



**ST. MARY'S UNIVERSITY COLLEGE, SCHOOL  
OF GRADUATE STUDIES**

**ASSESSMENT OF CUSTOMER SATISFACTION ON MOTOR  
INSURANCE SERVICES: THE CASE OF ETHIOPIAN INSURANCE  
CORPORATION**

**BY**

**SOLOMON DEMISSIE**

**ID NO. SGS/0033/2004B**

**JUNE, 2014  
ADDIS ABABA, ETHIOPIA**

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**THIS IS SUBMITTED TO ST. MARY UNIVERSITY COLLEGE,  
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**APPROVED BY BOARD OF EXAMINERS**

**Dean, Graduate Studies Signature & Date**

\_\_\_\_\_

**Advisor Signature & Date**

\_\_\_\_\_

**External Examiner Signature & Date**

\_\_\_\_\_

**Internal Examiner Signature & Date**



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## **LIST OF ACRONYMS**

EIC	Ethiopian Insurance Corporation
BDRM	Business Development and Risk Management
RTA	Road Traffic Act
VIATPR	Vehicle Insurance against Third Party Risks
FDRERTA	Federal Democratic Republic of Ethiopian Road Transport Authority
CEO	Chief Executive Officer
UNCTD	United Nations Conference on Trade and Development
CSA	Central Statistics agency
NBE	National Bank of Ethiopia
ICT	Information Communication Technology
GATS	Global Agreement on Trade and Service
CTP	Compulsory Third Party
CII	Chartered Insurance Institute
FAIR	Federation Of Afro-Asian Insurers And Reinsurers

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## **ABSTRACT**

The basic objective of this study is to assess the level of motor insurance customer satisfaction in relation to services delivered by the Ethiopian Insurance Corporation. The study was conducted based on a descriptive study. For the purpose of this study, a sample of 360 respondents (clients of the company who are motor insurance policy holders) were drawn, using systematic random sampling from branches resided in the capital city (Addis Ababa) where majority of the total population of the study is found.. The SERVQUAL dimensions which have been used in the study is strongly proved to be the basic predictor of the quality of service measurement and an indicator of the feelings of customers (Parasuraman et al, 1994). The basic five SERVQUAL dimensions have been modified to suit with the nature of insurance service provision in order to make the study more reliable. (Tangibility, Reliability, Responsiveness, Assurance, Empathy, Underwriting quality, Claim service), this is due to the fact that the underwriting quality and claim service provisions are the main frame of reference to retain and attract new customers in any insurance business. Moreover, to have valid conclusion, some statistical measurements like average, frequency charts and graphs were used as the study is a descriptive study, it had been designed and intended just to indicate the level of satisfaction/dissatisfaction of motor insurance policy holders in EIC. The majority of the findings of the study revealed negative results. , it can however be concluded that customers were not satisfied with the service delivery of EIC. Hence, the findings will provide the company with solutions to enhance its performance and increase the number of its customers and also it directs the company to re-evaluate its policies and undertake proper monitoring towards improving its operational activities in order to assure better understanding of the customers. The data obtained from primary and secondary sources are collected through questionnaire, observation and interview. - To insure customer retention and improve on competitiveness, EIC should, however regularly assess service delivery process to satisfy their clients

**Keywords:- SERVIQUAL MODEL, Underwriting, Claims, Expected and Perceived Service, Motor insurance customer Satisfaction, EIC**

:

## **CHAPTER ONE**

### **1. INTRODUCTION**

This chapter deals mainly with background of study, statement of the problem, research questions, objectives, significance, and scope of the study.

#### **1.1 Background of the Study**

According to various sources, the emergence of modern insurance in Ethiopia is traced back to the Bank of Abyssinia which was established in 1905 as the first Ethiopian Bank. The emergence was closely linked to expatriates and foreign insurance companies operating in Ethiopia. This bank, which was established under a fifty year concession granted by Emperor Menelik II to the National Bank of Egypt in March, 1905, was inaugurated in February 1906. From the available source, the Bank had been acting as an agent for a foreign insurance company to underwrite fire and marine policies (Hailu,2007).

Thereafter, there were many foreign insurance companies transacting insurance business in Ethiopia through agents. The agents were placed in Addis Ababa while their Head Office was located abroad. (from 1920-1950) The first modern domestic insurance company was established in Ethiopia in 1951. This was called Imperial Insurance Company of Ethiopia LTD. Ethiopian Individuals and a British group formed the Imperial Insurance Company of Ethiopia which commenced operations in 1951 with a share capital of Birr 1,000,000.00(FAIR, 1992).

Prior to October 1975, there were 13 insurance companies operating in Ethiopia. In November 1975, all the thirteen were consolidated into one corporation under the name of 'Ethiopian Insurance Corporation (EIC)'. Currently, however, there are 16 private and one public insurance companies operating in the country (CSA, 2011; NBE, 2012)

Since 1991, the Ethiopian government has liberalized the economy from the previous command economy of Dreg regime. The government has opened its insurance market for Ethiopians to operate the industry in the private sector as far as they are complying with the financial policies of the country. The industry is closed for foreign operators; however, then after, the government has issued various directives to enhance the competitiveness of the private sector in the global insurance market (Hailu, 2007)

Insurance is a risk transfer mechanism whereby losses of a few are met by the fund created by the contribution of many, It is a contract between one party called the insured and another party called the Insurer whereby in consideration of payment of premium by the Insured, the Insurer agrees to make good any financial loss the insured may suffer due to operation of an Insured peril(Principles &Practice(P01) ,CII ,2010).

All over the world, organizations are focusing on retaining existing customers while targeting potential customers. Insurance industry is playing important role in the economic development of a country and its effective functioning would contribute for the growth and development of the country. Some of the major contributions are promoting financial stability and reduce anxiety, facilitating trade and commerce, mobilizing national savings, enabling risks to be managed more efficiently, reduction of economic losses and fostering a more efficient allocation of national capital. Insurance is an economic device whereby an individual substitutes premium for a large uncertain financial loss that would exist if it were not for the insurance (Vaughan, 2008). In Africa, the insurance penetration rate is 6.58 percent and the share of premium in the world is 1.69 and real growth rate was 3.9 percent (UNCTD, 2009).

The first time a vehicle appeared on road in Ethiopia dates back to the early 1900s. Since then, however, the number, type and use of vehicles have shown dramatic change (Temesgen, 2004). The total number of vehicles that are currently available in Ethiopia is estimated to be 450,000. To the surprise of everyone, most fatal road traffic accidents that occur here in the capital city are committed by well trained and experienced vehicle drivers ((FDRERTA,2013)).

In low and middle-income countries, including Ethiopia, pedestrians and passengers of commercial vehicles are the most vulnerable, whereas in the high-income countries crashes involve primarily in privately owned vehicles with the driver being the main car occupant who is injured or killed. In the United States of America (USA), for instance, 60% of the fatalities due to motor accidents account to drivers while in Ethiopia, only 5% account to drivers. This implies that in one car-crash, the number of people killed or injured in Ethiopia is much higher than in the case of USA (Persson, 2008).

In Ethiopia, motor insurance is the major business line and, probably, contributing to more than one-third of the total premium collected per year in general (Zewdu A., 2013). In

Ethiopia, the number of deaths and injuries occurred due to motor accidents is very high even though different causes have their own contributions for the accidents, such as the quality of infrastructures, the quality and behaviors of traffic polices and others (Ibid).

Ethiopia has been reported to have the worst motor accident records in the world. Large number of vehicles are destroyed and damaged accidentally every year. Damage and destruction of property, loss of life are almost certain to happen and become sad news to listen very frequently (Birritu, 2004)

According to the Federal Police Commission and Road Transport Statistics, in **2012/2013** the number of Traffic Accidents is 26,000, as a result of this, the number of death is 3,362, those who suffered serious injury are 5,042 and 6,316 persons suffered slight injuries in all the country. Motor insurance plays an immense role in the alleviation of the financial burden of the policy holders who are likely to suffer from economic losses due to motor accidents. Factors influencing motor risks include: Increasing number of vehicle in the country, increasing use of vehicle in the country, driving of vehicles by youngsters, increase in number of importation of second hand cars, expansion of road and advancement of manufacturing technology that able to make vehicle body with light materials (Temesgen, 2006). A recent study on the assessment of compulsory third party insurance shows only 35% of the total vehicles registered in the country have got insurance cover (Teferi,2011).

The researcher made an attempt to review previous studies regarding this topic. However, so far not much research work has been witnessed on the part of both academic researchers and practitioner in the corporation to assess the level of customer satisfaction in relation to the associated quality of service delivery.

Ethiopian Insurance Corporation (EIC) is a public enterprise company and leader in the insurance business, hold large number of corporate clients and insurance professionals (EIC profile, published yearly). Though, the study focuses on EIC, it does have common features with other private insurance companies in our country. Motor insurance is the type of business where extra labor and huge administration cost is expended, according to NBE (2013). Motor insurance sector is the backbone of the insurance business as it holds large number of customers than the other class of businesses and contributes about 50% of the gross premium from non-life insurance business, thus, need more research to investigate the attitude of customers or the level of customers satisfaction in this particular insurance sector.

Customers are those who buy the goods and services provided by the company, thus, satisfying customers is a core business challenge which has attracted considerable research attention. Customer satisfaction measures how well a company's products or services meet or exceed customer expectations. These expectations often reflect many aspects of the company's business activities including the actual product, service, company, and how the company operates in a global environment. Customer satisfaction measures are an overall psychological evaluation that is based on the customer's life time of a product and service experience ( Smith G, smith A, Clarke A, 2007 ).

In fact, in the context of relationship in marketing, customer satisfaction is often viewed as a central determinant of customer retention. In fact, customer satisfaction is considered today as a baseline standard of performance and a possible standard of excellence for any business organization and it is also one of the most studied areas in marketing. This, perhaps, is attributed to the fact that without customers, service firms hardly be able to exist. Insurance companies that ignore the value of service quality and customer satisfaction, as their competitive edge, are expected to invite to them big danger. As kotlar (2004) reported, " one of the major ways a service firm can differentiate itself, is by delivering constantly high quality than its competitors do. As a result, every service business needs to proactively define and assess the level of customer satisfaction.

## **1.2 Statement of the Problem**

It is not possible to avoid motor risks entirely; nevertheless, it can be minimized or mitigated by controlling those factors which can aggravate the existing motor risk situations(Teferi,2011 ). The Ethiopian insurance industry has experienced both competitive and monopolistic environment. Whether the business is in the hands of the government or private investors, the ultimate objective is to generate profit while ensuring the satisfaction of customers with providing efficient services thereby maximizing wealth. In the era of globalization, this objective can only be realized through competitiveness. One of the major problems of insurance industry in Ethiopia is that industry members are not fully adopted to sound marketing practices ,as most of the companies are competing solely on price based ( in a cut throat manner). .However, this may not hold true for the service oriented customers who are pleased with superior customer treatment. Though, the price matters the most in the sector, service provisions and associated quality cannot be ignored. In fact, the EIC has been

criticized for unfair and unreasonable delay in settlement of claim, providing incomplete information, and lack of professionalism, on various occasions.

Customer satisfaction is considered today as a baseline standard of performance and a possible standard of excellence for any business organization despite the fact that EIC has been widely deployed in Ethiopia, the growth trend of EIC in size of premium does not mean growth in its service quality and customer satisfaction on the service delivery.

Due to the fast growing information communication technology (ICT) environment, sooner or later, the opening up of the local financial market for potentially new foreign entrants is inevitable. And, hence, the existing local companies are likely to face fierce competition. Thus, continuous vigilance on the needs of customers and meeting their expectation is a determinant factor for retention of customers and securing the continuity of the business. As a matter of fact, the lion-share of market in size of premium in motor insurance business that has been held by EIC is decreasing yearly, especially private customers, it has fallen from 100% 20 years ago to 35% in 2013 (EIC strategic management report,2013).

Similarly, despite the fact that EIC has been effecting a huge amount of claim payments to its motor insurance customers (claimants) and the loss ratio is increasingly yearly, the number of customers refusing to renew their policies is increasing from time to time, Hence, customer satisfaction is the one and the major part of the competitive variables like product pricing, financial strength of the company, credit sales and others.

There is a substantial amount of competition among insurance companies; customers are becoming much more demanding due to the availability of alternative insurance companies. In order to remain competitive, EIC should make a regular survey on the level of service quality that they are delivering to their customers, by doing so, the organization in question will have a better understanding on the part of directing its resources to gain competitive advantages over rival firms. Thus, this study tried to examine and assess the level of motor insurance customer satisfaction in relation to services delivered by the EIC.

Thus, the researcher is initiated to undertake this study in order to describe the prevailing motor insurance service delivery and the associated situation of customers' satisfaction in EIC.

### **1.3. Basic Research Questions**

The research was carried out to analyze the customer satisfaction level with the service delivery of EIC. After a thorough examination on the subject, the research tries to address the following basic research questions among others:

1. What are the expectation of customers from EIC with respect to motor Insurance services?
  - What are the type and quality of services expected by and offered to current motor insurance customers of EIC?
2. What are the possible measures to be taken to meet the expectation of customers as well as to improve the satisfaction level of customers regarding motor insurance service delivery by EIC?
  - . What are the major factors that affect effectiveness of motor insurance service delivery in EIC?

### **1.4. Objectives of the study**

The general objective of this study is to assess and examine the level of customers 'satisfaction of motor insurance in EIC.

The specific objectives of the study are:-

- identify the type and quality of services expected by and offered to current motor insurance customers of EIC;
- Pointing out the possible solutions to meet expectations of customers regarding motor insurance services of EIC
- Identify the expectations of customers from EIC with respect to motor Insurance services?
- Assess the major factors that affect effectiveness of motor insurance service delivery in EIC



### **1.5 Significance of the Study**

The significance of the study will be useful to EIC as well as to other similar companies to improve their motor insurance service delivery systems in line with their customers' expectations to increase its customers base and its competitive advantage; It also serves as an input for insurance policy makers in the financial institution of the country to undertake proper monitoring strategy and re evaluate its policies and it helps to improve the customers' satisfaction of motor insurance; moreover, it provides other researchers with initial input or reference for further studies.

### **1.6. Scope of the Study**

The scope of this study is limited to assessment of the level of motor insurance customer satisfaction in a single state owned company, EIC. The targets of the study are the holders of motor insurance policy who placed their business in the capital city (Addis Ababa) where the majority of the total population are found. EIC branches operating out of Addis Ababa are excluded due to financial and time

### **1.7. Organization of the study**

The study has been organized into five chapters. The introductory part of the 1<sup>st</sup> chapter provides a brief background to the study, the research problem, objectives of the study, basic research questions, and significance of the study and scope of the study.

The second chapter deals with an overview of literatures that have relevance to the research. Key issues addressed in this chapter include- customer satisfaction, service quality, SERVIQUAL MODEL. History of motor insurance, the nature of motor Insurance.

The third chapter presents the methodology adopted in the study which covers the research design, sample size and its determination, sampling technique, data source and data collection techniques, questionnaire design, data analysis methods, and finally the validity and reliability of the data.

The fourth chapter is about the results and interpretation part of the study. It covers the presentation of respondent's characteristics, and evaluation of the study parameters based on the respective research questions designed and responses given.

The fifth (final) chapter deals about the summary of major findings, conclusions and recommendations. At last, the researcher forwarded his recommendation for future similar studies and limitations faced while undertaking the study.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2 INTRODUCTION

This chapter consists of two parts: Conceptual Review And Empirical Studies. The first part is Conceptual Review: which deals about the definitions of Customer, Customer Service, Customer Satisfaction, Quality ,SERVIQUAL, Service Gaps and Relation Ship With Customers. The second part Empirical Studies which deals about the Nature of Motor Insurance, Experience of Other Countries and Motor Insurance In Ethiopia , Comparison of Gross Premium with Gross Claims Paid and Market Share of EIC.

##### 2.1 Conceptual Review

**2.1.1 Customers:** - are known as a client, buyer or purchaser, or the re is the recipient of good, service, product or idea. A customer is a person who purchases goods or services from another. An insurance company's customers can be divided into two general categories:- external customers and internal customers. An external customer is any person or business who (1) has purchased or is using the insurance company's products (2) is in a position to buy or use the company's products, or (3) is in a position to advice others to buy or use the company's products without being paid by the company to do so. The best known among these customers are, of course, the people, who actually use insurance products. For example, individual policy owners, beside consumers, the other external insurance customers are broker, employee- benefit advisors and other insurance constants. The internal customers are the employees of an insurance company who receive service from other employees of the company. (Smith, 2013)

**2.1.2. Customer service:-** is the provision of service to customers before, during and after a purchase. It is a range of customer services to assist customers in making cost effective and correct use of product. It includes a broad range of activities that a company and its employees undertake in order to keep customers satisfied so they will continue doing business with the company.

Customer service is one of the most important functions performed in business. Customer service interactions whether good or bad are expectations that both an insurance company and its customers long remember. A company's ability to provide excellent customers service

is essential for that company to develop and maintain a positive, long, and profitable relationship with its customers.

The importance of providing quality customer service cannot be overestimated. The more valuable a company is to its customers, the more likely it is that those customers will continue doing business with the company. By providing its customers with the kind of service and the quality of service that they need and expect, and by exceeding the customer's expectations whenever possible, a company improves its value to the customer and its chances of meeting or exceeding its bottom-line business goals.

Because of increasing competition among companies that offer the same or similar products, providing customer service that "delights" has become more important in creating the loyalty that causes a customer to continue doing business with a company.

**2.1.3 Customer satisfaction** :- is often viewed as a central determinant of customer retention, without customers the service firm hardly be able to exist, thus, every service giving organization needs to proactively define and measure the level of customer satisfaction. (Reinheld, 1996). They are dissatisfied when expectations are not fulfilled by actual experience: satisfied when expectations are fulfilled; and very satisfied, or thrilled, when they are exceeded (Duchesse , 2002).

Service delivery occurs during the interactions between contact employee and customers. Attitudes and behaviors of the contact employees can influence customers' perceptions of service quality and customer expectations play an important role in creating satisfaction.

Customer expectations are customers' belief about the performance of a service based on prior experience and communications ( Harre and Frazier, 1999) .

A company can always increase customer satisfaction by lowering its price or increasing its services. But this may result in lower profits. Thus, the purpose of marketing must continue to generate more customer value and satisfaction but not 'give away the house' (Philip and Gary, 2004:17-19). Customer satisfaction is not a static concept. Many internal and external events can quickly change a satisfied customer into a dissatisfied one. Companies that commit themselves to satisfying customers must establish a system to continually monitor Customer Satisfaction.(Ibid)

### **2.1.3.1. Customer Satisfaction in Insurance**

Marketing research findings ascertaining that satisfied customers are likely to continue their relationship with the firm, and they are less costly to approach than new customers. Therefore, the fact that attracting new customers is much more expensive than keeping old ones, explains the corporate drive toward increased consumer satisfaction. Additionally, customer satisfaction renders multidimensional benefits to the business form. Kotler (2006) considered customer satisfaction to be the best indicator of a company's future profit. (Likewise, Anderson et al, 1994) found that customer satisfaction has a direct outcome on the primary source of future revenue streams for most of the companies, they studied. Other scholars and practitioners (Fornell, 1992; Swanson and Kelley, 2001; have pointed out that the benefits of satisfied customers can be manifested in terms of positive word of mouth, repeated purchase, less defection to competitors, satisfied employee, solution against price competition, great reputation, etc.

In consideration of the above, almost every business firm is expected to employ customer satisfaction measures thoroughly, because of the fact that satisfied customers are essential to make a business become successful.

Thus, it is believed that the customer in insurance sector needs, among other things:

1. Prompt and accurate issue of insurance documents (policy papers, endorsements, Acceptance/rejection letters, warranties, etc)
2. Prompt and fair settlement of claims
3. Better problem solving approach
- 4.. To meet the customer's requirements on time
5. Fair and competitive price/premium

Therefore, the good insurance quality service delivery mechanism could improve customers and insurance staff member's satisfaction, increased customer loyalty to the insurer and encouraged customers to return to the insurance company and recommend the service to others.. It therefore, appears that insurers who invest in customers satisfaction may have superior chance of forming an effective and vibrant organization, with caring, committed and empowered people.

Therefore, for the purposes of current study, the researcher will maintain the focus on a specific assessment of the customer service in EIC, seen as determinant of overall satisfaction.

#### **2.1.4. Nature and Scope of Quality**

Quality is much debated term. To some it is like 'beauty' that lies in the eye of the beholder! Those who believe in this are 'relativists', where as those who believe quality can be specific attributes that can be identified, are 'objectivists'. The word quality comes from Latin word 'quails' meaning 'what kind of'.

The British Standard Institution (BSI) defines quality as "the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs" (BSI, 1991). Green and Harvey (1993) identified five different approaches to defining quality:

1. In terms of expectation (exceeding high standards and passing a required standard):
2. In terms of consistency ( exhibited through "zero defects" and "getting right the first time" ,making quality a culture)
3. Fitness for purpose( meaning the product or service meets the stated purpose, customer specification and satisfaction )
4. As value for money ( through efficiency and effectiveness) ; and
5. As transformative ( in terms of qualitative change)

According to Gummesson (1990) , it might be useful to create an insight into the many dimensions that form a fuzzy entity referred to as quality through social consensus rather than defining it. Garvin (1988) classified the various definitions of quality into five major groups:

- A. Transcendent definitions:- These definitions are subjective and personal. They are eternal but go beyond measurement and logical description. They are related to concepts such as beauty and love.
- B. Product-based definitions. Quality is seen as a measurable variable. The basis for measurement is objective attribute of the product.
- C. User-based definitions. Quality is a means for customer satisfaction. This makes these definitions individual and partly subjective.
- D. Manufacturing–based definitions. Quality is seen as conformance to requirements and specifications.
- E. Value-based definitions. These definitions define quality in relation to costs. Quality is seen as providing good value for costs( Largosen et al. , 2004)

Quality should be a bottom-up approach and everyone should be conscious of why we should worry about quality of services, programmers and approaches. According to Sanjaya (2007), some of the major reasons are as follows:

1. **Competition:** We are entering a new regime, where competition among insurance companies will be highly significant. With globalization and the GATS, the service giving organization environment will be seized by increased competition. In order to survive in such a situation, insurance institutions need to worry about their quality of service delivery..
2. **Customer Satisfaction:** Students, parents or sponsoring agencies as customers of the educational institutions are now highly conscious of their rights or getting value for their money and time spent. They are now demanding good quality teaching and receiving employable skill sets, and thus we should constantly worry about the relevance of our courses and programmers to the needs of the labor market.
3. **Maintaining standards:** As service giving organizations, we are always concerned about setting our own standards and maintaining it continuously year after year. In order to maintain the standard, we should consciously make effort to improve quality of the customer handling as well as the service provisional provisions and facilities.
4. **Accountability:** Every institution is accountable to its stakeholders in terms of the funds (public or private) used on it. Concern for quality will ensure accountability of the funds utilized and inform the stakeholders about taking appropriate decisions. Thus, quality can be considered as a monitoring mechanism.
5. **Improve employee morale and motivation:** Your concern for quality as an institution will improve the morale and motivation of the staff in performing their duties and responsibilities. If a quality system is in place, the internal processes would be systematic making every department complementing each other service domain and helping in developing internal customer satisfaction leading to high morale and motivation.
6. **Credibility, prestige and status:** If you are concerned about quality, continuously and not once in a while, it will bring in credibility to individuals and your institution because of consistency leading to practice, status and brand value.
7. **Image and Visibility:** Quality institutions have the capacity to attract better stakeholders support,

### 2.1.5. Service Quality (SERVQUAL)

According to Parasuraman, Zeithaml and Berry (1985), regardless of the type of service, consumers basically use the same criteria to assess quality. Service quality is a general opinion the client forms regarding its delivery, which is constituted by a series of successful or unsuccessful experiences. Managing gaps in service will help the company improve its quality. But gaps are not the only means clients use to judge a service. They can also use five broad-based dimensions as judgment criteria: reliability, tangibility, responsibility, security and empathy (LOVELOCK, 2001). According to LOVELOCK,2011, these dimensions are briefly commented below:-

**Reliability:** is the company reliable in providing the service? Does it provide as promised? Reliability reflects a company's consistency and certainty in terms of performance. Reliability is the most important dimension for the consumer of services.

**Tangibility:** how are the service provider's physical installations, equipment, people and communication material? Since there is no physical element to be assessed in services, clients often trust the tangible evidence that surrounds it when making their assessment.

**Responsibility:** are company employees helpful and capable of providing fast service? It is responsible for measuring company and employee receptiveness towards clients.

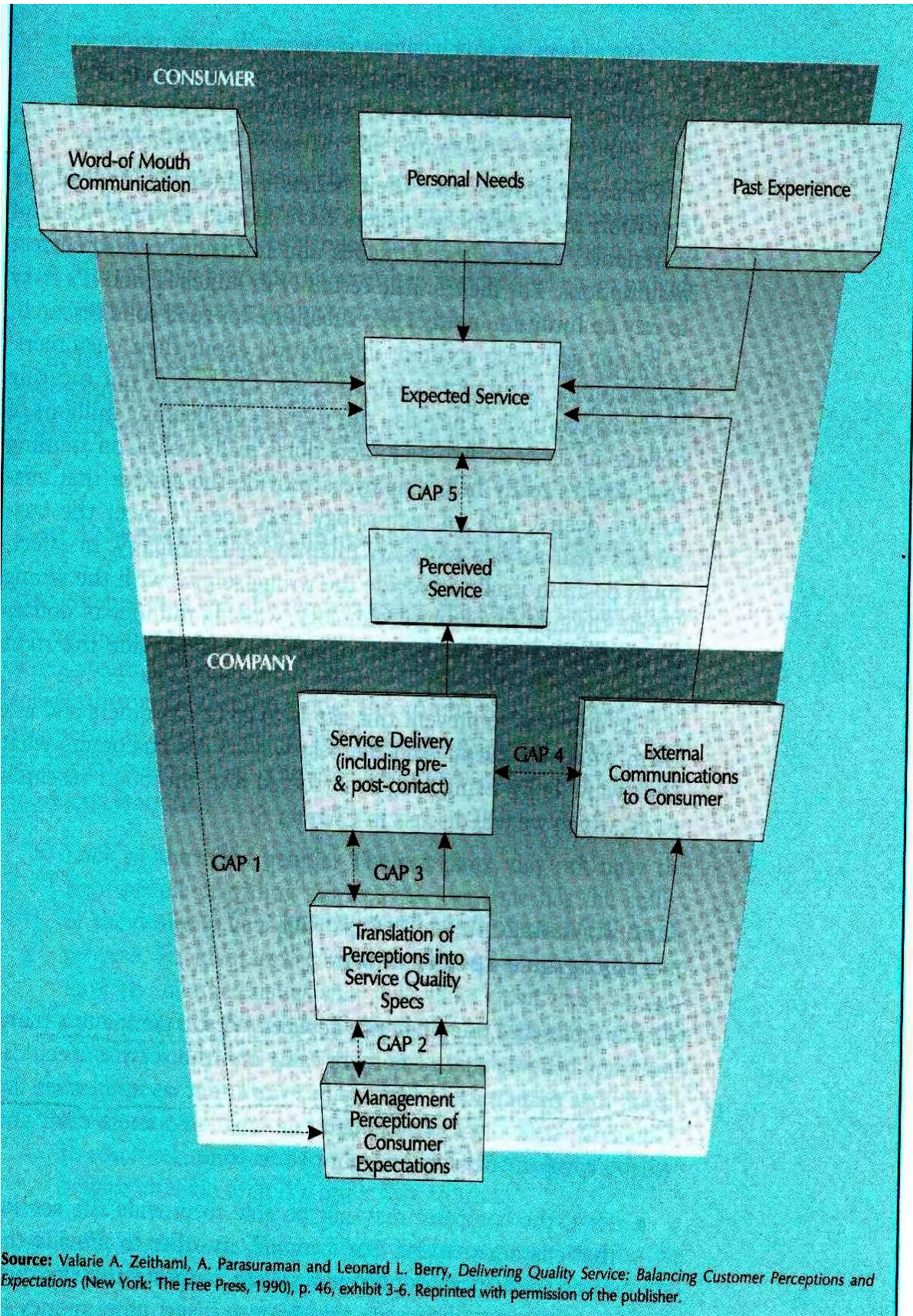
**Security:** are employees well-informed, educated, competent and trustworthy? This dimension encompasses the company's competence, courtesy and precision.

**Empathy:** this is the capacity a person has to experience another's feelings. Does the service company provide careful and personalized attention? These elements clearly have a highly subjective factor linked to the person who perceives the service. In reality, every type of service can have determining factors that are considered more important than others, which will depend on environment characteristics or type of activity. It is difficult to measure the quality of service operations because they have the characteristic intangibility. Aimed at solving this problem, Parasuraman, Zeithaml and Berry (1985) developed a methodology in which there is a comparison Parasuraman Valarie A. Zeithaml and Leonard Berry present one of the most comprehensive models now available for examining service quality. This model called SERVQUAL model identifies:-



- a) five gaps including the service gaps
- b) five criteria of service quality that are of greatest importance to consumers (called service dimensions)







According to Huggins, Kenneth, 1997, the following five gaps are identified in the service quality.

Identifying gaps in customer service allows companies to develop tactics to overcome or remove those gaps. Businesses that understand the five gaps in customer service are more prepared to avoid or overcome the problems encountered in areas where service typically breakdown.

**Gap 1: Customer Expectations versus Management perceptions**

Gap 1 represents the difference between what customers want customer expectations and what the company thinks they want management perceptions. Gap 1 usually occurs for one reason: the people responsible for establishing service levels neither talk nor listen to their customers. Companies often believe they already know what their customers want, though they have never done any quantifiable. Research on the topic. The attitude in these companies follows this logic.

**Gap 2: Management perceptions versus service specifications**

Gap2 represents the difference between what a company's management believes that customers want and the service specifications that management sets for the work that its employees do.

**Gap 3: Service specifications versus service delivery**

Gap 3 represents the difference between the service specifications set by the company and the service that it actually delivers. Even when a company established adequate procedures and appropriate job- performance specifications, the company's employees may not perform at the level set by shoes specifications.

**Gap 4: Actual service levels versus advertised service level**

Gap 4 represents the discrepancy between the service a company advertises that it will provide and the actual service levels that it does provide. From the customer's point of view, this gap can be the most glaring and damaging. It is also one of the most common.

**Gap 5: Expected Service versus Perceived Service**

The purpose of identifying and reducing gaps 1 through 4 is to reduce the gap that is always most apparent to the customer: Gap 5, which is the service gap the difference between the service that customers expect to get and the service that they feel they actually receive. The service gap can be viewed as the culmination of the four preceding gaps. By reducing or eliminating gaps 1 through 4, an insurance company can reduce or eliminate the service gap. An insurance company can also reduce this gap by changing customer expectations

### **2.1.5.1 Service quality in the insurance sector**

In order to address the issue of service quality in insurance, one must take into account the specific characteristics of the industry. Insurance products and services are extremely complicated; perhaps, there are no other products or services in the market for which such ignorance exists (Ieste and Wanderey, 1997 as cited by Shimeles, 2011).

Insurance contract is a special kind of legal undertaking between two parties. Both of them, the insurer and the insured (customer), expect reasonable benefits. The most important reason for purchasing insurance is the existence of risk in different form and magnitude which may or may not occur in the duration of an insurance contract. Thus, what is sold by insurance companies is just a promise that is to make the loss; good if and when the risk insured materialized. As a result, customers can assess the quality and value of the insurance service after they bought the insurance policy after some time i.e, at the time of claim. Because of this, the claim settlement procedure appears to be the most critical incident of insurance, and distinguishes insurance from the majority of service, for which production and consumption occur simultaneously (Zeithaml et al. 1988).

As the customer is the final to judge the quality of service being provided, service quality and the achievement of customer satisfaction should be the most fundamental or critical for the success even in the insurance business.

The quality of services prior and during underwriting risks, as well as the adequacy and speed of claim statement leads to customer loyalty, persistency, and positive word of mouth communication in the insurance sector.

Ethiopian Insurance sector and service quality in Ethiopia, though the market is open for all the clusters of customers, business relationship with the customer have been formed and based on different influencing factors.

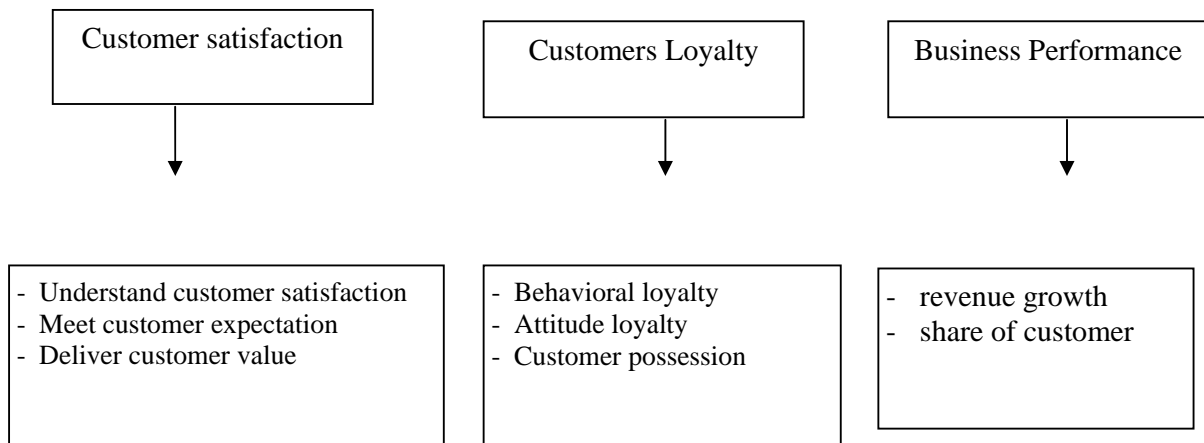
Therefore, the good insurance quality service delivery mechanism could improve customers and insurance staff member's satisfaction, increased customer loyalty to the insurer and encouraged customers to return to the insurance company and recommend the service to others. The cumulative effect of this will be reflected on the bottom line i.e. profit. It therefore, appears that insurers who invest in customers satisfaction may have superior chance of forming an effective and vibrant organization, with caring, committed and empowered people (Chartered Insurance Institute, Marketing, 2006).

## 2.1.6 Rational for establishing Relationship with customers

The major reason is to identify, acquire, satisfy and retain profitable customers. Successful relationship needs to have some emotional content. Although the character of a relationship can change from time to time, its is based on a foundation of trust and commitment.

The primary motivation for companies trying to develop long-term relationships with customers is the profit motive. The goal is to retain existing customers and attract new customers that have future profit potential or those who have other important strategic advantages.

Figure1: **Relationship with customers**



Source: Buttle F.(1996)

## 2.2. Empirical Studies

### 2.2.1 The Nature of Motor Insurance

The main objective of motor insurance is mainly to cover losses to third party liability to persons and property as well as accidental own damage to the same due to overturning or collision depending upon the type of cover. The subject matter in motor insurance is motor vehicle. A motor vehicle is defined by Road Traffic Act of the UK as a mechanically propelled vehicle intended or adapted for use on roads. Road means any highway and any other road to which the public has access and includes bridges over which a road passes(Insurance Note and Guidance, 2011).

### **2.2.1.1 Classification of Motor Vehicles:**

For the purpose of motor insurance motor vehicles are classified as follows:-**Private Vehicles:** a vehicle is classified as private vehicle if it is used solely for social, domestic, pleasure and professional purposes or business calls of the insured. The term private use does not include use in connection with the motor trade, racing, commercial traveling and hire and reward.

**Commercial Vehicles:** These are Goods Carrying Vehicles: It is used to describe different types of vehicles that are intended or designed to carry goods. It ranges from trucks to small goods carrying delivery vans. Such vehicles can be used for the carriage of goods for hire or reward (general cartage) and the carriage of own goods plus carriage for hire and reward.

**1. Passenger Carrying Vehicles:** This group includes vehicles such as taxis, minibuses, buses, etc. generally, it is divided into public services vehicles and own service vehicles

**2. Public service vehicles** are vehicles used for the carriage of passengers for hire or reward. These include public hire vehicles, private hire vehicles and buses. Public hire vehicles are usually with a carrying capacity of less than 12 seats.

1. **Vehicles of Special Construction:** Such vehicles are designed or constructed to perform specific purposes such as mobile cranes, fire trucks, mixers, breakdown vehicles, dumpers, dozers, graders etc.
2. **Agricultural and Forestry Vehicles:** This group includes tractors, trailers, balers and combines harvesters.
3. **Motor Cycles:** This group is two or three wheeled vehicles used for personal or business purposes.
4. **Motor Trade:** This class of risk relates to vehicles used by dealers and repairers in during drive test, in custody and other related activities in motor trade.
5. **Learners:** they double clutch and brake pedals used for training drivers. (EIC's Insurance Note and Guidance, 2011)

### **2.2.1.2 Types of Cover Given in Motor Insurance in Ethiopian**

The most popular types of cover offered by insurance companies in Ethiopia include:

- A. The Road Traffic Act (Ethiopian Third Party Risks):** It is believed that government has to assure that road victims are left uncompensated. In Ethiopia, until the recent times,

there was no compulsory third party motor insurance. Recently however the Council of Representatives has adopted a proclamation, proclamation No 559/2008 to this effect. Accordingly, compulsory third party motor insurance limit of liability as given in article 16 of this proclamation as follows:-

1. Birr 40,000 in case of death
2. Birr 15,000 in case of bodily injury; and
3. Birr 100,000 in case of damages to property

This does not mean the victims' right to claim is jeopardized. The Act requires one to have third party motor insurance and hand on to police when requested. This proclamation sets out the minimum cover for third party liability in respect of death and bodily injury as well as third party property up to a limited amount. The cover further stipulates that an injured person will get medical help in hospitals up to birr 1,000 immediately even if it is uninsured because the medical center can get refund from the insurance fund.

Like other developed countries, when an accident occurs by unknown drivers (untraced drivers) and uninsured drivers, a bureau established by levies from insurance companies and government contribution will handle claims in this case. A bureau is established in the proclamation.

**B Third Party Only:** This could be a possible cover which the market may bring to give some additional covers in addition to compulsory insurance. Probably it may cover additional costs and expenses as well as it may have additional cover legal liability to third party property and persons apart from that is given by the Road Traffic Act.

**C. Third Party, Fire, and Theft Cover:** This policy extends the third party cover to incorporate covers that relate to the policyholder's own vehicle or motorcycle. The additional covers include theft and fire risks. Theft includes intention of permanently depriving of a thing from its place. In motor insurance, it also includes loss or damage due to unauthorized use of motor vehicle such as joy riding. Fire includes external fire, fire resulting from wear and tear, mechanical or electrical breakdown or failures.

**D. Comprehensive Motor Insurance:** It is wider cover than those given from (a) to the cover includes, apart from given above, accidental damage due to collision or overturning to the vehicle insured.

Insurance in case of Road Traffic Act covers. Comprehensive Motor Insurance Policy

The main motor insurance policy covers include

1. Loss of or damage to the insured car and accessories or spare parts
2. Accidental collision or overturning to insured vehicle to consequent up on insured perils
3. Loss due to fire, external explosion, self ignition, lightning
4. Theft or attempted theft
5. Malicious acts
6. Whilst in transit (including the process of loading and unloading, incidental to such transit) by road, rail, inland waterway, lift or elevator by impact damage caused by falling objects
7. Liability at Ethiopian law for compensation including law costs for death of or bodily injury to any person caused by the use of any motor vehicles as well as damages to any other person's property as described in the schedule.( Fund Office manual,2011)

### **Exclusions**

- A.** Any excess amounts as stated in the policy schedule
- B.** Loss of use, depreciation, wear and tear, mechanical or electrical breakdown
- C.** Damage to tires from braking or by roads puncture, cuts or bursts
- D.** Loss, destruction or damage caused directly by pressure waves resulting from aircraft and other aerial devices traveling at sonic or supersonic speeds.
- E.** Any reduction in the market value of the insured vehicles following any repair whether as a result of any claim or other reason
- F.** Loss or damage to telephone or communication equipment of any kind such as mobile telephone or radios
- G.** Loss or damage as the result of deliberate act by the insured person
- H.** Loss of car by deception by someone who claims to be a buyer or selling agent
- I.** driving the car without driving license
- J.** liability for death of or injury to any person arising out of and in the course of his employment by any person insured under the policy



- K.** Accident sustained outside the territory of Ethiopia
- L.** Accident arising out of or in connection with flood, typhoon, hurricane, windstorm, volcanic eruption, or other convulsion of nature
- M.** Accident sustained due to war, invasion, act of foreign enemy, hostilities or warlike operations, whether war is declared or not, civil war, riot, strikes
- N.** The policy does not cover theft arising if ignition key is left in or on the car
- O.** It does not cover loss or damage as a result of ionizing radiations or contamination by radioactive from any nuclear plant
- P.** Death due to explosion of a boiler forming part of or attached to or on the insured vehicle
- Q.** race making speed testing and test driving

### **Excess**

Excess is the first part of a claim amount which has to be borne by the insured. Hence, the insurer is relieved from the excess amount. The main purpose of excess is

1. To make the insured his own insured for the specified amount of the excess thus perhaps encouraging greater care.
2. To relieve the insurer from dealing minor claims and hence reduction in administrative costs
3. To relieve the insurer from inevitable losses
4. To reduce cost of claims by excess amount
5. To counter unsatisfactory underwriting

### **Types of Excesses**

I/ Compulsory Excesses: is an excess amount which is imposed by insurers. A compulsory excess generally, may not be deleted even if the insured wants. Compulsory excess include standard excess, young and inexperienced driver excess, fire and theft excess as well as breakage of glass excess.

II/ Voluntary Excess: is an excess which is voluntarily accepted by the insured over and above the compulsory excess to obtain discount in premium No claim discount:

Unique feature in motor insurance is what is called no claim discount. No claim discount is the feature of private as well as commercial policies. However, more discounts are given in private motor insurance. No claim discount (NCD) is reward granted to policyholders who have not made a claim up on their policy during the preceding period of insurance, normally twelve months.

Originally, NCD was introduced to encourage loyalty as it would be easier to renew existing policy in terms of sales. However, NCD is now a mobile commodity as all insurers are willing to accept proof of claims free years to give discount. Now NCD is rather a prize for good claims experience. (EIC Motor Rate Chart,2002(updated) )

### **2.2.1.3 General conditions in motor insurance**

Conditions precedent to contract: These are conditions that must be met before contract is formed. These are in other ways implied conditions such as the existence of insurable interest, road worthiness of the vehicle to be insured, the existence of the subject matter of insurance, the duty of utmost good faith to be exercised in the formation of the contract, are some of the main items.

Condition subsequent to the contract: These are conditions to be complied once the contract is formed. These include: keeping the motor vehicle in road worthy condition and informing any change of risk during the currency of the policy.

Conditions precedent to liability: These are conditions to be met before the insurer pays claim and subsequent to the happening of the damage or loss.

1. Care to motor vehicle after the accident such as guarding
2. Notification of accident within a period mentioned in the policy which is usually from 24 hours to five days
3. Not to admit any claim to any person claiming. Admission of claim does not mean admission of liability
4. Not to claim fraudulently
5. Not to be compensated from two insurers for the same claim from two insurers what is called contribution
6. To cooperate insurers in their attempt to right of recovery or in other words to cooperate in producing any relevant evidence in the insurers attempt to subrogate

7. When there is arbitration condition, the insured is required to settle differences to the decision of arbitrators(Motor Insurance Policy (Brochures),2012)

*Renewal of motor insurance policies:* Insurers place a great deal of importance to renewal of policies. It is cost effective to renew policies than new one. The renewal retention is very important measure of an account and over the years numerous renewal retention schemes have been devised.

#### **2.2.1.4 Experience of Other Countries on Motor Insurance**

Most markets have compulsory motor insurance in place, with varied restrictions on the way foreign insurers carry out their business (Ernst and Young, 2011)

Poor systems or inefficient processes of claim management , in many insurers across Asia are simply not ready for the growth in claims that comes with premium growth. They need to understand the importance of the claims process, which is often the only opportunity for insurers to interact directly with consumers, offering an untapped opportunity to really differentiate on customer experience (Ernest and Young, 2011)

Motor dominates in China and Thailand, accounting for up to 70% of non-life premium. As expected, motor is less prominent in Indonesia (with just less than 30% of the non-life premium pool in 2010) due to the absence of Compulsory Third Party (CTP), but the situation would change quickly if CTP were introduced.

Now let us have brief look of the global motor insurance from Datamonitor 2010 report. The global motor insurance market grew by 3.3% in 2010 to reach a value of \$525.8 billion. In 2015, the global motor insurance market is forecasted to have a value of \$613.9 billion, an increase value. The global motor insurance market has a very large volume of customers, as motor insurance is compulsory in most countries.

The United States motor insurance market grew by 0.5% in 2010 to reach a value of \$189.6 billion. In 2015, the United States motor insurance market is forecast to have a value of \$185.1 billion, a decrease of 2.4% since 2010. Personal motor vehicle is the largest segment of the motor insurance market in the United States, accounting for 83.7% of the market's total value. The United States accounts for 36.0% of the global motor insurance market value.

In 2010, the Asia-Pacific (Australia, China, India, Indonesia, Japan, New Zealand, Singapore, South Korea, Taiwan, and Thailand) motor insurance market has a value of \$125.9 billion.

Private motor insurance is the largest segment of the motor insurance market in Asia-Pacific, accounting for 81.3% of the market's total value. Japan accounts for 38.2% of the Asia-Pacific motor insurance market value. This market has a very large volume of customers, as motor insurance is compulsory in Asia-Pacific. It had a growth rate of 6.4% for the last five years and it will grow by 7.3% for the coming three years.

The private motor insurance segment was the markets most lucrative in 2010, with total gross premium income of \$102.3 billion, equivalent to 81.3% of the market's overall value. The commercial segment contributed gross premium income of \$23.6 billion in 2010, equating to 18.7% of the market's aggregate value.

The European (consists of Western Europe and Eastern Europe: Western Europe comprises Belgium, Denmark, France, Germany, Greece, Italy, the Netherlands, Norway, Spain, Sweden, Switzerland, Turkey, and the United Kingdom.), motor insurance market in 2010 has reached a value of \$163.8 billion. Private vehicle insurance is the largest segment of the motor insurance market in Europe, accounting for 72.9% of the market's total value. The European motor insurance market has a very large volume of customers, as motor insurance is compulsory in most countries.

#### **2.2.1.5. Motor Insurance in Ethiopia**

Motor insurance in Ethiopia, like all other markets, is very competitive and has undergone such major changes during the last few years, which have affected and will continue to affect, the way business is transacted. Almost all insurance companies in Ethiopia transact motor insurance business, though the profitability of the sector at the industry level is decreasing. According to 2012 performance report of Ethiopian Insurance Corporation, motor vehicles insurance constitutes 50.50% of the production, while it constitutes 62.4% of the claims amount. The performance of the motor class of business was restrained by premium rates, fierce competition, increase in spare parts and labor cost, increase in death and injury claims expenses, and increase in fraud or exaggerated claims and generally weak overall industry performance which are expected to be performed better down for the year(Fikru,2012)

In Ethiopia, motor insurance is the major business line and, probably, contributing to more than one-third of the total premium collected per year in general (Zewdu A., 2013).

In low and middle-income countries, including Ethiopia, pedestrians and passengers of commercial vehicles are the most vulnerable, whereas in the high-income countries crashes

involve primarily in privately owned vehicles with the driver being the main car occupant who is injured or killed. In the United States of America (USA), for instance, 60% of the fatalities due to motor accidents account to drivers while in Ethiopia, only 5% account to drivers. This implies that in one car-crash, the number of people killed or injured in Ethiopia is much higher than in the case of USA (Persson, 2008

Table 1- GROSS PREMIUM

General Insurance	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Aviation	65,983	64,279	62,787	16,524	69,262	103,521	188,637	237,746
Engineering	24,687	50,031	96,795	152,293	167,466	233,764	190,728	243,699
Fire	56,483	62,735	68,865	78,711	91,722	108,772	136,017	197,422
Liability	6,122	8,997	12,620	12,463	15,474	33,170	50,468	99,123
Marine	111,338	137,977	159,135	212,236	224,172	284,459	390,581	577,344
Motor	279,485	350,323	431,478	507,565	581,641	770,778	1,082,113	1,861,172
Accident & Health	28,723	49,489	61,041	69,689	82,783	105,069	104,035	117,078
Pecuniary	34,576	45,627	46,647	95,296	98,838	126,840	205,918	308,477
Workmen's Comp.	21,177	25,436	29,320	37,884	41,748	49,603	57,262	65,409
Others	11,154	1,973	2,825	4,269	6,215	8,917	16,656	17,290
Total	640,228	796,867	971,513	1,187,030	1,379,321	1,824,893	2,422,415	3,724,760
Motor Portfolio	44%	44%	44%	43%	42%	42%	455%	5050%

Source: Annual Report National Bank of Ethiopia 2012

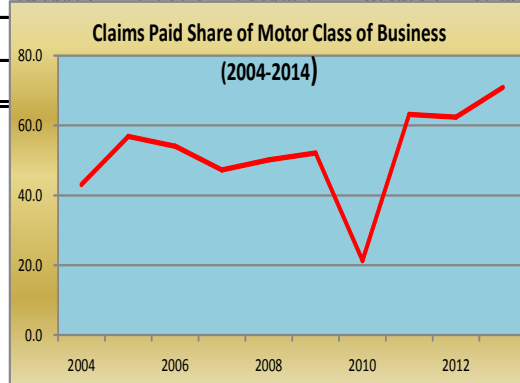
Gross written premium of insurance industries from the period of 2004/2005 to 2011/2012 is shown in the table 1. Table1 shows the yearly gross premium income increment in the major classes of insurance business. In general, the motor class of business has significant amount of portion comparing with other classes of business, its gross premium is increased from 44% in 2004/2005 to 50% in 2011/2012 (Annual Report of National Bank of Ethiopia 2012).Gross premium of the Insurance Industry for the period from 2004/2005-2011/2012 in '000')

**Table 2- GROSS CLAIMS PAID BY CLASS OF BUSINESS**

In '000

CLASS OF BUSINESS	MOTOR	MARINE	FIRE	WC	AVIATION	OTHERS	LONG TERM	TOTAL	% SHARE
2004	56,578	14,674	19,772	4,805	3,702	14,923	16,745	131,199	43.1
2005	70,494	10,048	2,739	4,730	3,615	16,765	15,607	123,998	56.9
2006	90,165	9,858	4,457	5,374	21,668	20,229	14,890	166,641	54.1
2007	81,816	4,746	4,227	6,591	13,912	46,593	15,305	173,191	47.2
2008	113,936	6,787	6,994	8,705	38,187	35,321	17,311	227,241	50.1
2009	109,453	13,198	7,840	10,353	7,359	35,417	26,351	209,971	52.1
2010	164,527	19,137	3,248	12,990	520,784	25,492	22,981	769,158	21.4
2011	222,654	20,060	7,121	12,008	26,662	21,868	22,114	352,489	63.2
2012	296,064	17,111	10,111	12,008	26,662	21,868	28,193	474,408	62.4
2013	448,317	17,111	10,111	12,008	26,662	21,868	41,217	632,127	70.9

CLASS OF BUSINESS	% SHARE
2004	43.1
2005	56.9
2006	54.1
2007	47.2
2008	50.1
2009	52.1
2010	21.4
2011	63.2
2012	62.4
2013	70.9



Source: EIC Annual Report, 2013

The above table 2 and figure shows the Yearly Gross claims paid by class of business. Gross premium, the Gross claims paid of the motor class of business has also contribution on the total claims paid in each year.

Table- 3 GROSS PREMIUM OF THE INSURANCE INDUSTRY  
In ' 000 Birr

CLASS OF BUSINESS	2013
Motor	2,101,661
Marine	531,721
Fire	229,701
W.C	53,175
Aviation	231,630
Others	1,349,778
<b>Sub-Total</b>	<b>4,497,666</b>
Life	299,514
<b>G.Total</b>	<b>4,797,180</b>

Source:EIC, 2013

Table -4 GROSS WRITTEN PREMIUM OF EIC BY CLASS OF BUSINESS ,2013  
In ' 000 Birr

CLASS OF BUSINESS	2013
Motor	648,552
Marine	336,980
Fire	116,681
W.C	36,669
Aviation	222,114
Others	681,442
<b>Sub-Total</b>	<b>2,042,438</b>
Life	125,780
<b>G.Total</b>	<b>2,168,217</b>

Source:EIC,2013

The above two table No. 3 and 4 indicate the Gross premium by class of business of Non-Life and Life business for both the industry as a whole and EIC in particular in the year 2013. In the 'Industry' the motor class of business 46.73% proportion while in EIC the motor class of business also has 31.75 % proportion from the total Non-Life business

**Table :5 Market Share (in ‘000 Birr)**

<b><u>Class of Business</u></b>	<b><u>% age</u></b>
<b>Motor</b>	<b>30.86</b>
<b>Marine</b>	<b>63.38</b>
<b>Fire</b>	<b>50.80</b>
<b>W.C</b>	<b>68.96</b>
<b>Aviation</b>	<b>95.89</b>
<b>Others</b>	<b>50.49</b>
<b>Life</b>	<b>42.00</b>
<b>G.Total</b>	<b>48.21</b>

**SOURCE: EIC, 2013**

The market share of EIC for each class of business from the industry in total as indicated in the table No 5, EIC has the lowest market share in motor insurance as compared with the other class of business. That means the rest 69.14% of the motor business has been hold by other private insurance companies. The share that EIC holds in motor business has been declining yearly to date since the time private companies emerged in the market.



## **CHAPTER THREE**

### **3. RESEARCH DESIGN AND METHODOLOGY**

#### **Introduction**

This chapter provides a comprehensive description of the research methods and techniques that were applied in the entire study. The chapter also includes research design, population and sampling technique, data collection methods, validity and reliability, and data analysis method. Generally, this chapter provides the methodological framework in order for achieving the set objectives. Finally, ethical consideration maintained during data collection stages is provided.

#### **3.2 . Research Design**

According to Kothari (2004), the research design is both the conceptual structure and the blue print for the collection, measurement and assessment of data in which the research is going to be carried out. The author states that Research methodology is a way to systematically solve the research problem and to show how the research was done scientifically.

This research was designed to be a descriptive study where both quantitative and qualitative approaches to analyses were pursued. Both primary and secondary data sources were used for the study. The research was designed and presented to determine the objective of the study. The SERVQUAL framework model and some complimentary suggestions and opinions were gathered from employees and management members of EIC through questionnaires and interview were used to analyze the expected and perceived services with respect to EIC customer service quality attributes. This model was extended or modified to measure the perceived quality in insurance service delivery system.

### **3.3 POPULATION AND SAMPLING TECHNIQUE**

#### **3.3.1. Population**

The study unit of this research was the single motor insurance client of Ethiopian Insurance Corporation, which can be an individual person or company .Therefore, the population size of this study which has been based in Addis Ababa is 20000 (EIC strategic management report ,2013), which was given by the total sum of the above mentioned study units that are served by the offices of EIC resided in Addis Ababa

### 3.3.2. Sampling method and Sampling Procedure

Due to the limited nature of resource availability, it was difficult to treat all members of the population as a source of data for the study and, hence, sampling was required. Therefore, about 1.8% of the total study units or motor insurance clients were treated to represent the study population. The representation of the population of the study made use of the probability sampling method which was used for acquiring primary data from sample motor insurance holders through self-administered questionnaires. As the motor insurance customers are heterogeneous, an effort was made to homogenize or minimize the heterogeneity of the study population, through sampling techniques. Hence, the selection of samples was made through clustering the customers into relatively homogeneous groups like individuals and companies since they have their own interest in the service delivery..

The list of the motor insurance clients holding a comprehensive cover in the branch offices of EIC in Addis Ababa was used as a sampling frame. And, systematic random sampling method was applied until the required sample size was met.

Yamane Taro (1967) provides a simplified formula to calculate sample size. This formula is used to obtain manageable sample size from such large population taking into account 95% confidence level. Hence, the sample size was computed using the following formula:-

$$n = \frac{N}{1 + N (e^2)}$$

Where:

n = size of sample

e = maximum tolerable sampling error=5%

N= population size Where:

n = size of sample

e = maximum tolerable sampling error=5%

N= population size =20000

Consequently, the ultimate figure is computed as:

N= 20,000

e= 0.05

$$n = \frac{20,000}{1 + 20000 (0.05)^2} = \frac{20000}{51} = 392$$

Accordingly, total of 392 motor insurance policy holders were selected from 4 different districts and – branches located in Addis Ababa using systematic random sampling the questionnaire were distributed according to the number of the motor insurance customers that each District/Branch holds. As the desired sample size was 392, the sample interval has been determined to be 5 by the researcher to make it manageable and thus, random numbers at the 5<sup>th</sup> interval were selected until the required sample size was attained and targeted for the self-administered questionnaire. However, out of the 392 questionnaires that were distributed to the sampled policy holders, 360 were completed and returned to the researcher with a response rate of 91.84%., all filled up questionnaires were usable.

### **3.4. Sources of data and Tools**

#### **3.4.1. Source of data**

The validity of scientific study increases by using various sources of evidence (Yoseph.,2012).

In this study, quantitative and qualitative data have been included from both primary and secondary sources in order to answer the research questions objectively. Primary data is what the researcher originally collected from the sample or target population and employees of the company through questionnaires, interview and observation. The secondary data collected from the relevant documents of different institutions. The secondary data were also used to complement with the data from primary sources thereby enhance the reliability of the study results.

#### **3.4.2 Procedure of Data Collection and Research Instrument**

##### **3.4.2.1 Data collection**

As stated above, the primary data in relation to customers' attitude towards quality service of the corporation was collected from 360 motor insurance clients of EIC through questionnaires. Primary data was also collected from 30 front line employees and management members using questionnaire and interview. This tools were selected because questionnaire could cover wide range of respondents to give their opinion freely. Further. the secondary data has been collected from different sources such as from EIC documents, open customer suggestion books, published books, research papers.

##### **3.4.2.2. Research Instrument**

The research instrument used was SERVQUAL Model to assess level of satisfaction based on perception and expectation. Kettinger and Lee (1994) and Pitt et. al. (1995) were among the early adapters of SERVQUAL Model. Similarly in this study, the SERVQUAL Model instruments were taken and adapted based on the objectives of the study and research questions; however, the model has been modified to suit with the exact nature of insurance services that can directly be attached with the customers' satisfaction and perception

The questionnaire was designed by use of simple and clear languages; short statement and clarity are also considered when designing of the instrument.

The seven dimensions and their respective 31 items were used in order to rate the extent in which the stated features determine the proper quality of service and the work flow

respectively, the questionnaires have been designed with a Likert scale. The Likert technique has been frequently used to test feelings and contained five points ranging from 1 to 5. The scores are evaluated to measure the intentions of the respondents.

The questionnaires have been adapted from SERVQUAL model of Parasuraman et al. (1988) and then modified to be used for measuring the customers' satisfaction of EIC service delivery offered by underwriting and claims.

The relevant data was collected on the factors of the service quality dimensions that can better indicate the relationship between factors and service quality dimensions. Moreover, to have valid conclusion, some statistical measurements like average, frequency, charts and graphs were used as the study is a descriptive study, as it had been designed and intended just to indicate or assess the level of satisfaction/dissatisfaction of motor insurance policy holders in EIC

### **3.5. Reliability and Validity**

Even though, the SERVQUAL instrument is assessed by its developers for both reliability and validity and, the researcher checked the adapted model by conducting pilot study to refine the methodology and verify the instrument such as a questionnaire before administering the final to ensure the validity of the study:

- 1- Data were collected using MODIFIED SERVQUAL model with closed-ended questions
- 2 -Data was collected from 20 customers from both retail and corporate business units who are active customers.

Issues raised by respondents were corrected and questionnaires were refined. Besides, comment given by an advisor was also taken to ensure validity of the instruments. Finally, the improved version of the questionnaires were printed, duplicated and dispatched.

### **3.6. Data Analysis Method**

The raw data collected from the respondents was edited, coded, classified and tabulated. The processed data then analyzed and reported using appropriate statistical measurement and interpreted carefully.

The data collected from primary and secondary sources obtained from the respondents was edited, coded, classified and tabulated analyzed by using tables, figures and percentages. The collected data was interpreted based on findings. After analyzing the data and properly interpreting them, findings are summarized based on the major results, appropriate conclusions drawn and finally possible recommendations forwarded for the company.

### **3.7. Ethical Considerations**

The purpose of the study was communicated to all the study participants. The respondents were not required to use their names in filling up questionnaires and they were also required to fill the questionnaires voluntarily .Then, the responses given were analyzed collectively

## CHAPTER FOUR:

### 4. INTRODUCTION

#### 4.1. RESULTS AND DISCUSSIONS

This chapter consists of data analysis and also involves the presentation, description and discussion of the gathered data and on the results. It covers data on respondents' characteristics, data collected through questionnaire from the respondents and employees of the company and also it involves opinions gathered through interview.

**Table 6- Profile of Respondents**

Variable	Frequency	Percentage (%)
<b>I Sex</b>		
Male	258	71.66
Female	102	28.34
<b>Total</b>	<b>360</b>	<b>100</b>
<b>II Age Group</b>		
18-30	40	11
31-45	100	27.78
46-60	127	35.28
Above 60	93	25.94
<b>Total</b>	<b>360</b>	<b>100</b>
<b>III Educational Level</b>		21.63
Below grade 12	70	13.51
Diploma level	134	33.51
Degree and above	156	44.86
<b>Total</b>	<b>360</b>	<b>100</b>
<b>IV Ownership</b>		
Public/Gov	70	19.45
Person	107	29.72
Private sector	121	33.61
NGO	62	17.22
<b>Total</b>	<b>360</b>	<b>100</b>
<b>V. Duration of customer's relationship with EIC</b>		
More than 10 years	117	32.50
Six to ten years	146	40.56
One to five years	62	17.22
Less than one year	35	9.72
<b>Total</b>	<b>360</b>	<b>100</b>

Source: Own Survey

Most of the respondents (73% are above 6 years) were long time customers stayed with the corporation to give witness about the overall trend of the services in motor insurance in EIC.

Their past experience, enable them to simply evaluate their level of satisfaction towards the service delivery.

The demographic profile of the respondents that is presented in table 6 indicate that the majority (71.66%) of the respondents are male with the remaining (28.34%) are female. Out of 360 respondents 220 of them aged above 46, while 100 of them are at middle age (31-45) and the rest 11% are at younger ages (18-30). In addition, 44.86% of the respondents are the holders of first degree and above and 33.51% of them are diploma holders and the rest 13.51% are less than 12 grades, this implies the majority of the respondents are educated and qualified and give proper justifications regarding the inquiries. The majority (63.33%) of the respondents are from private sector and individuals which are stated to be running their own business. Respondents from the government/public sector represent 19.45% and the rest (17.22%) are from the Non Governmental Organization. This implies an effort was made to address variety of customers in different sectors.



**Table 7:-Responses given by front line employees of EIC on Service Delivery Standards, Attitude and Knowledge**

Variables	Alternatives given	Frequency	Percentage
Are you happy with your job?	Yes	10	33.33
	No	15	50
	No response	5	16.67
	Total	30	100
How is your interaction or communication with customers?	Very good	15	50
	Good	9	26.67
	Moderate	4	13.33
	Poor	2	10.01
	Very Poor	0	-
Total	30	100	
Your Knowledge regarding the standard of service delivery	Very good	10	33.33
	Good	15	50
	Moderate	3	10
	Poor	2	6.67
	Very Poor	0	-
Total	30	100	
Have you ever taken any training to customer service delivery?	Yes	14	46.67
	No	16	53.33
	Total	30	100
How do you rate the relationship between employees and boss within departments	Excellent	4	13.33
	Very good	6	20
	Good	8	26.67
	Satisfactory	5	16.67
	Not good	7	23.33
	Total	30	100

It has been declared that most of the employees are not happy with their current job, their relation and attitude towards their bosses and customers respectively are not satisfactory or as expected. Employees who are not satisfied in their job cannot satisfy their customers and also will not have a sense of ownership feeling. Hence, the management should communicate with the employees regularly and solve their problems on time when necessary and create job satisfaction, team spirit and conducive working environment. Considerable recognition should be given to the employees by the management, they should be encouraged and empowered to motivate them and to uplift their knowledge.

**Table 8 : Service Standard of EIC**

	<b>Response</b>	<b>Frequency</b>	<b>Percent</b>
How do you rate the standards of service provided by the corporation?	Very good	57	15.83
	Good	69	19.16
	No idea	38	10.56
	Poor	101	28.06
	Very poor	95	26.39
	Total	360	100

Source: Own survey

From the above table 7 regarding service standards, we can understand, 95(26.39%) respondents confirmed that it has been very poor and 101(28.06%) respondents said that it is poor(below their expectations). Out of the total of 360 respondents those who replied very poor and poor are 196 (54.44%), this implies that they are not satisfied with the corporation service and those who replied no idea are 38(10.56) unless they are treated well they can shift to other similar companies. Customers also have a great desire for quality service and service delivery process that can bring satisfaction.

### **Interview with Managers**

The researcher made thorough to cussed interview with some higher officials and their comments are summarized as follows.

#### **Qn. 3- Do you feel your customers are happy with the service they get from you?**

We can't generalize that all customer s are unhappy, customers themselves can be categorized in this sense. Some customers' expectation may be higher than the actual facts on the ground in this case the dissatisfaction will be created, on the contrary, there are also some circumstances in service delivery that customers are attracted and continue their business.

**Qn.2-** on what efforts have been made to improve customer satisfaction different reform practices have been made in EIC customers seminars have been conducted regularly to gather their opinions. Restructuring has also been made twice so far which involves improving of work process, employees reposition and salary adjustment, even if the expected change in customer service has not been attained.

**Qn.3- what are the achievements and challenges EIC faced with its service delivery?**

The achievement of EIC is the expansion of its branches in different parts of the country, the automation both its operational and accounting activities through network system and introducing new insurance products into the market. The challenges are the prevailing tight competition in a cut throat manner (price war) and switching of its existing customers (private customer) to other similar companies (declining of its market share) than it kept before.

**Qn. 4- Are the resources enough to meet customers satisfaction if not specify the resource you lack?**

Even if the management is trying to fulfill its obligation in respect of resource material, there are still constraints of resources that EIC need to furnish its workers and at offices

**Qn.5- Have you ever made any reform in service delivery system to satisfy your customers? If you have any comments or suggestion?**

Yes, EIC has repeatedly made different reform instruments at different times like quick win, BPR and with the objective of shortening the length of service hours and to cut the service channel in the manner to satisfy the customer.

Overall, they commented saying that we are working to satisfy our customers as much as possible, but sometimes customers are not happy with our service due to several internal and external reasons.

The EIC management is expected to do a lot continuously to meet customers' needs. The adopted new systems (insurance and accounting package) should be updated, adequate and tested regularly for its effectiveness. The necessary quality materials should be available at every service center. The corporation should have succession plan for its employees encourage, motivate the employees.

Finally, the managers argued that they always make every effort to meet customers expectation and promised to solve their customers' problems that may arise and to narrow the communication gap with their employees.

Please fill your feelings/intensions on each item of every Dimension on five alternatives provided on the top of each table.

**Table 9: Tangibility Dimension**

Tangibles	Strongly Disagree		Disagree		Neutral		Agree		Strongly agree		Total	
	No	%	No	%	No	%	No	%	No	%	No	%
T1 Are the location of Branches /Districts convenient to you?	21	6	91	25	14	4	181	50	53	15	360	100
T2Is the appearance and dressing of employees is neat and attractive?	82	23	74	21	And 37	10	125	34	42	12	360	100
T3. Materials associated with the service in the office are visually appealing.	72	20	90	25	8	2	155	43	35	10	360	100
T4.Are the office equipments and Network system modern looking and accessible respectively?	126	35	101	28	12	3	72	20	49	14	360	100
<b>Average</b>	<b>75.</b>	<b>21.0</b>	<b>89.0</b>	<b>24.8</b>	<b>18</b>	<b>4.8</b>	<b>133</b>	<b>36.8</b>	<b>45</b>	<b>12.8</b>	<b>360</b>	<b>100</b>

**Tangibility Dimension**

Overall average result of the tangibility from the findings is 75(21 %) of respondents are strongly disagree, 89(24.8%) disagree, 18(4.8%) are neutral, 49.6 % are agree and strongly disagree.

The degree of tangibility or intangibility of service processes is determined whether the service being provided contains a physical element, like providing food, or whether is it a pure service with no tangibility components.

Even if the service provided by the insurance is purely intangible, but the quality and accessibility of tangible materials associated with its service like office furniture, buildings, neatness of employees and location of buildings have the capacity to attract customers and play a role for promotional activities and as a factor for competitive dimension.

**Table 10: Reliability Dimension**

Reliability	Strongly Disagree		Disagree		Neutral		Agree		Strongly agree		Total	
	No	%	No	%	No	%	No	%	No	%	No	%
R5.Do Employees Provide services to you just as they promise to do so?	163	45	92	26	4	1	72	20	29	8	360	100
R6.Do Employees Perform services in a way that inspires trust and confidence?	142	39	72	20	6	2	78	22	62	17	360	100
R7.Do employees have Sincere interest in solving customer's problems?	134	37	60	17	21	6	35	10	109	30	359	100
R8.Is there a practice of Keeping an error free records?	88	25	97	27	12	3	109	30	54	15	360	100
R9. Do the employees treat all customers equally?	97	27	119	33	18	5	66	18	60	17	360	100
<b>Average</b>	<b>125</b>	<b>34.6</b>	<b>88.0</b>	<b>24.6</b>	<b>12</b>	<b>3.4</b>	<b>72.0</b>	<b>20.0</b>	<b>63</b>	<b>17.4</b>	<b>360</b>	<b>100</b>

**Reliability Dimension**

As we can see from the table12 for reliability on average213 (59.2%) the respondents dissatisfied135 (37.40%) are satisfied and the rest are either dissatisfied or satisfied.

This implies that the employees of the company could not do the customer's request by a certain time as they promises to do. When customer face problems, the employees of the company could not react as expected. The result also indicates majority of the employees are not willing to help customers and most of the time could not provide the customers with the accurate information or records. In consequence of this, the customers may turn their face to other similar companies or may not renew their policies since they will not be reliable or be trustful on the activities done by the employees.

**Table 11: Responsiveness Dimension**

Responsiveness	Strongly Disagree		Disagree		Neutral		Agree		Strongly agree		Total	
	No	%	No	%	No	%	No	%	No	%	No	%
R10.Do the staff provides quick service to customers?	52	14	141	39	14	4	78	19	75	24	360	100
R11.Do the staff has willingness to help customers?	128	36	90	25	4	2	89	25	49	12	360	100
R12. Customers are always informed when exactly services will be performed?	172	48	81	22	3	1	62	17	42	12	360	100
R13 Are the. Employees Responsive to customers?	86	24	130	36	0	0	84	23	60	17	360	100
<b>Average</b>	<b>109.5</b>	<b>30.5</b>	<b>110.5</b>	<b>30.5</b>	<b>5.3</b>	<b>1.8</b>	<b>78.3</b>	<b>21.0</b>	<b>56.5</b>	<b>16.3</b>	<b>360</b>	<b>100</b>

Own survey, 2014

### Responsiveness Dimension

As we can see from the table 13. 61% of the respondents replied that they are dissatisfied, 5(1.8% } of them are neutral and the remaining 31.6% are said that they are satisfied. This implies that the employees are not encouraged and empowered; as a result they are not willing to help customers as expected with quick response.

The service providers in the first place should have positive attitude to help customers willingly with a prompt response.

**Table 12: Assurance Dimension**

Assurance	Strongly Disagree		Disagree		Neutral		Agree		Strongly agree		Total	
	No	%	No	%	No	%	No	%	No	%	No	%
A14 .Are the employee’s friendly and show courtesy to the customers?	54	15	90	25	0	0	130	36	86	24	<b>360</b>	<b>100</b>
A15. Do Customers feel safe in their transactions?	21	6	45	12	18	5	144	40	132	37	<b>360</b>	<b>100</b>
A16.Do the Behaviors of staff instill confidence in Customers?	80	22	76	21	21	6	93	26	90	25	<b>360</b>	<b>100</b>
A17.Are the staff having knowledge to answer question aroused by customers?	39	11	62	17	12	3	160	44	87	25	<b>360</b>	<b>100</b>
<b>Average</b>	<b>48</b>	<b>13.5</b>	<b>68</b>	<b>18.75</b>	<b>13</b>	<b>3.5</b>	<b>132</b>	<b>36.5</b>	<b>99</b>	<b>27.75</b>	<b>360</b>	<b>100</b>

Own survey , 2014

**Assurance**

As we can see from the overall result seen from the respondents for assurance, on average, 116 (32.25%) of the respondents are dissatisfied 231 (64-25%) of the respondents are satisfied and the rest of the respondents are either not satisfied or satisfied. This implies that even if most of the respondents more than average are satisfied the management and staff of EIC should keep on or continue such practice until the customer have full trust and confidence on the performance through approaching the customers friendly and with courtesy thereby customers feel safe in their transaction .

8. Table 13.: Empathy Dimension.

Empathy	Strongly Disagree		Disagree		Neutral		Agree		Strongly agree		Total	
	No	%	No	%	No	%	No	%	No	%	No	%
E18. Does the staff understand about specific needs of customers?	66	18	130	36	4	2	93	26	67	18	<b>360</b>	<b>100</b>
E19. Are the employees are giving customers best interest at heart?	84	23	111	31	8	2	84	23	73	21	<b>360</b>	<b>100</b>
E20. Are the operating hours. Convenient to you?	50	14	80	22	21	6	138	38	71	20	<b>360</b>	<b>100</b>
E21..Do the staffs give attention/consideration to customers?	93	26	152	42	14	4	58	16	43	12	<b>360</b>	<b>100</b>
<b>Average</b>	<b>73</b>	<b>20.3</b>	<b>118</b>	<b>32.8</b>	<b>12</b>	<b>3.5</b>	<b>93</b>	<b>25.8</b>	<b>64</b>	<b>17.8</b>	<b>360</b>	<b>100</b>

Own survey, 2014

### Empathy Dimension.

As the result shown in the above table 15 for empathy all the items in this dimension, most of the respondents dissatisfied. On average, 191.6 (53%) of the respondents are dissatisfied, 157 (44%) of them are satisfied while the rest are either dissatisfied or satisfied.

The overall result gained from the respondents regarding empathy indicates that majority of the employees of EIC will not understand the specific needs of their customers; the employees should give customers their personal attention and also have their customers best interests at heart.



**Table 14 : Underwriting Quality**

Underwriting	Strongly Agree		Disagree		Neutral		Agree		Strongly agree		Total	
	No	%	No	%	No	%	No	%	No	%	No	%
UQ.22 .Are the Employees always be committed to give explanations on insurance policy benefits?	95	26	121	34	10	3	76	21	58	16	<b>360</b>	<b>100</b>
UQ23. Do Employees providing underwriting services have the necessary technical and professional competences?	64	18	93	26	17	5	101	28	85	23	<b>360</b>	<b>100</b>
UQ24. Do the Service providers simplify the insurance documents such as policies, endorsements, proposals etc to suite customers?	82	23	62	17	19	5	121	34	76	21	<b>360</b>	<b>100</b>
UQ.25. Do the Service providers customize the scope and presentation of insurance policies to the particular needs of the society?	80	22	76	21	0	0	117	32	87	25	<b>360</b>	<b>100</b>
UQ.26. Do the Service providers prepare documents in the widely understood language to the customer?	122	34	107	30	10	3	78	22	43	11	<b>360</b>	<b>100</b>
<b>Average</b>	<b>89</b>	<b>24.6</b>	<b>92</b>	<b>25.6</b>	<b>11</b>	<b>3.2</b>	<b>99</b>	<b>27.4</b>	<b>70</b>	<b>19.2</b>	<b>360</b>	<b>100</b>

Own survey, 2014

### Underwriting Quality

From the result indicated in the table16, on average from all items of the U/W Q 181 (50.2%) the respondents are dissatisfied, 169 (46-6%) are satisfied with the underwriting quality of service and the rest are either dissatisfied or satisfied.

The executives of EIC should exert their maximum effort continuously to make the company competitive, retain their existing customers and attract more new businesses through making their employees be committed, or became open to give explanations on the benefits provided in the policy, by enhancing the necessary technical and professional competences to simplify the necessary documents like policies, endorsements, proposals to make suitable to customers for their understanding.

**Table 15: Claims Dimension**

Own survey, 2014

Claim services	Strongly Disagree		Disagree		Neutral		Agree		Strongly agree		Total	
	No	%	No	%	No	%	No	%	No	%	No	%
CS27.Do employees give adequate guide to its customers at time of claims?	87	24	99	28	0	0	119	33	55	15	360	100
CS28.Are the Service providers be generally accessible to customers at time of claims through telephone, in person, in writing, et?	58	16	117	32	10	3	132	37	43	12	360	100
CS29.Do Employees providing claim services have adequate empowerment to solve customers' problems?	76	21	140	39	12	3	78	22	54	15	360	100
CS30. Are Employees assigned in claim service free from integrity problems?	47	13	113	31	39	11	132	37	29	8	360	100
CS31. Do Service providers I give adequate compensation to customers at time of claim?	115	32	121	34	0	0	74	20	50	14	360	100
<b>Average</b>	<b>76.6</b>	<b>21.2</b>	<b>118.0</b>	<b>32.8</b>	<b>12.2</b>	<b>3.4</b>	<b>107.0</b>	<b>29.8</b>	<b>46.2</b>	<b>12.8</b>	<b>360</b>	<b>100</b>

**Claims Dimension**

On average majority of the respondents (54% ) are dissatisfied on the claim services 42.6% of the respondents are satisfied and the rest 3.4% are neutral on it .For a service like insurance , providing efficient service is one of the major promotional activities , because

Those customers who suffered such problems, unless they are properly guided and they get quick resolution with adequate compensation free from integrity, they will never renew their policies in that particular company rather they become bad mouth for others not to come . Therefore, bad claim service practice is non tolerable on part of the customers.

## CHAPTER FIVE

### 5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1. SUMMARY

The purpose of the study was to assess the level of customer satisfaction on motor insurance in relation with the service provided in EIC. The basic SERVQUAL dimensions have been used as determinant factors for service quality and moreover, taking into account the specific characteristics of insurance service, the researcher modified the model by adding two other determinant factors like underwriting quality and claim services, thus, a total of seven service quality dimensions with 31 items were identified and forwarded to the respondents and their responses were received.

The empirical results and other similar researches provide strong evidence for the predictive power of the proposed model and also the instruments of the modified model proved to be applicable to the study in particular. Further, to support the reliability of the result, opinions and suggestions were gathered from employees through questionnaires and interview, based on the analysis carried out, the majority of the respondents on average were dissatisfied on the service delivery system

Employees feedback of satisfaction level, the majority of respondents are not happy with their current assignment within the corporation. The service standard is poor and no relevant refreshment training is conducted about customers handling on practical point of view. Employees said that they are not encouraged to bring or forward new ideas about the service.

#### **Major Findings**

From the analysis of the study, the major findings are described hereunder:

- The analysis made for service standard of the EIC indicates that out of the total 360 respondents, the majority 196 (54.44%) of them replied that it is poor.
- Form the analysis for the standard of service, 235 (65.58%) of the total respondents confirmed that providing quality service is important for customer satisfaction
- The average result found form complaint handling procedure ,206 (57.25% )which implies that majority of the respondents said that no office is available for putting

complain about dissatisfaction, employees are not willing to help customers, no awareness creation is made and also the respondents stated no response is made on time for customers complaint precisely as they expect

- The overall result of tangibility dimension on average indicates that majority of the respondents 49.6% said that they are agree that the physical facilities of the corporation are usually appealing
- The average result of Reliability, out of 360 respondents the majority 213 (59.2%) of them commented that they are not satisfied in the companies 'Reliability' i.e, the companies consistency and certainty in terms of performance, The mean results of responsiveness dimension have been illustrated 220 (61%) of the total respondents (360) replied that the employees are not helpful, responsive and quick,
- Regarding Assurance Dimension, on average most of the respondents 231(64.25%) confirmed that they are satisfied that the employees of the company are educated, competent and courtesy
- The average result of the empathy dimension stated that 191 (53.1%) of the total respondents are not satisfied with the staffs attention given to them (specific needs of customers) and the operating hours are inconvenient.
- The average result of the underwriting quality dimension items rated by all the respondents have been reported that out of the total respondents, more of them 181(50.2%) responded that they are dissatisfied on the underwriting qualities,
- The average result of the respondents on claims service quality , 188 (54%) of them claimed that they are not satisfied with the claim services provided to them
- The overall result of the respondents from all of dimensions of 31 items as rated by likert scale is sketched by the following pie-chart.

## 5.2 Conclusion

The conclusion is drawn from the researcher views in relation to the findings and analysis of the study.

- The findings of the study indicated that the motor policy holders in EIC expect Prompt and accurate issue of insurance documents (policy papers, endorsements, acceptance/rejection letters, warranties, etc), Prompt and fair settlement of claims ,better problem solving approach, to meet their requirements on time , fair and competitive price/premium.
- They also need personal and individual attention in the case of claim, good approach and accessibility whenever they face a problem., adequate and timely compensation for the loss they suffer by accident. In order to offer such services and meet customers' expectations, the service standard of EIC need to be improved, undertake continuous study on service delivery to identify the needs of customers and their satisfaction level and .Otherwise, they may tend to shift to other similar companies ,the consequence of this will not be good to the image of the company especially in respect of retaining existing customers, attracting new businesses and expanding the market
- From the summary of findings about the feedback of employees, it has been declared that most of the employees are not happy with their current job, their relation and attitude towards their bosses and customers respectively are not satisfactory or as expected. Employees who are not satisfied in their job cannot satisfy their customers and also will not have a sense of ownership feeling.
- From the findings of the study, it has been noted that most of the customers reported that the employees are not willing to help them, not responsive and quick, and not seen to perform punctually as they promised to do. However, the service giving firms like insurance need to have employees who have a positive mind to help customers willingly with a prompt response, otherwise if things has been different, EIC will lose its prominent customers, thus before that, different motivational factors should be practiced, the employees need to be encouraged and empowered
- Variety of services are provided to customers such as giving awareness on the scope and benefits of the policy, to prepare policies by charging reasonable premium in line with the insured's inquiry. And at time of claim, the employees should guide the insured whose

properties have got damaged; customers should be aware about the procedures how to handle the claims settlement process in order to facilitate the compensation with reasonable time. However, the result from the study indicated us that most of the customers are not satisfied with the service provided in the underwriting department at the inception and when accident occur in claims section, this may have a consequence that customers lacks trust, reliability and confidence on the company as a result, customers may swift to other competitors.

- . Even if the service provided by the insurance is purely intangible, but the quality and accessibility of tangible materials associated with its service like office furniture's, buildings, neatness of employees and location of buildings have the capacity to attract customers and play a role for promotional activities and as a factor for competitive dimension.
- EIC'S top management may not be fully aware of consumer's perceptions and expectations. Off course, the size of premium is increasing each year where as the existing quality of service is not as expected by the customers, so that a continuous assessment of customers satisfaction level should be made and identified in order to take a proactive measure prehand.

### **5.3 Recommendations**

Insurance companies have to design fast claim management system that would maximize the satisfaction level of customers. Supporting this with an Information Communication Technology is an option.

1. The decisive bodies of EIC should make a continuous effort on building its human resource capacity and attract people who have more capability and able to compete in the global insurance industry;
2. The insurance policies prepared for customers should be clear and be prepared in simple language easy to understand.
3. Underwriters should educate customers in their first approach to let them be aware what they are buying, to know policy terms and conditions; and the scope of cover and policy exclusions. The clients should be informed also the steps (procedures) that they follow at time of the accident.

4. The product innovation and product differentiation in terms of policy benefits, terms and conditions and providing efficient services can be major competitive factors that EIC should rely on instead of competing only on price cutting..
5. The EIC should make the furniture and equipments be modern looking, the physical facilities should be visually appealing, the employees of service giving organization like EIC better be neat in appearance. All these will improve the services and also they are a value added activities.
6. The management should arrange training facilities regarding the field of Insurance to update and uplift the employees skill in order to have full confidence in their knowledge and reply to any questions raised by the customers and solve any problems faced by the customers
7. So that the employees and the management of EIC should have the ability to identify and understand their customers feelings or discomforts/ difficulties in the process of handling them in order to take a pro-active measure prehand.
8. EIC is expected to give priority to improve the culture of the organization, particularly the way employees give personal attention/ consideration to their customers, retain the existing business and attract more,
9. Therefore, the executives should encourage and empower the employees to take quick response to customer's request. The employees should be motivated by uplifting their skills and earning reasonable benefits in order to have a sense of ownership and self initiation to help customers consistently to make the company profitable.
10. The EIC should set time limit for completion of issuing policies, paying claims or commissions, returning policy owners calls or requests with a flexible manner. The EIC should also make the operating time available for longer hours than currently scheduled.

### **Recommendation for future Research**

This study was designed based on a descriptive study prepared just to indicate the level of customer satisfaction of motor insurance in EIC., thus based on the result of this study ,any interested group can conduct a study on customer satisfaction with analytical view and the Insurance Industry as a whole rather than a single company can be the area of future study .

### **Limitation of the study**

The activities of the study have been affected by the following problems that the researcher faced while undertaking the study.

1. Resource and time constraints to access and address the respondents to distribute and recollect the response of the questionnaires from such variety of customers
2. Some respondents were reluctant and biased to fill the questionnaires
- 3 Lack of researcher experience



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## **APPENDIX 1: Questionnaires on the level of customer satisfaction**

**A questionnaire on the assessment of customer satisfaction to be filled by the motor insurance policy holders of EIC.**

The objective of this questionnaire is to gather the necessary and relevant first hand information that will be useful to conduct a research project regarding the assessment of customer satisfaction of motor insurance in EIC. Therefore, your appropriate responses in this regard help a lot to undertake the study as expected. The researcher appreciates in advance for all respondents for giving their valuable time and cooperation in filling this questionnaire. No need of mentioning your name.

Please don't write your name!!

Thank you in advance!

**The researcher**

### 1.3. Questionnaires to be filled by Motor Insurance clients of EIC Objective

#### Section I: General Profile of the respondent Please put a tick mark (✓) on the space provided

1. Age: a) 18-25  b) 26-35  c) 36-45  d) 34-
2. Sex: a) Male  b) Female
3. Educational level: a) Master and above  b) First Degree   
c) College Diploma
4. Occupation: a) Running own business  b) Government employees   
c) Private Organization
5. Monthly income (In ETB): a) under 1000  b) between 1000-3000`   
c) Between 3001-5000  d) NGO employee

#### Section II: Questions related to the study

1. What type of motor insurance cover you have from EIC for your vehicle  
A. Comprehensive B. Third party and Fire and Theft C. Third party only
2. For how long have you been client of EIC?  
A. < 1 year B. 1–2 years C. 2–5 years D. 6–10 years E. > 10 Years
3. How many times have you received motor insurance claims?  
A. > 4 times B. 4 times C. 3 times D. Twice E. Once
4. In your opinion, what are the major challenges in the current service delivery and handling of motor insurance business in EIC?  

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5. What do you suggest the institution should do in the future so that it can provide efficient and improved services which can promote the motor insurance business of EIC?

## **APPENDIX 2: Interview Questionnaire**

### **Interview with Manager/principals**

5. How do you deal with customers in the corporation?
2. Do you feel that your customers are happy with the service they receive from the corporation
3. What efforts have been made to improve customer service to satisfy them?
4. What are the achievements and challenges EIC faced with its service delivery?
5. Are the resources enough to meet customers satisfaction/ if not, specify the resource you lack?
6. Have you ever made any reform in service delivery system in order to satisfy your customers/?
7. If you have any other comment or suggestion?

**APPENDIX 3: SERVIQUAL MODEL QUESTIONNAIRES**

<b>Tangibles</b>	<b>SD</b>		<b>D</b>		<b>N</b>		<b>A</b>		<b>SA</b>	
	No	%	No	%	No	%	No	%	No	%
T1 Are the location of Branches /Districts convenient to you?										
T2 Is the appearance and dressing of employees is neat and attractive?										
T3. Materials associated with the service in the office are visually appealing.										
T4. Are the office equipments and Network system modern looking and Accessible respectively?										
<b>Reliability</b>										
R5 Do Employees Provide services to you just as they promise to do so?										
R6. Do Employees Perform services in a way that inspires trust and Confidence?										
R7. Do employees have Sincere interest in solving customer’s problems?										
R8. Is there a practice of Keeping error free records?										
R9. Do the employees treat all customers equally?										
<b>Responsiveness</b>										
R10. Do the staff provides quick service to customers?										
R11. Do the staff have willingness to help customers?										
R12. Customers are always informed when exactly services will be performed?										
R13 Are the. Employees Responsive to customers?										
<b>Assurance</b>										
A14 . Are the employee’s friendly and show courtesy to the customers?										
A15. Do Customers feel safe in their transactions?										
A16. Do the Behaviors of staff instill confidence in Customers?										
A17.Are the staff having knowledge to answer question aroused by customers?										
<b>Empathy</b>										
E18. Does the staff understand about specific needs of customers?										
E19. Are the employees are giving customers best interest at heart?										
E20. Are the operating hours. Convenient to you?										
E21.. Does the staff give attention/consideration to customers?										
<b>Underwriting quality</b>										
UQ.22 .Are the Employees always be committed to give Explanations on insurance policy Benefits?										
UQ23. Do Employees providing underwriting services have the Necessary technical and Professional competences?										
UQ24. Do the Service providers simplify the insurance documents such as Policies, Endorsements, proposals etc to suite customers?										
UQ.25 .Do the Service providers customize the scope and presentation of Insurance Policies to the particular needs of the society?										
UQ.26. Do the Service providers prepare documents in the widely understood Language to the customer?										
<b>Claim services</b>										
CS27. Do employees give adequate guide to its customers at time of claims?										
CS28. Are the Service providers be generally accessible to customers at time of claims Through telephone, in person, in writing, et’										
CS29. Do Employees providing claim services have adequate empowerment to Solve Customers’ problems?										
CS30. Are Employees assigned in claim service free from integrity problems?										
CS31. Do Service providers I give adequate compensation to customers at time of claim?										

## **DECLARATION**

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of ----- . All sources of Materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

**Prepared by**

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**Signature**

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