENT STUDIES**

**CENTER FOR ENVIRONMENT AND DEVELOPMENT**

**TOURISM DEVELOPMENT AND MANAGEMENT**

**PROGRAM**

**ASSESSMENT OF CURRENT PRACTICES CONTRIBUTION AND**

**CHALLENGES OF TOURISM INSURANCE IN ETHIOPIA**

**BY**

**YORDANOS BEKELE**

**FEBRUARY, 2021**

**ADDIS ABABA, ETHIOPIA**

**Addis Ababa University**

**School of Graduate Studies**

**College of Development Studies**  
**Center for Environment and Development Studies**  
**Tourism Development and Management Program**

**ASSESSMENT OF CURRENT PRACTICES, CONTRIBUTION AND  
CHALLENGES OF TOURISM IN ETHIOPIA**

**A Thesis Submitted to School of Graduate Studies of Addis Ababa University in  
Partial Fulfillment of the Requirement for the Degree of Masters of Arts in  
Tourism Development and Management.**

**By**

**Yordanos Bekele**

**Advisor: Tamirat Tefera(Ph.D)**

**February, 2021**

**Addis Ababa, Ethiopia**

**Addis Ababa University**

**School of Graduate Studies**

**College of Development Studies**

**Center for Environment and Development Studies**

**Department of Tourism Development and Management**

This is to certify that the thesis prepared by Yordanos Bekele titled “*Assessment on current practices, contribution and challenges of insurance in Ethiopia*”, submitted in Partial Fulfillment of the Requirement for the Degree of Masters of Arts in Tourism Development and Management complies with the regulation of the Addis Ababa University.

**Approval of Board of Examiners**

**Submitted by:** Yordanos Bekele

**Approved by**

Advisor

Signature

Date

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Internal Examiner

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External Examiner

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**Head of Center for Environment and Sustainable Development**

## DECLARATION

### Candidate's Declaration

I, undersigned, declare that this thesis entitled "*Assessment on current practices, contribution and challenges of insurance in Ethiopia*" is my own work all information in this documents has been obtained and presented in accordance with academic rules and ethical conducts, and has not been presented for a degree in any other University, and all sources of material used for the thesis have been appropriately acknowledged.

Candidate's Name: Yordanos Bekele

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

### Supervisor's Declaration

I hereby declare that the preparation and presentation of the thesis were supervised in accordance with the guidelines on supervision of thesis laid down by Addis Ababa University.

Supervisor's Name: Dr. TamiratTefera(Ph.D)

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

## **ACKNOWLEDGMENTS**

All the glory goes to god for his boundless provision and protection towards all of us.

I am highly thankful to my advisor Tamirat Tefera (PhD) for his invaluable comments, suggestions, guidance and directions from the very beginning to the very end of this research work.

My deepest thank goes to Tesfaye Zeleke (PhD) who diligently assisted me by providing professional advice on how to deal with the overall research topics and commenting the research how to use statistical issues.

I would like to thank to travel agents, tour operators, tour guides and culture and tourism office staff, helped me to share detail information all about the study area.

Furthermore, my deepest thank goes to the whole workers and many individuals and institutions have contributed a lot for the success of this work.

I also thank you to all research participants, who have honestly responded my questionnaires, and they shared me their knowledge about overall the study area.

Finally, my heartfelt thanks go to all my families for assisting me both in ideas and in materials to accomplish this paper.

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## **Abstract**

*Tourism insurance, which refers to a type of insurance that covers the costs and losses associated with traveling. It is usefull protection for those travelling domestically or abroad. It plays an important role in tourism development in many countries. Nonetheless, its practice and contribution to tourism development in Ethiopia is hardly researched. Hence, it is imperative to examine this overlooked theme in an Ethiopian context. The purpose of this study is to investigate the current practices, contribution and challenges for the wider application of tourism insurance in Ethiopia. This study is a survey type and was carried out by analyzing qualitatively the collected data from insurance companies managers, tourists and tourism suppliers such as tour operators and, travel agency managers found in Addis Ababa. The research participants were selected using a purposive sampling method. A total of 14 respondants in-depth interviews were conducted with respondents from insurance companies as well as travel agencies. The results of the study show that the most important factors affecting the role of tourism insurance in tourism development are the insufficient development of tourism resources in the area, lack of financial resources, poor general infrastructure and lack of awareness. The current practices of tourism insurance and its contribution for tourism development in Ethiopia are also revealed in this study. It is concluded that the practice of tourism insurance is currently low. Hence, it is recommended that tourism insurance operating in the tourism sector should be encouraged to provide sufficient insurance packages to tourism service providers as well as tourists, both domestic and internationals. The study also paves the way for future interested researchers to conduct a thorough on the role of tourism insurance in the development of tourism by applying rigorous quantitative techniques.*

**Key words:** *Tourism insurance, Tour operators, Tourism suppliers, Ethiopia*

## **List of Abbreviation**

UNWTO	United Nation World Tourism Organization
WTTC	World Travel Tourism Council
WTO	World Tourism Organization
GDP	Gross Domestic Product
ROA	Rate of Asset
ROE	Rate of Equity
MOCT	Minister of Culture and Tourism
NCOIL	National Conference of Insurance Legislation
METI	Ministry of Economy Trade and Industry
MTCA	Ministry of Tourism and Cultural Affair

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background

According to UNWTO, (2002) tourism is one of the fastest growing sectors in the world. The commercial enterprise industry has been undergoing dramatic structural shifts. There has been a rapid consolidation within the industry in the world. For instance, tourism represents one among the largest sectors with a 9/11 share within the consumption, further because the major supply of the foreign currency influx is in thirty-eighth countries supported (Pavlovic, 2014). This services sector is additionally a serious source of employment, and shows that, on average, fifty-two of the labor force is engaged within the services sector in tiny economies (Gajski, 2013). Its contribution to total employment is thirty-fifth, fifty-eight and sixty-two in low; middle and high-income respectively. As commercial enterprise has become more and more widespread over the past 0.5 century, attitudes towards tourism and its impacts have modified based on (Foley et al. 2000). In a review of those changing attitudes, today, the industry is on the rise again, and has changed dramatically with the overwhelming look of social platform creating new opportunities to Progress and attract the customer through facilitated Communication and empowered guest engagement Fole *et, al* (2007).

According to World Tourism and Travel Council (WTTC, 2005), tourism provides about 9.8 percent of global gross domestic product (GDP) and 10 percent of the world's income and 9.4 percent of employment worldwide, receipts account for a bit over 5.7 percent of world export and 4.3 percent of total investment. Many folks emphasize the positive aspects of tourism as a source of interchange, how to balance foreign trade, an "industry without chimney" in brief, man from heaven the amount of international arrivals increased from 25 million in 1950 to about 940 million in 2010 and 1.14 billion in 2014 and visitor spending over matched that growth. Visitors from emerging economies now represent a 46% share of them international arrivals up from 38% in 2000, proving vast ages and increased opportunities for travel from those in these new markets (Naveed *et al*, 2011).

Tourism growth and its total contribution to GDP in Africa have mainly been driven by tourism's induced and indirect economic impacts. According to world travel and tourism council

(WTTC) data, the total contribution of tourism to GDP in Africa is twice as large as its direct contribution, reflecting the important role of induced and indirect tourism economic impacts. This also underscores how critical it is to facilitate strong linkages along the tourism value chain and between the tourism value chain and other economic sectors in order to fully realize all potential (Jovanoic,2010).

According to UNWTO (2006), Ethiopia is one of the developing countries which the tourism sector is at preschooler stage. That accounted for 5.5% of the country's gross domestic product (GDP) in 2006 having barely increased 2% over a previous year the government is providing its commitment to develop tourism and willingness to develop tourism over initiatives. Towards industry priorities, Tourism is a featured component of Ethiopia's poverty reduction strategy paper (PRSP) which aims to combat poverty and encourage economic development (Hailu, 2005). Tourism sector is also one among the most sensitive ones according Arana and Lenn, (2008), that unexpected and uncalculated threats are a serious concern in the tourism industry and can result significant drops in tourist arrivals, to tourism destinations and accommodations. These sudden and catastrophic accidents have a heavy impact on tourism industry and the starting from these facts and bearing in mind the importance of tourism insurance in the economic development, financial institutions, channel funds and transfers risks from one economic unit to another economic unit, so on facilitate trade and resources arrangement (Lemarechalet *al.*, 2015).

Insurance is as safeguard against uncertainties. It provides financial recompense for losses suffered thanks to incident of unanticipated event insured within the policy of insurance (Čekrlija, 2012), Insurance, essentially, is an arrangement where the losses experimented by a few are extended over several who are exposed to similar risks and Insurance is a protection against financial loss arising on the happening of an unexpected event (Rees &Wambach, 2008). An individual who wants to cover risk pays a small amount of money to an organization called on insurance firm and gets insured. An insurance company insures different people by collecting bit of money from all of them and collectively this money is enough to compensate or cover the loss that some members may suffer (Anderson, 2007). The emergence of insurances is related to the need for people to assist each other in the event of ever-increasing damage, while that of each

other. In other words, it is about taking over damages by several service providers (Barjaktarovic *et al*, 2013).

Recent research, as surveyed by Naveed *et al* (2011), shows that the efficiency of financial intermediation and transfer of risk can affect economic growth while at the same time institutional insolvencies can result in systemic crises which have unfavorable consequences for the economy as a whole. Hence, the important role that financial institutions mainly insurance companies remain in financing and insuring economic activity and contribute to the stability of the financial system in particular and the stability of the economy of concerned country in general is part of immune and repair system of the economy Zheng Xiangmin (2015).

Therefore, this study investigate the role and challenges of tourism insurance for development of tourism sector , Insurance is tool by which fatalities of a small number are compensate doubt of funds collected from the insured (Huangshan 2000). Insurance companies pay back for financial losses arising out of occurrence of insured events, e.g. .in persona and accident policy the insured event is death due to accident, and in fire policy other natural calamities. Tourism and insurance in Ethiopia contributes much to the country's GDP, employment, investment (Stynes and Cynthia, 1987).

## **1.2 Statement of the Problem**

This study aims to assess the role and challenge of tourism insurance for the development of tourism sector. The main problem is that tourism industry does not understand the insurance industry mostly for developing countries (Hanson, *et. al.*, 2004). Insurance has great importance today. However, insurance is vital and had great role at in tourism sector. But, it has not yet reached a satisfactory level of involvement and participation in both international and national level (Conning, 2909).

According to Thomas Cook (2009) the development tourism insurance in tourism sector means, not only an issue of social development, but also an essential component in every dimension. Even if tourism is essential for development, insurance is one factor that plays a great role for the development of tourism sector. Collaboration tourism and insurance companies in developing country like Ethiopia are not that much developed. For instance, travel agencies may have car insurance but this is not enough for the sector. So in this study the researcher tried to show the

gap of tourism and insurance that they are not working together. Insurance is one of the main and important fields of the economy. The main aim of the insurance is to protect people from risks and from dangers. As we know in modern period there are too many accidents, bad events and unexpected dangers. These risks can happen every time in social life in this regard tourism is the main sector of the economy and different accidents and events can happen in this sector. No study of insurance in developing countries presents a rigorous causal relationship between insurance status and the sector of tourism in Ethiopia, Spasic, (2011).

Today, many travel companies have included insurance in their package tour. The company insured the traveler to protect them against accident, loss of baggage and missing flights. Successful tourism insurance management has to make close contact with insurance companies to obtain insurance policies for its clients. Recently, the oriental insurance company from those agencies tour and travel is a long established tour and tourism insurance Helona, (2016) Milenium, (2016) DDOR, (2016).

According to Maksinet *al* (2012), the utility of business enterprise insurance as risk reduction scheme in international travel is one useful indicator on how ever fashionable socially sensitive society views their quality of life. Travel insurance covers the area unit risk against unforeseen mishap that travelers square measure exposed to while on their tour. Looking on the policy coverage, such risks embrace loss of bags, loss of travel deposit, trip cancellation, medical homecoming or evacuation, physical injury, bankruptcy of travel service providers, personal liability against wrongful conduct committed to subject of host country, legal expenses cover and should cowl situations any unforeseen things that's not virtually by typical policies like terrorist act and denied, Milenijum (2013).

According to Mizra and Barrowclough (2008),The emergence of insurances is related to the need for people to help each other in the event of ever-increasing damage, while that of reinsurances is for those managing insurance funds and activities to help each other. In other words, it is about taking over damages by several service providers.

## **1.3 Objectives of the Study**

### **1.3.1 General Objective**

The general of the study was to examine the practice, benefits and challenges of tourism insurance in the Ethiopia.

### **1.3.2 Specific Objectives**

- To assess the current practices of tourism insurance in Ethiopia among tour operators.
- To examine the benefits of insurance in relation to tourism sector in Ethiopia.
- To examine the challenges of tourism insurance provision o in Ethiopia.
- To assess how insurance included in tour package development.

## **1.4. Significance of the Study**

This study was conducted to offer benefits for different stakeholder. Insurance in tourism has become a very important issue, because it has the potential to facilitate the success of tourism development. The creation of safety and security measures boots the confidence of visitors to stay in a given destination. The researcher believed that the study will help the Government of Ethiopia, Ministry of Culture and Tourism (MoCT), which is the major marketing arm of a tourist destination, Tour Operators Ethiopian Investment Commission and the People of Ethiopia by increasing the inflow of tourists in Ethiopia. The Ministry of Culture and Tourism (MoCT) can use it to evaluate its own strengths and weaknesses when assessing the current strategies to revive the tourism industry. It will also suggest methods on how to create better relationship between the insurer and the insurance company in tourism industry. This research also shows ways to adopt best practices from the rest of the world. The study serves as a guideline and source of information for different travel agency organizer and government bodies also create awareness for the sake of tourism development advocate the level of concern about the development of tourism in the area and help to have strong felling for tourism as well as travel agencies to be secured and qualified. The study helps to the higher academic institution as a secondary source of information (reference method) for researcher and opens the door for scholarship to make farther academy in the area. The study enabled those involved in educational management role to identify the underlying problems. The study result initiate different government bodies to have reviewed and study policy formulation also create a great role for creating awareness of the importance of tourism insurance.

In addition to identifying problems facing tourism insurance and Ethiopia as a tourist destination to their set of the world, it will also provide relevant information and link between knowledge and understanding for tourism promotion in Ethiopia. It can also use the study as a baseline for the development of insurance strategies. As well as it coverage misfortune risks in the accommodation sector in Ethiopia and the country at large. There searcher also believes that there is lack of studies conducted on this topic. So the study can serve as a spring board for further research on this issue.

### **1.5 Scope of the Study**

Concerning the scope of the study, the study focused on analyzing the role and challenges of insurance for the development of tourism. The relevant information for the study would be gathered mainly Addis Ababa City Administration. Due to large number of population and wide coverage area, it is difficult to get reliable data to conduct of this study. To manage this problem this study was restricted to some tourism agencies or stakeholders in Addis Ababa

### **1.6 Limitation of the Study**

The researcher faced a big challenge because of work over load and time constraints the study. There was also lack of recent and relevant literature on the topic, specially, in Ethiopian condition. There is also lack of updated related literature in the area. In spite of short comings, however, it was attempted to make the study as complete as possible.

### **1.8. Definition of Key Terms**

**Tourism:** - the act and process of spending time away from home in pursuit of recreation, relaxation, and pleasure, while making use of the commercial provision of services (Hunziker and Krapf, in 1942),

**Tourists:** - A person who travel outside from their permanent residents for leisure not for more than one consecutive year. (WTO, 2000)

**Insurance:** - Is an agreement in which a company the state undertake to provide a guaranty of compensation (Naveed et al; 2011).

**Travel Insurance:** - is a mechanism by which a person, properties protect from financial loss caused due to accident (Lemarchalet *al*, 2015).

**Travel Protection Plan:** - means plans that provide one or more of the Travel Insurance, Travel Assistance Services, and Cancellation Fee Waivers (NCOIL, 2005).

### **1.9. Organization of the study**

The study is organized into five chapters and set in sequence to make clear about the concepts, issues, ideas which are encircled in the study. Therefore, the first chapter includes the introduction part which consists of background, a statement of the problem, objectives, significance, scope and limitations of the study. The second chapter presents a review of literature with different essential documents. The third chapter includes study area is description and methodology. The fourth chapter presents the results, and discussions of the data collected from different respondents. The final chapter, chapter five the conclusion, recommendation, and future research directions given by the researcher.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

#### **2.1. Overview of Tourism Insurance**

Tourism insurance is an essential for the tourism sector. Insurance is definite as a supportive device to spread the loss caused by exacting risk over a number of personnel who are expose to it and who have the same opinion to make sure themselves beside the risk. It is referred as a social device to accumulate funds to meet the uncertain losses arising through a certain risk to a person insured against the risk (Mishra, 2004). A market in tourism insurance for tourists are emerging, purchasing adequate specialist tourism insurance is also problematic, especially if the intending tourist has significant pre-existing problems like prior to travelling however, traditional insurance policies for travel and accommodation (delay, loss of baggage) would exclude those individuals travelling for the issues of planned tourism. Insurance products have been developed that cover tourists, accommodations for such contingencies when travelling for recreation or business (Velde & Nasir, 2005).

METI has placed particular emphasis on the high-end, high-cost and skills-intensive, brokers and their web-sites packages to individual requirements: flights, treatment, hotel, and recuperation according to Whittaker, (2008) specialize in particular target markets or procedures Quality maximization and risk minimization are the two key ingredients for creating better and safer travel care services, whether they are providing services for domestic consumption or for international traveler. According to (Siegelman, 2003; Simon,2005),”The introduction of a trusted third party to assess quality control contains inside it the potential for increasing each the information flow, especially exchange of fine practice between organizations, and transparency inside organizations and industry could draw up concerns for the quality “. safety care provided overseas have additionally emerged because of the lack of strong governance arrangements and quality assurance procedures in provider organizations, intended to safeguard the quality of care provided to tourists (Zahir, 2001).

In response to such concerns, a vast ages of independent accreditation schemes are established with the aim of assuring the care of tourists in mandatory accreditation may appeal to governments and commercial purchasers like third-party payers (e.g. insurance companies and

occupational healthcare providers) Ledger *et al*, (2006). Similarly, there could also be health and social care costs that arise from multiple births of travel and based on Ledger *et al*, (2006) arising from overseas the requirement to monitor/regulate advertising and supply detailed information and advice to support potential or actual tourists carries its own costs. Again, there are not any detailed estimates of the implications services. Such flows also reduce the pressure for investment specifically facilities and technology. Indeed, there's an argument that some varieties of outflows of tourists for that will be provided locally signals a failure of policy and delivery within the sender country but it's also within higher income countries where the chances of an exacerbating two tier system can emerge there are financial impacts on travelers that are stated by Song (2010).

This assertion of choice and autonomy may, however, result in externalities at the system level and there is a ramification of economic impacts for source countries which will arise for the publicly funded policy system. Costs may result work that needs emergency or remedial treatment. According to Cheung and Wilson, (2007) from the above explanation that insurance companies have double responsibility. During a technique they're required to be profitable soon have high rate of return for innovative investment in keeping with [www.indianresearchjournals.com](http://www.indianresearchjournals.com) insurance companies need to be profitable in order to be solvent enough so as to make other industries in the economy as they were before even after risk occurred (Urbis, 2010). Goal of economic management is to increase the industries wealth and profitability which in turn indicates better financial performance.

In line with Hafiz Malik (2011), insurance plays a compulsory role in development of tourism like infrastructural businesses, it promotes financial and social stability; mobilizes and channels savings; supports trade, commerce, and entrepreneurial activity and improves the lives accurately and also the general well-being in every country. William H. Greene and Dam Legal (2004) argued that the performance of tourism insurance companies in financial terms is generally expressed in net be extern, effectiveness from underwrite activities, annual turnover, return on investment, return on equity. These measures can be classified as profit performance measures and asset presentation events. on the other hand, most researchers within the field of insurance and their profitability stated that the key indicator of a firm's profitability is ROA (Rate of Asset) defined because the before the tax profits divided by total assets. Philip Handwick and Mike

Adams (1999), Hafiz Malik (2011) are among others, who have suggested that although there are alternative ways to live profitability it's better to use ROA.

## **2.2 Brief History of Ethiopian Insurance**

The business policy of insurers differs and there's a lower and higher volume of coverage of economic costs. Nevertheless, they are generally higher for the countries with extremely high costs of travel insurance. The history of insurance service is as far back as modern form of banking service in Ethiopia which was introduced in 1905. At the time, an agreement was reached between Emperor Menelik II and a representative of nation owned full service bank of Egypt to open a replacement bank in Ethiopia Hailu Zeleke (2007).

Similarly, modern insurance service, which were introduced in Ethiopia by foreigners, trace their source as far back as 1905 when the bank of Abyssinia began to transact fire and maritime cover as a director of a far-off insurance company (Ayalew 1992: 18) according to a survey made in 1954, there were nine insurance companies that were providing insurance service within the country. With the exception of Imperial nonprofit financial institution that was established in 1951, all the remaining of the insurance companies were either branches or agents of foreign companies. In 1960, the number of insurance companies improved significantly and reaches 33. At that time insurance industry like every business undertaking was classified as trade and was administered by the necessities of the commercial code (Sahlemariam, 1998).

According to Hailu Zeleke (2007), the initial significant event that the Ethiopian insurance market observed was the issuance of proclamation No. 281/1970 and this proclamation was issued to offer for the control & regulation of insurance business in Ethiopia. Consequently, it created an insurance council and an insurance controller's office, its strange impact in line with sector. The controller of insurance licensed 15 domestic insurance companies, 36 agents, 7 brokers, 3 actuaries & 11 assessors in accordance with the provisions of the proclamation immediately with year after the insurance of the rule.

This policy gives due attention to guiding the world in an exceedingly broad based development framework, developing the existing and new tourism attractions and products, expanding the infrastructure and tourist services that are vital for the standing of the arena, ensuring that the country benefits from the arena by being sufficiently competitive together with international

tourism market, and solving focused with limitations in capacity which are apparent in the tourism industry. The insurance industry works on the concept of pooling. The community are exposed to similar risks are brought together. The members within the group agree that, if the company or tourists suffers a loss, the group members will share the loss and compensate a person that suffered the loss. The compensation is expected to place the person or company within the same place, financially because it was before suffering the loss (Hailu, 2005).

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The practice of insurance service in its modern sense is a recent phenomenon which is alleged only to own been started together early 1920s .Pursuant to Proclamation No. 83/1994 and Proclamation on the Licensing and Supervision of Banking and Insurance, nine insurance companies-Awash Insurance, Global Insurance, Lion Insurance national insurance, Nile Insurance, Nyala Insurance and United no depository financial institution were established and thatthey are currently operating together with the three state owned banks and also the insurance corporation. Following the liberalization process, unlike the pre-reform practice, the pattern of economic intermediation has been largely geared towards the private sector as opposition the general public and cooperative sector.

The people are becoming more confident of personal financial enterprises through time. Private sector participation within the financial sector has facilitated the sleek implementation of the monetary and financial intermediation through the creation of competition there by contributing to the event of the arena. Then new policy has contributed to the increaseof personal sector market share within the banking and insurance business. During the defunct regime, the state

owned Ethiopian Insurance Corporation has been in an exceedingly position to regulate the insurance business by monopoly. The new privately-owned insurance companies have penetrated the financial market and reduced the market share of Ethiopian Insurance Corporation from 100 percent to 57 percent. There are 10 insurance companies in Ethiopia (up from 9 in 2007), with about 200 branches across the country.

### **2.3. Insurance that Apply in Tourism**

According to Munchen (2004), it is a commonly acknowledged phenomenon that there are countless risks in every sphere of life. For property, there are fire risks; for shipment of goods, there are perils of sea; for human life, there are risks of death or disability; and so on. In this business, people facing common risks come together and make their small contributions to the common fund. While it may not be possible to tell in advance, in the case of tourism insurance in tourism is a mechanism adopted to share the financial losses that might occur to an individual or his family on the happening of a specified event. Kholid and Amiad (2012), the event may be death of earning member of the family in the case of life insurance, marine-perils in marine insurance, fire in fire insurance and other certain events in miscellaneous insurance, e.g, theft burglary insurance, accident in motor insurance, etc

The loss arising from these events are shared by all the insured in the form of premium. Insurance occupies an important place in the modern world because the risks, which can be insured, have increase in number and extent owing to the growing complexity of the present day economic system. It plays vital role in the life of every citizen and has developed on an enormous scale in the evolution of many different types of insurance. The different types of insurance have come about by practice within insurance companies, and by the influence of legislation controlling the transacting of insurance business. Broadly, insurance may be classified into the following categories according (Alwan, Siegel and Canagarajah, (2005).

(1) Classification on the basis of nature of insurance

- (a) Life Insurance
- (b) Fire Insurance
- (c) Marine Insurance

- (d) Social Insurance
- (e) Miscellaneous Insurance
- (2) Classification from business point of view:
  - (a) Life Insurance
  - (b) General Insurance
- (3) Classification from risk point of view:
  - (a) Personal Insurance
  - (b) Property Insurance
  - (c) Liability Insurance
  - (d) Fidelity Guarantee Insurance

It's a commonly acknowledged phenomenon that there are countless risks in every sphere of life. For property, there are fire risks; for shipment of goods, there are perils of sea; for human life, there are risks of death or disability; and so on. The chances of occurrences of the events causing losses are quite uncertain because these may or may not take place.

In other words, our life and property are not safe and there is always a risk of losing it. A simple way to cover this risk of loss money-wise is to get life and property insured. In this business, people facing common risks come together and make their small contributions to the common fund. While it may not be possible to tell in advance, in the case of tourism insurance in tourism is a mechanism adopted to share the financial losses that might occur to an individual or his family on the happening of a specified event. The event perhaps death of earning member of the family with the case of insurance, marine-perils in marine insurance, fire in insurance and other certain events in miscellaneous insurance, e.g., theft in burglary insurance, accident in motor insurance, etc. The loss arising from these events are shared by all the insured with form of premium. Hence, risk is transferred from one individual to a gaggle. Insurance occupies very necessary place within the present because the risks, which might be insured, have increase in number and extent because of the growing complexity of this day financial set-up. It plays vital

role within the lifetime of every citizen and has developed on an infinite called in the evolution of the many differing types of insurance. In fact, nowadays any risk will be made the topic matter of contract of insurance. The different types of insurance have come about by practice within insurance companies, and by the influence of legislation controlling the transacting of insurance business.

The vast majority of business organizations such as travel agents, meeting planners, and other service providers including accommodation transportation attractions and entertainment are classified as travel and tourism related business. In practice, these organizations are closely linked in the provision of services to the travelers. Tourism is so vast, so complex, and so multifaceted that the practitioners need to obtain a wide range of knowledge related to tourism (Keyser, 2002). Basically there are five kinds of insurance that really apply to tourism industry. According to (SATSA) Administrative Directive No. 2009/01 for licensing travel agents and deciding fee rate for licensing.

1. Insurance bond
2. Liability insurance and personal indemnity
3. Vehicle /property insurance
4. Travel insurance /medical rescue
5. Other business insurance

### **Insurance bond**

An insurance bond also referred to as a financial guarantee, contingency policy or in dimity bond) is a non-cancelable insurance policy that is created to offset losses arising from specific financial transactions. It is common practice for tourism service providers to ask their clients for upfront deposits to secure travel or accommodation bookings. A financial guarantee protects the tourists' deposit in the event of the insured service providers' involuntary liquidation SATA 2004.

## **Liability insurance**

Liability insurance is a product that is bought by organizations, companies and individuals to cover the risk of a common law claim for damages by someone who is injured or suffers some form of quantifiable or financial loss whilst in the insured's care. An added risk is the responsibility of maintaining private roads where a client may have an accident due to poor maintenance or an unmarked hazard or danger. Even secondary provincial roads that are in a poor state can become an issue and where this is the case you should continually lobby the local authority to rectify such so as to emphasize their liability in this regard SATA 2004.

Liability insurance covers your legal liability arising from accidents or other incidents which may occur at meetings, events, guided tours, safaris, transportation or simply on your premises where you are deemed to have been negligent. Examples include food poisoning, slipping on the floor, having an eye injured by the branch of a bush whilst on a game drive, being trampled by an elephant or even a cord that breaks. According to Ibrahim (2008) Negligence in law could be a complex issue but is simplified for purposes of understanding to simply are doing something without an inexpensive amount of care or failing to own done something, which might reasonably be done, to stop the incident from having occurred within the first place. Most liability insurance policies only cover actions brought against the insured entity, unless the policy specifically extends to incorporate 'all sub-contractors'. This is often a crucial aspect, specifically from a Tour Operators' perspective, as they often sub-contract the services of Tourist Guides, as an example. Unless the policy wording is specifically extended, the Tourist Guides would want to possess their own liability cover, which should be checked by the Tour Operator, for the explanation that any actions instigated as a result of the Guide's negligence could lead to the Tour Operator being found liable by virtue of contractual obligation. The difference applies to Tour Brokers who sub-contract the services of Tour Operators SATA (2015).

## **Vehicle /property insurance**

This is more the kind of insurance that we as individuals are familiar with. Whether a business or an individual the following risks are a reality that has to be accounted for as well as in the event of the vehicle being burnt out in a fire and of course, the greatest risk of all, and theft. Should an accident be your fault and a third party is affected, this would also be covered under such a

policy. In terms of Motor Policies, the onus lies with you, as the transport operator, to ensure that you comply with and adhere to, statutory requirements laid down by law (ignorance of the law is no excuse when it comes to litigation).

In addition, it is also important that operators obtain the correct insurance cover for the vehicle itself. Namely, that the vehicle is insured for 'business' or commercial use and not under a domestic' motor policy (the lower premium applied to domestic motor insurance will cost you more in the long run when your claim is declined on the basis that the vehicle was being used to carry 'fare-paying' passengers, which would therefore be construed as being 'business use' SATA 2015).

### **Other business insurance**

Risks associated with life assurance are not pleasant to think about, but they do play a significant role in your business and personal life. The results could be disastrous if they are not properly insured and managed. The following insurance policies are recommended:

### **Buy & Sell**

All businesses have a unique set of financial requirements which need to be managed in times of crisis and Buy & Sell agreements can provide reassurance as they provide a legal document that ensures that the business is not thrown into disarray if one of the shareholders dies or is disabled. Buy & Sell agreements preserve the continuity of business ownership and are designed to protect the shareholding of the partners or owners by providing the surviving shareholders with the funds needed to purchase the shares of the deceased shareholder (SATA; directive 2015).

## Fundamentals of Insurance

Figure 2.1. Fundamentals of Insurance companies



Source: Travel and insurance share point 2014

According to Kholid *et al*,(2012), insurance may be a very old concept. Basically, it means many of us paying touch money to form a much bigger pool of cash in order that anyone who is unfortunate enough to suffer loss is reimbursed financially for that loss First insurance is designed to make a loss whole. If your house burns to the bottom, insurance will provide the fund store build it. The idea is to buy your actual losses without allowing you to make money. This is often what an insurer means by making the loss whole. Additionally, it's important to notice that a policy may be a legally binding contract between two parties. One party is that the insured and therefore the other is that the insurance firm, a policy describes the rights and obligations of every party (Yusuf 2013). Additionally, the policy identifies how much you want to pay to receive those rights. This amount is known because the premium. The policy identified show much the insurance firm is obligated to pay, if certain events should occur. The utmost amount an insurance firm has got to pay is that the limit of insurance. The study of insurance is filled with jargon that's unique the industry. It is important to know these important basic concepts since encounter them throughout this course and in practice of insurance Jonker, (2004).

## **2.4. Travel Insurance in Tourism Sector**

Travel insurance is the species of the genus tourism management. In the organization of tourism, the role of private sector is conspicuously crucial. In most countries which are in any many manners concerned with the tourist industry, the private sector plays a very important role. The private sector's role is not linked merely in selling the tourism product but often also in producing it as many individuals, companies and corporations are involved in promoting, developing and financing tourism( Jonker, 2004) .

Travel agency is one such organization in the private sector which plays a key and crucial role in the entire process of developing and promoting tourism. It is the travel agent's job which packages and processes all the various attractions of the country and presents them to the tourists. The tourism product is essentially an intangible thing. Also, because tourism is a multi-segment industry, the task of formulating a product mix becomes more difficult and challenging. Selling a holiday is selling dreams (Posner&Rosenfield, 2007). The way to win the customer's heart is through the peripheral services provided along with the core product. Thus, a tourism product is quite a complex one, including the destination, airline seat, hotel room, occasional tangible products such as souvenirs, a free bag or bottle of whisky, etc. Creation of awareness has a far-reaching impact (Birhanu H. and Nugussie. T. 2005)

The tourist organizations bear the responsibility of informing, persuading and sensing the potential tourists in a right fashion. The marketers need to use the various components of promotion optimally so that they succeed in increasing the number of habitual users. Promotion helps in maximizing the duration of stay, frequency of visit by offering new tourist products in the same country to areas which hitherto have remained untapped or partially tapped. Accommodation constitutes a vital and fundamental part of tourism; an adequate supply of accommodation suitably tailored to the requirements of the tourist market is one of the basic conditions of tourism development (Ahmad&Nuraisyah, 2012).The provision of accommodation facilities and their growth is in a broader context as it contributes to the economy as a whole. In the promotion of tourism, of all the constituents of the tourist industry, accommodation sector constitute the most important segment and it has to play a distinctive role in the development of this expanding industry (Bull, A, 1991). Travel insurance business grows parallel to economic growth in the tourism sector. Economic Growth in the industry depends on business and business

depends on insurance. Without insurance the ability of a business to continue after a peril is reduced. Travel agency may suffer in to risk that could significantly reduce the company's ability to continue manufacturing. Insurance plays an important role in economic development as the industry (Diek. P, (2003)

## **2.5. Tourism Agencies and Insurance**

Tourism insurance agency is the species of the genus tourism management. In the organization of tourism, the role of private sector is conspicuously crucial through in most countries which are in any many manners concerned with the tourist industry, the insurance sector plays a very important role, (Jonker, 2004). The sector's role is not linked merely in selling the tourism product but often also in producing it as many individuals, companies and corporations are involved in promoting, developing and financing tourism (Jonker, 2004). The tourist organizations bear the responsibility of informing, persuading and sensing the potential tourists in a right fashion. The marketers need to use the various components of promotion optimally so that they succeed in increasing the number of habitual users. Promotion helps in maximizing the duration of stay, frequency of visit by offering new tourist products in the same country to areas which hitherto have remained untapped or partially tapped. (ASTA), 2014)

According to Bull. A, (2001),tourism insurance business grows parallel to economic growth in the tourism sector. Economic Growth in the industry depends on business and business depends on insurance. Without insurance the ability of a business to continue after a peril is reduced (Knight 1921). Tourism sector may suffer in to risk that could significantly reduce the company's ability to continue manufacturing. Insurance plays an important role in economic development as the industry (Diek. P. 2003).

## **2.6. Travel Organization and Insurance**

Travel organizations can offer “insurance package” which includes covering various basic insurance risks. Tourists respectively service receivers beside insurances on individual things can be provided with “insurance packages” which include particular kind combinations of insurances mentioned above. It is worth mentioning that if it is not stipulated differently in the contract, the insurance contract begins to have juridical effects from the first 24 hours of signing the insurance policy, which is stipulated in the conditions of insurance policy (Bantawl, 2009) .The operations of tourism activities, touristic placemen and traveling are potentially exposed to different types

of risks. The sources of these risks may be above all connected to the transport, bodily injuries, risk in the process of accommodation and other types of risks (Douglas, Foster; 2007).

According to these facts, insurance has relevant importance current of tourist activities, by raising the importance of the integrity and therefore the personality of the tourist and of the business of tourism itself. Insurance is incredibly important for raising quality of the tourist service in any respect stated by (wwwreaserchGate.com) individual and more authentic tourism experiences satisfying the requirements of the experienced and highly demanded “new” tourists. Additionally, there's a requirement for tourism and recreation activities within the countryside that's different than that of traditional resorts and mass tourism destinations stated by (Page et al., 2007) , many areas within the field of travel insurance, specially the link between the insurer and also the providers, which are unexplored or must be explored further. Some important theoretical and methodological gaps found are as follows and Studies which have analyzed relationship providers and therefore the insurer have done that only within the context of developed countries and some developing countries (Eleazer, 2001).

The relationship between insurer and provider from a strategic perspective, the trends in the travel insurance industry are documented well in the developed countries, (Pi&Sangruang (2011). The expansion of managed care it's through these studies one is able to spot the past trends, the impact of interventions, both governmental and non-governmental (Beritellietal, 2007). The trend analysis also helps to read and gauge the industry trajectory and show pointers with reference to resource requirements and future competitiveness within the industry. It also helps to learn from past mistakes and create innovative strategies keeping in mind the different data sets and interlink-ages. It's been well documented that the travel insurance industry is prone to both adverse selection and moral hazards (Foster, 2000) the effect of those challenges on cost and on premium is also being studied.

However, there's no literature in the Ethiopian context which measures the connection between tourism agencies and insurance, components of insurances, cost and the risk covered by the insurance company. In travel insurance there are three main players i.e. the insured, the insurer and the provider. There are studies which have studied the system from the customer perspective and few have studied from the insurer and the provider's perspective (School, 2010) The studies which are carried out in developing countries to review the provider's perception are limited to

the southern and western a part of the country. There has been no study which has taken a comprehensive view of the cashless process and talks about different factors which will affect synergy among insurers and providers. Therefore, there is a requirement to require a holistic view of this sector and study it from a special perspective all together (Carrin, *et al* 2004).

## **2.8. Empirical Review of the Study**

Tourism insurance companies may be tormented by a number of determining factors. These factors, as explained above may well be further classified as internal industry, and macroeconomic factors. However, in most literatures, profitability with relation to travel insurance companies usually expressed in as a function of internal determinants. Rather, most researches concerning determinants in insurance companies are divided in to two, such as determinants of in property/liability or general insurance companies and in life/non-life insurance companies (Jamieson, 2001).

According to Yuqi Li (2007) financial institutions' non-financial statements variables are classified as management quality, efficiency and productivity, age and number of branches. Most researches concerning tourism insurance companies are conducted with relation to only financial statement variables. Hence, newly established insurance don't seem to be particularly profitable in their first years of operation, as they place greater emphasis on increasing their market share, rather than on improving profitability Athanasoglouet *al*, (2005). Similarly, Yuqi li (2007) indicate that older banks expected to be more profitable thanks to their longer tradition and also the incontrovertible fact that they might build up an honest reputation. Obviously, the above empirical studies those include age in concert of their explanatory determinant indicates a positive relationship between age and profitability. in keeping with Athanasoglouet *et al*, (2005) the effect of a growing size of no depository financial institution has been proved to be positive to a certain extent. Consequently, a positive relationship is anticipated between size and profitability by many insurance area researchers. However, for firms that become extremely large, the effect of size might be negative due to bureaucratic and other reasons Yuqi Li (2007).

Hence, the size-profitability relationship economies of the countries and such adverse events in the tourist business activities have turned into a big problem for continuation and development of this business. In this context, safety, aimed at reducing the financial consequences, plays important role tourism (Lemarchalet *al* 2015). The issue of availability of insurance in the tourist

industry is directed not only towards tourist companies, but also transportation companies. At the same time, the major challenge is the coverage of commercial and general liability, i.e. risk coverage and achievement of insurance coverage profitability.

The major challenge is that the coverage of commercial and general liability, i.e. risk coverage and achievement of insurance coverage profitability. And transportation companies are recommended also as participation of the government in increasing the penetration of insurance in tourist industry. It is well-known, the international tourism agencies are developing and changing from one year to another whereas the number of people and participants in the tourism off risk constantly rising (Yuqi Li, 2007). Though a firm causal relationship between insurance status and tourism sector has yet to be established, many studies do present interesting evidence on the correlation between insurance status and outcomes on tourism sectors. Keeping with of these studies the connection tends to vary across income deciles. For the especially part, other non-causal studies find a positive relationship between sum of money and health-care utilization (Jutting, 2004; Yip and Berman, 2001) and quality of care Wagstaff *et al.*, (2007) Dong *et al.*, 1999).

Results are more mixed regarding the connection between insurance status and health expenditures. Most studies find a negative relationship between amount of money and health expenditures (Jutting, 2004 in Senegal; Jowett, *et al.*, 2003) in Vietnam; and (Yip and Berman, 2001), in Egypt but some find that out-of-pocket spending is the same or perhaps higher for the insured in comparison to the uninsured, as an example, Wagstaff *et al.*, (2007), in their studies of China. These authors explain this surprising finding as being a summary of the institutional structure of health-care in China, which favors increased utilization and substitution toward dearer services and treatments.

Note that all of those studies rely on insurance status that is almost certainly subject to selection bias, as selection into insurance whether self-selection or selection based on other factors (for example, being a public employee) is related to many other household characteristics and thus not exogenous estimates.

The relationship between tourism and insurance has been studied extensively to support the theories of capital structure and argued also that insurance companies with lower leverage will

generally report higher ROA, but lower ROE. Since an analysis for Return on Equity (ROE) pays no attention to the risk associated with high tourism sector. Studies conducted in different countries found that for non-life insurance companies, size of capital is one of the important factors that affect ROA. Hafiz Malik (2011) examined the connection between volume capital and return on asset for Pakistan tourism insurance developed and found positive and statistically important relationship between insurance capital and profitability.

Tangibility of resources in insurance companies in most studies is calculated by the relation of fixed assets to whole asset (RodríguezDíaz&Espino-Rodríguez,2008). Most literatures focus on factors affecting profitability of banks rather than insurance companies. Therefore, there are fewer literatures concerning insurance companies as compared to banks. The existing literatures concerning insurance companies could be classified into two: determinants of financial performance of life and non-life insurance companies. Empirical evidences regarding determinants of tourism insurance companies focused only on internal factors such as age, size, leverage, growth, volume of capital, tangibility of assets and liquidity. The results found by the researchers mentioned above in the empirical revealed inconsistencies according to the country in which the research is conducted regarding some variables. All the risks have the potential to get out of control, which creates the crisisOsborne, (2012).

However, not every risk can be pooled the following pre-conditions need to be met in order for the risk to be insurable and transferable into insurance solution Brown and Churchill (2000). In modern tourist offer; there is a growing risk of terrorism and political instability, which poses a serious to tourism industry. Not only the Arab countries, but also the cities of the European continent, such as London, Madrid, Paris according to Lemarchalet *al.* (2015) are facing the increased number of terrorist attacks and insecure and unstable environments and therefore, these risks have caused enormous damage to tourism on the global scale and they represent a challenge in the situation aimed at preserving the business.

Tourism companies have suffered considerable losses since the number of tourist visitors has been reduced at certain destination; the latest indicators are the frequent terrorist attacks in France Lemarchalet *al.* (2015). Here we may also refer to natural disasters, which are not routine events, and they require the appropriate reaction and organization, where the insurance and risk assessment are related to performance of the tourism activity due to reduced revenues or

the number of visitors Albouy,(2000).. The primary intention is to reduce the possibility of damage and negative impact to avoid risk. However, the main reason is the threatened survival of tourism companies, because many of them have stopped working altogether(Hunt,2000).

According to Gunn (2002),”The tourism industry operates in a dynamic atmosphere that involves many inter connected sectors”. As a result, it is constantly evolving and is particularly vulnerable to unexpected crises, Laroche *et al.*, (2005). Crises comes in many forms, including health treats like the 2020 corona virus pandemic, natural disasters like earthquakes and floods, political international organization rest and terrorist attacks (Hunziker and Krapf 2000). Such risks and crises create significant threats to the commercial enterprise trade destination and tour operators working in the sector. In recent years, there had been major crises as well as the Easter day bombing in country in 2019, and widespread political unrest in Ethiopia during an equivalent year, each of that had a significant impact on the business trade.

According to Horowitz (1985), crises are long- term impact on a destination’s image and its visitor’s numbers. coming up with for and understanding the way to manage risk once a crisis happens and handle the problem that arise from unforeseen events area unit key to mitigate the negative effects of crises on your business. Nonetheless, there's a reason to be optimistic. Past events have shown that the business trade is resilient, and there's ample proof that shows tourists are keen to resume travel to affected areas once the disaster has passed. Destination and operators that have prepared well and enforced the best strategies to manage the crises will be best positioned to survive the crises and welcome visitors again as quickly as possible.(www.cbi.eu market -information) stated by ministry of foreign affairs.

## **2.7. Theoretical Framework of the Study**

Historical and literature reviews as well as consideration on the issue of risk aversion of tourism show that insurance can reduce uncertainty protect assets and ultimately support tourists and economic activity. Insurance and various policies have unified characteristics as business that has institutional role of supporting other business activities and with economic growth. However, the condition for insurance in emerging market of tourism industry and in particular for tourism agency. There are numerous reasons for this including institutional shortcoming and insurance premiums that do not reflect fair prices (Gill.P, 2007). According to Munich Re (2006), there are three essential reasons for this, First many people are unable to afford insurance on account of

low income Second the infrastructure needed to give the people to give the people requiring protection access to insurance is frequently lacking especially in the rural areas and Third, the concept of insurance and principle of solidarity underlying it and virtually known in some cultures.

Insurance pooling and transfer of risk assume that there are many risk adverse insured individuals facing identical, independent risk of loss that can be covered by insurance. In studying the relationship between insurance and tourism industry various categories of actors in the economic activities are considered following various authors congregate (2010) Inversen, Jorgensen and Malchowmojller (2007), The role of insurance in economic activity especially in tourism sector seems to suggest that there is an 'optimal point' of development of insurance markets, at which insurance may become easily available and there might be negative Theory suggests that insurance can address some of these problems *Zhang et al.(2012)*.

By covering the cost of care after a health shock, insurance can help to smooth consumption, reduce asset sales and new debt, increase the quantity and quality of care sought, and can improve health outcomes. Unfortunately, rigorous evidence on the impact of insurance is scarce, and there are even fewer studies on the effects of insurance in developing countries. One reason for the lack of evidence is that it is difficult to find a valid control group for the insured. We cannot simply compare the outcomes of insured and uninsured households, since health insurance status is typically strongly correlated with other household characteristics. For example, rich and well educated households typically have both better health (Asfaw, 2003) and better health insurance coverage (Jutting, 2004; Cameron and Trivedi, 1991), but the positive correlation between health and insurance status tells us nothing about the impact of insurance. On the other hand, those in poor health may be more likely to pay for health insurance (Cutler and Reber, 1998; Ellis, 1989), but finding that the insured tend to be sicker would not imply that insurance causes illness, the impacts insurance, focusing on studies where he insurance statuses plausibly exogenous, or where studies have attempted to eliminate bias due to self-selection. A majority of the rigorous studies are based on United States data. Externalities associated with social insurance.

The first type is the simple linear model; the second is the logarithmic and the third one logistics model. Each type has some advantages as well as limitation, but comparatively the logistic

model is superior to the first two models for this research. Carter and Dickason (1992) and Enz (2000) developed a logistics model to depict the relationship between insurance penetration and the GDP per capita labeled the ordinary growth model allows estimating the growth of insurance. Enz (2000) identified, i.e., relation between insurance and GDP per capita, which constitutes a measure of the degree that certain insurance product (covering individual or group risk), is acquired whereby the income elasticity of demand for insurance can be as high as two for intermediate income levels. Most countries deviate from the average s-curve because of factors such as high catastrophe risk, institutional arrangement regulation on motor insurance extra, but in general the theory predict that the income elasticity of demand will be highest (Raza, 2010).

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1. Research Approach and Design**

The aim of this study was to assess the role and challenge of insurance in tourism development to this end the study applied qualitative research approach. This would be to compile information in a fair and balanced manner which can facilitate a discussion before allowing the authors to draw a conclusion. This explains why the methods the study was takes place to gather and understanding of from viewpoints of three groups of stakeholders Insurance Company, Tourism Company, tour operators. Descriptive survey research design was employed for this study, since it helps to secure information as it currently exists. Besides, the design would help to obtain an accurate description of the major problems encountered on the current situation the development of tourism sectors in general.

#### **3.2. Population, Sample and Techniques**

Ideally one wants to study the entire population. However, it might be impractical for many reasons and therefore one must select a sample. According to Black and Champion (1976), sample is a portion of elements taken from a population, which is considered to be representative of the population. These can save time where data collected freely. In order to collect primary data, the questionnaire survey technique used.

#### **3.3. The Population**

Due to the extreme lack of data and the inefficiency of the relevant organizations to provide it, the researcher was unable to determine the population size for the study and was forced to use convenience plus random probability sampling methods. The information obtained from the Culture and Tourism Bureau was the gross total of tourists. The target population of this study selected marketing and tour and Travel agency and Ethiopian Tour Operators.

#### **3.4. Data Gathering Instrument**

For the purpose of this research, and in order to achieve the objectives collected and used both primary and secondary data. The secondary data contributed toward the formation of background

information, needed by both the researcher in order to build constructively the project and the reader to comprehend more thoroughly the survey outcome. Primary data were collected in two ways. Interviews carried out with providers of travel agency and members of the local insurance companies.

### **3.5. Source of Data**

The data were gathered through questionnaires from tourists, both domestic and international and interviews from travel agency as well as insurance company as well as observation.

#### **3.5.1 Interview**

A number of social researchers affirm that one of the major ways qualitative researchers can understand a phenomenon, perceptions, feelings and knowledge of people is through in depth interviewing (Steiner & Svend, (2009) Bryman, (2004) Creswell, (2003) cited in Namasinga, (2011). Steiner and Svend (2009) identify different forms of interviews. The technique of personal interviewing is undertaken in order to reach the objectives since it is the most versatile and productive method of communication, enabled spontaneity, and also provided with The skill of guiding the discussion back to the topic outlined when discussions are unfruitful while it has the disadvantages of being very costly time consuming and can introduce bias through desires of the respondent to please the interviewer (Aaker & Day, (1990: 164).so the researcher applied semi structured interview with travel agency operators as well as insurance companies and used 10 respondents in different time.

### **3.6. Data Collection Procedure**

At the beginning of investigation review of literature was made to assess the issue of the role and challenges of tourism insurance for the development of tourism industry. The researcher visited the travel agencies in Arada sub city. The data collection instrument was developed and piloted to check the appropriateness of data collecting tools. Based on the feed-back of the instrument are modified. Finally, open and closed ended questionnaires are distributed for the tourists of both international and national. Questionnaires are collected and analyzed by using descriptive statistical (percentage frequency mean) tables. Moreover via interview was conducted with travel agency and insurance company and also observation was carried out.

### 3.7. Data Analysis Techniques

The researcher collected qualitative data from the sample respondents. The data collected through open and close ended questionnaires were qualified via descriptive statics (percentage), frequency, mean). Interviews are also collect according to interviewer’s semi structured interview are gathered. Finally, the data collected through analyzed via narrative analysis.

#### Profiles of key informants

Name of organization	Number of participants
Insurance company	5
Tour and travel operators	3
Ministry of culture and tourism	3
Tour guides	3

Source the author’s survey (2020)

#### 3.7.1. Archives and Document Analysis

Writers such as (Mouton and Marais, (1990), explained on the methodological significance of archive or documentary analysis. These authors associated archived research with “the extensive collections of records, documents, library collections or mass media materials that have been a massed, “data from demographic profiles, personal documents (such as dairies, autobiographic and letters) as well as materials collected from Media prints are algebras of archival sources.

### 3.8. Ethical Considerations

To maintain ethical considerations in conducting this research, attempts would be made: first to explain the objective, significance and contribution of the research. The subject would also assure that their response was used only for the purpose of the research and therefore would be confidential. Moreover, they would be assured that their identity and that of their organization was anonymous. Principle of voluntary participation was applied, and no respondent was forced to respond to the interview and questionnaire. And the case of informed consent would be used while conducting interviews. The respondents are informed from the outset the purpose and use of the data collection and they are given the freedom to have access to the report, if they wish. Besides, to maintain irrigate to privacy, no video recording was used as it invades the irrigate to

privacy and invites suspicion of respondents. However, written records of the irresponsive would be kept for further confirmation and verification.

### **Validity and reliability**

The above mention delimitations led to the issue of the concepts of validity and reliability, which are the key challenges of research and should be addressed at this point. Validity, on the one hand, is about whether the applied instruments actually measure what is intended to be measured Clark *et al*,(1998). There are three forms of validity, namely construct, internal and external validity. Construct validity indicates whether the author's judgment and evidence are sound and allow him or her to obtain valid conclusions.

These commonly used to judge the quality of any empirical social research, are also vital for this research. Especially during the empirical data collection, the author of this research aimed at assuring high validity. Increased validity was there by assured by avoiding subjective data collection. Instead, multiple information sources, ranging from personal interviews, questionnaire, website and other published data will be used for the compilation of the relevant chapters.

Reliability, on the other hand, is the degree to which the researcher, or any other person, would come to their same results if the exact same study was to be carried out again Smith, (2010). The researcher's aim is to conduct are liable study; however, it is not possible to determine its true reliability unless the same investigations would be carried out again under the same conditions and with the same subjects.

## **CHAPTERFOUR**

### **DATAANALYSIS, PRESENTATION AND INTERPRETATION**

The main objective of this study is to assess the role and challenges of tourism insurance for development of tourism industry in Ethiopia. In this chapter, an effort has been through to offer exhaustive presentations and discussions of the data composed through interviews. In this chapter, the main objectives have been dealt in detail the role and challenge of insurance in the development of tourism, asses the perception of tourism insurance to verify the identified stakeholders in literature, this study begins with mentioned stakeholders in the tourism sector of Ethiopia..

The interviews were taken from tour operators. In this chapter interviews taken from key respondents were discussed.

#### **4.1. The Role and the Challenge of Tourism Insurance in the Sector of Tourism**

According to Respondent IC 01 currently in Ethiopia there are different insurances and also regulated national bank most 45% of insurance owned by government. Now a days the insurance industry are overseen new set of low profligate and making sure that the industry flow international standard ,and making sure that the public and the consumer looked at large Insurance growing as economy is ongoing sanitary development.

According to Respondents TTO 01, discusses most travelers spend a lot of time and effort planning the perfect vacations, but they often overlook the importance of getting good tourism insurance more vulnerable to illnesses and accidents when they are traveling in a strange land, and there is no sure way to prevent unfortunate incidents from taking place. Even. Although insurance cannot help people avoid misfortunes during their travels, it offers consolation in the form of monetary compensation, which can be very useful in certain situations. Tourism insurance provides a wide range of benefits for travelers as well as the sector itself.

According to respondents from insurance company IC 02, 01, discusses Firstly, as tourism is backbone and promising industry for our country that insurance is also a way of getting financial recovery for medical expenses that is incurred because of accidents and illnesses. Medical treatment is very costly in some Ethiopian places and those who sustain serious injuries may

have to pay medical bills that amount to tens of thousands of dollars. With travel medical insurance, travelers can get reimbursement for the total amount of money that they spend on medical treatment. Tourism insurance also covers medical evacuation, which means that travelers do not have to pay medical emergency transportation expenses with their own money. Another important benefit of tourism insurance is that it provides protection against trip cancellation and interruption. When an emergency arises before or during a vacation, travelers may have to cancel or cut short their trips. Since they have already paid for their vacations, they will stand to lose a substantial amount of money

Respondent IC03 Tourism insurance ensures that they will get compensation for losses that result from trip cancellation or interruption. Additionally, those who have a tourism policy will get coverage for loss baggage or personal belongings. Other types of coverage that are available to tourism insurance buyers include travel delay, tour operator default, personal liability, accidental death, legal expenses, repatriation, emergency reunion, dental expenses, and others. A tourism insurance policy does not only ensure that you will get coverage for unforeseen losses; it also allows you to avail of a number of services that can be invaluable during times of emergency. .

According to respondent TTO 03 Most tourism insurance companies offer travel assistance and 24-hour emergency services to help their customers deal with unfavorable situations during their vacations. With an accident or lose your travel documents, you can seek assistance from your insurance company. The company will offer the best advice or contact local emergency services to help you solve your problems in the shortest time possible. This kind of assistance is especially important if you are traveling to a country where the locals do not speak your language. In this case tourism insurance should be possibly important for the sector itself. If we take hotels, tourism sites and the like have to have or co- work with tourism companies. The insurance companies have based on the above literatures, researches so far in insurance sector is very low. Only few scholars have carried out their study on insurance. They basically focus on premium collection and their mobilization or investments in various sectors. Most of the studies done so far were mostly based on the secondary data. This study is different than those of previous studies. It is perhaps a new endeavor in the field of insurance as it studies the feeling,

understanding or perception of insured towards insurance services. It may provide a new conception in the field of insurance literature as it is based on primary data only.

According to Respondents TG 01 said “Tourism insurance has been discussed before, play a critical role as intermediaries between the original suppliers of tourism commodity and the final customers, i.e. the tourists. Tourists are the image builders of a destination, the role of tourism insurance become highly significant. Foreign travelers especially are heavily dependent on insurance for their travels in developing countries. So, the perception of the tourism insurance is likely to play an important role in the development of tourism of any destination. It needs to be emphasized that inbound tours comprise a small percentage of the business of all of these insurance.

According to TTO 3 the main concentration is almost always on outbound tours. Often these insurance receive visitors from their liaison with other insurance of the source regions. This is applicable only to foreign tourists. Hence the role of these insurance in promoting domestic inbound tourism is less significant.

Respondents TG 01, 44% of business travelers travel in Africa. The increasing dependence of the constantly busy modern urbanite on travel operators to organize their tour schedule is clearly borne out by the huge proportionate increase in the number of travel insurance in the new millennium. Like a company TIC work on insurance internationally.

## **4.2. The Practices of Tourism Insurance in Ethiopia among Tour Operators**

According to respondent IC 02 There are about 16 insurance companies in Ethiopia. Insurance is vital with a destination of tourist attraction. It removes all uncertainties and assured is given certainty of payment of loss. The insurer charges premium for providing that said certainty. Insurance also provides protection against the probable chances of loss. The time and amount of loss are uncertain and at the happening of the risk, the person will suffer loss in absence of insurance. Insurance protects the assured from sufferings. Moreover, when risk takes place, the loss is shared by all the persons who are exposed to the risk. It means insurance spreads the loss over a large number of persons who are agreed to each other at the time of loss. However, pooling of losses, payment of accidental losses, risk transfer and indemnification are the basic characteristics of insurance. Ethiopia. The final results were not similar to the tourists they had

when it comes to Ethiopia. The country itself was surprising as it seems that tourists from abroad have insurance policy. So, the same words appeared in the description of an ideal destination and in the description of the first tourists when it comes to Ethiopia. The only additional words that appeared in the description of a destination in Ethiopia were the words *friendly/ welcoming* which seem to be highly desired. Ethiopia as well as the most important motivators when it comes to safety and security, tourism destinations in Ethiopia is mostly out of the capital city due to poor infrastructure, also the main problem of foreign tourist is water with some extents of food and sanitation in a particular destination.

Observations like My survey revealed that as many as 70% of the responding travel insurance were founded after the year 2000 while 30% were founded between 1990 and 1999. Only 4% were founded in the 1980s and none (of the respondents) before. The figures bring out an overwhelming increase of 65% between two decades. The increasing importance of travel and tourism and its role in the economy thus becomes apparent. The tourist in Ethiopia must be flourishing to encourage the opening of so many travel insurances in the city since 2000. While inbound tour remains small in proportion, the absolute figures must be increasing so that it allows so many agencies to survive in the market (author's survey).

According to IC 05 the tourism insurance surveyed revealed that as many as 48% are local in organization. They are not a part of any chain. Hence the volume of their business is not large. They are mostly in the nature of tour operators. However most of them have managed to create a niche market of their own providing highly personalized service to the tourists visiting the city. Out of the remaining 52% respondents, most are national in organization and only a few are international. These insurance are more involved in organizing out bound tours but inbound tourism does form a part of their business. Depending on tire scale of organization, the numbers of employees vary. In fact, 8% of the responding travel insurance has only 3 to 5 employees and 40% have between 6 and 10. In case of national and international agencies, only the number of employee branch has been considered and work together within insurance company.

#### **4.3. The Benefits of Insurance in Relation to Tourism Sector in Ethiopia**

According to Respondent TTO 02 When travel more and more distant destinations, which raise the risk of setbacks and complications. It is essential to take tourism insurance to be covered and prevented from any problem. Keep in mind that the expenses that can arise in the event of a

medical emergency, robbery or transfer can be very high if we do not have an adequate policy for our trip. Before any accident or medical accident, all are complications. Medical care in the country of destination can be very expensive, or so precarious that our health is at risk. And, if we want to be served in our country, we will have to pay several thousand pesos. Hiring travel insurance gives us the peace of mind knowing that both medical coverage and travel, are fully guaranteed, making any complications that might arise easy. With tourism insurance you will have the cancellation expenses covered, in case of cancellation of your trip. Your insurer will indemnify you with the amount assigned in your policy. One of the most unpleasant situations is to arrive at destination and discover that some of luggage has been stolen. Insurance cover the expenses caused by this problem.

According to TTO 02 With regard to in favor of developing tourism is its potential for employment generation and tourism insurance are a direct area of impact. However, sub this effect is seen to be very small. Only 4% of the responding tourism insurance employed more than 10 people. If tourism is to fulfill its role of employment generation in the field of tourism insurance, it's still requires a small developmental in the country. Considering the fact that such revenue is accrued from organizing tours not only in our country but all over it follows that the net amount of profit from organizing tours is not very large. Later analysis reveals that almost all of this business comes from ticketing. As such tourism has a long way to go to realize its full potential.

According to Ethiopian TTO 03 that focus should be on the tourists who are not that familiar with this insurance policy, and the tourists in this survey visited Ethiopia with a premium of insurance, The reasons why the tourists in this study visited Ethiopia areal so quite unified and since the highest percentage of the tourists stated relaxing and sightseeing as the reasons for their visit to Ethiopia, this fact goes in line with the research conducted insurance policy for travelling. The main motivators for travelling in general seem to be relaxation, the feeling of safety when it comes to health and recreation, showing the social status, self-affirmation, sightseeing (exploring other cultures) and admiration of beauty. Involved in an accident and the injured person is another, it is good to have legal expenses and civil liability coverage. Insurance covers all possible causes for a complaint or claim against. Hiring travel insurance can simplify procedures in case of accident, illness or need for repatriation, since it is the insurance company who is

responsible for carrying them out and not family. Many of the policies may also have coverage such as drug delivery, early return, and transfer of family members. Insurances usually do not take care of the attention or incidents happened as a consequence of a preexisting illness unless it has a vital emergency character.

Respondent TTO 003 said that” Out of the coverage there are also the losses caused by the insured himself, such as the loss of luggage by him or the theft, the cancellation by surgical interventions not urgent or by epidemics. Tourism insurance does not cover expenses in the event that the transport company or service provider covers the problem of the trip, such as cancellation of a cruise or flight, or accommodation expenses due to delay, however, in some cases compensates economically to compensate the difference between the amount delivered by the service company and the actual expenses suffered.”

#### **4.4The Challenges of Tourism Insurance in Ethiopia**

Tourism is a growth industry and its growth potential is likely to continue (NTB 2015). In the context of tourism development is not without its problems. These problems can be identified in broad terms: external and internal.

Respondent TTO 003 Safety is a primary concern of travelers of all types. Safety becomes particularly important when traveling abroad and to developing countries. Widespread political unrest can cause even the most adventurous tourist to avoid visiting unstable countries. Outbreak of communicable diseases can also hinder tourism industries, especially because returning to home countries can be difficult during outbreaks. Domestically, the crime rate of tourist areas, specifically traffic safety and incidents of petty theft, negatively affect the tourism industry. For theme parks, the safety record can also be a negative factor.

Respondent TG 01 The first problem for development tourism is cost cutting. Cost cutting is the primary factor affecting the tourism development. Domestic travel becomes increasing limited as price of petrol keep increasing. The casual road tripper may decide to stay at home rather than making that trip to Ethiopia when gas prices are on the rise. As the price of gas increases, the price of trip goes up as well, negatively impacting long-distance and international travel. Additionally, international travel may be negatively affected by high rates of inflation and poor

exchange rates. That is why many local people cannot afford to make international travels well as insurance.

According to respondent TG 02 “Weather plays an important role in the tourism industry. As most travelers seek warm or mild temperatures with little rain while on vacation, areas that are prone to wet or cold weather do not thrive in the tourism economy. Rainy and cold seasons see decreased amounts of visitors throughout other countries and are experiencing Addis Ababa too. Similarly, incidences of extreme weather and national disasters such flooding which disturb the capital free town in September every year is preventing many travelers from visiting certain areas, as safety becomes a primary concern during these times”.

According to TG 01 Though every traveler arriving in Ethiopia is with the expectation of experiencing different types of amenities, the lack of certain amenities could deter even the most adventurous traveler. For instance, easily attained transportation is a major concern for both the budget and the luxury traveler. If public transportation is difficult to understand, unreliable or dangerous, budget tourists travelling abroad may be deterred from visiting. The same thing goes with private transportation for luxury travelers. Other amenities that affect tourism include clean water. According to Respondent MOCT 02 said “Infrastructure refers to structures, systems, and facilities serving a country, city, or area, including the services and facilities necessary for its economy to function. It typically characterizes technical structures such as roads, bridges, tunnels, water supply, sewers, electrical grids, telecommunications, and so forth, and can be defined as "the physical components of interrelated systems providing commodities and services essential to enable, sustain, or enhance societal living conditions and the development of tourism in a country. One of the major problems of developing tourism attractions Ethiopia is the inadequacy of competent and trained tourism personnel. The staff structure of the Tourism and Cultural Affairs reveals that not up to two staff with a first degree in tourism management or related subjects. The rest are holders of first degree in Sociology, Culture and Art History. Tourist Board has one undergraduate and many other staff with Higher National Diploma and National Diplomas”.

The training of Tourism man power will facilitate the development of these identified attractions in which will promote insurance development. Thus, tourism attractions are usually located in the rural areas and by developing and promoting the tourism attractions; the rural areas will be

also developed. This will hitherto, solve the problem of rural- urban migration of able youths to seek unavailable jobs in the urban centers. Tourists will fill safe because of different facilities are developed. A good number of training institutions in the country offering courses in Tourism and Hospitality Management lacks the human resource in this sector. Another aspect of the weakness lies with inadequate training facilities such as demonstration kitchen, Front office and Housekeeping. As a result of such, students graduating from these institutions lack the practical know how as this equipment used in hotels and other related industries were not made available to them during their training.

According to Respondent MOCT 01 said “This has caused a lot of establishments not being able to meet international standards as staff from these institutions cannot perform. This is having a negative impact on the tourism development. No matter if both the domestic and foreign investors can build hundreds of hotels, there is a need for trained and qualified staff to service these facilities. If they are not available, it will negatively affect the level of customer satisfaction which in turn will drive them away to other countries where better services are delivered. Governments of in the past have indulged by running a national carrier called irrespective of whether it was profitable or not. The reasons for this are many: government sees the potential of world tourism and wishes to take a slice of its revenue, having a national carrier is a source of pride to a country. Airline generates foreign exchange, create employment and promote tourism. For example, ‘travel owned by governments in other Ethiopia like Addis Ababa are being seeing as major source of revenue and promote the tourism wherever it travels too’.

According to TTO3 Having tourism insurance has been experienced during the war and recently the disease outbreak. Owners of this domestic travel left the country except for few. This did not only create difficulty in travelling but saw a huge increase in air fares for short distances. This domestic travel operating main objective is to maximize profit and pay less attention to the promotion of the country tourism.’ Strong linkage among these players had helped in the development of tourism in so many countries. In the case Ethiopia, this has not been seeing as it is always government engaging the private sector to develop tourism leaving out the provider of the human resource in the engagement.

According to IC04 Many people are unable to afford insurance on account of low income. In this case especially domestic tourists don't have insurance as well as different sectors. Low income city has derived them from not enjoying tourism products in their own country. The value of tourism products in the country is preventing local people to patronize these tourism facilities as their disposable income is not enough to provide them a plate of standard food in any restaurants. Local food stuff like pawpaw, mango, pineapple, etc. aren't affordable by local people to form then have a fruit after meal. All of these deprivations are as a result of low income earning. There's no way tourism are often developed in any country where the local people don't fully participate. Marketing is being viewed as one of the various ways the country can communicate with consumers in and out of the country about products. Many developed and developing countries had begun selling their products through advertising within the various media. A good number of foreign and native markets aren't adequate informed about tourism products in city. Adequate information especially through website may be a major challenge for the government sector and the private sectors. Printed brochures that are to be distributed free in all our embassies within the country could also help to sell the country image in terms of tourism.

According to TG 01 One of the principal objectives of building a tourism policy is to guarantee and safeguard the effective standardization of processes and practices within the respective tourism industry during which the policy is implemented. This standardization fosters uniformity and consensus regarding practices which can end in increased sustainability and an overall improvement in the quality of the travel insurance. Furthermore, an appropriate use of environmental and human resources should happen as a result of the implementation of a tourism policy. Because it relates to application and enforcement of Tourism policies, thorough assessment and analysis must take place so as to identify disparities and missteps, an essential step towards maintaining consensus.

According to MOCT 02 said "It is this analysis which allows the development of a tourism policy that is specifically tailored to a territory or region, thereby addressing issues that are indigenous to the respective area targeted. Another advantage of a having a sustainable tourism policy is to facilitate government's heightened involvement in the activities of the tourism sector. If policies are implemented, leading to decrees and laws being entered into force, the result

should be an increased effectiveness and efficiency of tourism activities poses a challenge for the Ministry of Tourism and Cultural Affairs (MTCA).

According to MOCT 01 World Tourism Organization (UNWTO) is that the most widely recognized and the leading international organization in travel and tourism today. It's a specialized agency of the United Nations. It is a global forum for tourism policy and a practical source of tourism know-how. With its headquarters in Madrid, Spain the World Tourism Organization plays a central and decisive role in promoting development of responsible, sustainable and universally accessible tourism, with the aim of contributing to economic development, freedoms. Member states are expected to pay yearly subscription to enjoy the advantages from the organization has not been ready to meet her commitment to the UNWTO and thus doesn't enjoy supports in terms of coaching, research and projects.

According to TG 02 with the present trends of things in Addis Ababa increased tax on imported all things will eventually cause business to not order for such items any more. As a result, they're going to disappear from the local market due to low demand. When tourists realize that these things like beer isn't available within the market and need to enjoy all things it once they visit the country will eventually select another destination with these basic goods. The cash which should be derived because the results of tourism activities will now be in another destination. Restaurants, guesthouses, hotels will begin to possess dropped in visitors which can have negative impact on the industry.

According to TTO 02 Tourist Offices are national tourist organizations founded with a view to promoting and creating the identity, and to enhance the reputation of tourism at regional level. Their mission also includes the planning and implementation of a common strategy and the conception of its promotion, proposal and the performance of promotional activities of mutual interest for all subjects in tourism in the region, country and abroad, also as raising the overall quality of the whole range of tourist services on offer in the region and country. Such has not been actualizing as it's merely the tourist Board that is based on. It means insurance spreads the loss over a large number of persons who are agreed to cooperate each other at the time of loss.

It is also an investment, from which we get return as and when certain loss occurred from predetermined incident (Singh, 2009). However, pooling of losses, payment of accidental losses,

risk transfer and indemnification are the basic characteristics of insurance. the most highly ranked features of Ethiopia and these are d natural beauty, safety and rich in culture. the largest number of phrases that participants collaborative work in promoting of the Ethiopia tourism insurance. Since participants were mostly combining the features themselves, it are often concluded that in this way they found them to be more appealing.

## **CHAPTER FIVE**

### **5. SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.1 Summary**

Tourism development is becoming more and more important industry that sometimes is called “invisible export”. If the economic subjects that work in tourism want to be competitive on the market, they need to treat the insurance as more important aspect of making large competitive. The life in society can't be imagined without Travel insurance included in many segments of business life. Travel insurance features a great importance of today.

Mostly the insurance in tourism industry is on voluntary bases except the case of few travel types of insurance. Usually, if something is predicated on voluntary concept, mostly the companies treat the insurance as an additional cost. The point is, how the tourism is raising the quality, it also has to include this type of services which will protect the tourists and economic subjects within the industry of injury and loss that would be suffered. Many voluntary insurances rise the quality of service for the tourist and also in many case protect the organizer of the touristic arrangement of losses and damages. The insurance in tourism will have larger importance in future. That means that the insurance companies will need to develop more experts in the field of insurance industry with purpose to analyses the risks. Tourism is an important and significant economic sector for several countries. the most significance of tourism is that it's a source of revenue for governments and a few countries depend upon it as their main sources of exchange. It also provides employment to a big number of individuals and in doing so it reduces high unemployment among children.

Moreover, the special significance of tourism development is that, its classification as an invisible export industry alongside banking and insurance where there's no tangible product and therefore the incontrovertible fact that tourists need to visit a destination to form personal use of the facilities they desire. It's obvious that, the economy of most less developed countries tends towards dependence on one primary product export. This is often broadly suffering from change in commodity price. Due to that's and other factors, the economic process tend to be constrained

by a balance of payment problems. Therefore, the role of tourism is to stabilize the economy by reducing deficit incurred by various international trade activities”.

Ethiopia is one among the less developed countries whose economy is essentially traditional agricultural based and export of primary products. The performance of the export sector has been poor leading to deficit balance of trade and increasing debt burden. This, for sure, resulted within the corresponding negative impact on the general economy. So as to solve such problems one among the main strategies recommended in most economic literature is diversification of export items. In these circumstances tourism is one among a well-come sort of diversification. Ethiopia as a rustic features a lot to supply to foreign tourists. Moreover, compared to other African countries, prices are high when it involves hotel accommodation, food services and transport. . It a singular and delightful nature, a land of sunning and endowed with rich culture

Keep in mind that the expenses which can arise within the event of a medical emergency, robbery or transfer are often very high if we do not have an adequate policy for our trip. Before any accident or medical accident, all are complications. Medicalcare within the country of destination is often very expensive, approximately precarious that our health is in peril. And, if we might wish to be served in our country, we'll get to pay several thousand pesos. Hiring travel insurance gives the peace of mind knowing that both medical coverage and travel, are fully guaranteed, making any complications which can arise easyWith tourism insurance have the cancellation expenses covered, just in case of cancellation of your trip. Insurer indemnify with the number assigned in your policy. One of the foremost unpleasant situations is to succeed in destination and determine that variety of your luggage has been stolen. Or that they have lost it travel insurance cover the expenses caused by this problem. If you're involved in an accident and thus the injured person is another, it'll be good to possess legal expenses and civil liability coverage. Travel insurance covers all possible causes for a complaint or claim against you.

Tourism insurance can simplify procedures just in case of accident, illness or need for repatriation, since it is the insurance company who is responsible for carrying them out and not you or your family. Many of the policies also can have coverage like drug delivery, early return, and transfer of relations. These insurances usually don't look out of the attention or incidents happened as a consequence of a preexisting illness unless it's a crucial emergency character neither by pathological states produced by the ingestion of alcohol or other substances. Out of

the coverage there are also the losses caused by the insured himself, just like the loss of luggage by him or the theft, the cancellation by surgical interventions not urgent or by epidemics. Travel insurance doesn't cover expenses within the event that the transport company or service provider covers the matter of the trip, like cancellation of a cruise or flight, or accommodation expenses because of delay, however, in some cases compensates economically to compensate the difference between the number delivered by the service company and thus the particular expenses suffered.

For instance, out of the huge area of the country; small proportion of inland transport is well connected by asphalt road. At the same time the condition of railway is so worse to serve passenger. Moreover, the prevailing road, network in Ethiopia isn't capable connect different attraction sites and are suffering from lack of maintenance works. Additionally, lack of recent air ports in some attraction sites and in Ethiopia domestic air transport services to many locations is seasonal in nature because of unfitness of air field and landing strips in rainy seasons. Insufficient and uneven distribution of various infrastructures related to tourism, like most large and different class hotels are constructed in Addis Ababa Arada sub city and hence, there's an accommodation problem in most sites outside the capital city.

## **5.2 Conclusion**

There are no clearly stated criteria to control the standard and quality of Ethiopian travel insurance and other tourist services, by the Tourism commission as well as tour operators. Travel insurance does not cover expenses in the event that the transport company or service provider covers the problem of the trip, such as cancellation of a cruise or flight, or accommodation expenses due to delay, however, in some cases compensates economically to compensate the difference between the quantity delivered by the service company and the actual expenses suffered.

Another important advantage of tourism insurance is that it provides protection against trip cancellation and interruption. When an emergency arises before or during a vacation, travelers may have to cancel or cut short their trips. Since they have already paid for their vacations, they will stand to lose a substantial amount of money. Travel insurance ensures that they're going to get compensation for losses that result from trip cancellation or interruption.

### **5.3 Recommendation**

- The Government should recognize the real importance of the insurance industry for the country implement measures and operations to develop and support tourism development.
- The regulators should work in longer view in mind its not only about regulating the industry should sustain itself as long run in capacity building.
- The federal government should provide basic infrastructure around tourist attractive area effort related to travel agencies
- The local government should improve of people's awareness through different methods with insurance between the main tourist areas of the country.
- The federal government must Transfer of international technical knowledge on the role of travel insurance for the development of travel agency must be considered as priority components with in tourism development plan or even government policy.
- Regional government should Increased operational sector involvement in the curriculum and technical training of the university and other training schools supplying the travel insurance industry.
- To solve the problem of insurance, the Government as well as the sub- city should encourage and give especial attention to both domestic and foreign sources with their balanced distribution over travel insurance major tourist attractive areas so as not to concentrate in and around.
- Attention should be given to the federal government, identification of the tourism product, development of non-traditional and new tourism insurance product
- The tourism commission should encourage the use acceptance of all credit cards by operators of hotels and other tourist services, and if necessary, make appropriate arrangement with monetary control authorities.
- The federal as well as local Unrestricted activity of tourist throughout the country, such as freedom of movement, relaxation of customs, and currency control, simplification of

the procedures in case of currency -law violation, free photographing, should be implement.

- The federal government should be establishment of at least one branch of an international financial company and general improvement of the standard of insurance services.
- Encourage provision of marketing and promotional measure and materials in the framework of integrated development plan and programmers and with a view to improved market penetration of tourism insurance in Ethiopia.
- Federal government should increase the contribution of tourism to economic and social development, for creation of employment opportunities and foreign currency earnings with insurance development.
- The federal government and local must emphasis for tourism insurance and all basic economic development to tourism.
- The stockholder must increase the standard of quality in all tourist travel insurance facility in tour operators.
- The local government find ways and means of improve tourism insurance to other organization.
- The local as well as the community must take care for tourist attracting areas and safety together with the security.

#### **5.4 Future Research Direction**

This study focused on the role tourism insurance for tourism development. Thus, the researcher hops that the result of this thesis could be help either the stake holders or the new researchers to design and conduct further researches in the role of tourism insurance for the development of tourism sector.

The scope of this study is limited to tourism insurance project therefore, further research should conduct on the benefit and cost-incurred of the insurance. Study findings suggest that, currently tourism is not much benefited to residents living close to the area as poverty alleviations well as safety and security.

So, further research is required to realized and quantify the amount of benefits and costs in monetary terms. More investigation is must be done on the association of tourism and poverty mitigation meeting with the community level with emphasis on the poor and vulnerable members.

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**Appendixes**  
**Appendix C**

**Addis Ababa University**  
**College of Development Study**  
**Center for Environmental and development Studies**  
**Tourism Development and Management Program**  
**ASSESSMENT OF CURRENT PRACTICES CONTRIBUTION AND CHALLENGES**  
**OF TOURISM INSURED IN ETHIOPIA**

Name of organization	Code
Insurance company 1	IC01
Insurance company 02	ICO2
Insurance company 03	IC03
Insurance company 04	ICO4
Insurance company 05	IC05
Tour and travel operator01	TTO01
Tour and travel operator02	TTO02
Tour and travel operator03	TTO03
Tour guide01	TG01
Tour guide 02	TG02
Tour guide 03	TG03
Ministry of culture and tourism 01	MOCT01
Ministry of culture and tourism 02	MOCT02
Ministry of culture and tourism 03	MOCT03

## **Appendix**

**Addis Ababa University**  
**College of Development Study**  
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**ASSESSMENT OF CURRENT PRACTICES CONTRIBUTION AND CHALLENGES**  
**OF TOURISM INSURED IN ETHIOPIA**

### INTERVIEW FOR INSURANCE COMPANIES

1. What is the role of insurance on the sector of tourism?
2. How do you interlink tourism and insurance company?
3. How can insurance in tourism sector help for developing the sector?
4. What do you think of the perception of tourists about insurance?
5. Do your company establish for the case of protecting travel agencies?

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**OF TOURISM INSURED IN ETHIOPIA**

**INTERVIEW TOUR AND TRAVEL AGENCIES**

1. What is the need of insurance for travel agencies?
2. Do Ethiopian travel agency especially in Addis Ababa has interlink with insurance?
3. How is it important that to have insurance within your agency?
4. Why most travel agencies in Ethiopia is not developed?
5. Is there any article that supports tourism policy in Ethiopia regarding organized travel insurance and agency?
6. Is travel insurance well organized in your companies?