



Determinants of Policyholders' Retention on General Insurance in Ethiopia: The Case of Selected Insurance Companies in Addis Ababa City

A Thesis Submitted to the College of Business and Economics Department of Management of Addis Ababa University in Partial Fulfillment of the Requirements for the Degree of Executive Masters of Business Administration (EMBA)

By

Gizachew Alazar Tadege

ID No.: GSE/2797/14

Advisor:

Yitbarek Takele (PhD)

Associate Professor of Business Administration

Department of Management

Addis Ababa University

June, 2024

Addis Ababa, Ethiopia

Table of Contents

List of Figures	iii
List of Table	iv
List of Acronyms and Abbreviations.....	v
Acknowledgment	vi
Letter of Declaration	vii
Statement of Certification	viii
Abstract.....	ix
Chapter One: Introduction	1
1.1. Background of the Study	1
1.2. Statement of the Problem	3
1.3. Research Questions	4
1.4. Objectives of the study	4
1.5. Definition of Terms	5
1.6. Delimitation of the study	5
1.7. Limitations of the Study	5
1.8. Significance/Contribution of the Study	6
1.9. Organization of the Paper.....	6
Chapter Two: Literature Review	7
2.1. Theoretical Review.....	7
2.1.1. Concept of Policyholder Retention	7
2.1.2. Policyholder as a Customer.....	7
2.1.3. Determinants of Policyholders' Retention	8
2.2. Empirical Review	10
2.3. Conceptual Framework and Hypothesis of the Study	12
2.3.1. Conceptual Framework	12
2.3.2. Hypothesis of the study	13
Chapter Three: Research Methodology	16
3.1. Research Approach.....	16
3.2. Research Design	16
3.3. Target Population and Sample Size	17
3.4. Sampling techniques.....	18
3.5. Types of Data and Sources of Data	19

3.6.	Data Collection Instrument	19
3.7.	Procedures of Data Collection.....	20
3.8.	Data Analysis Method.....	20
3.9.	Model Specification.....	21
3.10.	Description and Measurement of Variables	21
3.10.1.	Dependent Variable: Policyholders Retention	21
3.10.2.	Independent Variables.....	22
3.11.	Validity and Reliability	23
3.12.	Ethical Considerations.....	24
Chapter Four: Result and Discussion		25
4.1.	Respondents Demographic Characteristics	25
4.2.	Reliability Analysis	27
4.3.	Correlation among Variables.....	28
4.4.	Tests of Assumptions for Ordinary Linear Square Estimation	29
4.4.1.	Linearity and Homoscedasticity Test	29
4.4.2.	Normality Test.....	30
4.4.3.	MulticollinearityTest	31
4.4.4.	Potential outliers.....	32
4.5.	Multiple Linear Regression Analysis	33
4.5.1.	Hypothesis Testing Summary	37
4.6.	Robustness check	40
Chapter Five: Conclusion and Recommendations.....		43
5.1.	Conclusions	43
5.2.	Recommendations	44
5.3.	Future Research.....	44
Reference		46
Annex 1: Research Questionnaire.....		50
Annex 2: Ethiopian Insurers Market Share for Non-Life Insurance Business		53
Annex 3: Size of Target Population with corresponding sample size		53
Annex 4: List of selected insurer branches with No. of policyholders		54
Annex 5: List of selected branches with sample size for data gathering		58

List of Figures

Figure 2.1: Conceptual Framework	13
Figure 4.1 Distribution of gender of respondents and age composition of the sample respondents	25
Figure 4.2 Distribution of Educational Level	26
Figure 4.3 Distribution of stay of policyholders in their current insurer.....	27
Figure 4.4 Residual Plot for testing linearity and homoscedasticity of the regression Model	30
Figure 4.5 Normality Test.....	31
Figure 4.6 Box plot of policyholders retention for outliers checking	33

List of Table

Table 4.1 Reliability Statistics	27
Table 4.2 Pearson Correlation Coefficient.....	29
Table 4.3 Multicollinearity Test using VIF	32
Table 4.4 Regression Results	36
Table 4.5 Hypothesis Summary	38
Table 4.6 Robustness check-linear regression with additional variables	41
Table 4.7 Generalized linear model (GLM) results for policyholder retention.....	42

List of Acronyms and Abbreviations

NBE: National Bank of Ethiopia

PH: Policyholder

PHR: Policyholders Retention

SPSS: Statistical Package for Social Science

Acknowledgment

First and foremost, I want to express my gratitude to the Almighty God for his favor in helping me to finish my studies successfully. I would also like to express my gratitude and appreciation to my adviser Yitbarek Takele(PhD) for his insightful remarks and recommendations made for this research. Sincere appreciation is also given to Mr. Belay Desyibelew for his insightful comments, guidance, and assistance in completing this research within the limited time frame given.

Great appreciation is also extended to my family, which includes Mr. Esayas Mulatu, my devoted wife, Serkalem Mulatu, and friends, particularly Addisu Anteneh, a PhD candidate, who has always been a huge support for me while I've been studying.

Finally, but just as importantly, I would like to thank all respondents who agreed to take part in answering the research surveys.

Letter of Declaration

I hereby declare that the research titled "Determinants of Policyholders' Retention on General Insurance in Ethiopia: The Case of Selected Insurance Companies in Addis Ababa City" is entirely my original work with no prior submissions to academic institutions and that I have given due credit to all of the material sources used in the research.

Gizachew Alazar

Signature: _____

Date: June 10, 2024

Statement of Certification

This is to certify that the thesis prepared by Gizachew Alazar, entitled "**Determinants of Policyholders Retention on General Insurance in Ethiopia: The Case of Selected Insurance Companies in Addis Ababa City**" submitted in partial fulfilment of the requirement for the award of the degree of Executive Master of Business Administration complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

Approved by

Board of Examiners:

Advisor Yitbarek Takele (PhD) Signature  Date 04-July-2024

Internal Examiner Demeke Chimdessa(PhD) Signature  Date 02 July, 2024

External Examiner Mebrahtu Teklehaimanot(PhD) Signature  Date 01 July 2024

Abstract

The main objective of this study was to identify the determinants of policyholders' retention of general insurance in Ethiopia, focusing on selected insurance companies in Addis Ababa. The research targeted policyholders of selected companies as the population, examining prompt claims handling, good underwriting practice, competition, technological advancement, and insurance benefit knowledge as independent variables influencing policyholder retention, the dependent variable. An explanatory research design was adopted, utilizing primary data to predict cause-effect relationships. Data were collected through a questionnaire based on a five-point Likert scale, administered to policyholders from six insurance companies selected via mixed sampling. Out of a target population of 299,015, a sample of 422 respondents was chosen, and 386 questionnaires were returned. Pearson correlation and multiple linear regression analysis were conducted using SPSS version 20 to examine the relationship between the independent variables and policyholder retention. The results indicated that variables namely prompt claims handling, good underwriting practice, market competition, technological advancement, and insurance benefits knowledge significantly affect policyholder retention. Based on the findings, it is recommended that insurance companies prioritize improving claims handling processes, good handwriting practice, market competition, and insurance benefits knowledge significantly to enhance policyholder retention.

Keywords: Determinants of Policyholders' Retention; Policyholders Retention; Operational factors of policyholders' Retention; Retention from policyholders' perspectives.

Chapter One: Introduction

1.1. Background of the Study

Insurance serves as a mechanism through which risk is transferred from policyholders to insurance companies in exchange for collecting premiums and the payment of claims (Kwon & Wolfrom, 2016). The inherent nature of risk in any activity means that while it cannot be eliminated, it can be transferred or mitigated. Globally, insurance companies have been established to provide these services and assume the risks from policyholders (Cummins & Venard, 2007).

Broadly, insurance is divided into two main types: Life Insurance and General Insurance. Life insurance involves a contractual agreement in which the insurance company promises to pay a lump sum of money upon the insured person's death or after a specified period (Outreville, 2012). In contrast, General Insurance pertains to non-life risks, covering areas such as property, motor vehicles, marine ventures, and liabilities (Browne, Chung, & Frees, 2000).

Insurance companies are among the most critical financial institutions contributing to a country's economic development. Recently, governments worldwide have emphasized the growth of insurance companies by implementing robust regulatory mechanisms similar to those used for banks (Hockenberry, 2012). These regulations involve evaluating the growth and profitability of insurance companies, highlighting their sensitivity to generating new business and retaining policyholders (Zinyoro & Aziakpono, 2024). Retaining policyholders is particularly vital for insurance companies due to its cost-efficiency and positive impact on reputation (Reichheld, F. F., & Sasser, 1990).

In the insurance industry, the term "policyholders" is commonly used to refer to customers. Consequently, this thesis uses the terms "policyholders" and "customers" interchangeably to align with industry terminology. According to Nema and Jatav (2017), policyholder retention involves actions taken by insurers to maintain their policyholders, encouraging them to renew their insurance policies with the same company. Similarly, customer retention encompasses the efforts made by organizations to retain their existing customers (Mostert et al., 2009). It also refers to the number of customers who remain with a company over a specified period (Dawes, 2009). In today's competitive business environment, customer retention is a critical factor in determining the success of companies. For insurance companies, retaining policyholders is especially crucial as it directly impacts the gross written premium. As

(Boakye, 2011) highlights, customer retention strategies begin at the first point of contact and aim to minimize customer dropout. Therefore, the significance of policyholder retention cannot be overstated, as it not only enhances financial performance but also bolsters the company's reputation and long-term viability.

Currently, there are 18 insurance companies (one government-owned) providing insurance services in Ethiopia. Of these, 18 transact general insurance, and 13 offer both General Insurance and Life Insurance. Additionally, four insurers—Tana Insurance S.C., Awach Insurance S.C., Amhara Insurance S.C., and Waf Insurance S.C.—are in the process of being established. Consequently, policyholder retention will become more challenging, necessitating that each insurer thoroughly understands the determinants of policyholder retention to sustain its business operations. In Ethiopian insurance companies, policyholder retention is achieved through the provision of excellent service and a positive renewal experience. This strategy aims to prevent customer attrition by maximizing efforts within the existing business environment, focusing on current policyholders to drive growth. Retaining policyholders is advantageous for both reputational and financial reasons. However, policyholders may switch from one company to another for various reasons, indicating that multiple determinants of policyholders' retention.

This research aims to provide a comprehensive analysis of the determinants of policyholders' retention in the general insurance sector in Ethiopia, specifically focusing on selected insurance companies in Addis Ababa City. Given the pivotal role of insurance in risk management and economic development, understanding the determinants of policyholder retention is crucial. By examining various determinants such as prompt claims handling, good underwriting practices, competition, technological advancements, and policyholder knowledge about insurance benefits, this research seeks to identify effective strategies for enhancing customer retention. As Ethiopian insurance companies face an increasingly competitive environment, insights from this study will help them not only sustain their market position but also improve financial performance and build a strong reputation. Ultimately, the findings will provide actionable recommendations for insurers to better manage retention efforts, ensuring long-term viability and growth in the evolving insurance landscape of Ethiopia.

1.2. Statement of the Problem

In the insurance industry, the gross written premium is critical for sustaining operations, and policyholders are the primary source of gross written premiums. Therefore, retaining policyholders is essential for enhancing premium production.

Customers are a real asset to firms, many of which face significant losses in their consumer base. (Swanson & Hsu, 2009, cited in Inkumsah, 2013). Studies consistently show that attracting new customers is more costly than retaining existing ones.

Globally, various studies have examined determinants of customer retention in the insurance industry. Inkumsah (2013) identified customer satisfaction and corporate image as key determinants of retention in Access Bank. Similarly, Nema and Jatav (2017) highlighted innovative products, competitive pricing, prompt services, employee responsiveness, empathy, tangibility, and reliability as significant factors in India's health insurance sector. Boohene et al., (2013) found switching barriers, customer commitment, and trust to be pivotal in Ghana's insurance industry.

In Ethiopia, research has also explored determinants of policyholders' retention. W. H. Dagne (2020) studied factors affecting policyholders' retention from employees' perspectives and identified claim handling, competition, and underwriting practice as significant retention factors, while personal-social relationships and intermediaries' roles were found insignificant. Awoke (2016) emphasized price as the most critical factor in non-life insurance retention, and Behailu Kacha (2022) highlighted the premium's impact on life insurance retention.

In the above-stated studies except for the study by W. H. Dagne (2020), customer satisfaction, price, and trust have been presented as determinants of policyholder retention in the insurance industry. However, the main operational areas like underwriting and claims were not researched well in Ethiopia. As far as the researcher's knowledge, no studies were using the main operational factors like claim handling and underwriting practice from the policyholder's perspective in Ethiopian Insurance Companies. Hence to fill this gap, the researcher conducted this research including the main operational factors like prompt claims handling and underwriting practice with competition, technological advancement, and insurance benefit of policyholders as independent variables.

Even if W. H. Dagne (2020) used the independent variables: market competition, personal/social bonds, claims handling, underwriting strategies, and intermediaries' role, the

research was from the employees' perspective. To fill this gap, this research has been conducted from the policyholder's perspective.

Most of the above local studies conducted by Ethiopians from customers' perspectives have been done on individual insurance companies except one study used three insurance companies. To fill this gap, the researcher used 6 selected insurers in the non-life insurance business.

Therefore, the main objective of this research was to analyze the determinants of policyholders' retention in Selected General Insurance Companies in Ethiopia and the study variables were prompt claims handling, good underwriting practice, competition, technological advancement, and insurance benefit knowledge of policyholders which were not mostly covered by previous studies. This comprehensive approach provided a more representative and holistic understanding of the key determinants influencing customer retention in the Ethiopian insurance industry.

1.3. Research Questions

This research tried to provide answers to the following research questions:

1. How does prompt claims handling affect policyholder retention?
2. What is the impact of good underwriting practice on policyholder retention?
3. What is the impact of competition on policyholder retention?
4. How does technological advancement affect policyholder retention?
5. What is the impact of insurance benefit knowledge of policyholders on policyholder retention?

1.4. Objectives of the study

General Objectives: The main objective of this research is to find out the determinants of Policyholders' retention of Selected Ethiopian General Insurance Companies.

Specific Objectives: In line with the general objective, the research has the following specific objectives.

1. To investigate the effect of prompt claims handling on policyholder retention in the Selected Ethiopian General Insurance Industry.

2. To examine the influence of good underwriting Practice on Policyholders' retention in the study area.
3. To study the effects of competition on Policyholders' Retention in the Selected Ethiopian General Insurance Industry.
4. To investigate the effects of technological advancement on policyholder retention in the Selected Ethiopian General Insurance Industry.
5. To examine the influence of insurance benefits knowledge of customers on Policyholders Retention in Ethiopia in the study area.

1.5. Definition of Terms

The following are operational definitions that are significant for this research.

Claims: It is a formal request by a policyholder to an insurance company for coverage or compensation for a covered loss or policy event.

Policyholders: It is the person or organization who owns the insurance policy.

Underwriting: It is the process of assessing a risk to decide whether the insurance company will insure/accept or reject it and, if accepts, then at what price.

1.6. Delimitation of the study

The research focuses on determinants of policyholders' retention in insurance companies in Ethiopia. It is limited to selected general insurance companies located in Addis Ababa, leaving scope for future studies on all Ethiopian insurance companies. Methodologically, the study employs a quantitative approach. The independent variables examined include prompt claims handling, good underwriting practice, market competition, technological advancement, and the insurance benefits knowledge of policyholders.

1.7. Limitations of the Study

The researcher faced some challenges throughout the process. The concept of policyholder retention in the insurance sector has not been extensively covered by scholars. Consequently, literature on determinants such as prompt claims handling, good underwriting practice, market competition, technological advancement, and insurance benefit knowledge of policyholders is scarce. This lack of comprehensive literature posed difficulties in comparing

existing studies to form the basis for structuring the study tools used in investigating the subject.

1.8. Significance/Contribution of the Study

This research is significant for researchers, regulators, and insurance companies. For researchers, it fills a gap in the literature on policyholder retention in the Ethiopian insurance industry, providing a foundation for future studies. For regulators, it offers insights into factors affecting retention, guiding the development of effective regulatory frameworks to promote industry stability and growth. For insurance companies, the findings highlight key determinants like prompt claims handling, good underwriting practices, market competition, technological advancements, and policyholder knowledge of insurance benefits, enabling them to enhance service delivery, improve customer satisfaction, and increase retention rates, ultimately leading to better financial performance and a stronger market position.

1.9. Organization of the Paper

This thesis is organized into five chapters. Chapter One provides the introduction, including the background of the study, statement of the problem, research questions, objectives, definition of terms, delimitations, limitations, and significance of the study. Chapter Two addresses the theoretical literature, empirical literature, and conceptual framework. Chapter Three covers the research design and methodology utilized in the study. Chapter Four presents the results and discussions, analyzing primary data through both descriptive and inferential analysis. Finally, Chapter Five offers the conclusions and recommendations/implications of the study.

Chapter Two: Literature Review

This chapter reviews the research on determinants of policyholders' retention relevant to this thesis. It explores the relationship between policyholder retention and various influencing factors. The chapter includes both theoretical and empirical reviews and presents a conceptual model based on these insights.

2.1. Theoretical Review

2.1.1. Concept of Policyholder Retention

The concept of customer retention is interpreted differently across various literatures and scholars, each offering unique perspectives from both organizational and customer viewpoints. Buchann & Gillies, 1990, cited in Casaló et al., (2008) define the customer retention rate as “the percentage of customers at the beginning of the year that remains at the end of the year.” Another definition by Motiwala (2008), cited by R. Thiru Murugan & Sudhahar (2015) describes customer retention as “maintaining the existing customer base by establishing good relations with all who buy the company's product.” Awoke (2016) references Cannie (1994), stating that “customer retention is a process that makes customers loyal to a specific company and repurchase product from this company.” According to Boakye (2011), “Customer retention is the activity that a selling organization undertakes to reduce customer defections.”

Many researchers emphasize the critical importance of customer retention, highlighting that attracting and then retaining customers is essential for organizational success. In this research, policyholder retention, or customer retention, is defined as the renewal of insurance contracts with the same insurance company and the continued purchase of insurance products from existing companies for non-renewable business.

2.1.2. Policyholder as a Customer

Meenakshi (2018) defines a policyholder as an individual or entity that purchases an insurance policy from an insurance company. Thus, purchasing an insurance policy is a prerequisite to becoming a policyholder. According to Muiruri & Kuria (2014), each policyholder contributes to the insurance pool, and those who encounter a loss are compensated from this pool, effectively sharing the risk.

Policyholder retention offers several advantages for insurance companies, ensuring their continued operation and ability to fulfill customer liabilities. Research indicates that increasing retention is more cost-effective than acquiring new customers (Gupta et al., 2004).

(Nema and Jatav (2017) emphasize that maintaining existing customers is crucial for insurance companies as it reduces costs and enhances profitability.

Retaining policyholders for extended periods increases gross written premiums (revenue), enhances the likelihood of attracting new customers, and provides valuable information for service improvement based on past trends and reputation.

2.1.3. Determinants of Policyholders' Retention

2.1.3.1. Prompt Claim Handling

Insurance exists to provide financial protection by paying claims when the insured event occurs. Policyholders pay premiums with the expectation of being covered in adverse situations. The claims department is the 'shop window' of an insurance company; regardless of low premiums or efficient underwriting, an insurer is ultimately judged by how well it handles claims (Antony Greensweig, 2023). The core functions of insurance companies include underwriting risks and providing claim compensation (Oyedokun & Gabriel, 2018). Oketch (2014) emphasizes that effective claims handling is crucial for customer retention, recommending that insurance companies manage claims efficiently to retain policyholders and enhance their reputation. Conversely, poor claims handling can lead to customer loss.

2.1.3.2. Good Underwriting Practice

Underwriting is the process by which insurance companies assess risks to determine whether to accept them and at what price or to reject them altogether. It is the foundational step in all insurance processes and the first point of interaction between insurance buyers and the company, where the negotiation of contracts takes place.

Insurance contracts operate on the principle of a common pool, where individual premiums are collected to cover the losses of a few. The underwriter's primary task is to manage this pool effectively and profitably. This involves assessing the risk presented by each applicant, deciding on the acceptance and extent of the risk, determining the terms, conditions, and scope of coverage, and calculating an appropriate premium (Grace Maxted, LLB (Hons), 2023).). Effective underwriting is essential for maintaining a healthy loss ratio and is crucial to the financial performance of an insurance company. Poor underwriting decisions result in high loss ratios, where the company pays out more in claims than it collects in premiums. By establishing a robust underwriting strategy and investing in underwriting training, insurance companies can reduce variability in outcomes.

Policies in insurance companies are intangible products, consisting of promises rather than physical commodities. The lifecycle of an insurance policy begins with underwriting and issuance, continuing through to renewal. Underwriting involves analyzing, accepting, or rejecting risks; assessing, classifying, and selecting insurable risks; setting insurance periods, terms, and conditions; establishing liability limits; calculating premium rates; and completing necessary documentation (Arhipov, 2007, cited in Soye & Adeyemo, 2018).

Given the complexity and tedious nature of underwriting, insurance companies should adopt straightforward and transparent underwriting strategies to satisfy and retain policyholders. Simplified underwriting processes, along with product innovation and customization, are crucial for maintaining existing policyholders.

2.1.3.3. Competition

In the insurance industry, there are several market competition areas such as premium price, service quality, extent of coverage, market share, etc. From these competition areas, policyholders more focus on premium price. Price may be one of the most crucial factors in customer decisions (Srivastava & Lurie, 2001). Insurance companies are more committed to giving premium discounts to retain the policyholders during the renewal time. In most of the insurance companies completion is based on undercutting the insurance premium.

W. H. Dagne (2020) stated that for an insurer to be successful in the long term in general and for a short period in particular, its products must be priced adequately to pay its liability arising from claims and also to produce profits. At the same time, prices must be competitive with those offered by other insurers in normal business circumstances to be reasonable from the policyholders' perspective.

Nowadays, the Ethiopian insurance industry is facing high competition, especially unfair price cutting. Therefore, this research would like to evaluate the relationship between market competition and policyholder retention.

2.1.3.4. Technological Advancement

In many insurance companies in developing countries, the reliance on manual paperwork results in slow and inefficient underwriting and claims processes. Manual record-keeping slows down operations and makes the work burdensome (Nyokabi, 2018). A study by Fadun (2021) stated that the development of ICT helps organizations to effectively integrate into the global market. His study also showed that the adoption of ICT by insurance companies can significantly enhance their efficiency, service quality, and profitability. Fadun recommended

that insurance companies regularly update their ICT facilities due to their positive impacts on service delivery and profitability. Furthermore, he emphasized the importance of regular training for insurance personnel to keep them updated with the latest innovations in ICT, ensuring that the industry can contribute positively to the economy.

2.1.3.5. Insurance knowledge of Policyholders

Various risks in the world can impact individuals' daily lives, yet it is surprising how few of these risks are insured. There are numerous insurance products available that cover a wide range of risks, from health and life insurance to property and liability insurance. Despite this, there is a significant lack of awareness and knowledge about these insurance products and their benefits (Jaganathan, 2020).

In Ethiopia, this issue is particularly pronounced, as the general public has a low awareness of the benefits of insurance. This lack of knowledge prevents many individuals from understanding how insurance can provide financial protection and peace of mind in the face of unforeseen events. Therefore, it is crucial to increase public awareness and education regarding the benefits of insurance. Efforts should be made to inform the community about the various types of insurance products available and how they can mitigate risks and provide financial security. Enhanced awareness can lead to higher insurance penetration rates, thereby contributing to greater economic stability and individual well-being.

2.2. Empirical Review

Research consistently demonstrates that customer satisfaction and trust are critical for customer retention across various sectors, including the insurance industry. However, empirical evidence specifically supporting the explanatory variables in this study is somewhat limited. To address this, the researcher has referenced several empirical findings related to customer retention examined by other scholars, as outlined below.

Awoke (2016) in his study, "Factors Affecting Customer Retention in the Non-Life Insurance Sector in Addis Ababa, Ethiopia," explored four independent variables: customer satisfaction, trust, price, and switching barriers. Utilizing a correlational research design, data were collected via questionnaires from sample respondents in three insurance companies selected through simple random sampling. Pearson correlation and multiple regression analyses were conducted using SPSS 20.0. The results indicated that all factors contributed to customer retention, with price having the largest impact, followed by trust, satisfaction, and switching barriers.

Behailu Kacha (2022) in his study "Factors Affecting Customer Retention in Life Insurance Sector: The Case of Ethio Life and General Insurance Company (ELiG)," identified six independent variables: customer service, premium, switching barriers, customer loyalty, competition, and claim trends. Using an explanatory research design, data were gathered from 158 customers of Ethio Life and General Insurance Company via a census survey. Pearson correlation and multiple regression analyses, conducted with SPSS 20.0, revealed that all factors influenced customer retention, with premium exerting the most significant impact compared to customer service, switching barriers, customer loyalty, competition, and claim trends.

H. Dagne (2014) in her study, "Determinants of Customer Retention in Nyala Insurance S.C," investigated four independent variables: satisfaction, trust, premium, and switching barriers. Employing an explanatory research design, data were collected from 143 customers of Nyala Insurance S.C. in Addis Ababa through convenience sampling. Using Pearson correlation and binary logistic regression analysis via SPSS 20.0, the study found trust to be the most significant determinant of customer retention, followed by customer satisfaction. Premium price and switching barriers were found to have a non-significant impact on retention.

Bullo (2021) in his study, "Investigating the Challenges of Customer Retention by Ethiopian Insurance Corporation, Ethiopia," examined five independent variables: customer satisfaction, customer trust, employee commitment, service recovery, and service quality. An explanatory research design and census survey of 112 managerial employees of Ethiopian Insurance Corporation were used. Multiple linear regression analysis with SPSS 20.0 showed that all factors significantly affected customer retention.

W. H. Dagne (2020) in her study, "Factors Affecting Policyholders Retention of Ethiopian Insurance Companies," analyzed five independent variables: competition, personal-social bonds, claims handling, underwriting strategies, and intermediaries' roles. Using an explanatory research design and stratified random sampling, data were collected from 171 branch representatives of 299 branches in Addis Ababa. Pearson correlation and multiple regression analyses via SPSS 24.0 indicated that competition had a significantly negative relationship with policyholder retention, while personal-social bonds, claims handling, and underwriting practices had significantly positive relationships. However, the regression analysis revealed no significant relationship between intermediaries and policyholder retention, nor between personal-social bonds and retention.

Based on the reviewed literature and empirical studies, it is evident that various factors influence policyholder retention in Ethiopian insurance companies. This research focuses on five main determinants: prompt claims handling, good underwriting practice, competition, technological advancement, and insurance benefit knowledge of policyholders. These factors are critical in understanding and improving policyholder retention within the context of Ethiopian insurance companies. The researcher has reviewed empirical studies conducted by different researchers related to determinants of policyholders' retention in Ethiopian Insurance Companies. In almost all the empirical studies reviewed under this research, the variables customer satisfaction, price, and trust have been presented as determinants of policyholder retention in the insurance industry. As far as the researcher's knowledge, no studies are using the main operational factors like claim handling and underwriting practices from policyholders' perspective in Ethiopian general business industry. Hence to fill this gap, the researcher conducted this research including the main operational factors like prompt claims handling and underwriting practice with competition, technological advancement, and insurance benefit of policyholders as independent variables.

Most of the empirical studies reviewed in this study have been done on individual insurance companies except one research by Awoke (2016) who used three selected companies and this may lack the representativeness of Ethiopian companies and may not be good research for the insurance industry. To fill this gap, the researcher used six selected insurers in the non-life insurance business. Even if W. H. Dagne (2020) used the independent variables: market competition, personal/social bonds, claims handling, underwriting strategies, and intermediaries' role, the research was from the employees' perspective. To fill this gap, the researcher conducted the study from the policyholders' perspective. Therefore, the main objective of this research was to analyze the determinants of policyholder retention at Selected General Insurance Companies in Ethiopia. The study variables were prompt claims handling, good underwriting practice, competition, technological advancement, and insurance benefit knowledge of policyholders which were not mostly covered by previous studies.

2.3. Conceptual Framework and Hypothesis of the Study

2.3.1. Conceptual Framework

This research focused on five independent variables—prompt claims handling, good underwriting practice, competition, technological advancement, and insurance knowledge of policyholders—and one dependent variable, policyholders' retention. The conceptual model

below was developed to examine the relationships between these independent variables and the dependent variable.

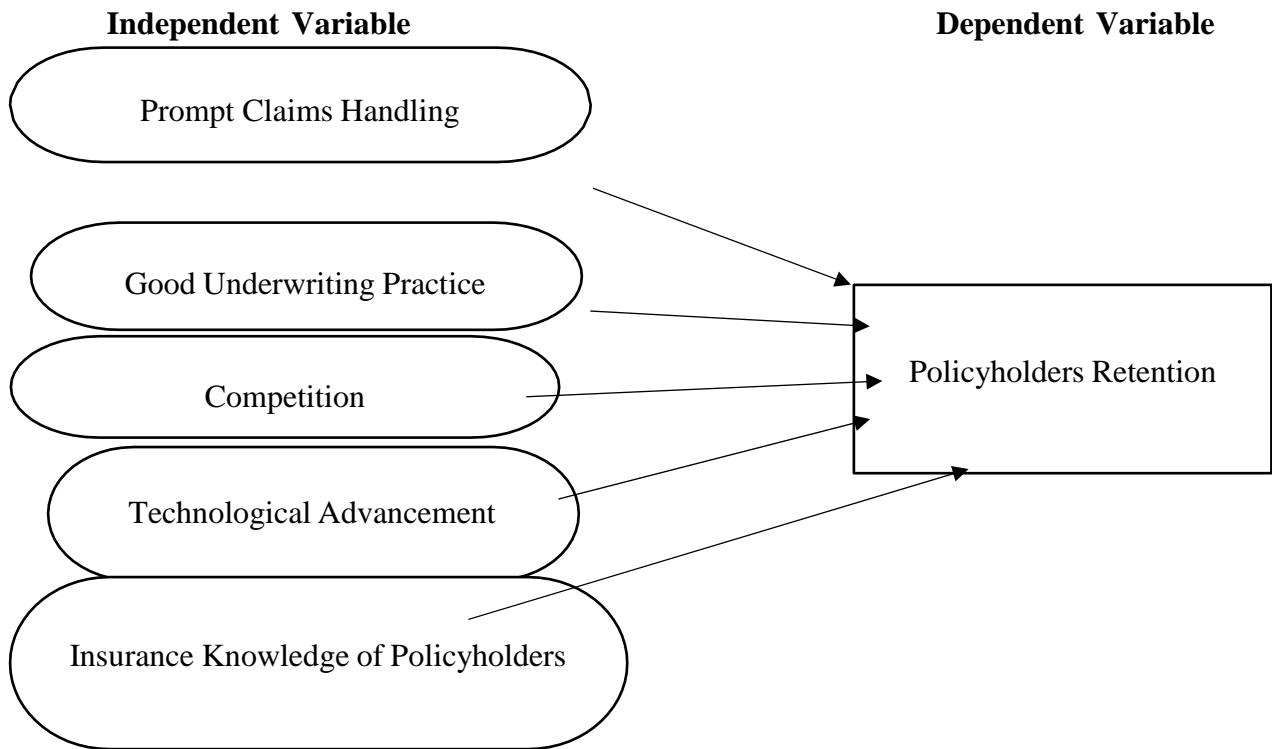


Figure 2.1: Conceptual Framework

Source: The Researcher's Own Design

2.3.2. Hypothesis of the study

The hypothesis serves as a tentative answer to a research problem, expressed as a clearly defined relationship between independent and dependent variables. Based on the research problems and objectives stated, the following alternative hypotheses were formulated.

Hypothesis 1: Claims handling is a critical responsibility of insurers, ensuring policyholders are compensated during times of misfortune. SUNDAY C. et al., (2020) describe claims settlement as the insurer's primary function of compensating the policyholder in case of loss. (Ahlawat, 2024) found that claims settlement is a major challenge for life insurers, a sentiment echoed by Oketch (2014) who noted that claims handling is problematic in retaining policyholders in Kenya. Quick claims handling has been identified as a key factor in improving policyholder retention. Nema (2017) concluded that prompt services are crucial for retaining policyholders in the life insurance sector in India. They emphasized that failure to efficiently handle claims adversely affects an insurer's reputation and customer retention. Effective claims settlement can be measured by the speed of handling, timely updates,

complaint resolution, flexibility in supervision, and experience in claims administration(Olalekan Yusuf et al., 2017)

Ho1: Prompt claims handling has no significant effect on policyholders' retention in selected Ethiopian insurance companies.

Hypothesis 2: Soye & Adeyemo (2018) define underwriting as the process of assessing, accepting, or rejecting risks for the insurance business. This process includes measuring, categorizing, selecting, setting terms, calculating premiums, and issuing the final policy document to customers. According to Schaudel et al., (2018), high-quality underwriting involves streamlined procedures that enhance the client experience. Key aspects of effective underwriting include straightforward procedures, renewal management, policy customization, and appropriate terms and conditions. Oketch (2014) noted that a good internal process, particularly for renewal follow-up, is essential for retaining policyholders.

Ho2: Good underwriting practice has no significant effect on policyholders' retention in selected Ethiopian insurance companies.

Hypothesis 3: Listra (2015) defined competition as the rivalry to attract more clients between individuals or companies. Jatav (2017) noted that clients often choose their insurance provider based solely on price, with some companies engaging in price undercutting. (Oketch, 2014) observed that policyholders tend to switch providers if they find better service or lower prices elsewhere, indicating that unethical pricing strategies can lead to customer loss. Demarso & Abba (2020) highlighted that the Ethiopian insurance market is characterized by low penetration, price-sensitive customers, minimal innovation, and a limited range of products. Competition in this study is measured by price discounts, comprehensive product packages, market share, service excellence, and professionalism.

Ho3: Competition has no significant effect on policyholders' retention in selected Ethiopian insurance companies.

Hypothesis 4: In many developing countries, the reliance on manual paperwork leads to slow and inefficient underwriting and claims processes (Nyokabi, 2018). Fadun (2021) emphasized that the development of ICT can help organizations integrate effectively into the global market. His study indicated that the adoption of ICT by insurance companies can enhance efficiency, service quality, and profitability. Regular updates to ICT facilities and continuous training for insurance personnel are recommended to keep up with innovations and ensure the industry's positive contribution to the economy.

Ho4: Technological advancement has no significant effect on policyholders' retention in selected Ethiopian insurance companies.

Hypothesis 5: Different risks impact individuals daily, yet many are surprisingly underinsured. There are various insurance products covering these risks, but awareness of their value is often low(Jaganathan, 2020). In Ethiopia, there is a particularly low awareness of the benefits of insurance, necessitating efforts to educate the public.

Ho5: Insurance knowledge of policyholders has no significant effect on policyholders' retention in selected Ethiopian insurance companies.

Chapter Three: Research Methodology

This chapter outlines the research methodology employed in this study. It includes the research approach, design, methods, population, sample size, sampling techniques, types and sources of data, data collection instruments, procedures for data collection, and methods of data analysis. Additionally, it details the model specification, description, and measurement of variables. Finally, the chapter addresses the validity, reliability, and ethical considerations pertinent to the research.

3.1. Research Approach

There are three main approaches to research: quantitative, qualitative, and mixed methods (John W. Creswell, 2009). The quantitative approach primarily relies on postpositive claims for developing knowledge, focusing on cause-and-effect relationships, reducing phenomena to specific variables and hypotheses, employing measurement and observation, and testing theories. This approach utilizes strategies such as experiments and surveys to collect data through predetermined instruments that produce statistical data. Given that the researcher formulated a set of hypotheses to be confirmed or rejected, a deductive and quantitative research approach was adopted.

3.2. Research Design

Research design is a conceptual structure within which research is conducted; it establishes a framework for collecting, measuring, and analyzing data (Kothari, 2017). Explanatory research is used to make causal inferences and identify cause-and-effect relationships between variables (Zikmund, Babin, 2019).

In this study, the researcher assessed the cause-and-effect relationships between the independent variables (prompt claims handling, good underwriting practice, competition, technological advancement, and insurance knowledge of policyholders) and the dependent variable (policyholders' retention). The explanatory research design was employed to empirically test the hypotheses formulated in Chapter Two.

Additionally, a descriptive design was used to outline the demographic background of the respondents. This approach was chosen to provide a comprehensive understanding of the sample respondents' sex, age, education, and duration of stay, which aids in gaining better insights into policyholder characteristics.

3.3. Target Population and Sample Size

The target population for this study comprised policyholders from the selected general insurance companies in Ethiopia. The policyholders included individuals who have purchased various general insurance policies, encompassing a range of demographic backgrounds and insurance needs. This diverse pool of respondents provided a comprehensive understanding of the factors influencing policyholder retention, allowing the researcher to draw meaningful conclusions applicable across the industry.

In Ethiopia, there are eighteen insurance companies. However, including all of them in this study was not feasible due to constraints related to the large number of policyholders, time, and budget. To address this, the researcher selected six general insurance companies. Therefore, the total number of target population obtained from six selected General Insurance Companies in Addis Ababa as of Dec 2023 was 299,015, and the details are shown in annex 3.

The sample size for this study was determined using the formula provided by C. R. Kothari (2004). This formula is widely recognized for its accuracy in calculating sample sizes for research studies, ensuring that the sample is representative of the population. The formula used is as follows:

$$n = \frac{z^2 \cdot p \cdot q \cdot N}{e^2(N - 1) + z^2 \cdot p \cdot q} \quad 1$$

Where n = Simple Size, N = Population Size, z = z score at a given confidence level, p = Estimated proportion of an attribute present in the population, $q = 1 - p$, e = Margin of Error=0.05. The sample size for this study was calculated with the assumptions i.e. 95% Level of Confidence, 50% sample proportion, 5% Margin of Error, and Value of z at 95% confidence level 1.96. In addition to the calculated sample size, a 10% buffer was added to account for potential non-responses or incomplete responses. This adjustment is crucial to ensure that the final sample size remains sufficiently large to maintain statistical significance and representativeness, even if some selected respondents do not participate fully. This precautionary measure helps to safeguard the integrity of the research findings and ensures that the conclusions drawn from the study are robust and reliable.

After determining the sample size, the sample was allocated among selected insurance companies and branches by using the formula $n_h = \frac{N_h}{N} * n$, where n_h = Sample size for stratum h, N_h = population size for stratum h.

$$n = \frac{z^2 \cdot p \cdot q \cdot N}{e^2(N-1) + z^2 \cdot p \cdot q} \quad 2$$

$$n = \frac{1.96^2 * 0.5 * 0.5 * 299,015}{0.05^2(299,015-1) + 1.96^2 * 0.5 \cdot 0.5} = 383.78 = 384 \quad 3$$

The researcher added 10% i.e. 38.4=38 for potential non-response and incomplete response of the respondents. Therefore, the total sample size was n=422. Accordingly, the Proportional Sample Size and list of Selected General Insurance Companies in Ethiopia are shown in Annex 3. A list of branches for each selected insurance company with its perspective number of customers is shown in Annex 4, and a list of selected branches with sample size for data gathering has been shown in Annex 5.

3.4. Sampling techniques

The researcher employed a mixed sampling approach in different stages to identify the sample from the population. Specifically, a multi-stage sampling method was used. Initially, the insurance companies were categorized into three strata based on their market share in Ethiopia's general insurance industry: high, medium, and low. From each stratum, two companies were randomly selected using the lottery method. This ensured that each company had an equal chance of being chosen. The names of the companies were written on slips of paper, folded, and blindly selected until the required number of companies was obtained.

The number of customers for each selected insurance company was determined from their 2023/24 Budget Year 3rd Quarter Report as of December 2023. The sample size was then calculated using C. R. Kothari's Formula (Kothari, 2017). Once the sample size was determined, it was allocated among the selected insurance companies and their branches using stratification.

To select branches from the chosen insurance companies, the convenience sampling method was used. Given the impracticality of sampling respondents from all 167 branches, especially where the proportionate sample size for some branches was zero, the researcher selected the

first three branches with the largest number of customers. This resulted in 18 branches being selected, as detailed in Annex 5.

Due to privacy concerns and the unwillingness of insurance companies to provide complete lists of their policyholders, the convenience sampling method was also used to select respondents from the 18 branches. Instead of a complete sampling frame, questionnaires were distributed to every third policyholder visiting the selected branches, with the help of branch staff. This approach provided some degree of randomization, ensuring a more representative sample.

3.5. Types of Data and Sources of Data

The researcher used quantitative data in this research.

Both primary and secondary sources of data were used in this research.

Primary Data: The researcher used primary sources to know the effects of the independent variable on the dependent variable and to collect general information about the respondents.

Secondary Data: The researcher collected essential data from secondary sources. The selected insurance companies' data about the number of policyholders, number of branches, market share, etc. were taken from the selected companies' quarter reports. Other secondary sources of data also include books, research papers (both published and non-published), internet sources, articles, and different magazines.

3.6. Data Collection Instrument

The researcher collected data on insurers' market share and the number of policyholders in each branch from the 2023/24 Budget Year 3rd Quarter Report as of December 2023. For primary data, a written questionnaire was used to quantify the effects of independent variables on the dependent variable and to gather demographic information from respondents. The questionnaire contained 41 items: four items for demographic data and 37 items for data relating to the predictor and dependent variables.

Four items regarding policyholder retention were adopted from (Morgan and Hunt (1994) and Peighambari (2007), cited in Awoke, 2016). Two items were self-prepared. Six items on prompt claims handling, six on good underwriting practice, and six on competition were customized from Wubalem's study (W. H. Dagne, 2020). Six items on technological

advancement and seven on insurance benefits knowledge of policyholders were self-prepared.

The questionnaire used a Likert scale with five response categories (1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree) to measure reactions towards predictor variables. This method was chosen for its efficiency, cost-effectiveness, and consistency in data collection, allowing for high response rates and accurate reflections of respondents' views.

The questionnaire was divided into two parts: Part one collected demographic data, and Part two included questions about the selected predicting factors (prompt claims handling, good underwriting practices, competition, technological advancement, and insurance knowledge of policyholders) and their effect on policyholder retention.

3.7. Procedures of Data Collection

The questionnaires were distributed to all eighteen selected branches of the insurance company. With the assistance of branch staff, the questionnaires were given to every third policyholder visiting the branch office to introduce an element of randomization. The questionnaires were then completed by the policyholders present and collected immediately afterward.

For secondary data, the researcher submitted a supporting letter from Addis Ababa University to the marketing departments of the selected insurance companies. This facilitated the acquisition of data, including the list of Addis Ababa branches, their respective number of active customers, and the market share of the selected general insurance companies as of December 2023.

3.8. Data Analysis Method

Descriptive and inferential analyses were utilized in this research. Descriptive analysis involves the use of frequency distributions, percentage distributions, tables, and pie charts to summarize the data. For inferential analysis, correlation and multiple linear regression methods were employed to analyze the collected data.

Pearson correlation analysis was conducted to measure the degree of relationship between variables. This analysis helps to determine the magnitude and significance of the relationship between the independent variables and the dependent variable. Multiple regression analysis

was used to investigate the effects of prompt claims handling, good underwriting practice, competition, technological advancement, and the insurance benefit knowledge of policyholders on policyholder retention.

Zikmund and Babin(2019) justify the use of a Likert scale, which involves a series of statements related to the subject matter under study. This scale provided quantitative output to measure the predictor factors, allowing respondents to rate how strongly they agree or disagree with carefully constructed statements, ranging from very positive to very negative reactions toward the dependent variable. This approach helped to elucidate the relationship between dependent and independent variables.

The data analysis was conducted using the Statistical Package for Social Sciences (SPSS) software, version 20. Post-estimation tests, including model fit, linearity, normality, homoscedasticity, and multicollinearity, were performed to ensure the robustness of the analysis. Normality, linearity, and homoscedasticity were tested using graphs and scatter plot diagrams. Multicollinearity was assessed using tolerance and the Variance Inflation Factor (VIF), while reliability was evaluated using Cronbach's alpha.

This comprehensive approach ensured that the data analysis was thorough and reliable, providing valuable insights into the determinants of policyholders' retention in the selected insurance companies.

3.9. Model Specification

The Multiple linear regression model was used to identify the relationship between the policyholders' retention of selected Ethiopian general insurance companies and independent variables such as prompt claims handling, good underwriting practice, competition, technological advancement, and insurance benefits knowledge of policyholders. Model building involves specifying relationships between two or more variables; perhaps extending to the development of descriptive or predictive equations. The following regression equation was formulated as follows:

$$Y_i = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + e_i \quad 4$$

Where Y= Policyholders Retention, β_0 = Y-intercept (constant), β_i = Coefficient of the independent variables and *independent* variables.

3.10. Description and Measurement of Variables

3.10.1. Dependent Variable: Policyholders Retention

In Ethiopian insurance companies, policyholder retention is the percentage of renewed business from the total renewable policies. Due to the periodic nature of most insurance contracts, retention is crucial. As cited by W. H. Dagne (2020), customer retention is typically presented as a percentage of lost customers versus existing customers over a period and is challenging for management to maintain at expected levels (Kumar, 2015). In this research, policyholders' retention was measured using a six-item, five-point Likert scale.

3.10.2. Independent Variables

3.10.2.1. Prompt Claims Handling

Insurers promise to compensate policyholders during accidents in exchange for premiums. Prompt claims handling is a key activity for insurance companies. It was measured using a six-item, five-point Likert scale, covering efficient compensation processing, timely settlement, quick updates, fast complaint handling, experience in claims management, and flexibility in management decisions regarding claims.

3.10.2.2. Good Underwriting Practice

Underwriting is the process of assessing risks to decide whether to accept or reject them. It is a critical function performed at the initial stage of the insurance process (Soye & Adeyemo, 2018). Good underwriting practice was measured using a six-item, five-point Likert scale, focusing on policy term explanations, consultation on coverage options, simplified underwriting processes, renewal follow-ups, policy customization, and door-to-door service.

3.10.2.3. Competition

In the Ethiopian insurance industry, policyholders are highly price-sensitive, often prioritizing lower premiums over comprehensive coverage. This industry faces challenges related to price cutting, which can impact risk management. The competition was measured using a six-item, five-point Likert scale, with items including service excellence, premium pricing, insurance product packages, financial strength, branch expansion, professionalism, and advisory services (Demarso & Abba, 2020).

3.10.2.4. Technological Advancement

Globalization and technological advancements have made the world more interconnected. For insurance companies, technology is crucial for service excellence. Technological advancement was measured using a six-item, five-point Likert scale, covering integrated IT

systems, time-saving measures, information access from any branch, claim notifications from anywhere, easy renewal notifications, and customer continuity.

3.10.2.5. Insurance Benefit Knowledge of Policyholders

Awareness of the benefits of insurance is essential for policyholders and the overall economy. Insurance provides financial compensation and peace of mind, encouraging continued policy purchases. This knowledge was measured using a seven-item, five-point Likert scale, with items including the purchase of compulsory policies, policies for bank-related business, financial compensation, peace of mind, risk sharing, bad claim experiences, and renewal post-loan settlement.

The multiple linear regression model in this study assumes several key conditions to ensure the accuracy and reliability of the results. Firstly, it presumes a linear relationship between the independent variables (prompt claims handling, good underwriting practice, competition, technological advancement, and insurance benefits knowledge) and the dependent variable (policyholders' retention). This means that changes in the independent variables are proportionally related to changes in the dependent variable. Secondly, the observations must be independent, indicating that data from one policyholder does not influence another.

Additionally, the model assumes homoscedasticity, where the variance of the error terms is constant across all levels of the independent variables, ensuring consistent model accuracy. The error terms are also expected to be normally distributed, which is crucial for valid hypothesis testing and confidence intervals. Lastly, the model requires no multicollinearity among the independent variables, meaning they should not be highly correlated with each other to avoid distorting the coefficient estimates. These assumptions are validated through post-estimation tests, including model fit, linearity, and homoscedasticity, multicollinearity, and normality assessments, to uphold the robustness of the regression analysis.

3.11. Validity and Reliability

Validity: Validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure (Kothari, 2017). It is the extent to which an instrument measures as it is designed to perform.

To ensure the validity of the questionnaire, pilot testing was conducted, as well as feedback from practitioners was obtained and the questionnaires were pre-evaluated by the assigned advisor.

Validity: The reliability of instruments measures the internal consistency of items in the instrument. John W. Creswell (2009) considers the reliability of the instruments as the degree of consistency that the instruments or procedure demonstrate. A preliminary analysis to test for reliability was conducted using Cronbach's alpha after the data was coded into SPSS version 20.

3.12. Ethical Considerations

While conducting research, a researcher has a responsibility to both the subjects of the study and the profession. Ethical issues were carefully considered and addressed appropriately in this study. Prior to data collection, all necessary information was provided to the sample respondents, including details about who is conducting the study and its purpose. Respondents were informed that their participation was voluntary and anonymous, and the confidentiality of their responses would be guaranteed at all times.

Chapter Four: Result and Discussion

This chapter presents the analysis of the data collected. Initially, the demographic profiles of the sample respondents are examined using tables, pie charts, percentages, and frequencies. Subsequently, the chapter delves into the respondents' answers to the questionnaire, focusing on the determinants of policyholders' retention and their levels of agreement. Out of the 422 distributed questionnaires, 386 were completed and returned, resulting in a response rate of 91%, which is adequate for conducting a robust analysis.

4.1. Respondents Demographic Characteristics

Fig. 4.1 illustrates the gender distribution of the respondents. The majority were male (71%), while female respondents constituted 29%. This suggests that in the selected Ethiopian insurance companies, men are more likely to hold policies than women. Fig. 4.1 also shows the age distribution of the respondents. The majority were middle-aged adults (31-45 years), comprising 42.7% of the sample. This age group is actively engaged in business and has a strong interest in purchasing insurance, presenting a significant opportunity for insurance companies to grow and retain policyholders effectively.

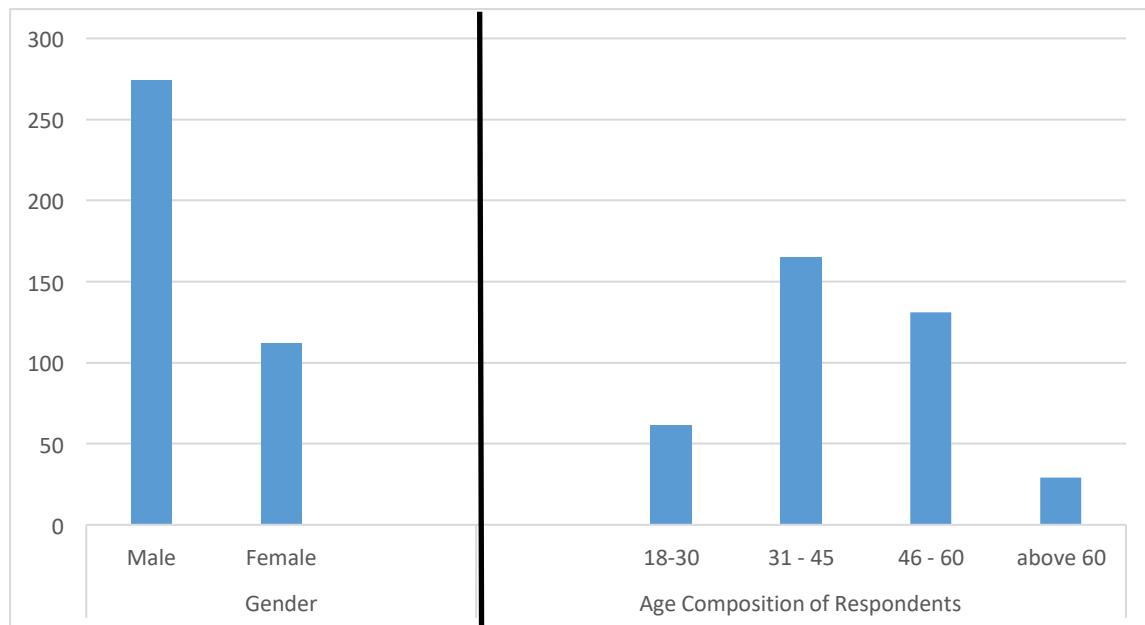


Figure 4.1 Distribution of gender of respondents and age composition of the sample respondents

Source: Own computation

The pie chart below illustrates the educational level distribution of the respondents. The majority of the respondents, 57.25%, hold a Bachelor's degree (BA/BSc), indicating a

significant portion of policyholders have attained higher education. This is followed by respondents with a Master's degree, who make up 21.24% of the sample, showing a substantial number of policyholders with advanced education. Additionally, 13.21% of respondents have obtained a Certificate or Diploma, and 7.25% have education levels up to Grade 12. A small percentage of respondents, 1.04%, hold a PhD or professional degree. This distribution suggests that the majority of policyholders are well-educated, with most having at least a bachelor's degree, which may influence their understanding and engagement with insurance products.

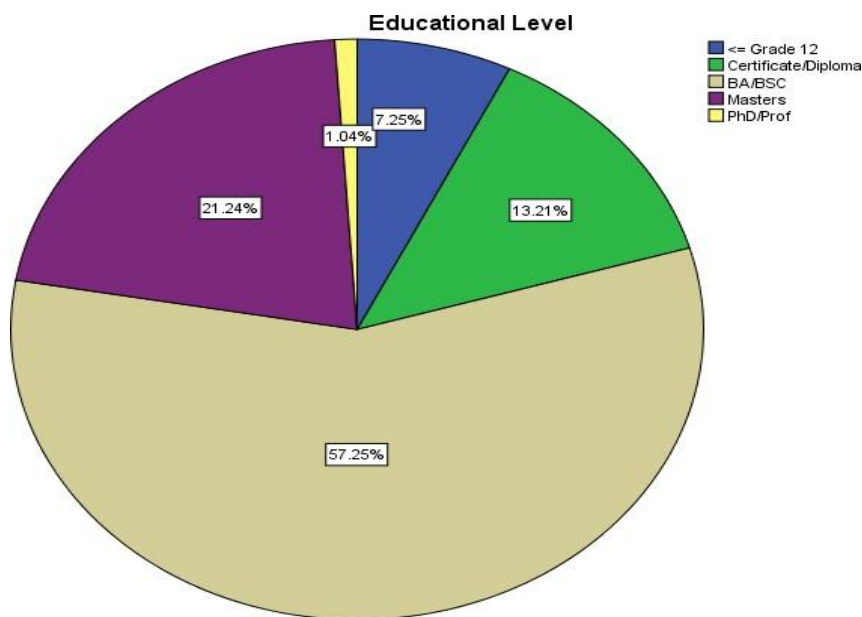


Figure 4.2 Distribution of Educational Level

Source: Own computation

Fig 4.3 shows the duration of stay of policyholders with their current insurer. The majority (69.7%) have been with their insurer for 1 to 5 years, indicating a high rate of recent customer acquisition. A significant portion (24.9%) have stayed for 6 to 10 years, reflecting moderate loyalty. Only 4.1% have been with their insurer for 11 to 15 years, and a mere 1.3% have maintained their insurance for 16 to 20 years. This distribution suggests that while most policyholders are relatively new, a small segment demonstrates long-term loyalty. Understanding these patterns can help insurers develop strategies to enhance retention across different customer tenures.

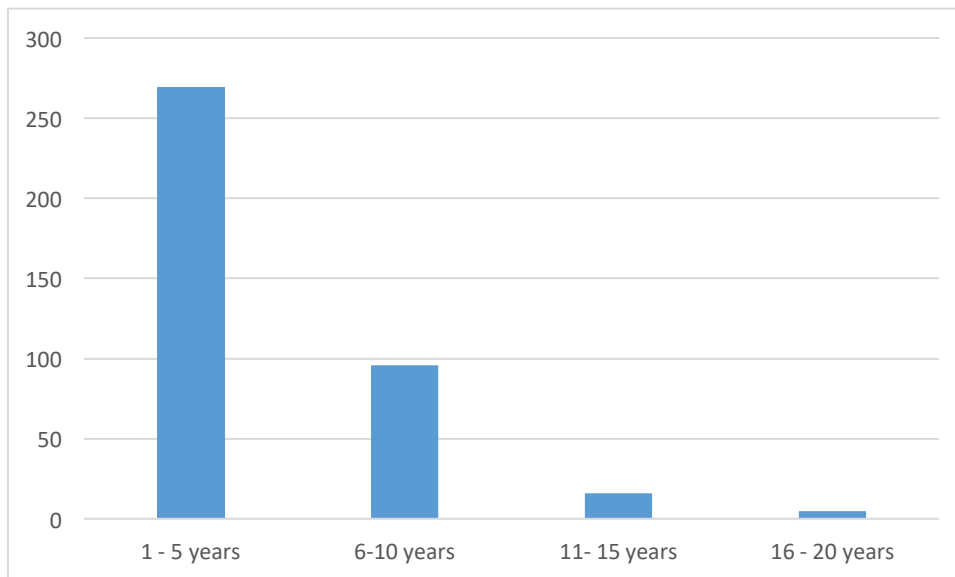


Figure 4.3 Distribution of stay of policyholders in their current insurer

Source: Own computation

4.2. Reliability Analysis

A reliability test was conducted to examine the properties of measurement scales and the items to obtain the overall index of internal consistency of the scales. Cronbach's alpha is the most common measure of internal consistency. As seen from Table 4.1, all the variables exhibit Cronbach's Alpha values well above the accepted threshold of 0.70, indicating that the measurement scales for each variable are reliable and internally consistent. This ensures that the data collected using these scales are dependable for further analysis.

Table 4.1 Reliability Statistics

Variables Name	Cronbach's Alpha	No of Items
Prompt Claims Handling	.855	6
Good Underwriting Practice	.883	6
Competition	.853	6
Technological Advancement	.841	6
Insurance Benefit Knowledge of Policyholders	.817	7
Policyholders Retention	.869	6

Source: Own computation (2024)

4.3. Correlation among Variables

This section presents the findings from the correlation and regression analyses conducted to examine the relationships between the variables. The primary objective of the study was to understand how Ethiopian insurance companies perceive the factors that influence their ability to retain policyholders. Analyses were performed at a 0.05 statistical significance level to determine the relationships between various determinants and policyholder retention. These factors were composed of several items, which were aggregated to form the respective factors. Correlation analysis was used to estimate the degree of relationship between pairs of variables (Clemens Reimann, Peter Filzmoser, Robert G. Garrett, 2008). The correlation coefficient measures this relationship and can range from -1 to +1, indicating the direction and strength of the relationship. A value of +1 or -1 signifies a perfect positive or negative relationship, respectively, while a value of 0 indicates no relationship.

The Pearson product-moment correlation coefficient is a widely used method for calculating the correlation coefficient. It produces a value between -1 and +1, which reflects how closely two variables are related. According to (Cohen, 1988), a correlation coefficient between 0.10 and 0.29 indicates a small or weak relationship, 0.30 to 0.49 indicates a medium relationship, and 0.50 to 1.0 indicates a large or strong relationship. These analyses provide valuable insights into the determinants significantly affecting policyholder retention in Ethiopian insurance companies. Understanding these relationships helps guide strategic decisions aimed at improving customer retention.

Table 4.2 illustrates the correlations between the dependent variable (policyholder retention) and the independent variables (prompt claims handling, good underwriting practice, competition, technological advancement, and insurance benefit knowledge of policyholders). The results indicate a significant and strong positive correlation between policyholder retention and the variables of prompt claims handling, good underwriting practice, technological advancement, and insurance benefit knowledge of policyholders. This means that improvements in these areas are associated with increased policyholder retention.

On the other hand, a significant and strong negative correlation was found between competition and policyholder retention. This implies that as market competition intensifies, policyholder retention decreases, suggesting that policyholders are more likely to switch to other insurers when more competitive options are available.

Table 4.2 Pearson Correlation Coefficient

		Claims	Underwriting	Competition	Technology	Knowledge
Policyholders Retention	Pearson Correlation	.821**	.821**	-.600**	.693**	.547**
	Sig. (2-tailed)	.000	.000	.000	.000	.000
	N	386	386	386	386	386

** . Correlation is significant at the 0.01 level (2-tailed). Dependent Variable: Policyholders Retention

Source: Own Computation (2024)

4.4. Tests of Assumptions for Ordinary Linear Square Estimation

Before presenting the full model regression output, it is essential to verify that the assumptions underlying the Ordinary Least Squares (OLS) estimation are satisfied. These assumptions include linearity, homoscedasticity, normality, multicollinearity, and potential outliers.

4.4.1. Linearity and Homoscedasticity Test

Linearity assumption implies a linear relationship between the independent and dependent variables. To test for linearity, this research examined scatter plots of the dependent variable against each independent variable. As seen from Fig 4.4, the scatter plots display a roughly linear trend, indicating that a straight line can adequately capture the relationship between the variables. The residual plot displays residuals on the Y-axis against the linear predictions (fitted values) on the X-axis, a crucial diagnostic tool for assessing the linearity assumption in a regression model. Upon examining the plot, it is evident that the residuals are fairly evenly scattered around the horizontal axis ($Y = 0$) without forming a discernible pattern. This random distribution indicates that the linear model is appropriate for the data, as no systematic deviation suggests a non-linear relationship between the independent and dependent variables.

The homoscedasticity assumption requires that the variance of the error terms is constant across all levels of the independent variables. To check for homoscedasticity, this research plotted the residuals against the predicted values. The residual plot should display no clear

pattern and the spread of the residuals should remain constant, indicating homoscedasticity. As seen from Fig 4.4, the spread of residuals appears consistent across the range of predicted values, supporting the assumption of homoscedasticity, which implies constant variance of the residuals. This consistency further strengthens the case for a linear relationship, as significant heteroscedasticity could suggest a need for a different modeling approach.

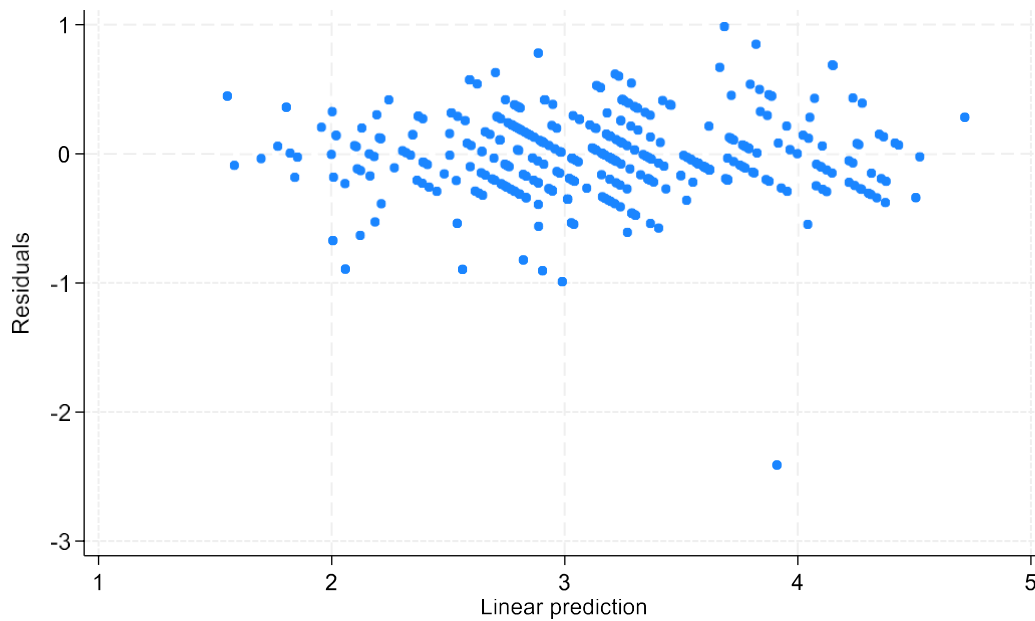


Figure 4.4 Residual Plot for testing linearity and homoscedasticity of the regression Model

Source: Own computation (2024)

4.4.2. Normality Test

The error terms should be normally distributed. This assumption can be tested using a Q-Q plot (quantile-quantile plot) of the residuals. If the points on the Q-Q plot lie roughly along the diagonal line, it suggests that the residuals are normally distributed. The Normal P-P Plot indicates that the residuals of the regression model for "Policyholder Retention" are approximately normally distributed. Most of the data points lie close to the diagonal line, supporting the normality assumption. Minor deviations from the line are observed, but they are not significant enough to invalidate the normality assumption. This suggests that the regression model's residuals do not violate the assumption of normality, allowing for reliable statistical inferences.

Similarly, the Normal Q-Q Plot indicates that the residuals of the regression model are approximately normally distributed. Most of the data points lie close to the diagonal line, supporting the normality assumption. While there are some deviations, particularly in the tails, they are not substantial enough to invalidate the assumption of normality. These minor deviations are common in practical data analysis and do not typically pose significant issues. Overall, the residuals' distribution is close enough to normal to proceed with standard regression inferences.

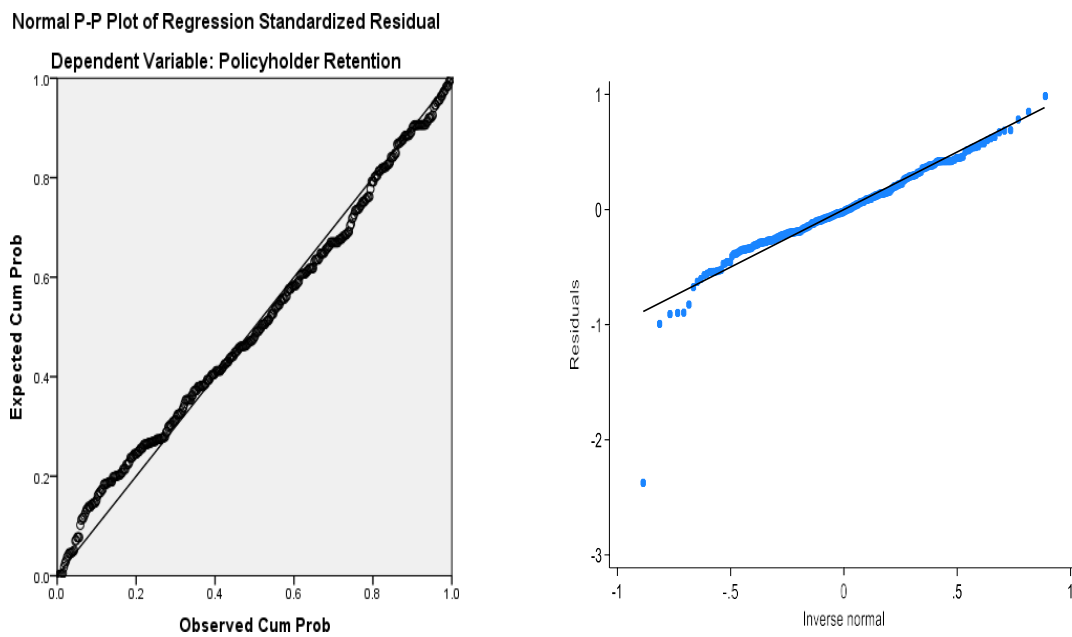


Figure 4.5 Normality Test

Source: Own Computation (2024)

4.4.3. Multicollinearity Test

The independent variables should not be highly correlated with each other. Multicollinearity can be assessed using the Variance Inflation Factor (VIF) and tolerance values. A VIF value below 10 and a tolerance value above 0.1 suggest that multicollinearity is not a concern in the model. As seen from Table 4.3, the Variance Inflation Factor (VIF) results for the independent variables—claims handling (2.829), underwriting practice (3.212), competition (1.795), technological advancement (2.146), and insurance knowledge (1.450)—are all well below the critical threshold of 10, indicating that multicollinearity is not a significant issue in the regression model. This low multicollinearity suggests that the independent variables are not highly correlated with each other, which ensures the stability and reliability of the

estimated regression coefficients. Consequently, the coefficients can be interpreted with confidence, reflecting the change in policyholder retention for a one-unit change in each independent variable, holding others constant. The absence of high multicollinearity also means that the standard errors of the coefficients are not inflated, enhancing the precision of hypothesis tests and confidence intervals. Overall, these results imply that the model is robust, with each independent variable contributing uniquely to explaining the variance in policyholder retention, thereby supporting the validity of further analysis and interpretation.

Table 4.3 Multicollinearity Test using VIF

Variables	Collinearity statistics Tolerance	VIF
Claims	.353	2.829
Underwriting	.311	3.212
Competition	.557	1.795
Technology	.466	2.146
Knowledge	.689	1.450
Observations		
	386	
R-squared		
	0.788	

Source: Own computation

4.4.4. Potential outliers

Outliers are data points that significantly deviate from the other observations in a dataset. These can occur due to variability in the data or errors in data collection, recording, or entry. Outliers can have a profound impact on the reliability of a regression model. They can distort the estimation of the regression coefficients, leading to biased or misleading results. Specifically, outliers can disproportionately influence the slope of the regression line, thereby altering the overall fit of the model. This can result in inaccurate predictions and poor generalization to new data. Moreover, outliers can inflate the error variance and affect the normality assumption of the residuals, leading to unreliable hypothesis tests and confidence intervals. As such, it is crucial to detect and appropriately handle outliers—either by investigating their cause, transforming the data, or using robust regression techniques that minimize their influence—to ensure the robustness and accuracy of the model.

The box plot for policyholder retention visually summarizes the key statistical measures of the dataset, providing insights into its central tendency, spread, and potential outliers. The central box represents the interquartile range (IQR), which contains the middle 50% of the data. The bottom of the box indicates the first quartile (Q1) or the 25th percentile, and the top of the box indicates the third quartile (Q3) or the 75th percentile. The horizontal line inside the box represents the median (Q2) or the 50th percentile. In this plot, the median is around 3, suggesting that the central tendency of policyholder retention is approximately 3 on the scale used. The IQR ranges from about 2.5 to 3.5, indicating that the middle 50% of policyholder retention scores fall within this range. The whiskers extend from approximately 1 to 5, showing the range of the data.

The plot reveals no outliers, as all data points lie within the whiskers, which extend from the minimum to the maximum values of the dataset. The symmetry of the box plot around the median suggests that the distribution of policyholder retention scores is fairly balanced. This indicates a consistent spread of scores without extreme deviations. The absence of outliers and the symmetrical nature of the plot imply a stable and predictable pattern in policyholder retention, which is crucial for understanding retention dynamics and making informed decisions. Overall, the box plot provides a clear and concise summary of the distribution, highlighting the central tendency, variability, and overall structure of the policyholder retention data.

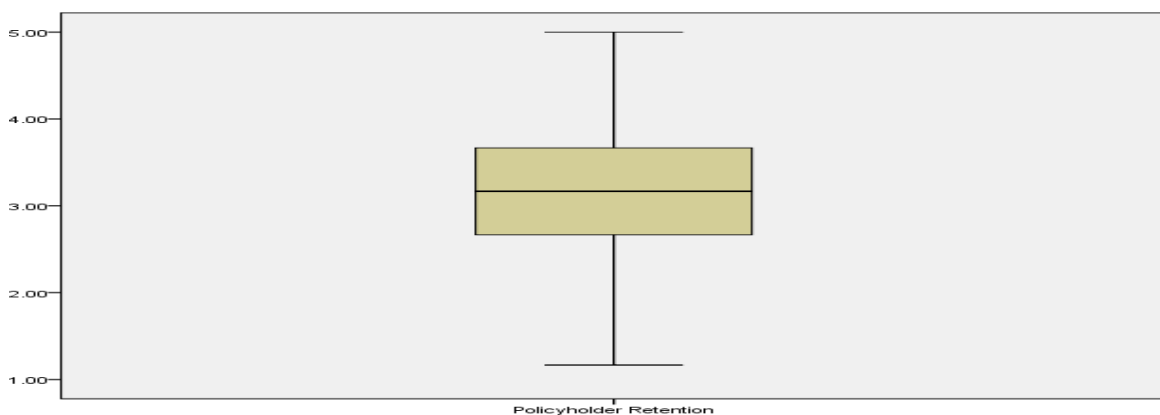


Figure 4.6 Box plot of policyholders retention for outliers checking

Source: Own computation

4.5. Multiple Linear Regression Analysis

Regression analysis is a systematic method that can be used to investigate the effect of one or more predictor variables on the dependent variable. This means it allows us to make

statements about how well one or more independent variables will predict the value of the dependent variable. Particularly, this multiple regression was conducted to examine the effect of the overall bundle of selected determinant factors on Policyholders' retention.

The statistical analysis presented in the tables provides a detailed examination of the determinants influencing policyholder retention in Ethiopian-selected insurance companies. Table 4.4 reveals that the model explains a substantial portion of the variance in policyholder retention, with an R-squared value of 0.788. This indicates that approximately 78.8% of the variability in policyholder retention is accounted for by the independent variables: claims handling, underwriting practice, competition, technological advancement, and insurance benefit knowledge. The adjusted R-squared value of 0.785, which adjusts for the number of predictors, confirms the robustness and reliability of the model. Additionally, the F-statistic of 282.686 with a p-value of 0.0000 indicates that the overall regression model is highly significant, suggesting that the predictors collectively contribute meaningfully to explaining policyholder retention.

Delving into the coefficients table, this research sees how each independent variable impacts policyholder retention. Claims handling has a positive coefficient of 0.379, indicating that effective and prompt claims handling significantly enhances policyholder retention. The high t-value of 9.673 and a p-value of 0.000 confirm its statistical significance, making it one of the most crucial determinants in retaining policyholders. This underscores the importance for insurance companies to streamline their claims processes, ensuring timely and fair settlements to foster trust and loyalty among their clients.

Underwriting practice also shows a positive relationship with policyholder retention, with a coefficient of 0.309. The t-value of 7.708 and a p-value of 0.000 demonstrate that good underwriting practices are statistically significant predictors of retention. This finding suggests that thorough and fair underwriting processes that accurately assess risk and provide appropriate coverage are essential for maintaining policyholder satisfaction and loyalty. It highlights the need for insurance companies to invest in robust underwriting systems and training for their underwriters.

Technological advancement is another significant factor, with a positive coefficient of 0.161. The t-value of 4.711 and a p-value of 0.000 indicate its statistical significance. This relationship suggests that leveraging advanced technologies to improve service delivery, streamline operations, and enhance customer experience can positively impact policyholder

retention. Insurance companies should focus on adopting innovative technologies such as online platforms, mobile applications, and automated systems to meet the evolving needs of their customers and stay competitive in the market.

Insurance benefit knowledge, with a coefficient of 0.113, also positively affects policyholder retention. The t-value of 3.37 and a p-value of 0.001 confirm its significance. This implies that educating policyholders about the benefits and coverage options of their policies can enhance retention rates. Insurance companies should prioritize clear communication and customer education initiatives to ensure that policyholders fully understand their insurance products and feel confident in their value.

Conversely, competition has a negative coefficient of -0.063, indicating that increased competition in the insurance market is associated with lower policyholder retention. The t-value of -2.081 and a p-value of 0.038 suggest that this relationship is statistically significant. This finding highlights the challenges posed by a competitive market where policyholders might switch to other insurers offering better prices or services. It underscores the need for insurance companies to differentiate themselves through superior service quality, customer satisfaction, and innovative product offerings to retain their clients.

The constant term (cons) in the model is 0.278, with a t-value of 1.44 and a p-value of 0.151, indicating that it is not statistically significant. This suggests that the baseline level of policyholder retention, when all predictors are zero, is not significantly different from zero. Therefore, the focus should remain on the significant predictors that drive retention rather than the baseline level.

In summary, the regression analysis provides valuable insights into the determinants of policyholder retention in Ethiopian insurance companies. Effective claims handling, robust underwriting practices, technological advancements, and increased policyholder knowledge about insurance benefits are positively associated with higher retention rates. On the other hand, increased competition poses a challenge, potentially driving policyholders to switch insurers. These results highlight the importance for insurance companies to focus on improving operational efficiencies, enhancing customer service, and strategically managing competitive pressures. By addressing these critical areas, insurance companies can significantly enhance policyholder retention and ensure long-term success.

Table 4.4 Regression Results

Retention	Coef.	St.Err.	t-value	p-value	Beta	Sig
Claims	.379	.039	9.673	0	.384	***
Underwriting	.309	.04	7.708	0	.326	***
Competition	-.063	.03	-2.081	.038	-.066	**
Technology	.161	.034	4.711	0	.163	***
Knowledge	.113	.034	3.367	.001	.096	***
Constant	.278	.193	1.44	.151	-	
Mean dependent var		3.1563	SD dependent var			0.688
R-squared		0.788	Number of obs			386
F-test		282.686	Prob > F			0.000
Akaike crit. (AIC)		218.753	Bayesian crit. (BIC)			242.488

*** $p < .01$, ** $p < .05$, * $p < .1$

Source: Own computation

The results of the multiple regression analysis, presented in Table 4.4, provide a comprehensive summary of the impact of various independent variables on policyholder retention in selected Ethiopian insurance companies.

By taking the beta value under the standardized coefficients, this research can compare the relative contributions of the various variables (see Table 4.4 above). The beta value indicates the relative contribution or influence of each predictor variable on the dependent variable (also known as the criteria variable) under investigation. Stated differently, the beta value is the number of standard deviations that the scores in the dependent variable would shift if the predictor changed by one standard deviation unit. Its contribution gets stronger the higher the beta value.

The Beta value for independent variable claims handling was 0.384 which shows that this independent variable made the first strong positive and statistically significant influence in explaining or predicting the dependent variable (Policyholders Retention) when the variance explained by all other variables in the model is controlled. This signifies that if one can increase efficiency in claims management by one standard deviation, Policyholders' retention scores will increase by 0.384 standard deviation units. In addition, the other predictor variable good underwriting practice made the second strongest statistically significant influence on the dependent variable with a Beta value of 0.326. Another predictor variable technological advancement made the third strongest statistically significant influence on the dependent

variable with a Beta value of 0.163. The independent variable insurance benefits knowledge of policyholders also made the fourth statistically significant influence on the dependent variable with a Beta value of 0.096. Finally, market competition made the fifth statistically significant negative prediction/influence on the dependent variable with a Beta value of -0.066.

As can be seen in Table 4.4 all of the predictor variables have significantly contributed to the equation. This indicates that the combination of independent variables namely prompt claims handling, good underwriting practice, market competition, technological advancement, and insurance benefit knowledge of policyholders are ones that significantly predict policyholders' retention. Accordingly, the five independent variables mentioned above are influencing policyholders' retention significantly at a 95% ($\alpha=0.05$) and 99% ($\alpha=0.01$) confidence level.

The findings above show that taking all other independent variables at zero, a 1 unit change in claims handling will lead to an average of a 0.379 unit change in policyholders' retention rate. Taking all other independent variables at zero, a 1 unit change in underwriting practice will lead to on average a 0.309 unit change in policyholders' retention rate. The findings presented above also revealed that taking all other independent variables at zero, a percentage increase in market competition will lead to a decrease of 0.063% in policyholders' retention rate and vice versa. To stabilize the competition of price, the National Bank of Ethiopia has set motor own damage minimum premium rate (*NBE Motor Minimum Rate Directive: SIB/60/2023, 2023*).

The above finding also shows that a percentage increase in technological advancement can lead to a 0.161% increase in retaining policyholders. Taking all other independent variables at zero, a 1 unit change in insurance benefits knowledge of policyholders will lead to on average a 0.113 unit change in policyholders' retention rate. Insurance companies, therefore, should give priority to those significant determinants and improve their service products to be more successful in their effort to keep their Policyholders in place.

4.5.1. Hypothesis Testing Summary

The regression analysis tests five hypotheses, each focusing on different aspects of the insurance business. The findings indicate that all the hypotheses were rejected. Based on regression analysis of the whole bundle of independent variable impacts on the dependent variable, the hypotheses summary is displayed in Table 4.5 below.

Table 4.5 Hypothesis Summary

No.	Null Hypothesis	P-Value	Result
1	Prompt claims handling has no significant effect on Policyholders' retention of Selected Ethiopian Insurance Companies.	0.000	Rejected
2	Good underwriting practice has no significant effect on Policyholders' retention of Selected Ethiopian Insurance Companies.	0.000	Rejected
3	Competition has no significant effect on Policyholders' retention of Selected Ethiopian Insurance Companies.	0.000	Rejected
4	Technological advancement has no significant effect on Policyholders' retention of Selected Ethiopian Insurance Companies.	0.038	Rejected
5	Insurance knowledge of policyholders has not significant effect on Policyholders retention of Selected Ethiopian Insurance Companies.	0.001	Rejected

Source: Own Computation (2024)

Hypothesis 1: Prompt Claims Handling

The first hypothesis (Ho1) suggested that prompt claims handling has no significant effect on policyholder retention. This hypothesis was rejected, as evidenced by a p-value of 0.000. This result is consistent with previous studies by (W. H. Dagne, 2020), and Oketch (2014), which emphasize the crucial role of efficient claims handling in enhancing customer satisfaction and loyalty. Prompt and effective claims processing fosters trust and confidence among policyholders, thereby significantly boosting retention rates. Nema and Jatav (2017) also support this finding, noting that fast service is a key factor in retaining life insurance policyholders.

Hypothesis 2: Good Underwriting Practice

The second hypothesis (Ho2) proposed that good underwriting practice has no significant effect on policyholder retention. With a p-value of 0.000, this hypothesis was also rejected. This finding aligns with the work of Soye & Adeyemo (2018), and Oketch (2014), which underline the importance of thorough and fair underwriting processes. Effective underwriting ensures accurate risk assessment, policy customization, and efficient renewal management, all of which are essential for maintaining customer satisfaction and loyalty. Schaudel et al., (2018) further emphasize that quality underwriting improves the client experience and supports retention efforts.

Hypothesis 3: Competition

The third hypothesis (Ho3) stated that competition has no significant effect on policyholder retention. This hypothesis was rejected with a p-value of 0.000, indicating a significant negative impact of competition on retention. The findings are in line with Demarso & Abba, (2020) and Boohene et al., (2013), who found that increased competition, characterized by price undercutting and better service offerings from rivals, leads to policyholder switching. This underscores the need for insurance companies to differentiate themselves through superior service quality, innovative product offerings, and maintaining competitive yet sustainable pricing strategies.

Hypothesis 4: Technological Advancement

The fourth hypothesis (Ho4) posited that technological advancement has no significant effect on policyholder retention. This hypothesis was rejected with a p-value of 0.000, indicating that technological advancements do have a statistically significant impact on retention in this context. The findings align with previous research by Fadun (2021), which indicated that ICT development enhances efficiency and service quality. These results suggest that technological improvements are crucial for driving retention, especially when integrated with other operational enhancements.

Hypothesis 5: Insurance Knowledge of Policyholders

The fifth hypothesis (Ho5) suggested that the insurance knowledge of policyholders has no significant effect on retention. This hypothesis was rejected with a p-value of 0.001, showing that increasing policyholders' knowledge about insurance benefits significantly affects retention. Both Jaganathan (2020) and the researcher's study suggest that raising awareness

about insurance benefits is a key component of a broader strategy that includes improving overall service delivery and customer engagement.

The regression analysis reveals significant insights into the determinants of policyholders' retention in Ethiopian insurance companies. Efficient claims handling (coef. = 0.379, $p < 0.01$), robust underwriting practices (coef. = 0.309, $p < 0.01$), and managing competition (coef. = -0.063, $p < 0.05$) are critical predictors of retention. Prompt claims handling and good underwriting practices positively influence retention, while competition has a negative impact. Technological advancements (coef. = 0.161, $p < 0.01$) and insurance knowledge (coef. = 0.113, $p < 0.01$) were also found to be significant factors. These findings underscore the necessity for insurance companies to focus on operational efficiencies, superior customer service, strategic differentiation, technology improvement, and policyholders' awareness about insurance benefits to retain policyholders and ensure long-term success.

4.6. Robustness check

A robustness check evaluates the stability and reliability of empirical results under various assumptions, model specifications, or data subsets. It ensures that the conclusions drawn from a statistical model are not solely dependent on specific conditions or assumptions but hold across different scenarios, thus confirming the robustness of the findings.

Robustness tests are crucial for several reasons. Firstly, they validate the results, ensuring that findings are not artifacts of particular data conditions or model specifications. Secondly, they enhance the generalizability of the research, ensuring that conclusions apply beyond the initial sample and conditions. Thirdly, they increase the credibility and reliability of the research by demonstrating the consistency of results across various tests. Lastly, they offer a sensitivity analysis, identifying how the results respond to changes in assumptions or the inclusion/exclusion of specific variables.

Several methods can be employed for robustness testing, tailored to the research context and data characteristics. One common method is using alternative model specifications. This involves testing the model with different functional forms or adding/removing control variables to check if the main results hold. For instance, running regressions with log-linear models or including additional control variables can provide insights into the robustness of the findings.

Subsample analysis is another method, where the data is split into different groups (e.g., by age, gender, or period) and the model is re-estimated to see if results are consistent across

these subsets. Different estimation techniques, such as using robust standard errors, generalized linear models (GLM), or instrumental variables (IV), can also be employed to test the robustness of the results.

In this study, the researcher conducted two specific robustness checks to ensure the reliability of our results. First, this research included additional variables in our regression models to see if our main findings hold when accounting for these new factors. Second, this research employed Generalized Linear Models (GLM) as an alternative estimation technique to validate the robustness of our results. These methods help confirm that our conclusions about the determinants of policyholders' retention are robust and not driven by specific model choices or omitted variable bias.

The robustness check in Table 4.6 confirms that the main findings of the study hold true even when additional demographic variables are included. The significant positive impacts of claims handling, underwriting practices, technological advancement, and insurance knowledge on policyholder retention remain consistent. Competition continues to have a significant negative impact. The inclusion of demographic controls shows that gender, age, and duration do not significantly influence retention, while education has a marginal effect. These results enhance confidence in the reliability and stability of the original findings.

Table 4.6 Robustness check-linear regression with additional variables

Retention	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
Claims	.381	.04	9.63	0	.303	.459	***
Underwriting	.307	.04	7.63	0	.228	.386	***
Competition	-.062	.031	-2.03	.043	-.123	-.002	**
Technology	.158	.034	4.62	0	.091	.225	***
Knowledge	.107	.034	3.19	.002	.041	.174	***
Gender	-.006	.037	-0.17	.863	-.078	.066	
Age	-.017	.021	-0.79	.428	-.058	.025	
Edu	.039	.02	1.95	.052	0	.079	*
Dur	.012	.028	0.42	.677	-.043	.066	
Constant	.215	.215	1.00	.32	-.209	.638	
Mean dependent var		3.156	SD dependent var			0.688	
R-squared		0.791	Number of obs			386	
F-test		157.929	Prob > F			0.000	
Akaike crit. (AIC)		221.823	Bayesian crit. (BIC)			261.382	

*** $p < .01$, ** $p < .05$, * $p < .1$

Source: Own computation

Table 4.7 presents the regression output from the Generalized Linear Model (GLM). GLM is an extension of the traditional linear regression model that allows for response variables that have error distribution models other than a normal distribution. GLM is flexible and can handle various types of data distributions such as binomial, Poisson, and gamma distributions, among others.

Our robustness check presented in Table 4.7 using GLM robustness check confirms the primary findings of the study. Claims handling, underwriting practices, technological advancements, and insurance knowledge all have significant positive effects on policyholder retention, while competition has a significant negative effect. These results underscore the importance of efficient operational processes and informed policyholders in retaining customers, as well as the challenges posed by a competitive market. The robustness check using GLM reinforces the reliability and stability of the original regression results, demonstrating that the findings are consistent even when using different model specifications.

Table 4.7 Generalized linear model (GLM) results for policyholder retention

Variables	(1) GLM Results for Policyholder Retention
Claims	0.379*** (0.039)
Underwriting	0.309*** (0.040)
Competition	-0.063** (0.030)
Technology	0.161*** (0.034)
Knowledge	0.113*** (0.034)
Constant	0.278 (0.193)
Observations	386

Standard errors in parentheses
 *** p<0.01, ** p<0.05, * p<0.1

Source: Own computation

Chapter Five: Conclusion and Recommendations

5.1. Conclusions

The primary objective of this research was to investigate the determinants of policyholder retention in the Ethiopian general insurance industry. The study aimed to identify the key determinants that influence whether policyholders continue their contracts with their current insurers. Understanding these factors is crucial for insurance companies to develop strategies that enhance customer loyalty and retention.

The research addressed a significant gap in the existing literature by focusing on the Ethiopian insurance market, which has been underexplored in academic studies. While previous research has examined policyholder retention in various global contexts, there has been limited investigation into the specific determinants that affect retention within Ethiopian insurance companies. This study fills this gap by providing insights into the unique dynamics of the Ethiopian insurance market, thus contributing valuable knowledge to the field.

The methodology involved distributing structured questionnaires to policyholders of selected Ethiopian insurance companies. The data collected were quantitative, focusing on various determinants presumed to influence retention, such as prompt claims handling, good underwriting practices, market competition, technological advancement, and insurance benefit knowledge. The analysis was conducted using correlation and regression techniques to determine the relationships and predictive power of these variables on policyholder retention.

The main findings revealed that prompt claims handling and good underwriting practices have strong positive impacts on policyholder retention. Market competition, on the other hand, had a significant negative effect, indicating that intense competition can lead to higher policyholder turnover. Technological advancement and insurance benefit knowledge were also positively correlated with retention and were statistically significant. These results suggest that operational efficiency and competitive strategies are critical for retaining policyholders in the Ethiopian insurance market.

The contributions of this research are multifaceted. Firstly, it provides empirical evidence on the determinants of policyholders' retention in an under-researched market. Secondly, it highlights the importance of efficient claims handling, robust underwriting practices,

technological advancement, and policyholders' awareness of the benefit of insurance, offering practical insights for insurance companies to improve their retention strategies. Lastly, the study underscores the need for managing competition effectively to mitigate its negative impact on policyholder retention. These contributions can guide insurance companies' branch managers, executives, top management, and insurance company regulators in designing better customer retention frameworks and enhancing the overall stability and growth of the insurance sector in Ethiopia.

5.2. Recommendations

The primary objective of this research was to investigate the determinants of policyholders' retention in the Ethiopian selected general insurance industry. By analyzing data collected from policyholders of selected insurance companies, the study aimed to provide actionable insights into how insurers can enhance customer retention. The focus was on understanding the impact of prompt claims handling, good underwriting practices, market competition, technological advancement, and insurance benefit knowledge on policyholder loyalty.

Based on the results, several recommendations are proposed to improve policyholder retention. First, insurance companies should prioritize efficient and prompt claims handling. This involves timely settlement of claims, transparent communication throughout the claims process, and swift resolution of any issues.

Implementing robust underwriting practices is equally important. This includes clear communication of policy terms, proactive renewal follow-ups, and providing personalized policy options that meet the diverse needs of policyholders. Additionally, while competition is inherent in the market, insurers should strive to differentiate themselves through superior service quality rather than just competing on price. Embracing technological advancements can enhance customer experience by offering convenient and accessible services.

Finally, educating policyholders about the benefits of insurance can help increase their loyalty and understanding of the value provided by their insurance products.

5.3. Future Research

While this research provides valuable insights, it is important to acknowledge its limitations. The study was limited to selected insurance companies within Addis Ababa, which may not fully represent the entire Ethiopian insurance industry. Additionally, the reliance on self-reported data from questionnaires could introduce biases. Despite these limitations, the

findings offer a significant contribution to understanding policyholder retention in Ethiopia, providing a foundation for further studies.

Future research should aim to address the identified gaps by expanding the scope to include a broader range of insurance companies across different regions of Ethiopia. This would help in capturing a more comprehensive picture of the determinants of policyholders' retention.

Moreover, future studies could explore additional variables such as customer service quality, product innovation, and regulatory impacts to provide a deeper understanding of the dynamics at play.

Incorporating qualitative methods, such as interviews or focus groups, could also enrich the findings by offering more nuanced insights into policyholder behavior and preferences.

Future researchers are advised to consider using the multinomial logit model in their studies on policyholder retention. The multinomial logit model is particularly useful when the dependent variable is categorical and involves more than two outcomes. In the context of policyholder retention, this model can effectively handle scenarios where policyholders may choose between multiple insurance companies or decide to renew, switch, or drop their policies.

Reference

- Ahlawat, A. (2024). *Importance and Challenges of Life Insurance in India*. April. <https://doi.org/10.13140/RG.2.2.33554.47041>
- Antony Greensweig, A. (2023). *Insurance claims handling (non-UK) WCE 2023-24*.
- Awoke, G. (2016). *Factors Affecting Customer Retention in the Non-Life Insurance Sector in Addis Ababa Ethiopia*.
- Behailu Kacha. (2022). *FACTORS AFFECTING CUSTOMER RETENTION IN LIFE INSURANCE SECTOR: THE CASE OF ETHIO LIFE AND GENERAL INSURANCE COMPANY (ELiG)* (Issue June).
- Boakye, E. O. (2011). Customer Retention. *Quality Progress*, 35(8), 77–79.
- Boohene, R., Agyapong, G. K. Q., & Gonu, E. (2013). Factors Influencing the Retention of Customers of Ghana Commercial Bank within the Agona Swedru Municipality. *International Journal of Marketing Studies*, 5(4). <https://doi.org/10.5539/ijms.v5n4p82>
- Bullo, M. (2021). *INVESTIGATING THE CHALLENGES OF CUSTOMER RETENTION BY ETHIOPIAN INSURANCE CORPORATION, ETHIOPIA* (Issue MAY).
- Casaló, L. V., Flavián, C., & Guinalú, M. (2008). The role of satisfaction and website usability in developing customer loyalty and positive word-of-mouth in the e-banking services. *International Journal of Bank Marketing*, 26(6), 399–417. <https://doi.org/10.1108/02652320810902433>
- Clemens Reimann, Peter Filzmoser, Robert G. Garrett, R. D. (2008). *Applied Environmental Statistics with R*.
- Cohen, J. (1988). Statistical Power Analysis for the Behavioral Sciences. In *Jurnal Sains dan Seni ITS* (2nd ed.). <http://repositorio.unan.edu.ni/2986/1/5624.pdf> <http://fiskal.kemenkeu.go.id/ejournal> <http://dx.doi.org/10.1016/j.cirp.2016.06.001> <http://dx.doi.org/10.1016/j.powtec.2016.12.055> <https://doi.org/10.1016/j.ijfatigue.2019.02.006> <https://doi.org/10.1016/j.ijfatigue.2019.02.006>
- Cummins, J. D., & Venard, B. (2007). International Insurance Markets: Between Global Dynamics and Local Contingencies—An Introduction. *Handbook of International Insurance*, 1–24. https://doi.org/10.1007/978-0-387-34163-7_1
- Dagne, H. (2014). *Determinants of Customer Retention in Nyala Insurance* (Issue

November). <http://hdl.handle.net/123456789/93>

Dagne, W. H. (2020). *FACTORS AFFECTING POLICYHOLDERS' RETENTION OF ETHIOPIA INSURANCE COMPANIES*.

Dawes, J. (2009). The effect of service price increases on customer retention: The moderating role of customer tenure and relationship breadth. *Journal of Service Research*, 11(3), 232–245. <https://doi.org/10.1177/1094670508328986>

Demarso, Y. K., & Abba, B. A. (2020). Trade Competition among Insurers in Ethiopia: A Critical Analysis. *Beijing Law Review*, 11(02), 444–463. <https://doi.org/10.4236/blr.2020.112028>

Fadun, O. S. (2021). *Information and Communication Technology (ICT) and Insurance Companies Profitability in Nigeria. January 2013*.

Grace Maxted, LLB (Hons), A. (2023). *Insurance underwriting (non-UK) WUE, CII*.

Gupta, S., Lehmann, D. R., & Stuart, J. A. (2004). *Valuing Customers*. *XLI*(February), 7–18.

Hockenberry, J. M. (2012). Insurance regulation. *Debates on U.S. Health Care*, 11(4), 228–240. <https://doi.org/10.4135/9781452218472.n16>

Inkumsah, W. A. (2013). Factors that impacted customer retention of banks: A study of recently acquired banks in the UPSA area of Madina, Accra (Specifically Access Bank). *Journal of Marketing and Consumer Research - An Open Access International Journal*, 1, 88–103.

Jaganathan, A. (2020). A Study on Customers' Awareness and Satisfaction of Products and Services Offered by the General Insurance Companies in the Nilgiris District. *Contact Journal on Management Studies*, 6(1), 1174–1180. <https://doi.org/10.21917/ijms.2020.0162>

Jatav, J. N. and S. (2017). Determinants of Customer Retention in Health Insurance Sector. *International Journal of Research and Innovation in Social Science (IJRISS)*, 1(2), 6–10. <http://www.ijriss.org/DigitalLibrary/Vol.1&Issue2/06-10.pdf>

John W. Creswell. (2009). Qualitative, Quantitative, and Mixed-Methods Research. In *Microbe Magazine* (Third Edit, Vol. 4, Issue 11). <https://doi.org/10.1128/microbe.4.485.1>

KOTHARI, C. R. (2017). Research Methodology. In *Экономика Региона* (Second Rev).

New Age International Publishers.

- Kwon, W. J., & Wolfrom, L. (2016). Analytical tools for the insurance market and macro-prudential surveillance. *OECD Journal: Financial Market Trends*, 2016(1), 1–47. <https://doi.org/10.1787/fmt-2016-5jln6hnvwdzn>
- Listra, E. (2015). The Concept of Competition and the Objectives of Competitors. *Procedia - Social and Behavioral Sciences*, 213(June), 25–30. <https://doi.org/10.1016/j.sbspro.2015.11.398>
- Meenakshi, I. (2018). a Study on Preference of Policyholders About Public and Private Life Insurance Companies in Tirunelveli District. *International Journal of Research - GRANTHAALAYAH*, 6(4), 105–110. <https://doi.org/10.29121/granthaalayah.v6.i4.2018.1485>
- Mostert, P. G., Meyer, C. F. De, & Rensburg, L. R. J. Van. (2009). *The influence of service failure and service recovery on airline passengers ' relationships with domestic airlines : an exploratory study*. 13(2), 118–140.
- Muiruri, S., & Kuria, J. (2014). *Challenges in the Uptake and Provision of Medical Insurance in Kenya* (Issue November).
- NBE Motor Minimum Rate Directive: SIB/60/2023*. (2023).
- Nema, J. (2017). *Determinants of Customer Retention in Health Insurance Sector*. I(II), 6–10. <http://hdl.handle.net/123456789/93>
- NYOKABI, M. M. (2018). STRATEGIC RESPONSES TO THE DECLINING UNDERWRITING PROFITABILITY IN THE INSURANCE INDUSTRY IN KENYA PARTICULARLY IN GENERAL INSURANCE. In *Photosynthetica* (Vol. 2, Issue 1). <http://link.springer.com/10.1007/978-3-319-76887-8>
<http://link.springer.com/10.1007/978-3-319-93594-2>
<http://dx.doi.org/10.1016/B978-0-12-409517-5.00007-3>
<http://dx.doi.org/10.1016/j.jff.2015.06.018>
<http://dx.doi.org/10.1038/s41559-019-0877-3>
- Oketch. (2014). Challenges of Customer Retention by Madison Insurance Company Limited in Kenya. In *Master Thesis, University of Nairobi* (Vol. 1, Issue 1).
- Olalekan Yusuf, T., Stephen Ajemunigbohun, S., & Noah Alli, G. (2017). A Critical Review of Insurance Claims Management: A Study of Selected Insurance Companies in Nigeria.

- SPOUDAI Journal of Economics and Business*, 67(2), 69–84. <http://spoudai.unipi.gr>
- Outreville, J. F. (2012). The Relationship between Insurance Growth and Economic Development: 80 Empirical Papers for a Review of the Literature. *SSRN Electronic Journal*, October. <https://doi.org/10.2139/ssrn.1885401>
- Oyedokun, G. E., & Gabriel, F. (2018). Effects of Claims Management on Profitability of Listed Insurance Companies in Nigeria. *American Journal of Management*, 18(5). <https://doi.org/10.33423/ajm.v18i5.252>
- R. Thiru Murugan, & Sudhahar, D. J. C. (2015). Customer retention measurement scale a reliability assessment. *Journal of International Academic Research for Multidisciplinary*, 3(7), 319–328.
- Reichheld, F. F., & Sasser, W. E. (1990). *Reichheld, F. F., & Sasser, W. E. (1990). Module1_3_Zero_Defections_-_Quality_Comes_to_Services.pdf.crdownload.*
- Schaudel, F., Niedermann, F., Kumar, S., & Reinecke, K. (2018). Underwriting excellence: The foundation for sustainable growth in health insurance. *Frankfurt: McKinsey & Company, March.*
- Soye, Y. A., & Adeyemo, D. L. (2018). Underwriting Capacity and Income of Insurance Companies: (A Case of Nigeria). *International Journal of Innovative Science and Research Technology*, 3(10).
- Srivastava, J., & Lurie, N. (2001). A consumer perspective on price-matching refund policies: Effect on price perceptions and search behavior. *Journal of Consumer Research*, 28(2), 296–307. <https://doi.org/10.1086/322904>
- SUNDAY C., N., VINCENT C, O., & DANIEL C, O. (2020). Impact of Claims Settlement on the Development of Nigerian Insurance Industry (2007 – 2017). *International Journal of Research in Management Fields*, 4(1). <https://doi.org/10.26808/rs.rmf.v4i1.01>
- Zikmund, Babin, G. (2019). *Business Research Methods* (Eighth Edi). <https://doi.org/1>
- Zinyoro, T., & Aziakpono, M. J. (2024). Performance determinants of non-life insurance firms: a systematic review of the literature. *Cogent Business and Management*, 11(1). <https://doi.org/10.1080/23311975.2024.2345045>

Appendix

Annex 1: Research Questionnaire

Addis Ababa University

College of Business and Economics

Department of Management

Executive Masters of Business Administration Program

Questionnaire on Policyholders Retention

Dear Respondents:-

I am a student of Addis Ababa University College of Business and Economics in the Department of Management. This questionnaire is designed to collect information on the topic of **“Determinants of Policyholders Retention on General Insurance in Ethiopia: The Case of Selected Insurance Companies in Addis Ababa City”** to the fulfillment of the requirement of the **Executive Masters of Business Administration** program at Addis Ababa University. Any information provided in this survey will be handled with confidentiality and used for research purposes only, and will not be passed on to any third party. It will take about 15 minutes to complete this questionnaire.

If you have any questions, feel free to contact me at the following address.

Thank you very much for taking your precious time to fill out the questionnaire.

Gizachew Alazar,

Tel: +251-920534473

Email: alazargiza@gmail.com

General Instructions

- No need to write your name.
- In all cases, please answer the questions by circling the letter.
- You can use Policyholders and customers interchangeably.

Part I. Demographic Information

1	Gender	a) Male	b) Female			
2	Age	a) 18-30	b) 31 - 45	c) 46 - 60	d) above 60	
3	Educational Level	a) <= Grade 12	b) Certificate/Diploma	c) BA/BSC	d) Masters	e) PhD/Prof
4	Duration of stay in my current insurance company	a) 1 - 5 years	b) 6-10 years	c) 11- 15 years	d) 16 - 20 years	e) above 20

Part II: Determinants of Policyholders' Retention

Direction: Please answer each statement below by putting a circle around the number that best reflects your degree of agreement or disagreement with that statement.

1 = SD - Strongly Disagree, 2 = D - Disagree, 3 = N - Neutral, 4 = A - Agree, 5 = SA - Strongly Agree

S.N	Items	SD	D	N	A	SA
I.Prompt Claims Handling						
1	The company employees are well-trained in customer handling.	1	2	3	4	5
2	The claims management experience of the company in terms of people, processes, and communications is good.	1	2	3	4	5
3	The company's management is flexible in deciding on the process of claims settlement.	1	2	3	4	5
4	The claims service given by the company is faster and excellent.	1	2	3	4	5
5	There is good claims-compliant handling in the company.	1	2	3	4	5
6	I will renew my policy since I was very happy with faster claim compensation.	1	2	3	4	5
II.Good Underwriting Practice						
7	Underwriters consulted me for better insurance coverage options.	1	2	3	4	5
8	The company customized the policies according to my needs.	1	2	3	4	5
9	The company underwriters explained properly the terms, conditions, exclusions, and excess of the policy.	1	2	3	4	5
10	The company underwriting process is short.	1	2	3	4	5
11	The company delivers my insurance policies to my home or my company.	1	2	3	4	5
12	I will renew my policy in this company due to the proper renewal follow-up of underwriters.	1	2	3	4	5
III.Competition						
13	The company provides me with the excellent service that am looking for.	1	2	3	4	5
14	The company offers me a good product package that competitors could offer me.	1	2	3	4	5
15	The company's current financial strength is better than others.	1	2	3	4	5
16	The company has branch offices more convenient than other competitors.	1	2	3	4	5
17	The company's professionalism and advice are better than others in the market.	1	2	3	4	5
18	I will continue with the company if the premium is not significantly higher than that of other insurance companies.	1	2	3	4	5
IV.Technological Advancement						
19	I can renew my policy at any branch of the company through the company-integrated IT system without any difficulties.	1	2	3	4	5
20	The company IT system saves me time to renew the policy.	1	2	3	4	5
21	I can find any information about my policy at any branch through your company's core IT system.	1	2	3	4	5
22	I can apply any claim notification from anywhere through your company portal.	1	2	3	4	5
23	The company renewal notification system is easy since you use recent technology to notify the renewal.	1	2	3	4	5
24	I will renew my policy since your company's usage of technology is good.	1	2	3	4	5
V.Insurance Benefit Knowledge of Policyholders						
25	I feel buying an insurance policy is very important for financial compensation and peace of mind.	1	2	3	4	5
26	I got peace of mind by my policy even if I did not report any claim to my company and hence I did not get any claim compensation during my policy period.	1	2	3	4	5
27	I feel purchasing an insurance policy is also sharing the public risks.	1	2	3	4	5

28	I will purchase an insurance policy whether the insurance is compulsory by law or not.	1	2	3	4	5
29	I bought my policy without the enforcement of the party who has a financial interest (like bank, microfinance, etc.) in my property to purchase insurance.	1	2	3	4	5
30	I will renew my policy which has bank interest although my loan is settled.	1	2	3	4	5
31	I will renew my policy even if I have not any claim for the previous years.	1	2	3	4	5
VI. Policyholders Retention						
32	I intend to remain with my current insurance company when my contract expires.	1	2	3	4	5
33	If I had needed insurance coverage, the company would be my first choice.	1	2	3	4	5
34	I plan to continue my relationship with the company in the future.	1	2	3	4	5
35	I would recommend the company to friends and relatives as the best insurance company.	1	2	3	4	5
36	I would write a testimony letter for my current insurer as a good insurance service provider.					
37	I can give an interview for public media that my current insurer is a good service provider					

Thanks for your willingness!!!

Annex 2: Ethiopian Insurers Market Share for Non-Life Insurance Business

S.No.	Name of Company	Market Share	Rank	Group by Market Share
1	Ethiopian Insurance Corporation	39.59%	1	High
2	Awash Insurance S.C	9.09%	2	
3	United Insurance S.C	5.96%	3	
4	Oromia Insurance S.C	5.53%	4	
5	Nib Insurance S.C	4.46%	5	
6	Nile Insurance S.C	4.24%	6	
7	Africa Insurance S.C	4.23%	7	Medium
8	Lion Insurance S.C	3.94%	8	
9	Nyala Insurance S.C	3.85%	9	
10	Bunna Insurance S.C	3.80%	10	
11	Tsehay Insurance S.C	3.16%	11	
12	Abay Insurance S.C	2.87%	12	
13	Nice Insurance S.C	1.85%	13	Low
14	Ethio Life and General Insurance S.C	1.81%	14	
15	Zemen Insurance S.C	1.72%	15	
16	Berhan Berhan Insurance S.C	1.50%	16	
17	Lucy Insurance S.C	1.23%	17	
18	Global Insurance S.C	1.16%	18	
Total Market Share		100.00%		

Source: Each company 2023/24 Budget Year 3rd Quarter Report as of Dec 2023

Annex 3: Size of Target Population with corresponding sample size

S/No.	Insurance Companies	No. of Branches in AA	Total No. of customers in AA	Proportionated Sample Size
1	Lion Insurance S.C	20	110,407	156
2	Nile Insurance S.C	36	89,198	126
3	Nib Insurance S.C	36	35,044	49
4	Bunna Insurance S.C	23	28,717	41
5	Ethio Life and General Insurance S.C	21	18,774	26
6	Lucy Insurance S.C	27	16,875	24
Total No. of customers in AA		163	299,015	422

Source: Each company 2023/24 Budget Year 3rd Quarter Report as of Dec 2023

Annex 4: List of selected insurer branches with No. of policyholders

1. Company Name: Lion Insurance S.C		
S.No.	Branch	No. of Customers
1	Lideta	5,254
2	Main Branch	25,060
3	Stadium	4,442
4	Teklehaimanot	5,570
5	Genet	4,475
6	Geta	5,585
7	Gerja	4,050
8	Kality	4,173
9	Raguel	8,217
10	Olompia	3,648
11	Cathedral	4,384
12	Autobus Tera	2,171
13	Gurdsholla	5,264
14	Bolemedhanialem	6,017
15	Kazanches	3,274
16	Arat Kilo	5,304
17	Lebu	2,777
18	Hayahulet	4,715
19	CMC	2,518
20	Lancha	3,509
Subtotal 1		110,407
2. Company Name: Nile Insurance S.C		
1	Grand	6,895
2	Legahar	5,684
3	Abakoran	3,547
4	Addis Ketema	3,895
5	Bekelobet	4,895
6	Bole	4,625
7	Gerji	3,652
8	Gotera	4,895
9	Megenagna	6,897
10	Tewodros	4,799
11	Kality	2,749
12	CMC	2,894
13	Lideta	3,845
14	Tele Medhanialem	2,985
15	Addisu Gebya	3,789
16	Lebu	3,568
17	Gofa	3,059
18	Urael	2,975
19	Kolfe	1,981

20	Arat Kilo	1,564
21	Gulele	1,235
22	Beshale	1,241
23	Salo Gora	874
24	Gurd Shola	456
25	Kazanches	563
26	Arada	456
27	Jemo	600
28	Betele	452
29	Ayat	1,000
30	Ayer Tena	745
31	Bole Bulebula	562
32	Abebe Bikilla	498
33	Hayahulet Mazoria	300
34	Meskel Flower	245
35	Africa Union	352
36	Mekanissa	426
Subtotal 2		89,198
3. Company Name: Nib Insurance S.C		
1	Main	3,343
2	Genet	990
3	Ras	2,282
4	Urael	1,196
5	Megenagna	840
6	Tiret	758
7	Tana	2,417
8	Piassa	968
9	Nifas Silk	838
10	Lideta	856
11	Bole	1,221
12	Addis Ketetma	983
13	Gotera	798
14	Lebu	1,469
15	Gurd Shola	1,033
16	Meshualekia	917
17	Gerji	918
18	Kera	759
19	Tele Medhanealem	1,565
20	Ayer Tena	1,210
21	Arat kilo	827
22	Bisrate Gebriel	574
23	Kality	1,942
24	Haya Arat Akababi	941
25	Sefere Selam	889
26	Semen Addis	616
27	D'Afrique	621

28	Ayat	945
29	Bole Bulbula	733
30	wolo sefer	245
31	Senga tera	132
32	Yeka branch	688
33	Yerer	371
34	Figa	115
35	Bole Mikael	14
36	Betel Contact Office	30
Subtotal 3		35,044
4. Company Name: Bunna Insurance S.C		
1	Main	1,692
2	Kera	425
3	Bole	4,264
4	Meshualekia	926
5	Kazanches	660
6	Hayahulet	423
7	Wello Sefer	948
8	Lideta	4,199
9	Sebategna	817
10	Saris	1,598
11	DirTera	402
12	Piazza	759
13	Addisu Gebeya	1,156
14	Lebu	488
15	Arat Kilo	1,335
16	Africa Avenue	1,579
17	Megenagna	4,856
18	Gerji	1,183
19	Semmit	268
20	Kality	169
21	Stadium	320
22	Kolfe	144
23	Ayer Tena	106
Subtotal 4		28,717
5. Company Name: EthioLife and General Insurance S.C		
1	Arat Kilo	83
2	Africa Avenue	1,861
3	Betel	225
4	Bisrate Gebreal	767
5	Bole Medhanialem	1,293
6	Bambis	1,371
7	Beklobet	566
8	CMC	1,002
9	Gofa	576
10	Head Quarter	2,301

11	JO	897
12	Lebu	475
13	Megenagna	1,121
14	Mexico	614
15	Merkato	472
16	Piazza	386
17	Senga Tera	327
18	Saris	491
19	Somalia Tera	683
20	Yerer	524
21	Lideta	2,739
Subtotal 5		18,774
6. Company Name: Lucy Insurance S.C		
1	Main	2,056
2	Merkato	454
3	Megenagna	3,464
4	Stadium	799
5	Bole	408
6	Kality	748
7	Hayahulet	815
8	Piassa	452
9	Lideta	719
10	Kera	705
11	Yerere	624
12	B.Medehanialem	993
13	Yoseph	710
14	CMC	576
15	Addisu Gebya	1,284
16	Lebu	268
17	Beklobet	707
18	Arat Kilo	536
19	Habte Georgies	123
20	Figa	71
21	Adey Abeba	107
22	Ayer Tena	48
23	Goro	23
24	Bethel	56
25	Bole Bulbula	57
26	Lemi Kura	25
27	Gulele Filance	47
Subtotal 6		16,875
Grand Total		299,015

Annex 5: List of selected branches with sample size for data gathering

1. Lion Insurance S.C			
S.No.	Branch	No. of Customers	Proportionated sample size
1	Main Branch	25,060	99
2	Raguel	8,217	33
3	Bolemedhanialem	6,017	24
Sub Total		39,294	156
2. Nile Insurance S.C			
4	Megenagna	6,897	45.00
5	Grand	6,895	45.00
6	Legahar	5,684	36.00
Sub Total		19,476	126
3. Nib Insurance S.C			
7	Main	3,343	20
8	Tana	2,417	15
9	Ras	2,282	14
Sub Total		8,042	49
4. Bunna Insurance S.C			
10	Megenagna	4,856	15
11	Bole	4,264	13
12	Lideta	4,199	13
Sub Total		13,319	41
5. Ethiolife and General Insurance S.C			
13	Lideta	2,739	10
14	Head Quarter	2,301	9
15	Africa Avenue	1,861	7
Sub Total		6,901	26
6. Lucy Insurance S.C			
16	Megenagna	3,464	12
17	Main	2,056	7
18	Addisu Gebya	1,284	5
Sub Total		6,804	24.00
Grand Total		93,836	422

Source: Own computation from collected data