

Addis Ababa University
College of Business and Economics
Department of Management
Executive MBA Program



**Factors Affecting the Growth of Life Insurance in
Ethiopia**

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**Research Project submitted to the School of Graduate Studies of Addis Ababa
University in Partial Fulfilment of the requirements for the Degree of Master of
Executive Business Administration (EMBA)**

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Addis Ababa

DECLARATION

I hereby declare that this research project entitled „**Factors Affecting the Growth of Life Insurance in Ethiopia**“ is my original work and to the best of my knowledge has not been presented for an award of degree at this or any other University, and that all references materials contained therein have been duly acknowledged.

Mekonnen Gebrewahid Signature _____ Date _____

Statement of certification

This is to certify that Mekonnen Gebrewahid Gebru has completed his research project entitled “**Factors Affecting the Growth of Life Insurance in Ethiopia**” successfully. The project, done under my supervision, is the original effort of the candidate and all materials used have been duly acknowledged and it is sufficient for submission for the partial fulfilment for the award of degree of Executive MBA at Addis Ababa University.

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Definition of key Terms

Insurance: Insurance is a social device, in which a group of individuals called “insureds” transfer risk to another party called “the insurer” in order to combine loss experiences, which permits statistical prediction of losses and provides for payment of losses from fund contributed (premiums) by all members who transferred risks.

Life Insurance: is a contract with an insurance company. In exchange for premium (payments), the insurance company provides a lump-sum payment, known as a death benefit, to the beneficiaries in the event of the insured’s death.

Cash Surrendered Value: The sum of money an insurance company will pay to the policy holder or annuity holder in the event his or her policy is voluntarily terminated before its maturity.

Gross Written Premium (GWP): The total premium written by an insurance company before deductions for reinsurance and ceding commission.

Growth of GWP is defined as the annual percentage growth (increment) in the firms’ total premium between two successive years divided by the preceding year. It is measured by the percentage change in total premium.

Growth of life insurance is equal to the growth of gross written premium (GWP)

Penetration of life Insurance: considers premium from life insurance policies only as percentage of GDP. Penetration rate is measured as the ratio of premium underwritten in a particular year to the GDP.

Acronym

AEI -Association of all Ethiopian Insurers

AXCO-Insurance information services supplier of global insurance
and employee benefits market information

EIC - Ethiopian Insurance Corporation

IMF -International Monetary Fund

G.C – Gregorian calendar

GDP - Gross Domestic Product

GWP – Gross written Premium

N - Population of a sample

NBE - National Bank of Ethiopia

NICE -National Insurance Company of Ethiopia

RoA -Return on Assets

RoE -Return on Equity

SIB – Supervision of Insurance Business

SPSS – Statistical Package for Social Sciences

Abstract

The study aimed at identifying and analysing the factors affecting the growth of life insurance business in Ethiopia. It was focused on growth of life insurance in respect of gross written premium of all life insurance companies in Ethiopia. There are 17 insurance companies in Ethiopia and out of these, 9 were composite insurance companies (offering both Life and general insurance) for the year 2014. The study was focused on all the 9 licensed and registered life insurance companies. Regarding the research methodology, purposive sampling technique was used in selecting respondents. Sales staffs were selected from each company and making a total of 135 respondents. A structured survey questionnaire was administered by the researcher to the respondents, who were required to complete them. Data were collected from respondents and the collected data were analyzed using descriptive and inferential statistics such as correlation and other descriptive statistics. In conclusion the dependent variable (Growth of life insurance) and the independent variables (professional sales staff training, promotion of life insurance, affordability of life insurance product, and government regulations) scored a positive significant correlation. This study concludes with a discussion of findings as well as recommendations for further research in the area.

Key Words, *Insurance, Life insurance, cash surrendered value, gross written premium, Growth of life insurance, Penetration of life insurance*

CHAPTER ONE

1. Introduction

1.1 Background of the Study

Life is a most prized gift of nature. Which is full of risks and uncertainties since, we are social human beings, we have certain responsibilities to minimize these risks .We cannot prevent the misfortune but any way save our beloved ones from the losses occurs due to deficiency of lives. Life insurance is not only gives assurance for the monetary losses but it provides the new market and avenues to the society. With over 90 million of population in Ethiopia, Life Insurance Companies have vast scope for the growth and diversification.

It is obvious that the world is surrounded by risks and uncertainties in the 21st century of modernization and globalization. Especially, in the developing country like Ethiopia, poverty, safety and security are one of the key issues that should be addressed. One way of mitigating these issues is insurance.

Life insurance provides the dual benefits of saving and protection (security). The life insurance sector is often of little importance, as in many developing countries life insurance may be considered irrelevant or inappropriate for ideological, cultural or religious reasons, or because economic security is provided through the family.

The performance of life insurance industry in Ethiopia seems to be poor yet the industry's importance economic development is vital. Life insurance provides employment opportunities through its marketing and distribution networks such as direct insurance companies, insurance brokers, insurance sales agents, loss assessors and risk managers.

Makau (2013) pointed out that life insurance industry also contributed to the development of Gross Domestic Products (GDP) of a country. Ratio of life insurance premium to total premium portfolio in selected African countries is as follows:

Table 1.1 Ratio of Life Insurance Premium to total Premium portfolio

S.N	Country	Africa Ratio of life insurance to total Premium
1	South Africa	77.8%
2	Zambia	75.5%
3	Namibia	73.4%
4	Sub Sahara Africa	32.4%
5	Ethiopia	6%

Source: African Insurance Organization, 2012

Despite its potential benefits, insurance business in general and life insurance in particular has not yet developed in Ethiopia according to Mr Fikru Tesfaye. Fikru has noted that can further be explained by low level of insurance penetration. As of June 30, 2012, insurance branch to population ratio in Ethiopia was 1:334, 608, insurance density (premium/population) reached birr 44.2 per person and insurance penetration (premium to GDP) registered less than 1%, 0.61%. This shows that significant portion of the total population has limited access to insurance services, especially the issue is worse in life insurance.

1.2 Statement of the problem

The life insurance market in Ethiopia is very small as most of the populations live at a subsistence level. The mechanism of banks requiring life insurance as a condition for making loans is in place but effectively touches a very small proportion of the population. In addition there are plenty of other problems to be faced, such as the availability of actuaries, investment managers and investment opportunities. Insurance penetration remains a challenge for the Ethiopian insurance sector. (AXCO 2013)

In the eyes of life insurance marketers, the Ethiopian economy with its more than 90 million predominantly young populations presents profitable and diverse business opportunities. Insurance in general and life assurance in particular needs to be correlated with the country's development plan as a corollary to the emerging middle class and educated society. However, the intricacies that make up life insurance market in the country are not very well known to most, including to those engaged in the business. Looking at the track record of insurers in Ethiopia, the life insurance business has been shunned from their business portfolio and weakly annexed to the general insurance business.

According to NBE's records, the life insurance sector in Ethiopia, on average, takes up five percent of the total premium portfolio, with 95 percent being accounted for by general insurance. The sector only contributes 0.041 percent to the country's gross domestic product (GDP). (Fortune News Paper, April 14, 2013 [Vol 13, No 676])

According to the International Monetary Fund (IMF) country report No_13/309 which was issued in October 2013, Insurance is an important vehicle for promoting contractual savings and making resources available for long term lending. The insurance sector in Ethiopia is at a very early stage of development and is very profitable, recording a return on equity (RoE) of 35 percent and a return on assets (RoA) of 8 percent as of June 30, 2012. In the same period, insurance branch to population ratio stood at 334,608, suggesting that the industry has a large potential to grow and generate significant contractual savings.

There have been some studies on the insurance industry all of which presented evidence on a number of factors affecting the performance of the industry. Abate Gashaw(2012) studied on factors affecting profitability of insurance companies in Ethiopia in general. Dawit Mohammed (2011) studied on the topic of enhancing life assurance and its economic and social benefits. Zekarias Mekonnen(2010) studied on buyers attitude towards life insurance policy purchase a case study on Ethiopian insurance corporation. Geda Misganu(2012) studied on assessment of factors affecting household demand for life insurance (the case of Nekempt town, in Wollega) on Ethiopian insurance corporation Nekemte branch.

Even though, these studies are valuable in their perspective, they were not dwelling on factors affecting the growth of life insurance business in Ethiopia. Life insurance sector has been contributing very little to the GDP of the country which is affected by various factors as explored in this study.

The researcher is then motivated to put his own contribution on what factors affect the growth of life insurance business in Ethiopia. While taking in to consideration the above studies and inquiry into the factors affecting the growth of life insurance, the researcher attempts to work on such valuable empirical evidence in the country. Hence, these are important issues to be investigated for the insurance managers, professionals, regulators and policy makers to support the sector in achieving the excellence so that required economic outcomes could be obtained from the help of the sector in Ethiopia by understanding the major factors affecting the growth of life insurance.

This makes the study of the Ethiopian insurance industry appealing to find out factors affecting the growth of life insurance in the country. Hence, this study seeks to identify and analyse the factors affecting the growth of life insurance business in Ethiopia.

1.3 Objective of the research

1.3.1 The general objective

The primary purpose of the study was to identify and analyze the factors affecting the growth of life insurance business in Ethiopia and to give recommendations based on the concepts in the literature review and the empirical findings of the study.

1.3.2 The specific objectives

The specific objectives of this study were:-

- a) To study the effect of professional sales staff training on the growth of life insurance business in Ethiopia.
- b) To examine how sales promotion of life insurance products affects the growth of life insurance business in Ethiopia.
- c) To determine the effect of affordability of life insurance products on the growth of life insurance business in Ethiopia.
- d) To find out the effects of government regulations on the growth of life insurance business in Ethiopia.

1.4 Research Questions

The study attempted to answer the following questions:-

- a) What is the effect of professional sales staff training on the growth of life insurance business in Ethiopia?
- b) How does a sales promotion of life insurance products affect the growth of life insurance business in Ethiopia?
- c) What is the effect of affordability of life insurance products on the growth of life insurance business in Ethiopia?
- d) How do government regulations affect the growth of life insurance business in Ethiopia?

1.5 Significance of the study

The results of this study are significant in various aspects. Life insurance companies will find this study in its suggestions about those factors that have contributed to the growth of life insurance business in the industry.

It will help as a reference to the life insurance industry in drawing a programs, policy and procedures. It will help existing and potential policy holders to know what to expect in their dealing with life insurance companies and other stake holders.

The study will also be of importance to the government of Ethiopia, through the Insurance Supervisory organ, National Bank of Ethiopia (NBE) to come up with appropriate legislation and directive by creating conducive environment that will help for the growth of the life insurance business in Ethiopia.

The Association of Ethiopian Insurers (AEI) will utilize the findings on factors affecting the growth of life insurance business to play its pivotal role in the industry.

The findings of this study will help the academic field and serve as source document for further research. Moreover, this study can potentially serve as a stepping stone for further research in the area.

1.6 Scope of the Study

The scope of the study is mainly related to identifying and analyzing the factors affecting the growth of life insurance business in Ethiopia and to give recommendations based on the concepts in the literature review, and the empirical findings of the study. While growth is broad and it can be measured in respect of profitability, return on equity (RoE), return on asset (RoA) and other parameters, the researcher's study is limited to and concerned with growth of life insurance business in respect of gross written premium.

The study covered all life insurance companies registered and recognized by the Insurance supervisory organ, National Bank of Ethiopia (NBE) as at June 30, 2014 and operating with in Ethiopia.

The main areas of focus were on:-

- Professional training of sales staff
- Sales promotion of life insurance products
- Affordability of life insurance product and

- How government regulations affect the growth of life insurance business in Ethiopia.

The study attempted to suggest the way forward and recommendations on findings that would increase growth, stability and profitability of the life insurance business in Ethiopia.

1.7 Limitation of the study

Resource constraints, such as time and secondary data were the major limitation in this study. Addis Ababa being a metropolitan city and it is considered to be a good representation of the country. Due to the above cited constraint primary data were collected from respondents based in Addis Ababa.

Respondents were reluctant in filling and returning questionnaires. Despite this fact, the researcher was overcome this problem by reminding via telephone, email and visiting in person. The researcher also requested approval of the respective company's management to build confidence of respondents and assuring them of confidentiality in handling of the data that they provided and only be used for academic purpose.

To overcome the limitation in respect secondary data, the researcher was also used other reliable sources, such as Supervisory body of insurance companies (i.e. National Bank of Ethiopia) and others.

1.8 Organization of the paper

This paper was organized into five chapters. Chapter one deals with introduction, Chapter two the review of the related literature, and chapter three was about research methodology, chapter four deals about data analysis and presentation of findings. Finally, chapter five contains summary of major findings, conclusions, recommendations and suggestions for further research.

CHAPTER TWO

2. Literature Review

2.1 Introduction

In this chapter, the factors affecting the growth of life insurance business in Ethiopia were given analysis. Different literature were reviewed and the sources of literature were books, texts, journals, magazines, periodicals news papers, reports of the regulatory body, internet and other media sources, previous research works and observations related to the subject under consideration.

These helped to clarify and strengthen the research work and present the findings in an organized manner.

2.2 History of Insurance in Ethiopia

The history of insurance service is as far back as modern form of banking service in Ethiopia which was introduced in 1905. At the time, an agreement was reached between Emperor Menelik II and a representative of the British owned National Bank of Egypt to open a new bank in Ethiopia. Similarly, modern insurance service, which were introduced in

Ethiopia by foreigners, mark out their origin as far back as 1905 when the bank of Abyssinia began to transact fire and marine insurance as an agent of a foreign insurance company.

According to a survey made in 1954 by the then ministry of Commerce and Industry, there were nine insurance companies that were providing insurance service in the country. With the exception of Imperial Insurance Company that was established in 1951, all the remaining of the insurance companies were either branches or agents of foreign companies. In 1960, the number of insurance companies increased considerably and reached 33. At that time insurance business like any business undertaking was classified as trade and was administered by the provisions of the commercial code.

According to Hailu Zeleke (2007), the first significant event that the Ethiopian insurance market observation was the issuance of proclamation No. 281/1970 and this proclamation was issued to provide for the control & regulation of insurance business in Ethiopia.

Consequently, it created an insurance council and an insurance controller's office. The controller of insurance licensed 15 domestic insurance companies, 36 agents, 7 brokers, 3 actuaries & 11 assessors in accordance with the provisions of the proclamation by 1971.

Accordingly as stated by the office mentioned above, the law required an insurer to be a domestic company whose share capital (fully subscribed) not to be less than Ethiopian Birr 400,000 for a general insurance business, Birr 600,000 in the case of long-term insurance business and Birr 1,000,000 to do both long-term & general insurance business. The proclamation defined 'domestic company' as a share company having its head office in

According to proclamation No. 281/1970, Ethiopia and in the case of a company transacting a general insurance business at least 51% and in the case of a company transacting life insurance business, at least 30% of the paid-up capital must be held by Ethiopian nationals or national companies.

After four years that is after the enactment of the proclamation, the military government that came to power in 1974 put an end to all private enterprises. Then all insurance companies operating were nationalized and from January 1, 1975 onwards the government took over the ownership and control of these companies & merged them into a single unit called Ethiopian Insurance Corporation. In the years following nationalization, Ethiopian Insurance Corporation became the sole operator. After the change in the political environment in 1991, the proclamation for the licensing and supervision of insurance business heralded the beginning of a new era. Consequently, in 1994 Insurance proclamation No. 86/1994 issued by the Transitional Government of Ethiopia.

The legislation allowed private insurance companies to be formed and to compete with the EIC, but foreign shareholders were bared. The logic behind the prohibition was that the local industry was weak and needed time to build its reserves, rapid opening of the market would expose Ethiopian companies to domination by financially much stronger foreign insurers. The discussion over whether opening the market to foreign investment might be beneficial continues but to date private insurance companies must still be Ethiopian owned.

Nevertheless, as a broad policy the government continues deregulate, private and seek foreign investment to push the economy forward.

According to the insurance proclamation No 86/1994, which permitted the establishment of private insurance companies in the country, insurance business is classified into two categories, namely general insurance business and long-term insurance business. Long-term insurance business includes life insurance, annuities, pension business and permanent health insurance business. All other types of insurance business are labelled as general insurance.

Immediately after the enactment of the proclamation in the 1994, private insurance companies began to establish and to increase in number.

As a result, in addition to EIC, the following private insurance companies were established to solicit insurance business as stated here under.

Table 1.2 List of Insurance Companies established as per proclamation No 86/1994.

No	Name of Insurance Company	Date of Establishment	Initial Capital	
			Subscribed	Paid-up
1	EIC	1975	-	11,000,000.00
2	NICE	23/09/1994	3,530,000.00	3,250,000.00
3	Awash	01/10/1994	8,481,000.00	7,382,820.00
4	United	09/11/1994	8,068,000.00	8,068,000.00
5	Africa	22/12/1994	15,000,000.00	14,970,000.00
6	Nile	11/04/1995	12,050,000.00	10,050,000.00
7	Nyala	27/06/1995	25,000,000.00	7,000,000.00
8	Global	14/01/1997	15,000,000.00	3,750,000.00
9	Nib	02/05/2002	50,000,000.00	13,788,500.00
10	Lion	10/07/2007	66,440,800.00	16,610,200.00
11	Ethio-Life & General	23/10/2008	4,758,000.00	4,284,000.00
12	Oromia	26/01/2009	85,084,000.00	25,998,000.00
13	Abay	26/07/2010	12,025,000.00	7,765,000.00
14	Berhan	24/02/2011	27,745,000.00	9,774,000.00
15	Tsehay	28/03/2012	45,125,000.00	11,385,000.00
16	Lucy	01/10/2012	8,035,000.00	8,035,000.00
17	Bunna	21/05/2013	11,293,000.00	6,715,000.00

Source: National Bank of Ethiopia

There are 16 private insurance companies and one state owned insurance company (EIC) playing in the market as of June 30, 2014. Out of the total 17 insurance companies, 8 are general insurance providers and the remaining are composite insurance companies (which provides both general and long-term insurance business).

The number of life insurance companies has remained relatively stable. In 2012 the sole life only company, Ethio-Life, become composite and is now known as Ethio-life and general insurance. Oromia Insurance Company a non-life company has also obtained a life license in 2012 and become a composite insurer. Now, there are nine companies licensed to underwrite life insurance and all of these insurers are composite underwriters.

2.3 Definition and Nature of Insurance

The concept of insurance is not easy as it has many possible definitions and meanings in different perspectives. In this respect, scholars and writers have given various definitions of insurance from different perspectives such as economic, social, legal etc. and the following definitions are given.

According to Hailu Zeleke (2007) provides the following economic definition of insurance: „Insurance is a device for a reduction of one party called the insured, through the transfer of particular risks to another party, called the insurer, who offers a restoration, at least in part, economic losses suffered by the insured.“

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

According to Article 654(1) of the commercial code of the Empire of Ethiopia (1960:140), the legal definition of insurance is: An Insurance policy is „a contract whereby a person called the insurer, undertakes against payment of one or more premiums to pay to a person, called the beneficiary, a sum of money where a specified risk materializes.“

2.4 Definition and the Concepts of Life Insurance

Life insurance provides for the payment of a benefit following the death of the insured. That benefit can be used for a range of purposes, including meeting some needs that do not arise until a person's death. Individuals and businesses both have needs life insurance can meet.

Basically there are three basic types of life insurance policy:

1. Term Insurance
2. Whole life insurance
3. Endowment insurance

2.4.1 Term Insurance

Term life insurance is life insurance that provides a death benefit only if the insured dies during the period specified in the policy. The policy benefit is payable only if the insured dies during the policy period and the policy is in force when the insured dies. If the insured lives until the end of specified term, the policy may give the policy owner the right to continue some form of life insurance coverage. If the policy owner does not continue the coverage, then the coverage expires and the insurer has no obligation to provide further insurance coverage.

Term life insurance provides only temporary protection; at the end of the stated term, the policy expires. A policy owner who wants to maintain insurance coverage after the policy expires must apply for a new policy. The following term life insurance policies are available: 1-year term for groups 5-years term 10-years term: 15-years term: 20-years term, term to age 55, term to age 60 and term to age 65 for individuals.

2.4.2 Whole Life Insurance

Whole life insurance is a type of cash value life insurance that provides life time insurance coverage usually at a level premium rate that does not increase as the insured ages.

Whole life insurance is an agreement under which a death benefit is payable up on the insured's death, whenever that may be. This is so because as the name implies, insurance protection covers the whole of the insured's remaining lifetime.

A whole life policy, just as an endowment policy, acquires cash value after two or three years. This cash value grows with the payment of each premium until it eventually equals the sum assured by the time the insured attains some very high age such as, say, 100 years. In fact, for all intents and purposes, a whole life policy can be viewed as an endowment at the said higher age. If the insured attains this higher age (which we have taken to be 100), it is customary to pay him the sum assured at that time.

2.4.3 Endowment Insurance

Endowment insurance provides a policy benefit payable either when the insured dies or on a stated date if the insured is still alive on that date. If the insured dies before the maturity date, then the insurer pays the policy's face amount to the designated beneficiary.

Endowment life insurance policies, like term life insurance policies, are available for periods of different lengths. These usually are 10-year, 15 year, 20years, 25 years and 30-year endowment and endowments at age 55, at 60 and at age 65.

An endowment life insurance policy not only provides protection against the risk of early death but also contains a savings element (beginning with the first two or three years) known variably as the "cash value" , "surrender value" or cash surrender value" (all of which mean the same).

2.5 Life Insurance Market overview

According to AXCO 2013 Insurance market report, Life and Benefits, the life insurance market in Ethiopia is very small as most of the population live at a subsistence level. The mechanism of banks requiring life insurance as a condition for making loans is in place but effectively touches a very small proportion of the population. In addition there are plenty of other problems to be faced, such as the availability of actuaries, investment managers and investment opportunities.

Insurance penetration remains a challenge for the Ethiopian insurance sector. One area where penetration could be achieved is micro insurance. Unfortunately Ethiopia at this time has no mobile telephone money network, unlike a number of other countries in the region. Microfinance institutions are widespread throughout Ethiopia but micro insurance is essentially undeveloped. The NBE is currently drafting directives to regulate and provide a policy framework for micro insurance. Currently micro insurance is focused on crop, livestock and life insurance. Nyala and Oromia are local insurers that are active in this sector. There are issues that would have to be resolved for micro insurance to make a major impact, including the fact that death certificates are not issued in the rural areas. Furthermore funeral provision is often covered by traditional Iqub associations that offer mutual socio-economic support to members.

Axco's 2013 Insurance market report, Life and Benefits on page 47 stated that „„Ministry of Labour and Social Affairs is in the process of introducing a regulation that requires any domestic worker seeking to obtain a visa to work in an Arab country, to have a prescribed life and accident insurance cover in place before the visa can be issued. This will affect tens of thousands of expatriate domestic workers and have an impact on the demand for life insurance.““

2.6 Theoretical Framework

2.6.1 Factors affecting the growth of life insurance business

Various factors affecting the growth of life insurance business are discussed as below:

2.6.1.1 Professional Sales Staff Training

Nowadays, customers expect insurance sales people to have deep product knowledge, to ideas to improve the customers operations, and to be efficient and reliable. These demands have required companies to make a much higher investment in sales force training. They have to be trained on sales techniques and in the company's products, policies, and customer satisfaction (Ogotu, 2004). Kotler (2003), stated that, "customers are value – maximisers." They form an expectation of value and act on it. Buyers will buy life insurance from a firm that they perceive to offer the highest customer – delivered value, which is the difference between total customer value and total customer cost. A buyer's satisfaction is a function of the insurance product's perceived value and the buyer's expectations. Customer satisfaction should be a goal and a marketing tool. Makau(2013), noted that the insurance company's marketing staff especially the sales representatives need to be motivated always. Some will

put their best effort without any special coaching from management. To them, selling is the most fascinating job in the world; they are ambitious and self – starters. However, the majority requires encouragement and special incentives. These may include a bonus, cash rewards, and other allowances. According to Maigo (2000), life insurance companies should know about the prices they are selling their products and should also understand their customers’ needs. Etemesi (2004) cited lack of professionalism as a source of customer dissatisfaction in the insurance industry. Lack of technical and experienced staff can lead to improper interpretation of the policy provisions and consequently payment of a claim that was not otherwise payable under the policy. Munguti (2006) noted that the widespread customer dissatisfaction in the insurance industry has been of great concern to various stakeholders in the industry. This is due to various impediments to efficient provision of services to customers.

In his book, Dorfman (2004) noted that there have been significant changes in the marketing of all types of insurance in the preceding decades. The marketing of life insurance has been an area of obvious change. During the early part of the twentieth century, it was common for life insurance agents.

2.6.1.2 Sales Promotion of Life Insurance Products

According to Makau (2013), promotion includes all activities the company undertakes to communicate and promote its products and services to the target market. Promotion represents the fourth element in the marketing mix commonly referred to as the 4P’s of marketing. The promotion element comprises of a mix of tools available for the marketer called the promotional mix. Life insurance companies employ these tools so as to reach their customers and persuade them to purchase their products. Kotler (2003) noted that companies often need to restructure their business and marketing practices in response to significant changes in the business environment, such as globalization, deregulation, computer and telecommunications advancements, and market fragmentations. The main responses of business firms to a rapidly changing environment include empowering personnel to produce more ideas and take more initiative. This should be the case with marketing and selling of life insurance products. Packaging insurance products with multiple benefits will go a long way in growing their uptake.

2.6.1.3 Affordability of Life Insurance Products

According to Kotler (2003), pricing is the amount of money charged for a product or service, or the sum of the values that consumers exchange for the benefits of having or using the product or service. An increasing number of companies are basing their prices on the product's perceived value. Price is considered along with other marketing mix variables before the marketing program is set.

2.6.1.4 Government Regulations

Life insurance products selling are highly affected by developments in the political and legal environment. These factors include laws, government agencies and pressure groups that influence and limit various organisations and individuals (Kotler, 2003). Marketers of life insurance products need to understand their customers' purchasing power. The available purchasing power in an economy depends on current income, prices, savings, debt and credit availability (Muchire, 2003). Marketers must pay close attention to major trends in income and consumer spending patterns (Kotler, 2003).

2.7 Research gap to be filled by the study

There have been some studies on the insurance industry all of which presented evidence on a number of factors affecting the performance of the industry by taking different variables.

Abate Gashaw(2012) studied on factors affecting profitability of insurance companies in Ethiopia in general. Dawit Mohammed (2011) studied on the topic of enhancing life assurance and its economic and social benefits. Zekarias Mekonnen(2010) studied on buyers attitude towards life insurance policy purchase a case study on Ethiopian insurance corporation. Geda Misganu(2012) studied on assessment of factors affecting household demand for life insurance (the case of Nekempt town, in Wollega) on Ethiopian insurance corporation Nekemte branch.

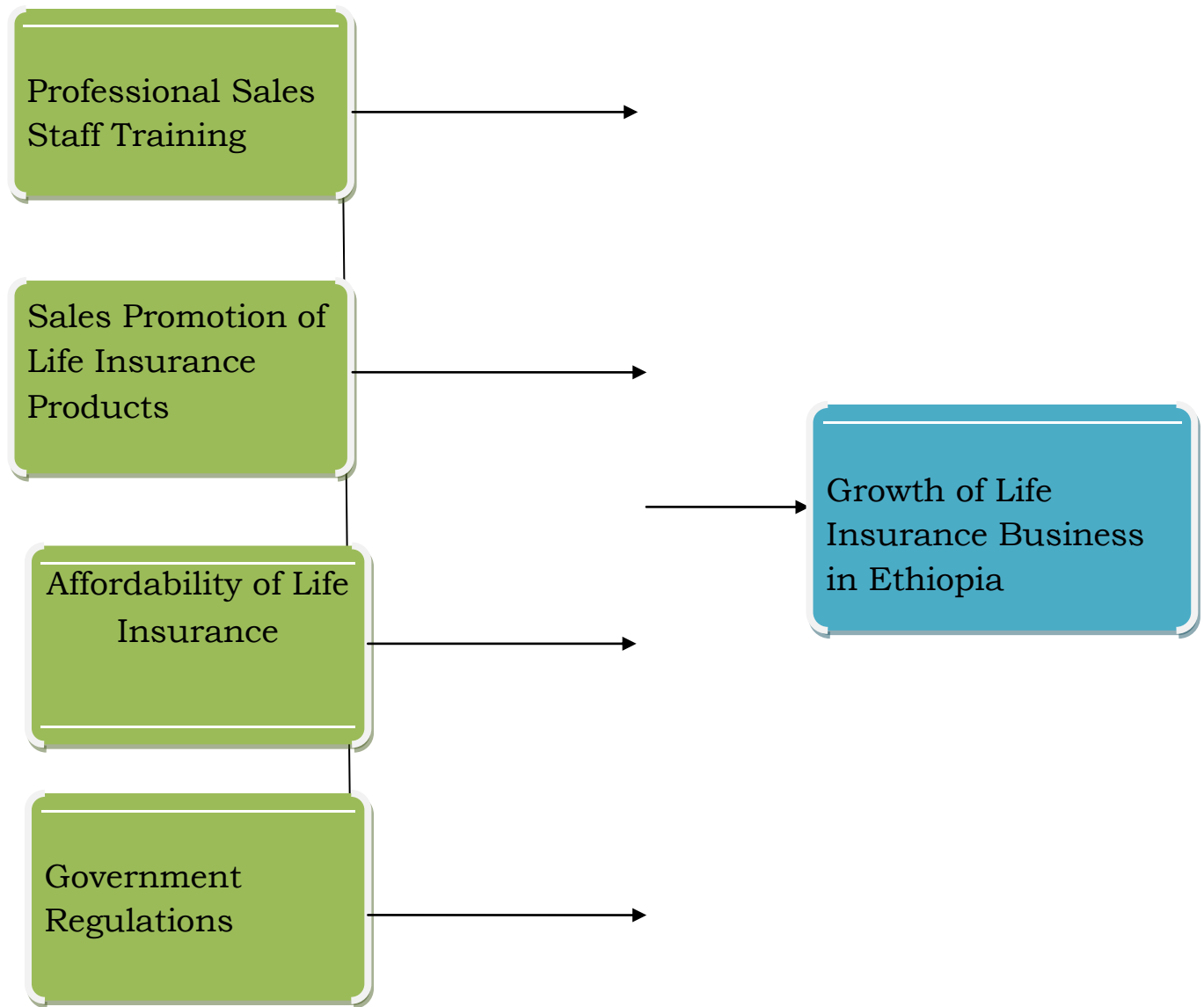
Even though, these studies are valuable in their perspective, they were not dwelling on factors affecting the growth of life insurance business in Ethiopia. Life insurance sector has been contributing very little to the GDP of the country which is affected by various factors as explored in this study.

2.8 Conceptual Framework

The study was focused on four independent variables which are factors affecting the growth of life insurance business in Ethiopia and one dependent variable which is Growth of life insurance business in Ethiopia.

The figure shows that factors affecting the growth of life insurance can be described via four independent variables such as professional sales training, sales promotion of life insurance products, affordability of life insurance products and government regulations and one dependent variable growth of life insurance. Below summarises the variables of the study and shows the conceptualization of the relationship between the dependent and independent variables.

Figure 2.1 Conceptual framework



Independent Variables

Dependent Variable

Source: (Kotler and Armstrong, 2010: Principles of Marketing (13th ed.) Pearson

CHAPTER THREE

3. Research Methodology

3.1 Introduction

This chapter deals with how the data were collected to address the objectives stated in chapter one. The chapter covers the methodology of carrying out the study.

The chapter explains research design, the target population, sample design and sampling techniques, research instruments, data collection, data analysis and presentation methods. The researcher used sample survey questionnaire to collect data from respondents and the collected data were accumulated and analyzed in order to generate research findings for reporting.

3.2 Research design

The study adopted descriptive research design to summarize and organize data in an effective and meaningful manner. According to Mugenda and Mugenda (2003) descriptive survey research attempts to collect data from members of a population in order to determine the current status of the population with respect to one or more variables.

Descriptive research is also concerned with conditions or relationships that exists practices that prevails, beliefs, point of view, or attitudes that are held by people, processes that are going on, effects that are being felt, or trends that are developing. (Muchire, 2003).

3.3. Target Population

According to (Makau, 2013) population is the total collection of elements about which the researcher which to make inference. The target population is the larger group to which one hopes to generalize or apply his findings (Fraenkel and Wallen, 1993).

3.4. Sample Design and sampling technique

The study adopted purposive sampling technique: because there are only nine registered and licensed life insurance providers in Ethiopia. (All nine are composite insurance companies) for the year 2014 according to the National Bank of Ethiopia, Insurance Regulatory body's records.

Therefore, it is possible for the researcher to sample all of them and used purposive sampling to identify the respondents. The study focused on all the nine registered and licensed insurance companies in Ethiopia offering life insurance business.

Therefore, through purposive sampling, numbers of sales staffs were identified from each of the life insurance companies. Thus, the sample was 15 multiplied by 9 = 135 respondents. Questionnaires were distributed to respondents of each company on random basis.

3.5. Research Instruments

The study utilized self administered questionnaires to collect responses from the sampled respondents. The questionnaire was adapted from previous study of Makau (2013).

3.6. Validity and Reliability

Validity, often called construct validity, refers to the extent to which a measure adequately represents the underlying construct that it is supposed to measure. **Reliability** is the degree to which the measure of a construct is consistent or dependable (Bhattacharjee et al, 2012). It can be also defined as the extent to which a questionnaire, test, observation or any measurement procedure produces the same results on repeated trials.

The **validity** of this study have been ascertained via different methods or techniques corresponding to whether the validity is internal, external, construct or statistical.

Interval validity of the study tied to achieve by demonstrating that the independent variables are directly responsible for the effect of the dependent variable (Growth of life insurance). These cause and effect relationship between the independent and dependent variables are stated in the conceptual framework. The quality of the study also depends on its **external validity** in some extent. In addition, qualities of the study have been realized using data

collection instruments such as questionnaires and observation. Extract of primary data were another method to attain the validity of the study. Using primary data in the study could improve the external validity of the research paper. First hand information obtained from a sample that is representative of the target population would yield data that will be valid for the entire target population.

Besides internal and external validity, **construct validity** plays important role in the quality of the study by creating similarity between the concept of the study and its findings. This attained through a clear operational definition of the independent variables of the study. Independent variables of the study are briefly stated in the theoretical framework.

In order to make the validity of the study somehow all rounded **statistical validity** was also aimed to attain. It has achieved through the control of statistical measures of the data analysis.

The research instruments were tested for validity and reliability through pilot testing of questionnaires to the target population .In this study, prior to distribution of the actual survey, a pilot test was carried out to avoid any possible difficulties with the questionnaire. The main objective was to detect weakness in questionnaire design and measurement scale. Accordingly, some respondents and research advisor returned valuable feedback and comments. After collecting the feedback, editing was done to correct wordings and measurement scales of some questions were changed. Generally, in this study pilot test was conducted by involving some employees to validate the content of the questionnaire in terms of relevance, accuracy and wording.

The quality of the findings of the study accomplished when the **reliability** of the study achieved corresponding to its validity. The reliability of this study reached its acceptable level by determining whether the participants feel that they are accurate. This has been realized through brief, clear and concise preparation of questions in the questionnaire. Finally, Cronbach's Alpha test (George and Mallery, 2003) was done and the value is greater than .7 which is acceptable as can be seen from the analysis.

The main purpose of calculating the value of Cronbach's Alpha is to be ensured that all the items included in the survey instrument (questionnaire) are really measuring in a common concept, i.e. the value of Cronach's alpha's indicate whether good internal consistency of the included items in the scale exist or not.

George and Mallery (2003) provide the following rules of thumb: “ $\alpha > 0.9$ – Excellent, $\alpha > 0.8$ – Good, $\alpha > 0.7$ – Acceptable, $\alpha > 0.6$ – Questionable, $\alpha > 0.5$ – Poor, and $\alpha < 0.5$ – Unacceptable” (p. 231). Therefore, the survey instrument has value of alpha greater than 0.7, which mean that the included items in the scale have an acceptable internal consistency (reliability). That is, the survey instruments are good enough to be administrated and able to attain their intended goals. According to the pilot survey, the Cronbach’s Alpha is .717 which indicates the reliability is Acceptable. Hence, the validity, reliability and practicality of this study have been ascertained.

3.7. Data Collection

Data can be defined as the quantitative or qualitative values of a variable. Data are thought to be the lowest unit of information from which other measurements and analysis can be done. Data can be numbers, images, words, figures, facts or ideas. It can be classified as primary (that has been collected from first-hand) and secondary data (that has already been published).

Sources of data for the study are included both primary and secondary. The study had begun with secondary data analysis through the review of related literature. In this regard, the researcher had tried to refer different books, published and unpublished documents, journals, articles and research papers to get information on theoretical and empirical frame work of the study.

The primary data have been collected from employees and management of all life insurance companies through questionnaires and observation. The data collection instrument that was employed was a structured survey questionnaire which was administered by the researcher.

Questionnaire has its own advantages for the study including time savings, upholding of confidentiality and for being the best source of primary data. The questionnaire was structured in to two parts namely Section A and Section B.

Section A contained general data of the respondents, which was useful for the analysis i.e. socio - demographic characteristics. While section B focused extensively on the research instrument adopted for the study i.e. factors affecting the growth of life insurance business.

3.8. Data Analysis and Presentation Methods

Data were checked for accuracy and completeness of recording of the responses. After it was checked, it then summarized and analyzed using computer software SPSS and Microsoft excel program. It was analyzed using descriptive statistics and inferential statistics. For this purpose frequencies and percentages were used. Mean and standard deviations as well as correlation and regression were also used in the analysis and interpretation. Tables and charts were used in the presentation of the data.

CHAPTER FOUR

4. Data Analysis and Presentation of Findings

4.1 Introduction

This chapter deals with data analysis, findings and discussions on research findings. The purpose of this study was to identify and analyze the factors affecting the growth of life insurance business in Ethiopia and to give recommendations based on the concepts in the literature review, and the empirical findings of the study. Among the variables investigated were professional training of sales staff, sales promotion of life insurance products, affordability of life insurance products and government regulations on life insurance. The study targeted life insurance sales staff of the nine registered and licensed life insurance providers' insurance companies in Ethiopia (All the 9 composite insurance companies) as of June 30, 2014, which were selected based on the sampling strategy in the previous chapter. The data that were collected from the respondents were analyzed and presented using tables, charts, frequencies and percentages.

4.2 Socio - Demographic Characteristics

These were analysed with regard to response rate, organizational responsibility, length of time worked in the organization and religious affiliations.

4.2.1 Response Rate

The researcher distributed questionnaires to 135 respondents as per the sampling design and sampling technique which was stated in chapter three section four (3.4). Out of the distributed 135 questionnaires, 115 filled in and returned the questionnaires making a response rate of 85.19%. This response rate was representative and commendable to make conclusion for the study. According to (Julius 2013) a response rate of 50% is adequate for analysis and reporting: a response of 60% is good and a response rate of 70% and above is excellent. Hence, based on the assertion, the response rate was considered to be excellent.

Table 4.1 Response rate of respondents

Attribute	Frequency	Percentage
Respondents	115	85.19%
Non-Respondent	20	14.81%
Total	135	100%

Source: researcher's survey data (2015)

4.2.2 Gender

From the finding of the research, 69.57% of the respondents were male while 30.43% were female. This shows the majority of the respondents were male (Figure 4.1).

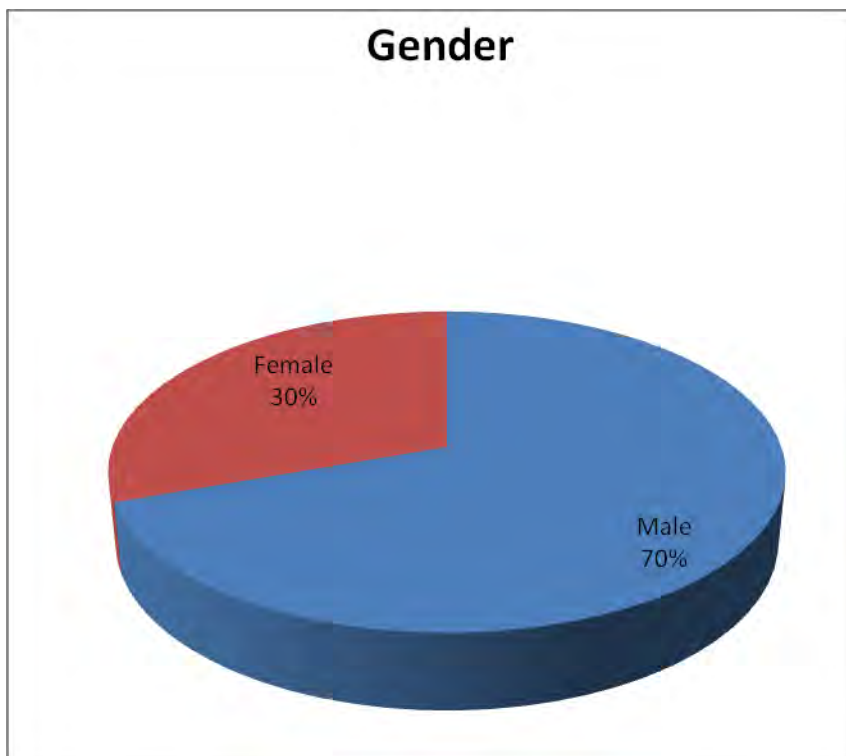


Figure 4.1 Gender

Source: Researcher's Survey Data (2015)

4.2.3 Respondents Organizational Responsibility

Regarding respondents' organizational responsibility, findings of the study depicts that 34.78% of the respondents were in the management position while 65.22% were not in management position. This shows that most of the responses and views that were given were from the perspective of those who are not in management position. This shows us that over 65% of the sales staff were not in the management position and were knowledgeable about life insurance (Figure 4.2).

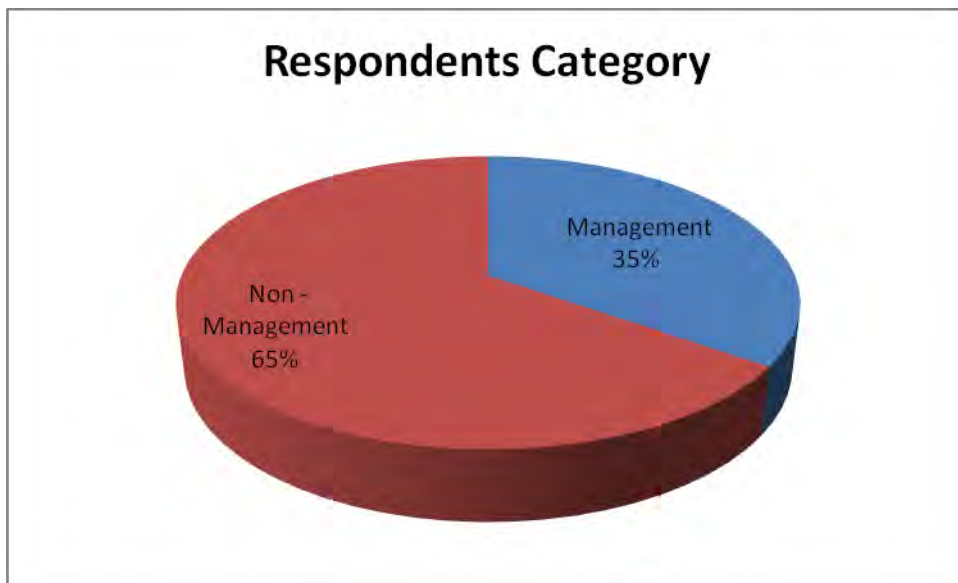


Figure 4.2 Respondents Organizational Responsibility

Source: Researcher's Survey Data (2015)

4.2.4 Length of time worked in the organization

The study findings showed that 26.09% of the respondents had worked in the organization for less than one year, 39.13% had worked for between 1-5 years, 13.04% had worked for between 5-10 years, and 4.35% had worked for between 10-15 years, while 17.39% had worked for 15 years and above. This depicts that the majority of the sales staff had worked in the companies for between 1-5 years (Figure 4.3).

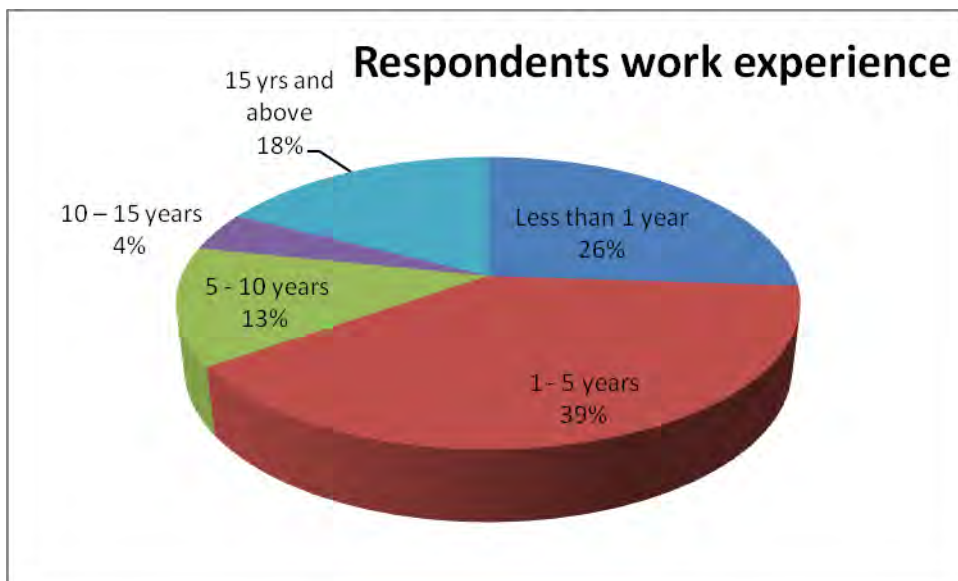


Figure 4.3 Length of time worked in the Organization

Source: Researcher's Survey Data (2015)

4.2.5 Religious Affiliation

Regarding religious affiliation, the study findings indicated that majority (78.26%) of the respondents were Orthodox, 4.35% were Muslims, and 13.04% were Protestants, and 4.35% were catholic. This shows that 100% of the respondents who were insurance sales staff belong to a certain religion and were knowledgeable about life insurance regardless of their religious affiliation (Figure 4.4).



Figure 4.4 Respondents Organizational Religious Affiliation

Source: Researcher's Survey Data (2015)

4.3 Factors affecting the growth of life insurance business in Ethiopia

From the findings of the study, these factors can be analysed as below:

Descriptive Statistics Results

In this section, Factors affecting the growth of life insurance business in Ethiopia such as sales professional training, Sales promotion of life insurance products, Affordability of life insurance products and Government regulations are described using various statistical tools. Regarding the descriptive interpretations for variables or dimensions used on Likert scale; the measurement was used on the basis of the survey; 5 = Strongly agree; 4 = Agree; 3 = Neutral; 2 = Disagree; 1 = Strongly disagree. The mean level of agreement between the group or of the group is categorized on the scale; SA = Strongly Agree (4.51 or greater); A = Agree (3.51 – 4.50); N = Neutral (2.51 – 3.50); D = Disagree (1.51 – 2.50); and, SD = Strongly Disagree (1.49 or less). And, to make more comfortable for analysis three base scale is used, Agree (3.51 and above), Neutral (2.51 to 3.50), and Disagree (less than 2.50) (Dane B. 2007).

The means and standard deviations of the responses are described in table 4.5.1(A). The mean indicates that to what level of agreement the response of all respondents is approached. Standard deviation, however, measures the mean difference between responses. In other words, it measures variation of responses with respect to the mean. It show us whether respondents are highly deviated one another in their responses. Thus, the means and standard deviations of variables are described as request as the analysis.

4.3.1. Organization of sales and marketing departments

Majority (47.83%) of the respondents accepted and satisfied on how the companies organized their sales and marketing department 30.43% were indifferent, 13.04% highly satisfied 4.35% dissatisfied and 4.35% highly dissatisfied.

As we can see from the result, the study findings suggest that respondents had a common agreement that the organization of sales and marketing department in the insurance companies affect the growth of life insurance business in Ethiopia. The result is shown in Table 4.2.

4.3.2. Professional sales staff training

Out of the respondents, majority (65.22%) of them responded that companies undertaken professional sales staff training.4.35% were responded highly satisfied, 60.87% were satisfied,30.43% were indifferent, while 4.35% dissatisfied. This indicates that respondents

had a common agreement that undertaking of professional sales staff training positively affects the growth of life insurance business in Ethiopia. The result is shown in Table 4.2.

From the findings (table 4.2) majority of the respondents gave a rate of highly satisfied and satisfied on undertaking professional sales training and as it is shown in table 4.5.1. (A) with a mean of 3.7971 and a small standard deviation of .62703 and this suggests that respondents had a common agreement on professional sales training and this would highly likely contribute to the growth of life insurance in Ethiopia.

As stated in the literature review, According to Kotler (2003) “customers are value maximizerw” they form an expectation of value and act on it buyers will buy life insurance from a company that they perceive to offer the highest customer delivered value, which is the different between total customer value and total customer cost.

Buyer’s satisfaction is a function of the insurance products perceived value and the buyer’s expectations.

According to Kamau (2003) study insurance company’s marketing staff especially the sales representatives need to be motivated always. In this respect they can exert their maximum effort without special coaching from the managements with previous studies by Kotler (2003) and deacon et al. (1992).

4.3.3. Sales force training and development a major factor.

From the finding of the study, majority (43.48%) respondents from these insurance companies responded that sales force training and development is very much a major factor determining growth of life insurance business in Ethiopia, 26.09% were in agreement that it is much of a factor, while 30.43% indicated that growth of life insurance business was not much affected.

This 69.57% of the respondents had a common agreement that the company’s sales force training and development is a major factor and it affects the growth of life insurance business in Ethiopia.

According to Etemesi (2004), lack of professionalism is a source of customer dissatisfaction in the insurance industry.

Lack of technical and experienced staff can lead to improper interpretation of the policy terms, conditions, provisions and exclusions. Consequently, payment of a claim may be made

that was not otherwise payable under the policy. On the other hand, a claim may be repudiated that would be payable as per the policy terms and conditions. Consequently, it leads to customer dissatisfaction and litigation. Finally, companies will incur unnecessary costs in addition to its bad reputation.

Table 4.2 Statements on sales and marketing department

Attribute	Response	Frequency	Percentage
Organization of sales and marketing departments	Highly Satisfied	15	13.04%
	Satisfied	55	47.83%
	Indifferent	35	30.43%
	Dissatisfied	5	4.35%
	Highly Dissatisfied	5	4.35%
Professional sales staff training	Highly Satisfied	5	4.35%
	Satisfied	70	60.87%
	Indifferent	35	30.43%
	Dissatisfied	5	4.35%
	Highly Dissatisfied	0	0
Sales force training and development a major factor	Very Much	50	43.48%
	Much	30	26.09%
	Not much	35	30.43%
	Not affected at All	0	0
	Do not Know	0	0

Source: Researcher's survey data (2015)

4.4. Statements of Sales staff appraisal and ethics

The findings of the study have been analyzed as follows.

4.4.1. Sales staff appraisal.

When asked on how often their companies carried out sales staff appraisals on their dealings with the life insurance customers, majority (52.17 %) of them responded satisfied, 8.7% highly satisfied, 26.09% were indifferent, 8.7% were dissatisfied, while 4.35% were highly dissatisfied.

This response shows that the insurance companies have good practice of conducting sales staff appraisal which is commendable for the growth of life insurance business in Ethiopia.

4.4.2. Practice of good ethics

The majority 78.26% of the respondents indicated that the companies' practice of good ethics in their dealings with life insurance customers is commendable. Out of the respondents, 34.78% were highly satisfied, 43.48 % were satisfied, while 21.74% were indifferent. This response shows that the insurance companies practiced good ethics which is commendable for the growth of life insurance business in Ethiopia.

4.4.3. Exposing of unethical sales staff

From findings of the study, majority (52.17%) of the respondents indicated that they were indifferent on exposing of members of sales staff that were involved in unethical practice, 8.7% were highly satisfied, 26.09% were satisfied, 8.7% were dissatisfied, while 4.35% were highly dissatisfied.

This shows that majority of the respondents were not sure whether exposed or not those members of the sales staff that were involved in unethical practice. About 13% of the respondents were also unsatisfied. This seems there is no transparency and this is an indication of cover up of unethical practices. This leads to a bad image and reputation of insurance companies which will hinder the growth of life insurance in Ethiopia.

Kotler (2003) stated that, "customers are value – maximisers." They form an expectation of value and act on it. Buyers will buy life insurance from a firm that they perceive to offer the highest customer – delivered value, which is the difference between total customer value and total customer cost. It is clear from the findings that the industry needs to get rid of unethical

sales practices that may be an impediment to the growth of life insurance business in Ethiopia.

Table 4.3 Statements of Sales staff appraisal and ethics

Attribute	Response	Frequency	Percentage
Sales staff appraisal	Highly Satisfied	10	8.70%
	Satisfied	60	52.17%
	Indifferent	30	26.09%
	Dissatisfied	10	8.70%
	Highly Dissatisfied	5	4.35%
Practice of good ethics	Highly Satisfied	40	34.78%
	Satisfied	50	43.48%
	Indifferent	25	21.74%
	Dissatisfied	0	0
	Highly Dissatisfied	0	0
Exposing of unethical sales staff	Very Much	10	8.70%
	Much	30	26.09%
	Not much	60	52.17%
	Not affected at All	10	8.70%
	Do not Know	5	4.35%

Source: Researcher's survey data (2015)

4.5. Statements on customer satisfaction, Product packaging and promotion

The findings of the study have been analyzed as below.

4.5.1. Customer Satisfaction

The result showed that insurance companies were satisfied in ensuring that customers are comfortable with their services. The result of the findings is evident that 21.74% of the respondents were highly satisfied, 69.57% were satisfied, and 4.35% were indifferent, while 4.35% were highly dissatisfied.

This depicts that respondents had a common agreement that companies were offering services to customers in a satisfactory way which contributes to the growth of life insurance business in Ethiopia (Table 4.4).

4.5.2. Customer Surveys

We asked life insurance companies if they carried out adequate customer surveys. The result showed that most of the life insurance companies carried out some form of customer survey to know the satisfaction levels of with their customer. The findings of the study indicated that respondents had common agreement that the companies carryout adequate customer surveys and this positively contributes to the growth of life insurance business is Ethiopia (Table 4.4).

4.5.3. Life Insurance Products Packaging.

From the findings of the study, majority (47.83%) of the respondents are a rate of “likely” and 21.74% are a rate of highly likely on proper life insurance products packaging. This is shown in table 4.4 which is highly likely from Liker scale and this suggest that respondents had common agreement that proper life insurance products and this would most likely contribute to the growth of life insurance business in Ethiopia.

4.5.4. Sales Promotion

Regarding sales promotion of life insurance products, findings of the study indicated that it would lead to enhanced business for the life insurers. As it is shown in table 4.4, the respondents had a common agreement that sales promotion of life insurance products can contribute to the growth of life insurance business in Ethiopia.

From the findings (table 4.4) majority of the respondents gave a rate of highly likely and likely on sales promotion of life insurance products and as it is shown in table 4.5.1. (A) with a mean of 3.9565 and a standard deviation of 1.04622 and this suggests that respondents had

a common agreement on sales promotion of life insurance products and this would highly likely contribute to the growth of life insurance in Ethiopia.

A finding of the study is also in conformity with the literature that the promotion element comprises of a mix of tools available for the marketer called the promotional mix. Life insurance companies employ these tools so as to reach their customers and persuade them to purchase their products. Kotler (2003) noted that companies often need to restructure their business and marketing practices in response to significant changes in the business environment, such as globalization, deregulation, computer and telecommunications advancements, and market fragmentations. The main responses of business firms to a rapidly changing environment include empowering personnel to produce more ideas and take more initiative. This should be the case with marketing and selling of life insurance products.

4.5.5. How companies promote their services

In respect of how companies promoted their services, finding of the study indicated that the companies use a combination of various methods to promote their services. The study identified that companies were used advertising public relations and publicity, through agency, personal selling and sales promotion as the methods to promote their services.

This confirms the assertion by Kamau (2003) that promotion includes all activities the company undertakes to communicate and promote its products and services to the target market

Table 4.4 Statements on customer satisfaction, Product packaging and promotion

Attribute	Response	Frequency	Percentage
Customer Satisfaction	Highly Satisfied	25	21.74%
	Satisfied	80	69.57%
	Indifferent	5	4.35%
	Dissatisfied	0	0
	Highly Dissatisfied	5	5.35%
Customer Surveys	Highly Satisfied	20	17.39%
	Satisfied	55	47.83%
	Indifferent	30	26.09%
	Dissatisfied	10	8.70%
	Highly Dissatisfied	0	0
Life Insurance Products Packaging	Highly Likely	25	21.74%
	Likely	55	47.83%
	Indifferent	20	17.39%
	Unlikely	10	8.70%
	Highly Unlikely	5	4.35%
Sales Promotion	Highly Likely	35	30.43%
	Likely	60	52.17%
	Indifferent	5	4.35%
	Unlikely	10	8.70%
	Highly Unlikely	5	4.35%
How companies promote their services	Advertising	50	34.48%
	PR and Publicity	15	10.34%
	Trough Agency	30	20.69%
	Personal Selling	25	17.24%
	Sales Promotion	10	6.90%
	I have no Idea	15	10.34%

Source: Researcher's survey data (2015)

4.6. Marketing and Growth of Life Insurance Business.

4.6.1. Affordability of Life Insurance Products

Findings of the study indicated that the majority (69.57%) of the respondents viewed pricing and how affordable life insurance products as a factor affecting the marketing and growth of life insurance business, 30.43% indicated it is highly likely, and 39.13% is likely, 21.74% indicated neutral, and only 8.7% indicated that affordability may not be such an important factor.

From the findings (table 4.5.1) majority of the respondents gave a rate of highly likely and likely on affordability of life insurance and as it is shown in table 4.5.1. (A) with a mean of 3.913 and a standard deviation of .9325 and this suggests that respondents had a common agreement that affordability of life insurance products would highly likely contribute to the growth of life insurance in Ethiopia.

According to Kotler (2003), an increasing number of companies are basing their prices on the product's perceived value. Price is considered along with other marketing mix variables before the marketing program is set.

4.6.2. Government Regulations

Out of the 115 respondents who took part in the study, 26.09% of them, strongly agreed the government regulations in Ethiopia affected the marketing and growth of life insurance business, 30.43% agreed, 30.43% neutral, 4.35% disagree, while 8.7% strongly disagree.

From the findings (4.5.1) majority of the respondents gave a rate of strongly agree and agree government regulations and as it is shown in table 4.5.1. (A) with a mean of 3.6174 and a standard deviation of 1.1816 and this suggests that respondents had a common agreement that government regulations would likely contribute to the growth of life insurance in Ethiopia.

As Kotler (2003) suggests that life insurance selling is highly affected by developments in the political and legal environment. These factors include laws, government agencies and pressure groups that influence and limit various organizations and individuals. Findings of the study are also in conformity with the literature in this regard.

The government of Ethiopia has been issued different laws, regulations and directives through the regulatory body, National Bank of Ethiopia to enhance the development of life insurance business in the country.

Table 4.5.1 Marketing and Growth of Life Insurance Business

Attribute	Response	Frequency	Percentage
Affordability of life insurance products	Highly Likely	35	30.43%
	Likely	45	39.13%
	Indifferent	25	21.74%
	Unlikely	10	8.70%
	Highly Unlikely	0	0
Government Regulations	Strongly Agree	30	26.09%
	Agree	35	30.43%
	Neutral	35	30.43%
	Disagree	5	4.35%
	Strongly Disagree	10	8.70%

Source: Researcher's survey data (2015)

Table 4.5.1. (A) Descriptive Statistics (Mean and Standard deviation) of Professional Training, Sales Promotion, Affordability of Life Insurance and Government Regulations

Factor Affecting Life Insurance	N	Mean	Std. Deviation
Professional Sales Training	115	3.7971	.62703
Sales Promotion	115	3.9565	1.04622
Affordability of Life Insurance Products	115	3.9130	.93250
Government Regulation policies	115	3.6174	1.18160
Valid N (list wise)	115		

Source: Researcher's survey data (2015)

4.6.3. Low penetration of life insurance in Ethiopia.

From the study findings, 35.48% respondent indicated that lack of focus by companies (let's do everything, let's do what competitors does was the single most important reason for the current state of low penetration of life insurance in the country, 22.58%% said lack of timely intervention by the regulator, 19.35% said the relatively in experienced employees management was the single most important reason for the current state of low generation of life insurance in the country, followed too much focus top-line customers for growth by 9.68%,None of the above(it is not all that bad) by 6.45% and Others such as income and lack of awareness of people by 3.23% each.

4.6.4. Increase of Life Insurance Penetration through Low Income Population

Finding of the study indicated that 8.7% strongly disagreed that the life insurance companies should increase the generation of life insurance by targeting the low- end market (low income population), 13.04 % disagreed, 21.74 % where neutral, 30.43 %_agreed, while 26.09% strongly agreed. This shows that majority of the respondents saw a need that the life insurance companies showed increase the generation of life insurance by targeting the low-end market (low income population) to increase life business growth in Ethiopia.

This is in agreement with the Ethiopian government direction that is working for the development of micro insurance by targeting the low income population. In addition, the government is also designing a national financial inclusion strategy with the aim of the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society.

4.6.5. Traditional life insurance products

From the findings, majority (65.22%) indicated that they through most if the life insurance products are traditional.

From the finding of the study, 17.39% indicated strongly disagree, 13.04% disagree, 4.35% neutral, 30.43% agree, while 34.78% strongly agree. This shows that most of the life insurance products are traditional and do not address the modern needs of the public leading to low generation of life insurance. This also agrees with the findings on chapter four section 5.3, life insurance products packaging, where the respondents indicated that the life insurance products should be packaged with various benefits.

4.6.6. Re packaging of life insurance products

The finding of the study indicated that 8.7% of the respondents strongly disagree the fact that life insurance products benefits and address the modern needs of the public, 17.39% were disagree, 5.35% were neutral, 30.43% agreed while, 39.13% of the respondents strongly agreed.

Table 4.5.2 Marketing and Growth of Life Insurance Business

Attribute	Response	Frequency	Percentage
Increase of life insurance penetration through low income population	Strongly disagree	10	8.70%
	Disagree	15	13.04%
	Neutral	25	21.74%
	Agree	35	30.43%
	Strongly Agree	30	26.09%
Traditional life insurance products	Strongly disagree	20	17.39%
	Disagree	15	13.04%
	Neutral	5	4.35%
	Agree	35	30.43%
	Strongly Agree	40	34.78%
Re packaging of life insurance products	Strongly disagree	10	8.70%
	Disagree	20	17.39%
	Neutral	5	4.35%
	Agree	35	30.43%
	Strongly Agree	45	39.13%

Source: Researcher's survey data (2015)

4.6.7 Analysis of Effects the independent variables on the dependent variable.

The independent variables are professional sales training, Promotion of life insurance, Affordability of life insurance products and Government regulations while the dependent variable is growth of life insurance. Hence, to answer the research questions and to evaluate the effects of the independent variables on the dependent variable, inferential statistics has been used and Correlation and regression has been run (table 4.6.(A) and(B)). Therefore, it is analysed as here under.

4.6.7.1 Effect of Professional Sales Training on the growth of life insurance business in Ethiopia

The correlation coefficient between growth of life insurance and professional sales training is .412. By squaring the correlation and then multiplying by 100, we can determine what percentage of the variability is shared. So, when squared .412 it would be .169744, multiplied by 100 would be 16.97%. Hence, the share of variability of training to growth is 16.97% and it is positive and strongly correlated.

4.6.7.2 How Sales Promotion of life insurance affects the Growth of life Insurance business in Ethiopia.

The correlation coefficient between growth of life insurance and sales promotion of life insurance is .191. By squaring the correlation and then multiplying by 100, we can determine what percentage of the variability is shared. So, when squared .191, it would be .036481, multiplied by 100 would be 3.65%. Hence, the share of variability sales promotion to growth is 3.65% and it is positively correlated.

4.6.7.3 Effects of Affordability of Life Insurance product on the growth of life Insurance business in Ethiopia

The correlation coefficient between growth of life insurance and affordability of life insurance product is .509. By squaring the correlation and then multiplying by 100, we can determine what percentage of the variability is shared. So, when squared .509, it would be .259081, multiplied by 100 would be 25.91%. Hence, the share of variability of affordability of life insurance product to growth is 25.91% and it is positive and strongly correlated.

4.6.7.4 Effects of Government Regulations on the growth of Life Insurance business in Ethiopia

The correlation coefficient between growth of life insurance and government regulation is .237. By squaring the correlation and then multiplying by 100, can determine what percentage of the variability is shared. So, when squared .237, it would be .056169, multiplied by 100

would be 5.62%. Hence, the share of variability of government regulations to growth is 5.62 % and it is positively correlated.

As we can see the result of correlation of independent variables with the dependent variable from table 4.6(A), all have a positive correlation and we can conclude that all independent variables have positive effect on the dependent variable growth of life insurance in Ethiopia.

Table 4.6 Pearson Correlations of Dependent and Independent variables
Correlations table

		Growth	Training	Promotion	Affordability	Gov-Regulation
GROWTH	Pearson Correlation	1	.412**	.191*	.509**	.237*
	Sig. (2-tailed)		.000	.045	.000	.012
	N	111	111	111	111	111
TRAINNING	Pearson Correlation	.412**	1	-.111	.582**	.325**
	Sig. (2-tailed)	.000		.237	.000	.000
	N	111	115	115	115	115
PROMOTION	Pearson Correlation	.191*	-.111	1	.221*	.036
	Sig. (2-tailed)	.045	.237		.018	.702
	N	111	115	115	115	115
AFFORDABILITY	Pearson Correlation	.509**	.582**	.221*	1	.376**
	Sig. (2-tailed)	.000	.000	.018		.000
	N	111	115	115	115	115
GOV_REGULLATIO N	Pearson Correlation	.237*	.325**	.036	.376**	1
	Sig. (2-tailed)	.012	.000	.702	.000	
	N	111	115	115	115	115

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Source: researcher`s survey data (2015)

4.6.8. Factors to Shape Life Insurance Business.

As can be seen from the computed result (i.e. Table 4.6), except Consolidation and Merger by insurance companies which shows lower result of mean of 3.3, all other factors have registered commendable result and we accept that these all are the best sources of growth of life insurance and best to adopt in monitoring growth of life insurance business in Ethiopia.

Table 4.6 Factors to shape Life Insurance business.

Descriptive Statistics

Sources of growth of Life Insurance	N	Mean	Std. Deviation
16a_ Awareness to the public on life insurance products and benefits	115	4.61	.813
16b_ Innovation	115	4.10	.821
16c_ Product packaging with various benefits	115	4.32	.732
16d_ Professionalism in companies and by sales persons	115	4.51	.568
16e_ Image and Reputation of the public towards the insurance industry, insurance companies and life insurance products	115	4.15	.797
16f_ Customer Service	115	4.63	.707
16g_ Technology	115	4.17	.948
16h_ Change of distribution channels	115	3.71	.998
16i_ Government Regulatory changes i.e. increase tax relief as an incentive	115	3.77	1.029
16j_ Expanding coverage (decentralisation of offices)	115	4.27	.892
16k_ Consolidation and Merger by insurance companies	115	3.30	.737
16L_ Affordable Pricing	115	4.25	.815
Valid N (list wise)	115		

Source: Researcher's survey Data (2015)

CHAPTER FIVE

5. Summary of Major Findings, Conclusions and Recommendations

5.1 Introduction

This chapter consists of a summary of the findings of the research, conclusions relating to the research objectives, suggestions or recommendations on the factors affecting the growth of life insurance business in Ethiopia and finally areas that need further research. The research was aimed at determining the factors affecting the growth of life insurance business in Ethiopia. Data relating to the objectives of study were collected and analysed and the findings are presented in chapter four.

5.2 Summary of the Findings

The study was aimed at identifying and analyzing the factors affecting the growth of life insurance business in Ethiopia and to give recommendations based on the concepts in the literature review, and the empirical findings of the study. The study targeted 135 respondents and 115 respondents filled and returned the questionnaires which make the response rate 85.19%. The study established that 65% of the sales staff in life insurance companies were being at none management position, while 35% being at management level. The study also established that 45% of the respondents had been working in the organisation for between 1-5 years, 30% for less than one year, 20% over 15 years, 15% for between 5-10 years with only 5% had been working for 10-15 years. This indicates that majority of the respondents were knowledgeable about the operations of their companies regarding life insurance business. With regards to sales and marketing department the study findings indicated that 70% of the respondents confirmed that their organisation had a well organized sales and marketing department. However, among the sales staff 35% were indifferent, while 10% didn't actually satisfy on their sales and marketing departments' organisation.

The study findings clearly indicated that 65.22% of the respondents believed that professional training of sales staff was undertaking in the life insurance industry. However, among the sales staff, there were 4.35% didn't actually agree and 30.43% were indifferent. Over 69% of the respondents in the study agreed that professional training of sales staff is an important

factor in the marketing and growth of life insurance business. With regard to sales staff appraisal, the study established that above 60% of the respondents indicated that this was being undertaken with regards to their dealings with life insurance customers. Although majority (78.26%) agreed that their companies practiced good ethics in dealings with life insurance customers, a notable 21.74% indifferent who were not clear in this regard, which has a negative impact that leads to the low penetration of life insurance. The study also established that 52.17% were indifferent indicating that they were not sure that whether sales staff that practiced unethical practices in their dealings with life insurance customers were exposed or not. About 13% of the respondents were also unsatisfied, only 34.79% agreed that those that are involved in unethical practices were exposed. This clearly indicates that the management of life insurance companies needs to do more in ensuring that high standards of ethics by the company and by sales staff dealing with life insurance customers are practiced. This will contribute to enhanced customer value, satisfaction ultimately contributing to enhanced growth of the life insurance sector. With respect to customer satisfaction the study established that companies are confident that their customers were satisfied with the services that they offer. The study also established that many companies carried out customer surveys to find out the expectation from the customers and establish their satisfaction with their services. The study established that sales promotion of life insurance business would lead to enhanced business for the life insurers. The methods that were established as being in use by life insurers included advertising, PR and publicity, through agency, personal selling and sales promotion. As to the affordability and pricing of life insurance products, the study established 69.57% of the sales staff agrees that this is an important factor in enhancing growth of life insurance business while 30.44% are of a different believe. The study established that 65.21% believed that most of life insurance products are traditional in nature with 34.79% having a different believe. Over 69% agreed that life insurance products need to be repackaged with various benefits to enhance their uptake hence enhancing growth of life insurance business. 26% disagreed with this view with another 5% being neutral.

With regards to government regulations over 56% in the study agreed that this is an area that needs to be enhanced to increase the customer base and business for the life insurers in Ethiopia.

The study also pointed out that 47.8% of the sales staff indicated Lack of focus by companies ('let's do everything', 'let's do what the competitor does') was the single most important reason for low penetration of life insurance in the country, followed by 30.4% lack of timely

intervention by the regulator and 26% relatively inexperienced employees or management while the rest having a different opinion. In addition the study established above 56% of the sales staff believed that insurance sector growth can be enhanced through targeting of low income population (micro- insurance), 13% disagreed, about 22% were neutral, and 8.7% strongly disagreed. Lastly the study established that life insurance sales staff believes that good customer service, awareness to the public on life insurance products and benefits, professionalism, proper product packaging, expansion of coverage , affordable pricing , technology, good image and reputation, innovation, are all factors that can help in shaping the life insurance business in Ethiopia. Other factors identified by the study are proper government regulatory framework, change of distribution channels, consolidation and mergers by insurance companies.

The result of the correlation of the dependent variable with the independent variables from table 4.6, all have a positive correlation and concluded that all independent variables have positive effect on the dependent variable growth of life insurance in Ethiopia.

5.3 Conclusions

The purpose of this study was to determine the factors affecting the growth of life insurance business in Ethiopia. The first objective was to determine the effect of professional sales staff training on the growth of life insurance business. The findings revealed that professional training of life insurance sales staff was undertaking in the industry.

The second objective was to examine how sales promotion of life insurance products affects growth of life insurance business. The study revealed that sales promotion is one of the major factors that can lead to growth of life insurance business, if it is done through a combination of different methods.

The third objective was to examine the effect of affordability of life insurance products on the growth of life insurance business. The study findings revealed that life insurance sales staff, at 83%, indicated that life insurance products should be fairly and competitively priced to ensure that the customers achieve the highest value. Proper packaging and pricing of life insurance products are likely to lead to growth of life insurance business. The fourth objective was to find out the effects of government regulations on the growth of life insurance business. The study revealed that proper government regulations are lacking and from the findings a lot needs to be done in this area. Promote alternative low-cost insurance service delivery mechanisms that would extend insurance services to lower in-come and rural populations. The Ethiopian government can stimulate the growth of life insurance sector by introducing tax relief as incentive to policy holders in terms of income tax deductibility on premiums paid and tax treatment of the life insurance companies should be introduced by the supervisory authority.

As we can see the result of independent variables have effects on the dependent variable.

The researcher concludes that all independent variables have positive effect on the dependent variable growth of life insurance in Ethiopia.

The study is also supplemented by Dawit Mohammed (2011) and by Makau (2013) study. And also supported by the study of Julius (2013)

5.4 Recommendations

On the basis of the findings of the study, the following recommendations can be made: The Association of all Ethiopian Insurers (AEI) must sensitise its members on the best training opportunities to ensure that the services offered to the life insurance clients by the sales staff are value adding and in the best possible way. The life insurance companies should ensure proper sales promotion and pricing of life insurance products for value maximization to its clients. The insurance companies should work hard and competitively to ensure penetration of their services and to organize education to members of the public to demystify their life insurance services. Micro insurance is one of the methods the insurance companies can enhance growth of life insurance business. The Insurance Supervisory body should come up with tax relief as incentive to policy holders in terms of income tax deductibility on premiums paid and tax treatment of the life insurance companies. Proper regulation of the sector would ensure a level playing field and get rid of the industry of unethical practices.

5.5 Suggestions for Further Research

Studies need to be conducted using more variables that seem to be pertinent to the study. The studies should be conducted to investigate the interaction of other variables that influence the growth of life insurance business. A replication of the study needs to be done using a larger sample so as to give more insight on life insurance business in Ethiopia. Other factors that affect the whole insurance industry may also be given an in depth analysis through a similar study.

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Appendix I
Letter to the Respondent

**Addis Ababa University,
College of Business and Economics
Department of Management
Addis Ababa**

Dear Sir/Madam,

RE: Involvement of Your Institution in Research

I am a post graduate student at Addis Ababa University. I am currently undertaking an Executive Master of Business Administration research on “*Factors affecting the growth of life insurance business in Ethiopia.*” Your institution has been identified for this study. Your assistance will enable this study to come up with accurate findings. The responses given will be treated with utmost confidentiality and for academic purposes only.

Thank you in advance.

Yours faithfully,

Mekonnen G/Wahid

Appendix II

Questionnaire

Dear Respondent,

This research is meant for academic purpose. You are kindly requested to provide answers to these questions as honestly and precisely as possible. Responses to these questions will be treated as confidential. Please tick where appropriate or fill in the required information on the spaces provided.

SECTION A: SOCIO – DEMOGRAPHIC CHARACTERISTICS

Please put a tick {√} Mark in the box where the question requires you to do so.

Respondent's Name (optional)

Name of your organization

Date of interview ----- / ----- / -----

No	Question	Response	
1	Gender	1.Male	
		2.Female	
2	Respondent organisational responsibility category	1 = Management	
		2 = Non - Management	
3	How long have you worked in this organization	1 = Less than 1 year	
		2 = 1 - 5 years	
		3 = 5 - 10 years	
		4 = 10 – 15 years	
		5 = 15 years and above	
4	Religious affiliation	1 = Orthodox	
		2 = Muslim	
		3 = Protestant	
		4 = Catholic	
		5 = Other specify	

**SECTION B: FACTORS AFFECTING THE GROWTH OF LIFE INSURANCE
BUSINESS IN ETHIOPIA**

No	Question	Response	
1	In your opinion how your company does organized its sales and marketing department?	1 = Highly Satisfied	
		2 = Satisfied	
		3 = Indifferent	
		4 = Dissatisfied	
		5 = Highly dissatisfied	
2	How do you rate your company in undertaking professional sales staff training?	1 = Highly Satisfied	
		2 = Satisfied	
		3 = Indifferent	
		4 = Dissatisfied	
		5 = Highly dissatisfied	
3	To what extent is sales force training and development a major factor in the growth and marketing of life insurance policies?	1 = Very much	
		2 = Much	
		3 = Not much	
		4 = Not affected at all	
		5 = Do not know	

4) In the table below, put a tick {√} in the appropriate box.

	How often Does your company:	Response	
i)	Carry out sales staff appraisals on their dealings with the life insurance customers?	1 = Highly Satisfied	
		2 = Satisfied	
		3 = Indifferent	
		4 = Dissatisfied	
		5 = Highly dissatisfied	
ii)	Practice good ethics in their dealings with life insurance customers?	1 = Highly Satisfied	
		2 = Satisfied	
		3 = Indifferent	
		4 = Dissatisfied	
		5 = Highly dissatisfied	
iii)	Expose sales staffs that are unethical?	1 = Highly Satisfied	
		2 = Satisfied	
		3 = Indifferent	
		4 = Dissatisfied	
		5 = Highly dissatisfied	

No.	Question	Response	
5	How do you rate your company in getting the customers satisfied with your services?	1 = Highly Satisfied	
		2 = Satisfied	
		3 = Indifferent	
		4 = Dissatisfied	
		5 = Highly dissatisfied	
6	How Does your company carry out customer Survey?	1 = Highly Satisfied	
		2 = Satisfied	
		3 = Indifferent	
		4 = Dissatisfied	
		5 = Highly dissatisfied	

No.	Question	Response	
7	Do you view proper life insurance products packaging as a factor that affects growth of life insurance business ?	1 = Highly Likely	
		2 = Likely	
		3 = Indifferent	
		4 = unlikely	
		5 = highly unlikely	
8	Do you view sales promotion of life insurance products as a factor that affects growth of life insurance business?	1 = Highly Likely	
		2 = Likely	
		3 = Indifferent	
		4 = unlikely	
		5 = highly unlikely	
9	How does your company promote its services?	1 = Advertising	
		2 = PR and Publicity	
		3 = Through Agency	
		4 = Personal Selling	
		5 = Sales Promotion	
		6 = I have No Idea	

10) How do you view affordability of life insurance products as a factor affecting the marketing and growth of life insurance business?

- 1 = Highly Likely
- 2 = Likely
- 3 = Indifferent
- 4 = Unlikely
- 5 = Highly Unlikely

11) To what extent do you think government regulations in Ethiopia affect the marketing and growth of life insurance business in your company?

- 1 = Strongly Agree
- 2 = Agree
- 3 = Neutral
- 4 = Disagree
- 5 = Strongly Disagree

Please explain

12) What do you think is the single most important reason for the current state of low penetration of life insurance in the country?

Description	Response
Relatively inexperienced employees / management	
Lack of timely intervention by the regulator	
Lack of focus by companies ('lets do everything', 'lets do what the competitor does')	
Too much focus on top - line customers for growth / monthly new business volumes	
None of the above ('it is not all that bad')	
Other (Please specify)	

13) To what extent do you think the life insurance companies should increase the penetration of life insurance by targeting the low – end market (low income population)?

- 1 = Strongly Disagree
- 2 = Disagree
- 3 = Neutral
- 4 = Agree
- 5 = Strongly Agree

14) Do you think most of the life insurance products are traditional and do not address the Modern needs of the public leading to low penetration of life insurance?

- 1 = Strongly Disagree
- 2 = Disagree
- 3 = Neutral
- 4 = Agree
- 5 = Strongly Agree

15) In your opinion do you think life insurance products should be repackaged to include various benefits and address the modern needs of the public?

- 1 = Strongly Disagree
- 2 = Disagree
- 3 = Neutral
- 4 = Agree
- 5 = Strongly Agree

16) In scales of 1 – 5 with 1 representing the lowest priority and 5 representing the highest priority, which two or three factors will in your opinion be “game changers” and can shape the life insurance business in Ethiopia over the next five years?

Key

1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

Sources of growth	1	2	3	4	5
Awareness to the public on life insurance products and benefits					
Innovation					
Product packaging with various benefits					
Professionalism in companies and by sales persons					
Image and Reputation of the public towards the insurance industry, insurance companies and life insurance products					
Customer Service					
Technology					
Change of distribution channels					
Government Regulatory changes i.e. increase tax relief as an incentive					
Expanding coverage (decentralisation of offices)					
Consolidation and Merger by insurance companies					
Affordable Pricing					
Other (Please specify)					

17. In your opinion do you believe that there is a growth of life insurance in Ethiopia?

1 = Strongly Disagree

2 = Disagree

3 = Neutral

4 = Agree

5 = Strongly Agree

1.8 In your opinion, what do you think your company and other life insurance companies should do to improve penetration of life insurance in Ethiopia?

19. In your opinion, what do you think the regulator should do to improve penetration of life insurance in Ethiopia?

20. Any other comment?

THANK YOU VERY MUCH FOR YOUR PARTICIPATION.

Note. If you have any query, please contact me through:

===The End===

Appendix-III

List of Composite Insurance Companies Providing Life Insurance as at June 30, 2014.

No	Name of Insurance Company	Date of Establishment
1	Ethiopian Insurance Corporation (EIC)	1975
2	Awash Insurance company	01/10/1994
3	United Insurance Company	09/11/1994
4	Africa Insurance company	22/12/1994
5	Nile Insurance Company	11/04/1995
6	Nyala Insurance Company	27/06/1995
7	Nib Insurance Company	02/05/2002
8	Ethio-Life & General Insurance Company	23/10/2008
9	Oromia Insurance Company	26/01/2009

Source: National Bank of Ethiopia

Appendix-IV

Gross written Premium of Life Insurance Market from 2009-2014 G.C

In ,000 birr

Year	2009	2010	2011	2012	2013	2014
GWP	99,993	114,739	160,596	271,395	299,514	273,871
Growth in %	34.92	14.74	39.97	68.99	10	(8.56)

Source: National Bank of Ethiopia

Appendix V

Reliability

Reliability Statistics

Cronbach's Alpha	N of Items
.717	43