

**Identifying and Analyzing of Factors Contributing for Growth of Non-Life Insurance Gross Premium
a Developing Country Perspective: Case of Insurance Industry in Ethiopia**

***Dr. Mulugeta Negash**

****Prof. Koppala Venu Gopal**

*****Mr. Solomon Asmare**

*Assistant Professor, Department of Marketing, University of Gondar, Gondar, Ethiopia

**Professor Department of Marketing, University of Gondar, Gondar, Ethiopia

***Branch Manager, District Branch in Private Insurance Company in Ethiopia,

Abstract

Ethiopian non-life insurance gross premium for the past 10 years has grown on average of 20.74% that doubles the economic growth of the country. Although the sector growth is rapid, penetration rate and density of insurance industry are at very low stage. In 2013/2014, Ethiopian insurance industry's non life insurance premium penetration rate is below 1% and density is 52.00. The objective of this study is to identify and analyze the factors contributing for the growth of non life insurance gross premium. The study is done based on quantitative secondary data collected from National bank of Ethiopia, Ministry of Finance and Economics, Ministry of Trade and Industry, Central Statics Authority, World Bank and other source. The study used 10 years data from the period 2004/2005 to 2013/2014; it accommodates all insurance company in the study from the date of establishment to the current status. This study used correlation as a method of data analysis; a deductive approach is adopted by constructing an empirical model and hypothesizing its collinear relationship between the factor variables. The factors contributing for the growth of non life insurance gross premium are GDP, Investment Capital, Number of insurance Company, capital of insurance, Branch size of insurance company, Age of insurance company and Government policy. The finding shows that most factors have strong correlation to non life insurance gross premium. Government needs to promote the insurance sector as it is contributing for the economic growth, capital formation and employment generation.

Key Words

Africa, Economic Growth, Ethiopia, Gross non-life Insurance Premium

1. Background of the study

Insurance industry is an important financial institution which contributes for a country economic growth. Insurance has a long history, according to Pfeffer and Klock (1974), insurance has its beginnings in ancient Babylon. Ethiopia insurance industry was introduced in 1905. At the time, Emperor Menelik II and a representative of the British owned National Bank of Egypt come to terms. 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.

In Ethiopia at the end of June 2014 there are 17 insurance companies with 332 branch offices throughout the country and total annual non life gross premium reached to Birr 4.6 billion (around 300 million U.S dollar)

Insurance industry development depends on the country economic development. This has been proofed by china insurance industry sector and economic development. In 1986 china gross premium is equal to 1.87 billion dollar after 20 years in 2004 china gross premium registered 52.17 billion dollar. China is the second largest gross premium generated country next to USA.

Ethiopian insurance industry is at very infant stage like its economy, non life insurance gross premium is growing from time to time. The insurance industry exhibited non life insurance gross premium s (GWP) in 2004/2005 Birr 640 million after 10 years in 2013/2014 the non life insurance gross premium was reached birr 4.6 billion.

Ethiopian Economy has been growing above 10% until 2015 and it is the second largest after Kenya. There is boom in manufacturing, agriculture and service sectors stimulated by huge power production initiation in the country (EIU, 2016)

Insurance provides various benefits to individuals, families, organizations and the county as whole, firstly, insurance companies are business organization and hence they strive to remain profitable and create value to their owners, creditors, managers and employees will derive direct benefits from the profitable operations of insurance companies. Governments will also benefits in the form tax collection. Organizations will be protected against variety of risks; insurance enables the sustainability of such organization. Insurance is one basic tool of risk management.

There non life insurance products includes aviation insurance, Fire and Allied Perils Insurance, Marine Insurance, Engineering, Motor, Liabilities, Accident & Health, Workmen's and Pecuniary.

It is observed that Ethiopian insurance industry non life insurance gross premium is increased for the past 10 years on average by 20.73%. Several studies identify different factors for the growth of non -life insurance gross premium. Even if the insurance growth rate is high the level of insurance penetration and density is at the lowest level in the world even at Sub Saharan African countries level.

This research is trying to investigate, identifying and analyzing the factors for the growth of non life insurance gross premium in Ethiopian insurance industry and it is useful to focuses in this area for further growth of the sector. Lack of empirical and secondary data analysis in the relationship among the insurance sector and various factors in Ethiopia initiated this study. The researchers thoroughly explored researches in insurance in reference to Ethiopian contexts and found very limited literature. This research will fill the knowledge gap in this aspect.

1.1 Objectives of the study

The general objective of this study is to identify and analyze the factors for the growth of non-life insurance gross premium in the case of Ethiopian insurance industry. Specifically the research will address the following objectives:

1. To identify and analyze factors contributing for the growth of non life insurance gross premium
2. To evaluate the relationship between various factors and non life insurance gross premium

1.2 Research Hypothesis

- There is strong statistical significant relationship between economic growth and non-life insurance gross premium
- There is strong statistical significant relationship between investment and non-life insurance gross premium
- There is strong statistical significant relationship between government policy and non-life insurance gross premium
- There is strong statistical significant relationship between capital of insurance companies and non-life insurance gross premium
- There is strong statistical significant relationship between numbers of branches and non-life insurance gross premium

2. Literature Review

2.1. Insurance and Factors affecting Insurance

Insurance has been designed to protect marine merchant existed in Babylon around 2000 B.C. Babylon was said to be the center of early world trade involving countries of Europe, Africa and Asia. Goods moving to Babylon through road and sea trade transportations. Caravans transacting valuable goods were exposed to robbery. Sea traders were facing marine risks and they start transferring these risks to merchants who were providing protection for a lump sum payment.

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.

Modern insurance was introduced by foreigners focusing on fire and marine and they serve as an agent of a foreign insurance company. In 1954, there were nine insurance companies that were providing insurance service in the country. 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 administered by the provisions of the commercial code.

In 1974 military government (Durg) came to power an end time of all private enterprises are nationalized and 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 of insurance industry in Ethiopia.

In 1991 the current government came to power and proclamation no 86/1994 for the licensing and supervision of insurance business in Ethiopia and it is the beginning of a new era. At the end of June/2014 in Ethiopia 17 insurance companies operating to sale its insurance product to its customer and it has a total of 332 branches offices throughout the country, 182 branch offices were located in Addis Ababa.

On the other hand, total capital of insurance companies increased from year to year at the end of June/2014 the total capital of Ethiopian insurance industry reaching Birr 2.0 billion Private insurance companies accounted for 78.6 percent of the total capital of insurance sector while the remaining share of EIC was 21.4 percent.

2.2. Factors growth of non-life insurance gross premium

Insurance industry is grow at a fast rate than economic development different researcher argue, there are various factors for the growth of Non-life and Life insurance premium, some of these the research analyses are; Income level, The price of insurance, Financial development, Market structure, government policies, GDP, age of the company, branch size of the company, investment, capital of insurance company.

Global Consumer Insurance Survey (2012) analyzed that for success of the industry price is important, but brand value and service are more important than price and it is very necessary to Designing new strategies, Environmental issues like political factors affecting Insurance Industry.

Feyen et al (2011) examine determinants of life and non-life insurance premium s for a panel of 90 countries during the period 2000-2008. The results show that premium s are driven by per capita income, the population size and density, demographic structures, income distribution, the size of the public pension system, state ownership of insurance companies, the availability of Financial Stability Report ,private credit and religion. The study further points out that the development of the insurance sector can be influenced by a number of policy variables.

3. Research Design

The research design is quantitative and relies on secondary data. Data were collected from annual reports and publications of National Bank of Ethiopia (NBE), Ministry Of Finance And Economic Development (MoFED), Ethiopian investment agency and Ethiopian Central Statistics Authority (CSA), and European Intelligence Unit. Moreover, some macroeconomic indicator data are also used from World Bank. Annual time series data from 2004 to 2014 was used to analyze the relationship between non-life insurance gross written premium and its factors.

The research Design of this study is explanatory research design. Correlation, and time series analysis has been used as data analysis technique. SPSS version 20, STATA and Microsoft excel have been used as data analysis software.

4. Research Results and Discussions

4.1. Gross domestic product (GDP)

The Ethiopian economy continued to grow in 2013/14 Real GDP registered a relatively robust growth of birr 626 billion compared to the previous year 10.6% growth. Service sector is accounted (45.9 percent),

agriculture (39.9 percent), and industry (14.2 percent). The sub-Saharan Africa and world economy growth are anticipated to be 5.7 and 4.1 percent respectively in the same period

Table 1 Sector contribution to GDP and GDP Growth (in billions)

Sector		Years					
		2008/09	2009/10	2010/11	2011/12	2012/13	2013/4
Sector	Agriculture	181.2	195.0	212.5	222.9	238.8	251.8
	Industry	38.8	43.0	49.8	58.3	73.9	89.6
	Services	163.2	184.7	207.2	229.1	258.7	289.4
Total		381.7	421.8	469.4	510.3	571.4	630.8
Less FISIM		2.7	2.9	3.2	2.9	3.5	4.2
Real GDP		378.9	418.9	466.2	507.4	567.9	626.6
Growth in Real GDP		10.0	10.6	11.3	8.8	9.8	10.3
Share in GDP (in %)	Agriculture	43.2	46.2	45.3	43.7	41.8	39.9
	Industry	13.0	10.2	10.6	11.5	12.9	14.2
	Services	45.1	43.8	44.1	44.9	45.3	45.9

Source: own computations from Ministry Of Finance and Economy Development report

Table 1 shows in terms of sector development, agriculture grew just by 5.4 %, industry by 21.2% and service by 11.9% as to compare previous year compared to 7.1 % growth recorded in the previous year mainly due to lower increase in crop production which went down from 7.1% to 5.4%. The largest share in GDP is service about 45.9%. The growth in agricultural output was largely attributed to productivity improvement aided by favorable weather condition as well as conducive economic policies.

4.2. Investment capital

Ethiopian Investment Agency (EIA) and Regional Investment Offices give a license for investors with different incentives by this reason domestic and foreign investor has a good trend to invest in the country from the data available EIA for the period 2013/2014 a total capital of birr 5.6 billion invested out of this 87.7% capital is invested for construction, it is a good opportunity to the insurance industry different literature urge that investment is one of the factor for the growth of non life insurance gross premium. Engineering and Pecuniary insurance premium is generated from construction investment and the construction sector is accounted

87.7% in 2013/2014 from the total investment capital at the same period engineering and pecuniary insurance premium is reached birr. 799 million as to compared the previous year's engineering and pecuniary insurance premium is increased by 100%

Table 2 Investment Capital of Projects by sector (in millions)

Investment by sector	Investment by years									
	2004 /05	2005 /6	2006/ 07	2007/ 08	2008/ 09	2009/ 10	2010/ 11	2011/ 12	2012/ 13	2013/ 14
Agriculture	1000	338	833	215	636	505	35	16	43	70
Construction	976	1598	1130	475	534	869	17	467	111	4946
Manufacturing	1548	528	798	1005	577	583	364	146	1371	516
Others	683	320	143	208	150	75	180	19	29	104
Total	4,207	2,784	2,904	1,903	1,897	2,032	596	648	1,554	5,636

Source, National bank of Ethiopia

Table 2 shows the major investment undertaken in the country vis-a-vis sectorial contribution and year. The table indicate in 1004/5 and 2013/14 the investment reached its peak period.

4.3. Investment in insurance industry

In Ethiopia investment in insurance industry sector is increased from time to time ,in the Durg regime there is only one insurance company and after the down fall of the Durg region a lot of insurance company establish according proclamation no 86/1994 for the licensing and supervision of insurance business in Ethiopia and it is the beginning of a new era. after issuing this proclamation in the 1994, 4 private insurance companies began to operate .At the end of June/2014 in Ethiopia 17 insurance companies operating to sale its insurance product to its customer and it has a total of 332 branches offices throughout the country, 182 branch office were located in Addis Ababa and the remaining 150 branch office where located in different regions.

Table 3 number of branches and capital of Ethiopian insurance companies in 2013/2014

No.	Insurance Companies	Number of branches			Capitals	
		2013/14		2013/14	%	
		A.A	Regions	Total	B	B/A
						Change
	Ethiopian Insurance Corporation	18	44	62	434.4	15.5
	Awash Insurance Company S.C.	21	12	33	182.9	25.6
	Africa Insurance Company S.C.	9	7	16	134.9	26.7
	National Insurance Company of Ethiopia S.C.	9	12	21	72.6	32.1
	The United Insurance S.C.	18	10	28	203.1	128.3
	Global Insurance Company S.C.	6	5	11	67.1	51.9
	Nile Insurance Company S.C.	14	14	28	182.0	14.6
	Nyala Insurance Company S.C.	12	9	21	206.3	26.6
	Nib Insurance Company S.C.	17	8	25	207.3	36.5
	Lion Insurance Company S.C.	13	6	20	83.4	58.4
	Ethio-Life and General Insurance Company S.C.	6	1	7	20.3	21.9
	Oromia Insurance Company S.C.	14	11	25	119.2	55.5
	Abay Insurance Company S.C.	7	7	14	48.5	300.1
	Berhan Insurance S.C.	6	1	7	22.4	45.0
	Tsehay Insurance S.C.	6	2	8	24.3	206.6
	Lucy Insurance S.C.	2	1	3	16.8	100.4
	Bunna Insurance S.C.	4	0	4	8.6	-
	Total	182	150	333	2,034.1	36.6

Source - national bank of Ethiopia annual report

Table 3 shows the number of branches and capital of various insurance in the country. The branches expanded to 333 and their combined capital surpasses 2 billion Ethiopian birr. The asset of the companies is by far huge.

4.4. Capitals of insurance companies and number of companies

Insurance sector in Ethiopia is profitable and the capital is increased each year through sell of additional share and retaining the dividend. capital is a vital factor for success, if there is a large amount of capital to accept mega risks or huge value of property in response to get large amount of premium, on the other hand insurance companies has a small amount of capital to give insurance cover a small amount of sum insured results to collect a small amount of premium. We observe the date capital of insurance industry is increased the gross premium also increased. In addition to this we observe number of insurance company and gross written premium, the number of company increase the gross premium also increased.

We observe from the data in 2004/2005 there is 9 insurance companies and this companies at the same period to generate a gross premium of birr 640 million after 10 years number of company is 17 and gross premium was reached birr 4.6 billion, we understand from this the number of insurance companies is increased gross premium also increased

Table 4 capitals of Ethiopian insurance companies and no of companies (capital in millions)

Year	Capital In Birr	No of Companies
2004/2005	438.8	9
2005/2006	504.4	9
2006/2007	522.0	9
2007/2008	582.1	11
2008/2009	652.3	12
2009/2010	962.4	12
2010/2011	955.7	13
2011/2012	1,200.1	15
2012/2013	1,489.0	16
2013/2014	2,034.0	17

Source - national bank of Ethiopia annual report (2014)

Table 4 shows the number of insurance and their capital. We observe that number of company is increased by one gross premium s increased by a huge amount to see the data in 2007/2008 number of company is increased by one the premium is increased by birr 60 million

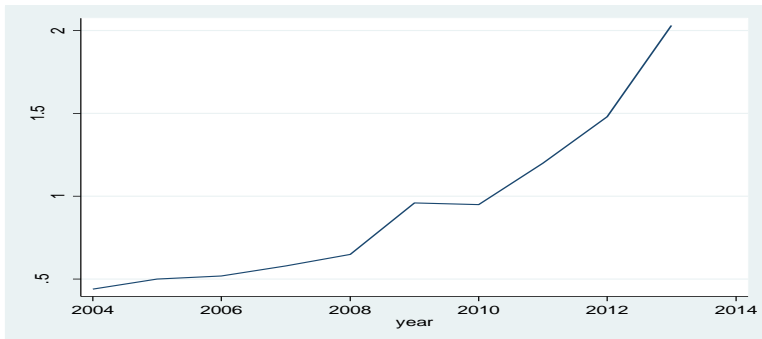


Figure 1 Capitals of Ethiopian insurance companies with non life insurance premium

Figure 1 shows the trend of insurance capital and the premium. To observe the above graph the capital of insurance is increase by four times and the gross premium also increased by four times it shows that capital a factor for the growth non life insurance gross premium

4.5 Insurance penetration and insurance density

The major criteria to evaluate one country insurance sector development are by insurance penetration ratio and insurance density. In 2014 Ethiopian insurance industry penetration ratio is 0.73% and at the same time insurance density is birr 52.00. We try to observe other country insurance penetration ratio and density. In 2010/11 china has 52.9 USD density and 1.3% penetration ratio as to compare the two countries even if there is a growth the Ethiopian insurance sector is at the infant stage like other economic sector.

Table 5 insurance penetration ratio in selected countries in percentage

Country	2008/2009	2009/2010	2010/2011
India	0.6	0.6	0.71
China	1.0	1.1	1.3
Brazil	1.6	1.5	1.5
Russia	2.3	2.5	2.3
USA	4.6	4.5	4.5
UK	2.9	3	2.9
South Africa	2.9	2.9	2.8
World	2.9	3	2.9
Ethiopia	0.36	0.43	0.51

Source: Compiled from IRDA Annual Report includes specialized insurance companies (ECGC & AIC

Table 5 indicates different countries insurance penetration, especially in developed countries there is huge gross premium and penetration ratio as to compared Ethiopian insurance industry. Insurance Penetration is represented by the penetration ratio shows the contribution of the insurance sector to a country's GDP.

Table 6 insurance density in selected countries (all in USD and Ethiopia in birr)

Country	2008/2009	2009/2010	2010/2011
China	19.3	40	52.9
Brazil	129.1	123.8	157.7
Russia	268.1	276.4	290.4
USA	2177.4	2107	2127
UK	1275.7	1051	1060
South Africa	163.6	163.9	200
World	242.2	253.9	263
Ethiopia	18.83	24.32	29.90

Source: Compiled from IRDA Annual Report includes specialized in companies ECGC & AIC

Table 6 shows the insurance density of selected countries. We observe the above data like premium penetration density is also show the strengthens of one country insurance industry development ,in exceptional case a country have a large number of population like china insurance density has no reflect the strengthens of insurance industry in one country like per-capita income. On the same manner to compare the world insurance density to Ethiopian insurance density is low.

Insurance density measures the average amount of money spent on insurance product by a single person in a given country which is measured as insurance spending (premium s) per capita.

4.6 Age and Branch size of companies

For the purpose of this study age is started at the time private insurance established in December 8, 1994. In principle Non life insurance is annual renewable and the premium is paid annually, for example for the period 2004/2005 gross premium of birr 640 million after one year in 2005/2006 gross premium is reached birr 796 million, this birr 796 million is cams same amount of premium from the previous customer renewed his policy and the remaining premium is cams from new entrant customers, by this

manner the premium is accumulated year by year. We observe from the data the companies age is increased the gross premium also increased, data shows that in 2004/2005 the gross premium is birr, 640 million after 10 years in 2013/2014 the gross premium is reached birr 4.6 billion which is seven times growth within 10 years.

Table 7 Age and branch size of companies with gross written premium

No	YEAR	Gross premium in birr	NO OF BRANCH
1	2004/2005	640,228,000.00	133
2	2005/2006	796,867,000.00	138
3	2006/2007	971,513,000.00	146
4	2007/2008	1,187,030,000.00	172
5	2008/2009	1,379,321,000.00	194
6	2009/2010	1,824,893,000.00	210
7	2010/2011	2,422,415,000.00	221
8	2011/2012	3,724,760,000.00	243
9	2012/2013	4,497,666,000.00	275

Source - national bank of Ethiopia annual report

It emphasize the marketing segmentation of the insurance companies ,researchers define that here is a large number of branches or marketing segmentation is used to easy address the public or availability to the public and the customer to buy insurance products now and then without any problem as the result of this gross premium is increased, we observe insurance companies number of branch increased or there is large market segmentation gross premium is increased , the data shows that in 2004/2005 Ethiopian insurance industry a total of 133 branch offices by these branches to generate a gross premium of birr 640 million and in 2013/2014 a number of branch offices reached 332 by these branches to generate a gross premium of birr 4.6 billion it shows that number of branch is increased gross premium also increased.

4.7 Non –Life Insurance gross premium

Gross premium is a price paid by the insured to the insurer by doing this the insured transfer risk to the insurer and in response the insurer pay claim to the insured if unpredicted risk happens. In general gross premium is a premium paid by the insured without any expense deduction. Ethiopian insurance industry Gross written premium s increased from time to time.

Table 8 Mean Distribution of Non-Life Insurance Gross Premium s, by Lines,

Year	2004-2008	2009-2011	2012-2014	% share of total premium (2012 to-2014)
Aviation	52393.25	136843	241286.7	5.6
Engineering	80951.5	214976.3	469719	10.91
Fire	66698.5	132638.7	235953.7	5.5
Liability	10050.5	49255.67	126656.3	2.94
Marine	155196.5	361991.7	548595.3	12.75
Motor	392337.8	1071197	2128186	49.45
Accident & Health	52235.5	101643.3	144588.7	3.36
Pecuniary	55536.5	178051.7	330208	7.67
Workmen's' Comp.	28454.25	52253.33	58946.67	1.37
Others	5055.25	10807.33	22220.67	0.52
Total	898909.5	2309658	4303361	
Growth in %	20.31	34.08667	26.25333	

Table 8 shows the insurance premium and lines of insurance. We observe the data Ethiopian insurance industry non life insurance gross premium s in 2004/2005 reached birr 640 million after 10 years at the end of 2013/2014 gross premium is reached birr 4.6 billion it shows the insurance sector after 10 years growth by 632% and it is a good achievement like a country double digit economic development. Most of the premium is motor insurance in 2013/2014 motor insurance has contribute 52% of the total gross premium it indicates that motor insurance has a higher share and it shows that the individual, organizations ,public ,government and nongovernmental organization has insured his vehicle motor insurance ,on the other side motor insurance is high risk type of insurance .Aviation insurance is accounted 5% of the total gross premium and this product is transacted only by Ethiopian insurance corporation. We also observe the data all insurance product gross premium s is increased from year to year and we also further observe that Engineering and Pecuniary insurance product has a high increment within 10 years around 1000%

Table 9 Total gross premium percentage changes in%

Year	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Premium	640228	796867	971513	1187030	1379321	1824893	2422415	3724760	4497666	4687657
Growth in %	12.67	24.47	21.92	22.18	16.20	32.30	32.74	53.76	21	4

Table 9 shows the growth of insurance. We observe the above data Ethiopian insurance industry gross premium is increased on average by 20.73% for the past 10 years and also we observe one phenomenon for the year 2011/2012 insurance industry gross premium is increased by 53.76% the result of this is attributed to the government policy. The Government Issue policy that makes mandatory for policy holders of to have third party compulsory insurance. This creates a good opportunity to insurance industries and this is the reason premium is increased in an expected manner.

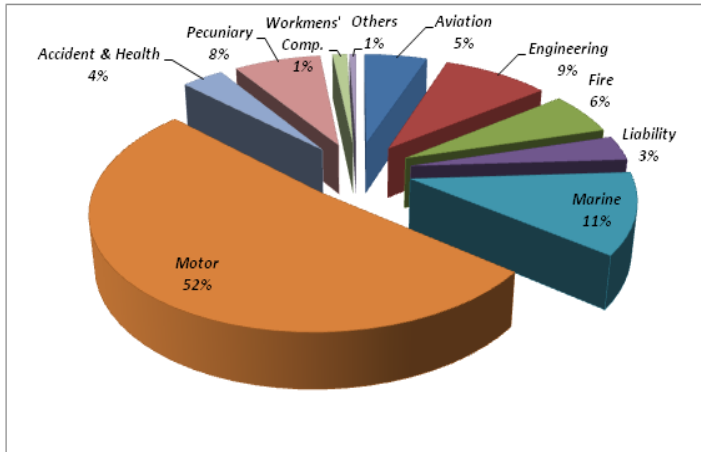


Figure 2 Distribution of gross non-life insurance premium s by lines in 2013/ 2014(Percent)

Figure 2 shows the distribution of gross non-premium insurance in 2014/15 and above 50 of the total is attributed to motor insurance, 11% is to marine, 9% is to engineering 8% is to pecuniary. The rest is accounted by liability, aviation, accident and health and others.

4.8 Government policies

Insurance companies in Ethiopia are supervised by the National Bank of Ethiopia under the legislative regulation of Insurance Proclamation No. 591/2008 and Article 42 of the Licensing and Supervision of Insurance Business Proclamation No. 86/1994. The quality of the legal and regulatory environment also has a significant effect on market development. A society's attitude to authority, government and the rule of law is important when examining the possible success of insurance services. In developing Countries where authority is weak and rules are not enforceable; the implication is a negative impact on the level of development of the insurance sector. Some of the most influential papers on this topic are from La Porta et al. (1997 and 1998) and Levine (1998 and 1999) which show that legal environments which provide good investor protection tend to encourage a higher degree of financial intermediation, as well as economic growth. It is also argued that the legal system (common law vs. civil law) influence the ability of financial institutions to mobilize and allocate efficiently resources. Legal systems that protect creditor rights should facilitate

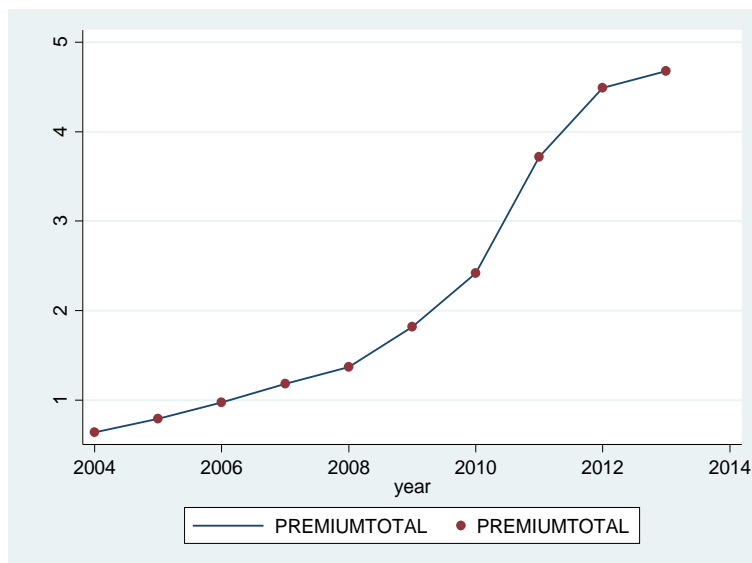


Figure 3 Government policy with non life insurance

Figure 3 shows the growth of insurance after government implementation of insurance proclamations. The first, proclamation is “NO PREMIUM NO COVER” The proclamation has prohibited Insurance companies from providing policy coverage on partial or full credit basis by this law the entire customer fully paid in advance and the insurance company collected a huge gross premium as to compare before issuing the proclamation. Second, the government issue another proclamation, proclamation no 559/2008 compulsory motor third party insurance, this Prompted by the escalating occurrence of accidents caused by vehicles in the country, loss of lives, bodily injuries and damages to properties caused by these accidents creating social problems the Ethiopian parliament has enacted proclamation No. 559/2008 a mandatory law “Vehicle Insurance Against Third Party” in 2008 and then after, the Insurance Fund Office was established in 2010, as an executive body to oversee the implementation of third-party insurance. The third party proclamation got into effect starting from 2011. By this law the gross premium has increased, the law is implemented partially in 2009/2010 and fully implemented in the year 2010/2011 and 2011/2012 as this period the gross premium is increased at by 32.3%, 32.74%, and 53.76% in 2009/2010, 2010/2011, and in 2011/2012 respectively.

Table 10 correlation between non- life insurance gross premium and predictive variable

Variables		Coefficients
GDP	Pearson correlation	0.975***
	Sig(2-tailed)	.000
Total Investment	Pearson correlation	0.001
	Sig(2-tailed)	0.997
Age of Company	Pearson correlation	0.951***
	Sig(2-tailed)	.000
Capital of companies	Pearson correlation	0.957***
	Sig(2-tailed)	.000
Number of companies	Pearson correlation	0.973***
	Sig(2-tailed)	.000
Branch size correlation	Pearson	0.958***
	Sig(2-tailed)	.000

The table 10 shows GDP, Age of company, Capital of Company, Number of Companies and Branch size of companies has highly and significantly correlated with non-life insurance premium and investment is low correlated with gross written premium.

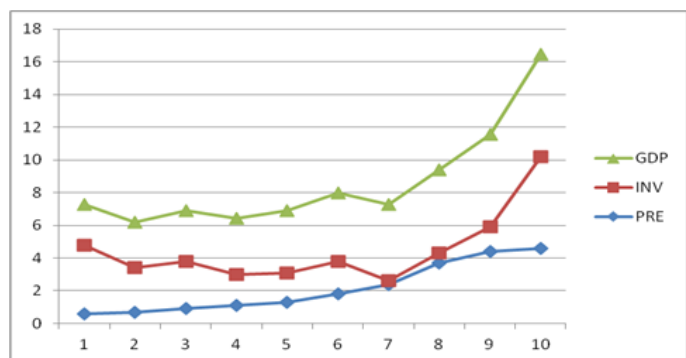


Figure 4 Trend Analysis of total Premium, total investment and real GDP

Figure 4 shows that as GDP is increased premium is also increasing and at the same time when investment is increasing the premium is also increasing, in general we can say that GDP and investment has similar growth trend has a positive relationship.

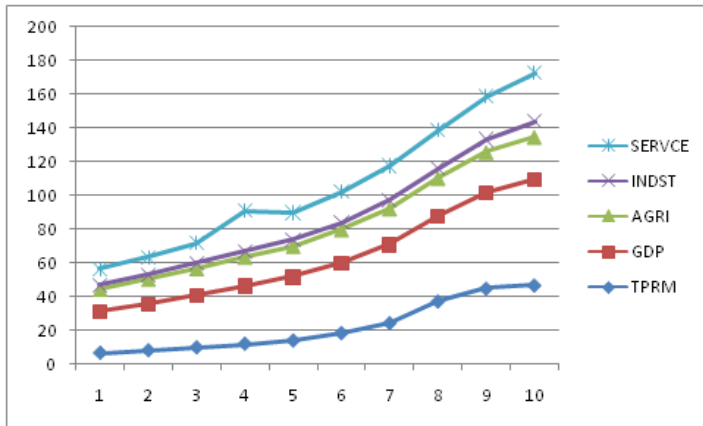


Figure 5 Trend analysis between Economic Sectors and Total Premium

Figure 5 shows the relation between economic sector and insurance, as the entire economic sectors are increasing the gross premium also increasing. It has been observed that the figure shows a slight difference between investment increase and premium increment.

5. Conclusions and Recommendations of the Findings

The result of the analysis show that GDP, Investment, Capital of insurance Companies, Branch size of Insurance companies, Age of Insurance companies and Government policy has a positive relationship with non- life insurance gross premium in Ethiopian insurance industry and all independent variable is increased premium also increased.

We also find out from this study GDP, capital of insurance, branch size, number of companies and age of companies has highly correlated to gross premium and investment low correlated with Non life insurance gross premium. Motor insurance has 52% of share from the total gross written premium. Government policy is one of the factors for the growth of gross written premium, the Government Issue policy which is motor third party compulsory insurance as a result of this in 2011/2012 the gross premium is increased by 53.76%

5.1 Conclusions

- The Ethiopian insurance industry sector is experiencing growth at higher rate; the industry is underdeveloped and backward. The insurance penetration and density is very low.
- Gross domestic product (GDP) is strongly correlated with premium it means that GDP increase results premium and it is statistically significant and the first hypothesis is accepted at 5% significance level.
- Investment is strongly correlated with premium it means that, as investment increase premium also increases and it is statistically significant and the second hypothesis is accepted at 10% significance level.
- Capital of companies is strongly correlated with premium it means that when capital increase the gross premium increases and it is statistically significant and the third hypothesis is accepted at 5% significance level.
- Branch size of insurance company is strongly correlated with premium it means that when capital increase the gross premium increases and it is statistically significant and the fourth hypothesis is accepted at 5% significance level.
- Number of companies is strongly correlated with premium it means that when capital increase the gross premium increases and it is statistically significant and the fifth hypothesis is accepted at 5% significance level.

- Age is strongly correlated with premium it means that when years of service of insurances increase the gross premium increases and it is statistically significant and the third hypothesis is accepted at 5% significance level and the hypothesis accepted.
- Premium penetration and density-the Ethiopian insurance industry is very low the penetration rate and density is very small as to compare other countries and the world standard average penetration and density.

5.2 Recommendations

1. The government needs to sustain the economic growth of the country to maintain the insurance sector growth. The economy is showing some trend of shift from agriculture to industry and the industry is major contributor of the insurance sector development. It is a good opportunity to insurance industry to harness the opportunity and government should fasten the structural economic change to sustain the insurance growth.
2. Capital of insurance companies has contribution for the growth of non life insurance thus, the shareholders of the companies must be increased the company's capital.
3. Branch size is the other factor for the growth of non life insurance gross premium, when number of branch increased the premium is increased, so the companies need to increase their premium. Companies must open large number of branch.
4. The number of companies is also other factors which increase the premium, government should provide business friendly environment and to attract new investors in the sector.
5. The study Age of company is one the other factor for the growth of non-life insurance premium though there is not defunct insurance in current time; there should be a way out of dying insurance sustainability.

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