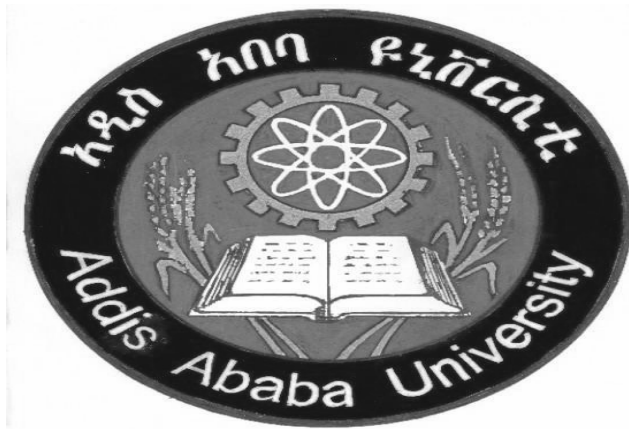


Addis Ababa University
School of Graduate Studies
School of Business and Public Administration



Buyers' Attitude towards Life Insurance Policy Purchase:
a Case Study on Ethiopian Insurance Corporation (EIC)

A project submitted to the school of graduate studies of AAU in partial fulfillment of the requirements for the degree of Masters of Business Administration (MBA).

By: Zekarias Mekonnen Yigzaw

Advisor: Salehu Anteneh (PhD)

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Addis Ababa

Dr. Salehu Anteneh
Department of Business Management
Addis Ababa University
Addis Ababa, Ethiopia

C E R T I F I C A T E

This is to certify that this project work, **“Buyers Attitude towards Life Insurance Policy Purchase : a Case Study on Ethiopian Insurance Corporation (EIC)”**, undertaken by Zekarias Mekonnen for the partial fulfillment of Master’s of Business Administration [MBA] at Addis Ababa University, is an original work and not submitted earlier for any degree either at this University or any other University.

Research Advisor

Declaration

I, Zekarias Mekonnen declare that this work entitled “**Buyers Attitude towards Life Insurance Policy Purchase: a case study on Ethiopian Insurance Corporation (EIC)**”, is outcome of my own effort and study and that all sources of materials used for the study have been duly acknowledged. I have produced it independently except for the guidance and suggestion of the Research Advisor.

This study has not been submitted for any degree in this University or any other University. It is offered for the partial fulfillment of the degree of MA in Business Administration [MBA]

By: Zekarias Mekonnen

Signature_____

Date_____

Advisor: Dr Salehu Anteneh

Signature_____

Date_____

Addis Ababa University
School of Graduate Studies
MBA Program

Buyers' Attitude towards Life Insurance Policy Purchase:
a Case Study on Ethiopian Insurance Corporation (EIC).

By Zekarias Mekonnen

Approval Board Committee

Chairman, Graduate Studies

Research Advisor

Examiner

Signature

Signature

Signature

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ABSTRACT.

This project is designed to investigate buyers' attitudes towards life insurance policy purchase in Ethiopian Insurance Corporation (EIC). To this end; the study has the objective to investigate buyers' attitude towards purchase of life insurance policy and what factors significantly affect buyers' attitude to the purchase of life insurance policy.

Primary data were collected through questionnaires. The questionnaire was distributed to 120 sample buyers of life insurance policy from EIC that are classified in to 4 groups or strata for the purpose of easy access and each stratum has again 30 samples selected purposively in which only 98 were fully completed and returned.

Mainly this research used the Chi-square- test of independence with ($\alpha= 0.05$). On the basis of the data obtained from the respondents and results of the tests, the study identified that demographical factors play considerable role of varying degrees on buyers' attitude towards life insurance policy purchase. Particularly age, educational status, income level, and working status of buyers all have significant impact of varying degrees on attitudes towards life insurance purchase. Surprisingly sex, religion with the exception of Muslim religion, and number of dependents that a buyer posses for financial support all proved not to have significant impact on life insurance purchase attitude of buyers.

CHAPTER ONE

INTRODUCTION

1. 1 Background of the Study

Insurance has several economic and social advantages. Primarily it covers the risk of financial loss of individuals by distributing fairly and equitably to the insured community. Insurance promotes investment by taking away the risk from the investor. Moreover, insurance is significant part of modern economy and it is huge source of employment .For example, in 1996 more than 2.4 million people were employed in the Insurance Industry in U.S.A.

While the worldwide insurance market, especially the life insurance market, has grown rapidly and the internationalization of the insurance business is becoming more widespread, these areas have not been greatly researched (Mark J. Browne and Kihong Kim., 1993).

Historians and researchers in social systems speak affirmatively the existence in history of the various forms of traditional social form of Institution based on family, region, tribal, national and other parochial lines in Africa continent meant to combat fortuitous types of accidents in a daily life. In line with the above facts, in our country, Ethiopia, there were and still are traditional institutions of society welfare known as “IDIR and EKUB”.

These self help institutions of society had been in service of general public of our country since long time in the remote past.

On the other hand, modern insurance in Ethiopia was introduced at the beginning of the 20th century though the sector is one of the most underdeveloped (Hailu Zelke, 2007, p: 41).

The contribution of insurance sector in the country for gross domestic product is insignificant for several years and number of people employed in the sector is very few when compared to other countries. Moreover, such underdevelopment of insurance is much more in life insurance division. A supporting fact to the above statement is that the analysis of the life insurance business during the year 1967 to 1972 indicates that the share of life insurance in total gross premium income of the industry declined from 15.1% in 1967 to 7.9% in 1972 (Hailu Zelke, 2007, p:64). Moreover, although not supported with up to dated empirical data still such underdevelopment of life insurance in the country is an ongoing event that most insurance marketers face including the Ethiopian Insurance Corporation, where this case study is going to be conducted. Therefore it would be necessary to see brief back ground of EIC as follow.

Back ground of the Ethiopian Insurance Corporation

The Ethiopian insurance corporation (EIC) was established in 1976 by proclamation No.68/1975. The corporation came in to existence by taking over all the assets and liabilities of the thirteen nationalized private insurance companies with Birr 11 million paid up capital aiming the following objectives.

- ✓ Engage in all classes of insurance business in Ethiopia.
- ✓ Ensure the insurance services reach the broad mass of the people.

Subject to the provision of Article 18 of the Housing and Saving Bank establishment proclamation 60/1975, promote efficient utilization of both materials and financial resources.

EIC was operating the business for about nineteen years under protected monopolistic system as state owned-sole insurer. After the demise of the Marxist regime in mid-1991 a fundamental change has taken place and there was a shift in political, economic and social orientation from totalitarianism to that of liberalism. Therefore, EIC was re-established as public enterprises under proclamation number 201/94 with Birr 61 million paid up capital.

Upon re-establishment of the corporation in 1994 as state owned enterprise, the law covers the following new objectives to the Corporation:

1. Engage in the business of rendering insurance service ; and
2. Engage in any other related activities conducive to the attainment of its purposes.

Therefore, the life insurance department and division, is one of the major sections dealing with the provision of different types of life insurance policy including endowment, term, and whole life and other types to the market.

In line with this, therefore, this study has investigated buyer's attitude towards life insurance policy purchase by taking selected sample buyers from Ethiopian Insurance Corporation (EIC).

1.2. Statement of the Problem

Insurance sector in general and life insurance in particular in Ethiopia have been given little attention to the concept of marketing over the years. However, according to recent marketing concepts ; while selling is concerned with creating demand for the products that have already been decided, marketing is directed towards identifying the needs and wants of consumers and planning to satisfy those needs. Hence, in this context, the necessity of understanding the needs

and wants of consumers to marketing could be taken to the bone, the tendon, and the ligament of businesses without which no articulation can take place (Gbadamosi 2000 as cited in Tajudeen Olalekan Yusuf, 2009). Here comes the importance of marketer to understand the factors affecting buyers' and prospects attitude towards life insurance policy purchase, which in turn, affects need and wants to their offerings in order to be able to take informed marketing-related decisions.

Conversely, it is important to notice that, when you purchase life insurance, you are providing for the future—perhaps the fulfillment of promises to loved ones to maintain a lifestyle, to have the necessary funds for a college education, to be able to comfortably pay off bills, even a mortgage, or to provide the edge to help the continuation of your business by providing funds to help cover outstanding loans, or to make a gift to your favorite charity.

Moreover, purchase of life insurance policy is economically justified if the insured earns an income, and others are dependent on that earning capacity for at least part of their financial support in case of premature death (risks) but most people buy life insurance without much thought and often unaware of substantial advantage (George E. Rejda 1995, p: 305). Life insurance thus becomes the mechanism for one to ensure a continuous stream of income to the beneficiaries (Black and Skipper 2000 cited in Ogenyi Ejye Omar, 2007).

That future, for all of those who are counting on you right now, could be jeopardized if you haven't considered the financial impact of your death. Of course, the emotional impact of death will not be eased by any beneficial proceeds but thinking of the obligations that will continue, without you there to manage them. However the purchase decision of life insurance is a bit different from other products as there are many choices of Life Insurance products and

sometimes that can be a deterrent to finalizing your decision, simply because there are so many! But, this multitude of products has evolved because the needs of individuals are so varied. You are the only person who can decide what type of product and how much coverage you need, and these needs change as you age, become more successful, become a homeowner, start a family, or even start your own business. As your wealth and obligations change, so, too will your need for Life insurance. Therefore, Purchase decision of life insurance policy is result of buyers' attitude and the perceived benefits from life insurance policy.

For the present study one could ask what characteristics of buyers' affect life insurance policy purchase decision and to what extent do these factors effect on life insurance market in EIC.

These questions deserve closer attention especially as it has been stated that consumers in the insurance market are poorly informed about insurance goods (Berger 1988 cited in Tajudeen Olalekan Yusuf, 2009) and when confronted with the need to do assessment of quality of offerings, particularly when there is perceived risk or lack of personal expertise, consumers rely on heuristics or rule of thumb.. Hence it could be stated that those who do not have the knowledge of insurance services will result into heuristic in the course of their evaluation of the relevant offerings.

Moreover, it is assumed also that the heuristic reliance of buyers' to a given offer in this case, life insurance policy, is varied and affected by the buyers' culture, and socio- demographic factors such as age and sex, professional status, income level, educational level, marital status, and the subjective interpretations of utilities and preference to risk. .

Therefore, this study is done with the purposes of investigating buyers' attitude towards life insurance purchase decision. In this paper, the problem of multi-collinearity is considered in such a way that the project is limited only to analyze to what extent the above mentioned factors

affect buyers' attitude towards life insurance purchase and excluding other national macro economic factors and organizational structure issues.

Based on the data collected from EIC buyers of life insurance policy, it is tried to analyze the extent to which the above mentioned factors impact on buyers' attitude.

To this end, the project tried to answer the following research questions

- ✓ Do buyers' demographic factors affect buyers' attitude towards life insurance purchasing?
- ✓ How these factors affect buyers' attitude in the processes of life insurance policy purchase and how do these factors differ from buyer to buyer in life insurance purchase decision?
- ✓ Does buyers' current attitude contribute to the low level development of life insurance market in EIC in particular and in Ethiopia in general?
- ✓ If so, what marketing strategy should be designed to reach to targeted market of life insurance policy buyers?

1.3 Objectives of the Study

1.3.1 General Objective

The main objective of this project is to investigate buyers' attitude towards purchase of life insurance policy and what factors significantly affect buyers' attitude to the purchase of life insurance policy which, in turn, may provide a useful framework in determining effective marketing strategies to reach the target market in the life insurance business.

3.2 Specific Objectives

In addition to the above general objective, the following are the specific objectives that were under taken.

- Investigate main factors affecting buyers' attitude towards the purchase of life insurance policy in EIC.
- Identify relative importance of factors in buyers' attitude in purchasing life insurance policy.
- Insight the possible ways to marketers of EIC to retain current buyers and to attract potential buyers to consider buying a life insurance policy.
- Describe and provide the possible buyers' attitude on life insurance policy purchase.

This project has, therefore, investigated buyers' attitude on life insurance purchase and recommended feasible market strategy for life insurance policy in EIC as it is the largest main insurance company in Ethiopia.

1.4 Research hypothesis

For this project, the following hypotheses were developed and tested.

- ❖ Age and Gender have significant association with buyers' attitude towards life insurance policy purchase.
- ❖ Religion has significant association with buyers' attitude to life insurance policy purchase.
- ❖ Educational status has significant relation with buyers' attitude towards life insurance policy purchase.
- ❖ Income level has significant relation with buyers' attitude to life insurance policy purchase.
- ❖ Employment status has significant relationship with buyer's attitude to life insurance policy purchase.

1.5. Research Methodology

1.5.1 Research Design

Exploratory research design method is used to meet research objectives and in order to test the hypotheses proposed. Particularly a case study method is appropriate for this project because of its relatively cost effectiveness and easy administration in locating buyers from EIC to investigate and describe buyers' attitude towards life insurance.

1.5.2 Sampling Method

As the aim of this research is to describe and investigate buyers' attitude towards life insurance policy purchase, therefore, the target population is defined as all buyers' who have purchased life insurance from EIC and aged 18 years or older. The age restriction is made to select only actual buyers of life insurance policy that involves a kind of independent decision. Convenience purposive sampling technique is used to select samples from population of buyers. In order to get better accesses and reach out sample buyers, samples were classified in to 4 groups or strata

and each stratum has again 30 samples selected purposively. The first strata consisted of buyers' who are employees of civil service and public enterprise, second strata buyers' from private sector employees, third strata buyers from NGOs employees, fourth buyer's from others category (retired, self employed, brokers and insurance agents).

In order to gather pertinent information with respect to the buyers' attitude towards life insurance purchase the questionnaires were distributed to buyers who have been purchasing life insurance since the past 2 years and forward. Even though accessing buyers was the most difficult task among distributed questionnaires of 120 only 98 were fully completed and returned with a return rate of 81.7% which is acceptable.

1.5.3 Methods of Data Collection

The preferred instrument for primary data collection in this study is self administered questionnaire. This is because primarily it provides relatively simple and straight forward approach for investigation of buyers' attitude. Secondly it allows respondents relative freedom and thirdly it is efficient in providing large amounts of data at relatively low cost in a short period. Structured questionnaires, whose reliability and validity, in same title already tested by (Yusuf.T Gbadamosi. A & Hamadu.D 2009) is used with some context modification to all selected sample strata. The first section consists of 7 questions regarding the demographic aspect of the respondents and the second part of the questionnaire consists of 21 statements evaluated on a 1-5 Likert Scale, where '1' indicates strongly agree with the statement, and '5' refers to strongly disagree with the statement. The third part of the questionnaire consists of questions where the respondents were asked to describe the answers on the space provided for personal responses and comments. Secondary data sources such as customer profile and records were also used to support the study.

1.5.4 Data Analysis Methods

In this project SPSS tool is used to manipulate quantitative data. In the analysis part first substantial follow up and identification of respondents return and non-return on questionnaires is made and analyzed to see the actual collected number of respondents. More importantly Chi-square (X^2) test of independence is used to test the hypothesis formulated in the research and for some of the questionnaires where the data nature allowed to make Pearson's correlation coefficient test is also conducted. As stated in the chi-square test of independence or association between two variables, the decision rule states that the null hypothesis or the proposed hypothesis (H_0) is accepted when test statistic X^2 value is less than the tabulated value $X^2 (\alpha, v)$ where $\alpha = 0.05$ is the level of significance assumed in this research representing statistical error chosen by the researcher and $v = (c-1) (n-1)$ is the degree of freedom. Moreover descriptive statistics such as frequency tables and bar charts are also used to support the result of these methods. Therefore, the data gathered through questionnaires were coded and labeled, entered into computer and analyzed and presented in the presentation section accordingly.

1.6 Significance of the Study

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

1.7 Scope or Delimitation of the Study

This paper is delimited to the data that is obtained from only sample buyers of life insurance policy of Ethiopian insurance corporation (EIC). In this paper, moreover, buyer's attitude towards life insurance policy is investigated in relation to their demographic factors effect on attitude. This paper excluded also varied characteristics and effects of organizational and administrative factors affecting buyers' attitude. Lastly, the study also does not include other macro economic factors effect on buyers' attitude towards life insurance policy purchase too.

1.8 Limitations of the Study

There were external (Uncontrollable) variables that deter the smooth implementation of the project in addition to the limitations of the research design itself. For instance, finding and locating buyers/respondents, the lack of cooperation of the respondents and their commitment to complete filling the questionnaires, lack of sufficient time by the researcher to include the effects of organizational marketing practice and other macro variables on buyers' attitude to purchase of life insurance. Moreover, the time pressure faced by the researcher is also the other constraint to undertake wide survey in Ethiopia with respect to buyers' attitude towards life insurance.

The lack of relevant and up to date literature, lack of localized previous research papers in the area of the study were also major constraints in this study.

1.9 Organization of the Paper

This paper is organized into four chapters. Chapter one deals with introduction, Chapter two with the review of the related literature, and chapter three is about data presentation, analysis and interpretation. Finally, chapter four contains summary of findings, conclusions and recommendations.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Introduction

The primary purpose of this chapter is to get the theoretical understanding and investigation of buyers' attitude towards life insurance purchase. More specifically, it focuses on some primary areas. First, overview of insurance concepts and developments in Ethiopia and fundamental nature of general insurance is explained based on scholar's theoretical lens. Second, defining life insurance based on the definitions given by different scholars on the terms and meanings of life insurance policy and adopted the meaning of the term as it is related to the study. Third, the literature review examined studies which have explained the need and purpose of purchasing life insurance policy for buyers. Fourth, the review of the literature has tried to assess unique nature of life insurance policy. Finally, it is tried to summarize the relationship of review of the literature to the current subject under the study.

2.2 Buyers' Attitude to Life Insurance Purchase

Many scholars have questioned the existence of true "theory" in the so-called applied sciences such as those taught in the typical school of business administration. Thus no large body of literature exists under the caption, the "theory of marketing," "the theory of finance," "the theory of production," "the theory of insurance," etc (The Journal of Insurance, Vol. 30, No. 2 , 1963, pp. 165-182). This should not be taken to mean that no true theory exists in these areas. It is an indication, however, that the various business administration disciplines have not yet matured sufficiently to allow a well rounded body of "scientific" literature to be developed. In many respects business is still more of an art than a pure science.

Thus, an attitude may be defined as a learned disposition to behave in a consistently favorable or unfavorable way with respect to a given object (Schiffman and Kanuk, 2000, pp: 247). Stated differently, it positions people into a frame of mind of liking or disliking things, of moving toward or away from them (Kotler and Armstrong, 2008: p: 144). It is also acknowledged that people have attitudes toward almost everything - religion, politics, clothes, music, and food (Kotler, 2003, pp: 245).

In marketing context, it is stated that consumers can develop attitudes to any kind of product or service, or indeed to any aspect of the marketing mix, and these attitudes will affect behaviour Brassington and Pettitt, (2003) as cited in Tajudeen Olalekan Yusuf, Ayantunji Gbadamosi, & Dallah Hamadu, (2007).

According to life insurance marketing theory, buyers' life insurance purchase behavior could be influenced by many factors including personal characteristic. More over according to Tsai-Ching Liu and Chin-Shyan Chen, (2002, pp:755-774) analyzed the effects of personal characteristics, such as income, education, sex, age, culture, education and occupation on the buyers' purchase intention and attitude and purchase premium of life insurance.

Conceptually insurance is understood by most people to be critical to a well-functioning economy by providing payment in the event of unexpected losses; insurance introduces security into personal and business situation. It also serves as a basis of credit as no financial institution would lend money for purchase of capital goods.

The main themes in the literature of attitude and perception of life insurance buyers have largely focused on factors predicting these attitude (Skinner and Dubinsky, 1984; Ozdemir and Kruse, 2004), purchase decision-making responsibility (Barron and Staten, 1995), consumers perceived value (Smith, 2006) and satisfaction (Kuhlemeyer and Allen, 1999) as cited in Tajudeen Olalekan Yusuf, Ayantunji Gbadamosi, & Dallah Hamadu, 2007. For example, in a survey of

1,462 families, Skinner and Dubinsky found out that employment status of the wife and education of the husband discriminate mostly between which family member(s) is responsible for insurance purchasing decision. Other significant variables include wife's educational level, husband's employment status, family income, and husband's occupation.

Thus from all the above studies result and others more it is true that individual buyers' attitude theoretically is affected by the buyers' demographic characteristics such as age, gender, monthly income, educational status, employment status, religion and culture, etc which, in turn, have some relation with life insurance purchase.

2.3 Historical Development of Insurance Concept in Ethiopia

As there is no acceptable evidence as to where and when the service called "Insurance" began in the global history of human civilization, it is true for Ethiopia too. However, some scholars and researchers in social systems speak affirmatively the existence in history, in the various form of traditional institutions formed on family, religious, tribal, national and on other parochial lines in Africa content meant to combat fortuitous accidents in daily life. Among these social welfare Institutions in Ethiopia were "IDIR and IKUB" having some similarities with modern Insurance service (Meseret Wondaferaw, 2003).

For instance, in the case of "Edir" people form an association where by each members contributes affixed sum, normally to a common fund from which predetermined compensation are paid to members up on occurrence of un foreseen events such as death of family members or relatives. The compensations are meant to cover expenses that a member would incur as the result of the incidents. The "Edir" also owns physical asset like tents, house hold goods like plates and drinking cups, chairs and others were used during the periods of mourning. The other insurance type of association is "EKUB" where member contribute affixed sum of money

weekly, or monthly to a pool of fund and lots are cost where up on the winners receive the money so collided and uses for another member at a premium, if something happens to a member, who had already taken the money, that would not enable him to continue contributing to the fund, his guarantor will have to be held responsible or liable (Year book of EIC, 2001). Although, people have been using these and others mutual associations, Insurance in its modern form could hardly be traced beyond the 1920's the first Insurance business was transacted by the bank of Abyssinia (HABESH), which began operation in 1905 during the regime of Minilik II, as an agent to a foreign company, whereby, covers given were for fire and marine risks. Then after many foreign owned companies or in collaboration with other companies have exercised the service Insurance in Ethiopia.

According to some researches year 1951, marked the beginning of a new chapter in the history of Insurance industry in Ethiopia in that it witnessed the launching for the first time entirely owned by Ethiopians called "Imperial Insurance Company" formed by the initiatives taken by some enlighten Ethiopians and the expatriates, which brought significant development in financial sector of the economy lead to the coming in to existence some eighteen company in 1954 operating in different parts of Ethiopia engage in offering coverage for life, marine, motor and fire or property Insurance services. Proclamation No. 281/70 which was the first Governmental act on the supervision of Insurance business in the country brought about a significant change, in that the government put the governmental control in place for it feel the promotion and protection of the public Interest was timely as the scope of Insurance business in the country expanded and Insurance registration license was setup under the Minster of trade and Industry tourism.

Consequently, January 1975, the Government of “Dergue” Monopolized the service of Insurance under the title “Ethiopian Insurance Corporation established by proclamation No. 26/1975 which brought the right for the government to confiscated the 13 private companies ownership and the control under it.

After the demise of the Marxist regime in mid-1991 a fundamental change has taken place and there was a shift in political, economic and social orientation from totalitarianism to that of liberalism. Therefore, EIC was re-established as public enterprises under proclamation number 201/94 with Birr 61 million (USD 7.13 million) paid up capital.

Upon re-establishment of the corporation in 1994 as state owned enterprise, the law covers the following new objectives to the Corporation:

- ❖ Engage in the business of rendering insurance service ; and
- ❖ Engage in any other related activities conducive to the attainment of its purposes.

As can be deduced from the above: Ethiopian Insurance Industry service development has been experiencing many ups and downs in different contemporary governmental policies which the country has experienced; however, the chance for the industry to exhibit immense growth was once lost during the time which by many is understood it as “missed opportunity” in all aspects of Ethiopian Economic life. In fact, the road transversed so far has been courses while the future seems holding a challenging future whose fruits could be reaped only through determination to say good-bye-to stereotype models of thinking added to visions for qualitative changes. However, the overall insurance industry performance of the country exhibits increase of 2% in terms of gross written premium was observed over the previous year’s performance though

compared with the achievement of the country's GDP, the growth in the sector of Insurance Industry was found to be minimal (EIC Annual report, 2006) .

As a result life insurance sector which is one of the major sections in EIC is responsible for insurance service dealing with the provision of different types of life insurance policy including endowment, term, and whole life and other types to the buyers has a long age of experience but with no significant development and achievement in market.

A supporting fact to the above statement is that the analysis of the life insurance business during the year 1967 to 1972 indicates that the share of life insurance in total gross premium income of the industry declined from 15, 1% in 1967 to 7.9% in 1972 (Hailu Zelke, 2007, p:64).

2.4. Definition and Nature of Insurance

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

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

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

Pritchett, et al (1996, p: 52) defined insurance as a social device, in which a group of individuals called “insureds” transfer risk to another party called the “ insurers “ in order to combine loss experiences , which permits statistical prediction of losses and provides for payments of losses from fund contributed (premiums) by all members who transferred risks.

These definition presents fundamental nature of insurance that there are at least two parties in an insurance contract; the insured (beneficiary) and insurer; there is transfer of risk from one party (insured) to another party (insurer); the payment of price (premium) is mandatory by the insured

for the transfer of risk; and the insurer, on its part pays a sum of money to the insured in the event of occurrence of risk and creates a loss to the insured. Thus, while payment by the insurer is conditional, the insured is reducing its uncertainty concerning the financial consequences of the risk transferred through scarification of a small certain loss (the premium). Therefore, from the viewpoint of the insured, insurance can be visualized as a mechanism of substituting “**uncertainty**” with “**certainty**”.

Insurance is a financial arrangement that redistributes the costs of unexpected losses. Insurance involves the transfer of potential losses to an insurance pool. The pool combines all the potential losses and then transfers the cost of the predicted losses back to those exposed. Thus, insurance involves the transfer of loss exposures to an insurance pool and the redistribution of losses among the members of the pool. Certainty of financial payments from a pool with adequate resources and accurate predictability of losses are the hall-marks of insurance transaction (Mark S. Dorfman 2005, p: 2).

From the above definitions one can see through the operation of an insurance system, however, combined losses can be predicted and the predictability of losses is a basic to an insurance system’s operations because insurance allows a group’s but not an individual’s losses to be predicted accurately, it allows the cost of losses to be financed and redistributed in advance. Moreover, an insurance system redistributes the cost of losses by collecting a premium payment from every participant (insured) in the pool system and in exchange for the premium payment , the insurer promises to pay the insured’s claims in the event of covered loss.

Article 654(2) of the Commercial Code of Ethiopia provides a legal definition of insurance as “An insurance policy is a contract where by a person called the insurer undertakes against

payment of one or more premiums to pay a person, called the Beneficiary, a sum of money where a specified risk materializes” (CCE 1960, p: 140).

Here insurance is a contractual agreement whereby one party agrees to compensate another party for losses, the agreeing party to pay losses is called, **insurer**; the other party whose losses causes the insurer to make a claims payment is called, **insured**; while the contract is called , **policy**; and the insured’s possibility of loss is called **the insured’s exposure to loss**. Therefore, insurance is a branch of contract law and thus the insurance policy, like all contracts, is an arrangement creating rights and corresponding duties for those who are parties to it. For instance, the insurance contract creates the insured’s right to collect payments from the insurer if covered loss occurs and in similar way the insurer has corresponding duty to pay for such losses.

According to John H.Magee and David L. Bickehaupt 1964 insurance in social perspective an adequate definition giving recognition to both the end of insurance and to the means for effecting it has been admirably stated as: “We should define insurance, then, as that social device for making accumulations to meet uncertain losses of capital which is carried out through the transfer of the risks of many individuals to one person or to a group of persons. Wherever there is accumulation for uncertain losses, or whenever there is a transfer of risk, there is one element of insurance; only where these are joined with the combination of risks in a group is the insurance complete”(John H.Magee and David L. Bickehaupt , 1964,p:21).

It means that to effect insurance, persons who are exposed to loss from some particular peril agree to contribute to indemnify whichever member of the group shall, because of the peril, suffer loss. It is the more usual practice to contribute to a common fund and, out of this fund, to make payments to those who have suffered loss.

2.5 Definition and Concepts of Life Insurance

Life insurance undertakes to protect the insured's family, creditors, or others against financial loss growing out of the death of the insured. The contract embodies an agreement in which the insurer undertakes to pay a stipulated sum upon the death of the insured, or at some designated beneficiary.

Legal status was given long ago to the definition which indicates the life insurance agreement to be: "a contract by which the insurer, for a certain sum of money or premium proportioned to the age, health, profession, and other circumstances of the person whose life is insured engages that, if such person shall die within the period limited in the policy, the insurer will pay the sum specified in the policy, according to the terms thereof, to the person in whose favor such policy is granted" (John H. Magee and David L. Bickelhaupt, 1964, p: 600).

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

As a social and economic device life insurance is a method by which a group of people may cooperate to ameliorate the loss resulting from the premature death of members of the group. The insuring organization collects contributions from each member, invests these contributions, guarantees both their safety and a minimum interest return, and distributes benefits to the estates of the members who die (Teklegiorgis Assefa , 2004,p: 134).

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

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

In a personal risk management program, life insurance is an important technique for alleviating the financial consequences of premature death (George E.Rejda, 1995, P: 320).

Life insurance death benefits can restore, either partly or completely, the family's share of the decreased bread winner's earnings. There are numerous life insurance policies that can be purchased to meet the financial goals and objectives of consumers. However, because life insurance policies are complex, consumers can become confused about the type of life insurance to buy.

Types of Life Insurance Policy

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

A. Term life insurance

According to Mark S. Dorfman (2005, p: 256) when a life insurer sells a **term life insurance** policy, it promises to pay the beneficiary if the insured dies within a specified period. If the insured outlives the period, the insurer makes no payment. Thus, Term life insurance has several basic characteristics. First, it provides protection for a temporary period, such as one, five, and ten or twenty years unless the policy is renewed, the protection expires at the end of the period. Most term insurance policies are renewable, which means the policy can be renewed for additional periods without evidence of insurability. The premium is increased at each renewal and is based on the insured's attained age .The purpose of the renewal provision is to protect the

insurability of the insured. However, this results in adverse selection against the insurer. Since premiums increase with age, insureds with a good health tend to drop their insurance, while those with in poor health will continue to renew, regardless of the premium increase.

Therefore, to minimize the adverse selection, many insurers have an age limitation beyond which renewal is not allowed such as age 70 or 80 most of the time and others still to an age of 100.

Term life insurance is similar to property insurance because if there is no loss to a home or automobile while the policy is in force, the insurer makes no payment. Moreover, like property insurance policies, term insurance does not build savings or cash value, as do other types of life insurance. Thus, term insurance is often spoken of as providing” pure death protection”. Term life insurance is a relatively simple type of insurance, and in part for this reason, it has been among the first insurance products successfully sold on the internet market. However insurers sell several types of term life insurance policies including decreasing term, increasing term, level term, renewable term or convertible term.

Term life insurance can prove useful in solving many financial problems. Usually it can be used when the need for life insurance is temporary. It is also useful when people need the maximum coverage and have limited financial resources as well as the price of term insurance is attractive to many people.

In the event of premature death, the education fund need can be met by a level term policy. On the other hand, people often use term life insurance to repay debts as the need for term life insurance is temporary and most debts are temporary. In same manner some or all the need for the income to support dependents can be met by term insurance. The need for funds to support dependent children is temporary until once the children become financially independent, the need for funds to support those ends. However, if a child or a spouse is likely to be a permanent

dependent, perhaps because of a physical problem, then term life insurance is unlikely to be the best choice to fund problems caused by a premature death (Mark S.Dorfman 2005,p: 260).

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

B. Whole life insurance

As distinguished from term insurance, which provides short term protection, whole life insurance is a policy that provides life time protection. Whole life insurance policies promise to pay the beneficiary whenever death occurs and that is why mostly “**till death do us part**” is the insurer's promise (Mark S.Dorfman 2005,p: 260).

Moreover, Whole life policies also promise payment if the insured reaches age 100. When insurers make a claim payment, they say the policy has matured. The insurer knows for a certainty it must eventually pay a claim on every whole life insurance policy remaining in force (Ibid).

Therefore, whole life insurance in its saving value with its high premium is the basis of several important contractual rights for the insured. That is for instance, policy owners (insureds) can

withdraw all their cash value at once if they want to end the policy or they can use the cash value to purchase an annuity at older ages when they need retirement income. More over still owners of whole life insurance can borrow some or all of the cash from the insurer at any time as whole life insurance combines both savings and life insurance protection.

Hence according to Mark S Dorfman (2005) the uses of whole life insurance policies are to meet peoples need with permanent protection combined with savings. In this case permanent protection needs include a burial fund and an income fund in cases in which a spouse, child or parent is permanently dependent on the insured for financial support.

C. Universal Life Insurance

According to American insurance association Universal Life Insurance provides permanent life insurance protection and access to cash values that grow tax-deferred at competitive interest rates. It is adjustable life insurance that allows flexible premium payments—at a scheduled or unscheduled time, but the policy will terminate at any time if the cash surrender value is insufficient to pay the monthly deductions, whether due to insufficient premium payment, if loans or withdrawals are made, or if current interest rates or charges fluctuate. It will pay the benefit if the insured dies before the maturity date and pays the cash value if the insured is living at the maturity date. When a premium is paid, an expense charge is immediately deducted and the balance is placed in a cash value fund to earn interest at the current rate. Insurance expense charges necessary to keep the policy in force are paid internally, monthly, from the cash value, regardless of whether or not premium was paid. The cost of insurance increases each year, based on your age; dividends are not payable.

“A distinct characteristic of universal life insurance is the separation or unbundling of three components: protection component, saving component and expense component” (George E.Rejda, 1995, P: 325).

From all the above definition it is possible to understand that universal life insurance provides life time protection and flexible premium policy that unbundles protection and saving components.

D. Endowment life insurance

Another kind of life insurance policy is an Endowment policy, which pays the face amount of insurance if the insured dies within a specified period; if the insured survives to the end of the endowment period , the face amount is paid to the policy owner at that time (Teklegiorgis Assefa 2004, p: 140).

From the above definition it is possible to see that Endowment contracts provide death benefits for a specified period of time, just as a term insurance does. However, unlike term insurance, endowment insurance has a cash value, and the policy owner is paid the contract’s face amount at the end of the protection period if the insured is still alive. Thus, Endowment insurance may be a useful way for some persons to accumulate a specified sum over a stated period of time whether they live or die but most importantly the objective is to pay expenses during retirement, or to retire a debt. In general according to the purpose and need of the writer, life insurance, can have different meanings, names of classifications which may not be included in the above list but whatever the name and classification they are given they all serve common goal that is protection of financial loss at the time of the insured’s premature death or illness. For instance, the

“**annuity** “type of life insurance is a newly type which furnishes income protection during a period of old age when productive powers have a diminished or disappeared.

2.6 Unique principles of Life Insurance Policy

The essential difference between life insurance and other forms of insurance designed solely to assume the burden of an uncertain peril is that life insurance has, in addition to the function of protecting against uncertainty , the function of accumulation. That is a considerable part of the premiums paid for life insurance represents a contribution on the part of the insureds to a fund for investment to be administered by the insurer (John H.Magee and David L.Bickelhaupt, 1964, p: 600).

A. Not a Contract of Indemnity

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

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

B. Unique risk

The life insurance policy is a contract of insurance in part only because in other insurance contracts the insurer, for an agreed consideration or premium, undertakes to indemnify the

insured against loss or damaged caused by the perils indicated in the policy. In all forms of insurance except life insurance, the happening of unfavorable contingency which gives rise to the loss is uncertain. In life insurance the contingency insured against is death which is universal and certain. Here the uncertainty is the time of its coming because the happening of contingency insured against is certain. Thus, life insurance policies unless written only for a term, provide for certain payment and the uncertain element is the time when such payment must be made.

C. Additional benefits

According to John H. Magee and David L. Bickelhaupt (1960, P ,604) although the basic use of life insurance is the protection of life values, life insurance contracts are so carefully drawn that they have found additional uses. Particularly they are used holding and accumulating assets, and they may also be used as a means for transferring ownership. Therefore, life insurance has primary function and secondary use; however, in many instances the secondary uses supplement and merge with the primary use and there is no conflict between the secondary uses and the primary function.

2.7 Operational and Theoretical Frame Work

Marketing researchers and practitioners have long been interested in the genesis of buyers' values and beliefs about marketing and how they affect consumers' experiences in the marketplace (Treise al 1994). Buyers' attitudes towards various marketing activities are important knowledge for successful marketing operations. Previous research suggests that buyers' attitudes towards marketing vary greatly due to demographic and psychographic factors and may be influenced by their ethical ideologies (Crellin 1998; Treise *et al* 1994). This is also true in the case of life insurance business to according to Truett and Truett (1990) and Browne and Kim (1993) stated in World Bank research group 2002 find a positive relationship between

life insurance consumption and demographic factors such as the level of education, household income and other demographic factors of the buyer.

On the other hand buyers' attitudes towards marketing activities are important from both a theoretical and a managerial standpoint (Gaski and Etzel 1986). As consumer attitudes significantly affect their behavioral responses to marketing activities, knowledge of consumers' attitudes toward marketing has been used in economic forecast and found to be linked to several key macroeconomic variables (Chopin and Darrat 2000).

For example, Douglas and Wildavski (1982) as cited in Tajudeen Olalekan Yusuf 2007, the demand for life insurance in a country may be affected by the unique culture of the country to the extent that it affects the population's risk aversion. Tolerance and Zelizer studies(1969) cited in Greene and Swadener, (1974) noted that religion historically has provided a strong source of cultural opposition to life insurance as many religious people believe that a reliance on life insurance results from a distrust of God's protecting care (Greene and Swadener, 1974, p: 234).

On the other hand, Lewis (1989) and Campbell (1980) as cited in Mark J. Browne (1993) have shown that the demand for life insurance is positively correlated with income. More over the correlation is that as income increases, life insurance becomes more affordable. Still other researchers in other countries have concluded that educational status of buyers has significant influence on their attitude towards life insurance. Educated people have more positive attitude to insurance than less educated ones (Tajudeen Olalekan Yusuf, Ayantunji Gbadamosi, & Dallah Hamadu, 2009).

Therefore in this particular project buyer's attitude towards life insurance purchase is investigated and analyzed under the influence of socio-demographic factors on attitude of buyers through the application of previously identified methodology in chapter one.

CHAPTER THREE

DATA PRESENTATION, INTERPRETATION AND ANALYSIS

3.1 Introduction

As already mentioned in the objective statement of this project, the main objective of this study is to investigate buyer's attitude towards life insurance policy purchase by taking sample size of 120 buyers' from EIC stratified in 4 strata. And further from each stratum 30 buyers were taken and for these buyers structured questionnaires were distributed. However from the total samples under study, only 98 (81.7%) out of 120 were returned others 22 (18.3%) were not returned.

In particular from each group of buyers the returned questionnaires were 28, 25, 22 and 23 from buyers under category of civil services and public enterprise employee, buyers under the category of NGO employee, buyers from private enterprise and buyers from other categories respectively. While non- returned questionnaires were 2, 5, 8 and 7 in accordance with the above order. Therefore, the entire analysis given in this study is based on the actual returned number that is 98 which is taken as 100%.

3.2 Respondents Demographic Information

The first part of the questionnaire consists of the demographic information of the participants particularly with regarding to buyers variables of age and sex and from those buyers who have responded under age and sex category are summarized as follows .

Table 3.1. Summary of the total count and percentage of respondents by age and sex

	Sex				
	Male		Female		Total
Age range	Count	%	count	%	Count (%)
18_24	5	5.1	4	4.08	9(9.18)
25-34	20	20.4	10	10.2	30(30.6)
35-44	10	10.2	11	11.2	21(21.42)
45-54	15	15.31	4	4.08	19(19.39)
55-64	5	5.1	5	5.1	10(10.2)
65 and above	5	5.1	4	4.08	9(9.18)
Total	60	61.21	38	38.75	98(100)

Considerably larger number 60 (61.21%) of the respondents were found to be male buyers of life insurance policies where as 38 (38.75%) of them are females. Moreover, as can be observed simply from the above table it can be said that the age range of 25-34 for males and the age range of 35-44 for females have accounted the large proportion of life insurance policy buyers 20(20.4%) and 11(11.22%) respectively. In contrast the age range of 18-24 and age range of 65 and above for both males and females are the least number of buyers for life insurance policy each 9(9.18%).

In general from all respondents with no sex differentiation the age range of 25-34 and 35-44 have accounted the largest proportion of buyers for life insurance policy 30(30.6%) and 21 (21.42%) respectively.

Though the above analysis of demographic information provides some insight on the number of buyers in each age range or sex category but it does not tell whether age or sex has statistical association or relation with buyers' attitude to life insurance policy. Therefore, it would be necessary to test the hypothesis using chi-square test of independence or association or Pearson

correlation coefficient to see whether the relationship is strong, weak or no relation as well as the direction of relation.

3.3 Impacts of Buyers Age on Life Insurance Purchase Attitude

Based on the responses gathered from buyers, I have tried to discuss the association between age and buyers' attitude towards life insurance policy purchase. The questionnaires were designed using Likert Scale where almost all the statements were measured on a five point scale with 1 = strongly Agree; 2 = agree; 3 = neither agree nor disagree; 4 = disagree; and, 5 = strongly disagree. Respondents were asked in the questionnaires to explain their agreement or disagreement that whether their age has some association with the purchase of life insurance policy. Therefore, as stated in the methodology the researcher has chosen the chi-square test of association or independence between buyers' age and their attitude towards life insurance policy purchase at 5% level of significance.

Ho: The two categorical variables buyers' age and buyers' attitude towards life insurance policy purchase have statistical association (they are dependent).

Ha: The two categorical variables buyers' age and buyers' attitude towards life insurance policy purchase have no statistical association (they are independent).

As stated in the chi-square test of independence or association between two variables, the decision rule states that the null hypothesis (Ho) is accepted when test statistic χ^2 value is less than the tabulated value $\chi^2 (\alpha, v)$ where $\alpha = 0.05$ is the level of significance that represents statistical error and $v = (c-1)(n-1)$ is the degree of freedom.

The information obtained from the questionnaire are summarized and discussed in the table below. Showing the observed or count and expected number of buyers' age and buyers' attitude to life insurance policy purchase collected from respondents.

Table 3.2 Summary of count (observed) and expected frequency chi-square (χ^2) table.

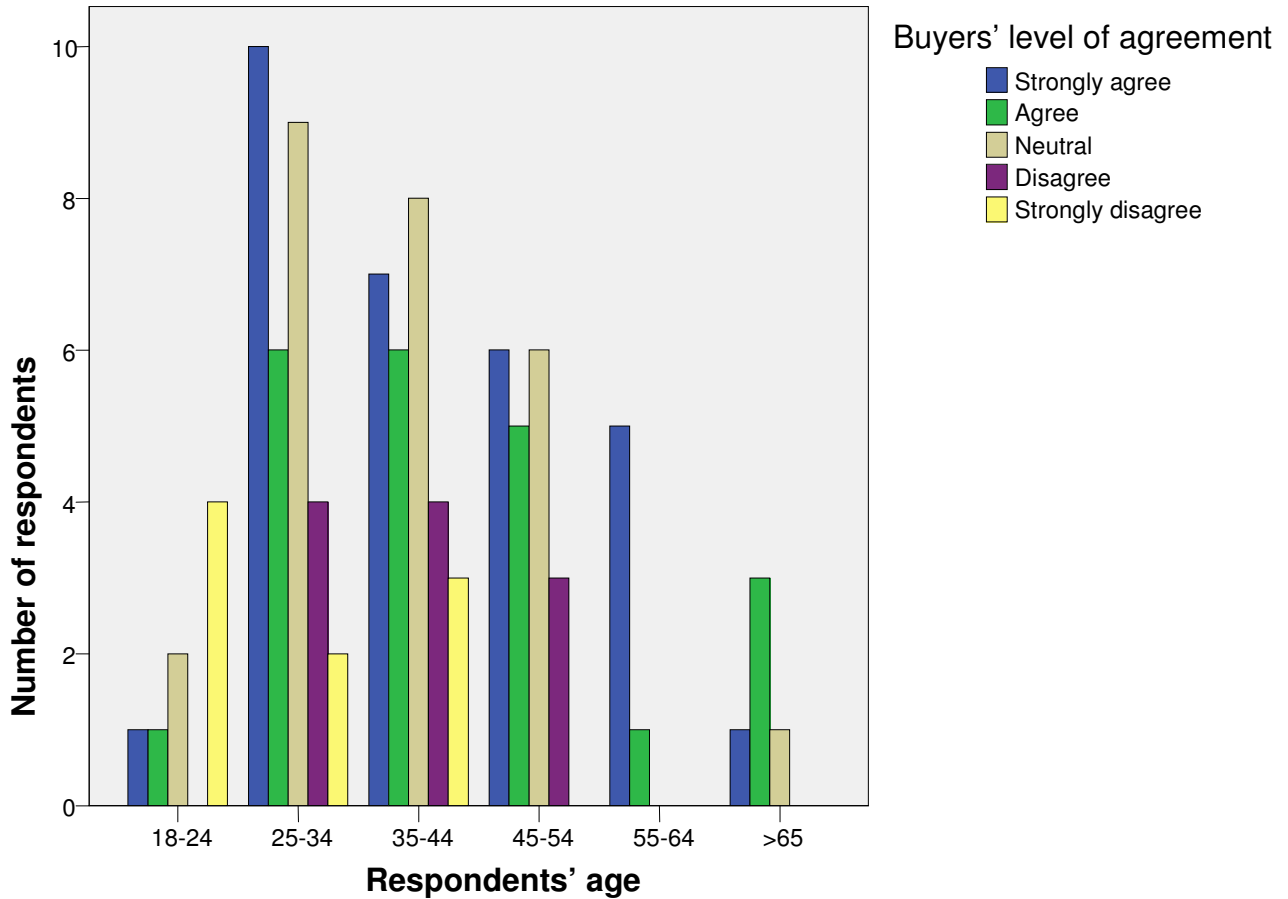
category			Buyer attitude towards buying life insurance					Total
			1	2	3	4	5	
respondents age	18-24	Count	1	1	2	0	4	8
		Expected Count	2.4	1.8	2.1	.9	.7	8.0
	25-34	Count	10	6	9	4	2	31
		Expected Count	9.5	7.0	8.2	3.5	2.8	31.0
	35-44	Count	7	6	8	4	3	28
		Expected Count	8.6	6.3	7.4	3.1	2.6	28.0
	45-54	Count	6	5	6	3	0	20
		Expected Count	6.1	4.5	5.3	2.2	1.8	20.0
	55-64	Count	5	1	0	0	0	6
		Expected Count	1.8	1.3	1.6	.7	.6	6.0
	>65	Count	1	3	1	0	0	5
		Expected Count	1.5	1.1	1.3	.6	.5	5.0
Total		Count	30	22	26	11	9	98
		Expected Count	30.0	22.0	26.0	11.0	9.0	98.0

Thus in the table test statistic $\chi^2 = \sum [(O - E)^2 / E] = 31.4104$ whereas χ^2 at 0.05, 20 from the tabulated value is 32.866. Interpretation: based on the decision rule in chi-square H_0 : the null hypothesis explaining that Buyers' age and attitude towards life insurance policy purchase are dependent is accepted meaning that H_a : the alternative hypothesis rejected. The shows that buyer's age and buyers' life insurance policy purchase have significant statistical association or relation (i.e. they are dependent). More over the result figure does not indicate whether the association is strong or weak and with which direction (negative or positive) is the relationship.

Therefore it is necessary to consider further test of Pearson correlation coefficient test (r) in order to indicate both the strength and direction of association. Therefore by using the help of SPSS the Pearson's correlation coefficient $r = -0.275$ meaning that buyers age and buyers attitude towards life insurance policy purchase are moderately negatively associated or related.

Figure 3.1 Respondents age category and Life insurance purchase attitude.

Bar Chart



It is also possible to explain the relation between buyers' age and their attitude towards life insurance policy purchase using the above bar chart. The chart tells that buyers from early age range of 18-24 years and later age ranges of >65 years, their age is least associated with the buyers attitude towards life insurance policy purchase where as the age range of 25-34 years is the range where large number of buyers responded (agreed) that life insurance policy purchase attitude is associated with their age. In other words buyers of life insurance from this age category have agreed that attitude to the purchase of life insurance policy and their ages have association.

Although it needs further study to conclude in Ethiopian case, the above result shows some variation with other previous studies conclusions in other countries, especially buyers from the age group greater than 65 years have highest positive attitude towards life insurance than others; this stems from the fact that members of this group are at the tailed end of active life, and they are more conscious of life after retirement.

In general all the chi-square test, Pearson's correlation coefficient and the bar chart indicates that life insurance policy purchase attitude of buyers and buyers' age are statistical associated.

3.4 Analysis of Buyers' Sex on Purchase Attitude of Life Insurance

In same manner as age, respondents were questioned to scale using five point Likert scale their level of agreement or disagreement whether their sex has relation with the purchase attitude of life insurance policy. Regarding such association or relation test is also conducted as follow.

Ho: The null hypothesis states that there is a relation between buyers sex and buyers attitude towards life insurance policy (they are dependent).

Ha: The alternative hypothesis states that there is no association between buyers' sex and buyers' attitude towards life insurance policy purchase(independent). The hypothesis is tested using same methodology and technique as follow.

The table below represents the respondent's relationship between buyers' attitude towards life insurance policy purchase and buyers sex both in count (observed) and expected value which is the important step in the calculation of chi-square test of independence between sex and life insurance purchase attitude.

Table 3.3 Summary of respondents observed and expected table of chi-square test of independence b/n sex and life insurance purchase attitude.

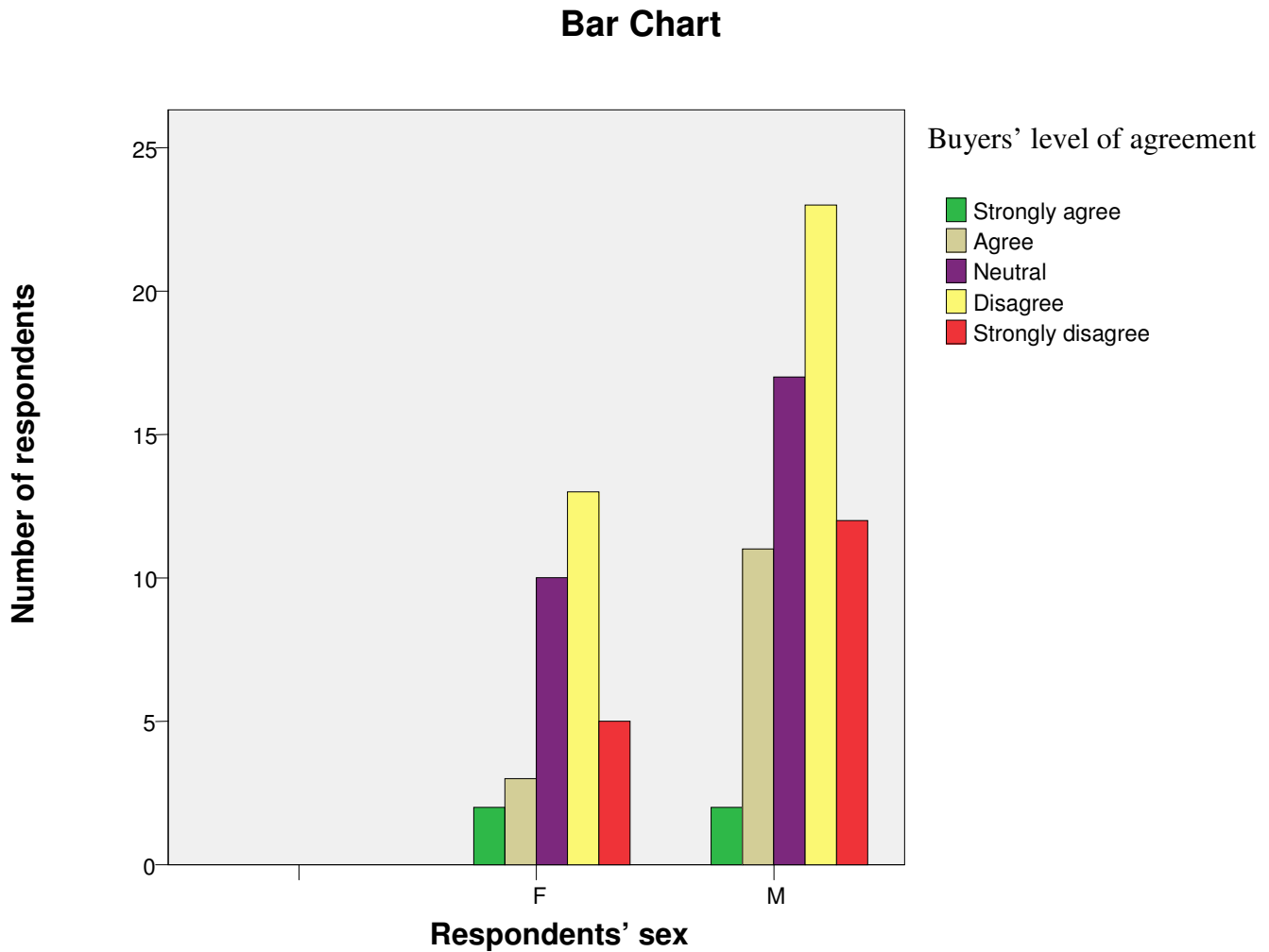
Respondents sex category		Attitude towards buying life insurance purchase.					Total
		strongly agree	Agree	Neutral	disagree	strongly disagree	
F	Count	2	3	10	13	5	33
	Expected Count	1.3	4.6	8.8	11.8	5.6	33.0
M	Count	2	11	17	23	12	65
	Expected Count	2.6	9.0	17.4	23.2	10.9	65.0
Total	Count	4	14	27	36	17	98
	Expected Count	4.0	14.0	27.0	36.0	17.0	98.00

In this table the test statistic value of $X^2 = \sum [(O - E)^2 / E] = 102.84$ where as the tabulated value of X^2 at 0.05, 10 is 18.3070. The result shows that the Ho (null hypothesis) should be rejected because the test statistic value (102.84) is much more than the table value (18.3070). In other words Ha (alternative hypothesis) is accepted.

Interpretation: there exists no significant association between buyers' sex and life insurance policy purchase attitude. However such non-existent of association between these two categorical variables magnitude cannot be tested by using Pearson's correlation coefficient as the data nature of gender or sex is not numerical.

Nevertheless further investigation on the association between these two variables may be also seen using the graphs as follow.

Figure 3.2 Respondents sex and life insurance purchase attitude.



As can be seen from the bar chart most respondents have responded that their sex has no relation with life insurance purchase attitude. That is buyers sex does not influence life insurance policy purchase attitude.

Therefore, the result of the bar chart is also in consistent with the chi-square test result indicated previously explaining that buyers sex and buyers attitude towards life insurance policy purchase are not associated . Meaning to say sex of buyers is insignificant to influence buyers' attitude for purchase of life insurance policy. Even though the number of male respondents is slightly higher than their female counterpart who said that their sex has no relation with life insurance purchase, for

both sexes of buyers, their sex has no significant effect on purchase' attitude towards life insurance. This is not surprising as most of buyers taken in this study are aware and conscious enough about life insurance significance regardless of their sex and take active economic roles in their families

3.5 Analysis of Respondents' Religion Impact on Life Insurance Purchase Attitude

Respondents were asked also to express their level of agreement with the statement that "religion has no influence on the purchase attitude towards life insurance policy" on five point Likert scale and their response is presented and tested by same methodology as used as in other items as follows.

Table 3.4 Summary of respondents' religion and life insurance purchase attitude

Respondents		Attitude towards buying life insurance policy					Total
Religion		strongly agree	agree	Neutral	disagree	strongly disagree	
Muslim	Count	0	0	0	2	2	4
	Expected Count	1.2	.2	.9	.5	1.2	3.9
Orthodox	Count	15	13	14	6	3	51
	Expected Count	15.1	13.6	11.6	6.1	3.0	49.1
Protestant	Count	11	8	6	3	3	31
	Expected Count	9.2	8.3	7.1	3.7	1.8	30.1
Others	Count	4	4	3	1	0	12
	Expected Count	3.6	3.2	2.7	1.4	.7	11.6
Total	Count	30	25	23	12	3	98
	Expected Count	30.0	25.0	23.0	12.0	8.0	98

The hypothesis in this study was that buyers' religion has significant association with buyers' attitude to life insurance policy purchase.

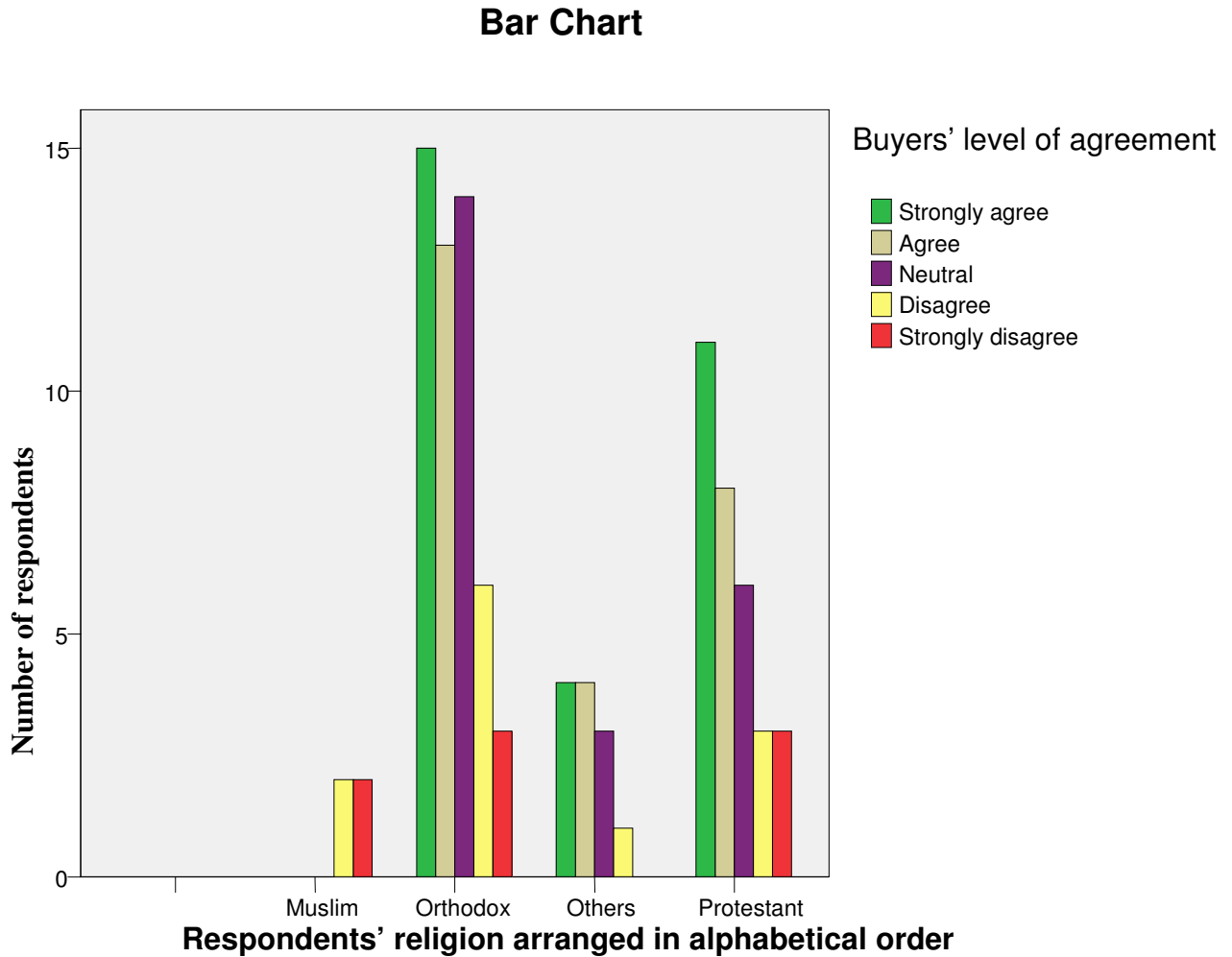
Ho: Religion has significant association with buyers' attitude to life insurance policy purchase (they are dependent). And Ha: Religion has no statistical association with buyer's attitude to life insurance policy purchase (they are independent).

The decision with chi-square test is that Ho is accepted when the test statistic χ^2 value is less than the tabulated value χ^2 otherwise reject Ho and accept the alternative hypothesis.

Thus, test statistic value of $\chi^2 = \sum [(O - E)^2 / E] = 111.960$ whereas the tabulated value of χ^2 at 0.05, 12 is found to be 21.0261 and therefore the decision is to reject Ho and accept Ha.

Interpretation: Acceptance of Ha means that religion has no statistical association with buyers' attitude to purchase of life insurance. In other words, these two variables are statistically independent or buyers' attitude to purchase of life insurance is independent of the influence of buyers' religion. Moreover in order to see with simple descriptive statistics between the associations with these two variables it may be necessary to see the graph as follow.

Figure 3.3 Respondents religion and life insurance purchase attitude.



In this simple bar chart buyers under Muslim religion are less likely to agree that purchase of life insurance policy purchase is independent of their religion rather every decision with regard to life insurance policy purchase is highly dependent with their religion. That is they disagree and strongly disagree with the question that religion has no influence with purchase attitude of life insurance policy.

In other words, life insurance policy purchase against future risk of life in Muslim religion is unaccepted as it indicates for them a less trust on Allah for their life where as currently most buyers of life insurance are from orthodox and protestant religion. In this case study particularly buyers from protestant religion have explained in the open-ended questionnaires that they purchase life insurance is not because of their religion or they knew benefits of life insurance but because most of them are workers of NGO in which life insurance and other compensation packages are part of the employee benefits provided by the employers and thus buyers from this kind of organization opportunely become owners of life insurance policy. On the other hand most of the buyers from orthodox religion have explained by stating strong agreement in the open-ended questionnaires that their life insurance policy purchase attitude has no relation with their religion.

Although it is difficult to conclude, this result shows, contrary to other studies made in other countries such as Greene and Swadener, (1974) noted that religion historically has provided a strong source of cultural opposition influence to life insurance purchase attitude as many religious people believe that a reliance on life insurance results from a distrust of God's protecting care.

3.6 Analysis of Respondents' Educational status on Life Insurance Purchase Attitude

Respondents were asked to explain their agreement or disagreement whether educational status has influence on life insurance purchase or not in order to test the hypothesis mentioned in the proposal as follow.

Ho: Educational status has significant relationship with buyers' attitude towards life insurance policy purchase (they are dependent).

Ha: Educational status has no significant relationship with buyers' attitude towards life insurance policy purchase (they are independent).

Therefore buyers' educational status with respect to their agreement has been cross tabulated with both count (observed) and expected cells values are presented.

Table 3.5 Summary of respondents' educational status and life insurance purchase attitude

Buyers educational status		Attitude towards purchase of life insurance					Total
		strongly agree	agree	Neutral	disagree	strongly disagree	
College	Count	8	5	2	1	1	17.0
	Expected Count	5.0	6.2	2.9	1.9	.5	
Elementary	Count	5	0	1	1	0	7
	Expected Count	2.1	2.6	1.2	.8	.2	7.0
Graduate	Count	8	23	6	7	0	44
	Expected Count	13.1	16.1	7.4	4.8	1.3	44.0
Postgraduate	Count	2	3	3	0	1	9
	Expected Count	2.7	3.3	1.5	1.0	.3	9.0
Secondary	Count	7	6	5	2	1	21
	Expected Count	6.2	7.7	3.5	2.3	.6	21.0
Total	Count	30	37	17	11	3	98
	Expected Count	30.0	37.0	17.0	11.0	3.0	98.0

The decision in chi-square is to test statistic value of $X^2 = \sum [(O - E)^2 / E] = 124.66$ whereas the tabulated value X^2 at 0.05, 16 is =26.2962. And the result leads to a decision to accept Ho and reject Ha because the test statistic value is greater than the tabulated value.

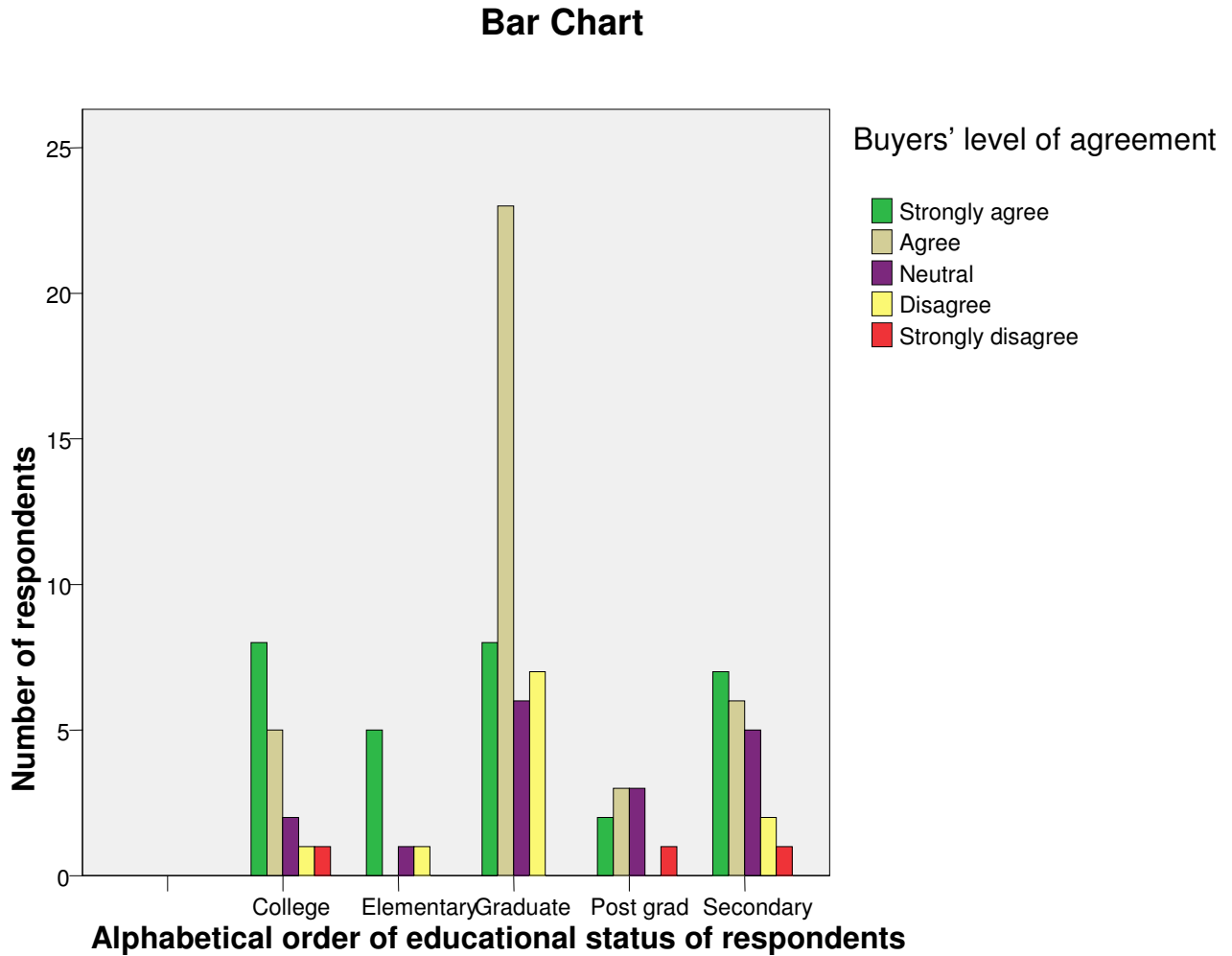
Interpretation: acceptance of Ho and rejection of Ha means that educational status has significant relationship with buyers' attitude towards life insurance policy purchase or educational status of buyers and buyers attitude towards life insurance policy purchase are dependent of one another. However since these two variables in this project are nominal in nature it is not possible to make correlation test and identify the statistical relationship is negative or positive but simply are

related. Therefore, the researcher puts a caution that the dependency or the statistical association here is only that one has an effect on the other variable.

This result is in line with the general notation that a higher level of education may lead to a greater degree of risk aversion and more awareness of the necessity of insurance in and in particular with Greene and Swadener, (1974) it is assumed that a higher level of education may lead to a greater degree of risk aversion and more awareness of the necessity of life insurance purchase.

This is true and assertive also from the total respondents 67 (68.36%) of them from all educational status have agreed that educational status is very likely to affect life insurance purchase attitude whereas it is only very few from all respondents that is 3 (3.06 %) of the respondents only disagreed with the statements that educational status is very likely to influence life insurance purchase. More over the relationship between educational status and life insurance policy purchase can also be depicted in the following bar chart.

Figure 3.4 Respondents educational status and life insurance purchase attitude.



In this simple descriptive bar chart it can be said that most of respondents who have strongly agreed that educational status has some relation to their life insurance purchase attitude are from graduate status followed by college and secondary education completed. On opposite significant number of buyers still from graduate, secondary and post graduate educational status have responded that their current educational level has neither positive nor negative effect in their life insurance policy purchase attitude.

3.7 Analysis of Respondents Income level on Life Insurance Purchase Attitude

Respondents from different categories of income were given the chance to explain their level of agreement for the question “do you agree that your monthly income is significant factor in affecting purchase attitude of life insurance?” in order to see whether income level has relation with the purchase of life insurance or not. In this particular item monthly income level ranges have been labeled using English alphabet letters such as a= < 1000 birr, b=1000-2000, c=2001-3000, d=3001-4000, e=4001-5000, f= >5000 birr and have rated their agreement so that respondents purchase attitude is also tested using chi-square test of independence as hypothesized in the proposal.

That is H_0 (null hypothesis) monthly income level has significant relation with buyers' attitude to life insurance policy purchase (they are dependent). Whereas H_a (alternative hypothesis) is stated as life insurance policy purchase attitude is independent of monthly income of the buyers. It was found that the value of test statistics of X^2 test of independence =12.886 where as the tabulated value of X^2 at 0.05, 18 is =28.8693. Decision based on these value indicates that H_0 is accepted where as H_a is rejected. Interpretation: Monthly income level has statistically significant relation with buyers' attitude to life insurance policy purchase or in other words monthly income level and life insurance purchase are dependent to one another. However the association between these two variables direction and magnitude is not known as it is difficult to represent categorical data in the form of correlation analysis.

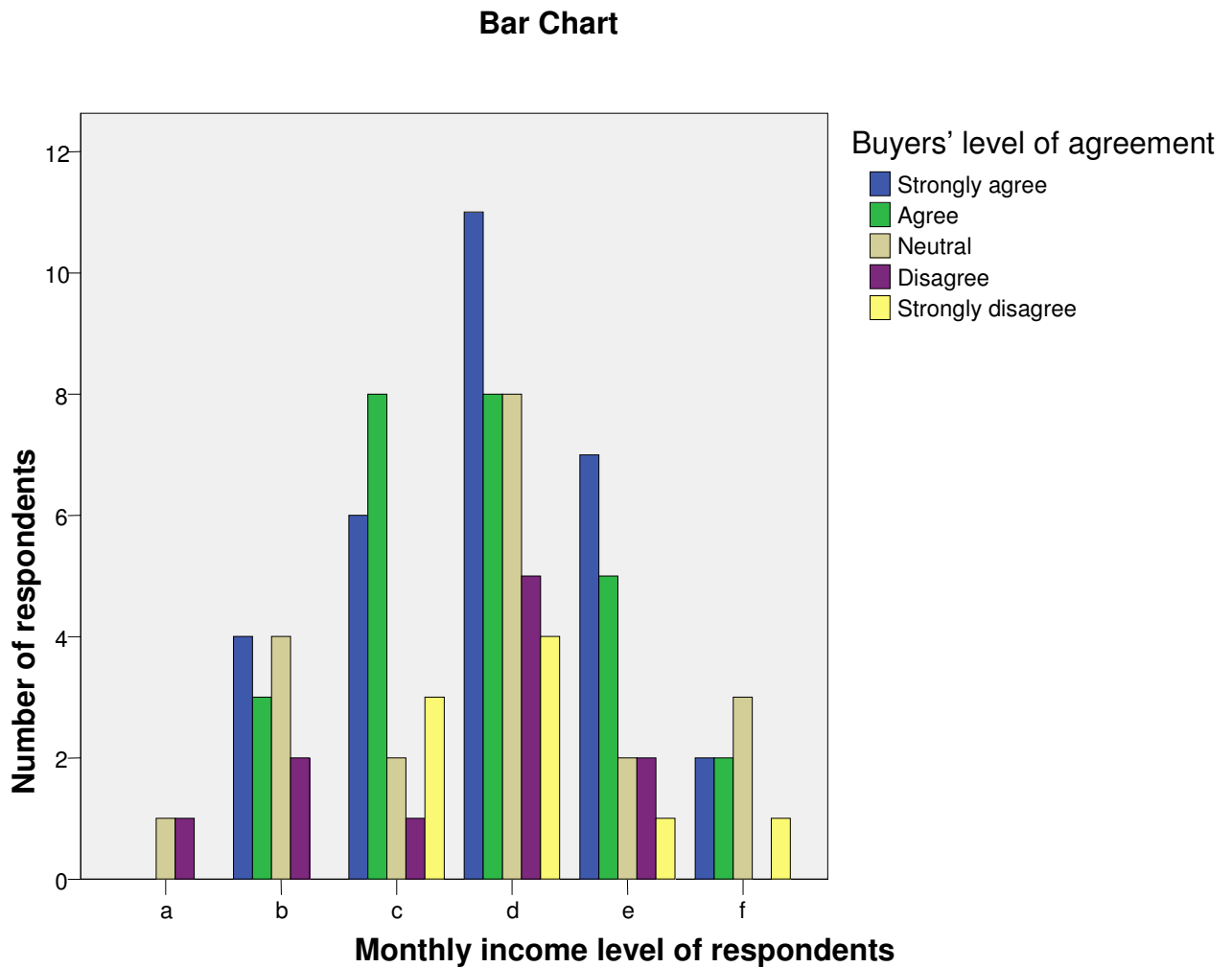
But it is possible to see at least the direction of relationship by simply looking at the bar chart results of respondents' reaction to same question.

The bar chart below shows that buyers between 1000birr-40001birr monthly income levels have answered that monthly income level is positively moving with life insurance purchase however

the trend of the graph starts to change its direction when buyers' monthly income becomes greater than 4001 birr life insurance policy purchase and income level moves in opposite direction.

This result is consistent with other studies such as Mark J. Browne (1993) and Tajudeen Olalekan Yusuf, Ayantunji Gbadamosi, & Dallah Hamadu (2007) have shown that the demand for life insurance is positively correlated with income. More over the correlation is that as income increases, life insurance becomes more affordable. This can be explained partially by the fact that middle income groups are more vulnerable than wealthy household. In fact, wealthy household relatively feel secured usually in the financial environment. On the other hand, low household income groups are less empowered and usually insurance is considered beyond their reach.

Figure 3.5 Respondents monthly income and life insurance purchase attitude



Particularly when buyers' monthly income is greater than 5000 birr, monthly income starts to decrease its relation with the purchase attitude of life insurance policy. This incidence probably may indicate the notation that as people get more income to deal with the risk of premature death or illness with their own capacity life insurance policy purchase declines whereas in the middle range income level group of buyers are subject to life insurance purchase showing that they care

the risk arising from premature death with life insurance benefits. The bar chart also assumes the normal distribution pattern showing that a buyer from middle group considers monthly income as factor for life insurance policy purchase while apart from the center monthly income become less influential factor for buyers to affect life insurance purchase.

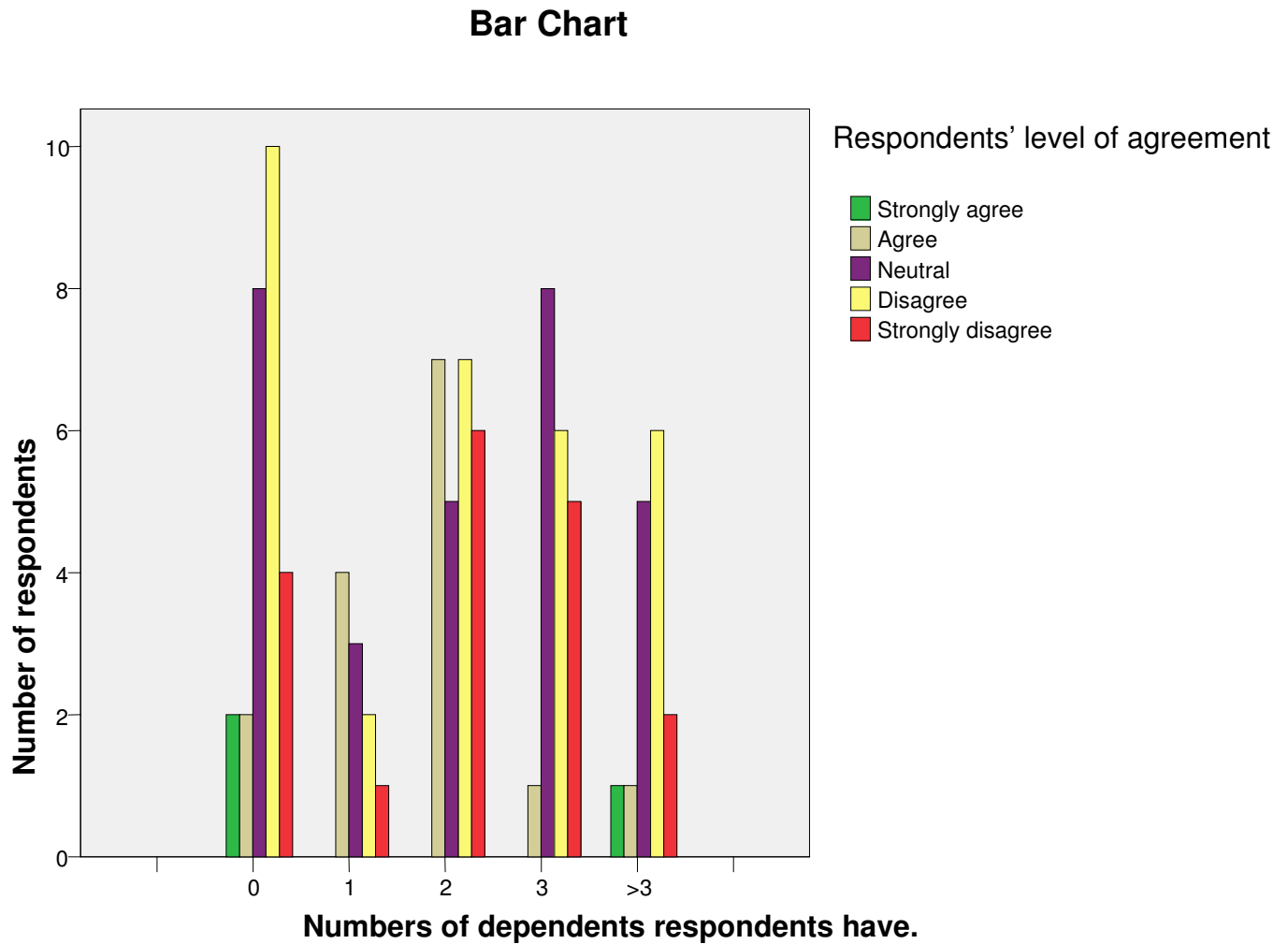
3.8 Buyers Number of Dependents Impact on Life Insurance Purchase Attitude

Respondents have responded the question that “in your opinion do the numbers of dependents that you have for financial support influenced your purchase of life insurance” and their view was rated using a five point scale measurement in order to test the hypothesis proposed that number of dependents that a buyer has some statistical association with purchase of life insurance policy. Therefore the test value of $X^2 = 120.21$ where as the tabulated value at X^2 at 0.05, 22 is =33.9244. This shows that the null hypothesis stating that life insurance policy purchase has statistical association with number of dependents that a buyer has for financial support is rejected and instead the alternate statement holds true in this study, which is statistically number of dependents a buyer posses for financial support is independent of his or her attitude to life insurance policy purchase.

Unlike other previous studies of Lewis (1989) and Campbell (1980) who have concluded that purchase (consumption) of life insurance and the number of dependents in a country are positively related, in this particular study however number of dependents that a buyer posses has no any statistical association. More over in the following diagram it can also be seen that respondents have responded for the same above question with five point Likert scale and stated their degree of agreement or disagreement. Buyers who have no (zero), two, three and more than three dependents family for financial support disagree and strongly disagree with the statement that their number of dependents that they have has relation with the purchase of life insurance .

On the other hand significant number of respondents also explained their number of dependent they have for financial support is neutral to the purchase of life insurance policy.

Figure 3.6 Respondents number of dependents and life insurance purchase attitude

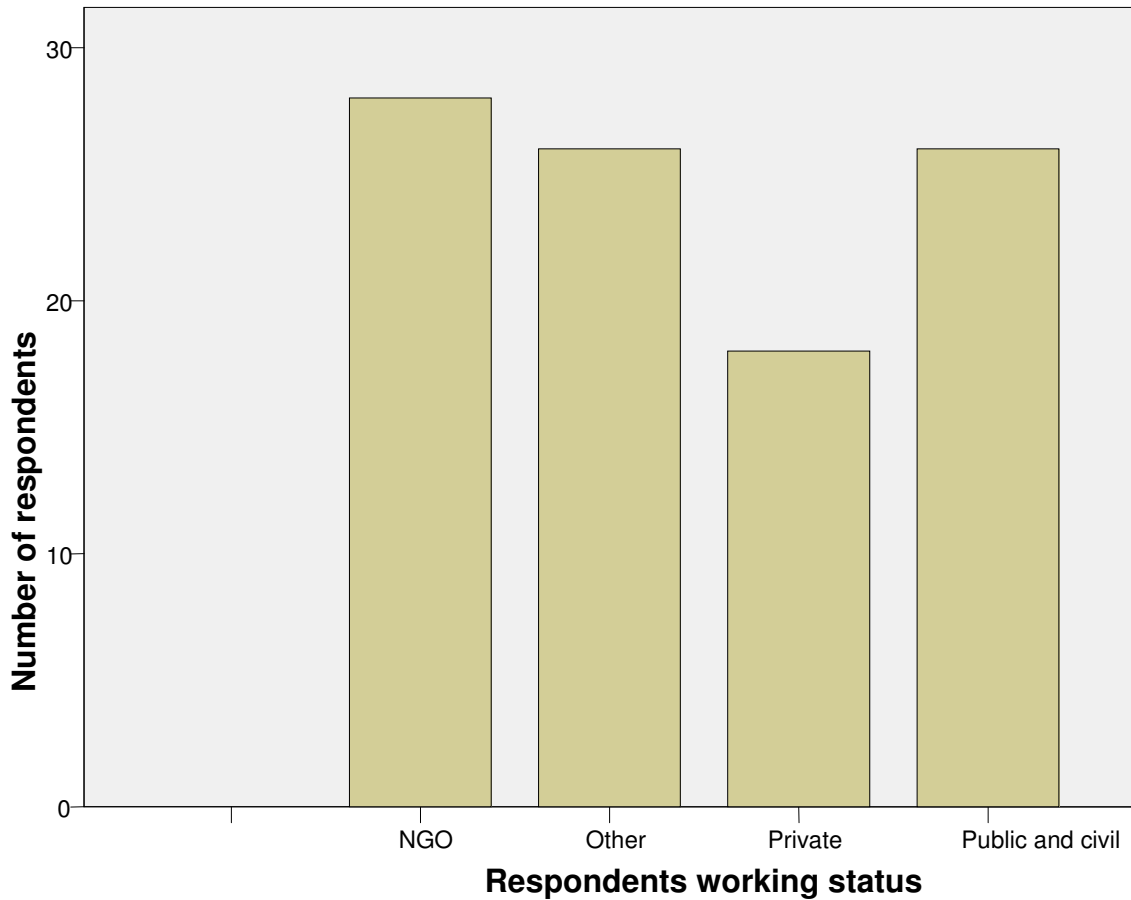


3.9. Analysis of Respondents' Employment status and Life Insurance Purchase Attitude

Respondents under different categories of employment status were also questioned to chose their current employer organizational form just in order to see buyers from which employment status do have purchased life insurance policy. Respondents were categorized in as buyers of life insurance working under Public and civil employers, NGO, Private and Other (retired, self

employed, unemployed, brokers, insurance agents etc) category. Fortunately in this case study as indicated below diagrammatically most insurance buyers in EIC are employed in NGO's followed by others (particularly buyers from retired and insurance agents) section while the least number of respondents are buyers employed in private and then in civil and public category.

Figure 3.7 Respondents working status and number of respondents who have life insurance policy.



Though it is not possible to conclude as whole that employee working status is significantly influence life insurance purchase attitude of buyers it is possible to say particularly almost all the samples under NGO stratum were purchase life insurance policy .This is because as respondents explained is that life insurance for most of the NGO employers is one of the compulsory compensation package that an employee gets weather he /she likes it to purchase.

Thus as it can be seen from above chart regardless of the employees full awareness about life insurance if he/she is worker of NGO he /she is entitled to buy life insurance .

CHAPTER FOUR

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Based on the results of the study obtained through the questionnaire distributed to 98 buyers of life insurance policy in EIC the following summary and conclusions were made.

4.1 Summary and conclusion.

- ❖ In simple descriptive analysis considerably larger number 60 (61.21%) of the respondents were found to be male buyers of life insurance policies where as 38 (38.75%) of them are females. More over the age range of 25-34 for males and the age range of 35-44 for females have accounted the large proportion of life insurance policy buyers 20(20.4%) and 11(11.22%) respectively. In contrast the age range of 18-24 and age range of 65 and above for both sexes comprised the least number of life insurance buyers.
- ❖ The results of X^2 test of independence showed that respondents 'age has a significant effect or association with purchase attitude to life insurance. Further analysis using Pearson's correlation coefficient $r = -.0.275$ meaning that buyers age and buyers attitude towards life insurance policy purchase are moderately negatively associated or related. Unlike other previous studies that have concluded that buyers with age group between 56 and 65 years have highest positive attitude towards insurance than others because of the fact that members of this group are at the tailed end of active life, and they are more conscious of life after retirement, in this case study, it is found that buyers in this age group have negative attitude to purchase of life insurance. Instead buyers in the age range of 25-34 for males and 35-44 years for females have a favorably inclined attitude to life insurance policy purchase.

- ✚ Thus, buyers' age has a significant effect or association with purchase attitude to life insurance. More over buyers' age is moderately negatively associated with life insurance purchase attitude; however, unlike other previous studies conclusion that buyers in the age range of 65 and above have positive attitude, in this case study it was found the reverse. In this study another remarkable fact is that greater parts of the life insurance buyers are found in the age range of 25-44 years for both sexes.
- ❖ Sex of buyers, on the other hand, as indicated in the analysis of X^2 (chi-square) test has no significant association with life insurance purchase attitude though it was not possible to prove exactly using Pearson's correlation coefficient ($r= 0$) due to the fact that the nature data is not numerical. And this result is not surprising as females are equally participating as their counterpart males in all economic activities especially in urban areas like Addis Ababa where this case study is conducted.
- ✚ Then it is true in this study that sex has no significant effect on purchase attitude of buyers of life insurance.
- ❖ Religion for most of buyers groups with the exception for buyers from Muslim religion has no statistical association with buyers' attitude to purchase of life insurance. Unexpectedly as discussed in the analysis , in this study , buyers from Muslim religion are less likely to agree that purchase of life insurance policy purchase is independent of their religion rather every decision with regard to life insurance policy purchase is highly dependent with their religion. This result was supported by their strongly disagreement with the question that religion has no influence with purchase of life insurance policy instead they have further explained their view that life insurance policy purchase against future risk of life in Muslim religion is unaccepted as it indicates for them a less trust on

Allah for their life. Opposing to the above fact buyers from orthodox and protestant religion have explained that their religion has no impact on their life insurance purchase attitude. Furthermore most buyers from protestant religion have justified that they possessed life insurance not because they have understood it but rather their employers provided them as part of their compensation packages.

- ✚ In conclusion, in this study result of the chi-square test (X^2) proved that religion for buyers from orthodox, protestant and others group has no significant statistical association with life insurance policy purchase attitude. However buyers from Muslim religion explicitly explained their purchase attitude to life insurance is highly dependent to their religion. However, Greene and Swadener, (1974) noted that religion historically has provided a strong source of cultural opposition to life insurance as many religious people believe that a reliance on life insurance results from a distrust of God's protecting care. Fortunately in this case study religion has no significant statistical association with buyers' attitude to purchase of life insurance
- ❖ Another important finding in this study is that educational status of buyers and buyers' attitude towards life insurance policy purchase are dependent of one another. However since these two variables in this project are not numerical in nature it is not possible to make correlation test and identify the statistical relationship is negative or positive but simply are related. Therefore, the researcher puts a caution that the dependency or the statistical association here is that one has an effect on the other variable. Furthermore the descriptive result of the analysis showed that from the total respondents 67 (68.36%) of them from all educational status have agreed that educational status is very likely to affect life insurance purchase attitude whereas it is only very few from all respondents

that is 3 (3.06%) of the respondents only disagreed with the statements that educational status is very likely to influence life insurance purchase attitude.

- ✚ The result of this study is found to be consistent with other previous studies of Greene and Swadener, (1974) that the higher the education of the buyer the greater his /her attitude towards life insurance necessity and purchase.
- ❖ It was also found that monthly income level has statistically significant relation with buyers' attitude to life insurance policy purchase or in other words monthly income level and life insurance purchase are dependent to one another. More over buyers in between 1000birr - 40001birr monthly income levels have answered that monthly income level is positively moving with life insurance purchase attitude however the trend of the graph starts to change its direction when buyers' monthly income becomes greater than 4001 birr. That is life insurance policy purchase attitude and income level moves in opposite direction after this point.
- ❖ The analysis also indicated that statistically number of dependents buyer posses for financial support is independent of his or her attitude to life insurance policy purchase unlike other previous studies of Lewis (1989) and Campbell (1980) who have concluded that purchase (consumption) of life insurance and the number of dependents in a country are positively related.
- ✚ Majority of respondents (buyers) who have no (zero), two, three and more than three dependents family for financial support disagree and strongly disagree with the statement that number of dependents that they have for financial support has relation with the purchase of life insurance.

- ❖ Lastly, also results of simple descriptive showed that buyers working status significantly influences life insurance purchase attitude of buyers although it is not possible to conclude as whole. Surprisingly it is possible to say particularly almost all the samples under NGO stratum have purchased life insurance policy.
- ✚ In general, in this study, it is concluded that demographical factors play considerable role of varying degrees on attitudes of buyers of life insurance purchase. Particularly age, educational status, income level, and working status; all have significant impact of varying degrees on attitudes towards life insurance purchase. Surprisingly sex, religion with the exception of Muslim religion, and number of dependents that a buyer posses for financial support; all proved not to have significant impact on life insurance purchase attitude of buyers.

4.2 Recommendations

On the basis of the findings and conclusions reached, the following recommendations were forwarded in order to include and give emphasize in EIC life insurance division marketing strategy so that it can enhance existing life insurance purchase attitude and persuade many more non-buyers of life insurance to consider buying life insurance.

- ✚ As demographical factors play considerable role of varying degrees on attitudes of buyers of life insurance purchase, then it is necessary to suggest developing specific marketing strategy targeting each group of buyers for marketing of life insurance policy in EIC by marketing division. For instance, buyers in the age ranges of 18-24 years and in the age range of 65 and above years found to be the least number of user of life insurance and therefore

specific marketing strategies are required to encourage both young buyers and old buyers of life insurance policy.

- ✚ Although education is found to be significant factor in affecting life insurance purchase attitude still less educated buyers are few in number therefore, the basic issue associated with this lack of interest rests mainly in their lack of appreciation and awareness of the roles of benefits of life insurance policy; it is recommended that significant marketing communication activities be targeted more at this set of buyers.
- ✚ In spite of the fact that religion for most buyers has no significant impact on life insurance purchase attitude, exceptionally, however, buyers from Muslim religion, their purchase attitude is highly affected by their religion, therefore, the EIC life insurance marketing division is recommended to find a new way of penetrating this group of buyers through aggressive promotion and/or by persuading important individuals in this religion as an example to persuade others.
- ✚ Income level is important factor in affecting life insurance purchase attitude for those buyers who are more educated and earn less than 4001 birr per month since life insurance has nature of saving from monthly income, on the other hand, those groups of buyers who are less educated and earn greater than 5000 birr per month, income has no impact on life insurance purchase attitude. Therefore, this suggests that buyers who have enough income to purchase are less educated and aware about life insurance whereas more educated buyers do not have the economic power to acquire life insurance purchase. Thus, it is advisable for EIC life insurance marketing division to follow separate marketing strategy for these two groups, for example, for more educated and those who earn less monthly income adopting of new premium or installment payment of price and for those who earn more and less educated is to follow an aggressive and intensive

promotion on the benefits of life insurance as insurance in most of time is unsought product for them.

✚ Another important suggestion is the lesson learned from buyers of NGO employees, here almost all have purchased life insurance due to the fact that such employers have provided life insurance as one of the compulsory compensation package and most buyers have also recommended in their opinion that life insurance should be included in all employers compulsory compensation package so that people will be obliged to buy life insurance policy. Thus responsible bodies of the EIC in particular and insurance business in general have to think and rethink on such issue to deal with government responsible body.

✚ Recommendation based on the opinion obtained from buyers is that currently life insurance marketing is done mainly through commissioned based traditional sales agents who only look for immediate sale without explaining in detail about the how and particularly on the claim handling system after sale ,which in turn, has resulted many life insurance buyers to tell their difficult experience of claim handling for potential buyers , therefore, EIC life insurance marketing division either has to train existing sales force or should recruit new trained ones.

✚ Lastly in this study the researcher suggests that such area needs to be researched and investigated more through other studies so that the sector's business could have grown more than its present status and other researchers can also exploit such opportunities.

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