

# Analysis the Performance of Life Insurance in Private Insurance Companies: The Case of Nile Insurance Company

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## Abstract

*Insurance business was introduced into Ethiopia based on mutual assistances and its modern form traces back to 1905, when bank of Abyssinia began to underwrite fire and marine insurance policy, as an agent to foreign insurance company. The general objective of the study was to analysis the insurance services in the Nile Insurance Company by giving special attention focusing on life insurance. Primary data were collected using a structured questionnaire. In addition, secondary data were extracted from relevant sources to supplement the data obtained from the survey. The result of this study reveals that gross written premium and net written premium showed on increasing trend. But there is an ups and down of the percentage change because of unhealthy completion between non private and other private insurance companies. Secondly even if there are new classes of life insurance that was sold in Nile Insurance Company, the structure of life insurance in terms of diversification of the source of revenues is limited to small classes of the business. The amount of the premium collected and claims paid in these classes of the insurance is not proportionally distributed. The end result of the data also shows that there is a direct correlation between premium collections and the claim payments i.e. the classes of life insurance which contributes the large amount also incur higher claims (cost).*

**Key words:** Analysis, Life Insurance, Nile Insurance Company, Addis Ababa, Ethiopia

## 1. Introduction

The idea of insurance can be traced back to thousands of years. The insurance Principle of building reserves for the future is illustrated by the biblical story of Joseph and the famine in Egypt. The code of Hamurabi, the collection of Babylonian laws of the 1700 B.C included the form of credit insurance. Life insurance dates back to Raman times. The first successful insurance company, the amicable society for a perpetual assurance office was founded in England in 1705-1706 (Encyclopedia, 1992).

Insurance business was introduced into Ethiopia based on mutual assistances and its modern form traces back to 1905, when bank of Abyssinia began to underwrite fire and marine insurance policy, as an agent to foreign insurance company. In 1972, fifteen local insurance companies were licensed pursuant to the proclamation. However, two of these companies discontinued their business. These thirteen nationalized companies were merged together and became company with the name of Ethiopian Insurance Corporation as proclamation number 68/75 (Feseha Afework, 1986).

The proclamation number 86/1994, the licensing and supervision of the insurance business, allows only indigenou, private investors to participate in insurance operations, as given authority of licensing and supervision of insurance business to NBE. As a result there are many indigenou private insurance companies operating in Ethiopian currently both in life and non life insurance services. As one of the private insurance company, Nile Insurance Company S.C was established on 11<sup>th</sup> of April 1995 with the subscribed capital of Birr 12,050,000 of which Birr 10,050,000 was the full paid-up. Currently the company's paid-up capital stands at 40 million Birr and the balance will be settled shortly (NIC, 2007).

Nile insurance company S.C is on giving services both by life and non life coverage. Life insurance policy provides that the insurance company will pay certain amount of money when a person insured dies. Life insurance plays a great role in economic development and company's growth. It can also be used for investment income, saving retirement age and children education (NIC, 2007). The general objective of the study was to analysis the insurance services in the Nile Insurance Company by giving special attention focusing on life insurance.

Life insurance plays a key in promoting the socio-economic development of modern economy. It is a policy where an insurance company promises to pay benefit on the death of the person whose life is insured. However, there is a problems related to insurance industries, which hinders its smooth operation. Some of the problems faced Nile Insurance Companies in the case of life insurance are the alarmingly declining premium rates due to unhealthy competition, most branches of the company were concentrated around urban areas, lack of life insurance professionalism and training staffs and lack of adequate advertising to the promotion of life insurance. It is clear that the problems of life insurance industry are increasing through different factors.

Therefore, it needs investigation to identify the problems and to address possible solutions to the problems before it is deep rooter.

The general objective of this study is to analyze the insurance services in the Nile Insurance Company by giving special attention focusing on life insurance. The specific objectives are to examine the premium collected and claims in terms of endowment, term and permanent (whole life) among many classes of life insurance supplied by the company, analyze the performance of life insurance in private companies by giving special attention to Nile Insurance Company and to study the structure and trend of the life insurance activities in the Nile Insurance Company.

## **2. Materials and Methods**

The methodology employed in the study was the case study which is the life insurance in the Nile Insurance Company. The source of data was heavily depends on secondary data which is obtained from different relevant books, published and unpublished materials, journals, articles, annual reports which is prepared by the NBE and the Nile Insurance Company. Primary data was used specifically the interview with the company's life branch manager.

As a means of data analysis the descriptive statistics was applied to test the trends of the growth of the company, premium collections and claim payments by using charts or tables, graphs and so on. The time coverage of the study was four consecutive years (2003/04 – 2006/07), since the life insurance of the Nile Insurance start its operation in a good and well organized manner. This paper particularly focused on the main type of cover that contributes to the high premium collection in relative terms such as endowment life insurance, group term life insurance, and medical expense insurance and permanent life insurance. This paper also tried to show the growth and the performance of life insurance business using different growth measurement. It also tried to identify some factors that affect the life insurance growth and performance through data analysis and successes review of result.

## **3. Result and Discussion**

As the main propose of this study was data analysis and presentation of the results, it was to present the data and finding based on financial statements that are prepared by the account department of the life insurance main branch.

### **3.1. The Structure and Trend of Life Insurance**

The structure and trend of life insurance is examined in this paper in connection with market share and against different performance measurements. For the purpose of the simplify and understanding, the paper presents the structures of life insurance business in Nile Insurance Company S.C. in the following terms.

#### **3.1.1. The Structure of Life Insurance Business in Terms of Market Share**

The market share of private life insurance including Nile insurance company is very low when we compare them with non private insurance company such as Ethiopian Insurance Corporation due to it is early establishment, where as private insurance companies are in their infant stage. According to some document and research papers, the researcher have looked the following factors with may negatively contribute to the growth of life insurance among private companies. The demand for life insurance is very low in our country because of lack of awareness on important of life insurance. The attitude of public to consider insurance as luxury rather than the necessity and the limited level of income of citizens affected the growth the life insurance (NIC, 2007). The occurrence of risk on a life insurance is higher than that of non life insurance. Risks in life insurance like illness and death of individuals are frequent and certain. These increase the claim (cost) and minimize profit range of insurance services suppliers specially in under developed countries of which living standards are very low (R.F. Carter, 1979).

Lack of substantial financial capacity to run life insurance business is another bottleneck. Though insurance business needs an investment in other areas to strengthen capacity, there is big problem for private companies to get these huge amounts of money.

#### **3.1.2. The Performance of life Insurance in NIC in Term of sources of Revenue /Premium/**

This subsection tries to give an insight into the sources revenue or premium of life insurance in NIC. It tries to show the earning capacity of premium from different category of the life insurance. In order to change affair premium the underwriter should have to take into consideration the circumstance and conditions of the applicant; because of the selection of risk is up to him/her. In the process of selection there could be a great deal of variation with regard to occupation, age, and sex. There is a low performance of life insurance in both private and non private insurance companies. The major reasons of for this low performance of life insurance are lack of awareness and altitude of the public to awards the life insurance and its benefits, the nature of the insurance business i.e. it does not bring tangible service at the time of payment, the low level of income of the majority of population, which creates a hindrance to pay the insurance premium, the higher

occurrence of risk in life insurance that raises cost and minimize the profit and this intern discourage the growth of the business and etc. These all other factors have made the life insurance business unable to grow, as it has to be.

### 3.1.3. The Trend of Gross Written Premium in Life Insurance

The rate at which the growth written premium and the net written premium grow as one factor which show performance of the life insurance in the Nile Insurance Company as follows.

*Table 1. The growth of gross written premium (in ETB and %)*

Year	Gross-written premium	Percentage charge	Premium ceded	Net-written premium	Percentage change
2003/04	2,317,195		629,513	1,687,682	
2004/05	3,054,602	31.82	1,324,024	1,730,579	2.54
2005/06	3,375,37	10.50	1,073,344	2,302,033	33.02
2006/07	<b>4,580,864</b>	<b>35.71</b>	<b>1,882,310</b>	<b>2,698,554</b>	17.22

Source: company's annual report (2004/04, 2005/06, 2006/07)

The gross written premium of birr 3,054,602 from life insurance business exceeded the previous year (2004/04) performance by 31.82%, as a result the net written premium is increased by 2.54% from amount in 2003/04. The life insurance premium income of the year 2005/06 which is birr 3,375,377, as shown above was increased by 10.50% from amount registered in 2004/05. In the same manner as of June 2006, the net written premium showed huge change from birr 1,730,033 which is 33.02%. The premium from life insurance as June 2007 was showed a great change compared to the amount in June 2006. This is because of the active contribution of the underwriting units through increasing public awareness marketing initiatives in life insurance, as a result the percentage change in Gross-premium as June 2007 was 35.71% but the net written premium showed only 17.22%.

Generally the gross written premium and the net written premium, as a performance in previous years indicate showed an increase. This is because of the life insurance provision of training made to sales agents and actives contribution of all underwriting units.

The following tables shows the amount of the revenue (premium earned) from the available categories of life insurance which are individually life, group life, medical expense insurance, term life, endowment life and mortgage protection assurance (MPA) life insurance in the years 2003/04 to 2006/07.

*Table 2 Revenue /premium/ earned in which class of life insurance (2003/04-2006/07) in Birr and percent*

Years	Individual Life	Group Life	Medical expense	Term Life	Endowment Life	Mortgage	Lifetotal
2003/04	84,384.1	1,265,761.5	337,536.4	949,321.13	316,440.38	2,531.5	2,955,975.01
2004/05	86,528.95	1,297,934.25	346,115.8	973,450.69	324,483.56	2,595.87	3,031,109.12
2005/06	115,101.65	1,726,524.75	460,406.6	1,294,893.50	431,631.19	3,453.05	4,032,010.8
2006/07	134,927.7	2,023,915.5	539,710.8	1,517,936.63	505,978.89	4,047.83	4,726,517.35
Grand Total	420,912	6,314,136	1,683,769.6	4,735,602.63	1,578,534.02	12,628.25	14,745,612.28
Grand Life	3%	43%	11%	32%	11%	0.1%	100%

Source: computed from financial statement of NIC, life main branch.

### Group Life Insurance

As it is shown the table above 2, group life insurance is the one and the main class of business that contributes greater proportion of revenue or premium and it is the main source of the life insurance revenue. According to the table the amount or premium collected from this class was birr 6.31 million and it implies that 43% of the revenue comes from it during the last four years.

As its name indicate group life insurance policy covers the lives of groups. Even if group life insurance can be issued in the form of term, whole life and endowment form, and life insurance that is renewable annually. Conditions that are needed for issuing group life insurance in the NIC are:

- The group must be active at work of wages, since group life is composition for loss.
- The group must have been form for a purpose other than that of obtaining insurance benefit.
- The group is formed for an indefinite period and that there will be a regular entry of new and young members into the group.
- The group must have facilities for central administration of the group scheme i.e. premium collection, enrollment of new members, assisting in claims, formalities and in general administration of the group life.

According to table 2 the premium that was collected during the period of 2003/04 to 2006/07 is increased from time to time. If we consider the time period by dividing before and after 2004, which is the time that the company established its own life main branch and it creates an employment to the society which results in the increment of demand for group life insurance by the employer to their workers, which is the compensation or benefit for the employers.

#### *Medical Expense Life Insurance*

Medical sixpence insurance is the second type class of life insurance that is provided by NIC. The share of premium that is collected from these class during 2003/04 – 2006/07, as table #2 show, was birr 1.6.8 million (11%). As the table shows, the trend of premium collection from the medical expense class of business is increasing from time to time. The reason for this large growth, according to the information obtained from the concerned personnel in NIC, is the increment in the rate of premium in medical expense insurance due to an alarming growth of claim (cost) in the business caused by diverse health problems and soaring medical expense. Medical expense insurance also provides cover for loss of income due to inability to work, sickness, & disease of accidental bodily injury.

#### *Individual Life Insurance*

Individual life insurance is the third type of class of life insurance that is provided by NIC. As the above table shows, the premium that is collected from these class during the last four years (2003/04 – 2005/06) was birr 0.42 million and it implies that 3% of the revenue comes from it. This contribution in terms of premium collection is low when it compare to the premium collection from group life and medical expense insurance policies.

As the table shows, the trend of premium collection from the life insurance is increasing from time to time. The reason for this due to increasing the know-how of the people about the significance of this class of insurance by providing adequate information though media, news papers, and other methods used the company.

#### *Mortgage Protection Assurance (MPA)*

Mortgage Protection Assurance (MPA) is the fourth class of the life insurance business, which generated premium of birr 0.013 million Or 0.1% of the total premium collected during the study as shown on table 2. MPA is a compulsory insurance that individuals who borrow money from the bank to construct a house have to buy. It is an insurance used as collateral to pay the loan if the borrower dies before serving at the proposed date.

The insurance companies take the assureds place and pay the loans to the bank his/her behalf. So, the bank asks the borrower to get an MPA from the insurance company through onetime payment of premium before affecting the loan. As it is shown in the above table, the premium collected from MPA is increased from time to time due to the government policy during the stated period that cut the loan interest rate to favor the lower and middle income group to construct their house. This situation increased the demand for MPA and intern increased premium collection from it.

### 3.2. The Trends of the Life Fund and Underwriting Performance

The life insurance branch of Nile insurance collects premium from the kinds of life insurance. The trend of life fund at year end i.e. increase in life fund and the management expenses incurred in life insurance were summarized as follows.

*Table 3 The Trend of Life Fund and Management Expense in NIC (in birr)*

Year	Life fund at the end of the year	Increasing in the life fund	Management expense
2003/04	3,094,499	1,057,613	238,034
2004/05	3,744,552	650,053	372,627
2005/06	4,603,316	858,764	400,414
2006/07	6,227,854	1,624,536	289,327

*Source: computed from financial statement of the company (2003/04 – 2006/07)*

As valuation life operation made by a actuarial as of June 30,2005, the life fund showed an increasing by 650,053 from amount registered (gained) as June 2004, 3,094,449. As shown above table the life fund was increased almost by an increased made in June 2006. As annual report of the 2006/07 shows life fund was increased by 1,624,536, which is larger than amount gained in 2006/07 after the necessary reserves were established. The management expense incurred in life insurance during the 2003/04 – 2005/06 increased to some extent because of the payment of salaries made to employees and staff benefits of newly started life insurance in the company and director’s remuneration for the year before these years. But, the management expense during the year 2006/07 had been declined from 400,414 to 289,327, which is well for the performance of the business. The underwriting performance in life insurance of the previous years can be summarized as follows.

### 3.3. The Structure of Life Insurance in Terms of Cost or Claims Incurred

This section gives more emphasize on claim settlements. Since insurance being an invisible business knowing the exact cost and its price is not easy to fix. So the insurance industry supplies this invisible service provided by the company is measured by its claim handling and prompt settlement. Therefore efficient claim handling is crucial to fulfill the promise. There are variance forms of benefits provided by NIC to policy owners (2003/04 – 2006/07) in birr.

*Table 4 Cost incurred (claims) paid in each of class in life insurance business (2003/04 – 2006/07)*

Years	Death individual	ofGroup life	Medical expense	Term life	Endowment life	Mortgage Protection Assurance	Total
2003/04	33804.4	507066	135217.6	380299.5	126766.5	1014.13	1184168.13
2004/05	52710.4	790660.5	210842.8	592995.38	197665.12	1581.32	1846455.82
2005/06	67495.85	1012437.75	269983.4	759328.31	253109.44	2024.87	2364379.62
2006/07	51679.05	775185.75	206716.2	581389.31	193796.44	1550.37	1810317.12
Grand total	205690	3085350	822760	2314012.5	771337.5	6170.69	7205320.69

*Source: computed from financial statement of NIC life main branch*

#### *Group Death Benefit*

Group death benefit is the amount of paid to the beneficiary when the deaths of group members occur. The total amount of claims paid for these group death claims was 3.1 million of the total claims incurred from year 2003/04 – 2006/07. It is the largest claims payment compared to the payment made in other classes of business during the period. As it is depicted in the above table claim payment of group death benefit is varies from time to time especially in 2005/06. It shows an alarming increase from the previous two years and in 2006/07 it again shows a mode rate decline when we compare to the years of 2004/05 and 2005/06. The reason for this is that due to the stability weather condition and government policy gives more attention to the field of health and protection program. Since group death benefit a combination of both term health benefit and endowment death benefit, there is no need to explain each component term because of their feature is more or less similar with group death benefit.

#### *Medical Expense Benefit*

The medical expense is one form of death benefit from life insurance in the NIC, According to the table listed above, the amount of death benefit paid from 2003/04 to 2006/07 was birr 0.82 million of the total claim during the same period. Heath Insurance Polices is a death benefit given for the expense incurred in the course of medical treatment. These treatment and services that are obtained from cover are limited to (NIC, Medical polices) are cost of any surgical appliance, director’s fees, charges of diagnostic laboratory taste, X-ray and electrical treatments, cost of medicine and drugs, social insurance supplement and hospital confinement.

However, the medical insurance policy does not give cover for all kind of medical expenses, some of these are general diseases, intentional self injury, suicide, pregnancy and child birth, injury directly or indirectly caused by war and war like risks, expenses incurred without a registered in medical policy, employing private nurses cost and purchasing medicines and drugs unless those medicines are given during hospital stay or while obtaining outpatient surgery. As we show in the table 4, even if it accounted the largest share next to the group death claims. And its trend is increasing from time to time due to the effect of HIV AIDS and the disease of malaria as well as other disease like TB, kidney and heart diseases.

#### *Individual Death Benefit*

Death benefit is the amount of paid to beneficiaries following the death of policy owner (insurer). The total amount of claims paid for death claims was birr 0.21 of the total claims incurred from year 2003/04 – 2006/07. It is the lowest claims payment compare to the payment made in other classes or group death benefit and medical expense benefit of business during the period. When the policy owner happens to get sick or die, the dependent have be bear the expense of illness or funeral. Therefore, this benefit solves these problems and make dependent to be safe in the loss of future earnings, which means the death benefit helps the dependents to continue undisturbed financially (NIC, 2007). As the above table depicts, the amount of claims paid for individual death claims was increasing from time to time. The reason is that due to the high prevalence of HIV AIDS which is one of the main factors that increase the death of individuals.

*Mortgage Protection Assurance (MPA)*

It is one of the benefits that provided when there is a claim by the policy owner. The amount of claim incurred during the last four years (2003/04 – 2006/07) which regard to these class was 1.62 million birr of the total as indicated table 4.

3.4. Performance Analysis of Life Insurance by Different Cost Ratio Mechanism

In the activities of an insurance service the main measurement of performance is using different cost ratios method. And by doing such things this part of the paper tries to present the performance of life insurance business in NIC. There cost ratio measurements include the claim ratio, management expense ratio, commission payment ratio and total cost ratio.

$$TCR = \left( \frac{\text{Claims}}{\text{Premiums}} + \frac{\text{Expenses}}{\text{Premiums}} + \frac{\text{Commission}}{\text{Premiums}} \right) * 100$$

$$MER = \left( \frac{\text{Expenses}}{\text{Premiums}} \right) * 100$$

$$CPR = \left( \frac{\text{Commission}}{\text{Premiums}} \right) * 100$$

Where MER is management expense ratio, CPR is commission paid ratio and TCR is total cost ratio  
 This paper used to analysis the above three types of ratios based on table 5, which presents claim payment ratio, management expense ratio, and commission payment ratio.

Table 5. Performance Management of Life Insurance using different Cost Ratio's (2003/04 – 2006/07) in Birr and Percent

Years	Gross premium	Total claim paid	Claim ratio	Management expense	Expense ratio	Commission expense	Comm. ratio	Gross claim paid	Gross claim ratio
2003/04	2317198	676088	29.18	238034	10.27	37982	1.64	952104	41.09
2004/05	3054602	1054214	34.51	3727627	12.20	98219	3.22	1525060	49.93
2005/06	3375377	1349917	39.99	400414	11.86	66180	1.96	1816511	53.81
2006/07	4580864	1033581	22.56	289327	6.32	38178	0.9	1362086	29.78
Total	13328041	4213800	30.87	1300402	9.76	241559	1.81	5655761	42.14

Source: computed from annual statement of NIC's life main branch.

As the above table shows, the total claim ratio of year 2003/04-2006/07 was 30.87 percent and which is around birr 4.11 million. It is highest share when it compared with the other types of expenses. In addition to these, there is an in all years in average. This increasing trend of claims ratio in all years is average. This increment in claim ratio is related to an increase in death and illness due to low standard living. The second type of expenses described in the table is management expenses which includes salaries and wages of employees, different kinds of employees, different kinds of employee's benefit (or medical expense, tuition fee, etc) repair and maintenance, fuel expense deprecation and other expenses. The average management expense ratio for the years 2003/04 – 2006/07 was 9.76 % and it is the largest one next to the claim ratio. The management expense ratio shows a fluctuation between years, but it shows an increase trend between 2003/04 and 2004/05 and also it shows a decreasing for the remaining years. The third type of expense incurred by a company, as shown in the above table is an expense that is paid to commission agents. The average commission expense paid agents in years 2003/04 - 2006/07 was around 1.81% and when we see the figure in relation to the claim ratio and management expense ratio it is low. As commission payment to agent as a direct relation with premium by them, the amount of commission payment to agents as a direct relation with premium by them, the amount of commission expense is raised when the premium collection is high and vice versa. The total cost ratio (claims, management expense and commission paid), indicants the over all probability of the company. As table 5 shows, the total cost ratio for the years under consideration was around 42.44% and which is around birr 5.66 million.

### 3.5. Factors that affects the growth of life insurance

Identifying the factors that affect the growth of life insurance is the main and the last objectives of this study. Like other goods and services the growth of life insurance is affected by the demand and supply of the insurance services. There are many factors that affect. The demand and supply of insurance services, the major ones are presented bellow.

#### 3.5.1. Factors that affect the demand life insurance

The demand for life insurance services is positively correlated to income of individuals (I), benefit from the service (B), good attitude towards insurance (A), and tax incentive for buying life insurance(T). The demand for insurance also negatively related to price of the premium (P). Mathematically,

$$D_i = f(I, P, B, A, T) \text{ Where } D_i = \text{Demand of insurance industry (Wondwossen, 1999).}$$

The major factors that affecting demand for life insurance are the following:

#### *Awareness and attitude towards insurance services*

This is the main determinant that affects the demand of people of insurance cover. Awareness and attitude of or the feeling of being exposed to many risks prays a major role in the demand for insurance.

#### *Income and wealth*

There is a direct relationship between the demand for life insurance cover and income growth i.e. the growth of the demand for life insurance comes with rising income of the people. In addition, growth brings an increase in demand from firms for insurance protection (R.L. Carter, 1979). In general terms, in country level, increase in living standard of the society will lead to an increase in the demand life insurance. In this respect a country with low standard of living (Ethiopia), the population will not afford to pay premium and this might be the one and the main negative factors for the growth.

#### *Price of insurance (premium)*

The decision whether to buy insurance (demand for insurance) will still depend on the rate of premium required relative to the consumer's estimate of the expect loss (R.L. Carter, 1979). The lower the premium rate the greater the incentive to insure. It means that sensitivity to price if one of the factors that influence demand for insurance. The low of demand operates here.

#### *Compulsory insurance*

It is clear that if the certain type of insurance is made compulsory, the demand for that type of insurance is likely to increase. This means that there is positive relation between compulsorily of insurance and its demand. However, due to the absence of law that makes life insurance is compulsory in Ethiopia, especially employers are not forced to buy insurance for their works by law, the demand for insurance is very much low.

#### 3.5.2. Factors That Affect Supply of Life Insurance

The supply of life insurance is positively related to income of individual (I), number of customer (N), and negatively related to the extent of risk (R) cost of insurance such as claims and expenses (C) and level of capacity (L). Mathematically this was explained as below.

$$S_i = f(I, N, R, C, L) \text{ Where } S_i = \text{Supply of insurance industry (Wondwossen, 1999).}$$

The amount of insurance policy that insurance companies are ready and willing to supply is limited to the type of risk. So, the fortuitousness of the risk plays a considerable role in affecting the supply of insurance policies is the financial bas of the company. In general an insurance company decides whether to supply or not the insurance cover by looking its financial strength, the price it changes (premium), the amount of risk and its occurrence and the existence of other competitive companies.

### 4. Conclusion

The first objective of the paper was examining the premium collected and claims paid in each classes of life insurance supplied by the company. By examining this, the researcher has looked the following two findings. Firstly the gross written premium and net written premium showed on increasing trend. But there is an ups and down of the percentage change because of unhealthy completion between non private and other private insurance companies. Secondly even if there are new classes of life insurance that was sold in NIC, the structure of life insurance in terms of diversification of the source of revenues is limited to small classes of the business. The amount of the premium collected and claims paid in these classes of the insurance is not proportionally distributed. The data shows that amount of premium collected from group life insurance was 6.31 million birr and this implies about 45% of the revenue comes from it during the last four years. Next to the group of life insurance, the term life insurance contributes about 4.73 million birr which is about 32% of the

total premium (revenue) collected during previous four years.

The end result of the data shows that there is a direct correlation between premium collections and the claim payments i.e. the classes of life insurance which contributes the large amount of also incur higher claims (cost). According to the data presented before, the group life insurance contributed large in revenue (premium) which in about 43% of the total revenue of the life insurance. In addition, it incurs great cost (claim from among other classes of the life insurance).

The second objectives of the study is analyzed the performance of life insurance in Nile Insurance Company. Being our finding there is low performance of life insurance not only in NIC but also in other private insurance companies. These is because of low level of income of the majority of the population, the higher occurrence of risk in life insurance that raises costs and minimize the profit, lack of awareness and attitude oh the public towards the life insurance and its benefit, lack of trained manpower in areas of life insurance and the others.

Looking the trend of life insurance in NIC was the third objective of the paper. According to these objectives this study was examined to show the trend of life insurance in the company by looking the life fund of the company with major expense occurred. As the finding of the study, there is an increasing trend in life fund in the Nile Insurance Company. As evolution of life operation made by the company there is large increase in life fund as of 2006/07 and almost half decline in management expense of the company.

The last objective of this study was the examining factors that hinder the growth of life insurance business. There are many factors that affect the growth of life insurance. Among these; lack of knowledge and awareness about the importance of life insurance in the society, high concentration of branches at the cities and big town of the country, low level of income of the majority of the population which creates the hindrance to pay the insurance premium and which decrease the demand of the insurance, price of the insurance is very high when it compared to the purchasing power of the people of the country which decreases the demand for life insurance and there is no compulsivity of life insurance in our country which makes the demand for life insurance to be low.

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