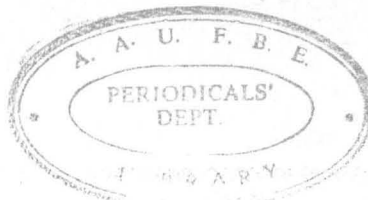
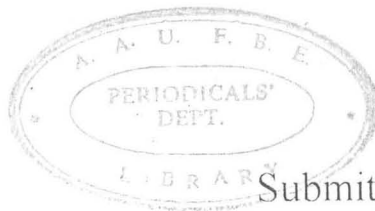


MBA 6



**Assessment of the marketing practice designed to
create, build and maintain beneficial exchanges with
fire and lightning insurance policy's customers
A case study of Ethiopian Insurance Corporation**

A research paper prepared in partial fulfillment of the requirement of
Masters of Business Administration (MBA)



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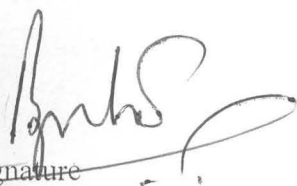
July, 2006

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MBA
ABR

Date 20-07-06

This is to certify that Abraham Hailemariam has completed his project work entitled "Assessment of the marketing practice designed to create, build and maintain beneficial exchanges with fire and lightning insurance policy's customers, A case study of Ethiopian Insurance Corporation" under my supervision. In my opinion, this work is suitable for submission in partial fulfillment of the requirement for the award of degree of Master of Business Administration.



Signature

Dr. Tholada V.S. Prasad (Advisor)

Declaration

I hereby declare that the project entitled "Assessment of the marketing practice designed to create, build and maintain beneficial exchanges with fire and lightning insurance policy's customers A case study of Ethiopian Insurance Corporation" is my original work and has not been presented (submitted) by any body; for any degree or diploma in any University and all the material used for the project work have been duly acknowledged.

Abraham Hailemariam

Name of Candidate



Signature

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ABSTRACT

The main purpose of this research is to throw light on a very challenging and perhaps less investigated issue of the marketing practice of insurance company's with respect to fire and lightning insurance policy customers. The study is conducted through evaluation and analysis of Ethiopian Insurance Corporation's marketing practice for the subject matter under the study. The study uncovers the marketing practice of EIC for fire and lightning insurance policy's customers in line with its marketing mix- i.e. product, price, placement and promotion- in order to create, build and maintain beneficial exchange. Hence; to realize these objective, questionnaires coupled by relevant interview has been administered to figure out EIC'S marketing practice for fire and lightning insurance policy. On the other hand in order to complement the validity of the research findings, house holds awareness together with their purchasing practice has been studied by taking a sample size of 50 respondents in bole-sub city administration. The study come up with the prevailing awareness of house hold, improved method of product development and placement. Besides; alternative as well as scientific method of setting premium and conducting promotional campaign has been uncovered. In summary, the out come of the research is expected to draw pointed attention to EIC'S managers, insurance companies in general, government ,customers and the community at large in devising competitive, healthy and rapidly growing business environment for the insurance industry in the country.

CHAPTER ONE

INTRODUCTION

1.1 BACK GROUND

The insurance business in Ethiopia in its modern application is a recent phenomenon. A branch of foreign insurance company known as "Baloise fire insurance company" was opened by an Austrian (weinsinger) in Addis Ababa in 1923. For the first time in Ethiopia the company paid compensation to client in 1929 for damage to his store caused by fire. Beginning from this time until the Italian invasion of 1936 some foreign insurance companies were operating through their agents. During the Italian occupation of Ethiopia in 1936-1941, Italian insurance companies operated and non-Italian companies were closed down (Tekle giorgis, 2004).

During the pre-military government the Ethiopia economic policy was designed in such away that encourages the establishment and growth of private owned insurance companies in the economy. But, after the military government came to power, in 1974, thirteen private insurance companies were nationalized in January 1975, and amalgamated to create Ethiopian insurance corporation. As a result of this action the industry was monopolized by Ethiopian Insurance corporation for about a couple of decades. After the down fall of the military government the existing government comes up with attractive as well as ideal economic policy which highly encourages the establishment & expansion of privately owned insurance companies to operate in the insurance industry. owing to this conducive economic policy, more than seven privately owned insurance companies joined the insurance industry since 1991.

Ethiopian Insurance Corporation was established by proclamation NO-68/1975 on 1st January 1976. Currently, EIC operating in the insurance industry with a grand mission of producing its customers all efficient and reliable insurance services which cover life, property and liability risks.

EIC provides its services by giving a paramount importance to its customers' safety & satisfaction by making use of the right mix of expertise, the most up to date ICT & cost effective strategies.

EIC has 785,794,000 Total assets in 2005. EIC renders its services through six regional, functional main branches situated through out the country.

1.2. Statement of the problem.

It is natural that every business organization whether small or large, private or state owned, domestic or multinational operating in a turbulent & uncertain environment. Hence, firms & house holds are subjected to a multitude of risks in their day-to-day operation & every walk of life.

Risk poses a problem to business & individuals in nearly every walk of life. Firms & individuals employ various risk control techniques that ranges from rule of thumb method to insurance.

Insurance defined from the viewpoint of the individual: "Insurance is an economic device where by the individual substitutes a small certain financial loss (the contingency insured against) that would exist if it were not for the insurance." But there is meager understanding among business owners/ individuals about the benefit of insurance service in general & fire & lightning insurance in particular.

Basically fire & lightning insurance is designed to indemnify the insured for loss of or damage to buildings, furniture, fixtures or other personal property as a result of fire, lightning, windstorm, hail, explosion, and a long list of other perils.

The marketing practice of insurance companies should gear towards attracting, securing, and sustaining fire and lightning insurance policy's customers. More over, the marketing practice should enhance effectiveness and efficiency particularly in the fire and lightning insurance scheme, which function by commensuration with the grand goal of the

organization. Lack of awareness of attractive marketing practice results inadequate market for the company. Besides, individuals and firms exposed to fire accident incur substantial loss, which would have been handled with a relatively smaller certain cost. Consequently; firms cease their operation, quit their invaluable contribution in providing goods and services, and lay off their employees, the marketing strategy to gather with its practice designed by a company dictates the survival, profitability efficiency and effectiveness of the company in a practical manner.

Taking in to account the afore mentioned realities it is imperative to examine the marketing practice of the company in the light of the following internal and external factors which determines the effectiveness and efficiency of the marketing practice adopted by Ethiopian insurance corporation (EIC)

If is worth to mention that among other, the effectiveness of the marketing mix "marketing mix consists of those independent variables over which the organization exerts some degree of control (product, price place and promotion)" is largely dependent up on devising sound marketing practice for each individual marketing mix variables coupled by ensuring sound mechanism in line with realizing positive synergy of all the marketing mix variables.

To this end, the finding of this project largely benefits the company in enabling to devise the appropriate marketing practice for fire and lightning insurance policy. In line with this, besides a scholarly contribution made by the empirical findings, it would be a spring board for other in depth and relevant project endeavors in the subject this project geared to study.

1.3 The project relevance and objectives

The level of awareness about risk handling techniques in general and insurance in particular to gather with company's resources and structural

system would be a corner stone in devising pertinent, sound and effective marketing strategy coupled by a pertinent marketing practice this in turn benefits the insurer, insured, society and the national economy at large. The over all structure of the company and the established communication pattern (system) input, processing, out put and feed back in terms of deciding the appropriate pricing, promotion, product, and placement mix plays a pivotal role in performance effectiveness and efficiency.

Among other specific objectives this project has figured out the complimentary services, i.e. bank loans that are available for the fire and lightning insurance policy. Basically; the project confined to "named peril" coverage .Hence, the project doesn't take in to account " open peril coverage" " all risk" rather addresses the practical fire& lightning insurance policy employed by insurers, i.e. " named peril" " named peril" coverage, the specific perils against which protection is provided is listed in the policy, and coverage applies only for damage arising out of the listed perils". In line with this, the project intends to devise the most appropriate marketing practice for those complimentary services delivered by other than insurance companies which are providing market opportunity for insurance companies. There fore, the project is intended to examine, identify, and find out major dependent variables that dictate the appropriateness, effectiveness and efficiency of the marketing practice designed for fire and lightning insurance policy. Consequently, the major research project endeavor geared towards the following specific objectives.

- To identify how would the marketing practice of fire & lightning insurance policy conceived with a very well understanding of the companies over all marketing strategy. In other words examining the fundamental premises (notion) in the designing of the marketing practice towards building beneficial exchange with customers through loss prevention, loss reduction, or loss indemnification.

- To identify the level of company's involvement in the after sales service. This is manifested in such a way that like providing training to reduce the potential losses, follow up, consultancy services and so on.
- To find out the price scheme mechanism of fire&lightning insurance policy in terms of considering hazards like location, fire prevention mechanisms, the nature of the firm, other loss prevention& reduction schemes held by the insured
- To examine the kind of fire& lightning insurance policy coverage delivered by the company hand-in-hand with its appropriateness, namely direct& indirect loss.
- To identify the promotional mix devised for fire&lightning insurance policy together with the sequence and matching effectiveness between the target market segment and its accompanying scheme
- To examine the level of awareness and purchasing practice of household about fire and lightning insurance policy

1.4 scope and Delimitations of the study

The project has been undertaken in Ethiopian Insurance Corporation. Only fire and lightning insurance policy's marketing practice has been uncovered among many other insurance policies. The internal structure to gather with a given resource in the marketing department scrutinized. Moreover, the marketing practice of the company's fire and lightning insurance policy has been studied in the perspective of the marketing mixes i.e. product, price, placement, and promotion.

Due to the acute shortage of time and money the project confined to uncover the customers assessment of fire and lightning insurance policy only from the house holds perspective. More over; according to the exploratory research made at the beginning of the study, the researcher has come to know that there is very poor awareness and sales records in the past made by the company to house holds compared to various types of business firms. Besides; according to fire and lightning insurance policy

survey manager the long lasting practice in line with fire and lightning insurance policy has a track record particularly by individual households who have relatively large market value house and owned privately. Hence; the researcher has made awareness assessment of bole sub city dwellers.

The other major limitation lays on lack of relevant secondary data which would have been contributing much to the validity level of the project finding. This in turn forced the researcher to make various assumptions because the lack of specificity and relevance of the data available. More over; the limited local research work on related topics has put an impact on the research.

The remainder of this paper is organized as follows. Chapter two presents the essence of the marketing practice of EIC with regard to fire and lightning insurance policy and examine some of the relevant research works related to the subject of the study at hand. Then, in chapter Three the methodological plan of the study is outlined and a description of the essence of the statistical techniques used is given. Chapter Four presents a discussion on the empirical results and its interpretation. Then chapter Five concludes the paper by discussing the study's implications and presenting some remarks.

CHAPTER TWO

THE LITERATURE REVIEW

2.1 Marketing concepts

Marketing is the anticipation, management, and satisfaction of demand through the exchange process, (Philip Kotler, 2001) on the other hand Charles F. Phillips defined marketing in such a way that marketing is planning and executing the conception, pricing, promotion and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives.

Although management is not treated as a separate function, it should be emphasized that it is involved in carrying out all of the functions of marketing

(Charles F. Phillips, 1964) identified that two marketing authorities point out that the basic goals of the marketing concepts are "the orientation of all marketing functions toward the customer, and the making of all management decisions in the light of customer needs at minimum expense with optimum sales volume and profits"

Marketing mix is a term used to describe the combination of the four inputs that constitute the core of an organization's marketing system. These four elements are the product offerings, the price structure, and the promotional activities, and distribution (sometimes called placement) system. The other name for marketing mix is the 4ps as all the elements start with p. (Philip Kotler, 2001) the four "ingredients" in the marketing mix are interrelated.

2.1.1 Product planning and development process

Product is the first and most important element of the marketing mix product strategy calls for making coordinated

decisions on product mixes, product lines, brands, and packaging and labeling (Ibid)

In planning its market offer or product the marketer needs to think through the five levels of the product. The most fundamental level is the core benefit, the fundamental benefit, and service that the customer is really buying. Also the second level; the marketer has to turn the core benefit into a basic product. At the third level the marketer prepares an expected product, a set of attributes that buyers normally expect and agree to when they buy the product. At the fourth level, the marketer prepares an augmented product, one that includes additional services and benefits that distinguish the company's offer from that of competitors. At the fifth and final level the marketer prepares a potential product which encompasses all the augmentations and transformations that the products might ultimately undergo. (Ibid, 214)

The development process for new products should begin with the selection of an explicit new product strategy. This strategy then can serve as a meaningful guideline through out the step by step development process used for each individual new product. Here the purpose of selecting an effective overall new product strategy is to identify the Strategic role that new products are to play in helping the company achieve its corporate and marketing goals.

2.1.2. Pricing

In economics and business, the price is the assigned numerical monetary value of the a good service or asset. The concept of price is central to micro economic where it is one of the most important variables in resources allocation theory (also called price theory). Price is also central to marketing where it is one of the four variables in the marketing mix that business people use to develop a

marketing plan.(Dennis E.Garrett,1986)price may be defined as the value of product attributes expressed in monetary terms which a consumer pays or is expected to pay in exchange and anticipation of the expected or offered utility, price is there fore, a link that binds consumers and the company. It helps to establish mutually advantageous economic relation ship and facilitates the transfer of owner ship of goods & services from the company to buyers.

Pricing is considered by many to be the key activity within the capitalistic system of free enterprise. The market price of a product influences wages, rent, interest, and profits that is, the price of a product influences the price paid for the factors of production –labor, land, capital & entrepreneurship. Price thus is a basic regulator of production.. In its role as allocates of scarce resources, price determines what will be produced (supply) and who will get how much of the goods and services that are produced (demand). Therefore, price affects the firms competitive position, market share and marketing program.(Ibid)

2.1.3 Placement

According to American marketing association, “A channel of distribution or marketing channel, is the structure of and intra company organization units and extra company agents and dealers whole sale and retail through which commodity, product or service is marketed”

“Marketing channels are the combination of agencies through which the seller, who is often, through not necessarily the ultimate user “(John A. Howard,2001)

A distribution channel moves goods from producers to consumers. It over comes the major time, place, and possession gaps

that separate goods and services from those who would use them. Marketing channel members perform many functions; buying, carrying inventory negotiation, conducting marketing research and servicing.

2.1.4. Promotion

Promotion is one of the important components of company's total marketing mix. Its intent is to inform, persuade, and influence people. promotion involves an on going process of communication between an organization and its target market. "Promotion is the element in an organization's marketing mix that serves to inform, persuade and remained the market of a product and/or the organization selling it, in hopes of influencing the recipients feelings, beliefs, or behavior" (w.J.stanton,2001) having considered "who says what to whom and for what purpose", the next are a concern is "how". Developing the promotional mix entails selecting and blending different channels of communication in order to achieve the promotion mix, the one of the four major components also involves the careful blending of several elements like advertising sales promotion, personal selling, publicity and public relations to accomplish the organization's promotional objectives.

2.2. Risk management's probability Distribution ④

2.2.1. Risk Management

Risk is a condition in which there is a possibility of an adverse deviation from desired out come that is expected or hoped for. Risk is uncertainty regarding loss (Williams, 1998). Thus, risk is potential variation in outcomes. If loss is certain to occur, it may be planned for in advance and treated as a definite, known expense. It is when there is uncertainty about the occurrence and threatened as a

definite, known expense. It is when there is uncertainty about the occurrence of loss that risk becomes an important problem. If only one outcome is possible, the variation and hence the risk is 0. If many outcomes are possible the risk is not 0. The greater the variation, the greater the risk (Ibid)

It is not uncommon for the terms peril and hazard to be used interchangeably with each other and with "risk". However to be precise, it is important to distinguish these terms. Peril is defined as the cause of loss. It is a contingency that may cause a loss. we speak of the peril of "fire" or "windstorm" or "hail" or "theft" each of these is the cause of the loss that occurs (Dorfman 1998). on the other hand, A hazard is a condition that may create or increase the chance of a loss arising from given peril (Ibid). More over, There are three basic types of hazard.

A physical hazard is a condition stemming from the physical characteristics of an object that increases the probability and severity of loss from given perils (Williams, 1998) where as, moral hazard is dishonesty or character defects in an individual that increase the frequency or severity of loss (Ibid , P.38). But, morale hazard is carelessness or indifference to a loss because of the existence of insurance (Ibid).

Risk management is derived as a systematic process from the identification and evaluation of pure loss exposures faced by an organization or individual, and for the selection and implementation of the most appropriate techniques for treating such exposures. (Vaughan 1995). Basically there are various tools of risk management available for individuals and firms.

After the risk manager has identified and measured the risk facing the firm, he must decide how best to handle them. The five

basic tools of risk management are (1) avoidance (2) retention (including self insurance) (3) loss prevention and reduction, (4) combination or increasing the number of units exposed to the loss, and (5) transfer to others (including the purchase of insurance) (Williams, 1971)

Avoidance means that a certain loss exposure is never acquired, or an existing loss exposure is abandoned. Where as, retention is the most common method of handling risk by the firm itself. This retention may be passive or active. Active retention may or may not be self insurance – is a special form of planned retention by which part of all of a given loss exposure is retained by the firm – the retention is passive when the risk manager is not aware that the risk exists and consequently does not attempt to handle it (Harrington, 1999)

Loss prevention and reduction measures attack risk by lowering the chance that a loss will occur or by reducing its severity if it does occur. loss prevention and reduction has the unique ability to prevent or reduce losses for both the individual firm and society. (Williams, 1971) on the other hand, with regard to combination risks are pooled or combined when the number of independent exposure units under observations increased., But, transfer is manifested in two ways first, the property or activity responsible for the risks may be transferred to some other person or group of persons. Second the risk but not the property or activity may be transferred. (Trieschmanny and James, 1998).

Insurance is not one of the afore-mentioned five basic tools of risk management, but it is easily the most important illustration of the transfer technique and the key stone of most risk management programs.

2.3 Probability distribution

2.3.1 Law of large numbers

The law of large numbers, a basic law of mathematics, states that as the number of exposure units (in other words, persons or objects exposed to risk) increases, the more certain it becomes that actual loss experience will equal probable loss experience (Vaughan 1995) hence, the degree of objective risk- is defined as the relative variation of actual from expected loss diminishes as the number of exposure units increases. The law of large numbers states that the greater the number of exposures, the more closely will the actual results approach the probable results that are expected from an infinite number of exposure. (Ibid, 121). Therefore, by applying the law of large numbers, the insurance company can predict accurately the fair amount of losses it will experience in a given period. The relative accuracy of the company's predictions increases as the number of exposures in the insurance pool increases. If losses can be predicted accurately, then the costs can be budgeted and shared in advance if the appropriate premium is charged. The substitution of a small certain premium in place of a large uncertain loss motivates many consumers and businesses to purchase insurance.

2.4 The nature and function of insurance

2.4.1 Risk sharing and risk transfer

Insurance is a complicated and intricate mechanism, and it is consequently difficult to derive. However, in its simplest aspect it has two fundamental characteristics transferring or shifting risk from one individual to a group and/or sharing losses, on some equitable basis, by all members of the group (Williams, 1971)

Insurance can be defined from two points of view.

From an individual point of view insurance is an economic device where by the individual substitutes a small certain cost (the premium) for a large uncertain financial loss (the contingency insured against) that would exist if it were not for the insurance (Vanghall, 1995)

Insurance is the protection against financial loss provided by an insures. The primary function of insurance is the creation of the counterpart of risk, which is security insurance does not decrease the uncertainty for the individual as to whether the event will occur, not does it alter the probability of occurrence, but it does reduce the probability of financial loss connected with the event from the individual's point of view, the purchase of an adequate amount of insurance on a house eliminates the uncertainty rewarding a financial loss in the event that the house should burn down.

From the social point of view, insurance is an economic device for reducing and eliminating risk through the process of combining a sufficient number of homogeneous exposures into a group to make the losses predictable for the group as a whole (Ibid)

Insurance is a device by means of which the risks of two or more persons or firms are combined through actual or promised contributions to a fund out of which claimants are paid. From the view point of the insured, insurance is a transfer device. From the view point of the insure, insurance is a retention and combination device. The distinctive feature of insurance as a transfer device is that it involves some pooling of risks, i.e. the insurer combines the risks of many insured. Through this combination the insurer improves ability to predict its expected losses.

Insurance does not prevent losses, nor does it reduce the cost of losses to the economy as a whole. As a matter of fact, it may very well have the opposite effect of causing losses and increasing the cost of losses for the economy as a whole. The existence of insurance encourages some losses for the purpose of defrauding the insurer, and in addition, people are less careful and may exert less effort to prevent losses than they might if the insurance did not exist also the economy incurs certain additional costs in the operation of the insurance mechanism. Not only must the cost of the losses be borne, but the expense of distributing the losses on some equitable basis adds to this cost (Teklegiorgis, 2004)

2.4.2 Basic characteristics of insurance

An insurance plan or arrangement typically has certain characteristics. They include pooling of losses, payment of fortuitous losses, risk transfer and indemnification (ibid, P.63)

Pooling or the sharing of losses is the heart of insurance. Pooling is the spreading of losses incurred by the few over the entire group, so that process, average loss is substituted for a actual loss. In addition, pooling involves the grouping of a large number of exposure units so that the law of large numbers can operate to provide a substantially accurate prediction of future losses ideally, there should be a large number of similar, but not necessarily identical, exposure units that are subject to the same perils, thus, pooling implies (1) the sharing of losses by the entire group, and (2) prediction of future losses with some accuracy based on the law of large numbers. (Ibid, P.64)

By pooling or combining the loss experience of a large number of exposure units an insurer may be able to predict future losses with some accuracy from the viewpoint of the insurer, if future losses

can be predicted, objective risk is reduced. Thus, another characteristic often found in many lines of insurance is risk reduction based on the law of large numbers.

If there are a large number of exposure units, the actual loss experience of the past may be a good approximation of future losses. As the number of exposures increases, the relative variation of actual loss from expected loss will decline. Thus, the insurer can predict future losses with a greater degree of accuracy as the number of exposures increases. This concept is important since an insurer must charge a premium that will be adequate for paying all losses and expenses during the policy period. The lower the degree of objective risk, the more confidence an insurer has that the actual premium charged will be sufficient to pay all claims and expenses and provide a margin for profit.

A second characteristic of private insurance is the payment of fortuitous losses. A fortuitous loss is one that is unforeseen and unexpected and occurs as a result of chance (Ibid). In other words, the loss must be accidental. The law of large numbers is based on the assumption that losses are accidental and occur randomly.

Risk transfer is another essential element of insurance with the exception of self insurance, a true insurance plan always involves risk transfer. Risk transfer means that a pure risk is transferred from the insured to the insurer, who typically is in a stronger financial position to pay the loss than the insured (Ibid P. 65). From the viewpoint of the individual, pure risks that are typically transferred to insurers include the risk of premature death, poor health, disability, destruction and theft of property, and liability lawsuits.

A final characteristic of insurance is indemnification for losses. Indemnification means that the insured is restored to his or her approximate financial position prior to the occurrence of the loss (Ibid). Thus, if your house burns in a fire, the home owner's policy will indemnify you or restore you to our previous position. If you are sued because of the negligent operation of an automobile your automobile liability insurance policy will pay those sums that you are legally obligated to pay similarly; if you are seriously disabled, a disability income policy will restore at least part of the lost wages.

2.4.3. Requisites of insurable risks

In spite of the usefulness of insurance in many contexts, not all risks are commercially insurable. Insurers normally insure only pure risks. However, not all pure risks are insurable. Certain requirements usually must be fulfilled before a pure risk can be privately insured. The characteristics of risks that make it feasible for private insurers to offer insurance for them are called the requisites of insurable risks (Harrington, 1999) for practical reasons; insurers are not willing to accept all the risks that others may wish to transfer to them. To be considered a proper subject for insurance, certain characteristics should be present.

A risk could be considered an ideally insurable risk if it satisfies the six conditions discussed below.

Large number of exposure Units

There must be a sufficiently large number of homogeneous exposure units to make the losses reasonably predictable (Ibid). Ideally there should be a large group of roughly similar but not necessarily identical, exposure units that are subject to the same peril or group of perils. Insurance is based on the operation of the law of large numbers. A large number of exposure units enhance the

operation of an insurance plan by making estimates of future losses more accurate. The purpose of this first requirement is to enable the insurer to predict loss based on the law of large numbers. Loss data can be compiled over time, and losses for the group as a whole can be predicted with some accuracy. The loss costs can then be spread over all insured in the underwriting class (Ibid P.169)

Accidental and unintentional loss

The loss must be fortuitous or accidental the loss must be the result of a contingency that is, it must be something that may or may not happen. It must not be something that is certain to happen. (Ibid). If the insurance company knows that an event in the future is inevitable it also knows that it must collect a premium equal to the retained loss that it must pay plus an additional amount for the expenses of administering the operation. Depreciation, which is a certainty, cannot be insured, it is provided for through a sinking fund. Furthermore, the loss should be beyond the control of the insured these means that if an individual deliberately causes a loss, he or she should not be indemnified for the loss.

The requirement of an accidental and unintentional loss is necessary for two reasons (Dormans, 1984). First if intentional losses were paid, moral hazard would be substantially increased, and premiums would rise as a result in relatively fewer persons purchasing the insurance and the insurer might not have a sufficient number of exposure units to predict future losses.

Second, the loss should be accidental because the law of large numbers is based on the random occurrence of events. A deliberately caused loss is not a random event since the insured knows when the loss will occur. Thus, prediction of future experience may be highly inaccurate if a large number of intentional or nonrandom losses

occur. The law of large numbers is useful in making predictions only if use can reasonably assume that future occurrence will approximate past experience since we assume that past experience was a result of chance happening. the predictions concerning the future will be valid only if future happenings are also a result of chance.

Determinable and measurable loss

The loss produced by the risk must be definite and measurable this means the loss should be definite as to cause, time, place and amount (ibid). We must be able to tell when a loss has taken place, and we must be able to set some value on the extent of it.

No catastrophic loss

The loss must not be catastrophic. This means that a large proportion of exposure units should not incur losses at the same time (Ibid.P.148). The insurance principle is based on a notion of sharing losses and inherent in this idea is the assumption that only a small percentage of the group will suffer loss at any one time. Basically, pooling is the essence of insurance. if most or all of the exposure units in a certain class simultaneously incur a loss, then the pooling technique breaks down and becomes unworkable. Premiums must be increased to prohibitive levels, and the insurance technique is no longer a viable arrangement by which losses of the few are spread over the entire group.

Calculable chance of loss

The insurer must be able to calculate both the average frequency and the average severity of future losses with some accuracy. This requirement is necessary so that a proper premium can be charged that is sufficient to pay all claims and expenses and yield a profit during the policy period (Harrington 1999).

Certain losses, however, are difficult to insure because the chance of loss cannot be accurately estimated, and the potential for a catastrophic loss is present.

Economically feasible premium

The cost of the insurance must not be high in relation to the possible loss. The insurance must be economically feasible for the insurance to be an affirmative purchase; the premiums paid must be substantially less than the face value, or amount, of the policy. (Ibid).

The probability of loss must be reasonable, or else the cost of risk transfer will be excessive. The more probable the loss the greater the premium will be. And a point ultimately is reached when the loss becomes so certain that when the insurer's expenses are added on, the cost of the premium becomes prohibitive. At this point insurance is no longer feasible because the insured will not be willing to pay the necessary premium.

2.4.4. Benefits and costs of insurance ✓

Insurance has peculiar advantages as a device to handle risk and so ought to be used to bring about the greatest economic advantage to society.

Indemnification for loss ✓

Indemnification permits individuals and families to be restored to their former financial position after a loss occurs – as a result they can maintain their financial security since they are restored either in part or in whole after a loss occurs, they are less likely to seek financial assistance from relatives and friends (Dormans, 1984).

Indemnification to business firms also permits firms to remain in business and employees to keep their jobs. Suppliers continue to receive orders, and customers can still receive the goods and services they desire. The community also benefits because its tax base is not eroded. Businesses and families who suffer unexpected losses are restored or at least made closer to their former economic position. The advantage to these individuals is obvious society also gains because these persons are restored to production and tax revenues are increased. In short, the indemnification function contributes greatly to family and business stability and therefore is one of the most important social and economic benefits of insurance.

Less worry and Fear

A second benefit of insurance is that worries and fears reduced. This is true both before and after a loss. (Ibid, 242).

Source of Investment funds

The insurance industry is an important source of funds for capital investment and accumulation premiums are collected in advance of the loss, and funds not needed to pay immediate losses and expenses can be loaned to business firms. These funds typically are invested in factories, housing developments, and new machinery and equipment the investments increase society's stock of capital goods, and promote economic growth, insurers also invest in social and economic development projects (Ibid).

Reduced cost of capital

Because the supply of investable funds is greater than it would be without insurance, capital is available at a lower cost than would otherwise be possible since the total supply of loadable funds is increased by the advance payment of insurance premiums, the cost of capital to business firms that borrow is lower than it would be in the absence of insurance. This result brings about a higher standard of living because about a higher standard of living be caches increased investment itself will raise production and cause lower prices than would otherwise be the case. Also, because insurance is an efficient device to reduce risk, investors may be drilling to enter fields they would otherwise reject as too risky. Thus, society benefits by increased services and new products the earmark of increased living standards (Ibid 244).

Loss control

Another social and economic yawl of insurance lies in its loss control or loss prevention activities- a Hough the main function of insurance is not to reduce loss but merely to spread losses among members of the insured group, insurers are nevertheless vitally interested in keeping

losses at a minimum- in surfers know that if no effort is maiden this regard, losses and premiums would have a tendency to rise. It is human nature to relax vigilance when it is known that the loss will be fully paid by the insurer. Further more, in any given year, a risk in loss payments reduced the profit to the insurer, and so loss prevention provides a direct alleluia of increased profit. (Ibid).

Enhancement of credit

Insurance enhances a person's credit insurance makes a borrower a better credit risk because it quarantines the value of the borrower's collateral, or gives greater assurance that the loan will be repaid.

Aid to small Business

Insurance encourages competition because without an insurance industry small business would be a less effective competitor against big business. Big business may safely retain some of the rises that if they resulted in low, would destroy most small businesses. Without insurance, small business would involve more risks and would be a less attractive outlet for funds and energies (Teklegiorgis, 2004)

2.4.5 Fire insurance ✓

Fire insurance is designed to indemnify the insured for loss of or damage to buildings furniture, fixtures, or other personal property as a result of fire, lightning, windstorm, hail explosion, and a long list of other perils (Tekle Giorges, 2004) originally only fire was an insured peril, but the number of perils insured against has gradually been expanded over the years.

There are two basic approaches with respect to the perils for which coverage is provided under the first approach, called "named peril" coverage, the specific perils against which protection is provided are listed in the policy, and coverage applies only for damage arising out of the listed perils under the second approach, called "open peril coverage" the policy lists the perils for which coverage is not provided and loss from any peril not excluded is covered (Ibid)

In fire insurance coverage may be provided for both direct loss (i.e. the actual loss represented by the destruction of the asset) and indirect loss (i.e. the loss of income and/or the extra expense that is the result of the loss of the use of the asset protected)

2.4.5.1 Fire and lightning policy

This policy provides indemnification to the insured for loss of or damages to property by fire or lightening at any time during the tenure of the policy. Indemnification is equal to the value of the property at the time of the happening of its destruction without exceeding the policy amount (Tekelgiorigis 2004) Insurable property includes. Premises stocks and materials in the business and belonging to the insured goods held by the insured in trust or on commission for which the insured is responsible, fixtures, fittings, machinery etc...

The conditions of this policy states that the insurer will not be liable for any misrepresentations, omissions or miss description of the insured property. The policy is not normally issued on a long term basis. Moreover; the value at risk is declared and agreed beforehand. The insured is required to make monthly declaration to insurer concerning (Ibid)

1. the average value at risk on each day of the month
2. the average of the highest value at risk in each week of the month
3. the highest value at risk during the month, and
4. the value at risk on a specified day of the month.

All insurance cover under fire policy pertaining to the building or the property contained in it ceases immediately when there is a fall or displacement of a substantial part of the insured building thereby increasing the risk of fire.

The policy does not cover:-

- Losses by them during or after the occurrence of a fire
- Loss/ damage to property arising out of climatic conditions, inherent chemical reaction, etc...
- burning of property by order of any public authority or subterranean fire
- Fundamental risks.

Moreover, unless expressly staged in the policy, fire insurance policy does not give cover for goods held in trust or on commission any work of art exceeding Birr 150 Manuscripts, plans, drawings, models, securities, documents of any kind, stamps coined or popper money, cheeks and the like.

Chapter three

Method of study

The project has been conducted based on primary and secondary data. The primary data is obtained from house holds of bole sub city administration. Besides; it was secured from managers who are working in Ethiopian Insurance Corporation. In line with this, these primary data has been gathered by administering questionnaires coupled by interviews. On the other hand; the secondary data includes important documents company's publication together with various News letters, brochures and special publications. Moreover; the researcher has made special effort with regard to securing relevant data through various literatures written by different scholars specializing in insurance and the Ethiopian national bank insurance legislation.

3.1 The Nature of the sample for households' assessment

The population is defined as all Addis Ababa dwellers that have their own house. This selection is made on account of accessibility and taking into account the fire and lightning insurance policy's expert's illustration about the low level of awareness and purchasing practice with regard to non business houses

The study was conducted on Addis Ababa household dwellers. The researcher has employed a multistage sampling method. This method is illustrated briefly as follows

Firstly; the overall Addis Ababa administration is organized into 10 sub cities. Hence; with the assumption that the most developed and at the same time relatively similar houses are built in bole sub city. More over on the bases of the finding in the early stage of this study through exploratory research the usual practice for fire and lightning insurance policy is evident in such away that it is the need of relatively houses which has a higher market value coupled by private households.

Secondly; so long as bole sub city is concerned there are 11 kebeles. There fore, in one hand there is an acute shortage of time and money for this project endeavor, on the other hand; there is lack of information with regard to house distribution together with relevant data about the nature of the houses. In line with this; the researcher has forced to employee a stratified sampling through the available 11 kebeles. There after; the writer has selected kebele 03/05 stratum as a unit of analysis for the subject matter at hand. Even though kebele 03/05 don't have recent data about the number of private house holds, they have provide the total number of houses according to 1996 E.C records which accounts for 2145.

Thirdly; the writer has selected 50 households on the basis of their house number list through simple random sampling method. Hence; the questionnaire is administered for the households who are incorporated in the sample as a sample element.

3.1.2 Methodology used for analysis of responses of households

Basically; after the questionnaire is gathered, the researcher has made considerable effort to increase its validity through cleaning, editing and coding .so long as open ended questions is concerned, and interpretation of the responses together with summarizing into closely related grouping has been made. On the other hand; closed ended questions has been tabulated hand – in hand with tallying the frequencies. In line with this; tabulation, percentage and relative grading has been used for analysis purpose.

3.2 Methodology used for assessment of the marketing practice of EIC

All the marketing mix elements i.e. price, product, placement and promotion, has been examined in this project. In line with this; a questionnaire has been designed independently for all the marketing mix variables. Hence; these questionnaire has been administered by using convenient

sample through individuals' status, type of expertise together with their role in EIC with regard to fire& lightning insurance policy in particular and over all marketing practice which is manifested through product development, placement, pricing and promotion.

The questionnaire has been supported through relevant interviews. The collected primary data has been analyzed and interpreted tallying tabulation, percentage and relative frequency.

With regard to secondary data sources the researcher has used EIC'S magazines, brochures, pamphlets, news letters and internal records. Besides; Addis Ababa city fire brigade six years fire accident recorded data has been used for determining the would be objective risk in the coming years. Similarly; the six years data has been regressed by making time as an independent variable over the dependent variable of number of houses burnt. The regression has been made both through least equate method and application of STATA econometrics soft ware. Consequently; the researcher has take in to account Ayat Real estate village as a unit of analysis for developing empirical manual / class rating method for fire and lightning insurance policy. More over; even though there are around 3000 houses built in Gerjje area real estate village their price ranges from 957,000 up to 452,000 birr. Owning to Ayat real estate workers unwillingness to provide the number of houses built in each price category, the writer has forced to choose the least price list as a unit of analysis to come up with a gross premium amount for those 3000 houses.

To this end; even though it is worth to take into account all clients/ customers for fire and lightning insurance policy, due to the acute shortage of time, information and money the researcher has confined to private owned households.

Chapter four

4. Discussion and analysis

4.1 Product development

Fire is a chemical reaction and it is a combination of three things. The three things which should be combined to create fire are fuel, heat and oxygen. These three things know as the fire triangle. Since a triangle

is no more a triangle if one side of it is missed, there is no fire if one of the combinations needed to create fire doesn't exist.

There fore, putting fire out means depriving one of its vital components or separating two of them.

4.1.1 The definition of the policy and its scope of cover.

The basic fire and lightning policy seeks to indemnify the insured for a direct loss of or damage to property as a result of fire or lightning. Moreover, damage caused by explosion of boiler or gas used for domestic purpose is also covered under the policy.

In order to constitute fire with in the meaning of fire and lighting insurance policy ,the following three important conditions must be fulfilled:-

- a) There must be actual ignition
- b) there must be something on fire which ought not to be on fire and
- c) The fire must be accidental or fortuitous, in its origin as far as the insured is concerned. It must not be willful or intentional on the part of the insured.

Other types of loss / damage as listed below are also covered though not directly caused by fire or lightning

- Smoke damage caused by fire with the context it has in the policy
- Property damaged by water or other extinguishment of the fire
- Property blown up to prevent fire from spreading
- Losses incurred by the insured in attempting to check the progress of a fire or to save property. This could be in the form of damage to property removed from a burning building caused by rain or damage during removal.

However, the insured must take reasonable steps as soon as possible to protect the removed property. The reason why such losses

are covered by the insured during his duty in trying to minimize the loss.

Even though fire is the proximate cause, if the insurer can bring up evidences which show or prove that:-

- a) The fire was caused by an expected peril
- b) There was insured's consent or willfulness as to the cause of the fire; the insured cannot claim indemnity under the fire and lightning policy.

In relation to fire and lightning insurance policy the question of liability is inevitable. Because there are causes where liability is denied when excepted perils play a part as proximate cause of fire. For example; fire caused by its own fermentation or heating is not covered.

4.1.2. Subject Matter insured

The property insured under a fire policy comprises the following:-

- Buildings (such as offices, hospitals, warehouses, factories etc.)
- Contents therein and thereon (other than stock), the property of the insured or held by him in trust for which he is responsible.
- Stock, either manufacture's or retailer's

Special perils

Anyone or all of the following special perils can be included to the fire and lightning cover at an additional premium

- a) **Perils of chemical type:-** Explosion, spontaneous fermentation or heating:- the explosion of steam pressure vessels (boiler) is not covered because it is more properly treated under engineering policy. Explosion caused by domestic utilities is also not covered. However concussion damage by explosion of dust like vegetable oil mills, boot and shoe factories, silos etc. and explosion of inflammable vapors in paint factories is covered.
- b) **Social perils:-** Riot, strike and civil commotion (RSCC) damage effected by labor disturbances or by malicious persons is covered

with additional premium. Damages undertaken with intent and regarded as malicious damage.

Exclusion

- i) Damage arising out of confiscation, requisition or destruction by government order
- ii) Damage arising out of cessation of work
- iii) Damage by theft
- iv) Damage to in occupied buildings
- c) **Perils of nature:** Storm, flood, earthquake land slide etc. flood is often caused proximately or remotely by storm. For this reason flood cover is usually one written as an extension of storm cover. The policies also have an excess applied to ensure that small items of general maintenance do not become the subject of claims.
- d) **Miscellaneous perils:-** Escape of water, impact damage and aircraft damages.

4.1.3. General Exclusion

The standard fire and lightning policy does not cover the following:

1. Damage caused by
 - a) riot or civil commotion, unless these perils are specified in the schedule of the policy and
 - b) War, invasion, act of foreign enemy, hostilities, civil war, rebellion, revolution, insurrection or military or usurped power.
2. Any loss or expense resulting from or in consequence of
 - a) Ionizing radiation, contamination by radio active; nuclear fuel or nuclear waste etc.
 - b) Radio active toxic explosive or other hazardous properties.
3. Loss or destruction or damage caused by pollution or contamination but this shall not exclude destruction of or damage to the property insured, not otherwise excluded, caused by:-

- a) Pollution or contamination which itself results from a peril insured against,
 - b) Any peril hereby insured against which itself results from pollution or contamination.
4. Any property more specifically insured by or on behalf of the insured.
5. Consequential loss or damage of any kind or description except loss of rent if such loss is included in the cover under the policy.

4.2 product pricing

According to the findings figured out from the administered questionnaire coupled by interview conducted to experts working in the pricing of fire and lightning insurance policy the following product pricing method and procedure has been uncovered in Ethiopian Insurance Corporation.

The company employs a manual class rating method extensively through the consideration of such factors as the class of business, the profitability of the product, the nature of business, etc... in general. But only in motor vehicle insurance policy that individual rating has been employed through the consideration of customer's claims experience.

Basically, among the various rating methods the company uses experience rating- under an experience rating plan, the class, or manual rate is adjusted up word or downward based on past loss experience. The most distinctive characteristic of experience rating is that the insured's past loss experience is used to determine the premium for the next policy period. In line with this the expert has pinpoint the strength of this method in such away that it specifically evaluates the insured client and if no claim is reported he/she can benefit through No claim bonus. where as, it has a weakness that it does not consider the amount of claims made whether it is smaller or bigger. There fore, the insured may lose no claim bonus in case of motor vehicle insurance.

According to the prevalent practice of EIC the fire and lightning insurance policy is designed only to cover direct loss. But for the indirect

loss they have designed an independent policy i.e. Consequential loss claim policy.

The company has a survey department for fire and lightning insurance policy. According to the Ato Tadella who is a team leader in the survey department the following procedure and method is adapted in order to calculate the risk for fire and lightning insurance policy.

Firstly; the client comes up with the gross estimate which needs to be covered through the policy. There after, EIC team of experts goes through detailed study about the maximum loss which would occur at a time. This maximum loss is known as estimated probable maximum loss (EPML) .Among others the team of experts studies the following important points, such as:-

- The value of the building
- The value of items / contents in the building
- The distance between various buildings in the premises.
- The nature of items contents with respect to the degree of hazard
- Other contingent materials and conditions which might increase the degree of fire accident
- The nature of power the house uses i.e. electric supply by public or private
- Fire prevention and reduction scheme used.
- The past history of the clients premises to gather with surrounding houses past history
- Technical soundness- i.e. in engineering terms about the setting location and distance between various buildings in the premises.
- The possibility /probability that a fire accident in one building would jump to the next. It is evaluated through the kind of materials in between them like, dry grass electric line etc....

Finally on the basis of the afore mentioned consideration and analysis the team of experts determine EPML- estimated probable maximum loss. This is a value that could be totally destroyed in one fire out break then, EIC

will purchase reinsurance for the EPML amount from other international insurance companies. There after; the remaining amount of the insured property (house) will be put in the pool of the company's over all fire and lightning insurance policy clients to come up with the rate which would be applied on the given sum insured .Even though the company doesn't calculate a loading cost value for fire and lightning insurance policy, they add up the loading cost value consists of administration and other expenses coupled by a profit margin- through contextual analysis by a team of experts for each fire and lightning insurance policy holder to find out the gross premium.

The researcher has made considerable effort to devise the most scientific method for determining a gross premium for households. The following table shows the six years fire accident data which is secured from Addis Ababa fire brigade.

Table 4.1 Number of houses Burnt

Year	Number of Houses Burnt (y)
1992	146
1993	110
1994	146
1995	176
1996	158
1997	417

Least squares Method: The least squares equation for linear regression is given by:

$$Y = a + b X$$

Where: Y = the number of accidents computed by the equation

y = actual number of houses burnt

a = Y intercept

b = slope of the line

X = Time period

Year	Number of Houses Burnt (y)	Time Period X	X ²	Xy
1992	146	1	1	146
1993	110	2	4	220
1994	146	3	9	438
1995	176	4	16	704
1996	158	5	25	790
1997	417	6	36	2502
	$\Sigma y = 1153$	$\Sigma X = 21$	$\Sigma X^2 = 91$	$\Sigma Xy = 4800$

$$\Sigma y = 1153 \quad \Sigma X = 21 \quad \Sigma X^2 = 91 \quad \Sigma Xy = 4800$$

$$\begin{aligned}
 a &= \frac{\Sigma X^2 \Sigma y - \Sigma X \Sigma Xy}{n \Sigma X^2 - (\Sigma X)^2} = \frac{(91)(1153) - (21)(4800)}{6(91) - (21)^2} \\
 &= \frac{(104923) - (200800)}{546 - 441} \\
 &= \frac{4123}{105} \\
 &= \underline{\underline{39.27}}
 \end{aligned}$$

$$\begin{aligned}
 b &= \frac{n \Sigma Xy - \Sigma X \Sigma y}{n \Sigma X^2 - (\Sigma X)^2} = \frac{6(4800) - (21)(1153)}{6(91) - (21)^2} \\
 &= \frac{28800 - 24213}{105} \\
 &= \frac{4587}{105} \\
 &= \underline{\underline{43.69}}
 \end{aligned}$$

$$Y = a + bX = 39.27 + 43.69X$$

The number of houses predicted to be burnt in year 7 and 8 will be:

$$Y_7 = 39.27 + 43.69(7) = \underline{\underline{345.10}}$$

$$Y_8 = 39.27 + 43.69(8) = \underline{\underline{388.79}}$$

. reg houses time

Source	SS	df	MS	Number of obs =	6
Model	33397.7286	1	33397.7286	F(1, 4) =	4.51
Residual	29595.1048	4	7398.77619	Prob > F	= 0.1008
				R-squared	= 0.5302
				Adj R-squared	= 0.4127
Total	62992.8333	5	12598.5667	Root MSE	= 86.016

houses	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
time	43.68571	20.56179	2.12	0.101	-13.40297 100.7744
_cons	39.26667	80.07667	0.49	0.650	-183.0618 261.5951

So long as Addis Ababa city administration administrative structure is concerned, there are 10 sub-cities. Therefore, with the assumption that the total accident has equal proportion in every sub-city, it is logical to distribute for the whole sub cities in equal proportion. Therefore:

$$=Y_{7 \text{ sub-city}} = \frac{345.10}{11} \approx 35 \text{ houses}$$

By taking Bole sub-city administration as a case of the study, the number of houses expected to be burnt accounts for 35 houses. There after there are 11 kebelles which exists in the sub-city. Hence according to the empirical estimate there are 2500 houses in each kebele and with the assumption that there is a greater similarity with regard to the nature of houses with the 3,000 houses Ayat real estate village in gerjee, the number of houses expected to be burnt in ayat residential village will be

$$=Y_{7 \text{ kebele}} = \frac{35}{11} \approx 3 \text{ houses}$$

$$= \frac{3(3000)}{2500} \approx 4 \text{ houses}$$

= 4 houses are expected to be burnet in Ayat residential village in year 7

Pure premium = $\frac{\text{Total expected losses}}{\text{Number of exposure units}}$

$$= \frac{4(452,000)}{3000}$$

$$= \frac{1808000}{3000}$$

$$= \underline{\underline{603}}$$

$$\text{Gross premium} = \frac{\text{pure premium}}{1 - \text{Loading\%}}$$

Because there is no such a thing that loading percentage is calculated for fire and lightening insurance policy and due to the limitation of data provided by EIC coupled by acute shortage of time, the writer has forced to use the usually loading percentage explained by various fire and lightning insurance policy in many books with the assumption that it would be subjected to adjustment if things are in the right track.

$$= \frac{603}{1 - 20\%}$$

$$= \frac{603}{80\%}$$

$$= \underline{\underline{753.75}}$$

4.3. Fire and lightning insurance policy placement

According to the finding of the questionnaire administered to uncover the placement method and procedures used by EIC, the team of experts in the head office has made the following responses for the questionnaire and the supporting interview employed. There after, through rigorous analysis and interpretation, the following placement practice has been adopted by EIC.

Basically; there is no an independent and self – sufficient placement method devised for fire and lighting insurance policy. In line with the over all placement method is concerned, the company uses personal selling most frequently followed by agents and telephone selling lastly. Besides; the company uses its own sales forces to sale fire and lightning insurance policy at regional branch office, local branches, contact offices and insurance brokers. But, the company doesn't use head office as a means for placement of fire and lightning insurance policy.

Even though the company has adopted personal selling method to reach to the customer, it is advisable to extend personal selling method wider. This is done through adopting personal selling mechanism by using

every employee as a sales representative not in the formal working day, rather in their day- to- day life through convincing customers to buy fire and lightning insurance policy. There by; the company needs to develop a sort of commission package together with an important variable for employees for internal career advancement. In other words; developing awareness among employees to be an economic diplomat for selling the company's image in general and fire and lightning insurance in particular.

The most appreciable practice made by the company lies on its effort to exploit the potential niche market created through the banks and financial institutions requirement for insurance coverage for those clients who provide collateral to take bank loan. In line with this, among others they have designed a specific product for mortgage loan, so that the insurance company pays the amount of loan if the debtor fails.

With regard to the type of criteria used by the company to establish a placement method to the un reached regions and areas of the country to discharge its social responsibility together with expanding its market, the company grade market feasibility prior factor followed by infrastructure feasibility.



4.4. Promotion

Ethiopian Insurance Corporation develops a promotional strategy in order to exercise the major tasks of providing information, persuading and communicating with actual and potential customers: The paramount objective of the promotion strategy geared forwards developing basic understanding through the notion of awareness creation effort. In line with this; it has devised sub objectives for conducting a promotional campaign in such away that aware ness creation stands prior to all sub objectives followed by an effort to ensure credibility. On the other hand; the considerable effort aimed at remaining customers comes to the third stage followed by differentiating its service from competitors in the insurance industry.

Even though EIC has adopted all kind of promotional methods to reach to both actual and potential customers, advertising has got the highest emphasis to persuade customers followed by personal selling. Besides; it uses sales promotion through providing of no claim discount for those clients who don't have made a claim in the period for the expired insurance policy coverage. And, it is worth to mention EIC's considerable effort to promote the overall company's image in general and fire and lightning insurance policy in particular through publicity and public relations.

With regard to fire and lightning insurance policy EIC has designed an independent promotional practice that is carried out through the preparation and distribution of English and Amharic brochures. On the other hand; the blending of the promotional mix takes into account important factors such as the nature of the market, the types of customers hand in hand with the nature of the product to be promoted. In line with this; in terms of their relative weight assigned for decision making purpose the nature of the market has got a lion share followed by the types of customers to whom the promotion intends for. Where as; the nature of the product has got due consideration.

Along with the media selection process in EIC is concerned various imperative process in EIC is concerned various imperative factors takes into account. They are objective of the advertisement, media circulation, time & location of buying decision as well as requirements of the message. So long as advertisement as one of the most emphasized promotional method is concerned, EIC uses out door advertising as all the time it is available for customers. Besides, Television advertising employed to reach to the larger segments of the actual and potential buyers. Moreover next to radio advertising news paper and magazines used for advertising purpose.

Amharic language is the most frequently used with the assumption that all clients have the knowledge. Even though it is not a common practice made by the company, it uses English language in order to reach to international target market.

As it has been stipulated in the grand mission of EIC, it provides its service by making of the most up to date ICT and cost effective strategies. Hence, to realize those paramount objective, it as developed a website:- <http://www.eic.com.et> which is being used as one of media to reach to customers. This is done through loading of new products in the website together with releasing publications about the new offices and progressive new activities.

It is worth to remark that the company needs to adopt a personal selling mechanism through effectively using all of its employees as an economic diplomat for the company i.e. the act of selling company's image regardless of being their normal duty, usually while they are carrying out their day to day courses of life in the society as personal selling mechanism .More over, together with an increment in the construction industry of the country the company should devise a special promotional campaign arrangement to cultivate the newly flourishing real estate village in Addis Ababa.

Among others the company's effort with regard to developing the public awareness about insurance service through a regular programs transmitted in radio and newspaper is appreciable .Besides; their effort to introduce new insurance policies hand in hand with organizing seminars for those products like for a horticulture business men's.

4.5 Households perspective in light of insurance service awareness and purchasing practice

In the study, 50 samples of households in Bole sub city administration kebele 03/05 were participated in completing the questionnaire administered. From these household respondents 10 (20%) were female and 40 (80%) were male. The personality dimension in terms of how they responded to uncertain future events hand in hand with their awareness level about insurance is given in the following table.

Table 4.2 Awareness of households about insurance service

Sir. No	Item	No	%
1	What kind of personality characteristics do you have in line with uncertain future condition ☐ Risk taker ☐ Risk neutral ☐ Risk averse	10 10 10	20% 20% 60%
2	Are you aware of the availability of insurance service ☐ Yes ☐ No	50 0	100%
3.	What are the major benefits of insurance? ☐ Indemnification for loss ☐ Peace of mind ☐ Source of any funds ☐ Loss control ☐ Enhancement of credit	50 50 30 30 30	100% 100% 60% 60% 60%

According to table 4.2 among the total sample of respondents about 20% accounts for those individuals who have a personality dimension of being risk takers. Similarly equal number of respondents represents a personality dimension of risk neutral. But individual respondents who possess a personality dimension of risk averse accounts for the lion share among the surveyed respondents. (i.e. 60%) Hence it is logical to develop a sort of deduction in such away that there is a possibility of attracting those individuals who possesses risk averse and risk neutral personality dimension by adopting sound promotional mix. Besides, owing to the fact that all of the surveyed respondents are aware of the availability of insurance service as a tool for handling risks associated with uncertain future events, It is worth to conduct the necessary effort to cultivate these potential customers.

With regard to the level of awareness about the benefits of insurance all of them is cognizant of indemnification for loss and peace of mind. On the other hand equally among the surveyed household respondents 60% of them have basic understanding about the other benefits of insurance

other than the of afore mentioned once, namely source of investment funds, loss control and enhancement of credit.

4.5.1 Result of the analysis

Table 4.3 responses of households regarding insurance purchasing practice

In the following table the researcher has made descriptive analysis about the household respondents insurance purchasing practice in general and fire and lightning insurance policy in particular with greater emphasis.

Table 4.3 Assessment of households fire and lightning insurance purchasing practice

Sir. No	Item	No	%
1	Have you ever purchase any insurance policy ☐ Yes ☐ No	20 30	40% 60%
2	If you purchase insurance policy what kind of insurance policy you bought ☐ Fire and lighting policy ☐ Motor vehicle insurance policy ☐ Others	8 9 3	40% 45% 15%
3	What type of risk handling technique do you use for a fire peril? ☐ Risk avoidance ☐ Risk transfer ☐ Risk retention ☐ Self insurance ☐ Other	30 -- -- 12 8	60% -- -- 24% 16%

On the basis of table 4.3. Among the total number of household respondents only 20% of them have ever purchase different types of insurance policy. But 60% of them don't taking into account only those household respondents who have bought insurance policy 40% of them get insured for fire and lightning policy .on the other hand, 45% of the household respondents have bought motor vehicle insurance policy. More over, In line with supporting the grand share of Motor Vehicle Insurance Policy Ethiopian Insurance Corporation has made 2.9 billion birr for life and property indemnification purpose in the past 30 years of its service, but 43.2% of these payment accounts for indemnification of motor vehicle affairs. On the other hand, other insurance polices accounts for only 15%.

With regard to the type of risk handling techniques employed by household respondents for a fire peril about 60% of them have replied that they used to use risk avoidance. On the other hand, about 24% of the respondents use self insurance. Finally, 16% of the house hold respondents replied other methods.

4.5.2 promotional method assessments

In the following table the writer has made assessment about the level of awareness of household respondents together with their basic understanding about the promotional method conducted by insurance companies.

Table. 4.4 promotional methods assessment from the perspective of respondents.

Sir. No	Item	No	%
1	Have you ever come across with any kind of promotional campaign made by any insurance company? ☐ Yes ☐ No	50 0	100%
2	Have you ever come across with any kind of promotional campaign made by EIC about fire and lightning insurance policy ☐ Yes ☐ No	50 --	100%
3.	What kind of promotional method you have come across ☐ Advertising only ☐ Advertising and sales promotion	30 20	60% 40%

Table 4.4 shows that all of the household respondents have come across with a promotion conducted by insurance companies. Similarly, again all of the respondents have come across with the promotional campaign made by Ethiopian Insurance Corporation. In line with these, 60% of the respondents have come to learn about EIC fire and lightning policy through advertisement. on the other hand; 40% of them have come across through advertising and sales promotion.

In line with the kind of feeling /understanding does advertisement made by EIC creates up on the surveyed household respondents majority of them have come to agree that it makes them only being aware of the fire and lightning policy. But they failed to give their consent for the ability of the advertisement to convince them to purchase fire and lightning insurance policy. There fore EIC should conduct intensive consumer

research for the subject matter we have at hand, there after, It should devise the advertisement for fire and lightning insurance policy geared to wards convincing potential customers to purchase insurance.

4.5.3 Relationship assessment between bank loan and fire and lightning insurance policy

In the following table the writer has made rigorous effort in line with conducting the prevailing relation ship between bank lean i.e. complementary product for fire and lightning insurance and fire and lightning insurance policy.

Table 4.5 The relation ship between insurance and Bank loan

Sir. No	Item	No	%
1	Have you ever grant bank loan by providing your house as collateral?		
	☐ Yes	8	16%
	☐ No	42	84%
2	Do banks enforce you to purchase fire and lightning insurance policy?		
	☐ Yes	8	100%
	☐ No	--	--

According to table 4.5 it is evident that all of the household respondents have bought fire and lightning insurance policy with a paramount objective of granting loan from banks and other financial institutions. Hence; it is worth to consider the greater degree of relationship between bank loans provided by banks and other financial institutions and the purchasing practice of fire and lightning insurance policy

On the basis of the afore mentioned relationship between bank loans and fire and lightning insurance policy EIC needs to devise special arrangement to cultivate the niche market advanced through the households effort in the enhancement of credit claims. These could be realized through enhancing information networking mechanism to attract mortgage loan demanders. More over EIC needs to develop bilateral agreement with banks and other financial institutions with regard to exchanging of valuable information and other economic matters.

Chapter five

Conclusion and Recommendation

5.1. Conclusion

It is a natural phenomenon that every enterprise whether small or large, profit making or not for profit, domestic oriented or international operating in a turbulent economic and social environment. Hence; firms and house holds are subjected to a multitude of risks in their day to day operation. Risk which is uncertainty regarding loss, poses a problem to businesses and individuals in nearly every work of life.

Basically; there are two broad categories of alternatives to handle the risks associated with every walk of life. These alternatives are applicable for both general perils in every course of action and fire and lightning perils in particular. To mention they are securing insurance service through purchasing of various insurance policy and non - insurance risk handling tools, namely risk avoidance, loss control, risk retention and risk transfer.

Ethiopian Insurance Corporation was established by proclamation No. 68/1975 on 1st January 1976. currently, EIC operating in the insurance industry for three decades with a grand mission of providing its customers all efficient and reliable insurance services which cover life, property and liability risks. EIC provides its service in general and fire and lightning policy in particular by giving a paramount priority to its customer's safety and satisfaction by making use of the right mix of expertise, the most up to date ICT and cost effective strategies. EIC is the largest insurance company in the country and it renders its services through six regional / functional main branches. More over it has 22 local branches situated through out the country besides; EIC has 785, 794,000 total assets in 2005.

Based on the factual research findings of the project the following points are summarized.

In line with fire and lightning insurance policy, it covers only direct losses occurred from the perils listed in the policy. But, the policy does not cover indirect losses which would occur as a result of the fire peril. on the other hand; EIC provides an independent insurance policy which accommodates the demand of customers for indirect loss through the policy i.e. consequential loss policy.

With regard to premium setting mechanism employed by the company for fire and lightning insurance policy it relies only on experience rating coupled by individual calculation of the loading cost value for insured. Even though EIC establish a fire survey department to come up with realistic and relevant estimate of the rate assigned for each insured, there is a considerable deficiency to calculate the risks due to lack of adequate data and information coupled by relatively weak and inefficient instruments used. But the writer has come up with a scientific alternative method of assigning premium through manual/ class rating method together with its accompanying loading cost calculation approach. Even though this model has many flaws with respect to translating into practice owing to lack of adequate and relevant data inputs, it would be a sound model in a situation where adequate and relevant data and information had been accessed.

Basically; there is no independent and self sufficient placement method devised for fire and lightning insurance policy. But EIC made the placement through its regional branch office, local branches, contact offices and insurance brokers. In line with this it uses personal selling Telephone selling and Agents as a means to reach to customers.

EIC'S grand promotional strategy stems from its motto to ensure fundamental awareness among customers about insurance service in general and fire and lightning insurance policy in particular. By the same token; in order to realize the grand promotional strategy, every efforts of the promotional campaign strives to wards awareness creation, ensuring credibility, differentiating from competitors, and reminding customers. The company adopts all types of promotional methods – namely advertising,

personal selling, sales promotion and publicity. In line with this it gives due consideration for factors such as objective of the advertisement, media circulation, requirements of the message and time and location of buying decision with respect to media selection. More over, EIC has designed a web site which serves as a tool for enhancing effective communication with the customers and the general public about its overall activities. on the other hand; it uses the web site as one of the medium to reach to customers in such a way that new products are loaded as well as the opening of new offices with its accompanying progress are released in the web site.

According to the survey analysis made with respect to households' awareness and purchasing practice of fire and lightning insurance policy, all of the respondents have a basic knowledge about the benefits of acquiring fire and lightning insurance policy, albeit their knowledge is not back up by purchasing practice as a whole. About 18% of the respondents have purchased fire and lightning insurance policy. But; All of them have acquired the policy in order to take bank loans by providing their house as a collateral.

5.2 recommendations

To tackle the major problems uncovered through out this study the following recommendations are suggested.

EIC needs to be cognizant of the newly flourishing real estate development as a niche target market. Consequently; as the researcher has illustrated in the discussion and analysis part of the paper, there is enough ground to devise a manual /class rating approach for such type of village where the nature, type and costs of houses are significantly would fall under similar category. Hence; EIC should develop a data base system that would help to calculate the loading cost value consists of all administrative and other expenses coupled by a profit margin. On the other hand; EIC together with other insurance companies should enhance

bilateral cooperation with Addis Ababa fire brigade in line with improving their data maintenance which needs to be designed to serve the general and particular interest of insurance companies, the fire brigade and the society at large.

According to the finding of the researcher uncovered through interview conducted to marketing manager of EIC, there is unhealthy competition among insurance companies particularly so long as a fire and lightning policy is concerned. There fore; the national bank of Ethiopia should devise a controlling mechanism in the general operations and premium setting mechanism for all insurance companies to enhance healthy competition and at the same time to discharge its responsibility to protect the customers together with ensuring rapid, well structured and sustainable development in the insurance industry.

According to the empirical finding through the survey conducted in bole sub city administration households, they have awareness about the insurance service in general and the EIC'S existence in the insurance industry; albeit it is not back up by detail knowledge about the package of benefits available in the insurance service. Besides; most of the house holds who don't purchase fire and lightning insurance pointed out that the promotional campaign made by EIC about fire and lightning insurance policy is not designed in such a way that convince customers to purchase it. On the other hand, most of the respondents thought (with out information and knowledge based on facts) that the premium is very high for fire and lightning insurance policy in comparison to the expected benefit of the policy. there fore EIC'S promotional campaign needs to be geared towards providing lessons about the major benefits, necessary formalities, the value of the package of benefits in relation of the premium, and the efficiency and effectiveness of bureaucratically procedures there in to acquire fire and lightning insurance policy.

Among others personal selling method is one of the dynamic promotional mixes that enable EIC to secure some of its customers for fire and lightning insurance policy. It deploys such effort through its own sales

force and brokers. More over; it is worth to devise a mechanism which would accommodate all of its employees as an economic diplomatic to sell the companies image and fire and lightning insurance policy. This is ginning to be carried out through convincing every employee to engage in such course of activity while he/she is pursuing normal course of life in the society. hence; the company should design a means to compensate such effort through providing of reasonable commission, integrating the contribution with the employee's career development and acknowledging the outstanding performers by recording them through public notice recognition.

According to the empirical findings uncovered from respondents, majority of the households who acquire fire and lightning insurance policy with the ultimate objective of securing loan from banks and financial institutions. even though exploiting a niche market created from bank loan demanders by providing their house as a collateral is appreciable, EIC should work very hard to spread the very basic understand of fire and lightning insurance policy as an independent product which provides a package of benefits for the insured besides a complementary product for bank loan.

Taking in to account the exemplary deeds with regard to responding to the newly flourishing horticulture industry in the country, it is logical for the researcher to come up with the insight about the possibility of organizing an ad hoc committee which would design a new type of insurance policy on the basis of the demand of the customers. There fore; EIC needs to assess the marketing and technical feasibility of combining fire and lightning insurance policy with consequential loss policy for those customers who may refuse to pay administrative and other expenses coupled by profit margin for each policy.

Finally, EIC should devise a special arrangement may be through bilateral arrangement with regard to exchanging of information and other relevant resources with commercial bank of Ethiopian and other banks to exploit the market for fire and lightning insurance policy which stems from its benefit as an enhancement of credit claims.

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I kindly assure you that all the information you provide will be confidential and intends to be used only for research purpose

Thank you
Abraham Hailemariam

Product

1. Does your company's fire and lightning policy covers indirect loss ?
☐ Yes ☐ No
2. If your answer for question No 1 is Yes would you specify the major items / Goods included in the compensation for indirect loss

3. Would you make a check (✓) make for the subject matter insured under fire and lightning policy.

☐ Buildings

☐ Contents there in and there on in the building

☐ Stock

If any other please specify _____

4. Does the fire and lightning policy covers special perils?

☐ Yes

☐ No

5. If your answer for question No 4 is yes, would you specify the special perils covered?

6. Would you list out the points to be considered by the insurer and the insured?

7. Is there important factors which would be considered in the designing of fire and lightning insurance policy?

☐ Yes

☐ No

8. If your answer for question No 7 is yes, please specify the factors considered together with the weight?

9. Does your company conduct continuous assessment program to figure out the changes in the severity and frequency of the likelihood of risk occurrence?

☐ Yes

☐ No

10. If your answer for question No 9 is yes, Please specify how the program is conducted?

-
-
11. is there an and ad hoc committee which would engaged in the designing of special fire and lightning insurance policy on the basis of empirical finding from feasibility study for a selected group of customers ?

-
-
12. If your answer for question No 11 is No, please specify the reason why it doesn't exist in your company?

-
-
13. If the questions listed from 1-12 doesn't fully helps you to tell the characteristics and considerations made in fire and lightning insurance policy, please list out the procedures, characteristics and considerations made in real practice?

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I. Questionnaire

1. What kind of personal characteristics do you have in line with uncertain future conditions? Put (✓) mark

☐	Risk taker
☐	Risk neutral
☐	Risk averse
2. sex (put (✓) mark)

☐	Male	☐	female
--------------------------	------	--------------------------	--------
3. Are you aware of the availability of insurance service?

☐	Yes	☐	No
--------------------------	-----	--------------------------	----
4. If your answer for question No 3 is yes, would you specify among the following benefits of insurance by making a check (✓) mark?

☐	Indemnification for loss
--------------------------	--------------------------

- ☐ Peace of mind
- ☐ Source of investment funds
- ☐ Loss control
- ☐ Enhancement of credit

If any other please specifies _____

5. If your answer for question No3 is yes, what you kind of insurance policy you are aware of among the following alternatives? Please make a check mark (✓)

- ☐ Fire and lightning insurance policy
- ☐ Life insurance policy
- ☐ Burglary & house breaking insurance policy
- ☐ Motor vehicle insurance policy
- ☐ Marine insurance policy

If any other please specify _____

6. Have you ever purchase any insurance policy?

- ☐ Yes ☐ No

7. If your answer for question No 6 is yes, please specify the types of insurance policy you brought?

8. Have you ever thought of fire accident would occur in your home?

- ☐ Yes ☐ No

9. If your answer for question No 8 is yes, do you purchase fire and lightning insurance policy?

- ☐ Yes ☐ No

10. If your answer for question No 9 is yes would you specify the insurance company you bought from?

11. If your answer for question No 9 is No, what type of risk handling technique do you use for a fire peril?

- ☐ Risk avoidance
☐ Risk transfer
☐ Risk retention
☐ Self- insurance

If any other, please specify _____

12. Do you know that Ethiopian Insurance Corporation deliver fire & lighting insurance policy?

- ☐ Yes ☐ No

13. Have you ever come across with any kind of promotional campaign made by any insurance company?

- ☐ Yes ☐ No

14. Have you ever come across with any kind of promotional campaign made by Ethiopian Insurance Corporation?

- ☐ Yes ☐ No

15. If your answer for question No 14 is Yes, would you make a check (✓) mark among the following promotional methods you encounter?

- ☐ Advertising
☐ Sales promotion
☐ Personal selling
☐ Publicity

16. If you have come across with the advertisement made by EIC about fire accident "would you make check (✓) mark for the kind of feeling / understanding it creates up on you?

- ☐ Makes you aware of the fire and lightning policy
☐ Convince me to purchase fire and lighting policy
☐ It doesn't make you feel any thing

If any other please specify _____

17. If you don't purchase fire and lightning insurance policy, would you specify the reasons that make you not to purchase?

☐ I thought that fire accident will never happen

☐ It is unwise to pay for fire and lightning policy

☐ I thought that the premium is very huge.

If any other please specify _____

18. Have you ever thought of transferring the uncertain lose i.e. due to fire accident in your house with a certain minimum cost i.e. premium

☐ Yes

☐ No

19. If your answer for question No 18 is yes and at the same time if you don't bought it ,would you specify the reason why you don't bought?

20. Have you ever get bank loan by providing your house as collateral?

☐ Yes

☐ No

21. Do banks enforce you to purchase fire and lightning insurance policy?

☐ Yes

☐ No

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Placement

1. Is there an independent and self sufficient placement method devised for fire and lighting insurance policy?
☐ Yes ☐ No
2. If your answer for question No 1 is yes, would you specify the method your company adopt to sell fire & lighting insurance policy?

3. Among the following placement methods which one does your company employee? Specify the degree of weight by making a check (✓) mark

1. for the most frequent

2. the second frequent

3. the 3rd frequent

☐ Personal selling

☐ Telephone selling

☐ Agents

4. Does the company uses its Owen sales force for selling fire&lighting insurance policy? ☐ ☐

Yes

No

5. If your answer is yes for question No 4 would you make a check (✓) mark for the following alternative placement?

☐ Head office

☐ Regional branch office

☐ Local branches

☐ Contact offices

☐ Insurance brokers

6. If your answer for question No 6 is more than one alternative, would you specify each of the alternatives contribution to total fire&lighting insurance policy sales for the past five years?

Areas	1993	1994	1995	1996	1997
Head office					
Regional branch office					
Local branches					
Contact offices					
Insurance brokers					

7. Banks usually calls for insurance coverage in order to grant mar gage loan, consequently, is there any mechanism adopted to exploit those potential customers as a niche market?

☐

Yes

☐

No

8. If your answer is yes for question No 7, please would you specify it?

9. If your answer is no for question No 7, please would you specify the reason?

10. Does your company has ever aware of the potential niche market as a result of the newly flourishing real estate village.

☐

Yes

☐

No

11. If your answer is yes for Question 10 does your company implemented it in to action

☐

Yes

☐

No

12. If your answer for question No 11 is No, please specify the stage of development together with its problems

13. How you sort out the number, qualification and of peoples directly participated in placement of insurance policy.

	Qualification			
	12compe	Dip	D egree	Post grad
Head office				
Regional brunch office				
Horal branches				
Contact office				

14. Is there any problem you face in line with insurance brokers?

☐

Yes

☐

No

15. If your answer for question No 14 is yes, please specify them?

16. What kind of criteria used to establish placement method for the un reached regions of the country?

☐

Market feasibility

☐

Infrastructural feasibility

☐

Availability of trained man power

☐

Socio political factors

If any other please specify _____

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PRODUCT PRICING

1. Does your company use Manual / class rating method?

☐

Yes

☐

No

2. If your answer for question No 1 is yes, please specify how you are rating?

3. Does your company use Individual /merit rating method?

☐

Yes

☐

No

4. If your answer of question No 3 is yes, please specify how you are rating?

5. If your answer for question No 3. Is yes, which approach does your company adopts among the following alternatives?

- ☐ Judgment rating
- ☐ Schedule rating
- ☐ Experience rating
- ☐ Retrospective rating

If any other pleas specify _____

6. If your answer for question No5 is "Judgment rating" would you explain its strength and weakness in its application in practice?

Strength

Weakness

7. If your answer for question No 5 is "schedule rating" would you explain its strength and weakness in its application in practice?

Strength

Weakness

8. If your answer for question No 5 is "Experience rating" would you explain its strength and weakness in its application in practice?

Strength

Weakness

9. If your answer for question No 5 is "retrospective rating" would you explain its strength and weakness in its application in practice?

Strength

Weakness

10. Does your company's fire and lightning insurance policy covers both direct loss and indirect loss.

☐

Yes

☐

No

11. If your answer for question No 10 is yes, how do you calculate premium for the fire and lightning insurance policy.

12. Does your company use statistical data from Addis Ababa fire brigade to calculate the objective risk for the coming year?

☐

Yes

☐

No

13. If your answer for question No 12 is Yes, please specify the procedures you employee to predict the would be fire accident?

14. Does your company uses committee members in the process of setting a premium for fire and lighting insurance policy?

☐

Yes

☐

NO

15. If your answer for question No 14 is yes would you specify its strength?

16. Does your company specifically compute a "loading cost value" for fire and lightning insurance policy?

☐

Yes

☐

No

17. If your answer for question No 16 is yes, would you specify how you compute a loading cost value?

18. Does your company's computation of a pure premium comply with the scientific application (i.e. Total expected losses)?

No of exposure units

☐

Yes

☐

No

19. If your answer for question No 18 is No would you specify the method /techniques you employ?

20. Does your company's computation of a gross premium comply with the scientific application (i.e. pure premium)

1-loading percentage

☐

Yes

☐

No

21. If your answer for question No 20 is no, would you specify the method techniques you employ?

22. If the questions from 1-21 doesn't properly help to illustrate the premium setting mechanism procedure, please specify the procedure techniques used briefly?

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Promotion

1. What is the grand promotional strategy used by your company, please specify _

2. What is the objective of your company's promotional campaign? Please make a check (✓) mark for the following all alternatives?

- ☐ Awareness creation
- ☐ To ensure creditability
- ☐ To differentiate from competitors
- ☐ To remained customers.

If any other please specify _____

3. If your answer for question No 2 is more than one alternative would you make a scale in terms of emphasis by writing from 1 i.e. the most emphasized to 5 and /or 6 the least emphasized.

Rank

☐	Awareness creation	_____
☐	To ensure credibility	_____
☐	To differentiate from competitors	_____
☐	To remained customers	_____
☐	Any other	_____

4. Among the following promotional method which one does your company employs please make a check (✓) make?

☐	Advertising
☐	Personal selling
☐	Sales promotion
☐	Publicity
☐	Public relations

5. Does your company devise an independent promotional mix for fire & lighting insurance policy?

☐ Yes	☐ No
------------------------------	-----------------------------

6. If your answer for question No 5 is yes, would you specify the blending of the promotional mix?

7. If your answer for question No 5 is No, would you list out the hindrances/ obstacles for devising an independent promotional mix for fire insurance?

☐	Economically not feasible
☐	Lack of skilled man power

☐ Lack of awareness by the management

If any other please specify _____

8. Make a check (✓) mark for factors your company considers to make a decision about the promotional mix?

- ☐ Funds availability
☐ Nature of the market
☐ Geographic scope of the market
☐ Types of customers
☐ Nature of the product

If any other please specify _____

9. If your answer for question No 8 is more than one alternative, please specify their rank of consideration?

- | | Rank |
|---|-------|
| ☐ Funds availability | _____ |
| ☐ Nature of the market | _____ |
| ☐ Geographic scope of the market | _____ |
| ☐ Types of customers | _____ |
| ☐ Nature of the product | _____ |
| ☐ Others | _____ |

10. would you rank the frequency that your company gave from the highest to the lowest (1- for more frequently used and 5 for least frequently used)

- | | |
|---|-------|
| ☐ Advertising | _____ |
| ☐ Personal selling | _____ |
| ☐ Sales promotion | _____ |
| ☐ Publicity | _____ |
| ☐ Public relations | _____ |

11. Make a check (✓) mark for the factors considered in media selection and state their relative importance in consideration by ranking.

- | | Rank |
|---|-------|
| ☐ Objective of the advertisement | _____ |

☐	Media circulation	_____
☐	Requirements of the message	_____
☐	Time and location of buying decision	_____
☐	Cost of media	_____

12. Make a check (✓) mark for the types of media your company uses? And state their relative frequency and emphasis made by your company?

	Rank
☐ Television	_____
☐ Radio	_____
☐ News paper	_____
☐ Magazines	_____
☐ Direct mail	_____
☐ Out door advertising	_____
If any other	_____

Please specify _____

13. Make a check (✓) mark for the languages your company uses to transmit its message. And, please specify their amount of emphasis to gather with its reasons for selecting?

	Rank	Reason for selecting
☐ English	_____	_____
☐ Amharic	_____	_____
☐ Oromiffa	_____	_____
☐ Tigrina	_____	_____
other languages	_____	_____

14. Dose your company have a web site?

☐ Yes	☐ NO
------------------------------	-----------------------------

15. If your answer for question No 14 is yes, do you employ it as one of a media to reach to customers?

☐ Yes	☐ No
------------------------------	-----------------------------

16. If your answer for question No 16 is yes please specify how and what kind of promotional activities carried out by your company?

17. Does your company use the whole employee as an **economic diplomat** "the act of selling company's image regardless of being their duty, usually while they are carrying out their normal course of life in the society as a personal selling mechanism.

☐ Yes

☐ No

18. If your answer for question No 18 is no please specify the reasons for not using?

19. Does your company have devised a special promotional arrangement for a newly flourishing real state village i.e. like ayat real state village?

☐ Yes

☐ No

20. If your answer for Question No 19 is yes, please specify the promotional arrangement your company has made.

21. If your answer for question No 19 is no please specify the reason why your company does not devise promotional arrangement?

22. By taking mortgage loan granted through various commercial banks as a complimentary product for fire & lighting insurance policy, does your company adopt a mechanism to attract this niche market?

☐ Yes

☐ No

23. If your answer for question No 22 is yes, please specify the kind of mechanism devised.

24. If your answer for question No 22 is No please specify the reason why your company doesn't devise a mechanism.

25. Does your company made an effort to develop insurance service awareness through a regular program?

☐

Yes

☐

No

26. If your answer for question No 25 is yes, please specify the media that your company uses?

27. If your answer for question No 25 is no please specify the reasons for not implemented?

28. Is there any audio response machine which serves as a mechanism for entertaining customer compliant?

☐

Yes

☐

No

29. If your answer for question No 28 is no, please specify the reason for not using.
