FACTORS AFFECTING POLICYHOLDERS RETENTION OF ETHIOPIA INSURANCE COMPANIES

A Thesis Submitted to the School of Graduate Studies of Jimma University in Partial Fulfillment of the Requirements for the Award of the Degree of Master of Business Administration (MBA)

By

Wubalem Habtamu Dagne

MBA Program, Department Of Management, College Of Business and Economics, Jimma University, Jimma, Ethiopia

August, 2020

FACTORS AFFECTING POLICYHOLDERS RETENTION OF ETHIOPIA INSURANCE COMPANIES

A Research Paper Submitted to the School of Graduate Studies of Jimma University in Partial Fulfillment of the Requirements for the Award of the Degree of Master of Business Administration (MBA)

By

WUBALEM HABTAMU DAGNE

Advised By

MR. TADELE MENGESHA (ASS. PROFESSOR)
MR. MEKUANINT ABERA

August, 2020
Addis Ababa, Ethiopia

Abstract

Ethiopian Insurance Companies existed for the very reason of servicing Policyholders. Without Policyholders, it is unimaginable for insurers to exist as an organization. This research paper helps professionals and government bodies to give attention to factors affecting Policyholders retention in insurance sector. Thus, this paper focused on selected predictors for retaining policyholders, namely competition, bonds, claims handling, underwriting strategies and intermediaries' role. The research design that was adapted in this paper is explanatory where primary data was used. Questionnaire of Likert scale was distributed to 171 branch representatives, out of which 149 questionnaires was returned. The researcher used inferential analysis method using SPSS version 20. The correlation analysis result indicated that competition is significantly negative and very strongly correlated with Policyholders retention while personal-social bond, claims handling, underwriting practices and intermediaries' role have significantly positive strong relationship with retention. The regression analysis revealed that, there is no significant relationship between intermediaries and Policyholders retention and also personal-social bond and retention of Ethiopian Insurance companies. The study thus recommends a healthy business competition and minimum price should be fixed to promote healthy competition. Besides, insurance companies should improve efficient claims handling, enhanced underwriting and selling policies using technologies in order to increase retention rates up to the target margin.

Key Words: Insurance, Policyholders Retention, Claims, Underwriting, Intermediaries.

DECLARATION

I declare that the research Report entitled **"Factors Affecting Policyholders Retention of Ethiopian Insurance Companies"** submitted to Research and Postgraduate Studies' Office of Business and Economics College is original and it has not been submitted previously in part or full to any university.

_____

Date: _____

CERTIFICATE

We certify that the Research Report entitled **"Factors Affecting Policyholders Retention of**

Ethiopian Insurance Companies" was done by Mrs. _____

_____for the partial fulfillment of Master's Degree under our Supervision.

_____   _____

_____   _____

(Main Advisor)   (Co-Advisor)

Acknowledgments

LIST OF ACRONYMS/ABBREVATIONS

CRM: Customer Relationship Marketing

NBE: National Bank of Ethiopia

PH: Policyholder

PHR: Policyholders Retention

SPSS: Statistical Package for Social Science

Table of Contents

List of Tables

List of Figures

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Policyholders retention for insurance companies is a very important matter in order to reduce drop outs. Nema & Jatav (2017) defines Policyholders retention as an activity insurance company undertakes in order to make sure their current policyholders will stay with the company and will not switch to competitors. Maintaining policyholders in insurance companies are related to selling policies on the assumption of contracts will be renewed in due course of time. For this study, customer and policyholders used interchangeably in order to have clear understanding of policyholders as insurance companies' customers.

Nwankwo and Ajemunigbohun (2013) explores, customer retention is recent thought for business firms by which it has been dominated by acquiring new customers for many years. It was seen as a process where insurance companies engaged themselves maintaining for prolonged time. Boakye, (2011) says customer retention starts with acquiring new ones and maintained the acquired one for longer period of time by giving product and services beyond their expectations along with unique way of organizations to serve existing customers. According to Ginn, Stone and Ekinci (2010), customer retention is the ability of business firms to approach existing customers to repurchase from them. In similar implication, Policyholder retention is an activity undertaken by insurers to prevent flow of customers by exerting remarkable efforts on existing business environment and it involves a focus on existing customers for the sake of profitability by reducing defects. In order to reduce customer loss, companies are expected to focus on retention activities and matters related to it for the fact that customer retention has an impact on long term customer relationship (CR) and sustainability.

Policyholders are important values for insurance companies and maintaining them in due care results in profitability in the short run and will build reputation in the long term. It is vital to point out that policyholders are the major customers of insurance companies, be it the general or life

insurance, a worthy determination obviously required to increase customers repurchase intent. According to Ibogo (2015), Customer retention occurs when customer purchases a product or services again and again for over an extended period of the time. Gidhagen, (1998) viewed customer retention and customer loyalty as key variables for managing increased competition in general and firm's business continuity in particular.

Inkumsah (2013) explained customers as a real asset to firms and the majority of the firms now a days facing consumer base losses to the considerable degree. Losing customers could be seen as a mirror for nonperforming and losing attention to existing customers to stay in one company loyally for considerable time. Like any other customers, Policyholders (PHRs) might leave to other companies for various reasons. This implies that there are factors affecting their retention from insurance providers and this research would help to investigate influential factors contributing to maintain existing customers in relation to insurance companies.

Boakay (2011) explains Customer retention as the activity undertaken by firms who sell products and services to customers and seen as most effective and profitable marketing strategy to increase sales as the majority of sales volume comes from small number of clients maintained for relatively longer period of time. In today's Insurance market, maintaining policyholders viewed an important business activity undertaken to serve Policyholders at the best level. Insurance companies become concerned with their customers and viewed this activity as important concerns and major service focus. This is because keeping policyholders is vital for cost effectiveness, helps in market growth and profitability of the sector due to the fact that insurance businesses solely rely on selling insurance products again and again to policy purchasers.

Policyholder's retention has many cost implication such as: cost reduction that would have been spent on acquiring new ones. Lawrence and Francis (2005) reported that in any business a 5% increase in customer retention generated an increase in customers' net present value of between 25% and 95% across a wide range of business environments. According to Oketch (2014), cost of acquiring new customers can be up to 10 times the cost of retaining existing customers.

The major business source of Ethiopian Insurance companies like any other Insurance companies are PHs who buy insurance products for the sake of protection directly themselves or through intermediaries (brokers and agents). Insurance companies each year plan their underwriting production on the assumptions that the existing customers will be maintained and new customers will be gained through the business process; though maintaining existing customer and fighting for market share with lower premium is really a challenging task (Assegid, 2018).

This study provides a chance to investigate on other factors that has not been addressed by other scholars such as competition Personal Social bonds, prompt claims handling, underwriting practices and distribution channels (intermediaries). Local study by Aziz (2015) revealed that availability of similar products and lagging behind customers' expectation resulted as a challenge customer retention. Similar study by Gebreal (2016) pointed out that unfair price discounts for increasing sales volume and limited range of product offering reported as the main institutional challenges.

The other predicting factor to be examined in this study is relationship bonds. According to Mascareigne (2009), social bonds, personal relationship and trust presented as efforts to be built by service companies in order to win the heart of their customers. Unnikrishnan (2016) define relationship bonds as a service dimension that contains interpersonal interaction and maintaining relationship through friendship. It is also vital to see PHR from operational factors namely, underwriting and claims areas. Oketch (2014) shows that claims settlement is fronted as one of the major determinants of customer retention and he pointed out that Insurers need to take their claim handling function more seriously. This is because if a claim is handled well, it results to higher customer retention but if handled poorly. This studies, therefore, provides to investigate on factors that has not been addressed by other scholars

1.2 Background of Study Area

Financial institutions, especially insurance companies, play important role in financing and insuring economic activity and contribute to the stability of the financial system and of the economy. Sanders and Cornett (2008) describes insurance companies as one of financial institutions perform vital functions of channeling funds from those with surplus funds to those with

shortage of funds. As explained by Behailu (2016) Insurers provide economic and social benefit for a country, prevent losses and reduce anxiousness and fear of policyholders; at time of losses insurance companies would agree to pay compensations to policyholders. Insurance providers offer variety of products to protect their policyholders from risks.

The primary purpose of insurance is protecting policyholders, commonly called insured or customer, from any expected loss that might occur in case of unfortunate incidents as specified in the insurance contract. Without policy buyers, one could not imagine insurance companies to exist. According to Oketch (2014), customers are not dependent on the business. Instead, the business is dependent on the customer. The researcher added, the customer is central and organizations should meet their objectives by discovering and staying in touch with their potential customers' needs and wants in order to satisfy them for longer period of time. Here, maintaining Policyholders (PHs) in the business are the main activities of insurance companies in order to have mass and sustainable premium base to meet operational objective.

Ethiopian Insurance proclamation No 746/2012 , defines policyholders as "a person who owns an insurance policy or any other person who has legal right to claim the benefits under that insurance policy" (Negarit Gazeta, 2012). Policyholder both in life and general insurance is a contract owner that has compensation promise for future unfortunate losses by insurers. Policyholders have the right to be compensated as per the contract terms. Hailu Zeleke (2007) explained in his book about Ethiopian Insurance, the main reason for existence of regulation and control of insurance sector is to protect the interest of policyholders.

Currently, there are 17 insurance companies (only one company is government owned) where 9 of them transacting both General Insurance and Life Insurance, one insurance company, namely Zemen Insurance is on preparation stage to fully operate. According to National Bank of Ethiopia (NBE) most recent report (2019), Ethiopian insurance companies increased their branches across the country from 518 to 558 in 2017/18 where 54% of them established in Addis Ababa (NB, 2018/19). Ethiopian Insurers are operating, supervised, and controlled at a directorate level by Insurance supervisory Directorate under NBE. NBE controls and supervises Ethiopian Insurers on the basis of proclamation number 746/2012.

Ashenafi (2017) in his study revealed Ethiopian Insurance industry has its own unique nature and plays in the general business environment with stiff competition. Asegid (2018) supports, Ethiopian insurers characterized by struggling in maintaining market share at increased rate, low product innovations, inefficient underwriting and customer service. Understanding factors affecting retaining Policyholders is an important area for insurers to be successful in cost minimization that would be spends for acquiring new customers and for companies' reputation. Thus, in order to perceive and apply companies' strategies, preventing policyholders' mobility is important. This can be done by studying theoretical grounds and empirical evidences in relation to retaining existing customers.

1.3 Statement of the Problem

The underwriting deficit/surplus of premium collection is the result of from Policyholders. The more Policyholders stay in given companies who have been served the more contribution in premium production. Harrison, T., & Ansell, J. (2002) states, for various reason companies losses their customers and businesses generally lose up to 20% of their customers every year. Inkumsah (2013) also explained customers as a real asset to firms and the majority of the firms now a days facing consumer base losses to the considerable degree. These statements will not be an exception to Ethiopian Insurance companies.

There are studies worldwide regarding the subject matter. A study in India titled "Determinants of Customer Retention in Health Insurance Sector" finds out that innovative products, competitive prices, prompt services of companies, employee responsiveness, empathy, tangibility and reliability of services were factors that affect customer retention in life insurance from customers perspective.   Similar study in Ghana by Boohene, Agyapong, & Gonu (2013) finds switching barrier, customer commitment, trusts, service quality and customer satisfaction has relationship with customer retention (Boohene et.al 2013). A research by (Ikumasah 2013) pointed out that customer satisfaction, corporate image and switching barriers are factors affecting customer retention. Similar studies made by Chuani (2017) in Kenya, banking sector supported the mentioned scholars studied.

While most researches focus on customer satisfaction, still many more give attention to challenges and opportunities. According to Kumar 92013) Investigation on challenges in life Insurance finds out that negative growth of the industry, high regulation, restricted spending for intermediaries, competitive pressure, loss of renewal premiums from existing policies due to non-renewals or policy surrenders, claims settlement and problem related to products. A specific study on of Kenyan insurance by Oketch (2014) result shows claims management, product pricing that customers prefer reduced price, unethical customer snatching, internal process, follow up on renewal notification and distrust by their own customers are founded as a real challenge for the market. It is also reported by Gunasekara, (2015) on factors influencing customer retention pointed out that customer satisfaction, switching cost, customer price perception, customer loyalty, perceived quality and customer service is significant relationship with customer retention. This

Local study by Aziz (2015) revealed that availability of similar products and lagging behind customers' expectation resulted as a threat for customer retention. Similar study by Gebreal (2016) pointed out that unfair price discounts for increasing sales volume and limited range of product offering reported as the main institutional challenges. Besides what has been studied, the researcher come across to discussion with few branch managers and they give some ideas on loosing existing customers (measured by declined premiums) due to policies lapsed (not renewed) and life policyholders (surrenders) increasing. This research paper bases selecting predicting factors from other scholars investigation mentioned as a challenges and considered as predicting variables to be investigated further.

Policyholders retention defined by Ginn, Stone, & Ekinci (2010) as the ability of a business to get existing customers to repurchase from them. While most previous studies had tended to focus more on customer perspective with regard to satisfaction and service quality (behavioral intent of purchasers), there is little study on the side of insurance companies and on other predicting factors. Daneshfar, Rohsani & Sabzali (2016) investigated that customer satisfaction influences customer retention and reasons for loosing existing customers in retaining customers in Auto Insurance. This research focuses on broader picture examining the whole line of business so that this research paper covers the entire class of business despite focusing on one line of business. Besides, all the above mentioned studies focus on customers' perspective. Due to the fact that insurance

companies branch representatives has a lot to deal with and where they have interaction with thousands of Policyholders. In addition, insurance companies have insightful observation as they are responsible for their performance in the process of maintain own clients. Mascareigne (2009) agreed that the studying customer retention from the perspective of companies helps to understand the subject matter in alternative direction.

The researcher observation in the increasing difficulties in retaining policyholders where other researchers explain it as a big challenge is the rationale to study in the area. Availability and easy access to empirical studies on the Ethiopian insurance market remains a big challenge to the sector. By understanding the factors related with retaining Policyholders, the study will help to understand institutional and market factors to insurance companies. This study therefore intended to empirically examine to what extent of market competition, relationship bonds, and claims management, underwriting strategies and intermediaries influence the Policyholders retention of Ethiopian Insurance Companies.

1.4 Objectives of the Study

1.4.1 General objective
The main objective of this study is to find out the factors affecting Policyholders retention of Ethiopian Insurance Companies

1.4.2 Specific objectives
In line with the general objective, the study has the following specific objectives.

1. To investigate the effect of Market Competition on PHR in Ethiopian Insurance Industry.

2. To examine the influence of Personal-Social Bond with Policyholders on retaining them in the study area.

3. To study the effects of Prompt Claims Handling on Policyholders Retention of Ethiopian Insurance Industry.

4. To investigate the effect of Underwriting Strategies on Policyholders Retention in Ethiopian Insurance Industry.

5. To examine the influence of Intermediaries on Policyholders Retention in Ethiopia in the study area.

1.5 Hypothesis of the Study

Marczyk and DeMatteo (2005) defines hypothesis as an educated and testable guess about the answer to your research questions. The research hypotheses for this study are tentatively formulated to direct the research in understandable way.

Policyholders retention is interchangeable with customer retention in this study for the reason policyholders are customers for insurance companies. Kotler (2008) defines Customer Retention as how companies or organization are able to maintain the existing customers' base on establishing good relation with all who buy the company's product. The other mirror of customer retention is customer defection. Sunday and Perpetua (2014) defines customer retention as the activity that a selling organization undertakes in order to reduce customer defections where retention rate is used as measurement to know the percentage of customer who were active and who are not. Ayimey Awunyo and Abdulai (2013) summarize scholars study on the dimension of customer retention measurement as a repurchase, increased in referrals and minimal defective rate.

This research examines the hypothesized predicting factors in relation with the level of Policyholders retention. Based on the research problems and objectives stated above, the following alternative hypotheses are formulated.

Hypothesis 1

Listra (2015) reported competition is generally understood as a rivalry to attract more customers between individuals (or groups or nations), and it arises whenever two or more parties strive for something that all cannot obtain.

Nema, and Jatav, (2017) in their findings pointed out that) , customers often choose their insurer purely on the basis of price. There is a competition in price to the level of under cutting specified price that correspond to the policies. Oketch (2014) explained that the more the alternatives attract, the more dissatisfied customers and will switch to other service providers, even satisfied customers may switch if the alternatives attract. He added pricing (that prefers reduced price) and unethical customer Snatching is the reason for losing customers. He also added that most banks are affiliated to some specific insurance either as sharing ownership or as one of shareholders in common ownership resulting to losing customers to other insurance who have affiliation with the relative banks.

Though competition is inevitable to all industry, practices referred to as 'unfair methods' when involving, business practices such as lower pricing, exclusive dealing, rather than focusing on innovation, choice, quality and service (Demarso and Abba 2020). They added that Ethiopian insurance market characterized by low market penetration rate, price sensitive clients, low innovation and limited rage of insurance products. Market competition in this research measured by low price offers, making discounts, competing on specific policy terms, market share struggle, competing through contact office expansions, with similar products and banks pressures. Aziz (2015) revealed availability of similar products and lagging behind customers' expectation resulted in customers to move in to other companies who have the exact product appropriate for their insurance needs through research and developments. Gunasekara (2015) supports this idea as competing companies are to beat aggressively to attract customers. Unhealthy competition, spiral of premium cutting, competing on below standard insurance terms, competing on bank-insurance business affiliations resulted in unfair competition among insurance companies. Based on the above statement, the following hypothesis has been developed:

H1: Competition has significant effect on Policyholders retention of Ethiopian Insurance Companies.

Hypothesis 2

Personal and social Bonds are relationship bonds between insurance companies and policyholders. Joseph and Unnikrishnan (2016) define relationship bonds as a service dimension that contains interpersonal interaction and maintaining relationship through friendship. Customer retention become a central focus by many companies and the concept viewed as one of the main relationship marketing aims whereby awareness and application is significantly valuable for many companies (Tamuliene & Gabryte, 2014)

Insurance companies as a service providing institution are expected to know their policyholders and building strong bond with them through frequent interaction in order to increase Policyholders retention. According to a study by Mascareigne (2009), increasing building psychological and emotional relationship with customers, the probability of staying in the same company increases. Joseph and Unnikrishnan (2016) founded that social bonds were found significant effect on customer retention. There is also a study by Dambush (2014) on customer retention with respect to

relationship marketing. The study suggested areas to be further explored by other variables such as of conflict handling and bonding.

Good and friendly relationship with customer is a key in improving customer retention rates (Chuani, 2017). Personal and social bonds require a repetitive communication and friendly attachment to policyholders to attract and to maintaining good relationship with existing policyholders. According to Mascareigne (2009), social bonds, personal relationship and trust presented as efforts to be built by service companies in order to win the heart of their customers. Based on this, the research emphasized in relation to developing long term relationship, frequent contact and visits, information communication, interpersonal relationship, friendship ties and social attachments and mutual rewarding relationship. From the above relational points, the following hypothesis has been developed:

H2: Personal-social bond has significant effect on Policyholders retention of Ethiopian Insurance Companies.

Hypothesis 3

Claims handling is a major function of insurance companies to manage Policyholders loss at a time of bad fortune. Unachukwu, Afolabi and Alabi (2015) defines claims settlmenet as very existence of insurance companies is the process of making compensation that is paid to the policyholder in the event of loss. Worldwide investigation done by Kumar (2013) finds out that claims settlement is one of the challenges life insurance companies encounter. Oketch(2014) supports this finding in Kenya insurance that claims management is a challenge in the process of retaining customers.

A prompt claims settlement has been identified as a tool to enhance performance in terms of Policyholders retention. Nema and Jatav (2017) in their reaserch findings pointed out that prompt services of companies is a major factors affecting customer retention of life insurance companies in India. They added that if a company does not effectively handle its claims, it affects its marketing and discourage clients from continuing their contracts with the company.

A good claim handling can be measured using faster or speedy settlement, quick updates of claims status, complaint handling and solution provision flexibility in supervision, and experience in claims management. According to Yusuf, Ajemunigbohun and Alli, (2017) claims handling

involves an early settlement, the actual compensation and communication regarding the claims process with the claimant. From this statement, the below hypothesis has been developed:

H3: Prompt claims handling has significant effect on Policyholders retention of Ethiopian Insurance Companies.

Hypothesis 4

Soye and Adeyemo (2018) defined Underwriting as the process of analyzing, accepting or rejects risks for insurance business. It involves assessing, classifying selecting, setting terms, calculating premium and deliver final policy to the policyholders. Underwriting process is applied to generate appropriate policy for buyers. It exhibited cyclical behavior and it can be done over time within a year as necessary and it is subject to any alteration and renewals. In dynamic insurance business environment, underwriting managers are responsible to systematically design underwriting service to policyholders in order to make stay to their insurance. According to Schaudel et. al 2018, underwriting excellence makes for insurers to simplified enrollment process by using digital system to fill questionnaires(a proposal to get insurance)'; this will enhance the customer experience.

Underwriting practices could be best explained by the simplified underwriting processes, renewal follow-ups, customization of insurance policies, usage of IT (in quoting, issuing polices, cancellation and renewals reminders) and cross-selling efforts by underwriters. Oketch (2014) pointed out that internal process through continuous follow up on renewal notification is a necessity to maintain customer in the same insurance company. Nema and Jatav (2017) sutided innovative products are one dimension that insurance companies should focus in order to improve customer retention accordingly. The below hypothesis developed:

H4: Underwriting strategies has significant effect on Policyholders retention of Ethiopian Insurance Companies.

Hypothesis 5

Intermediaries are Brokers or agents who represent consumers in insurance transactions. Insurance intermediaries are contracted with multiple insurance companies so they can focus on matching their client's needs with the most suitable insurance products (Kaleab, 2017). Insurance company

uses intermediaries as distribution channels for a premium consideration called commission to address the market adequately.

Intermediaries play a role in the process of identifying insurance company and facilitating the purchase of insurance products or risks management systems best suited to a client's insurance needs as well as managing the claims on behalf of policyholders. In a study of the role of insurance middlemen's in Ethiopia (Kaleab, 2017), the finding reveals that middlemen's support in bringing policyholders to insurance companies, used as a channel for underwriting, claim and marketing insurance product.

Cummins and Doherty (2006) investigated brokers play pivotal role in providing information to insurers, involves a complex negotiation process regarding coverage design, pricing (setting premiums), and placement of the business to insurance companies, enhances competitive bidding by aligning the insurers. They added that an intermediary needs strong working relationships with insurers to place business on advantageous terms. Accordingly, technical assistance (in underwriting and claims), detecting policyholders insurance needs, knowledge and understand of insurance products, relationship with insurance management , commission payments and tendering measures are identified as dimensions used to investigate their role in the process of policyholders retention. The below hypothesis is drawn to investigate the effect of intermediaries in the process of keeping existing policyholders.

H5: Intermediaries role has effect on Policyholders retention of Ethiopian Insurance Companies.

1.6 Significance of the study

This paper focuses on determinants of maintaining policyholders in financial companies, namely insurances providers in Ethiopia. Besides, this paper not only incorporates operational service claims management but also competition and elements of relationship marketing i.e personal– social bond as predicting factors that influences of retaining policy buyers. By doing so, the study provides possible evidence for regulatory body to take in to account critical issues in overall operation in relation to policyholders at time of formulating directives and proclamations.

Findings of the study provide valuable direction to management of different levels of insurers and indicate possible ways to enhance increased Policyholders (PHs) retention. Besides, other researchers can also use it as a spring board for further study and investigation on related topic. Particularly, the researcher has benefited from conducting this research by adding knowledge and values on insurance industry.

1.7 Scope of the Study

It is very difficult and beyond the scope of this paper to identify and discuss numerous factors that affect Policyholders retention. The study only incorporated selected predictors namely competition, personal-social bonds, prompt claims service, underwriting practices and intermediaries role in Ethiopian insurance industry.

All the seventeen Insurance companies included in this research. This research has also limited target population that is branch representatives found in Addis Ababa. Contact offices are excluded from this study. This research covers from service providers' perspective and not through the perspective of their policyholders. In order to analyze the direction of relationship and the extent of effect, the researcher depends using regression analysis tool that are only using primary

1.8 Organization of the Paper

This thesis is composed of five main chapters. The first chapter presents the introduction part which consists of statement of the problem, objective of the study, hypothesis, significance and scope of the study. In the second chapter, the theoretical literature, empirical literature, and conceptual framework have been addressed. Third chapter covers research design and methodology used. Findings of the analysis of primary data using both descriptive and inferential analysis presented. Finally; the last chapter summarizes the major findings and conclusions of the study with the necessary recommendations.

CHAPTER TWO

RELATED LITRATURE REVIEW

2.1 Introduction

The purpose of this chapter is to highlight the work of other researchers' view regarding the subject matter under study. Policyholders retention shall be explained in relation with and its relationship with affecting variables. The chapter discusses the theories and concepts underlying the study's research objectives. In the first section theories, empirical reviews and conceptual framework would be reviewed respectively.

2.2 Policyholder as a Customer

Policyholders are the major stakeholders and customers of insurance companies of any country. Woldegebriel (2011) explained three stakeholders in the insurance in any insurance market, namely the insured (which is the policyholder or consumer), the insurer (the service provider both the primary and secondary insurer), and the regulator (the government or an independent authority).

The major concern of insurance companies is insurance buyers. Without policy purchasers, no insurance company shall exist. Policyholder is defined by Meenakshi (2018) as one who takes the policy from the insurance company. In order to be treated as a policyholder, a person or company should buy insurance contract coverage from insurance providers which creates a pool to be compensated one another under the management of insurance company. As per Judy and Robert (2005) explanation, under a normal insurance agreement, each insurance policy buyer indirectly supports others risks where insurance companies collectively put individual risks to put it in others shoulder without knowing or direct connection to each other. This pooling arrangement helps insurance companies to create asset as a form of premium so that when unfortunate accidents happens, insurance companies facilitate the compensation from the collected cash. This is done at the back and no individual policyholder need to know or have direct connection with another customer.

In General Insurance (Non-Life) is an insurance contract where property and causality insurance dominates; a contract covers policyholder for economic loss caused by the so called peril in the policy. Concerning Life Insurance, a policyholder purchases a policy based on determinant factors of age and income. In both cases policyholders may buy two or more insurance products at a time and up on the need of policy buyer. As pointed out by Olayungbo (2016) regarding contractual agreement between insurance holder and provider, Life Insurance is a contractual agreement between an insurer (insurance company) and the insured (insurance holder), that a specified amount will be paid to a beneficiary after the death of the insured based on the paid premium. Non-life or general insurance, on the other hand, deals with insurance of properties other than life where the benefit goes to the insurance holder.

In Ethiopian Insurance sector, Policyholders (PHRs) are protected by National Bank of Ethiopia, the regulatory of Financial Sector. National bank has a mission to maintain safe, sound and stable insurance sector with the main focus of policyholders' interest protection in the process of consuming insurance products for their financial protection (National Bank, 2016). Policyholders purchase insurance products based on need, ability, and statutory law. For instance, there is an obligation for vehicle owners to buy Vehicle Insurance against Third Party liability Insurance as per Proclamation No. 799/2013. Customers either buy for the sake of their own economic loss or for discharging liabilities of others property and death that emanates from Statutory Insurance requirements.

2.3 Concept of Customer Retention

Customer retention starts with acquiring new ones and maintaining the acquired one for longer period of time by giving product and services beyond their expectations along with the way organizations serve existing customers (Boakye, 2011). Scholars are still not in agreement with the exact meaning of customer retention. Ayimey et. al (2013) summarize some of the argument what customer retention actually mean by questioning "Is it repurchase? Intent to repurchase? Referral? Or does it simply mean a feeling of loyalty to the brand?" These questions could be answered in respect of the object of the study and with dimension one want to measure.

Buttle et.al (2002) elaborate customer retention as the mirror image of customer defection, where a higher retention rate has the same significance as the low defection rate. They added that a retention rate should be measured, therefore, not necessarily be same to all companies and should depends on the nature of the business to avoid misleading conclusion on the repurchase cycle appropriate in the industry. Customer retention in terms of percentage share of customer purchasing may be more useful instead of in terms of the absolute numbers of customers. In the insurance industry, a policyholder may have several policies and may decide to cancel or replace a policy with another.

An insurance company tends to consider a policy or contract as a customer and, hence, when a policy is cancelled for nonpayment and later renewed, the new policy is taken to mean a new customer. It is misleading to treat either case as lapsed policies. In order to avoid wrong conclusions in measuring Policyholders retention, insurance companies should take a careful measurement of customers from time to time, checking other purchased policies on some accounts to same client, terminations over time and renewals of policies on other policies.

To summarize the above, scholars define customer retention from organization and customer's different perspective as follows:

Kotler (2008): Customer Retention is how companies or organizations are able to maintain the existing customers' based on establishing good relationship with all who buy the company's products.

Boakye (2011): Retain Customers' means keeping them active with the company to reduce customer defection. If the company does not keep them active they will slip away and eventually no longer be customers.

Ginn, Stone, and Ekinci, Y. (2010): Customer Retention has been broadly defined as the ability of a business to get existing customers to repurchase from them.

Oketch (2014) defines customer retention in his research paper entitled "challenges and opportunity of insurance market in Kenya" as the marketing goal of preventing customers from

going to the competitor. He added customer retention is the way in which organizations focus their efforts on existing customers in an effort to continue doing business with them and this state of being maintained occurs when a customer purchases a product or services again and again. Many researchers state that customer retention is very important for the company and they explain that to attract the customer and then retain that customer is important for the company. In this study, customer retention referred as a repurchasing of insurance policies over and over from same company at least for the next policy renewals.

2.4 Importance of Policyholders Retention

Maintaining existing policyholders is exercised by many organizations. Insurers especially focus on the repurchase policies as it is a competitive advantage among insurance companies as the nature of business requires policyholders to renew their policies yearly. Because it enables insures to gain a competitive advantage in the market (which is essential for business and firms' survival) Efforts shall be made from companies to serve customers at most satisfaction resulted in great production in premium. Kyei and Bayoh (2017) research has proven that higher retention results to higher market share, which in turn results to higher revenues

As reported by Nema and Jatav (2017), maintaining existing customers makes insurance companies profitable and saves a cost that has been incurred to attract new customers through recruitment, advertising and marketing efforts. Supporting this idea, Kotler and Keller (2012) elaborate how attracting a new customer may cost five times as much as retaining an existing one and hence Companies build customer share by offering a larger variety of goods to existing customers, training employees in cross-selling and up-selling. This suggests marketing must skillfully be conducted not only customer relationship management (CRM), but also partner relationship management as well. They explained the new trend of companies practice as deepening their partnering arrangements with key suppliers and distributors, seeing them as partners in delivering value to final customers so everybody benefits.

Conforming to the above, (Kotler, et.al., 1999) justified the importance of customer retention where competition is increasing and the costs of attracting new customers are rising. Keeping

customers is cost effective and it saves time and money as five times as much to attract a new customer as to keep a current customer happy. Offensive marketing typically costs more than defensive marketing, because it takes a great deal of effort and spending to coax satisfied customers away from competitors.

Keeping existing policyholders in a company for relatively longer period of time will increase revenue, increase referrals (word-of-mouth) to attract new ones, source of information for service improvement comparing to the previous trends.

2.5 Theoretical Foundation

Customer retention is a crucial area of study in the field of relationship marketing that is mainly concerned with keeping customers in the long term (Inkumsah, 2013). Understanding customer retention is better achieved by gaining in-depth knowledge of theories underlying to factors to be studied under this research. Most studies on insurance use policyholders and customers interchangeably, and the author of this paper uses same way while explaining theories of PHR.

2.5.1 Overview of Determinant Factors

Insurance companies in Ethiopia perform a wide range of activities such as market study, preparing contracts for each products, price determination and revision, actual underwriting/selling products preparing contract and policy, marketing and selling, underwriting, pricing, claims handling and technical assistance to their customers. The ultimate goal of insures is therefore to achieve company's mission and vision through these activities and building companies' good will.

Policyholders' retention is an important element of any insurance strategy in today's increasingly competitive playing field of the market in the industry. As it is an important factor, affecting Policyholders retention is reviewed in relation with scholar's thoughts and applied to select the study variables.

2.5.2 Market Competition

Insurance is a mechanism whereby providing peace of mind for policyholders throughout the policy period in exchange of consideration called premium. Premium is commuted usually by actuaries. According to International Actuaries Association (IAA, 2014) (though it is not defined actuaries and their roles by many countries legislations) and Angima, et.al, (2017), Actuaries use stochastic models and sophisticated regression analysis and data mining tools to take into account, severity and frequency of claims uncertainty and inflation as they all impact on premiums

An insurer to be successful in the long term in general and for short period in particular, its products must be priced adequately to pay its liability arise from claims and also to produce profits. At the same time, prices must be competitive with those offered by other insurers in the normal business circumstances to be reasonable from the policyholders' perspective. According to (Nema, & Jatav, 2017) customers often choose their insurer purely on the basis of price. In any insurers there is a competition in price to the level of under cutting specified price that correspond to the policies. Under-pricing risk is a risk which occurs when premiums are too low to cover claims and insurer's expenses. In connection with this, another challenge is the lack of sufficient switching costs for the consumer with sufficient information. Oketch (2014) argues that the more the alternatives attract, the more dissatisfied customers will switch service providers and vice versa. Even satisfied customers may switch if the alternatives attract. He added pricing (that prefers reduced price) and unethical customer snatching is the reason for losing customers. He also added that most banks are affiliated to some specific insurance either as sharing ownership or as one of shareholders in common ownership resulting to losing customers to other insurances who have affiliation with the relative banks.

Managers in the real world are faced with evolving and dynamic market competitions that become a challenge for them maintaining their existing customers, especially when the growth of the industry is low. Form the nature of insurance business, repurchasing an insurance policy is a key to measure policyholders Retention. At time of renewals, insurance companies may provide discounts so as to influence customers to continue the contract for the future. As stated in General Insurance convention (1997), changes in premium up on renewal would affect retention and the competitiveness of the renewal premium in relation to the market would also be a key factor in a

policyholder's decision process. In agreement with these, Daneshfar et al (2016) also states a premium rate increment has effect on changing the customer's decision to renew the policy in same insurance company. This statement is highly linked with price sensitivity of customer behavior in insurance market.

Ethiopian Insurers becoming known for price undercutting that significantly affect customers' decision to repurchase gain from same insurance company due to the presence of comparative availability of low premium in the market. Tsegaye (2014) explains, Ethiopian insurance industry is principally characterized by the repeated cutting of prices below those of competitors even to the extent of "price war". One insurer will lower its price, and then others will lower their prices to match and capture customers.

Customers, who are price sensitive, attracted by price alternatives and choosing the lower price offering company, will migrate from one company to the other to the extent of losing them indefinitely. Switching costs include investment of time or money that customers must make to adapt to the new supplier. Another important switching cost is exposure or risk, that is, the danger of making a bad choice. Customers feel more exposed when the product in question is important to their operation, when they buy from less well-known or well-established vendors or when the product is complex or difficult to understand (Buttle et.al. 2002).

Ethiopian insurance market now becomes a competition field for market share by many companies that have led to price undercutting. Some insurers are charging to the extent of unsustainable premiums. Azizi (2015) in his research pointed out that retaining existing insurance become a challenge for Ethiopian insurers due to the existence of price war among firms in the industry. This led to customers switching from the one and moving to the other regularly. This has an implication for customer behavior of switching to other low price insurer as no one by nature want to be charged more. Given the fact that price information is widely available and that there would seem to be substantial opportunities to take advantage of lower premiums for what appear to be homogeneous insurance products to policyholders that can switch them easily from one to another insurer.

2.5.3 Personal-Social Bond

Personal and social bonds have implication in financial market in general and insurance market in particular that it requires a repetitive communication and friendly attachment to policyholders both to attract and to maintaining good relationship with existing policyholders. Conforming to this, Emmanuel Boakye (2011) in his study on customer retention explains social bond as one of building approaches and company personnel exerts effort to work on increasing social bond with customers by individualizing and personalizing customer relationship. Berry, L. L. (1995) familiarized and considered relationship bond in a business as Financial, Social and Structural. Financial bonds characterized by incentives such as of discounted priced in order to maintain regular customers in short term. While Social bonds include customized and particular service emerged from long term, regular and past customer experiences. This type of bond usually resulted in a friendship relationship between buyer and seller. The later, Structural bonds usually assist customers to be more productive by improving organized service system using technologies that don't involve personal interaction.

Policyholders develop close contact and personal bond with sales personnel and with the assistance personal attachments they can select best insures based on such relationship. This might result in discounts and ease of claim compensation in favor of policyholders. As pointed out by Mboya, T. O. (2017) friendship is the tie that binds customers to service provider. Customers willingly remain in the relationship if they deem the friendship to be beneficial.

Social bonds develop as a result of person-to-person interaction during which trust may develop. Social bond characterized by Friendship ties that keep in touch the policy holder with sales personnel for longer period of time as a customer. Here, the issue of company branding might come in to question to policyholders once they have built individualized bond with sales managers. Insurers Premium can be gained in two possible ways. Either from effective marketing promotion or Social bonding; this includes sales and service agent relationships as well as other positive interpersonal relationships between the buyer and the seller.

This is because customer tends to have better social interactions with service providers as they stayed longer (Awad, 2012), Personal intimacy and social bonds maintain existing customers in the

insurance industry through development of trust, commitment, and friendship even to the point to tolerating service failures. In this connection, it is risky for Insures to recover policyholders that highly mobile with sales personnel while they move from one insure to the other. Begalle M. (2008) puts disagreements in literature regarding the ethical nature of relationship management viewing dark side of relationship as anticompetitive and manipulative due to an imbalance of power caused by inequities and underrepresentation of the consumer in market exchanges.

Personalized relationship in retention of policy holders is related with stability of employees in same company for relatively longer period of time. When Employee creates social bond with policyholders, and at the same time sales personnel's turnover increases, policyholders tend to follow and leave the first company that has been serving policyholder for years. This statement which is supported by Buttle and Associates (2002) that even it is difficult to develop long term social bonds with policyholders for companies that rotate customer management teams frequently. This could result in undermining the opportunity to develop long-term social bonds. Personal-social bond could be measured in terms of building trust and intimacy and commitment.

2.5.4 Operational Factors

Kotler and Keller (2012) defined service as any behavior or act based on a contact between two parties: the provider and the receiver. The essence of this reciprocal process is intangible or doesn't result in the ownership of anything. Service in insurance industry is the basic and core operational area and it is considered as not only marketing but also considered as company's competitive advantage. The importance of good service is underlined by the fact that a relatively high proportion of policy renewals. Insurance providers must satisfy consumers' needs or otherwise they will become redundant and irrelevant to policyholders.

Policyholders may not get the exit path to competitors in the first place if insurers implement practical and preventive retention strategies than reactive ones. From a management standpoint, managers should systematically examine existing service and delivery mechanism by receiving feedbacks that assist in service improvement and continually focus on designing product and services that will keep existing policy buyers insurance needs. In connection with this scholars explained how service excellence is essential to customer satisfaction and retention. Parasuraman,

Zeithaml and Berry (1985) explained that the provision of quality experiences is extremely important for customer satisfaction and retention; it is measured by service excellence either at the time of underwriting insurance products or at time of compensation. Though customer satisfaction measures are not sufficient to predict retention, they can help in applying straightforward strategies and tactics that improve retention, particularly for loyal and valuable customers (Ginn et.al. 2010).

2.5.4.1 Promptness in Claim Settlement

One of core operational areas of insurance companies is compensating policyholders for economic loss at time of unfortunate event. The main function of insurers is underwriting the risks and provides monetary compensation in settlement of loss that helps policyholder to be placed to their original financial position (Unachukwu et.al 2015). It was also indicated that prompt claims settlement by insurance companies has been identified as a tool to enhance performance in terms of customer satisfaction and loyalty. Policyholders are more likely to complain if the claim service is not satisfactory and make a negative impression in the mind of policyholders. This could result in policyholders choosing other insurers. This may affect policyholders to lapse and discontinue contract to this effect.

A study in Kenyan insurance market by Oketch (2014) shows that claims settlement is fronted as one of the major determinants of customer retention and he pointed out that Insurers need to take their claim handling function more seriously. This is because if a claim is handle well, it results to higher customer retention but if handled poorly, policyholders will lose confidence in the insurer and this may damage its most cherished reputation. In Insurance companies claims operation section is the place where insurance company best describes its service to influence customer experience in order to maintain existing policyholders. In line with this, (Yusuf, et.al, 2017) in their critical review of insurance claims management, they mentions measuring variable of promptness in claims compensation as: early settlement (in relation to fast settlement as to time), the actual compensation (the sufficient amount of compensation) and communication regarding the claims process with the claimant. These dimensions are very important in efficient and effective claims management. It is a common practice for Ethiopian Insurance to attract customers even loyal to other companies. This is to grab business from competing firms by providing better deals with the intention of stealing policy holders by putting attractive deals at time of loss events.

The need to shift from claims handling to efficient claims management has now been recognized by insurers and this is fundamental to profit and long-term sustainability of the company through customer satisfaction, policy renewal and customer retention. Dimension of claims promptness expressed in terms of time, complaint handling process (effective service recovery and complaint handling: apology, urgent reinstatement, empathy, symbolic atonement and follow-up) could be mentioned as some of the elements among many.

2.5.4.2 Underwriting Strategies

Policy underwriting is an initial stage for all insurance processes and still the first exposure for insurance buyers where buying and selling of contracts affected. Policies in insurance companies are considered as product offerings and are intangible ones as they are promises and not commodities. The life cycle of an insurance policy contract begins with underwriting, issuing a policy, continues up to renewing expiring Policy. Underwriting is a tedious and labor intensive process on behalf of both the applicant and the underwriter.

According to Soye and Adeyemo (2018), underwriting in insurance is defined as a process whereby the underwriter analyzes, accepts or rejects risks for insurance businesses. This process also involves assessing, classifying and selecting the insurable and non-insurable risks, setting the insurance periods, terms and conditions as well as liability limits and calculating the premium rates along with fulfilling the necessary documentation

Insurers might take long underwriting process to assess the hazardous nature of the risk to determine whether the risk to be accepted or rejected. Underwriting managers go through repetitive process to provide a policy to policyholders that involves repetitive process proposal form, surveying the subject matter, pricing, delivery of a policy are some of the activities. Shortening underwriting process and policy delivery on time and technical advice to the policyholders with skilled manpower is a key for insurance companies to measure efficiency. According to Ginn et.al, (2010), an important element of retention management is managing service failures.

Starting from the day one of a policy, underwriting process might continue to be discharged until the policyholder left the insurance company. The contracts are subject to any alteration/modification throughout the policy life time. A policy could be altered with endorsements either for cancelation, renewal, increase or decrease of sum insured (the value of the property under protection). In order to maintain the existing policyholders and to take competitive advantage in underwriting service delivery, underwriting strategies shall be implemented so that it would result in developing good CR at time of underwriting. Insurance business manager responsible for a product and service operates in a constantly changing environment (Soye and Adeyemo 2018). In dynamic insurance business environment, underwriting managers are responsible to systematically design their underwriting service to match with policyholders need so that they stay loyal to their insurance provider. Underwriting strategies could be best explained by the following variables:

Simplified underwriting process

Simple underwriting process enables insurance companies to make more strategic marketing plans, such as developing proactive campaigns to retain these easy going customers or capitalizing on opportunities to sell incremental policies to targeted customer market segments. According to Mbataru (2018) who conducted a study in declining underwriting profitability in Kenya, insurance companies in developing countries work on inefficient and inconvenience paper work during enrolment and claims processing.

Product Innovation and Customization

Awad (2012) reported that by receiving feedbacks from service users, management team should thoroughly examine existing service and products to design and redesign as per customers requirement for the selected target customers. As explained by Kyei and Bayoh (2017), product innovation is the creation, development and implementation of a new product, process or service with the goal of improving efficiency, effectiveness or competitive advantage. They added, Customer-firm context can be viewed as a new product or services created by the service provider specifically designed for its customers.

Insurance policy innovations can be developed when competitive forces and consumer demand encourage the companies to propose attractive and alternative packages. Ethiopian Insurance industry characterized by selling standard insurance contracts usually life, property and liability insurance across the board leaving small room for innovation and customization (Asegid, 2018). Nowadays, the effect of globalization tends to shake the current trend as many multinational companies bring their offices in Ethiopia. As a result, multinational companies have insurance needs similar to that of aboard branches/offshore offices that highly required much of tailor made products to accommodate the global system. Ethiopian market is a stagnant market for new product development and customization up to the need of policyholders. According to Berhane (2011), Ethiopian insurance sector characterized by limited availability of technical skills for product development and management has restricted the development of new products. In this regard, one can know easily each underwriting product is one and the same from one insurance company to another. In this case these policyholders do not have switching barriers as the market is similar and accommodate same product.

Cross selling and multiple contracts

Cross selling defined by Cambridge Dictionary as "the activity of selling a different product to someone who is already buying a product from the same company. This definition elaborated by Salazar (2010) as a means of increasing the number of products or services that an existing customer acquires from a company characterized by a horizontal growth effort to sell different product categories acquired by customers as a retaining strategy.

Keeping in touch with clients throughout the year can have several benefits for insurance companies. Insurance companies ensure their customers they are getting the coverage they need, confirm that they understand the benefits they're receiving, and verify that they are continuing to pay their premiums. Salazar (2010) added one of the most attractive strategies to ensure customers are getting all coverages is through cross-selling and up-selling. In short, the objective is to increase the number (or the value) of the products that a customer buys from accompany to make it more difficult for him/her to leave. To elaborate the above with examples, the researcher takes Ethiopian Insurers basic products that are basically common for all. Motor Third Party insurance is

mandatory for all insured, which only covers third party insurance for victims in car accident. However, this policy doesn't cover policyholders own vehicle insurance. Insurers here made efforts to sell own damage insurance product in relation with Third Party cover. Even, this could be extended for some of common insurance products such as Fire and lightning, Burglary, Personal Accident, Life Assurance and so forth.

In support of the above, IBM Corporation(2010) suggested that Insurance companies should predict, plan and carry out strategies that improve results to retain existing customers and develop campaigns to up-sell and cross-sell to them. It also suggested that Marketing departments can proactively identify customers who are likely to leave for a competitor and tailor specific efforts to save that customer based upon their unique characteristics and past experience.

Ethiopian insurance industry (as a sector) is in turbulent competitive situation for a market and characterized by high customer mobility (Tsegaye 2014). It is also easier and less expensive to retain existing customer than gaining new ones. Since existing policyholders know and have a trust to affiliated companies, switching to other companies are more or less limited and customer mobility becomes stable. In such cases, Toops, (2014) put this idea relating to customer retention as: cross-selling in insurance improves retentions, increases profits, and strengthens relationships by offering customers everything from life to pet insurance. Salazar (2010) strengthen the above idea by stating that cross-selling, used as retention strategies, are just some of the methods which companies have used in order to maintain and protect their customers.

Policyholders' decision to stay in existing insurance firm is influence by many factors. One reason is having numerous policies in same company. In practice, Ethiopian Insures provides discounts to policyholders who buy bundle of insurance products to encourage buying behavior of customers who continue to repurchase and renewing policies in the same company. Supporting this notion, Frandsen (2016) pointed out that customers demand for multiple insurance products optimizes once insurance need and it serve as a model to measure retention rate and the likelihood of cross selling to existing consumers. He also confirmed that it helps in modeling for the entire insurance portfolio.

2.5.5 Intermediaries (Agents and Brokers) Role

In any insurance market there are three major actors; namely insurance providers, intermediaries (agents and brokers) and policyholders. In practice agents are assigned by insurers and act within insurance companies mandates whereas brokers act on behalf of potential policyholders representing their potential clients. Mass explained in his study on functional approach (Mass P., 2010) that an insurance intermediary (or broker) is an individual or business firm, with some degree of independence from the insurer, who stands between the buyer and seller of insurance. Optimally, the broker acts completely independent of the insurer and works for and represents the interests of its customers. Insurance brokers are responsible to assess the need of their clients, identify products and finally connect clients to insurers. Agents and brokers place risks with insurers they select and address the needs of policyholders with the appropriate products. In exchange they will collect remuneration, called commission. This commission is paid by insurance companies and not by the insured.

Cummins and Doherty (2006) pointed out that brokers play pivotal role in providing information to insurers, involves a complex negotiation process regarding coverage design, pricing (setting premiums), and placement of the business to insurance companies as well as enhances competitive bidding by aligning to the insurers. They added that an intermediary needs strong working relationships with insurers to place business on advantageous terms. Insurers heavily rely on insurance intermediaries not only to sell their products but also to gather information to be utilized during the underwriting process. In this connection intermediaries are playing major role both in acquiring and maintaining existing customers with their informational power to influence Policyholders decision to continue with the same insurer over time. In a very competitive market, struggling for major volume of premium production is a common phenomenon. In this connection an issue of ethical behavior comes in picture while studying Ethiopian Insurance Market.

Haron, Ismail and Hamzah (2011) noted unethical remarks about competitors as false or misleading representations of products or services, failure to identify client's needs and recommended products and services that meet those needs, lack of knowledge or skills, and conflicts between opportunities for personal financial gain and improper performance of one's responsibility". The opposite of the above items is obviously considered to be ethical selling characteristics exhibited by intermediaries.

National Bank of Ethiopia, the governing body of insurance industries, defines the term Agents and Brokers through its directives, Directive No. SIB/30/2007 and Directive No. SIB/31/2010 respectively, as follows:

"Insurance Agent" or "Agent" shall mean a person licensed by the National Bank of Ethiopia as an insurance agent who, acting for and on behalf of one or more insurers, engages in: (a) soliciting or procuring insurance business; (b) work preparatory to the conclusion of, or in concluding of insurance; and (c) activities relating to the continuance, renewal or revival of contracts of insurance or in assisting in the administration and performance of such contracts.

"Insurance Broker" or "Broker" shall mean a person licensed as an insurance broker by the National Bank of Ethiopia who, acting for and on behalf of policyholders or proposers for insurance: a) places insurance business with insurers; b) carries out work preparatory to the conclusion of contracts of insurance and reinsurance; and c) where appropriate, assists in the administration and performance of such contracts.

Ethical selling practices of agents and brokers should be studied systematically/scientifically. Agents are the sole representative of insurers while brokers have a chance to choose placing the business with their own decision.

Agents Selling Practice: As agents are the sole representatives of insurance company the unethical selling practice could arise from lack of knowledge, poor consultation of insurance products (what it covers and not), lack of claims processing support and focus on the big deals and forget lesser ones. At time of breaches mistrust and other unethical behaviors have occurred in the industry. Due to this policyholders would be at risk in purchasing of unclear contracts, and unfairly settling claims that lead to searching for new insurer. According to a Center for Continuing Education, the agent inquires insurance, discusses product features, collects premium and performs ongoing customer service on behalf of the insurer. Each of these duties must be performed with care and an effort to meet customer expectations; and this has to be set by the insurer to meet customer's needs as important and not focusing solely on the big sales and big deals (ACCE, 1998).

Brokers Selling Practice: In insurance business is disruptive and affects policyholders in their decision to continue the business or not. The customers' attitude towards the industry is also ethical selling behaviors has to be practiced by each intermediary. Usually policyholders listen to unethical intermediaries' misinformation about their insurer's services, management inefficiencies, and over all company profile. They become manipulated for some bribe gained in addition to remuneration or commission offered by other insurers. As stated by Haron et.al. (2011) false or misleading representations of products or services, failure to identify client's needs and recommend products and services that do not meet those needs, lack of knowledge or skills, and conflicts between opportunities for personal financial gain and inappropriate performance of one's responsibility and unethical remarks about competitor firms will affect business environment.

Brokers and agent in insurance acting as distribution channels have the ethical responsibility toward competitors to engage in fair trade practices. As stated by ACCE (1998).Attempting to make a sale based on false statements against another agent or insurer puts the falsely accused party at an unfair disadvantage in the marketplace. In addition, if distorted and false information is circulated repeatedly an insurer's overall financial stability could be harmed since policyholders could begin to surrender policies in large numbers

2.6 Empirical Review

Several studies have emphasized the significance of customer satisfaction on customer retention in insurance industry. Finding empirical evidence for the selected independent variables under this study is found to be a difficult task. Though using customer satisfaction as mediating factor, customer satisfaction and customer retention are two of the most important factors regarding the long term success of a company. The researcher tried to support the independent variables evidences under study with some empirical findings related to customer retention examined by scholars. Most literatures use customer loyalty to describe customer retention to indicate staying in one firm shows the loyalty of customers. The researcher to this effect applies customer loyalty as empirical evidence in describing customer retention in relation to determinant factors.

According to a study on challenges of life insurance (Gebreal, 2016) it is emphasized that unhealthy spiral of premium cutting about 34.5% and 31% strongly agree and agree respectively that unfair competition among insurance companies is a big challenge for insurance companies to

retain their customer in the long run. Furthermore, Virvalaite, Saladiene and Skindaras (2009) in their study titled "The relationship between price and loyalty in services industry" indicated that relationship between service price and customers loyalty correspond all assumptions of linear multiple regression are correct, reliable and may be applied to empirical research. Having analyzed factors of customer's loyalty, the paper concluded that the main factors effecting customers' loyalty are service price-value, service quality and customers' services.

Interpersonal relationship with customers has shown an effect on customer loyalty by measuring CR in relation to trust, communication and competency. According to a study on "The impact of relationship marketing on customer loyalty enhancement" by Abtin and Pouramiri (2016), results revealed that there were strong positive correlations between dependent variable (customer loyalty) and each of independent variables including trust, satisfaction, management, communication, and competence and advocates that the relationship between each independent variables and customer loyalty was direct. It means that as each of the aforementioned independent variables increases, customer loyalty also increases as well.

In a study made to know reasons for Lapsation (non-renewing) in life by Subashini, and Velmurugan, (2015) under the title "Lapsation in Life Insurance Policies" , the researchers found out by ordering method 1-10 mean score which is calculated by dividing the total score by the number of respondents. The factors that lead to policy lapsation are miss-selling of the product and increase in complaints by existing policyholders that ranks first and followed by financial burden of the policyholders; high premium rate is ranked third and followed by none transparency in the procedures, agent force to cancel existing policy and insist PH to purchase another new policy, provision of poor customer service, delay in renewal notice, wrong prospecting of customers and long term payment.

A research done by Nema and Jatav (2017) studying determinants of customer retention in health insurance sector measured the relationship between product, price, service, tangibility, reliability and responsiveness on customer retention. The objective of the study was to identify the various determinants that affect customer retention and to measure the impact of customer retention in the sector by using 5 point Likert scale questionnaire to test hypothesis. The result shows that product dimensions such as of customization of policies and providing wider coverage, innovative

products, riders, top up options available affect customer retention. The other finding in this same research indicates price has significant effect in retaining customer. The parameters used to measure this hypothesis are transparency in price, competitive premium and discounts that null hypothesis. There is no significant difference between price dimension and customer retention. The study also considers service effect on customer retention and finds out that service provided such as of regular policy statement, easiness in claims settlement, easy procedures, willingness to renew policies have effect on customer retention in health insurance sector.

Cummins and Doherty (2006) pointed out that brokers play pivotal role in providing information to insurers, involves a complex negotiation process regarding coverage design, pricing (setting premiums), placement of the business to insurance companies, enhances competitive bidding by aligning the insurers. They added that an intermediary needs strong working relationships with insurers to place business on advantageous terms.

A study by Pezhman, Javadi and Shahi (2013) entitled "Analyzing the influence of ethical sales behavior on customers' loyalty through customer satisfaction and trust in insurance company" analyzed the role of ethical salesperson towards customer loyalty. This research analyses the role of ethical salesperson behavior in the process of building customer loyalty through customer satisfaction and trust in the insurance industry. The results show that ethical sales behavior positively affect customer loyalty in the automobile insurance (customer satisfaction and trust as a mediating factor) industry. Accordingly from the above literatures and empirical studies, it is observed that policyholders retention in Ethiopian Insurance Industry could be affected by various factors. Among them personal/social connections, underwriting and claims service, multiple contract selling efforts by sales personnel and intermediaries performance while selling insurance offers are the selected main factors to be dealt in this study.

2.7 Conceptual Frame work

Conceptual framework is intended to develop understanding of the factors that affect retaining customers. According to Mugenda (2003), conceptual framework involves forming ideas about relationships between variables in the study and showing these relationships diagrammatically. The below conceptual framework for this research is mainly based on the dependent and independent variables elaborated in literature review from different sources. This

research study deals with mainly five independent variables (Market Price Competition, Personal-Social Bonds, Cross-selling, Underwriting efficiency, Promptness in Claims Settlement and Intermediaries unethical behavior) and one dependent variable i.e. Policyholders Retention. The purpose of this study as mentioned above is to find out the relationship between independent variables and dependent variable. The below conceptual model has been developed to pasteurize the relationship between dependent variable and independent variables.

Figure 1.1 Conceptual Frameworks

Independent Variable   Dependent Variable
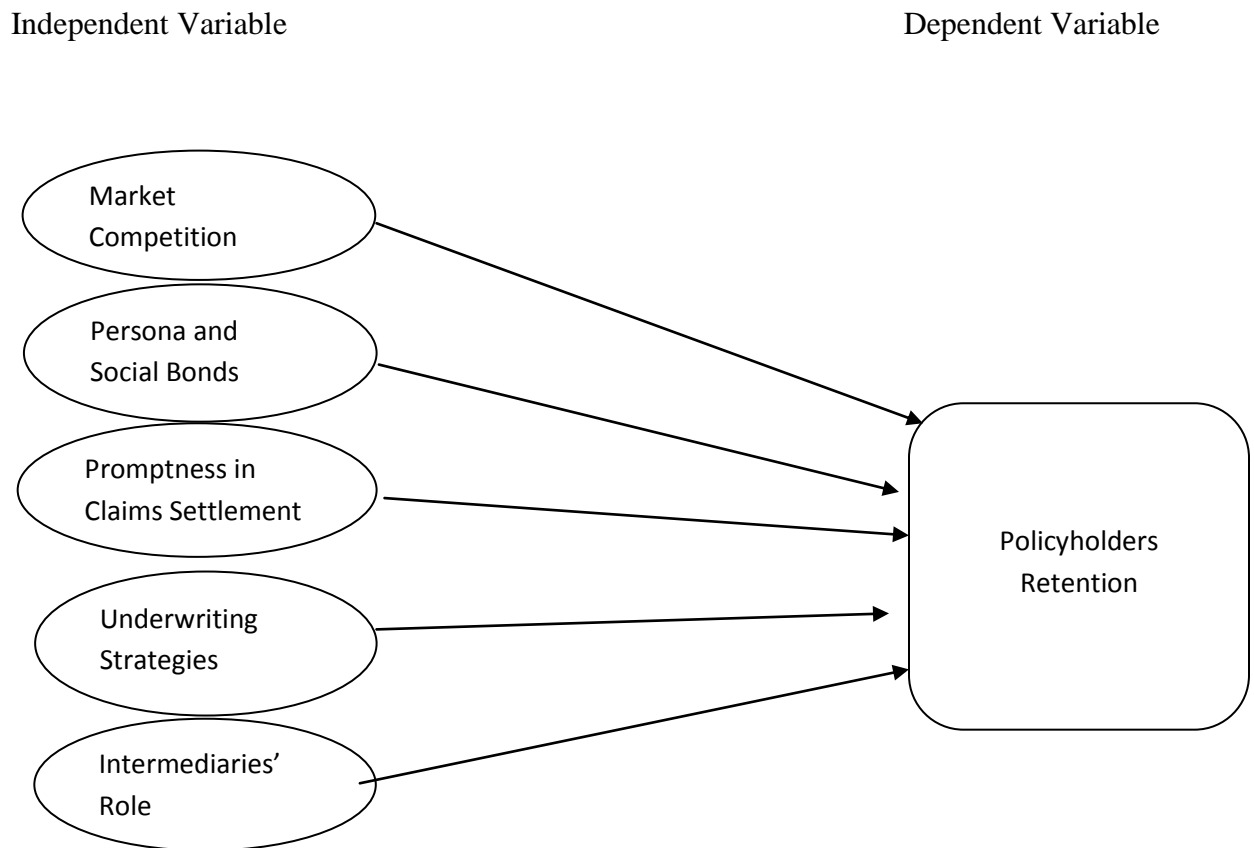
Source: Developed by the Researcher from theoretical reviews

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This research paper addresses general and specific objectives using appropriate research design making sure that the information gathered answers the research gap. This chapter presents research design, sample size, sampling techniques, data collection instrument and finally, data presentation methods.

3.1 Research Approach

Quantitative method in this study used as approached. According to Creswell (2009), quantitative data is any data that is in numeric so that be used to analyze using tools such as statistics, percentage, mean, etc. This approach is a means to test objective theory by examining the relationship among variables. For instance, in this study competition, personal-social bonds, claims handling, underwriting strategies and intermediaries are constructed to be properly measured in order to examine their effect and relationship on Policyholders retention.

3.2 Research Design and Methodology

A research design is a key part for any research by which the design matters in addressing the real problem with the real solution through factual finding. The research design helps the researcher to obtain relevant data to fulfill the objectives of the study. According to Kothari (2004), research design is a conceptual structure with in which research is conducted; it establishes a map for collecting, measuring and analyzing data. It ensures that the study would be relevant to the problem and that it uses efficient procedures. Creswell J (2009) also shared Kothari's idea that research design is a plan or a proposal to conduct research.

Explanatory research design is used in this study. It is chosen explanatory since it explains the cause and effect relationship between predicting variables and PHR in Ethiopian Insurance Companies. This type of design better helps in identifying the relationship between independent variables and dependent variable in greater extent. Zikmund et.al (2010) explained about explanatory research as the one that allows causal inferences to be made and seeks to detect cause-and-effect relationships between variables. It suited and more appropriate to find out the effect of a

group of selected independent variables in this case competition, personal-social bond, underwriting techniques, prompt claims handling and intermediaries' role on Policyholders retention (dependent variable). Descriptive design is used to describe the demographic background of respondents. This is because the researcher is interested to know sex, education and experience distribution of the sample to have better understanding about the general industry branch representatives' profile.

3.3 Target population

According to NBE Quarterly bulletin 2018/19, the total numbers of branches all over Ethiopia were 558; out of this 299 are located in Addis Ababa. Sample size was 171 where unit of analysis is 149 branch representative who overseer the branch offices. Number of branches considered from each company is shown Annex II. Branches out of Addis Ababa are excluded from this study due to the fact that more than fifty percent of the total branches reside in the capital city. Moreover, branches that bases in capital city are selected for the reason it is easy to access respondents, cost effective and favorable to get input for the research.

3.4 Sample Size

The researcher uses the following simple sample size determination formula for a definite number of populations developed by Yamane (1967) at 95% confidence level.

$n = N/1 + Ne^2$

Where:

n; Sample size

N; Population size, 299

e ; Level of precision or sampling error (0.05)

The result of sample size calculated is 171.

Sample size proportionated to seventeen insurance companies by considering branch size followed by using formula proportioned sample:

Proportional Branch Sample = <u>No. of Branch in Addis Ababa</u>   x Sample Size (n)

Total Branch Network

Table 1 Proportioned Sample and Branch Networks in Ethiopia

S/No.	Insurance Companies	Business Engagement	Target Population A.A	Proportionated Sample Branch
1	Abay Insurance Company S.C	Composite	13	7
2	Africa Insurance Company S.C	Composite	16	9
3	Awash Insurance Company S.C	Composite	27	15
4	Berhan Insurance Company S.C	General	10	6
5	Bunna Insurance Company S.C	General	12	8
6	Ethio-Life Insurance Company S.C	Composite	16	9
7	Ethiopian Insurance Corporation	Composite	25	14
8	Global Insurance Company S.C	General	11	6
9	Lion Insurance Company S.C	General	16	9
10	Lucy Insurance Company S.C	General	12	8
11	National Insurance Company of Eth. S.C	General	21	12
12	Nib Insurance Company S.C	Composite	27	15
13	Nile Insurance Company S.C	Composite	20	11
14	Nyala Insurance Company S.C	Composite	15	9
15	Oromia Insurance Company S.C	Composite	19	11
16	Tsehay Insurance Company S.C	General	14	8
17	The United Insurance Company S.C	Composite	25	14
	Total Branch Network		**299**	**171**

Source: NBE, Second Quarter 2018/19 Bulletins

Out of distributed 171 questionnaires, 149 are responded. The responded questionnaires make up more than 85% of the total that is adequate to make analyses.

3.5 Sampling techniques

The researcher used stratified random sampling method specifically. Stratified involves dividing the entire population in to homogeneous group, in this case insurance companies. As per the proportionate sample size indicated in the above table 1, all branches from each insurance company got an equal chance by using lottery technique method from the sampling frame (Annex III). Each company's branch names are written and folded. A blind selection is made until the required numbers of samples are selected for the desired sample. The researcher considered

branches found only in Addis Ababa district that are responsible for branch operation. Managers of outlying branches are excluded from the study since they are unreachable part of the population under this particular study.

Branch managers were considered to obtain first touch and right hand information from the right person related with Policyholders service experience. The branch representatives are the fore front responsible personnel for overall business performance in general and dealing with policyholders in particular in day to day selling, service issue, strategies to underwrite the policy and maintain policyholders to that specific insurance, gathering information regarding the market practice, procuring with brokers and for the last but not the least handling policyholders complainant regarding service provision.

3.6 Data Collection Instrument

The researcher obtained data from primary source through structured and unstructured questionnaires. For the structured questions, there were very positive to very negative reactions (five response categories 1= strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree) towards predictor variables. This method preferred because of its high-speed in data collection, and its being economical that questions are asked exactly as they are written, in the same sequence, using the same style for all respondents, This speeded up high responses from respondents due to its easiness to capture respondents' reflection toward the study objective.

The questionnaire sectioned in to three parts. Part one dealt with demographic data, part two incorporate question regarding selected predicting factors (competition, bonds, prompt claims service, underwriting practices, intermediaries) and their effect on Policyholders retention. Part three is open ended questions that gave chance to explain any related issues regarding the subject matter under study. Plenty of information gathered regarding challenges, possible solution and over all comments with relation to Policyholders retention in Ethiopian insurance industry. One hundred and forty nine questionnaires were commented in open ended spaces that make up 85% from collected questionnaires. It is considered being sufficient and summarized accordingly.

3.5 Data Analysis and Presentation

In this study two main methods of data investigation approaches namely descriptive and inferential analysis were employed. The relevant raw data were collected, coded and then value of each

independent and dependent variables question (Likert item) were taken to calculate cumulative for the analysis.

(Zikmund et.at., 2010) justifies Likert scale quantity series of statements related to subject matter under study has been used and it will provides quantitative output to measure predicting factors that allowed respondents to rate how strongly they agree or disagree with carefully constructed statements, ranging from very positive to very negative reactions toward dependent variables This helps to find out how dependent and independent variables are related. This was done using statistical package for social science software (SPSS) version 20. In the descriptive analysis part frequency, percentage distribution, tables and pie chart were used.

In the inferential part, Person Correlation was used. Besides, multiple regression models was adapted to describe the strength and direction of the linear relationship between dependent variable (Policyholders retention) and independent variables (competition, personal-social bond, prompt claims handling, underwriting strategies, intermediaries role). Post estimation test (model fit, linearity, normality, homoscedasticity and multicollinearity) were conducted. Linearity, normality and homoscedasticity were tested using graph, histogram and scatter plot diagram. Besides, test for multicollinearity were done using variance inflation factor (VIF) and founded out to be fit.

Descriptive Analysis: Frequency and percentage distribution were used to describe background information and summarized in a meaningful way.

Inferential Analysis: Correlation and regression analysis methods were employed to analyze the collected data. Pearson correlation analysis was done measuring the degree to which variables are related to one another. This correlation helps to measure the magnitude of the relationship of the independent variable on the dependent variable whether the relationship is significant or not. Multiple regression was employed to analyze and investigated the effects of competition, relationship bonds, promptness in claims handling, underwriting strategies and intermediaries role on PHR. Independent variables studied has been examined to know the contribution of each independent variable that most explains the relationship with PHR.

3.7 Model Specification

According to Brooks (2008), it is valid to use mathmatical model for multiple varaibles when there exists more than one explanatory and to eximine the effect of those varaibles together on dependent variables. The below mathmatical model was suggested at the initial stage to describe more than one explanatory variables.

$$Y = a + \beta X1 + \beta X2 + \beta X3 + \beta X4 + \beta X5 + \epsilon$$

Where:

Y= Policyholders Retention

a = Y-intercept

β = Coefficient of the independent variables

X1 = Competition

X2 = Personal-Social Bond

X3 = Prompt Claims handling

X3 = Underwriting tactics

X3 = Intermediaries role

ε= Error term (residual)

3.8 Description and Measurement of Variables

3.8.1 Dependent Variable

Policyholders Retention: Companies considered customer retention as an important business objective but fails to define or measure it well as described by Aspinall, Nancarrow and Stone, (2001). This would not be exceptional for Ethiopian insurance companies too. Customer retention is normally presented as a percentage of lost customers versus existing customers over a period and can be seen from keeping customers and this can be extremely challenging for management to keep retention rate up to the level expected (Kumar, 2015). According Aspinall et. al (2001),

companies should measure customers retention rate in order to keep them continually, to improve renewals of purchases and response to related activities.

Consideration of retention is made due to the nature of insurance business that most of contracts are periodically renewable. Kumar (2015) explains there is no hard and fast rule on measuring Policyholders Retention; it depends on the industry or the type of business companies engaged. Hadush (2014) in a study on customer retention, measures customer retention as encouragement of positive referrals, repeated purchase and reputation. Reputation in this research paper not considered to measure retention as the study is made from insurance companies' perspectives. Policyholders retention measured by using a four-item, five point Likert-type scale, from the activity that an organization undertakes to achieve policyholders retention target, activities to increase the repetitive purchase/renewals of insurance policies to maintain existing customers, minimizing loss of policyholder and increasing referrals.

3.8.2 Independent Variables

3.8.2.1 Market Competition

Ethiopian Insurers becoming known for price undercutting that significantly affects customers decision to repurchase gain from same insurance company due to the presence of comparative low premium in the market. Tsegaye (2014) explains, Ethiopian insurance industry the one that principally characterized by the repeated cutting of prices below other competitors even to the extent of "price war". One insurer will lower its price, and then others will lower their prices too in order to match with others and capture customers. Aziz (2015) revealed that availability of similar products result in customers to move in to other companies. Demarso and Abba (2020) explained competition from the view point of type of insurance products, amount of premium price and number of competing branches exist. This research measures market competition referencing other scholars mentioned as a challenges in customer retention in insurance industry. According to Oketch (2014), bank pressure is the major market challenge in retaining customers due to bank-insurance affiliation that puts pressure on policyholders to buy insurance from other affiliated ban-insurance companies.

Competition was measured by using a Seven-item, five point Likert-type scales. The items developed by the researcher for the above are premium price, making discounts, competing on specific policy terms, market share struggle, competing through contact office expansions and competing with similar products and banks pressures

3.8.2.2 Personal-Social Bond

Cater (2007) stated relationship bonds are investment of time and energy that results in positive interpersonal relationship, the degree of mutual personal friendship and liking shared by the buyer and seller and this marketing relationships help service companies to positively influence their customers. Mascareigne (2009) pointed out that social bonds, personal relationship and trust presented as efforts to be built by service providers to win the heart of their customers. Insurance companies base this relationship to retain their policyholders.

The researcher, from the above points, developed a Seven-item, five point Likert-type scales for measuring personal-social bonds. The items developed by the researcher for the above suggestion is based on others definition of relationship bond. Developing long term relationship, frequent contact and visits, information communication, interpersonal relationship, friendship ties and social attachments and mutual rewarding relationship are used to measure relational bonds.

3.8.2.3 Prompt Claims Handling

Claims handling is one of the major funtion of insurance companies. Companies can prove their contractual promises to policyhodlers at time of bad fourtune. Unachukwu et.al (2015) defines claims settlement as making compesnation to policyhodlers at the event of loss . Claims handling is far greater than just complying with the contractual promise. It serves as an opportunity where insurance companies sell their service to customer and enable them to retention PHs as a marketing tool. According to Yusuf et.al (2017), claims handling involves responsiveness, flexibility and management of work flow, supply chain management and business intelligence.

Prompt claims handling in Ethiopian insurance companies was measured by using a seven item, five point Liker-type scale adopted and modified from service quality dimensions called responsive and competence by Parasuraman, et.al (1985). Prompt claims management computed to measure efficient compensation processing, timely settlement, and quick updates, speed

complaint handling and solution provision, experience in claims management and flexibility of management decisions in claims settlement.

3.8.2.4 Underwriting Strategies

Soye and Adeyemo (2018) describe underwriting as the process of analyzing, accepting/rejecting risks of insurance, pricing, and delivery of final contract to the policyholder. The process may continue throughout the year when there is any change and continue to recycling for the coming years. Mbataru (2018) describes strategies responses are part of competitive strategies that an organization develops in an effort to beat competition in response to changing business environment. Underwriting strategy is an activity insurance company undertakes in order to maintain policyholders to the expected margin.   To achieve its policyholder's retention plan, insurance companies are responsible to identify insurance need, simplifying process, product innovations, customization and using technology to maintain existing customers. Mbataru (2018) added that product development, technological and administrative innovations and minimizing manual process are underwriting strategies in connection to underwriting profitability.

To measure underwriting strategy, a seven-item, five point Likert-type scales was developed from research mentioned above. This research investigate and come up with measurement regarding underwriting strategies that companies usually follow such as simplified underwriting processes, renewal follow-ups, customization of insurance policies, usage of information technology (in quoting, issuing, cancellation and renewals reminders) and cross-selling efforts by underwriters.

3.8.2.5 Intermediaries Role

Cummins and Doherty (2006) reveals brokers play pivotal role in providing information to insurers, involves a complex negotiation process regarding coverage design, pricing (setting premiums), and placement of the business to insurance companies and enhances competitive bidding by aligning the insurers. Intermediaries play a role in the process of identifying insurance and facilitating the purchase of insurance products or risks management systems best suited to a client's insurance needs and managing claims process on behalf of policyholders. A study on insurance middlemen's role in Ethiopia by Kaleab (2017) identified middlemen's support in bringing policyholders to insurance companies, used as a channel for policy delivery, claim and marketing process of insurance company's product.

Intermediaries role measured by an eight-item, five point Likert-type scale to investigate sales agents' and broker's knowledge and understanding of insurance, technical support, identifying insurance need, relationship with insurers, influential role, commission considerations and tendering procedures.

3.9 Validity and Reliability

A preliminary analysis to test for reliability conducted using cronbach's alpha after the data was coded in to SPSS. According to Taber, K. S. (2018), this measure was developed by Lee Cronbach in 1951 to as a measure of reliability is known as a good measure of reliability. Its value ranges 0.7 to 0.8 are acceptable reliability while values between 0.8 and 1.0 are a considerable consistency between variables. The value of alpha computed for the independent variable is between 0.8 and 1.0 of this study. The researcher also consulted experts in the area of Policyholders retention and adjusted the questionnaire where the necessity arose before distributing them.

3.10 Ethical Considerations

The study was conducted by considering ethical responsibility. The researcher made clear to respondents the aim of the study and hence, data collection was done based on their voluntary participation along with non-disclosure of anonymity. The information gathered also strictly used only as input for this particular research paper.

CHAPTER FOUR

RESULT AND DISCUSSION

4.1 Introduction

In the first part of this chapter data collected about profile of respondents were analyzed using percentages, frequency, pie chart and tables. The second part dealt with managers' reply to the questionnaire related with determinants of policyholders with the level of their agreement. In addition, challenges forwarded by branch representatives they come across while carrying out the business along with probable solution on the subject matter also presented. One hundred seventy one sample respondents were chosen and questionnaire. Out of the total sample 149 respondents have replied and filled the form out and returned. This would make up above 85% out of total and found to be adequate to run computation.

4.2 Demographic Characteristics of respondents

The profiles of the respondents in the sample are summarized in the following tables. The demographic section of the questionnaire shows the information about the gender, educational level, age, work experience, position and current occupation. Table 4.1 presents the gender background information of the respondents.

Table 4.1Gender Distributions of Respondents

		Frequency	Percent
	Male	96	64.4
	Female	53	35.6
Valid	Total	149	100

Source: Own computation from survey (2020)

It is evident from gender frequency distribution table that majority of the respondents were males at (64.4 %) while (35.6%) were females. This implies that in Ethiopian Insurance industry like most other sectors, women involvement in managerial positions is less compared with males.

Table 4.2 Age Distributions of Sample Respondents

		Frequency	Percent
Valid	26-35	81	54.4
	36-45	57	38.3
	46-55	11	7.4
	Total	149	100.0

Source: Own computation from survey (2020)

Table 4.2 above is about the age distributions of the respondents. It is evidenced from age frequency distribution table that, majority of the respondents were youth where their age is between the age of 26 and 35 years (54.4 %). Now a day, most of these active age population group are engaged in running branch offices. Thus, it is a good opportunity for insurance companies to employ youth managers efficiently to be more productive and to enhance maintaining policyholders.

Figure 4.1 Educational backgrounds of the respondents
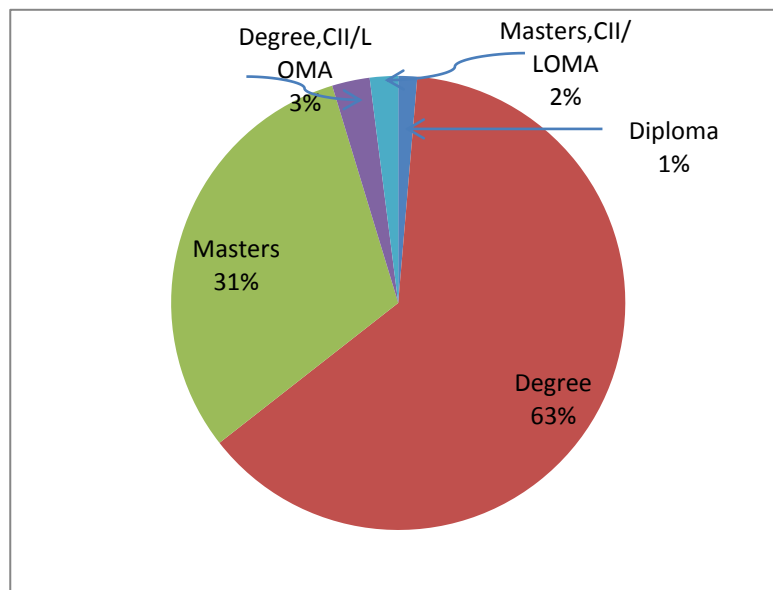
Source: Own computation from survey (2020)

The above figure indicated that the majority respondents were having a degree level education (63%) followed by Masters/ 2nd Degree (31%). The least percentage was occupied by diploma that counts only (1%).

In addition to level of educations stated above, there are insurance technical courses which are provided by international institutions such as CII (Certified Institute of Insurance of London) and LOMA Certificate (Life office Management Association) that are important accreditations for Insurance professionals. In addition to first and second degree holders, five percent of the representatives have added certifications of insurance which is an added advantage for course for insurance practitioners in dealing with insurance activities.

Table 4.3 Respondents' Business Engagement

		Frequency	Percent
Valid	Life and Non-life (composite)	94	63.1
	Only Non-life	55	36.9
	Total	149	100.0

Source: Own computation from survey (2020)

Regarding business type, the majority of respondents, 63.1%, engaged in composite companies. Composite insurance companies are those who do both on short term (general) and long term (life) were working for companies that do both life and general business. The rest 36.9% were working for companies that provides only general or non-life insurance.

Table 4.4 Respondent's current occupation

		Frequency	Percent
Valid	Branch Manager	124	83.2
	Deputy Branch Manager	10	6.7
	Branch Operations	11	7.4
	Acting Branch Manager	2	1.3
	Deputy CEO	1	0.7
	District Director	1	0.7
	Total	149	100

Source: Own Survey (2020)

As depicted in the table above, Branch Managers, Deputy, Acting and Branch Operation Managers in total accounts 98.6% and they are in charge of branch activities whereas the rest having equal proportions of 0.7% was working in a position of deputy Chief Executive Officer and district director. There are occupations such as acting, deputy and branch operations managers who are administering the branch offices directly on temporary bases until full entitlement. District directors are also branches managers but also manage other branch offices under them. Deputy chief executive officer is considered to respond to questionnaire due to the fact that one insurance company branch manager resigned recently so that overseer the branch overall branch activity.

The above data showed that, majorities of the respondents genuinely represent to identify major determinant factors of Policyholders retention since they themselves are working in the process of maintaining their customers in their day to day operations.

Table 4.5 Industry wise and Current Company Working Experience

		Current Company Experience					
		≤ 5	6-10	11-15	16-20	>20	Total
Industry Experience	< or =5Years	9	0	0	0	0	9
	6-10Years	31	34	0	1	0	66
	11-15Years	10	12	16	0	1	39
	16-20Years	9	4	4	9	1	27
	>20Years	2	2	1	0	3	8
Total		61	52	21	10	5	149

Source: Own computation from survey (2020)

Finally, regarding work experience of participants, it can be seen in the cross tabulation that work experience in the current company less or equal to five years are 61(40.9%). Respondents who have greater than five years' experience in the industry are 140(93%). The above table implies that almost half of the respondents who have greater than five years' experience are new for their current companies where this mobility has got to do with Policyholders retention at time of joining new companies. As indicated in literature reviews, Insurance Companies nature of business

involves close personal relationships to retain their policyholders for relatively longer period of time. The above finding indicates managers leaving previous employers to newly joined ones would have an impact on maintaining Policyholders where they used to get service in previous companies.

4.3 Reliability Analysis

Reliability test was conducted to examine the properties of measurement scales and the items in order to obtain the overall index of internal consistency of the scales. Cronbach's alpha is the most common measure of internal consistency.

Table 4.6 Case Processing Summary

		N	%
	Valid	149	100.0
Cases	Excluded[a]	0	.0
	Total	149	100.0

a. List wise deletion based on all variables in the procedure.

Table 4.7 Reliability Statistics for All Variables

Cronbach's Alpha	N of Items
0.866	40
Items	Cronbach's Alpha if Item Deleted
Competition	0.831
PS Bond	0.850
Claims Handling	0.836
Underwriting Strategies	0.812
Intermediaries Role	0.837

According to the above table 4.7, Cronbach's alpha for each field of the questionnaire was calculated. The values of alpha obtained are from 0.812 to 0.863. This reliability statistics is above the minimum required threshold i.e 0.7. Hence, it demonstrates the instrument is reliable.

The section below presents the results of correlation and regression analysis used to examine the relationships between the variables. The main purpose of the study was to gain insight in to how branch representatives perceive the factors that have effected in their activities in maintaining policyholders. Correlation and regression analysis was established between the factors and Policyholders retention at 0.01 statistical significance levels. This factors were made up of many items and these items were pulled together to form each factor respectively.

4.4 Correlation among Variables

Correlation analysis estimates the extent of the relationship between any pair of variables (Reimann,et.al 2008). The correlation coefficient is a measure of this relationship and depends on the variability of any two variables. Because of covariance, correlation coefficient can take a number with + or − sign (Reimann et.al, 2008). One of the widely-used methods to calculate a correlation coefficient is the Pearson product moment correlation. This method yields a result in a number between −1 and +1 that expresses how closely the two variables are related. ±1 shows a perfect 1:1 relationship (positive or negative) and 0 indicates that no systematic relationship exists between the two variables (Reimann et.al, 2008). In relation to the magnitude of correlation coefficient, Cohen (1988) stated that a correlation coefficient within the rage of 0.10 to 0.29 can be considered as small or weak, from 0.30 to 0.49 medium and from 0.50 to 1 large or strong relationship.

Table 4.8 Sample Correlation Matrix

	Correlations					
	Competition	PS Bond	CH	UP	IR	PHR
Market Competition	1					
Personal Social Bond	-.685**	1				
Claims Handling	-.744**	.783**	1			
Underwriting Strategy	-.410**	.425**	.555**	1		
Intermediaries Role	-.649**	.875**	.673**	.377**	1	
Policyholders Reten.	-.712**	.645**	.809**	.566**	.547**	1

**. Correlation is significant at the 0.01 level (2-tailed).
Source: Survey result (2020)

Table 4.8 shows correlation between dependent variable (Policyholders retention) and independent variables (Competitions, personal and social bonds, claims handling, underwriting strategies and intermediaries' role).

The correlation matrix shows that significant and strong correlation was observed between market competition and Policyholders retention. This implies that as one variable increases, the other variable decreases and vise-versa. This has revealed that when market competition gets stiff (in lowering price), when insurers offer similar product and when insurers compete through bank pressure, policyholders repurchasing intent decrease as the alternative attract them.

As it can be seen from the above table, Policyholders Retention, has positive and significant relationship with Personal and social bonds. When companies engage themselves towards building strong personal and social bonds thought trust, friendship, communicate and pay policyholders visit, the rate of maintaining policyholders increases.

There is also statistically significant correlation between PHR and Prompt claims handling. This indicate that when insurance companies improve their claim management and provide efficient claims settlement though fast claims service, sincere communication of updates, flexibility of decision and employee's experience towards claims handling has positive output to the rate of retention. As a result, it results in increases maintaining policyholders in the same trend. A correlation analysis also depicted that statistically significant positive relationship between underwriting strategies and PHR. This implies that the higher the score in strategic formulation of underwriting, the higher the rate of retention of Policyholders score, and vise-versa.

Furthermore, there is a positive and strong relationship between intermediaries and PHR. The higher the performance of intermediaries in influencing PHR decision, technical assistance, understanding and knowledge of insurance, relationship with the insurance companies, the higher the PHR influenced to stay in a particular company.

Table 4.8, indicated that, for example, handling claims efficiently increases by a unit, Policyholders Retention also increases by same magnitude and vise-versa. The first strong correlation was between retention and claims handling, $r = 0.809$, $p < 0.01$. The correlation between PHR and competitions was the second strong correlation, $r = -0.712$, $p < 0.01$. The correlation between retention and personal-social bond came third, $r = 0.645$, $p < 0.01$. The

correlation between policyholders retention and underwriting strategies was the fourth strong correlation, r = 0.566, p < 0.01. Finally, the correlation between Policyholders retention and intermediaries, was the fifth strong correlation, r = 0.547, p < 0.01.

There were statistically negative correlations between competitions with the rest independent variables. However the correlation among personal-social bond, Claims Handling, Underwriting Practice and Intermediaries Role were statistically significant and positive. The first strong correlation was between personal-social bond and intermediaries' role, r=0.875, p<.01. Intermediaries are channels through them insurance companies conduct business with policyholders. Increasing intermediaries' role (identifying customer's needs, selling insurance with insurance knowledge, influential power and technical support) increases relationship bond with policyholders the reverse also true.

The second strong correlation was between efficient claims handling with personal-social bond, r = 0.783, p < 0.01. Claims department is the one that conducts main operational activities of insurance companies where they demonstrate themselves to their customer as a chosen company. Through this institution outlet a strong bond with policyholders can be maintained in order to keep clients stay for longer period.

4.4.1 Tests of Assumptions for Multicollinearity

Hair (1998) explains multicollinearity assumption refers to the relationship among the predictor variables. It occurs when the predictor variables are highly correlated i.e r = 0.9 and above (The predictor variables have shown significant relationship with each other and correlation coefficients are not too high (table 4.9). This shows that the assumption of multicollinearity is not violated.

Table 4.9 Collinenarity Statistics Test of Independent Variables

coefficients**a**

	Tolerance	VIF
Market Competition	.406	2.460
Personal Social Bond	.166	6.041
Claims Handling	.263	3.800
UW Strategy	.691	1.447
Intermediaries Role	.227	4.409

a. Dependent Variable: PHR cumulative

The assumption of multicollinearity can also be assessed using SPSS as part of multiple regression procedure. In the collinenarity statistics, Tolerance and Variance of Inflation Factor (VIF) values are given. Cohen et.al (2013) describes tolerance is an indicator of how much of the variability of the specified independent variable is not explained by the other independent variables in the model and is calculated using the formula (1 – R squared for each variable. If this value is small (less than 0.10) it indicates that the multiple correlation which other variables is high, suggesting the possibility of multicollinearity. In this study the tolerance value for each independent variable was greater than 0.10 therefore, this suggests the assumption of multicollinearity was not violated table 4.9). As added by Cohen et.al (2013), the other value given above is the VIF, which is just the inverse of the Tolerance value. VIF values above 10 would indicate multicollinearity. Again in the present study the VIF value was less than 10 for all independent variables. This also indicates that the assumption of multicollinearity was not violated.

4.4.2 Homoscedasticity

Homoscedasticity states that the variances of error term appear constant over the range of the value of an independent variable. In regression analysis, this assumption states that the variances of the Ys, for each X, will be constant (Hair J. 1998). Standard suggestion for examining the assumption of homoscedasticity in regression analysis is to plot the predicted Y values against the residual values. The scatterplot shows that the points are concentrated around 0 which shows that no violation of homoscedasticity (Figure 4.2).

Figure 4.2 Scatter plot of Policyholders Retention
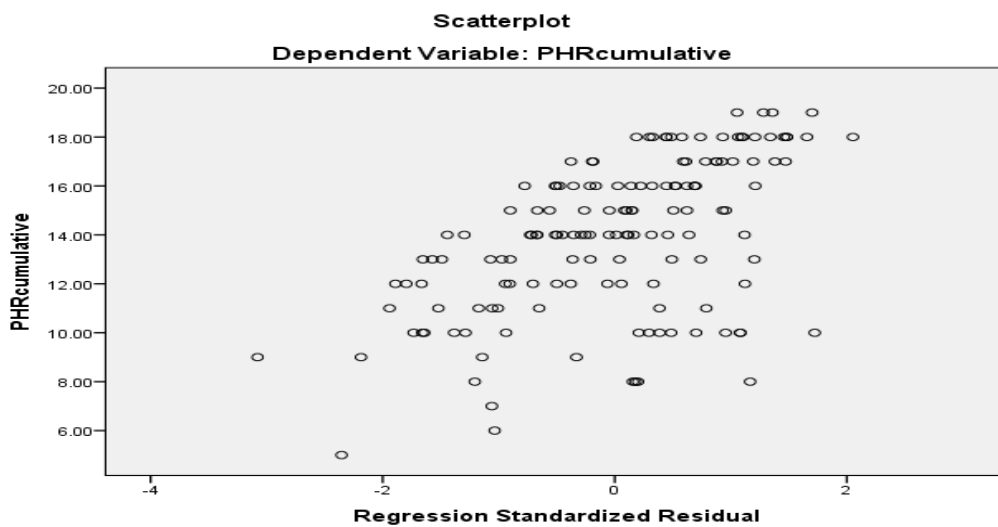
Source: Own Survey(2020)

4.4.3 Outliers, normality, linearity, independence of residuals

These assumptions can be checked by inspecting the Normal Probability Plot (P-P) of the Regression Standardized Residual and the Scatterplot shown as part of the analysis. If points lie in a reasonably straight diagonal line from bottom left to top right in the Normal P-P plot, no major deviation from normality can be suggested. In the present study, we can easily inspect from the Normal P-P plot that points lie in a reasonably straight diagonal line from bottom left to top right for all dependent variables (see figure 4.3). This suggests that the assumption of normality was not violated. In the Scatterplot of the standardized residuals, the residuals were roughly rectangular with most of the scores concentrated in the center, along the line 0. This also suggests no violation occurred regarding the assumption of independence of residuals.

Outliers can also be detected from the Scatter plot. From this Scatter plot is found out that there were no major outliers.

Figure 4.3 P-P plot of Policyholders retention
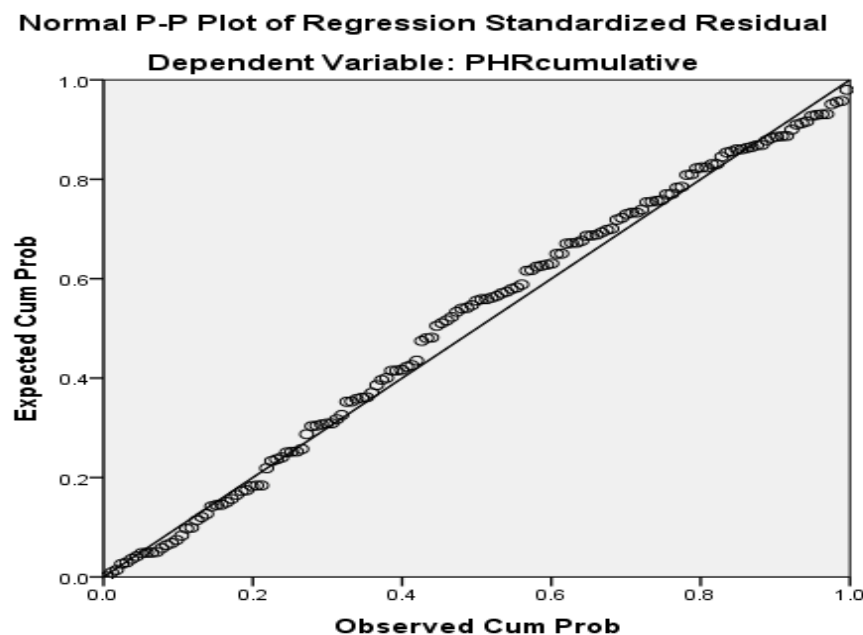
Source: Own computation (2020)

Normality can also be tested using histogram with a normal curve by drawing on distributions frequencies.

Figure 4.4 Histogram for Normality Test
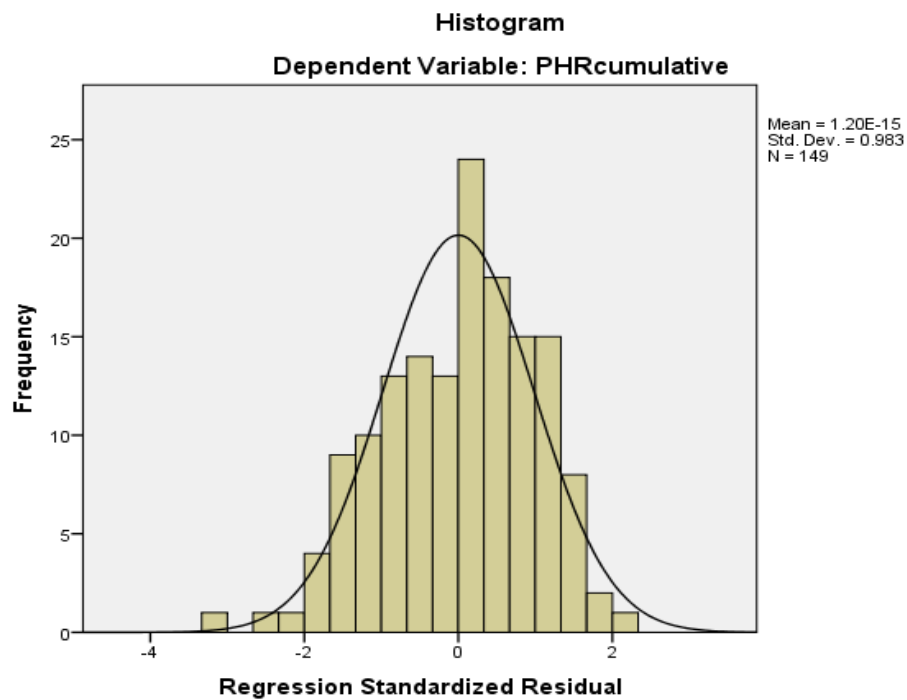
Source: Own computation (2020)

The aboe figure shows that the variables are normally distributed; besides, the shape of histogram is bell shaped which is also an indication for normality.

4.5 Regression Analysis

Regression analysis is a systematic method that can be used to investigate the effect of one or more predictor variables on dependent variable. This means, it allows us to make statements about how well one or more independent variables will predict the value of dependent variable. Particularly, this multiple regression was conducted in order to examine the effect of overall bundle of selected determinant factors on Policyholders retention.

4.5.1 Coefficient of Determinations (R^2)

R^2 is a measure of how much the independent variable explains the dependent variable. As shown in the table 4.10., R^2 value is 0.704 which means that the independent variables (Competition, Personal Bonds, Claims Handling, Underwriting Strategies and Intermediaries) can cause 70.4% of the variation in Policyholders Retention. The rest percentage (29.6%) is contributed by other

variables which are unaccounted factors in this study this study. Besides, the model is quite significant in explaining the variances. The significance result at p < 0.05(0.000) provides support for the model creditability.

Table 4.10 Model Summary of Multiple regressions

The Influence of Predictor Variables on Retention

				Model Summary[b]			

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.839[a]	.704	.694	1.73466

a. Predictors: (Constant), IRCumulative, UWSCumulative, MCcumulative,

CHCumulative, PSBCumulative

b. Dependent Variable: PHRcumulative

The table (Table 4.10) makes clear that dependent variable is 70.4 % as explained by selected independent variables.   The variance in the dependent variable (PHR) is described by independent variables, namely market competition, relationship bonds, claims handling, underwriting strategies and the role of intermediaries.

Table 4.11 Goodness of Model Fit – ANOVA Result

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1025.277	5	205.055	68.146	.000[b]
	Residual	430.294	143	3.009		
	Total	1455.570	148			

a. Dependent Variable: PHRcumulative

b. Predictors: (Constant), IRCumulative, UPCumulative, MCcumulative,

CHCumulative, PSBCumulative

Table 4.11 displays the goodness of fit results of linear multiple regression with PHR as the dependent variable against independent variables as predictors. The model tells that there was a

statistically significant relationship between policyholders retention and predictor variables, F $(5,143) = 68.146$, $p < 0.001$. Field A. (2013) explains regression model results in significantly better prediction of dependent variable(expressed by the independent predictions) where independent variables are significant if ($P<0.01$). F value, which is the ration of variance between groups and variance within groups, is well above 1 (if F value is close to 1, it implies that null hypothesis is accepted). However, F value is by far greater than 1 for each variable means that each independent variable has significant effect on PHR.

4.5.2 Multiple Linear Regression

Multiple linear regression analysis was computed to assess the relative influence of independent variables (Market Competition, Personal and Social Bonds, Claims Service, Underwriting Strategies and Intermediaries Role) on the dependent variable, PHR. The regression coefficients of predictor variables and their level of influence on the criterion variable, Policyholders retention shall be explained in the below summary table.

Table 4.12 Multiple Regression Coefficients

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.596	2.036		3.731	.000
	MC Cumulative	-.167	.044	-.272	-3.809	.000
	PSB Cumulative	.039	.074	.058	.519	.604
	CH Cumulative	.317	.052	.538	6.069	.000
	UP Cumulative	.121	.039	.172	3.137	.002
	IR Cumulative	-.068	.061	-.107	-1.121	.264

a. Dependent Variable: PHRcumulative
Source: Own computation (2020)

From the above table 4.12, we can easily compare the relative contribution of the different variables by taking the beta value under the unstandardized coefficients. Beta value shows the relative contribution or influence of each predictor variable on the dependent variable (criterion variable) under the study. In other words Beta value indicates the number of standard deviations

that scores in the dependent variable would change if there was a one standard deviation unit change in the predictor. The higher the beta value, the strongest its contribution becomes

The Beta value for predictor variable claims handling was 0.538 which implies that this predictor variable made the first strong positive and statistically significant influence in explaining or predicting the dependent variable (Policyholders Retention) when the variance explained by all other variables in the model is controlled. This signifies that if one can increase efficiency in claims management by one standard deviation, Policyholders retention scores will increase by 0.538 standard deviation units. In addition, the other predictor variable Competition in the market, made the second strongest statistically significant negative influence on the dependent variable with Beta value of -0.272. Underwriting strategies made the third strong statistically significant positive prediction/influence to the dependent variable with Beta value of 0.172. However, independent variables like relationship bonds, and intermediaries couldn't make statistically significant prediction/influence on the criterion variable, PHR.

When observing the statistical significance of each variable in the table 4.12, Market Competitions (Sig. =.000), Claims Handling (Sig=.000) and Underwriting Strategies (Sig=.002) made a statistically significant prediction/influence in predicting the dependent variable, PHR. However, Personal-Social Bonds (Sig=.604) and Intermediaries Role (Sig=.264) contributes to lesser effect in predicting independent variable. This might be

4.5.2 Regression Mathematical Model

The regression equation is established by taking five independent variables market competition, personal-social bonds, claims handling, underwriting Strategies and intermediaries and one dependent variable, PHR. The basic objective of applying regression equation in this study is to allow the researcher better understand, elaborate and predict the stated variables in a systematic way.

As can be seen in the Table 4.12 all of the predictors (except personal-social bond and intermediaries) have significantly contributed to the equation. This indicates that the combination of independent variables namely competition, underwriting techniques and claims are ones that significantly predict policyholders retention.   Accordingly, the three independent variables mentioned above are influencing policyholders retention significantly at 99% (α=0.01) confidence

level. However, relationship bond and intermediaries role has no significant influence on retention at 99% (α=0.01) confidence level.

The Model Assumption

Policyholders retention is a function of selected independent variables, i.e., PHR =f(MC, PSB, CH, UWS, IR).

Mathematically, $Y_i = ß_0 + ß_1 X_1 + ß_2 X_2 + ß_3 X_3 + ß_4 X_4 + ß_5 X_5 + ε$

The above model is therefore modified as:

Policyholders Retention (PHR)= 7.596+ -0.272 **Competition**+0.538**Claims**+ 0.172**Underwriting**

The above model explains that when all these independent variables are kept constant at zero, Policyholders retention will be 7.596. The findings presented above also shows that taking all other independent variable at zero, a percentage increase in market competition will lead to a decrease in 0.272% in policyholders' retention rate. According to secretary general of Ethiopian Insurance Association process there is a need for setting minimum tariffs for selected insurance products. In this regard Ethiopian Insurance Association is conducting actual market studies to survey market situation before setting such minimum tariff with the objective of easing stiff market competition (AIE, 2018).

In connection with the above, the decrease in PHR due to market share competition is resulted from bank pressure to buy insurance from affiliated insurance business partners, aggressive market share through contact offices, less differentiated products in the industry and lowering or incensement of standard customaries.

The above finding also shows also that a percentage increase in underwriting techniques can lead to 0.172% increase in retaining policyholders. A percentage increase in efficient claims handling can improve policyholders' retention rate by 0.538%. Insurance companies, therefore, should give priority to those significant factors and improve their service products in order to be more successful in their effort to keep their Policyholders in place.

4.6 Summary of Hypothesis Testing

Hypotheses summary showed in the table 4.13 below is based on regression results of the overall bundle of independent variable effects on the dependent variable

Table 4.13 Hypotheses Summary

No	Alternative Hypotheses	P value	Hypothesis after Analysis
1	Competition has significant effect on Policyholders Retention of Ethiopian insurance companies	0.000	Accepted
2	Personal-Social Bond has significant effect on Policyholders Retention of Ethiopian insurance companies	0.604	Rejected
3	Prompt Claims Handling has significant effect on Policyholders Retention of Ethiopian insurance companies	0.000	Accepted
4	Underwriting Strategies Bond has significant effect on Policyholders Retention of Ethiopian insurance companies	0.002	Accepted
5	Intermediaries role has significant effect on Policyholders Retention of Ethiopian insurance companies	0.260	Reject

Source: Own Computation (2020)

The table 4.13 above summarizes the results of multiple regressions over selected independent variables that are significant and determining factors in relation with Policyholders Retention. Market competition among insurers to attract and policyholders and influence their behavior is a factor that determines policyholders' retention. According to Yared (2018), insurance companies market is affected by rates undercutting practice and providing terms below acceptable standard in order to attract new customers. This could be a push factor for clients to shop around in order to get the best deal. It is a common practice in Ethiopian Insurance to attract customers including those loyal to other companies so that to grab businesses from competing firms by providing lower premium deals; thus stealing policyholders by offering attractive deals in their pursuit of insurance coverage.

According to Boohene et.al (2013), when customers are aware of and perceive other suppliers as offiering different price, service and/or quality, they tend to be less comitted to that company and many of them leave for this reason. Hence, insurance companies need to focus on competing on service area and a range of products and healthy competion among themselves. Insurers are expected to have strategies not to push products by themselves rather design insurance policy that attracts Policyholders.

On the other hand, insurance companies' operational area, specifically underwriting efficiency can influence in keeping their Policyholders' repurchase. According to Yared (2018) the overall performance of insurance companies is affected by proper renewal follow-up and use of information technology to deliver policies to clients. He added companies are losing clients due to lack of follow up on renewals. Underwriting branches are expected to maintaining their policyholders and increasing the repurchase of policies and the overall selling activities including retention to the expected margin. Underwriting Strategies have to be designed in such a way that helps in shortening underwriting processes such as of risk identification, assessment, and prioritizing and risk selection through use of technologies. This innovation is significant to insurance companies in Ethiopia to be successful in maintaining their Policyholders. According to Folarin and Hassan (2015), they have found out that information technology that improves processing speed increases customer retention.

Furterh more, prompt claims settlement for the insured in insruacne companies is a key to be sucessful in mainating their policyhodlers and it will improve the repurchase of policies. Nema and Jatav (2017) in their reaserch findings pointed out that prompt services of companies is a major factors affecting customer retention in life insurance companies in India. There are also other studies that support efficiency in services delivery by improving companies' employee responsiveness. Oketch(2014) explanation supports the above idea that insurance companies need to take their claim handling function more seriously because if a claim is handled well, it results in higher customer retention.

In line with the above, (Yusuf et.al, 2017) in their critical review of insurance claims management emphasized measurable variables of promptness in claims compensation are early settlement (in relation to fast settlement as to time), the actual compensation (the sufficient amount of

compensation) and communication regarding the claims process with the claimant. These variables are very important in efficient and effective claims management.

4.7 Multiple Response Presentation

Knowing respondents opinion directly is vital to assess the reality that what is exactly going on the ground in Ethiopian insurance market. The below quantitative analysis is made based on collected and coded open ended questions and summarized as indicated below. There were three questions in the questionnaire regarding policyholders' retention. Out of 149 respondents, only 99 of them responded to the questions on challenges, while 87 of them responded for possible solution for the challenge. Commented results obtained from respondents will be triangulated with inferential statistics as below.

4.7.1 Challenges Facing in Maximizing Policyholders Retention

Insurance is supposed to exist to ensure the survival of industries and commerce as well as other sectors of the economy. But there are a lot of contemporary challenges facing the industry that the survival of insurance itself is threatened.

Table 4.14 Number of Respondents on Challenges on PHR

Case Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
$challengecumulative[a]	99	66.4%	50	33.6%	149	100.0%

Source: Own computation from survey(2020)

Table 4.14 above shows that from 149 sample respondents, only 66.4 % of them forwarded their opinion regarding the current challenges they are facing (the subject matter of this study) where the rest 33.6% didn't respond.

Respondents' single and multiple responses are coded and responses summarized in table 4.15 below.

Table 4.15 Multiple Responses on Challenges

		Responses		Percent of Cases
		N	Percent	
$challeng ecumulati ve[a]	Price cutting and unfair competition	47	35.9%	47.5%
	Poor Claims Handling	38	29.0%	38.4%
	Gap in Meeting Customer Service Expectation	7	5.3%	7.1%
	Lack of Management Support	7	5.3%	7.1%
	PHR Lack of Awareness	4	3.1%	4.0%
	Drop Outs due to Cash/Foreign Shortage	4	3.1%	4.0%
	Lack of Professionalism	5	3.8%	5.1%
	Policyholders Price Sensitivity	17	13.0%	17.2%
	Other (political-cultural thinking and employee turnover)	2	1.5%	2.0%
Total		**131**	**100.0%**	**132.3%**

a. Group

Source: Own Survey (2020)

From the above table, it is observed that the majority of responses, 35.9% of the challenges come from price cutting and unfair competition. Respondents mentioned the existence of competition in the form of both inter-branch and bank-insurance business arrangement. These challenges give more proof in inferential statistics that competition is statistically significant in affecting policyholders' retention. According to a study in Ethiopia, Gebreal (2016) substantiated the above result by explaining that there is unfair competition among the insurance companies in Ethiopia in order to achieve sales volume. This is reported as the main institutional challenge of the industry. In connection with this, price sensitivity of policyholders is also the other challenge in retention

performance. It accounts for 13% from the total and is ranked third. It appears that the price sensitivity characteristics of consumers resulted in price cutting and competition among insurers and within the company itself.

As it has been said much about insurance companies major operation, claims service is the heart of assuring customers. This service is the focal point or the heart of the company where insurance and policyholders better know each other and the area of the reality check whether insurers deliver as promised while they vowed while writing contracts. Table 4.15 revealed that poor claims handling is ranked second as a challenge that branch managers faced; that is out of the total, 29.0% of the respondents amplified this challenge as the main drawback of the insurers. This can be seen in the regression analysis that claims handling is statistically significant in determining policyholders' retention.

Finally, this study come across several challenges that branch managers are currently facing. These are gap in meeting customer expectation , lack of management support, policyholders lack of awareness how insurance operate, drop outs due to cash and foreign exchange shortage and lack of professionalism and are stand out problems of the sector. Support from top management to bring strategically viable move to increase customer retention is foremost support for branch managers. In addition, sound professionalism and adequate professional ethics are essential parameters for the company to bargain trust from insurance buyers.

The last and the least challenge with an output of 1.5% come from all multiple responses related to employee turnover and political and cultural thinking of policyholders. The study output shows that this is also the area to be assessed by insurers to retain and acquire new policyholders.

4.7.2 Solution for Mentioned Challenges

Managers were also asked for possible major solutions for the challenges mentioned above in order to do business in continuous way. Multiple solution responses are summarized and presented as follows.

Table 4.16 Multiple responses Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
$solutioncumm[a]	87	58.4%	62	41.6%	149	100.0%

a. Group

The above table shows that from 149 sample respondents, only 58 % of them provided comments on possible solutions for challenges they mentioned. The rest 41.6% left the questions unanswered.

In order to tackle the challenges mentioned above in table 4.15, possible solution recommend by respondents are listed below (table 4.17).

Table 4.17 Summary of Possible Solution

		Responses		Percent of Cases
		N	Percent	
$solutioncumm[a]	Setting Minimum Tariff and Common Guideline	34	27.0%	39.1%
	Efficiency Claims Service	34	27.0%	39.1%
	PH Centered Service as per Expectation	14	11.1%	16.1%
	Excellent Management support & Leadership	12	9.5%	13.8%
	Awareness Creation through Mass Media	6	4.8%	6.9%
	Investing on Human Capital and Training	7	5.6%	8.0%
	Brand Building	3	2.4%	3.4%
	Research for Innovation and use of Technologies	7	5.6%	8.0%
	Encouraging Service Competition than Price	9	7.1%	10.3%
Total		126	100.0%	144.8%

Source: Own computation from survey (2020)

4.7.3 Overall comments related to subject matter under study

Responses has been provided by respondents in the questionnaire and the below general opinion of the researcher has been forwarded concerning the subject matter under study. Most of the comments were addressed the challenges and possible solutions. However, the researcher would like to add her opinions and comments in a generalized way as summarized below:

- There is a need for industry's cultural change concerning competition along with formulating common guideline for premium standards through National Bank of Ethiopia and Ethiopian Insurance Association intervention.
- The growth of insurance industry is good for the revival of macro-economy
- Regulatory body should award outstanding service provider to encourage excellent practice in the industry
- Separate financial regulatory body specific to insurance industry is required to get regular and timely focus
- Insurers shall be able to keep promises regarding service provision in general and claims handling in particular
- Special attention to awareness creation about the importance of insurance to Policyholders
- Building close and health business relationship with Policyholders and identify insurance needs of the insured for the longevity and profitability of the business
- Disclosures of facts to policy holders regarding policy terms and exceptions
- Intermediaries and employees professional ethics is the area to be improved
- Top management should support branch managers regarding revision of prices, improved and quality service, creating systematic way of communicating policyholders
- Come up with new policy holders' retention approach with technological innovations.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of findings

The overall objective of the study is to examine factors influencing Policyholders retention in Ethiopian insurance industry. Questionnaires were distributed to Branch Managers (who are directly involved with Policyholders) to collect and analyze responses that enabled the researcher to have deep insight on the main theme of the study.

The collected questionnaires indicated that the majority of the respondents are male. The majority of respondents' age falls between 25 and 35 years. Regarding the level of education first degree holders are 63% and second degree 31%. Out of the total respondents only 5% of them have acquired specific insurance certification. Regarding business engagement, out of 149, the majority of respondents (94 of them) work for company who do both life and non-life business while the rest work for general insurance companies. Participants who stay for five years and less in their current companies accounted about 41%. Industry experience of participants above five years is around93%.

The independent variables under the study are competition, relationship bonds, claims handling, underwriting strategies and intermediaries. Correlation statistic of the study implies that there is a relationship between PHR and the predictors' variables. The correlation between Policyholders Retention and Competition was significant, $r = -0.712$, $p < 0.01$, implying implies that there is a negative relationship. However, the correlation is significant and positive for the other four independent variables. The first strong correlation was between Retention and claims handling, $r = 0.792$, $p < 0.01$ followed by competition in the market, $r = -0.712$, $p < 0.01$. The correlation between retention and underwriting strategies is ranked third (strong), with $r = 0.645$, $p < 0.01$ while the correlation between PHR and relational bond was the fourth strong correlation, $r = 0.566$, $p < 0.01$. Finally, the correlation between retention and intermediaries, was the fifth strong correlation, $r = 0.547$, $p < 0.01$.

The result of post estimation tests also showed that the model is quite fit; linear relationship between variables and normality assumption is fulfilled. On top of this no multicollinearity

observed. The value of R square (coefficient of determination) revealed that the independent variables in this study can elaborate and justify the dependent variable by 70.4%. That is any variation in selected predictor can cause a variation in policyholders' retention.

The regression analysis revealed that, there is significant relationship between independent variables (market competition, building personal-social bonds and claims handling) and the criterion variable, Policyholders retention. However, underwriting techniques and intermediaries role has no statistically significant relationship with Policyholders retention. Therefore, new equation Policyholders Retention = 7.731+ -0.316 Competition + 0.168Bonds + 0.5Claims has been developed from the research findings.

Furthermore, managers were also asked for the major challenges they face in their company in the process of retaining their customers. Price cutting, unfair market competition to get market share, poor claims handling, gap in meeting customer expectation, lack of management support, policyholders' lack of awareness, drop outs and lapsation of policies due to cash shortage from customer side, lack of professionalism of insurance professions (including unethical practice of brokers), price sensitivity of customers, political-cultural thinking and employee turnover are the standout challenges in Ethiopian insurance industry as the research revealed.

For the above mentioned challenges, respondents suggested possible solutions to increase the rate of retention, namely, setting minimum price and common guideline while operating in the industry, up-to-date support from management hierarchy, support and leadership, awareness creation, and investing on human capital and innovation through business research. Branch managers believe that materializing and internalizing the above indicated solutions is vital for the existence of the industry.

5.2 Conclusions

This study has investigated and found out the factors influencing the PHR of insurance companies in Ethiopia. Results of the study revealed that competition (competitors price lowering and lowering some insurance terms below standards to attract customers) and underwriting selling strategies (such as cross selling efforts by respective branches, renewal follow-ups, door-to-door policy delivery, shortening underwriting process and using technology in overall underwriting process starting from quotation to policy cancellations) are statistically significant as determinant

factors of Policyholders retention. Most importantly handling claims settlement efficiently is statistically significant in determining policyholders' retention within a company. However, creating personal-social relationship (developing long term relationship, frequent contact and visits, information communication, interpersonal relationship, friendship ties and social attachments, mutual rewarding relationship) and intermediaries role (providing technical support to policyholders, identifying policyholder needs, knowledge and understanding of insurance companies capabilities, tendering practices in handling quotation, commission gains, influential power on customers) has statistically insignificant relationship for retaining PH in Ethiopian Insurance Industry.

This study concludes that there exists a positive relationship between creating strong bonds, good handling claims compensation, improved underwriting techniques and intermediaries' role with Policyholders retention rates. The higher the predictor variables level the higher the retention rate for insurers.

There is a negative coefficient of variable for market competition that specifies the higher competition among insurers, the lesser the performance in Policyholders retention. Though competition is inevitable in any business environment, stiff and unethical business competition needs to be addressed by stakeholders for healthy business play field. As it is explained in summary of challenges part, it is indicated that Policyholders' price sensitivity leads to defect to other competitors. This kind of competition is resulted from the absence of minimum premium tariff in the industry, bank pressurize to buy insurance from affiliated insurance business partners, contact office expansion to control market share and less differentiated products in the industry.

Generally, the study revealed that the practice among Ethiopian insurance companies (competition) and institutional performance (promptness in claims settlement and underwriting Strategies) have contribution towards Policyholders retention performance.

In the context Policyholders retention, like any other business firm, a central goal of all insurers is to grow in business and profitability. They can grow through marinating their policyholders and searching for new ones. Therefore, it has become the life -blood of each insurer for company performance. It is vital for insurance professionals to recognize and have a better understanding of the factors which drive and affect Policyholders retention. And also they shall practice and perform

as best alternatives in the higher standard possible on them in order to prevent policyholders from flee to competitors.

5.3 Recommendations

Among five predicting variables of Policyholders retention, three variables namely, competition, claims handling and underwriting strategies were found to be significant factors that affect Policyholders retention performance. Therefore, in order to make their firm more successful and decide the best way to keep their customer their firm for long term, insurance managers should give greater emphasis and improve best ways to these important factors to be improved. Based on the major findings of this study, the following recommendations are forwarded:

- To minimize unfair competition on price and lowering terms below standards in the market, insurers should come up with new product ideas with unique brands for their firm. Building own brand is also important to minimize price sensitivity of policyholders that can help in keeping them in once own firm instead of losing them to competitors.

  In collaboration with National Bank of Ethiopia along with Ethiopian Insurers Association (EIA), Insurers may set at least minimum threshold price for common products that are available in the market. Though there are actuarial appointed to study minimum pricing, it should get due attention to come up with viable solutions at the earliest. For bank related insurance, it is important also to call for both bank and insurance associations to minimize bank-insurance affiliation so that Policyholders can bring polices from wherever they choose.

- This will create a room for insurers to compete on service elements that contributes to overall improvement in insurance service provision. On top of this, Ethiopian financial sector should have clear memorandum of understanding to avoid any pressure policyholders to buy insurance from bank partner. By this, policyholders will have liberty o their free will to buy insurance regarding bank related insurance contracts.

- One of the determining factors of Policyholders retention in this study is claims management which is a key operational activity of any insurance companies. As strategy,

in order to be successful in maintaining policyholders, insurers should work effectively towards the improvement of claims compensation service a step ahead of the usual procedures. This can be done through conducting needs assessment on claims service, apply improvement strategy such as corporate clients service, use of technology to update the payment status, setting standard time for settling losses, train claims and engineering staff in the area of customer service provision, flexibility of top management and more importantly improving claims complaint handling should be efficiently designed. Due to the complex nature of modern business today, time plays a significant role in making the business successful so that timely and fair claims settlement will have positive output in maintaining existing policyholders.

Therefore, Insurance companies must ensure that claims are settled fairly and quickly in accordance with insurance promises and standards while at the same time working on to keep Policyholders.

- From the research findings, improving underwriting practices (shortening process, using improved technologies, following up renewals, customizing insurance products, on door policy deliveries and cross-selling) is found a determinant factor in maintaining policyholders. Therefore, branch representatives should improve on time renewal follow ups, increasing marketing activities by cross selling various products.

- In addition, top management recommended engaging themselves to come up with new strategic ideas of new products and customization. Use of Technologies in the process is vital so that investment in such area is expected from same company.

- According to suggestions from respondents in qualitative finding summary, there is an internal competition among branches in same company in order to fulfill target budget by offering premium discounts. Insurance companies' top management should have a concern on inter-branch competition that might lead policyholders to lose trust on the company while getting different price quotes within a company.

- To achieve the aim of retaining policyholders, insurance companies in collaboration with insurance association should arrange a panel discussion among themselves, major clients and national bank to create solidarity among insurance companies to avoid unethical business competition.

5.4 Limitation of the study

It is very difficult and beyond the scope of this paper to identify and discuss numerous factors that might have an effect on PHR. The researcher has not considered all of potential factors in this research. Moreover, there was lack of willingness of the respondents in filling out the questionnaires and being unable to return questionnaires timely. Besides, this study has not assessed "how" the already discussed factors affect PH retention.

5.5 Implication for Further study area

The study focused on retaining policyholders through market and internal factors in Ethiopian Insurance companies. Hence, further studies are recommended to include other factors to be studied related with professionalism in Insurance Industry, technological advancement, innovations, marketing promotion and customer service management.

The other possible implication for future research might be confirmation of the results of this study through replication of the study with specific to individual companies to study according to their own uniqueness to understand their own way of maintaining policyholders.

References

Abtin, A., & Pouramiri, M. (2016). The impact of relationship marketing on customer loyalty enhancement (Case study: Kerman Iran insurance company). Marketing and Branding Research, 3, 41-49.)

ACCE (1998) A Center for Continued Education Ethics and the Insurance Agent, Center for Continuing Education North side Drive, Suite 213Atlanta, Georgia.

acced on May 1,2020

Adigwe Daniel. O, Linus I. O, Temitayo A. O(2018). Determinants of Customer Satisfaction and Locality in Relation to Corporate Performance of Insurance Industry in Nigeria. International Journal of Economics, Commerce and Management United Kingdom Vol. VI, Issue 4, P679-698.

Angima, C. B., Mwangi, M., Kaijage, E., & Ogutu, M. (2017). Actuarial Risk Management Practices, Underwriting Risk and Performance of P & C Insurance Firms in East Africa. European Scientific Journal, ESJ, 13(22), 207.

Ashenafi Endale(2017). Ethiopian Insurances: Cut Throat Price Competitions, low capital base, & poor policy threaten their growth, Ethiopian Business Review Journal , 6th Year Edition, No.   56http://ethiopianbusinessreview.net/index.php/economy-finance/item/669(Accessed on 30.03.2019)

Assegid G. Medhin(2018). Insurance Industry Must Ensure Adaptability Published on Addis Fortune Megazin Vol. 19,No 945

Association of Ethiopan Insureres(2018), Insurance Industry Profile.

Awad, B. A. A. A. G. (2012). The relationships between service quality, satisfaction, and behavioral intentions of Malaysian spa center customers. International Journal of Business and Social Science, 3(1).Page

Ayimey, E. K., Awunyo-Vitor, D., & Abdulai, S. (2013). Customer Retention Strategies of SIC Life Insurance Company Limited and StarLife Assurance Company Limited in Ghana: An Exploratory Assessment.

Basnayake, R., & Hassan, Z. (2015). Employees Ethical Behaviour and its Effect on Customer Satisfaction and Retention: An Empirical Study on Multinational Fast Food Restaurants in Malaysia. International Journal of Accounting, and Business Management (IJABM), 3(1), 1-17.

Begalle, M. S. (2008). Effectiveness of relationship marketing bonding tactics in predicting customer share in the public sector school foodservice market.

Berhane G, and Hill, R. V(2011). Market Development in Ethiopia: Changing Regulatory Structure   and   Capacity   Building,   I4th   Technical   Workshop,   May   2011, https://basis.ucdavis.edu/sites/g/files/dgvnsk466/files/inline-files/market-development-in-Ethiopia.pdf

Berry, L. L. (1995). Relationship marketing of services—growing interest, emerging perspectives. Journal of the Academy of marketing science, 23(4), 236-245.

Biddle, R., Liu, S., & Xu, G. Automated Underwriting in Life Insurance: Predictions and Optimisation (Industry Track).

Boakye, E.O (2011). Customer Retention, University of Ghana

Boohene, R., Agyapong, G. K., &Gonu, E. (2013). Factors Influencing The Retention of Customers of Ghana Commercial Bank within the AgonaSwedru Municipality. International Journal of Marketing Studies, 5(4), 82.

Cambridge Advanced Learner's Dictionary & Thesaurus © Cambridge University Press

Čater, B. (2008). The importance of social bonds for communication and trust in marketing relationships in professional services. Management: journal of contemporary management issues, 13(1), 1-15.

Chen, S. C. (2015). Customer value and customer loyalty: Is competition a missing link?. Journal of retailing and consumer services, 22, 107-116.

Chris Brooks (2008). Introductory Econometrics for Finance 2nd ed. Cambridge University Press, Cambridge New York, Melbourne, Madrid, Cape Town, Singapore, São Paulo

Chuani, P.W. (2017). Determinants of Customer Retention in Kenyan Commercial Banks: A Case of KCB Bank Kenya Limited.

Cohen, J., Cohen, P., West, S. G., & Aiken, L. S. (2013). Applied multiple regression/correlation analysis for the behavioral sciences. Routledge.

Cohen, J.W. (1988). Statistical power analysis for behavioral science.(2ndedn). Hillsdale, NJ: Lawerance Erlbaum Associations.

Creswell J. W. (2009). Qualaititative, Quantitiative and Mixed Method Apporach, Educational Research (3rded), Unviersity of Nebraska-Lincoln, SAGE Publication, Inc.

Cummins, J. D., & Doherty, N. A. (2006). The economics of insurance intermediaries. Journal of Risk and Insurance, 73(3), 359-396.

Dambush, N. H. (2014). The role of customer relationship marketing on customer retention: A case of Ethiopian insurance corporation in Mekelle branch (Doctoral dissertation, Mekelle University).

Daneshfar, Z., & Sabzali, H(2016). Evaluating the Customer Retention and Satisfaction and the Reasons of Losing Customers in the Auto Insurance (A case study).Proceedings of the 2016International Conference on Industrial Engineering and Operations Management Detroit, Michigan, USA, September 23-25, 2016

Demarso, Y. K., & Abba, B. A. (2020). Trade Competition among Insurers in Ethiopia: A Critical Analysis. Beijing Law Review, 11(2), 444-463.

Emmanuel O. Boakye(2011). Customer Retention (Working Paper), University of Ghana https://www.researchgate.ne, accessed on 9th June 2019

Field, A. (2013). Discovering statistics using IBM SPSS statistics. sage.

Fikiru Tsegaye (2014). Cut Throat: The Vicious Cycle of Price Based Competition in Ethiopian Insurance Industry, Business Review 2nd Year . July 2014 . No.16https://www.ethiopianbusinessreview.net/ Accessed on 25th May 2019

Folarin, T. O., & Hassan, Z. (2015). Effects of Technology on Customer Retention: A study on Tesco Malaysia. International Journal of Accounting and Business Management, 4(2), 16-38.

Frandsen, K(2016). Consumer switching behavior in the insurance industry,University of Copenhagen, Faculty of Science.

Gebreal, D. H(2016). Challenges and Opportunities of Life Insurance Business in Ethiopia. International Journal of Social Science, Arts and Humanities International Journal of Social Sciences, Arts and Humanities, 2(1),12-22

General Insurance Convention (1997). Customer Selection and Retention, working paper

Gidhagen, M. (1998). Insurance marketing: services and relationships. Företagsekonomiska institutionen.)

Ginn, J., Stone, M. & Ekinci, Y. (2010), "Customer retention management in the recession", Journal of Direct, Data and Digital Marketing Practice, vol. 12, no. 2, pp. 115-127.

Gunasekara, M.A.N.P. 2015. A Study on factors Influence Customer Retention towards XYZ Airlines. 6th International Conference on Business & Information ICBI – 2015, Faculty of Commerce and Management Studies, University of Kelaniya, Sri Lanka. pp 521-534.

Hailu Zeleke(2007). Insurance In Ethiopia: Historical Development, Present status and Future Challenges, Addis Ababa, Ethiopia

Hair, J. F., Black, W. C., Babin, B. J., Anderson, R. E., & Tatham, R. L. (1998). Multivariate data analysis. Upper Saddle River, NJ: Prentice hall.

Haron, H., Ismail, I., & Razak, S. H. A. (2011). Factors influencing unethical behavior of insurance agents. International Journal of business and social science, 2(1).

Harrison, T., & Ansell, J. (2002). Customer retention in the insurance industry: using survival analysis to predict cross-selling opportunities. Journal of Financial Services Marketing, 6(3), 229-239.

IBM Corporation(2010). Insurance customer retention and growth Leveraging Business analytics to retain existing customers and cross-sell and up-sell insurance policies, working paper.

Ibogo, Bolanle Odunlami(2015). The Impact of Customer Satisfaction on Customer Retention: A case study of a Reputable bank in Oyo, Oyo State. Nigeria

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

International Actuaries Association-IAA (2014).Addressing the Gap in Actuarial Services in Inclusive Insurance Markets AA, Issues Paper, Canada.

J. François Outreville(2016). Operation of insurance companies Burgundy School of Business, Dijon,Francehttps://www.researchgate.net/publication/302402335_Operations_of_Insurance_Companies

Joseph, M. S., & Unnikrishnan, A. (2016). Relationship bonding strategies and customer retention: A study in business to business context. IOSR Journal of Business and Management, 38-44.

Kaleab Eniemayehu Fenta(2017). The Role of Insurance Middleman(Aget and Brokers) in the Growth and Development of Insurance Business-The Case of United Insurance, Alpha Unviersity, Addis Ababa

Kothari, C.R. (2004). Research Methodology: Methods and Techniques. New Delhi: New AgeInternational Ltd.

Kotler P. Armistrong G., Saunders J., Wong V. (1999) Principles of Marketing , Prentice Hall Inc. Italy, Milan.

Kotler, P. and Keller K.L, (2012). Marketing Management. 14th ed., Prentice-Hall, Upper Saddle River,, New Jersey. Page 133

Kumar Raj (2013).Current Challenges in Life Insurance Sector. Haryana School of Business, International Journal of Commerce, Business and Management (IJCBM), Vol. 2, No.6, P375-378

Kyei, D. A., & Bayoh, A. T. M. (2017). Innovation and Customer Retention in the Ghanaian telecommunication industry. International Journal of Innovation, 5(2), 171-183., v. 5, n. 2, pp. 171-183, May/August. 2017. 174

Lawrence Ag and Francis Buttle(2005). Customer Retention Management Processes: A quantitative Study, Macquarie Graduate School of Management, Macquarie University, Sydney Australia

Listra, E. (2015). The concept of competition and the objectives of competitors. Procedia-Social and Behavioral Sciences, 213, 25-30.

Maas, P. (2010). How insurance brokers create value—a functional approach. Risk Management and Insurance Review, 13(1-20),

Marczyk, G., & DeMatteo, D. (2005). Essentials of research design and methodology. John Wiley & Sons.

Mascareigne, J. (2009). Customer Retention: Case Studies of Agencies in the Professional Service sector, Lulea University of Technology, Department of Business Administration and Social Sciences.

Mbataru,Industry in Kenya Particularly In General Insurance (Doctoral dissertation, United States International University-Africa).

Mboya, T. O. (2017). Relationship between Social bonds and Customer value in commercial Banks in Kenya.

Meenakshi(Dr) I.. (2018). A Study on Preference of Policyholders about Public and Private Life Insurance Companies in Tirunel Veli District. International Journal of Research - Granthaalayah, 6(4), 105-110.

Mugenda, M. O., & Mugenda, G. A. (2003). Research Methods.Nairobi, Kenya: Laba Graphics Services Ltd.

National Bank of Ethiopia (2007). Directive No. SIB/30/2007 Licensing and Supervision of Insurance Business.

National Bank of Ethiopia (2010). Directive No. SIB/31/2010 Licensing and Supervision of Insurance Business.

National Bank of Ethiopia(2019), Quarterly Bulleting, Second Quarter 2018/19, Fiscal Year Series, Volume 35 No 2, Addis Ababa, Ethiopia.

Negarit Gazeta(2012). Proclamation No. 746/2012 Federal Negarit Gazeta, 18th Year No. 57

Negarit Gazeta(2012). Proclamation No. 799/2013.

Nema, J., & Jatav, S.(2017). Determinants of Customer Retention in Health Insurance Sector. International Journal of Research and Innovation in Social Science (IJRISS)Volume I, Issue II, February 2017|ISSN 2454-6186.

Nwankwo, S. I., & Ajemunigbohun, S. S. (2013). Customer relationship management and customer retention: Empirical assessment from Nigeria's Insurance Industry. Business and Economics Journal, 4(2), 81.

Oketch, S. (2014). Challenges of customer retention by Madison insurance company limited in Kenya (Doctoral dissertation, University of Nairobi).

Olayungbo, D. O. (2016). Effects of Life and Non-Life Insurance on Economic Growth in Nigeria: An autoregressive distributed lag (ARDL) approach. Global Journal of Management and Business Resfearch.

Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1985). A conceptual model of service quality and its implications for future research. Journal of marketing, 49(4), 41-50.

Pezhman, R., Javadi, M. H. M., & Shahin, A. (2013). Analyzing the influence of ethical sales behavior on Customers loyalty through customer satisfaction and trust in insurance

company. International Journal of Academic Research in Business and Social Sciences, 3(9), 754.

Reimann,R. C., Filzmoser,P., Garrett, R. G., &Dutter, R. (2008). Statistical Data Analysis Explained: Applied EnvironmentalStatistics. John Wiley & Sons, Ltd. ISBN: 978-0-470-98581-6

Salazar, M. T. (2010). Modeling cross-sales to promote customer retention in the financial services industry: the 'who-what-when framework'. Two case studies.

Saunders, A., & Cornett, M. M., 2008, Financial Institutions Management: A Risk Management Approach. International Edition. McGraw Hill. Toronto, 5(10).

Schaudel, F., Niedermann, F., Kumar, S., & Reinecke,K.,(2018). Underwriting excellence: The sustainable Grwoth in health Insurnace.www.healthcare.mckinsey.com,

Soye, Y. A., & Adeyemo, D. L.(2018). Underwriting Capacity and Income of Insurance Companies :(Case of Nigeria). International Journal of Innovative Science and Research Technology Volume 3, Issue 10, ISSN No:-2456-2165.

Subashini, S., & Velmurugan, R. (2015). Lapsation in Life Insurance Policies. International Journal, 3(4).

Sunday C. Nwite and Perpetua, E(2014). A comaprative Analysis of Causes of Customer Retetnion and Royality in Nigerian Insurance Industry. International Journal of World Research, Vol: I Issue XI, ISSN 2347-937X

Taber, K. S. (2018). The use of Cronbach's alpha when developing and reporting research instruments in science education. Research in Science Education, 48(6), 1273-1296.

Tamuliene, V., & Gabryte, I. (2014). Factors influencing customer retention: case study of Lithuanian mobile operators. Procedia-Social and Behavioral Sciences, 156, 447-451.

Temesgen Aziz (2015). Challenges and opportunities of insurance business in Ethiopia,, St Mary's Unversity Graduate Stuides, Addis Ababa, Ethiopia.

Toops, Laura Mazzuca(2014). Cross-Selling 101, Originally published on National Underwriter Property & Casualtyhttps://www.propertycasualty360.com/2014/08/01/cross-selling-101/?slreturn=20190516030404 accessed on 16.06.2019.

Unachukwu, J. C Afolabi, M.A, Alabi, Ezekiel (2015). Effect of Prompt Claims Settlement on the Performance of Nigeria Insurance International Journal in Management and Social Science (Impact Factor- 3.25) Vol.03 Issue-04, ISSN: 2321-1784.

Virvalaite, R., Saladiene, V., & Skindaras, D. (2009). The relationship between price and loyalty in services industry. Engineering Economics, 63(4).

Woldegebriel, M. M. (2011). Assessment of the reinsurance business in developing countries: Case of Ethiopia (Doctoral dissertation).

Yamane, Taro. (1967). Statistics: An Introductory Analysis, 2nd Edition, New York: Harper and Row.

Yusuf, T. O., & Dansu, F. S. (2014). Effect of claims cost on insurers' profitability in Nigeria. International Journal of Business and Commerce, 3(10), 1-20.

Yusuf, T. O., Ajemunigbohun, S. S., & Alli, G. N. (2017). A critical review of insurance claims management: A study of selected insurance companies in Nigeria. SPOUDAI-Journal of Economics and Business, 67(2), 69-84.

Yusuf, T. O., Ajemunigbohun, S. S., & Alli, G. N. (2017). A critical review of insurance claims management: A study of selected insurance companies in Nigeria. SPOUDAI-Journal of Economics and Business, 67(2), 69-84.

Zikmund,W. G.; Babin, Barry J.; Carr, Jon C.; Griffin, Mitch, (2010).Business Research Methods 8th ed. Published by South-Western College Pub. ISBN 10: 0324320620 ISBN 13:9780324320626.

Annex I: RESEARCH QUETIONNAIRE

Dear Respondents:-

Above all, I would like to express in advance my earnest appreciation for your generous time, honest and prompt responses. This questionnaire is designed to collect information on topic of **"Determinant Factors Affecting Policyholders Retention of Ethiopian Insurance Companies"** to the fulfillment of the requirement of MBA program at Jimma University. The study is mainly focuses institutional and market practice that are related with maintaining existing customer of Ethiopian Insurers.

This is purely an academic exercise and I would like to assure you that all information provided is to be kept confidential. In case if you have any clarification or inquiry, don't hesitate to contact me.

Wubalem Habtamu
Tel: +251-911381525
Thank you in advance for your cooperation and time.

General Instructions
• No need of writing your name.
• In all cases where answer options are available please tick (√) in the appropriate box.
• For question that demands your opinion, please try to honestly describe as per the question on the space provided.
• You can use Policyholders and customers interchangeably

Part I. Demographic Information

1. Gender: Male ☐   Female ☐

2   Age: ≤ 25 ☐   26-35 ☐   36- 45 ☐   46-55 ☐   56 and above ☐

3. Academic qualification: Diploma ☐   1st Degree ☐   Masters ☐   PHD ☐

CII/Loma ☐   Others please specify _____

4. Your Company business engagement: Both Life and Non-life ☐   Only Non-life ☐

5. Current Job Position: Branch Manager ☐   Deputy Branch Manager ☐

Relief Branch Manager ☐   Other, please specify_____

6. Working experience in the **industry** in years: ≤ 5 Year ☐   6-10 ☐   11-15 ☐

16-20 ☐   Above 20 ☐

7. Working experience in your **current** company in years: ≤ 5 ☐   6-10 ☐   11-15 ☐

16-20 ☐   Above 20 ☐

79

Part II. Put √ mark to indicate your level of agreement/disagreement on each statement listed from your practice.

Competitions

SN	Statements	Strongly Disagree(1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree(5)
1	Competing companies contact Office/Branch expansions to have greater market share negatively impact maintaining your policyholder					
2	When offering extended insurance covers by other companies increased (such as of lowered excess, improved policy limits and conditions…etc), maintaining existing policyholders become challenging.					
3	With bank related policies, there are Banks pressures on your Policyholders to buy policies from affiliated/sister Insurance Company					
4	The absence of minimum premium tariff regulation in Ethiopian insurance market adversely affects your effort in maintaining policyholders.					
5	There are similar insurance products in the market makes ease to Policyholders to move to other companies with no switching cost.					
6	Lower price offered/price under cutting by other companies declines your policyholders retention					
7	Your company tends to offer discounted premium to the existing customers in order to retain them.					

Personal and Social Bonds

S.N	Statements	Strongly Disagree(1)	Disagree(2)	Neutral (3)	Agree (4)	Strongly Agree (5)
8	Creating family and social bond with Policyholders is a key to maintain policyholders successfully.					
9	Those customers who come through personal connections or kinship ties better stay for longer time.					

S.N	Statements	Strongly Disagree(1)	Disagree(2)	Neutral (3)	Agree (4)	Strongly Agree (5)
10	Mutual rewarding relationship between underwriters and Policyholders ensures business renewals.					
11	Your company is successful in maintaining policyholders by providing up-to-date information about the company status.					
12	Developing long-term relationships through trust encourage policyholders to continue their relationship with the company.					
13	Regular customer visit improves business renewal or Policyholders retention.					
14	Key personnel who have good personal connection resigns/leave to other company, unfavorably affects keeping customers in the company					

Claims Handling

S.N	Statements	Strongly Disagree (1)	Disagree(2)	Neutral (3)	Agree (4)	Strongly Agree(5)
15	Faster and excellence in Claims service is an efficient and effective way of retaining policyholders in your company					
16	Sincere communications and updating information about claims processes to claimant has an effect on repurchase of policy.					
17	Your company has well trained officers in customer handling that can ensure its retention performance.					
18	Dissatisfied Policyholders in delayed claim compensation are not willing to renew their policy.					
19	Flexibility in management decisions in the process of claims settlement has an effect on keeping your Policyholders.					
20	Claims compliant handling has an effect in maintaining					

S.N	Statements					
	existing Policyholders.					
21	Experience in claim management (means improved operational efficiency in terms of people, processes, technology, and communications) contributes your policyholders retention performance.					

Underwriting Practices

S.N	Statements	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree(5)
22	Shortening underwriting process helps your company to maintain Policyholders					
23	Designing new insurance products is one way of retaining customers.					
24	Customizing/Tailoring policies to individual client according to their need is an effective way to retain policyholders.					
25	Your proper renewal follow-up increases maintaining existing customers.					
26	Using information technology in underwriting process (in quoting, pricing, cancellation, renewals reminders ... etc) enables you to increase Policyholders retention.					
27	Door –to- Door insurance policy delivery can be considered as one way of retaining policyholders.					
28	Cross Selling/selling multiple policies to a policyholder improves business continuity.					

Intermediaries Role

S.N	Statements	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree(5)
29	Policyholders who purchase insurance through an agent stay longer than direct sell					
30	Agents who are engaged in customers' insurance needs promote policyholders to continue business in the company.					

S.N	Statements	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree(5)
31	Sales agent's technical support to your Policyholders expectations (such as negotiating on discount, claim follow-up, policy delivery, payment process...etc) increases renewals chances.					
32	Insurance Brokers' considerable knowledge and understanding of your company better enhance Policyholders retention.					
33	Brokers' who has close relationship with management team favors to renew Policyholders business in the same company.					
34	Broker role is powerful to influence policyholders to stay longer within the company.					
35	A better commission payment consideration for Brokers assures keeping existing policyholders with the company.					
36	Brokers tendering practices/procedures in evaluating insurance companies' proposals has an effect in customer retention.					

Policyholders Retention

Statements	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree(5)
You have attained Policyholders retention target with acceptable margin.					
For the past few years, your branch is successful in increasing repetitive renewals or repurchase of policies (more than once and above).					
You are receiving businesses through existing Policyholders' referrals.					
You have shown a remarkable performance in minimizing Lapsation of policies.					

Section III: Your Comment

1. Please write any problems you come across in the process of Policyholders Retention in your company.

_____

_____

2. Please suggest solutions for the problems you mentioned above.

_____

_____

3. Do you have any comment /opinion regarding Policyholders Retention in Ethiopia Insurance Industry?

_____

Thank you for your cooperation!

Annex II: Number of Branches in Questionnaire Collection

S/No.	Insurance Companies	Business Engagement	Target Population (Addis Ababa)	Sample Collected
1	Abay Insurance Company S.C	Composite	13	7
2	Africa Insurance Company S.C	Composite	16	8
3	Awash Insurance Company S.C	Composite	27	13
4	Berhan Insurance Company S.C	General	10	5
5	Bunna Insurance Company S.C	General	12	8
6	Ethio-Life Insurance Company S.C	Composite	16	8
7	Ethiopian Insurance Corporation	Composite	25	10
8	Global Insurance Company S.C	General	11	8
9	Lion Insurance Company S.C	General	16	8
10	Lucy Insurance Company S.C	General	12	9
11	National Insurance Co. of Ethiopia S.C	General	21	7
12	Nib Insurance Company S.C	Composite	27	6
13	Nile Insurance Company S.C	Composite	20	11
14	Nyala Insurance Company S.C	Composite	15	7
15	Oromia Insurance Company S.C	Composite	19	10
16	Tsehay Insurance Company S.C	General	14	10
17	The United Insurance Company S.C	Composite	25	14
	Total Branch Network		**299**	**149**

Anex III: Sampling Frame

S.N	Abay Insurance Company
1	Main Branch
2	Beklobet Branch
3	Kera Branch
4	Merkato Branch
5	Megenagan Branch
6	Kality Branch
7	Bole Branch
8	Legehar Branch
9	Piassa Branch
10	Gerji Branch
11	Lideta Branch
12	Arat Killo Branch
13	Lebu Branch

S.N	Africa Insurance Company
14	Life
15	Headoffice Branch
16	Fiwuha Main Branch
17	Yoseph Branch
18	Teklehaimanot Branch
19	Boke Yeka Branch
20	Gofa Nefas silk Branch
21	Arada Branch
22	Kirkos Branch
23	Gerji Branch
24	Arat Killo Branch
25	Mesalemia Branch
26	Kality Branch

27	Lideta Branch.
28	Ayertena Branch
29	Fitber Branch

S.N	Awash Insurance Company
30	Bole Grand Main Branch.
31	Life/Health Main Branch.
32	Addis Ababa Main Branch
33	Finfine Main Branch.
34	Merkato Branch.
35	Gofa Mazoria Branch.
36	Nefas Silk Branch.
37	Teklehaimanot Branch.
38	Kolfe Branch.
39	Gotera Branch.
40	Central Merkato Branch
41	Hayahulet Mazoria Branch.
42	Wollo Sefer Branch.
43	Kazanchis Branch.
44	Lideta Branch.
45	Gerji Branch.
46	Dil Gebeya Branch.
47	Piazza Branch.
48	Sheger Branch.
49	Kality Branch.
50	Gulale Branch.
51	Sebategna Akababi Branch.
52	Sarbet Branch.

53	Birbirsa Branch.
54	Megenagna Branch.
55	CMC Branch.
56	Oda Branch.

S.N	Berhan Insurance Company SC
57	Main Branch
58	Bole Branch
59	Kera Branch
60	Merkato Branch
61	Ras Branch
62	Megenagna Branch.
63	Lidea Branch
64	Gofa Branch
65	Hayahulet Mazoriya
66	Olompia

SN	Bunna Insurance Co. SC
67	Main Branch
68	Kera Branch
69	Bole Branch
70	Meshalekia Branch
71	Kazanchis Branch
72	Hayahulet Branch
73	Wolosefer Branch
74	Lideta Branch
75	Merkato Sebategna
76	Saris Branch
77	Dirtera Branch
78	Piazza Branch

Sampling Frame…cont'

SN	Ethio Life and General Ins
79	Africa Avenu Branch
80	Bisrate Geriel Branch
81	Life and Health
82	Bole Medhanalem Br.
83	Beklobet Branch
84	CMC Branch
85	Gofa Branch
86	Jemo Branch
87	Kality Branch
88	Lideta Branch
89	Main Branch
90	Merkato Branch
91	Megenagan Branch
92	Mexico Branch
93	Sengatera Branch
94	Sumalie Tera Branch
SN	Ethiopian Insurance Corp.
95	Central Addis District
96	Bisrate gebriel Branch
97	Lideta Branch
98	Western Addis District
99	Alem Gena Branch
100	Betel Branch
101	Autobis Tera Branch
102	Northern Addis District
103	Gofa Branch
104	Southern Addis District
105	Saris Branch

SN	
106	Kality Branch
107	Beklobet Branch
108	Bole Lemi satellite
109	Eastern Addis District
110	Megenagna Branch
111	Bole Branch
112	Yerer Branch
113	Arada District
114	Merkato Branch
115	Gulele Branch
116	Life Addis
117	Mexico Life Branch
118	Megenagna Life Branch
119	Merkato Life Branch
SN	Global Insurance Co. SC
120	Main Branch
121	Teklehaimanot
122	Arada
123	Merkato
124	Bole
125	Nifas silk
126	Yerer
127	Mexico
128	Kera
129	Eastern Addis
130	Southern Addis
SN	Lion Insurance Co. SC
131	Arat Killo
132	Bole Medhahinalem

SN	
133	Cathedral Branch
134	Genet Branch
135	Gerji Branch
136	Gofa Branch
137	Gurdsholla Branch
138	Hayahulet Branch
139	Kality Branch
140	Main Branch
141	Meshualekia Branch
142	Olompia Branch
143	Raguel Branch
144	Stadium Branch
145	Teklehaimanot Branch
146	Kazachis Branch
SN	Lucy Insurance Co. SC
147	Bole Medhanialem Branch
148	Bole Branch
149	Lideta Branch
150	kera Branch
151	Piassa Branch
152	Yerer Branch
153	Hayahulet Branch
154	Kality Branch
155	Stadium Branch
156	Megenagna Branch
157	Merkato Sebategna Branch
158	Head Office Branch

Sampling Frame….cont'

SN	National Ins Co. of Eth
159	Main Branch
160	Abakoran Branch
161	Kolfie Branch
162	Addis Ketema Branch
163	Megenagna Branch
164	Legehar Branch
165	Gofa Branch
166	Bole Branch
167	Taitu Branch
168	MahilGebeya Branch
169	Kality Branch
170	Kazanchis Branch
171	Merkato Branch
172	Jemo Branch
173	Lafto Branch
174	Bisrate Gebriel Br.
175	Addisu Gebeya
176	Sumit CMC
177	Bole Medhanialem
178	Yerer Ber Branch
179	Alemgena Branch
SN	Nib Insurance Co. SC
180	Main Branch
181	Bole Branch
182	Genet Branch
183	Ledeta Branch
184	Megenagna Branch

185	Nifas Silk Branch
186	Piazza Branch
187	Tana Branch
188	Tiret Branch
189	Urael Branch
190	Gotera Branch
191	Addis Ketema Branch
192	Ras Branch
193	Lebu Branch
194	Gurdshola Branch
195	Meshualkya Branch
196	Gerji Branch
197	Kera Branch
198	Tele Medhanealem Br.
199	Ayer Tena Branch
200	Arat Kilo Branch
201	Bisrate Gebriel Branch
202	Kality Branch
203	24 Akababi Branch
204	Sefereselam Branch
205	D'Afrique Branch
206	Semen Addis Branch
SN	Oromia Insurance Co. SC
207	Finfinne, Sengatera Area
208	Head Office, Bole Africa Avenue
209	Bole, Novis area
210	Merkato Branch
211	Gofa Branch

212	Doka Bora, 22 Area
213	Gullele
214	Wadessa, Tewodros Square
215	Birbirsa, Bombi Tera Area
216	Chaffe, Flamingo Area
217	Kersa, Kasanchis
218	Jamo, Ayer Tena Area
219	Bulbula SarisAdey Abeba
220	Kolfe, Atena Tera Area
221	Gerji Branch
222	Dollo Biddena,Meskel Flower
223	Muda, Lideta
224	Ejersa, Bole Medhanialem
225	Kality
SN	Tsehay Insurance Co. SC
226	Kera Branch
227	Tewodros Branch
228	Beklobet Branch
229	Lideta Branch
230	Gofa Branch
231	Somalie Tera
232	Main Branch
233	Gerji Branch
234	Hayahulet Branch
235	Legehar Branch
236	Addis Ketema Branch
237	CMC Branch
238	Lebu Branch
239	Merkato Branch

Sampling Frame….cont'

SN	The United Insurance Co. SC
240	Head Office Branch
241	Arada Branch
242	Beklobet Branch
243	Kirkos Branch
244	Lion Branch
245	Miserak Branch
246	Tekle Haimanot Branch
247	Addis Ketema Branch
248	Gotera Branch
249	Kality Branch
250	Mesalemia
251	Lideta Branch
252	Legehar Branch
253	B\Medhanialem
254	Gullele Branch
255	Ayer Tena Branch
256	MegenagnaBranch
257	Kazanchis Branch
258	Arat Kilo Branch
259	Gofa Branch

260	Bole Branch
261	Gerji Branch
262	Jemo Branch
263	Addisu Gebeya Branch
264	Life and Medical Branch
SN	Nile Insurance Co. sC
265	Addis Ketema Branch
266	Abakorna Branch
267	Addisu Gebeya Branch
268	Bole Branch
269	Beklobet Branch
270	Gerji Branch
271	Gotera Branch
272	CMCBranch
273	Gofa Branch
274	LidetaBranch
275	Legehar Main branch
276	Life Branch
277	Megenagna Branch
278	Kality Branch
279	Kirkos Branch

280	Tewodros Branch
281	Telemedhanialem
282	Urael Branch
283	Kolfie Branch
284	Lebu Branch
SN	Nyala Insurance Co.
285	LifeBranch
286	Arada Branch
287	Beklobet Branch
288	Bole Branch
289	Gerji Branch
290	Gloa Sefer Branch
291	Kera Branch
292	Kality Branch
293	Legehar Branch
294	Merkato Branch
295	Coproprate Branch
296	Kazanchis Branch
297	Megenagna Branch
298	Lafto Branch
299	Wehalimat Branch