

Book Review

Hailu Zeleke, *Insurance in Ethiopia: Historical Development, Present Status and Future Challenges*, Printed by Master Printing Press, 2007. Pp IX + 308.
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Hailu Zeleke found a niche subject, Insurance in Ethiopia that was lacking in coverage, so he wrote a book on it. And he did a great job doing it. The book, *Insurance in Ethiopia: Historical Development, Present Status and Future Challenges* is a detailed no-nonsense book that hands you a truck load of information on the Ethiopian Insurance Industry and its regulation right from its inception.

Hailu begins by unpacking concepts basic to understanding insurance like peril, hazard, probability, and more importantly risk, in chapter one. He deals with the latter at length and does a good job at that. In chapter two, he dwells on insurance, its importance and development. Among other things, he explains the pooling of risks and the law of large numbers that underlie the workings of the insurance industry. If you are mathematically inclined, you will certainly enjoy Hailu's explanation of the law of large numbers at pp 26 to 31. If you are not, just skip it. The math-free elucidation does the job just as well. In Chapter three and four he very briefly discusses the development of insurance in Ethiopia till 1970. His treatment of this topic is not particularly impressive though. I will come back to that at a later point.

Chapter 5 deals with the first proclamation and legal notice issued to regulate the insurance industry in 1970 and 1971 respectively. The author outlines the main features of the proclamation (Proclamation No.281/1970). In particular, matters like minimum capital, place of incorporation, the deposits required to engage in insurance and the regulatory bodies that were entrusted with running the industry have been briefly discussed by the author in this chapter. The author also raises the salient features of Legal Notice 393/71 like submission of application for license, issuance of license and renewal of the same, qualification requirements of insurance auxiliaries, actuaries and submission of annual financial statements to the Controller. He winds up the chapter by showing how the industry reacted to the issuance of these new laws and by analyzing the performance of the industry between 1967 and 1972.

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In chapter 6, the author dwells upon the insurance industry during 1974 to 1994. This is the period when the insurance business was monopolized by a state owned company established pursuant to Proclamation 68/1975. The author gives interesting facts and figures about this period. Then follows chapter 7, where the author discusses the reemergence of private insurance companies following the demise of the military regime. Totalling 104 pages, this is the longest and the most informative chapter in the book. It deals with various things including Proclamation 86/1994 and the Council of Ministers Regulation No 201/1994 that were issued to regulate the industry in a market economy context, the reemergence of private insurance companies, investment by the companies, insurance auxiliaries and actuaries, workforce profile of the industry and financial performance of the nine insurance companies that were in the field till June 30, 2005. As he compares and contrasts the nine insurance companies active in the field, in this chapter, the author shows his rare skill in being able to condense overwhelming information into comprehensible figures and tables. That the author is clearly an expert in the field will not be lost on anyone who reads this chapter of the book.

Competition in the Ethiopian insurance sector has been dealt with in Chapter 8. The assessment of the existence and extent of competition in the industry is based on documents uncovered by the author's research, and questionnaires filled out by players in the field. This is followed by Chapter 9 that deals with the regulation and supervision of the insurance industry in Ethiopia. After analyzing the goals of supervision and the capabilities of the National Bank of Ethiopia entrusted with the task of supervision, the author concludes that the insurance sector is given low emphasis by the regulator compared to the banking sector. This is manifested, according to the author, by the disturbing lack of benchmarks against which the performance of the insurers is to be measured and the dearth of skilled personnel in the Insurance Supervision Department at the National Bank of Ethiopia.

In chapter 10, the author deals with the problems of the insurance industry. Based on questionnaires filled out by stakeholders like the insurance companies, the regulatory body, associations of insurers and insurance professionals he identifies the most worrisome problems, and comments on them. The three chapters that follow are very brief, a total of 23 pages. Chapter 11 titled 'present status and challenges of insurance industry in Ethiopia' gives some information regarding post 2005 developments in the industry such as the formation of two new insurance companies and growth rate of the industry. It also deals with the future challenges based on the perception of stakeholders in the sector. This could, perhaps, well have been made part of chapter 10 as the issues are more or less the same and the informants the same class of persons. Chapter 12, a mere three pages, deals with insurance associations in Ethiopia. Chapter 13 is recapitulation of the preceding chapters.

If I had to pick on something to critique, I would say that:

Perhaps inadvertently, the author sometimes fails to acknowledge sources. I doubt the analysis of 'peril' in terms of an interaction among physical resources, human resources and a given operating environment is the author's original work. Note also the author quietly concludes from this very analysis that 'all these show that hazards are bound to exist perpetually and hence the possibility of undesirable contingency to mankind would remain *eternal*. Thus, risk will remain with mankind *forever*.' (Emphasis mine). This conclusion does not follow from the analysis. In any event, it is unnecessary as perpetuity of mankind let alone peril is highly contestable. It seems the author's choice of words like 'perpetually', 'eternal' and 'forever' was not carefully considered. (See pp 9 to 10). Similarly, at p 88 he indicates conditions that would lead to cancellation of license under the Insurance Proclamation 86/1994 without indicating the exact provision(s) of the law thus making it difficult for the reader to consult the article(s) reference is being made to.

Neither the organization nor the content of chapter three and four is great. The two chapters deal with essentially the same theme, development of insurance in Ethiopia. The former is on developments up till 1960 while the latter chapter deals with the rise of domestic insurance companies in 1960s. The two chapters total 12 pages of which chapter four is only four pages. The two could have easily been reduced into one chapter. Looking at the content of these two chapters, one also wonders what the intended readership is. The author, for instance, summarizes the insurance provisions of the Commercial Code of 1960 in a single table with no further treatment. I doubt there is any person who can benefit from such a superficial treatment. He also gets bogged down in unimportant details. Cases in point are description of the Head Office of Imperial Insurance Company, the number of cars its parking lot could accommodate at a time etc... (See p. 45).

While very informative the book does have organizational problems. For instance, though chapter 5 is entitled 'The First Insurance Proclamation-1970,' the author deals with Legal Notice No 393/71 and also analyzes the performance of the insurance industry between 1967 and 1972. This is clearly beyond the scope of the chapter given its title. Other instances of organizational problems are chapter 11 that deals with more or less the same issues as chapter 10 and chapter 12 consisting of three pages.

At times one also gets the impression that the author is given to belaboring points he already made. On many occasions the author very aptly summarizes information in a table and then gives a figure that does nothing more but summarize identical information. Good examples are Table 11 at p 59 and figure 5 at p 60, p 12 and figure 8 at p 62, table 13 and figure 9 at p 63, table 15 and figure 10 at p 65, table 30 and figure 20 at pp 99 and 100, respectively, etc. No wonder we have a total of 66 tables and 85 figures in the book, the annex excluded.

Back to the good stuff, this book is an extensive and factual compilation of information on the insurance industry and its regulation in Ethiopia. The language is very good,

spelling and other typographic errors are extremely rare. All in all, the book is a vital read for financial planners, managers in the insurance sector, regulators and college students taking business courses in Ethiopia. So, if you tend to shy away from self-published works, I strongly suggest you don't do the same in this case.

Finally, I would like to take a moment to salute Hailu's impressive feat of writing a book in today's Ethiopia. Given the dearth of information, paucity of resources, the manifold challenges life poses and close-to-nil material reward of writing, few professionals dare attempt to write books. All these did not stop Hailu. He very much deserves a shower of accolades.