

**ST.MARY'S UNIVERSITY
FACULTY OF BUSINESS
DEPARTMENT OF MANAGMENT**

**AN ASSESMENT OF CLAIM SETTLEMENT OF
MOTOR INSURANCE
IN THE CASE OF TSEHAY INSURANCE S.C.**

**BY
MEKDELAWIT YOSEPH**

**JUNE 2014
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ADDIS ABABA**

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OF ARTS IN MANAGEMENT**

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CHAPTER ONE

INTRODUCTION

1. Background of the study

All contracts, including insurance are agreement concluded between two or more parties Insurance contract is a mechanism by which insured transfer risk to insurer. It is an agreement made for consideration and regulates the relation ship of parties. (Lee, and Couch ,1988: 11) consideration refers to the gain or benefit received by one party in return for a promise or the performance of an act of another. Premium is consideration given by the insured to the insurer and insurance company's consideration is the promise to pay compensation whenever the risk is materialized. As a result both parties have to give special emphasis and mutual understanding on the policy words and documents.

Claim settlement service is the basis on which an insurance company is ultimately judged by clients and the key issue affecting the reputation of the insurance company. Indeed, for many insurance companies, excellent claim settlement service is considered to be a differentiator that distinguishes them from the competitors and hence achieving excellence in claim settlement should be a fundamental objective of any insurance company.

A survey was undertaken by the Ministry of Trade & Industry in 1954 to find out the situation of the insurance industry & to indicate ways how the industry could develop. The Survey revealed that there were 19 Insurance Company operating in Ethiopia of which there was only one domestic Company Imperial Insurance Company Established in 1951. The Company had agents in port towns & commercials centers namely Addis Ababa, Asmera, Awassa, Diesse , Dire Dawa & Misswa (Assefa, 2004: 166).

Currently in Ethiopia, there are fifteen private and one Government insurance companies and more than two insurance companies are expected to join the industry in the near

future. This will make to have a stiff competition in the industry and require a company to manage the claim in consistent, get flexible & fair manner that is transparent , accurate & timely.

TSEHAY insurance S.C. is a Private insurance company established in March 28th, 2012 by 107 shareholders. Its vision is to be a proactive leader in the provision of high quality and diversified insurance service that exceeds customer expectation by assuring maximum security to clients. It has six branches including the main branch in Addis Ababa.

Therefore, the ultimate purpose of this study is to assess the claim settlement of motor insurance and how policy documents being understood by policy holders with respect to claim settlement & consequence thereof.

1.2 Statement of the Problem

Insurance Contract has an adhesive character and prepared by one party that is insurer on take it or leave it bases based on the information given by insured through proposal form. Furthermore it is prepared in English language with full of jargon words and terminologies not understand easily by any one.

Some clients of the company did not report to claim on the time which results the claim to be rejected and the newly driving license regulation also create a problem on claim handling , as the one who have a driving license on one type of vehicle may not be able to drive other type of the vehicle .

Most clients of insurance companies are not willing or interested to read and understand the policy wording of the insurance contract.

On the other hand some risk underwriters of insurance companies are not good enough to explained the policy terms, Conditions and warranties to the insured at the time of

issuance of policy documents. All these issues will have significant effect in settlement of claim.

The very interest of the researcher here is to find out the area of dispute at the time of claim settlement specially with respect of motor claim at Tsehay insurance S.C., the reason why such dispute arises and the remedial action to be taken by both parties of the contract.

1.3 Research Questions

Based on the problem the researcher tried to answer the following questions

1. What are the procedure to be followed to settle the claim ?
2. What are the area of dispute arise at the time of motor claim & how such dispute solved by both parties?
3. How far does prompt claim settlement satisfy customers & build company image?

1.4 Objectives of the study

1.4.1 General Objective

To assess claim settlement practice in Tsehay Insurance S.C.

1.4.2 Specific Objectives

1. To identify the procedure and guideline used to settle the claim
2. To identify the area of dispute and the methods used to resolve the dispute
3. To provide how prompt claim settlement satisfied customers

1.5 Significance of the study

The benefit of this research paper is basically to show the impact of claim settlement in competitive advantage and to insist the insurance management to take immediate measure to solve the problem. In addition to this its contribution as an input in

formulating strategy for insurance companies. The research also serves as a bench mark to conduct deep and professional research on the research topic area.

1.6 Scope of the study (Delimitation of the study)

The study focused on motor claim settlement procedure of Tsehay insurance share company and the policy documents issued on from July 2012- June 2013. It doesn't take other insurance company & non motor claim settlement.

1.7 Definition of Terms/Concepts

Insurance: is defined as a co-operative device to spread the loss caused a particular risk over a number of person who are exposed to it & who agree to ensure themselves against that risk (Mishra , 2005:31)

Claim : Compensation paid due to accident (John, 2001:15)

Policy: The insurance document providing evidence and stating the terms and conditions of the insurance contract (John, 2001:15)

1.8 Research Design & Methodology

1.8.1. Research Design

As the objective of this paper is to asses the claim settlement of motor insurance of Tsehay insurance S.C. , descriptive method was employed for the study. This method enabled the student researcher to answer the research question & specific objective.

1.8.2. Population , Sample Size & Sampling Techniques

The target population for this study were employees(Claim officers & Risk Underwriters) & customers (motor insurance claimants) of Tsehay insurance S.C. There were 4 Claim officers, 6 risk underwriters & 120 claimants. From this concerned

population size census method was used to gathered the required data from claim officers & risk underwriters .

In addition to this researcher selected 60(50%) respondents from the total of 120 Claimants. A convenience/accidental sampling was used to distribute questionnaires. Because the samples were assumed to be reach in the information required, also this method helped to select the required respondent easily. A total of 70 questionnaires were distributed .

1.8.3 Types of data used

The researcher have successfully accomplished the research work, by using both primary & secondary data. Primary data were collected from customers & employees of Tsehay Insurance S.C. Whereas Secondary data were gathered from different published & unpublished documents such as claim manuals, articles ,books, & web sites.

1.8.4 Methods Of Data Collection

Close ended & open ended questionnaire was employed as tools to collect primary information from selected respondents. In order to maintain confidentiality, each participants were provided with one questioner to be filled individually and no need of writing their names on the questioners form.

The questioners were given directly to participants to be filled and collected. After questioners filled and collected, analysis of the data was carried out.

1.8.5. Methods of data analysis

The collected data were edited, coded, grouped & transcribed in a manner that suite to analysis and interpretation. Gathered data were analyzed by using statistical tools like tables & percentage, with the help of narrative statements

1.9 Limitation of the study

The student researcher had encountered problems in finding related literature reviews during secondary data collection for this research paper . The researcher also had faced problems while collecting data from customers. in which most of the time they were not willing to fill the questionnaire due to various reason , such as lack of attention, shortage of time and so on.

1.10 Organization of The Study

The paper were organized in four chapters. The first chapter deals with the back ground of the study, the problem of the study and its approach. Chapter two contained related literature review of theoretical information, while chapter three deals with analysis of data and chapter four contained summary, conclusion and recommendation of the research.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Definition of Insurance

Insurance is a social device, in which a group of individuals called “ Insured” transfer risk to another party called the “Insurer” in order to combine loss experiences, which permits statically prediction to losses and provides for payment of losses from premiums by all members who transferred risk (Zeleke,2007:23).

A method where by the uncertain risks of industries are combined in a group through payment of individual contributions out of which losses are reimbursed to those who sustain them is referred to as insurance. It involves two parties namely the insured the one who transfers his/her risk buying the insurance and the insurer the one who bears the risk (Reja,2002:4).

An insurance company insurer is able to offer protection by grouping individuals who all feel exposed to the same type of risks. The individuals are grouped based on the homogeneity of the risks they feel they are exposed to so as to pay the compensation in a relative ease when the unfortunate one of them suffers a loss (Reja ,2002:4).

Each insured individuals pay a relatively smaller fee, which is termed as ‘premium’ to the insurer company. The fee is very small compared to the loss transferred to the insurer (relative to the sum insured). When a risk happens; the insurer compensates the unfortunate individual from the pool of this collected fund (Reja ,2002:4).

2.2 The General Uses of Insurance

Insurance is the corner stone of both the national economy and the individual security. Without insurance, it is rather very difficult if not impossible for the ‘free economy’ to exist. The ‘private sector’ also needs insurance to move on (Skipper,1997: 5).

❖ It Provides Financial Stability to Community

An accident which fully destroys a business firm will be followed by a production interruption which in turn causes of loss of profits to the insured firm resulting in a decline of tax revenue and unemployment which then produces an economic waste. If the firm is uninsured, the accident affects the entire community badly (Skipper ,1997: 5).

❖ It Gives a Peace of Mind

Insurance reduces worries and anxieties by providing a certainty of financial payment at the time of accident, which can make the insured one, work in a relaxed manner and thus be productive (Skipper ,1997:6).

❖ Creates a More Loss Prevention System

In order to minimize their losses, insurance companies try to introduce several kinds of loss prevention systems such as health education, inspection of elevators and boilers, burglar alarms on vehicles and houses etc (Skipper, 1997: 7)

2.3. Importance of Claims Management in the Insurance Sector

According to Keefer (2010:157) proper claim management provides the following benefit, in addition to the competitive environment in which insurance companies operate, these businesses are challenged by more stringent compliance with government regulations and increasing expectations on the part of consumers. Efficient claims management is vital to the success of both large and small companies working within the insurance industry. Major components of the claims handling process include developing strategies to cut costs and reduce fraud while keeping customers satisfied. Small companies in particular can benefit from claims management tools and technology.

2.3.1 Settling Claims

Settling insurance claims is just one aspect of the claims management process. The time it takes to process a claim involves several stages beginning with a person filing a claim. The stages that follow determine if a claim has merit as well as how much the insurance company will pay. Insurance customers expect a company to settle claims quickly and to their satisfaction. Because high customer satisfaction levels can give a company a competitive edge, reducing the time it takes to settle insurance claims is one way to decrease the number of customer complaints and improve service. The use of claims management system software that speeds the process and minimizes costs offers a practical solution. Simplifying the claims process through automation helps reduce expenses for smaller companies that operate with smaller budgets (Keefer, 2010:167).

The basic purpose of insurance is to provide for the group who suffer losses. This is accomplished in the claim settlement process, but it is sometimes a great deal more complicated than just passing out. The payment of losses that have occurred is function of the claim department (Assefa, 2004:160).

2.3.2 Detecting Fraud

Paying fraudulent claims costs insurance companies money a cost the insurance industry then passes on to its customers. Consequently, underwriting guidelines become tougher and the insurance premiums consumers pay increase. Software tools designed to examine payment history and evaluate trends in claim payoffs can help insurance companies detect fraud, according to Wipro, a global IT business. For example, how often the same individual files an insurance claim can be a warning that a person might be filing a fraudulent claim. Unfortunately, settling claims too quickly increases a company's chance of paying out on a greater number of fraudulent claims. Unlike large companies that can absorb some losses as a part of doing business, small companies quickly suffer the negative effect on net earnings when paying fraudulent claims. Then again,

processing insurance claims too slowly increases the risk of losing dissatisfied customers. In a highly competitive insurance market, small companies can't afford to lose customers (keefe, 2010: 169).

2.3.3 Lowering Costs

Monitoring costs throughout the claims management process determines how much of a customer's premium rate goes toward paying for the insurance company's administrative costs. Generally speaking, when settling a claim is delayed, it costs the insurance company more money. The higher claim costs reduce profitability. For small and large insurance companies alike, automation of some of the claims management process can help decrease a company's operating costs. One example is the increased cost of investigating a claim manually. Information technology systems, though, improve efficiency by decreasing the number of claim errors, detecting fraud early and reducing the time it takes to process and settle a claim all factors that cut an insurance company's costs and increase profitability. Even in a healthy economy, running a small business can be tough. Other essential functions of the claims management process that can reduce costs include developing programs directed at preventing claims before they occur and avoiding future claims (keefe,2010:169).

2.3.4 Avoiding Litigation

In most cases involving insurance claim disputes, the insurance company eventually agrees to pay an equitable amount if a customer has a legitimate claim and can present evidence supporting it. Although quickly settling a claim can avoid the chances for litigation, accurate liability assessment is crucial to achieving a quick resolution in a claim dispute. Insurers work to evade litigation because it substantially increases the company's cost of settling a claim. For instance, one-time cases where a person misrepresents information he provides on an insurance application can be expensive for an insurance company to prove legally. Causing a company financial loss is another reason to avoid litigation. Small insurance companies are not immune but rather are increasingly exposed to potential litigation involving claim disputes (keefe, 2010:170).

2.4 .Claims Principles

The insurance policy is a document containing a pledge by the insurer that it will indemnify the insured, subject to specified terms, conditions and exceptions of the insurance, against loss or damage which may be sustained or liability which may be incurred at some future time (Wanner,2011: 66).

Therefore, the insurer's efficiency in claims handling and his ability to honor the promise made in the policy document should the need arise may do more to improve or damage the insurer's reputation than the underwriting, marketing and the accounts departments put together. In fact it has been said that an insurer's best form of advertisement is the way in which he deals with claims. Certainly a policyholder is more likely to remain loyal to the insurer who deals with his claim in a reasonable manner. Similarly, it may be argued that a satisfied third party is equally an excellent advertisement for an insurer (Wanner,2011:67).

No claim is maintainable under a policy of insurance unless all the conditions precedent and subsequent to the contract and conditions precedent to liability have been met (Wanner, 2011: 67).

2.5. Claims Procedure

The claim procedure manual of Tsehay insurance S.C., used to describe here under :-

2.5.1. Insured's Duties

In the event of an occurrence likely to lead to a claim under a policy, there are certain implied or unwritten duties and certain express or written duties imposed on the insured.

❖ Express Duties

These duties require the insured:-

- To notify the insurer of any event which could give rise to a claim under the policy for investigation of the circumstances and to provide full particulars of the claim relating to the insured, the subject matter insured and details of the loss within a stipulated period which is 5 days in the Ethiopian commercial code.
- Not to use fraudulent means to obtain benefit under the policy.
- To allow the insurer to exercise subrogation rights if requested to do so (he must not do anything to prejudice those rights).

❖ **Proof of Loss**

The onus is on the insured to prove:

- That he suffered a loss due to an event against which is insured.
- The value or amount of that loss.

(If the insurers wish to rely on some exclusion in the policy, the onus is on them to prove that the exclusion applies).

2.5.2. Insured's Rights

The insured has the right that, if he complies with all his duties, he is entitled to a full settlement within the terms of the policy.

This settlement must be speedily made and can not be held up pending recovery of subrogation rights or contribution rights under a market agreement.

2.5.3 Insurer's Duties

The insurer must honor the rights of the insured so long as he has complied reasonably with regard to his obligations.

2.5.4 Insurer's Rights

In view of their financial interest, the insurers have the right jointly with the insured, to save the subject matter of insurance. This is usually done through the action of loss adjusters.

Claim Forms

Insurers use claim forms to gather the information relevant to assessing claims.

The purpose of claim form is fourfold

- to establish whether the policyholder is entitled to indemnity under his policy
- to provide sufficient information to process the claim
- to ascertain whether there is likely to be a claim from the third party
- to assess and establish the potential cost of the claim

In general terms the questions ask for details of the insured, the property lost, damaged or destroyed, the party injured, and details of how the loss came about, as appropriate. The questions help to seek the information required to assess whether the circumstances of the loss fall within the policy cover, and if so, what the severity of the loss may be.

The answers given on the claim form are checked against the information given at the proposal stage. In this way non-disclosure or misrepresentation often comes to light, allowing the insurer to avoid liability if they so wish, provided the breach of utmost good faith is material to the loss.

2.6 Investigation of Claim

If the amount being claimed is relatively minor (the amount will vary from company to company), a cheque will normally be sent on receipt of the completed claim form and satisfactory proof of value or cost of repair. In motor vehicle damage claims, the insurer's own motor engineer, or an independent one if they do not employ one of their own in that

area, will inspect the damage and agree terms with the garage personnel. A similar procedure is used in engineering claims. In other property cases, it is usual to appoint a firm of loss adjusters to investigate the claim and make recommendations regarding payment. In liability claims, the insurer's own staff generally negotiate with the third party or their solicitors, unless the case is going to be fought in the courts when the insurer will appoint solicitors.

2.7 The Basis of Settlement of the Claim

2.7.1 How Indemnity is Provided

Where the insurers accepted liability there are at least two methods which insurers can employ in providing indemnity. The option as to which method is to be employed is normally given to the insurers by the wording of the policy. While they are willing to assist insured in this way they would not look favorably on a method which increased their costs. The two methods of indemnity are:-

I. Cash Payments

An insurance contract is a contract to pay money and, in vast majority of cases, the claim is settled by giving the insured a cheque for the amount payable under the policy. In liability insurance, cash (i.e. cheque) payments are always made although, in the majority of cases, the money is paid to the third party direct for ease of administration.

II. Repair

Insurers make extensive use of repair as a method of providing indemnity in motor insurance where garages are authorized to carry out repair work on damaged vehicles.

2.8. Factors Limiting the Payment of Indemnity

2.8.1 The Sum Insured

The maximum amount recoverable under any policy is limited by the sum insured or the limit of indemnity. In policies having a sum insured, the insured cannot recover more than the sum insured even where indemnity is a higher figure.

In policies having a limit of indemnity or limit of liability, the limit is the maximum payable, though costs and expenses in connection with liability claims are paid over and above the limit of liability.

2.8.2 Average

Where there is under insurance the insurers are only receiving a premium for a proportion of the entire value at risk and any settlement will take this into account using the formula:

Sum Insured X Loss

Full value

When average operates to reduce the amount payable, the insured really receives less than indemnity but theoretically, he is being considered his own insurer for a portion of the risk and in a sense should indemnify himself for the balance not received from insurers.

2.8.3 Excess

An excess is an amount of each and every claim which is not covered by the policy. Excesses are quite common on private & commercial car policies where for accidental damage to the car itself.

2.9 Contribution

The policy may, and usually does contain a condition which is known as contribution clause to the effect that where more than one insurance is enforce, the liability of the insurer is limited to his proportion of the loss.

2.10 Arbitration

Where there is a dispute between the policyholder and the insurers as to the amount paid under the policy, it must be referred to arbitration. Any other dispute is not dealt with arbitration. If, for example, there is a dispute over liability under the policy, this would have to be resolved by the courts rather than arbitration.

Insurers consider such a condition desirable due to the following reasons.

- ❖ Speedier than court action
- ❖ Expert judgment - use of experts in business as arbitrators
- ❖ Informality - heard in private avoids bad publicity
- ❖ Possibly less costly.

2.11 To whom Payable

Except in liability cases, when payment is made direct to the third party and solicitors, most claims are settled by payment to the insured. If payment is not made to the insured, it may be made:-

- ❖ To his legal representative e.g. in death claims or a person is a minor or bankrupt or of unsound mind.
- ❖ To another party by order of the court.

CHAPTER THREE

DATA PRESENTATION, ANALYSIS & INTERPRETATION

This chapter of the paper deals with a columnar data presentations along with their immediate interpretations. The data were collected through questionnaires that were distributed to selected claimants of Tsehay Insurance S.C. out of 60 distributed questionnaires only 50 returned and has a response rate of 83% which is acceptable.

3. 1. Number and Percentage of Respondents by their Personal Status

This subsection of the chapter shows the demography of climants who participated in answering the questionnaire depending on their answers about their personal status.

Table1. Personal Status

Item	Alternatives	No.	Percentage
1.Age	18-25	5	10
	26-30	10	20
	31-40	25	50
	Above	10	20
Total		50	100
2. Educational Status	High	18	36
	College Degree	11	22
	Diploma	6	12
	Degree	14	28
	Others	1	2
Total		50	100

As shown above table 1. item 1 , shows the age range of respondents which is indicated that 5(10%) of the respondents are in the age range of 18-25 , 10(20%)of them are in the age range of 26-30, 25(50%) and 10(20%) of the rest are in the age range of 31-40 and above respectively. This shows that most of the clients considered to be in the age range in which they can easily communicated & understand with others .

Item 2. Of similar table shows the greater No. of the respondents i.e 32(64 %) have certificate and above . in addition to this one of the respondents is found to be a Master’s degree holder as described in the questionnaire. Generally , it implies that most of the respondents were capable enough to understand and answer the questionnaire properly.

3.2 Detail cover of the policy & Reading of Proposal form

The following table shows that the detail cover of the policy & the experience of reading of proposal form of the customer of the company.

Table 2. Reading ,filling & Detail cover of the Policy

Items	Alternatives	No.	Percentage
4. Have you had an experience of reading proposal form & insurance policy to concluding such a contract?	Yes	18	36
	No	30	60
	I don't Know	2	4
Total		50	100
5. Have you got an assistant from risk underwriter in filling proposal form ?	Yes	15	30
	No	30	60
	I don't Know	5	10
Total		50	100

6. would you get information from underwriting officer on the detailed cover an insurance policy?	Yes	10	20
	No	35	70
	I don't Know	5	10
Total		50	100

The above table 2. Item 4 indicates that 18(36%)of the respondents read the proposal form , 30 (60%) of the respondents didn't read the proposal form and the rest 2 (4% o)f the respondents are not sure to read or not the proposal form. This implies that the respondents did not know what the policy covers and what expected from them.

As it can be seen above table Item 5 deals 15 (30 %)of the respondent get an assistance in filling the proposal form, 30(60 %0 of the respondent did not get assistance so to enable them to fill to proposal form. Hence the rest 5 (10%)of the respondent are not sure to get or not. There for, it is possible to conclude that most of risk underwriters didn't assist them.

The similar table item 6. indicates 10(20 %)of the respondents did get information on the cover of insurance policy but 35(70 % 0of customers did not get information for the detail cover of the policy the rest 5(10 % 0of the respondents are not sure to get or not the information. This shows that most of the risk underwriter did not give a brief explanation of the policy cover .

3.3 Customers attitude on claim settlement

The following table deals that the understanding of the customers in their claims & duration of claim settlement used by Tsehay insurance S.C. In addition to this the table deals about recommendation of Tsehay insurance for their friends.

Table 3. Customers Understanding & Prompt claim settlement

Items	Alternatives	No.	Percentage
7. do you think your claim settled as per your understanding and the cover you have?	Yes	18	36
	No	28	56
	I don't Know	4	8
Total		50	100
8. Do you think the prompt of claim settlement provided by Tsehay insurance S.C., is effective compare to other insurance companies ?	Yes	18	36
	No	30	60
	I don't Know	2	4
Total		50	100
9. Would you recommend Tsehay Insurance to your friend?	Yes	20	40
	No	26	52
	I don't Know	4	8
Total		50	100

The above table 3. Item No. 7 indicates that 18(36 %)of the respondents said that their claim settled in the way of they expected , 28(56 %)of the respondents said that claim settled not in the way of they expected which in turns shows that claim officer should not inform for the customer claim paid in accordance with cover in addition to this the underwriting officers didn't informer that the way of the claim procedure at the time of issuance.

Item No. 8 of similar table shows that 18(36%)of the respondents have got fast claim settlement while 30(60%)said no. It shows that the companies didn't gave a fast claim settlement to compare other insurance companies .

Item No. 9 shows that it is relatively smaller proportion of respondents which is 20(40 %) who are willing to recommend Tsehay Insurance S.C. but 26(52 %)of respondents are not willing and not sure to recommend Tsehay Insurance S.c. to their friends . Therefore, it is possible to conclude that the company give less attention on it by creating brand image .

3.4.Customer Satisfaction on claim handling

The following table indicated the satisfaction of the customers in the way of claim handling process in Tsehay Insurance S.C.

Table 4. Customers Satisfaction

Questions	Alternatives	No.	Percentage
10. To what extent are you satisfied on claim handling process?	Very satisfied	10	20
	Satisfied	14	28
	neutral	8	16
	Dissatisfied	16	32
	Very Dissatisfied	2	4
Total		50	100

As it has been mentioned the Table 4 shows with a sum percentage of 24(48 %)of the respondents are satisfied with claim handling process , 8(16%)of the respondents are neutral and the sum of 18(36%)of the respondents are dissatisfied with the claim handling process . From this point of view the researcher assume that the company didn't work with the maximum effort of the claim handling process to enhance customer satisfaction.

3.5 Information Given by underwriters on claim procedure

The following table indicated that the how can the underwriter give information about claim procedure during the time of policy issuance for customers

Table 5. Information given by underwriters on claim procedure

Item	Alternatives	No.	Percentage
11. How was the information given by the underwriters on claim procedure during the time of policy issuance	Very good	5	10
	Good	12	24
	Fair	13	26
	Poor	16	32
	Very poor	4	8
Total		50	100

Table 5. indicates that with a sum percentage of 17(34%) respondents did get good information on claim handling procedure from risk underwriters while 13(26%) of the respondents did get a fair information on the procedure of the clam ether rest 20(40%) respondents didn't get enough information on claim procedure at the time of policy issuance. It Implies that most of underwriting officer didn't give a brief explanation to on the claim procedure at the time of issuance of the policy this also creates a problem for the claim officer to

3.6 Claim handling service & Company Responsive on opinion

The flowing table indicated the claim handling service of the company & how can response the company the customers opinion & complaints.

Table 6. Claim Handling & company Responsiveness

Items	Alternatives	No.	Percentage
12. How was the claim handling service of the claim department?	Very good	6	12
	Good	10	20
	Fair	8	16
	Poor	20	40
	Very poor	6	12
Total		50	100
13. How was the responsive of the company to your opinions and complaints ?	Very good	10	20
	Good	24	48
	Fair	10	20
	Poor	16	12
	Very poor	0	0
Total		50	100

Table 6. Item No. 12 indicates that with a sum of 16(32 %) respondents have a good response on a claim handling service, 8(16 %) of the respondents have a fair response on claim handling and the rest with a sum of 26(52 %) of the respondents have poor response on a claim handling service. Thus it can be said that the claim department of the company have a considerable problem on claim handling.

The above table Item No. 13. shows that a sum of 34(68%) of good on responsiveness of the company towards complaints of the customer , 10(20%) of the respondents evaluated responsive of the company as 'fair' and the rest of 16(12%) respondents evaluated the response

of the company as Poor. It show that the company make a maximum effort to handle complaints of its clients not to lose them to other competitive firms.

3.7 The selection of the Garage

The following table deal the selection of Garage that used to Tsehay Insurance S.c. for their Motor Claimants

Table 7. Garage Selection

Item	Alternatives	No.	Percentage
14. How do you get the garage selection of the Tsehay Insurance S.C.?	Very good	12	24
	Good	25	50
	Fair	6	12
	Poor	5	10
	Very poor	2	4
Total		50	100

As it can be seen the above table 7. the sum of 37(74%)of the respondents have a good attitude towards selection of garage while 6(12%) of the respondents have a faire attitudes in the selection of the garage the res the sum of 7(14 %)of the respondents have a poor & very poor response in the selection of Garage. Clearly it can be seen that the company satisfied most of claimants in the selection of Garage.

3.8 What problems & disagreements do you face at the time of claim settlement ?

The reason described by sixteen respondents are summarized as follows

- the company hasn't branch out of Addis because of this we can't get the claim handling service immediately and it is time taking

- At the time of the issuance of the policy the underwriter doesn't explain to us the policy wording so we haven't enough information the cover we have .
- Totally disappointer with the claim department due to the bureaucracy.

3.9 How such disagreement solved?

The suggestion given by seven respondents are summarize as flows;-

- For certain amount of claim, the company need to give an authority to maintain the vehicle by his own & to request the claim after maintenance completed.
- The company should employe adequate man power to facilitate the claim service.
- The company expend their branches out of Addis
- The company give training for concerned underwriters

3.10 If you are not totally satisfied with the way the company is rendering its claim settlement to you, will you please describe your reasons of being unsatisfied?

The reason that nine respondents described and summarized as follows:-

- “Because your *claim department* is very poor& it takes too much time ”
- “Because the procedure that the *claim department* uses is very poor and time wasting which discourages us from claiming and thus from renewing our policy,”

The following data were collected through questionnaires that were distributed to six underwriters officer of Tsehay Insurance S.C.

3.2.1 Assistance of clients in filling Proposal form

The following table deal the assistant to underwriters for their customers in filling the proposal form

Table 8. Assistant of underwriters for customers

Item	Alternatives	No.	Percentage
1. Do you assist clients in filling proposal forms for their insurance needs?	Yes	3	50
	No	2	34
	Not Sure	1	16
Total		6	100

The above table 8. indicates that 3(50 %) of respondents assist their clients to filling the proposal form while 2(34%) of the respondents didn't assist them the rest 1(16%)of the respondents are not sure to assist or not . It implies that the underwriting officer don't help sufficiently their clients in the time of filling the proposal form.

3.2.2. Clarification of insurance Policies Terms & conditions

The following table deals how underwriters give clarification of insurance policy terms , conditions and exclusions for customers . The insurance policy is a document containing a pledge by the insurer that it will indemnify the insured, subject to specified terms, conditions and exceptions of the insurance, against loss or damage which may be sustained or liability which may be incurred at some future time.

Table 9. Clarification of insurance policy.

Item	Alternatives	No.	Percentage
2. Do you make clarification on insurance policy terms & conditions to customers while issuing policy?	Yes	1	17
	No	4	66
	Not Sure	1	17
Total		6	100
3. Do you think your clients read the policy terms, conditions & exclusions ?	Yes	0	0
	No	4	67
	Not Sure	2	33
Total		6	100

Table 9. Item No. 2 indicates that 1(17%) of respondents made a clarification on policy terms & conditions to customers at the time of issuing the policy, while 4(66%) of the respondents didn't make the clarification on insurance policy terms & conditions to their customers at the time of issuing the policy the rest 1(17%) of respondents are not sure if they make sufficient clarification or not. It shows that the underwriting officer gives less attention to describe the policy terms, conditions & exclusions for their clients at the time of issuance of the policy.

The same table Item 3. indicates that 4(67%) of the respondents believe that their customers don't read the policy terms, conditions & exclusions the rest 2(33%) of the respondents are not sure if their clients read the terms, conditions & exclusions of the policy. Therefore, it is possible to conclude that most of the customers don't read the policy wording.

3.2.3 Policy Privileges

The insured has the right that, if he complies with all his duties, he is entitled to a full settlement within the terms of the policy ,so the following table deals with the dose the clients get their policy privileges.

Table 10. Privileges of the policy

Item	Alternatives	No.	Percentage
4. Do you believe that clients are acquiring with their policy's privileges?	Yes	5	83
	No	1	17
	Not Sure	0	0
Total		6	100

The above table 10 indicate that 5(83%) of the respondents believe that their clients get their policy privileges & obligation and the rest 1(17%) of the respondents didn't believe that their clients get their policy privileges & obligation. Therefore it is possible to conclude that the customers get their privileges & obligations.

3.2.4 What are the major problems you encounter at the time of issuance of the policy ?

The reason given by four respondents are described and summarized as follows

- The insured have no any idea about insurance & its use. For instance a vehicle with value under the market value in order to minimize the premium to pay.
- They are not willing to fill the proposal form properly
- They are not willing to listen their right & duties

3.The following data were collected through questionnaires that were distributed to 4 claim officer of Tsehay Insurance S.C.

3.3.1 Brief Description of policy

One of the underwriters duty is to describe the policy for the insured at the time of issuance . this helps to clients to no their privilege on insurance at the time of claim .The following table deals with the brief description of policy terms .

Table 11. Brief Description of policy wordings.

Item	Alternatives	No.	Percentage
1. do you think that risk underwriters give a brief describe about policy terms & conditions to clients?	Yes	1	25
	No	3	75
	Not Sure	0	0
Total		4	100

Table 11 indicates that with 1(25%) respondents believe that most of risk underwriters give a brief description of the policy terms & conditions to clients while the rest 3(75%) of the respondents don't believe that underwriters give a brief description of the policy terms & conditions to clients . It implies that most of claimants haven't a knowhow about insurance policy terms & conditions .

3.3.2 Claimants Satisfaction in claim settlement

Claim settlement service is the basis on which an insurance company is ultimately judged by clients and the key issue affecting the reputation of the insurance company. The following table deals with the satisfaction of the customers on claim settlement

Table 12. Satisfaction of Clients on claim

Item	Alternatives	No.	Percentage
2. Do you think your claimants satisfied in their claim settlement?	Yes	2	50
	No	1	25
	Not Sure	1	25
Total		4	100

Table 11. indicates that 2(50%) respondents believe that their claimants satisfied their claim settlement while 1(25%) of the respondents believe that they don't satisfy their claimants & the rest 1(25%) are not sure they satisfied or not. . It implies that claim officer try to satisfy their claimants on the settlement of claim.

3.3.3 Claim Settlement Procedure

For many insurance companies, fast claim settlement service is considered to be a differentiator that distinguishes them from the competitors. The following table deals for the procedure of claim settlement t in Tsehay Insurance S.C..

Table 12. Procedure of Claim Settlement

Item	Alternatives	No.	Percentage
15. Do you think your appreciate your claim settlement procedure ?	Yes	1	25
	No	0	0
	Not Sure	3	75
Total		4	100

Table 12. indicates that with 1(25%) respondents believe that the clients appreciate a claim settlement procedure of the company the rest 3(75%)of the respondents are not sure clients appreciate or not the claim settle procedure. It implies that the company give a less attention to the procedure of the claim settlement procedure.

3.3.4 What are the major claimants problems you encounter while entertain claim?

The reason given by four respondents are summarized as follows

- The intention of the insured to get more benefit out of the claim
- Unwillingness of the insured to accept when a garage suggested by us with the tender for maintaining their cars.

3.3.5. Can you mentioned as some area of disagreement that you faced with the insured at the time of claim settlement?

The reason given by four respondents are described and summarized as follows

- The insured demand to replace a non genuine windshield with genuine
- Demand repair of their own vehicle with third party insurance

3.3.6 How can such disagreement solved?

The reason given by four respondents are described and summarized as follows

- By increasing public awareness of what insurance is & how it works and what each policy provide the cover
- At the time of issuance of the policy the underwriter officer describe the responsibility & duties of the insurer .

CHAPTER FOUR

SUMMARY, CONCLUSIONS & RECOMMENDATIONS

4.1 Summary

Following the data presentation and analysis this chapter deals with the conclusions and recommendations part of the research. The intention of this chapter is to summarize and draw conclusions regarding the main findings of the study. Based on the results of the findings, possible recommendations for the claim settlement of the insurance company are also highlighted in this chapter.

Out of the 130 total population 70 of them were selected as a sample respondent used census method for claim officers & underwriters & A convenience/accidental method used for claimants.

In order to conduct this research 70 copies of questionnaires were distributed to the claimants & employees of the insurance 60 questionnaires are properly completed and returned, resulting in a rate of return for the questionnaires are 85%. The result would be presented by summarizing the data

Bearing in mind that the aim of this research paper is to assess the claim settlement practice of Tsehay Insurance S.C.. Claim settlement is one of the core services given by the company. The following restatements give the idea of major findings.

- 15(30%) of the respondents are in between the age of 18-30 and 25(50%) of the respondents are between 31-40
- 32(64%) of the respondents have a certificate and above
- 30(60%) respondents who had no experience of reading proposal form and insurance Policies.

- 30(60 %) of the respondents did not get assistance in filling proposal form from underwriters & 35 (70%) of the respondents did not get information from underwriter on the delayed cover of the insurance policy.
- 60% of the respondents' didn't get prompt claim service from the company.
- In general Majority of respondents had given lower rate on promptness claim service, satisfaction on claim handling procedures , information given by underwriters on claim procedure at issuance of the policy.
- With regard to responsiveness of the company to opinions , complaints and garage selection majority of the respondents satisfied.
- 50% of claim officer respond that customers are satisfied by the service they provided.
- The claim officer respond in connection of major claimants problem is the intention of the insured to get more benefit out of the claim & demand to replace a non genuine part with genuine one is the major claims problem .
- 50% of the underwriters respond they assist customer in filling proposal form & 66% of underwriters who gave response didn't gave clarification on policy terms & conditions & exclusions.
- 83% of the underwriters gave response on customers get a policy privileges.
- The Underwriters respond in connection of some of major problem of the customer at the time of issuance of the policy is the insured are not willing to fill the proposal form & the insured are not willing to listen their right & duties.

4.2 Conclusions

The main objective of this study was assessing the claim settlement process of in Tsehay Insurance S.C. Claim settlement service is the basis on which an insurance company is ultimately judged by clients and the key issue affecting the reputation of the insurance company. Indeed, for many insurance companies, excellent claim settlement service is considered to be a differentiator that distinguishes them from the competitors and hence achieving excellence in claim settlement should be a fundamental objective of any insurance company.

Based on the summary of the findings , the following conclusions are drawn.

- The finding shows that clients are not satisfied with claim service which the company offer as a core service which results the clients are not to renew their policies and promote negative word of mouth which would have an implication on sales volume for the company .
- From the findings it can be conclude that the major cause that arises the dispute is the misunderstanding of the policy wording , the clients are not fill proposal form and reading policy terms conditions & privileges. It results a dispute to be raised at time of claim which has an implication for the delaine of claim settlement.
- The finding shows that the majority of the underwriters did not give a brief description of policy terms & conditions. It is also the major cause that arises the dispute due to lack of information.
- As per the objective of this research paper the procedure that has to be flowed by insured at the time of claim settlement has been identified. Accordingly there is a duty which are imposed both on insured and insurer in due process. Insured expected to notify the occurrence of an incident timely and provide all relevant particulars as the claim procedure demanded. In the other side insurer also obliged to collect recover if any so as to minimize its loss.

4.3 Recommendations

The best asset of customers focused organizations like Tsehay Insurance S.C. is customers satisfaction. They are highly susceptible as well as responsive for the claim settlement service of the company. In today's business customers are in the driver's seat with enough power to dictate their money to pay for choice.

The following recommendations may contribute for the good claim settlement service & competitiveness of the company

- From the findings inferred from the study , the claim department is the highlighted area of customers' dissatisfaction. Thus the company should take a quick measure regarding this aspect. It is not to say that all claims must be accepted; rather if a claim is rejected, the right reasons must be clearly given for the claimants. On the other hand , if claims are justified long process and special rules must be avoided since claimants need a timely & quick compensation that can a healing of their wounded bones by their accidental loss.
- To increase customers satisfaction on claim the company should invest to give training to all concerned underwriters how can underwriters give a necessary information for customers about the policy documents and to help in filling proposal form. In this regard, the company it ought to decide who should receive the training and which training methods will work best. Moreover, the company must also allow up the effectiveness of trained workers.
- Insurance association need to be too strong & create opportunity to disseminate insurance awareness among the public.

- As customers' complaints are opportunities to improve, Tsehay Insurance S.C., Should establish efficient and effective ways of complaint .Such as Putting suggestion boxes in places where customers can easily find & Providing immediate reactions for customer's complaints.
- The company needs to distribute its branches to reach the customers. So that customers will not go long
- Finally to be a competitive company within the existing stiff competitor of the industry , the company need to look at its weakness and to take measure its weak side.

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APPENDICES

Appendix I
St. Mary's University
Department of Management

Questions to be Filled by the Customer of Tsehay Insurance Share Company.

The purpose of this questionnaire is to make a preliminary assessment claim settlement of motor insurance Tsehay Insurance Share Company. This paper is prepared in partial fulfillment of the requirements of BA Degree in Management. Your answers are very important to get the true picture of the claim settlement of the company. The researcher, therefore, kindly request you to be frank and careful in answering each of the questions.

Remarks

- ☞ DO NOT WRITE YOUR NAME ON THE QUESTIONNAIRE
- ☞ PUT A TICK MARK ✓ OR CIRCLE ON YOUR CHOICE OR ANSWER ON THE SPACE PROVIDED
- ☞ PLEASE ANSWER QUESTIONS THAT ONLY CONCERN YOU

“Thank you in advance”

A. QUESTIONS RELATED TO YOUR PERSONAL STATUS:

1. Age

- 18 – 25
- 26 - 30
- 31 – 40
- Above 40

3. Educational Status

- High school completed
- College certificate
- Diploma
- Degree
- Others, specify.....

B. QUESTIONS RELATED TO YOUR COMMENTS:

1. Have you had an experience of reading proposal form & insurance policy to concluding such a contract ?

- Yes
- No
- Not sure

2. Have you got an assistant from risk underwriter in filling proposal form?

- Yes
- No
- Not sure

3. Would you get information from the underwriting officer on the detailed cover of an insurance policy?

- Yes
- No
- Not sure

4. Do you think that your claim settled as per your understanding and the cover you have?

- Yes
- No
- Not Sure

5. Do you think the prompt claim settlement provided by Tsehay insurance S.C. is effective compared to other insurance companies?

- Yes
- No
- Not Sure

6. Would you recommend Tsehay Insurance S.C. to your friends?

- Yes
- No
- Not sure

7. To what extent are you satisfied on claim handling process?

- Very satisfied
- Satisfied
- Neutral
- Dissatisfied
- Very Dissatisfied

8. How was information given by the underwriters on claim procedures during the time of policy issuance ?

- Very Good
- Good
- Fair
- Poor
- Very Poor

9. How was the claim handling service of the claim department?

- Very Good
- Good
- Fair
- Poor
- Very Poor

10. How is the responsiveness of the company to your opinions and complaints?

- Very Good
- Good
- Fair
- Poor
- Very Poor

11. How do you get the Garage selection of the Tsehay insurance S.C.?

- Very Good
- Good
- Fair
- Poor
- Very Poor

12. What problems & disagreements do you face at the time of claim settlement ?

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13. How such disagreement solved?

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14. If you are not totally satisfied with the way the company is rendering its claim settlement to you, will you please describe your reasons of being unsatisfied?

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Appendix II
St. Mary's University
Department of Management

Questions to be Filled by the Risk Underwriters of Tsehay Insurance S.Co.

The purpose of this questionnaire is to make a preliminary assessment claim settlement of motor insurance Tsehay Insurance Share Company. This paper is prepared in partial fulfillment of the requirements of BA Degree in Management. Your answers are very important to get the true picture of the claim settlement of the company. The researcher, therefore, kindly request you to be frank and careful in answering each of the questions.

Remarks

- ☞ DO NOT WRITE YOUR NAME ON THE QUESTIONNAIRE
- ☞ PUT A TICK MARK ✓ OR CIRCLE ON YOUR CHOICE OR ANSWER ON THE SPACE PROVIDED
- ☞ PLEASE ANSWER QUESTIONS THAT ONLY CONCERN YOU

“Thank you in advance”

QUESTIONS RELATED TO YOUR COMMENTS:

1. Do you assist clients in filling proposal forms for their insurance needs?

- Yes
- No
- Not Sure

2. Do you make clarification on insurance policy terms & conditions to customers while issuing policy?

- Yes
- No
- Not sure

3. Do you think, your clients read the policy terms , conditions & privileges ?

- Yes
- No
- Not sure

4. Do you believe that clients are acquiring with their policy's privileges ?

- Yes
- No
- Not sure

5. What are the major problems you encounter while the time of issuance of the policy ?

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Appendix III
St. Mary's University
Department of Management

Questions to be Filled by the Claim officers of Tsehay Insurance S.Co.

The purpose of this questionnaire is to make a preliminary assessment claim settlement of motor insurance Tsehay Insurance Share Company. This paper is prepared in partial fulfillment of the requirements of BA Degree in Management. Your answers are very important to get the true picture of the claim settlement of the company. The researcher, therefore, kindly request you to be frank and careful in answering each of the questions.

Remarks

- ☞ DO NOT WRITE YOUR NAME ON THE QUESTIONNAIRE
- ☞ PUT A TICK MARK ✓ OR CIRCLE ON YOUR CHOICE OR ANSWER ON THE SPACE PROVIDED
- ☞ PLEASE ANSWER QUESTIONS THAT ONLY CONCERN YOU

“Thank you in advance”

QUESTIONS RELATED TO YOUR COMMENTS:

1. Do you think that risk underwriters give a brief describe about policy terms & conditions to clients?

- Yes
- No
- Not sure

2. Do you think your claimants satisfied in their claim settlement?

- Yes
- No
- Not sure

3. Do you think your clients appreciate your claim settlement procedure ?

- Yes
- No
- Not sure

4. What are the major claimants problems you encounter while entertain their claim?

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5. Can you mentioned as some area of disagreement that you faced with the insured at the time of claim settlement?

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6. How can such disagreement Solved?

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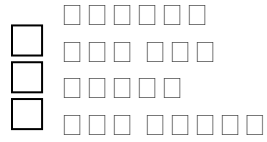
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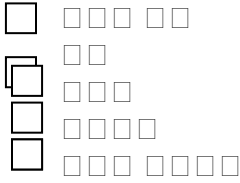
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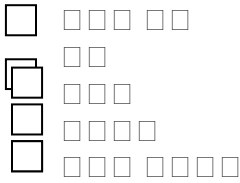
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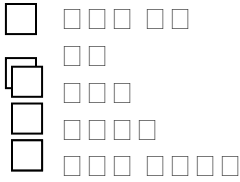
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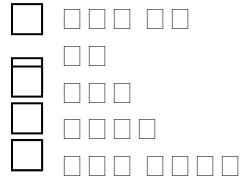
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DECLARATION

I, the undersigned , declare that this senior essay is my original work, prepared under the guidance of Ato Biruk G/Michael . All source of materials used for the manuscript have been duly acknowledged.

Name : Mekdelawit Yoseph

Signature: _____

Place of submission: St. Mary's University, Management Department

Date of Submission : June 2014

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Advisor's Approval

This paper has been submitted for examination with my approval as a University advisor.

Name : _____

Signature: _____

Date _____