ST.MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

THE EFFECT OF OPPORTUNITY AND CHALLENGES ON MOTOR INSURANCE: THE CASE OF ETHIOPIAN INSURANCE CORPORATION

BY:

TSEGEREDA ZEROU

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APPROVED BY BOARD OF EXAMINERS

_____   _____
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_____   _____
Advisor   **Signature & Date**

_____   _____
External Examiner   **Signature & Date**

_____   _____
Internal Examiner   **Signature & Date**

ENDORSEMENT

This thesis has been submitted to St. Mary's University , School of Graduate

Studies for examination with my approval as a university advisor.

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Advisor   Signature & Date

DECLARATION

I, Tsegereda Zerou, hereby declare that the thesis entitled *'The Effect of Opportunity and Challenges on Motor Insurance: The case of Ethiopian Insurance Corporation'* is my original work. I have carried out the present study independently with the guidance and support of the research advisor, Solomon Markos (PhD). Any other contributors or sources used for the study have been duly acknowledged. Moreover, this study has not been submitted for the award of any Degree or Diploma Program in this or any other institution.

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                Name   Signature & Date

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ACKNOWLEDGEMENTS

LIST OF ABBREVATIONS (ACRONYMS)

CII ó Chartered Insurance Institution

CMI ó Commercial Motor Insurance

CTPL ó Compulsory Motor Third-party Liability Insurance

EIC - Ethiopian Insurance Corporation

IFO ó Insurance Fund Office

NBE ó National Bank of Ethiopia

NCD ó No claim Discount

SPSS ó Statistical Package for Social Science

WB ó World Bank

WTO ó World Trade Organization

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ABSTRACT

The purpose of this study was to empirically assess the effect of opportunities and challenges on motor insurance portfolio of EIC. The sample consisted of 167 employees of the corporation. A structured questionnaire, with a five-point Likert scale, was used. As a result, government policy, the growth of import and export in the country and future opening of reinsurance Company are identified as the main opportunities for motor insurance sector. Claim expense, the future opening of global insurance companies in the country and lack of awareness of customers about motor insurance are found to be the main challenges faced the sector. Correlation and regression techniques were used to examine the relationships between opportunity, challenges and motor insurance development. Results of regression analysis show that opportunity and challenge are significant in affecting the motor insurance. Moreover, the results revealed that on the whole, the positive effect of opportunities is emerged as the most significant factor than the impact of challenges on motor insurance. The implication thus is EIC need to strive on utilizing the existing opportunities than focusing on mitigating challenges in order to attain high growth in motor insurance.

key words: Opportunity, Challenge and Motor Insurance.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Risk is unavoidable and present in every human situation. It is present in daily lives, public and private sector organizations. Depending on the context (insurance, stakeholder, technical causes), there are many accepted definitions of risk in use. The risks, which our ancestors faced, living in their relatively simple societies, were basic in nature and required commensurately simple methods of management. By comparison, today's societies, having been transformed by enormous changes, are full of more complex risks and hazards that call for more sophisticated and scientific systems of risk management.

It is recognized that for some organizations, risk management is applied to issues predetermined to result in adverse or unwanted consequences. For these organizations, the definition of risk which refers to risk as "a function of the probability (chance, likelihood) of an adverse or unwanted event, and the severity or magnitude of the consequences of that event" will be more relevant to their particular public decision-making contexts.

Most widely used method of dealing with risk is through insurance. The risk is transferred to an insurer. Insurance is a technique, which provides for collection of small amounts of premium from many individual and firms out of which losses suffered by few are reimbursed. In this method the individual insured, which is exposed to a large but uncertain loss, is able to buy protection through the payment of a small but definite cost viz. the premium.

As an economic institution, insurance involves not only risk transfer but also pooling and risk reduction. Pooling is the sharing of total losses among a group. Pooling within a large group facilitate risk reduction, which is a decrease in the total amount of uncertainty

present in a particular situation. Insurance accomplishes risk reduction by combining under one management a group of objects situated so that the aggregate losses to which the insured's are subject become predictable within narrow limits. Thus overall risk for the group is reduced, and losses that result are pooled, usually through the payment of an insurance premium. Thus, through the insurance mechanism, insuredøs transfer various risks to the group and exchange potentially large, uncertain losses for a relatively smaller certain payment (the premium). (Trieschmann, Hoyt and Sommer, 2005, G-9)

Insurance, as a risk transfer mechanism, has developed over several hundred years in both developed as well as developing economies in response to highly complex and sophisticated risk. The purpose of insurance is to compensate or indemnify the victim for the financial losses suffered as a result of these risks, but it does not set out to eliminate the loss and cannot stop the disaster or misfortune from happening. Insurance is basically a service business that exists in order to ensure the success and survival of other businesses. In this regard, insurance being an area of investment has a critical linkage to all sectors of the national economy.

Motor insurance is one solution to manage risks posed by the transport industry and a means to ameliorate damages arising from accidents and other mishaps. With compulsory insurance in place financial risks arising from the operations of vehicles can be better managed. Damage to personal property (such as to vehicles and personal items), public property (road signs, lights and other infrastructure) and personal injuries arising from accidents can be managed without imposing an undue burden on private or public persons and organizations.

Due to this motor vehicle insurance has developed into an important form of contract arising out of or in connection with the use of motor vehicles including third party. Motor insurance policy may also be affected to provide cover against loss or damage to the third party arising from the use of a vehicle (Falegan, 1991).

Motor insurance protects insurersø risk of financial loss against an accident. It is a contract between the insured and the insurer, in which the insured agree to pay premium

and the insurer, agrees to pay losses as per the policy. Motor insurance provides protection to risk of accident on property (cover accident damage on the motor and theft), liability (covers third party legal responsibility to othersø property damage or bodily injury) and medical coverage and death (takes care of emergency medical expense, cost of funeral, or the agreed sum insured life in case of death). Generally, motor insurance covers the perils happen on third party property and life and injury, on the accident happen on the vehicles that is based on the type of protection taken.

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 decreasing. While we compare the motor insurance business it has 46.73% proportion in the industry. While in Ethiopian Insurance Corporation (EIC) the motor class of business has 31.75% proportion from the total non life business. (EIC,2013)

The devaluation of Birr against major currencies is taking the claim payment of insurance companies sky rocketed. For small accidents the insurance companies are paying two or three times higher than they used to pay before two years

EIC though showing an overall strong presence in the domestic market composed of 17 insurance companies, among which 16 of them are privately owned, motor insurance didnøt show progress. The research therefore will direct to ascertain as to the effect of challenges and opportunities of motor insurance and to recommend constructive measures based on the findings.

1.2 Statement of the Problem

According to the data obtained from federal transport authority, the number of registered motor vehicles in Ethiopia as at June 2013 were estimated to be more than 425,000 including three wheelers and motor cycles. The average growth in the number of vehicles based on the forecast of federal transport authority is 5%. This means that on average additional 20,000 vehicles will be added on Ethiopian road annually. The establishment

of local vehicle manufacturing plants, economic growth of the country, the increment of foreign investors from time to time, and the increased in road network etc were among the main contributor to the growth of motor vehicles in Ethiopia. From the total registered motor 425,000 in Ethiopia, about 200,609 vehicles were used for transporting people from one place to another place.

However, according to the annual report of Ethiopian insurance fund office, as at June 30, 2013 only about 92% of the registered motor vehicles were insured the third party compulsory insurance. Similarly the office on his 2011 report show those, the motor vehicle insured on the comprehensive basis were not more than 35% of the registered motor in Ethiopia. The data indicated that about 8% and 65% of the registered motor vehicles in Ethiopia have not insured for motor compulsory third party insurance and compressive basis respectively.

Ethiopian Insurance Corporation is one of the leading companies in the insurance industry with a vision of becoming worldóclass insurer and reinsurer in 2025. This vision is expected to be achieved by providing customers an efficient and reliable insurance service, which cover both life and non-life risks. Among the different non life insurance business of the corporation, motor insurance account constitutes the bulk part.

According to Insurance Industry Data (2014), the motor class of business has a major share in comparison with other class of business in the industry. The industryøs as well as the corporationøs premium income from this class of business indicates yearly increment. Even if the EICøs motor class of business has a major share from other class of business of the corporation, its share is low while we compare it with the industry. Moreover, the growth rate of the share of motor insurance is increasing at a decreasing rate.

Though assessing the effect of challenges and opportunities of motor insurance is the base for the corporation in order to take proper action, the researcher does not believe that it is adequately assessed. Previous research conducted with regard to motor insurance mostly focus on motor accidents and the effect of motor insurance business on financial

performance of insurance company. The absence of empirical studies in insurance companies concerning the challenges and opportunities for the development of motor insurance is thus what motivated the researcher to put her own contribution. Therefore this thesis tries to assess the effect of opportunities and the challenges of motor insurance in EIC.

1.3 Research Questions

Ethiopian Insurance Corporation is the leading insurance company in the industry by providing non life and life insurance business in Ethiopia. Generally EIC has so far registered a relatively positive result. Even if it comes to grow from time to time, whether the motor class of business is adding value to the profit account of the company as expected from it or not is questionable. Accordingly, the study tries to answer the following questions.

- What are the major opportunities and hindering factors for motor insurance?
- To what extent opportunities and challenges are affecting the motor insurance?

1.4 Research Objectives

1.4.1 General Objective

The general objective of this thesis is to assess the effect of opportunities and challenges on motor insurance portfolio in EIC.

Analysis of the pertinent factors that affect the performance of motor insurance portfolio are made and provide a recommendable solution to alleviate the problems encountered so far, and build up a sound motor insurance portfolio based on best local and international principles and practices.

1.4.2 Specific Objectives

The specific objectives of the study are to:-

- Identify the opportunities that affect motor insurance in accordance with their level of importance.
- Identify the challenges in accordance with their impact on motor insurance.
- Provide possible solution based on the identified problems

1.5 Definition of Terms

- *Claims:* losses actually sustained by the insured during a period, usually a year. (INSMOD, 2007)
- *Customer:* external customer who has purchased insurance products. (Loma 1997)
- *Insurable interest:* a financial interest between the insured and the item to be insured. (INSMOD, 2007)
- *Insurance:* is a device for transfer of risk of individual entitles to an insurer, who agrees, for a consideration (called the premium) to assume to a specified extent losses suffered by the insured. (Disdal, 1980)
- *Insured:* person or people to whom payment will be made in the case of risk. (Disdal, 1980)
- *Insurer:* a party who sell an insurance policy in order to collect premium and provide insurance protection to the insured. (CII, 2011)
- *Life insurance*: an insurance policy that insures the life of a person. under cash value life policies, the sum assured is payable either in the event of death or survival upon maturity.(CII,2011)
- *Motor comprehensive Insurance:* motor insurance indemnifies motor vehicle damage caused by an accidental occurrence and indemnifies the insured party in the event that it is legally liable to pay compensation to third party. (EIC manual, 2011)

- *Non-life (property and liability Insurance):* property insurance indemnifies property damage caused by an accidental occurrences and liability insurance indemnifies the insured party in the event that it is legally liable to pay compensation to a third party. (EIC manual, 2011)
- *Peril:* the immediate cause of a loss. (INSMOD, 2007)
- *Policy holders (insured):* external customer who purchased insurance product. (INSMOD, 2007)
- *Premium*: the amount of consideration that an insurer charges to a policyholder for the transfer of the risk to the insurer. It is basically the price an insurance purchases pays for the insurance policy purchased. (INSMOD, 2007)
- *Reinsurance:* the transfer of a part of the risk underwritten to another insurer or reinsurer. (INSMOD, 2007)
- *Risk:* the possibility of an unfavorable deviation from expectations. It is the possibility that something we do not want to happen will happen or that something we want to happen will fail to do so. (Athearn, 1969)
- *Utmost good faith:* disclosure of all material facts about the item or risk to be insured to the insurer, whilst the insurers must disclose to the insured the full details and terms of the insurance to be provided (INSMOD, 2007)

1.6 Significance of the Study

The main reason for this study is that researchers have not given enough attention to this subject in insurance sector. Therefore, this study is expected to provide empirical evidence on the effect of challenges and opportunities on motor insurance. By identifying the challenges and opportunities that affect motor insurance, the management of the company will take necessary actions to improve the performance of their company and choose the right decisions. Also for investors interested in such studies in order to protect their investment, and directing it to the best investment.

The research outcome will help the corporation to conduct further and identify the problems associated in the proper performance of the motor account and find out remedial solutions. It can also help the corporation to identify the gap between its

customerøs expectation and the existing performance in this class of business, and fill the unsatisfied demand. It can also help the corporation to identify slack areas of performance and make remedial measures. In general it can help the corporation to make proper revision of its underwriting and claims policy and procedure manual and increase its production.

By conducting this research project, the researcher attempt to provide better way of doing operational activities of the existing system of the corporation by recommending improvements in the identified core problems. Furthermore, the significance of this study is to analyze the Motor insurance class of business and how existing customers are maintained and new customers are attracted, to EIC benefit. It can serve as springboard for other studies and researchers who are interested in the subject matter.

1.7 Scope of the Study

The districts of EIC are categorized as A and B. The case study dimension is confined to higher grade (district A) of EIC in Addis Ababa region. Thus the branches of the insurance found outlining areas and those in Addis Ababa but with lower grades are excluded. Though there could be various challenges and opportunities that could affect motor insurance, the researcher has tried to focus on the believed major ones. As the unit of analysis of the thesis are individual people, the researcher uses questionnaire among the different data collection methods. The respondents were employee and management of the organization hence, customers are not included as participants of the study.

1.8 Organization of the Study

The paper is organized in five chapters. Chapter one outlines the introduction of the thesis while the second chapter review the various literatures. The third chapter is about Research Design and Methodology. Source of data, the data collection tools, the procedure of data collection and the methods of data analysis is discussed in this part. Chapter four analyzes the data and presents the findings. The fifth chapter includes summary, conclusion and recommendations. Finally Annexes, questionnaires for the study and Bibliography are included as an attachment.

CHAPTER TWO

LITERATURE REVIEW

This chapter consists of two parts: conceptual review and empirical studies. The first part is conceptual review which deals about the definition and nature of insurance and definition and relevant concepts of motor insurance. The second part is empirical studies which deal about the nature of motor insurance, experience of other countries and motor insurance in Ethiopia, market share of EIC in motor insurance.

2.1 Theoretical Reviews

2.1.1 Definition and Nature of Insurance

Scholars and writers have given various definitions of insurance from different perspective such as economic, social, legal, etc.

As said by pfeffer (1956), insurance is a device for the reduction of the uncertainty of one party called the insured, through the transfer of particular risks to another party, called the insurer, who offers a restoration, at least in part, of economic losses suffered by the insured (Hailu, 2007).

According to Pritchett, et al (1996:52r), insurance is a social device, in which a group of individuals (called " insured's") transfer risk to another party (called 'insurer") in order to combine loss experiences, which permits statistical prediction of losses and provides for payment of losses from fund contributed (premiums) by all members who transferred risk. (ibid)

Article 654(2) of the commercial code of Ethiopia (1960:140) defines insurance as a contract whereby a person called the insurer undertakes against payment of one or more premiums to pay to a person , called the beneficiary a sum of money where a specified risk materializes (ibid)

Therefore, from the above definition we can conclude that insurance is risk reduction mechanism.

Insurance becomes very useful in today's life. It plays significant role in this competitive era. One should know the functions of insurance. The most important function of insurance is to provide protection against the risk of loss. It is one type of guarantee that it will make good the losses if they occurred. (Disdal, 1980)

Future is totally uncertain. Any misfortune happening may occur at any stage of life. The amount of loss and time of losses both are uncertain. No doubt better planning and administration can reduce the chances of happening these types of accidents but it requires lots of attention towards strengths and weaknesses, special knowledge of the field. After all these precautions, the uncertainty remains steady. Insurance provides certainly towards the losses. The policy holders pay the premium to buy the certainty.

Insurance plays an important role in economic progress. It gives fully certainty to the industrialists towards the risks. The entrepreneurs can more concentrate on innovative and profitable techniques of the production. They should not require thinking over the risks. The industrialists can establish new industries in certain environment. Thus, industries have got development in economic and commerce of the nation.

In the course of their business, insurers by the way of premiums collect vast sums. Especially in life business much of it can be invested profitably over long periods. This benefits the nation as a whole because insurers are required by law to invest the major portion in government securities and other approved investments, out of which nation-building activities are undertaken.

2.1.2 Definition and Concept of Motor Insurance

The important role that financial institutions such as insurance companies remain in financing and insuring economic activity and contribute to the stability of the financial system in particular and the stability of the economy of concerned country in general is part of immune and repair system of the economy. The insurance sector plays important

role in the financial services industry in almost developed and developing countries, contributing to economic growth, efficient resource allocation, reduction of transaction costs, creation of liquidity, facilitation of economics of scale in investment, and spread of financial losses (Haiss and Sumegi, 2008).

Motor insurance indemnifies motor vehicle damage caused by accidental occurrences and indemnifies the insured party in the event that it is legally liable to pay compensation to third party. Now a day itself, not a day goes by without dramatic news of serious car, bus or truck crashes making headlines somewhere in the world. In Ethiopia, as the study by Persson (2007) shows, road traffic accidents are a huge public health and development problem. Its situation requires immediate decisions and actions in order to curb the growing problem. Otherwise, it will get worse from day-to-day as motorization and population increase rapidly. According to Yayeh (2003), road accidents and their consequences cannot be fully eliminated, but they can be reduced drastically. Reduction in accident rates comes as a result of actions on many fronts, including more disciplining of the drivers and pedestrians, safer vehicles, and safer roads through education, engineering, and enforcement.

More importantly, Fronsko (2011) confirmed that the effective and efficient operation of insurance markets plays a vital role in improving road safety outcomes. In supportive of this idea, Tooth (2012) claimed that an insurance based solution involving appropriate financial incentives for safe road use has significant potential to provide substantial benefits to all road users. But in Ethiopia, even though the determinant factors are studied, the significance of insurance in road safety is not studied yet. Human beings face various types of risk connected with several activities in the day to day life. Consequently human beings have been searching for methods to tackle or reduce these risks. From the top methods to reduce risks, Insurance stands first (SCERT, 2006).

2.1.3 Nature of Motor Insurance

The main objective of motor insurance is mainly to cover losses to third party liability to person 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 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 (CII, 2011).

Motor insurance is divided into two main category, the private motor insurance and commercial motor insurance that is given for private automobile and commercial vehicle cover respectively.

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 useødoes not include use in connection with the motor trade, racing, commercial travelling and hire and reward.

On the other hand, commercial vehicles are goods carrying vehicles as well as passenger carrying vehicles. It is used to describe different types of vehicles that are intended or designed to carry goods and passengers. It ranges from trucks, busses to small goods caring delivery vans and small mini buses. Such vehicles can be used for carriage of goods and people for hire or reward and carriage of own goods pulse own service.

- *General cartage*: these are types of vehicles that are intended or designed to carry goods. It ranges from trucks to small goods caring delivery vans. Such vehicles can be used for carriage of goods for hire or reward and carriage of own goods.
- *Passenger carrying vehicles***:** This group includes vehicles such as taxis, minibuses, buses, etc. Generally it is divided into public service vehicles and own service vehicles. *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. On the other hand, *own service vehicles* are vehicles used for the carriage of passengers not for hire or reward. These include organizations employee transport services.

Apart from the above listed vehicles there are other groups of vehicles which are under motor insurance.

- **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.
- **Agricultural and forestry vehicles:** This group includes tractors, trailers, and balers and combined harvester.
- **Motor cycles:** This group is two or three wheeled vehicles used for personal or business purposes.
- **Motor trade**: This class of risk relates to vehicles used by dealers and repairers in during driving test, in custody and other related activities.
- **Learners: such** vehicles are designed with double clutch and brake pedals used for training drivers. (EIC manual, 2011)

2.2 Empirical Studies

Rapid urbanization in developing countries presents tremendous challenges to the transport systems of expanding cities if they are to meet the access and mobility needs of their communities and provide them with a sustainable, safe and healthy environment. A report of World Bank (2002) showed that urban populations in developing countries will grow at more than 6% per annum and that, within generation, more than a half of the developing world's population, and a third of its poor, will live in cities.

As the growth of registered vehicles always outnumbers population growth and new roads are constructed, travel risks and traffic exposure grow at a much faster rate with rising motorization and expanding road network (Sensarma, Balani, and Rawat, 2011).

There is an active and competitive motor insurance market for people of all ages, with up to seventy providers competing for business (Haddrill, 2006). Motor insurance is a difficult class of business to manage but, with the appropriate strategies and operations in place, the rewards are there (Ernst and Young, 2011). The environment in motor insurance today is dominated by fierce competition for market share in some developing

countries. The lower prices not only increased clientsø price sensitivity but have also raised their expectations of service, and it is witnessed that an unprecedented tendency on the part of clients to switch insurers on the basis of such criteria. However, one aspect is affecting everyone concerned: claims expenditure is rising all the time (Gönülal, 2009).

2.2.1 Experience of Other Countries in Motor Insurance

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

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. (data monitor report, 2010)

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% since2010. Personal motor vehicle is the largest segment of 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. (ibid)

In 2010, the Asia-Pacific (Australia, china, India, Japan, New Zealand, Singapore, South Korea, Taiwan, and Thailand) motor insurance market has a value of $ 125.9 billion. Private motor vehicle is the largest segment of motor insurance market in the 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 countries. 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. (ibid)

The private motor insurance segment was the market 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. (ibid)

The European (consists of Western Europe and Eastern Europe) motor insurance market in 2010 has reached a value of $163.8% billion. . Private motor vehicle is the largest segment of motor insurance market in the 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. (ibid)

The China non-life insurance market continues to evolve rapidly as the liberalization of motor pricing and opening of compulsory motor liability insurance to foreign insurers taking their shapes. Over the course of the past twelve months, stabilizing premium growth rate have been observed with some lines with governmental policy support (e.g., agricultural insurance) experiencing swift expansion. The market is still dominated by motor (over 70% of total premium), coupled with very high but gradually easing market concentration level. (KPMG report, 2013)

The non-life insurance market in China is dominated by motor insurance as shown by its high percentage of the total premium (over 70 percent). Compulsory motor third-party liability insurance (CTPL) was introduced in July 2006 to provide minimum liability coverage, while commercial motor insurance (CMI) is voluntary and offers wider coverage and increased liability limits. Since then, China has adopted a regime based on essentially uniform premium rates and policy clauses, and this regime has played an important role in stabilizing the industry development and keeping stiff price competition at bay. It is also one of the key factors contributing to the record-high non-life insurance profitability in 2011. (ibid)

Motor insurance accounts for about 72.4 percent of the non-life insurance premium in total, which is 1 percent lower than the figure at the end of 2011. The slowdown in the premium growth of motor insurance is mainly due to stagnant new car sales in China which can be attributed to slowing GDP growth and various vehicle plate registration restrictions in major cities across the country. (ibid)

The majority of survey respondents welcomes the further opening of China's non-life insurance market to foreign investors, and expects to see better service quality and more advanced operating models from foreign insurers. Increased competition will motivate insurers to enhance their corporate governance, operational efficiency, management skills, and overall competitiveness. Most respondents also welcome the idea of forming alliance with foreign insurers (as a financial or strategic investor). (ibid)

As an increasing number of foreign insurers enter China's CTPL market, competition will intensify and small and medium domestic insurers are set to feel more pressure. The limited distribution network will remain a major obstacle for foreign insurers until they can develop a direct proposition, particularly viable internet sales channels. Buying stakes in, acquiring or forming a strategic partnership with domestic insurers will continue to be another option for foreign insurers to rapidly expand their market share. The anemic growth in developed insurance markets and the need for capital, technology, talent and experience by small and medium size domestic insurers will encourage more merger and acquisition activities in the near future. ((ibid)

Motor insurance in Kenya is governed by the Insurance Motor Vehicle Third Party Risks Act. Chapter 405, of the Kenya insurance Act provide compulsory insurance to protect the public for road traffic injuries arising from the use of motor vehicles and to forestall the effects of adverse selection on the insurers (Kenya insurance law,2014)

Following the act, all Kenya insurance companies started to underwrite Public Service Vehicles (PSV'S) besides other conventional insurance cover to ensure compliance by motor vehicle owners. These companies have however, faced enormous challenges in the underwriting of PSV insurance business and a situation that has from time to time threatened to destabilize the entire insurance industry. This has made insurers reluctant to underwrite this business as a result of high loss ratios. In due time, the Government introduced compulsory motor pool in 1985 which also failed and was abolished in 1989 (Macharia,2009).

The insurance industry in Kenya was in a crisis particularly CTP motor insurance since the year 1989. It has been under close scrutiny with little or no action in all aspects.

Among others; the main contributory factor has been the premium rate determination and monitoring, lack of integrated data and co-operation between the insurance industry. (ibid)

For these and other reason Kenya insurance industries were faced wave of collapse and a crisis in the country, as there was no insurance provider for CTP motor insurance, particularly PSV õmatatuö, which is unregulated in nature. The collapse of insurance companies has diverse implications on innocent third parties, other insurers, policyholders, suppliers of goods and services and the industry at large. This continues to stir erosion of consumer confidence towards the insurance industry (ibid).

The effects of an insurance companyøs collapse are now dealt with under the Policyholderøs Compensation Fund established by Insurance Regulations of 2004. The fund contributions are 0.25% of the premium payable by the policy holder per insurance policy and a similar amount by the insurer. The Fund was established for the primary purpose of providing compensation to the individual policyholders up to a maximum of 100,000 Kenya shilling, provided that insurance company that has been declared insolvent and was operational in January 2005. Itsø secondary purpose is that of increasing the confidence of the general public in the insurance sector (Sammy.M,2014).

Therefore, Kenya motor third party liability insurance has the major challenges for insurance companies, owner of motor vehicles, innocent third party road victims and the policy makersø in general. The situation is more serious due to the unregulated operation PSVøS and inadequate premium rate determination and subjective method for personal injury claim compensation. This problem will be expected to improve with the implementation of Policyholderøs Compensation Fund and structured compensation liability schedule. In addition the introduction of phased premium adjustments and establishing optimal regulatory system on PSVøS operation is an ending solution. These require maintaining proper balance between the interest of the public and the insurance company .(Kenya Insurance Law,2013).

Motor insurance is generally measured non-life insurersø strongest class of business in terms of premium volume and promotion tool. Its result is thus likely to have a particularly strong impact on the overall result. In most markets, it is characterized by high

competition and cyclical fluctuations in results. World Bank studies in Africa, Central Asia, and Europe have shown that motor insurance premiums represent at least 30 percent of all nonlife premium income. (ibid)

2.2.2 Motor Insurance in Ethiopia

The Ethiopian insurance industry does not have a long history of development despite the country's long history of civilization. Modern forms of insurance service which were introduced in Ethiopia by Europeans, trace their origin as far back as 1905 when the bank of Abyssinia began to transact fire and marine insurance as an agent of a foreign insurance company.

The number of insurance companies increased significantly and reached 33 in 1960. At that time insurance business like any business undertaking was classified as trade and was administered by the provisions of the commercial code. This was the only legislation in force in respect of insurance except the maritime code of Ethiopia that was issued to govern the operations of maritime business and the related marine insurance. The law required an insurer to be a domestic company whose share capital (fully subscribed) to be not less than Birr 400,000 for a general insurance business and Birr 600,000 in the case of long - term insurance business and Birr one million to do both long - term and general insurance business. Non - Ethiopian nationals were not barred from participating in insurance business. However, the proclamation defined domestic company as a share company having its head office in Ethiopia and in the case of a company transacting a general insurance business at least 51% and in the case of a company transacting life insurance business, at least 30% of the paid-up capital must be held by Ethiopian national companies.

The nationalization of private insurance companies, the restrictions imposed on private business ventures, and management of the insurance sector had significant adverse impact on the development and growth of Ethiopian insurance industry (Hailu 2007).

Starting from 1991 Ethiopian government has tried to liberalize the economy from the previous command economy of Derg regime. Government has opened its market for

domestic players to operate insurance industry as far as they are complying with NBE policies and directives. The industry is closed for foreign operators. Recently government is issuing various directives which initiate the private players to develop their competitiveness in the global insurance market.

Among the notable classes of insurance business taking first position and provided to the general public is motor insurance. First introduced as part of general insurance business it is now taking the bulk share in almost most cases taking about 50% of the insurance market production. (NBE, 2013/14).

Table 1: Market Share of EIC in Different Class of Business

Class of business	Market share
Motor	30.86%
Marine	63.38%
Fire	50.80%
Workmenøs	68.96%
Aviation	95.89%
Other	50.49%
Life	42.00%
G. total	48.21%

Source: (EIC 2013 Report)

Whereas, as can be seen from the table, the market shares of EIC for each class of business, motor has the lowest market share i.e.30.86%. This indicates the rest 69.14% of the motor business has been held 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 market. (see Annex 6)

2.2.3 Types of Cover Given In Motor Insurance in Ethiopia

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

A. The road traffic act (Ethiopian third party risk): In Ethiopia, until recent times there was no compulsory third party motor insurance .Recently however the council of representatives has adopted a proclamation, proclamation No559/2008 to this effect.

Accordingly, compulsory third party motor insurance limit of liability as given in article 16 of this proclamation as follows:

- Birr 40,000 - in case of death
- Birr 15,000 - in case of bodily injury; and
- Birr 100,000 - in case of property damage

This does not mean the victims ‐right to claimø is jeopardized. The Act requires one to have third party motor insurance and had to present to the legal body while 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 stipulated that an injured person will get medical help in government hospitals up to birr 1,000 immediately even if it is not 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 vehicles, 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 road traffic act.

C. Third party, fire and theft cover:-This policy extends the third party cover to incorporate covers that relates to the policy holder'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 vehicles 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 (c). The cover include, apart from given above, accidental damage due to collision or overturning to the vehicle insured.

The main motor insurance policy covers include

- Loss of or damage to the insured car and accessories or spare parts
- Accidental collision or overturning to insured vehicle to consequent upon insured perils.
- Loss due to fire, external explosion, self ignition, lightning.
- Theft or attempted theft.
- Malicious act.
- Whilst in transit (including the process of loading and unloading, incidental to such transit) by road,
- 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 damage to any other person's property as described I n the schedule (Fund office manual,2011)

2.3 Opportunities of Motor Insurance in Ethiopia

The new legal framework issued by Ethiopia Transport Authority has advantages for the community, for the industry and for the owners of vehicles. Vehicle Insurance against Third Party Risks Proclamation number 559/2008 is milestone in insurance industry in Ethiopia. This proclamation is supporting to the community, to the vehicle owners and to the insurance industry as a whole. From the proclamation insurers were able to collect 21million Ethiopian Birr and there was also a surge in buying motor comprehensive insurance. This shows that government has given better attention to the sector as compared to the previous treatment of the insurance industry. (Mulugeta, 2012)

The fast development of Ethiopian economy as witnessed by WB 2010 report is major opportunity for the insurance industry. The insurance industry is providing protection to the major and minor infrastructural and building projects in the country. Government of

Ethiopia has committed itself to achieve the Growth and Transformation Plan. All projects require motor vehicles to do their activities. They require much motor vehicle. Motor vehiclesø require insurance coverage and this is an opportunity for the industry. (ibid)

Ethiopia has been applying for membership of World Trade Organization and when it is becoming full membership it is supposed to open the restricted industry of insurance to global competitors and this would help insurance companies to become competitive in their service delivery in the domestic market as well as in the global market. (ibid)

Ethiopiaøs import and export are increased more than 56% in 2011 the major transportation of import and export in Ethiopia is done by motor transport and this is an opportunity to the insurance industry in particular to all other sectors in general. (ibid)

The tremendous expansion of banks and bank branches in the country is an opportunity to the insurance industry. As the insurances are providing cover new investments and old investments. Insurances are providing peace of mind to investors. Banks operation is directly related to insurance, thus their expansion is going proportionally. (ibid)

2.4 Challenges of motor insurance in Ethiopia

The higher inflation rate in the country that is 28% according to Central Statistics Authority of the country 2012 report (CSA, 2012), inflation is major threat to the sector. Inflation is decreasing the real purchasing power of vehicle owners and challenging them while repairing their motor and buying spare parts little left to pay for the insurance coverage. (Mulugeta, 2012)

The future opening of the insurance sector to the global insurance companies is huge threats to the insurance sector in Ethiopia. The financial capacity, human skill, global competition experience is the areas which the Ethiopian players would lag behind than their would-be competitors. (ibid)

The traffic accident in Ethiopia is increasing according to one key informant Ethiopia is number one in crash in Africa though the number of vehicles available in the country is much lower than other countries. (ibid)

There is lack of cooperation among insurance companies. A key informant said that when a factory worth of 340m Ethiopian Birr (ETB) is insured the insurance company will insure 5m ETB worth and re-insure the rest (335ETB) to re-insurers in other countries. Had there been cooperation with the thirteen other insurance companies in Ethiopia 65ETB worth of the risk would have been protected in this country and protection requirement would be 270m ETB, thus, hard currency of this amount would have been saved. (ibid)

Competition of the insurance companies based on price rather than service are pulling back the price customers are paying to the insurance industry lower or constant though the inflation is increasing year by year. (ibid)

Not educating customers are the challenges that create problem to insurance. Customers are negligence and unaware of the risk of motor insurance. Giving the vehicle to a driver which has limited number of years in driving experience is also another reason cited by one informant. (ibid)

The expansion of insurance companies in the country is marred with limited human resource. There is limited number of insurance professionals in the country, thus inexperienced new staffs are assigned to lead branch manager operations. (ibid)

Ethiopian motor insurance customers lack awareness of the need for insurance and like to give the protection to God (Allah). They want lower premium and get minimum protection, when accident happen there would be too much argument and dissatisfaction. (ibid)

Hence, motor risk is considering as high hazard risk. As a result insurance companies are taken various strategies to minimize motor insurance adverse effect and maximize their profitability. Some of the underwriting measures taken in this regards are charging the highest premium for motor insurance, restricting the share of motor class of motor class of business and diversify their portfolio-mix and in place stringent claim settlement strategy. The experience of other country shows, private insurers are shy away from

writing motor class of business particularly CTP motor insurance to all commercial vehicle owners. (Shimelis, 2015)

Extensive dependency on cross border reinsurance has a negative impact on the contribution of the industry to the national development. The Ethiopian economy is growing remarkably. On the other hand, the Ethiopian insurance industry is exclusively dependent on cross boarder reinsurance. (Kibrom, 2011)

2.5 Conceptual Framework of the Research

A conceptual framework or theoretical framework is defined by Miles and Huberman (1994) as "something that explains either graphically or in narrative form the main things to be studied, the key factors, constructs or variables and the presumed relationship among them". The conceptual framework for this study was done based on the work of Mulugeta (2012) and Shimelis (2015).
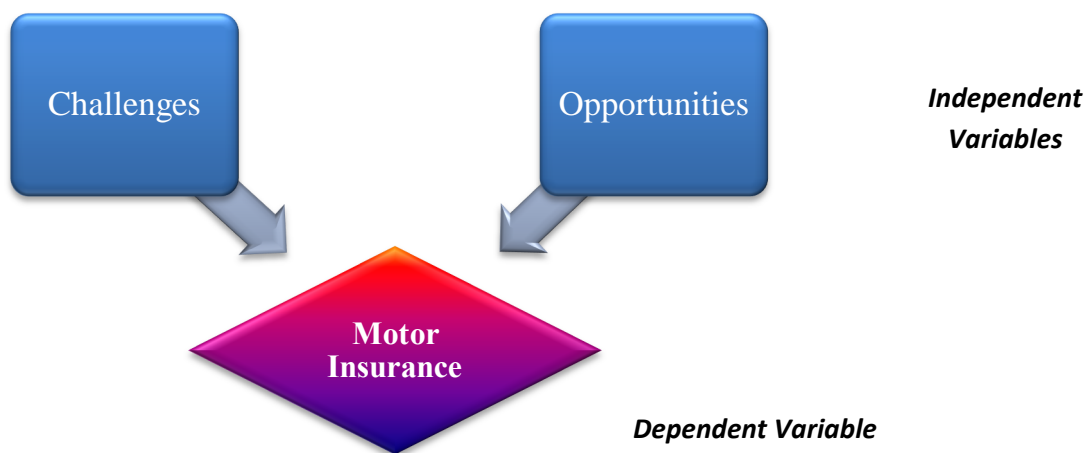
Figure 1: Conceptual Model
Source: developed for the study based on Mulugeta (2012) and Shimelis (2015).

The model shows that motor insurance is affected by existing challenges and opportunities.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This chapter covers the methodology used in this research. The selection of methodology was based on the stated research problem and research questions. The choice of methodology approaches is explained and justified in order to answer the research questions posed.

3.1 Research Approach and Design

In terms of approach, research is divided into qualitative and quantitative. Qualitative research involves studies that do not attempt to quantify their results through statistical summary or analysis. Qualitative research seeks to describe various aspects about behavior and other factors studied in the social sciences and humanities. Quantitative research is the systematic and scientific investigation of quantitative properties and phenomena and their relationships. The objective of quantitative research is to develop and employ mathematical models, theories and hypotheses pertaining to natural phenomena (Kothari, 2004). To analyze the indicators under opportunities, challenges and motor insurance, and to examine their relationships quantitative approach is suitable. Hence for this purpose, quantitative approach is used.

3.2 Target Population

The districts of EIC are categorized as A and B based on budgetary requirement, portfolio, volume of production, cash holding limit and other similar considerations. As it is difficult to assess both districts, the population of this study encompasses district A management and employees. All districts A of the corporation are found in Addis Ababa region. The necessary data for the study is believed to be obtained from these districts, which enable access to multiple portfolios. Moreover, 'information-rich' cases can be obtained from higher grade districts so as to learn much about the issues that are important to the study.

Accordingly, all district A (central Addis, western Addis, southern Addis, eastern Addis and northern Addis) were included in this study. The number of employees in each district and all management of the district were taken.

The Company currently has 325 employees working at district 'A' at different positions, out of which 40 of them are management members, 165 employees are operational staff which directly engaged in insurance service delivery of the Company, whereas 120 employees are non-operational. Hence, the size 205 (management and operational employees) is manageable, census approach was used for the study.

3.3 Sources and Instrument of Data Collection

The sources of data for this research were primary and secondary data sources. Secondary data was collected from journals, books, research papers and seasonal reports of EIC. The researcher uses these data for literature and analysis part of the research. The primary data was gained through questionnaires from the district A employees and management of EIC.

The survey questionnaire contains two parts. The first part describes the demographic profile of the respondents including their gender, age, education level and their work experience in the organization. The second part contains the main body, which consists questions related with opportunities, challenges and motor insurance of EIC, with descriptive questions under each element including open ended questions. It was developed in a five point Likert Scale format ranging from strongly disagree to strongly agree. The values assigned were 5 for Strongly agree, 4 for Agree, 3 for Neutral, 2 for Disagree and 1 for Strongly disagree.

The opportunity element consists of 8 questions and is adopted from Mulugeta (2012). The other dimension, which is challenge consists of 9 questions and is adopted from Mulugeta (2012) and Shimelis (2015). The dependent variable, motor insurance, which contains 8 questions is adopted from Shimelis (2015) and modified by the researcher.

Table 2: Summary of Questionnaire and its sources

No	Dimension	Number of items	Source
1	Opportunity	8	Mulugeta (2012)
2	Challenge	9	Mulugeta (2012) and Shimelis (2015)
3	Motor insurance	8	Shimelis (2015), the researcher
	Total	**25**	

The method of data collection of this research was survey. The main reason of selecting this method for data collection purpose was that, this method is best suited for studies that have individual people as the unit of analysis. Survey research is a research method involving the use of standardized questionnaire to collect data about people and their preferences, thoughts, and behaviors in a systematic manner (Bhattacherjee, 2012). The questionnaires were distributed by the researcher to the management and employees of EIC.

3.4 Reliability and Validity Test

According to Du Plessis (2010:12) when calculating Cronbach's alpha, results exceeding 0.7 will reflect acceptability. The reliability statistics for the questionnaire are presented in Table 3.

Table 3: Reliability Analysis: Cronbach's Alpha Value

No	Dimension	Number of items	Cronbach's Alpha
1	Opportunity	8	0.720
2	Challenge	9	0.829
3	Motor insurance	8	0.875
	Grand Cronbach's Alpha	**25**	**0.808**

It is evident from the above table that the Cronbach's alpha for all five constructs investigated is above the lower limit of acceptability of 0.70. This confirms that the measurements that were used are reliable.

The validity aspect revolves around how well the questionnaires are able to measure what it is aimed to measure. It is important that the validity is good, because if the study does not measure what it is supposed to measure, the results are useless.

Various actions were taken to ensure high validity. First of all, much energy has been put in the exact wording of the questions. This included checking for nuances with ambiguous or emotionally charged formulations that could introduce bias in the questionnaire. The language (and writing format) used in the questionnaire was chosen to fit the respondents' frame of reference.

Another action taken was focusing on the content of the questions. Each question and its related items were subject to scrutiny in order to see if it was necessary to ask it. Another influence on this was the issue of length of the questionnaire. As the length was important, prioritization of questions was made. Yet, another action taken, was observing the order of the questions. In order to provide the respondent with a simple and smooth start, questions of general nature are presented first. These questions are concerned with facts that describe the respondents' situation, for instance background information, which they easily could answer. Finally, it was approved by the advisor.

3.5 Data Analysis

The researcher used Statistical Package for Social Science (SPSS) version 20 to analyze the data. This software has been widely used by researchers as a data analysis technique (Zikmund, 2003). Both descriptive as well as inferential statistics were used to analyze the data.

3.5.1 Descriptive statistics

The demographic profile of the respondents were analyzed using descriptive statistics with frequency. The indicators under opportunities, challenges and motor insurance variables were analyzed using mean and standard deviation since mean is the most widely used and reported measure of central tendency (Marczyk, 2005). They are summarized and presented using tables and interpreted with simple sentences.

3.5.2 Inferential statistics

The second part of the questionnaire developed contains five point likert scale questions under the opportunities, challenges and motor insurance. The relationship between the independent variables (opportunities and challenges) and the dependent variable (motor insurance) were analyzed using correlation and the extent in which opportunities and challenges affect the motor insurance were analyzed through regression analysis.

3.5.2.1 Correlation analysis

Correlation is perhaps the most basic and most useful measure of association between two or more variables. Expressed in a single number called a correlation coefficient (r), correlations provide information about the direction of the relationship (either positive or negative) and the intensity of the relationship. Furthermore, tests of correlation provide information on whether the correlation is statistically significant (Marczyk, 2005). Correlation coefficients range from -1.0 to +1.0. The sign of the coefficients represents the direction of the relationship.

The Bivariate correlations procedure computes the pair wise association for a set of variables and displays the results in a matrix. It is useful for determining the strength and direction of the association between two scale or ordinal variables. The pearson correlation coefficient measures the linear association between two scale variables (Marczyk, 2005). In this study, Pearson correlation coefficient is used to measure the strength of the association between the opportunities, challenges and motor insurance.

3.5.2.2 Regression analysis

Regression and correlation are closely related. Both techniques involve the relationship between two variables, and they both utilize the same set of paired scores taken from the same subjects. However, whereas correlation is concerned with the magnitude and direction of the relationship, regression focuses on using the relationship for prediction. In terms of prediction, if two variables were correlated perfectly, then knowing the value of one score permits a perfect prediction of the score on the second variable. Generally,

whenever two variables are significantly correlated, the researcher may use the score on one variable to predict the score on the second (Robert Ho, 2006).

Hence, in this study, regression analysis is used to know by how much the independent variable i.e opportunities and challenges explains or influences the dependent variable which is motor insurance. In simple regression, we attempt to predict the dependent variable with single independent variable. In multiple regression we may use any number of independent variables to predict the dependent variable. (Marczyk et al, 2005). In this study, multiple regression is used and statistical significance was given due care at p-value of 0.05.

3.6 Ethical Considerations

An important consideration a researcher must not overlook is the issue of ethics in research. The researcher, in accordance with this, took steps to make sure that no respondent in this research work was harmed in any way. First of all the researcher made sure that permission was sought and the aims and objectives of the study were made known to the bank through introductory letters. Who is conducting the study and for what purpose was clearly disclosed for the respondents on the questionnaire. Moreover, the voluntary participation of respondents was done and to follow anonymity and confidentiality ethics of the research, the researcher clearly informed respondents in written form that not to write their names on the questionnaire

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

In this chapter, the collected data are summarized and analyzed in order to realize the ultimate objective of the study. The results of descriptive analysis and inferential analysis are presented and are discussed according to their relation to each of the relevant research objectives. The data were analyzed using SPSS version 20.

4.1 Response Rate

From the 205 questionnaires distributed, 186 were returned out of which 19 were incomplete so they were eliminated from the data. This resulted in 167 completed and usable questionnaires generating 81% response rate. This indicates that there was a good response rate.

4.2 General Information of respondents

In this section the general information of the respondents were analyzed. The result is presented in the form of table and described in frequency and percentage.

Table 4: Gender and Age of Respondents

Description		Frequency	Percent
Gender	Male	108	64.7
	Female	59	35.3
	Total	*167*	*100*
Age	21-25	32	19.2
	26-35	74	44.3
	36-45	42	25.1
	Above 45	19	11.4
	Total	*167*	*100.0*

Source: Survey finding (2015)

The above table indicates that 108 (64.7%) of the respondents were males and the remaining 59 (35.3%) of the respondents were females. The majority of the respondents 74 (44.3%) were found in the age range of 26-35 followed by 36-45 and 21-25 which consists 42 (25.1%) and 32 (19.2%) of the respondents respectively. The remaining groups with the age range above 45 consist of 19 (11.4%). The result indicates that majority of the management and employees of the organization are in the productive age, which can give the organization an opportunity to enhance its service by utilizing these energetic staff.

Table 5: Education and work experience of respondents

Description		Frequency	Percent
Educational Level	Diploma	4	2.4
	Degree	136	81.4
	Masters and above	27	16.2
	Total	*167*	*100.0*
Work Experience	1-3 years	61	36.5
	4-7 years	38	22.8
	8-10 years	12	7.2
	11 and above	56	33.5
	Total	*167*	*100.0*

Source: Survey finding (2015)

With regard to the respondents' educational level, the majority of them 136 (81.4%) were degree holders followed by masters and above 27(16.2%). Whereas 4 (2.4%) had diploma. This result reveals that majority of the respondents were well educated and this can help the accuracy of the response since they can understand the intention of the survey and respond accordingly.

Concerning the work experience of respondents, the majority of them 61(36.5%) have 1-3 years experience followed by experience of above 11 years and 4-7 years which consists 56(33.5%) and 38 (22.8%) of the respondents respectively. The remaining 12

(7.2%) of the respondents have an experience of 8-10 years. The result indicates that the majority of the employees and management of the organization are well experienced.

Generally, the above two tables (table 4 and 5) reveals that the organization has productive, energetic and competent employees and management that can exploit the opportunities and mitigate the challenges that can hinder the development of motor insurance of the corporation.

4.3 Descriptive analysis

This section presents the data analysis of each elements, which is opportunities, challenges and motor insurance of EIC separately by using descriptive analysis. The responses under rating 1-strongly disagree, 2-disagree, 3-neutral, 4-agree and 5-strongly agree have been combined to indicate agreement or disagreement with a statement. The mean values show that the average of all the responses in each question and then by grand mean for one dimension.

As sited by Kidane (2012)in his book entitled õRelationship marketing in the Hotel Industryö , with five point scales, the intervals for breaking the range in measuring each variable are calculated as follows:

$$\frac{Max \quad Min}{5} \quad \frac{5 \quad 1}{5} \quad 0.8$$

It means that the scores falling between the following ranges can be considered as agreement score: Hence,

- 1- 1.80 means strong disagreement,
- 1.80 - 2.60 means disagreement,
- 2.61 - 3.40 means neutrality,
- 3.41 - 4.20 means agreement and
- 4.21 - 5.00 means strong agreement

In this part, the researcher tried to assess the level of agreement of the respondents for each construct, namely: opportunities, challenge and motor insurance. This assessment

helps to identify the opportunities and challenges in accordance with their level of importance and impact to the motor insurance of EIC.

4.3.1 Opportunities for Motor Insurance

Third Party Risks Proclamation number 559/2008 is milestone in insurance industry in Ethiopia. Similarly all projects, resulting from the fast development of Ethiopian economy require motor vehicles, which contributes to the development of motor insurance positively.

The intention of the country to join World Trade Organization, the increase in Ethiopia's import and export and the tremendous expansion of banks and bank branches in the country is also considered as an opportunity to the insurance industry. The following table presents the level of agreement of respondents on opportunity element.

Table 6: Level of Agreement - Opportunity

Items	N	Mean	Stan.dev
Economic developments of the country enhance motor insurance of EIC.	167	2.24	1.05
Increments of the import of vehicles in the country enhance motor insurance of EIC.	167	2.48	1.15
EIC's motor insurance will be benefited from future WTO membership	167	2.58	1.17
Increment in percapita income of the society enhance the motor insurance of EIC	167	2.28	0.96
Motor vehicle loan service of banks enhances motor insurance.	167	2.23	1.15
Government policy (e.g third-party cover proclamation) is encouraging motor insurance development.	167	3.78	1.29
EIC's motor insurance will be benefited from future opening of reinsurance company	167	3.68	1.36
The current import export expansion (since most of the transportation is done by motor transport) enhances the motor insurance of EIC.	167	3.73	1.26

Source: Survey finding (2015)

The above table describes the results for statement under the opportunity construct. The result indicates that five out of eight questions under this element falls below 2.60 which indicates the disagreement of the respondents on the points.

The remaining three questions concerning government policy, future opening of Reinsurance Company and expansion of import and export falls between the agreement intervals of 3.41-4.2, which indicates an agreement on the mentioned points.

Thus, the result revealed that among the bundle of opportunities given, government policy with a high mean score 3.78 was found to be the prior opportunity for EIC followed by the increase in import and export in the country with mean value 3.73. According to Mulugeta (2012), vehicle insurance against Third Party Risks Proclamation number 559/2008 is milestone in motor insurance in Ethiopia. Moreover, the growth of import and export in the country leads to the demand for motor transport, which inturn creates an opportunity to motor insurance. Thus, concerning the above mentioned points, the finding of this research is consistent with the analysis of the author.

Future opening of Reinsurance Company is also found to be the third influential factor to the motor insurance of EIC with mean value 3.68. The finding support the argument of Kibrom, (2011) which emphasize Extensive dependency on cross border reinsurance has a negative impact on the contribution of the industry to the national development.

Though several studies identified economic development, WTO membership and increase in number of vehicles as opportunity to motor insurance, this finding is found to be against these studies.

4.3.2 Challenges of Motor Insurance

According to the Central Statistics Authority report of Ethiopia 2012, inflation is decreasing the real purchasing power of vehicle owners that challenges the insurance sector of the country.

The future opening of the insurance sector to the global insurance companies, the traffic accident in Ethiopia and lack of cooperation among insurance companies are also considered as key challenges of insurance companies. (Kibrom, 2011)

Similarly, unfair competition among insurance companies and lack of awareness of customers about motor insurance policy are also among the challenges that scholars identified as a challenge for insurance companies. (Shimelis, 2015)

The following presents the level of agreement of respondents on the challenge element.

Table 7:   Level of Agreement – Challenge

Items	N	Mean	Stan.dev
Unfair competition in the industry can hinder the development of motor insurance of EIC.	167	3.74	0.93
Inflation can hinder the development of motor insurance of EIC	167	3.60	1.10
Unavailability of reinsurance in the country can hinder the development of motor insurance of EIC	167	3.37	1.16
The future opening of global insurance companies in the country can hinder the development of motor insurance of EIC	167	3.80	0.94
Lack of cooperation with other stakeholders (eg. Transport office, traffics) can hinder the development of motor insurance of EIC	167	3.70	1.26
Lack of cooperation among insurance companies (coinsurance) can hinder the development of motor insurance of EIC	167	3.34	1.17
Lack of awareness of customers about motor insurance can hinder the development of motor insurance of EIC	167	3.79	0.99
Increase in claim expense hinder the development of motor insurance EIC	167	3.81	1.04
No premium no cover directive of national bank can hinder the development of motor insurance of EIC	167	3.72	1.18

Source: Survey finding (2014)

As can be seen from the table, only for two of the questions under challenge construct which express the unavailability of reinsurance in the country and lack of cooperation

among insurance companies, the mean value is on neutrality range. Whereas, the mean values for the remaining questions are greater than 3.41 which indicate the agreement of the respondents in these points.

The result depicts claim expense with mean score 3.81 is found to be the main challenge for motor insurance of the corporation. The finding supports the study of Shimelis (2015). According to this author, as motor risk is considering as high hazard risk, insurance companies are taken various strategies to minimize motor insurance adverse effect and maximize their profitability. Some of the underwriting measures taken in this regards are charging the highest premium for motor insurance, restricting the share of motor class of business and diversify their portfolio-mix and in place stringent claim settlement strategy. The experience of other country shows, private insurers are shy away from writing motor class of business particularly CTP motor insurance to all commercial vehicle owners.

The result also revealed that, future opening of global insurance companies in the country (with mean value 3.80) can also hinder the development of motor insurance of EIC. This might be explained by Mulugeta (2012)¢s study. The author indicate that the future opening of the insurance sector to the global insurance companies is huge threats to the insurance sector in Ethiopia. The financial capacity, human skill, global competition experience is the areas which the Ethiopian players would lag behind than their would-be competitors.

The finding of the study also indicates that lack of awareness of customers about motor insurance with a mean value 3.79 is also a challenge of motor insurance of EIC. Ethiopian motor insurance customers lack awareness of the need for insurance and like to give the protection to God (Allah). (Mulugeta,2012)

Unfair competition in the industry, no premium no cover directive of national bank, lack of cooperation with other stakeholders and inflation are also identified as challenges respectively based on the level of their impact on motor insurance of EIC.

4.3.3 Motor Insurance of EIC

According to Insurance Industry Data (2014), the motor class of business has a major share in comparison with other class of business in the industry. The industry's as well as the corporation's premium income from this class of business indicates yearly increment. Even if the EIC's motor class of business has a major share from other class of business of the corporation, its share is low while we compare it with the industry. Moreover, the growth rate of the share of motor insurance is increasing at a decreasing rate.

The following table depicts the level of agreements that respondents have for the development of motor insurance of EIC.

Table 8: Level of Agreement - Development of Motor Insurance

Items	N	Mean	Stan.dev
Motor insurance is contributing to gross premium income at level best	167	2.26	.93
EIC is getting the possible profit from motor insurance	167	2.40	1.10
Motor insurance of EIC is growing yearly with increase in motor vehicles in the country	167	2.63	1.16
Motor insurance of EIC is growing in comparison with the industry	167	2.19	.94
There is an increase in demand for motor insurance service of EIC as expected	167	2.30	1.26
Handling of motor insurance customers is growing as required by the market	167	3.66	1.38
The current motor premium of EIC is competitive	167	3.66	1.43
Motor insurance of EIC show development when compared with other class of business	167	3.64	1.35

Source: Survey finding (2015)

As can be seen from the table, the highest mean score was 3.66 for the points regarding customer handling and competitiveness of motor premium of EIC.   This indicates that EIC is building its capacity to meet its mission and vision.

The relative development of motor insurance in comparison with other class of business is also identified as the second indicator point with a mean score 3.64. This result supports the EIC data (2014) for the year 2004- 2014 which illustrates the yearly increasing trend of motor insurance in relative to other class of business. (see appendix five).

On the other hand, the mean value for most of the questions falls below 2.61 which indicates that the disagreement of the respondents for these indicators except for the point regarding the yearly growth of vehicles with mean score 2.63 which indicates the neutrality of the respondents. Generally speaking, the result revealed that the motor insurance of EIC is not doing at its level best.

4.4 Correlation Analysis

The Bivariate correlation procedure computes the pair-wise association for a set of variables and displays the results in a matrix. It is useful for determining the strength and direction of the association between two scale or ordinal variables. The Pearson correlation coefficient measures the linear association between two scale variables. The following values of correlation interpretations suggested by Cohen (1988) were used as guidelines for the interpretation of the correlation results:

Correlation coefficient

- (r) = 0.10 to 0.29 or r = -0.10 to -0.29 considered Very Weak ,
- r = 0.30 to 0.49 or r = -0.30 to -0.49 considered Weak, and
- r = 0.50 to 1.0 or r = -0.50 to -1.0 considered Strong.

Importantly, these are rough guidelines. A number of other factors, such as sample size, need to be considered when interpreting correlations.

The table below presents the correlation analysis between opportunity, challenge and development of motor insurance of EIC.

Table 9: Correlation Analysis Between Opportunity, Challenge and Development of Motor Insurance

Items	Development of Motor Insurance	Sig.(1-tailed)	N
Opportunity	0.833*	.000	167
Challenge	-0.560*	.000	167

correlation is significant at the 0.01 level

Source: Survey finding (2015)

The correlation matrix in the above table indicates that a strong and positive significant correlation was observed between opportunity and motor insurance (r=0.833, p-value=0.000). The relationship indicates that high scores of opportunity is associated with high scores of motor insurance. Hence, a strong positive significant relationship was found between opportunity and motor insurance development.

On the other hand, a strong and negative significant correlation was observed between challenges and motor insurance development (r=-0.560, p-value=0.000). This shows that challenges and motor insurance development have strong negative relationship.

4.5 Regression Analysis

According to Marzyk (2005), linear regression is a method of estimating or predicting a value on some dependent variable given the values of one or more independent variables. Like correlations, statistical regression examines the association or relationship between variables. Unlike correlations, however, the primary purpose of regression is prediction. There are two basic types of regression analysis: simple regression and multiple regressions. In simple regression, we attempt to predict the dependent variable with a single independent variable. In multiple regressions we may use any number of independent variables to predict the dependent variable.

The research at hand relied on a 95% level of confidence; therefore a p-value equal to or less than 0.05 implies that the results are not subject to change, according to the Independent Sample T-test. More specifically, the relationship between opportunity and development of motor insurance significant at p = 0.000; and the relationship between challenge and motor insurance is significant at p = 0.000.

R is a correlation between the observed values of y, the values of y predicted by multiple regression models. Therefore, large values of the multiple R represent a large correlation between the predicted and observed values of the outcome. The model summary table reports the strength of relationship between the independent variable (opportunity and challenge) and the dependent variable (motor insurance).

Table 10: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.854[a]	.730	.727	1.96060

a. Predictors: (Constant), Opportunity, Challenge,

Dependent variable: Motor insurance

Source: Survey finding (2015)

In the above table the R is multiple correlation coefficients between predictor and outcome, with a value of 0.854. While Adjusted R square shows the ratio of interdependence. Value of R square implies 73% of the variance in the dependent variable can be predicted from independent variables. This indicates that 73% of the change in the level of development of motor insurance investigated in EIC could be interpreted as resulting from utilizing the opportunities and mitigating challenges. In this model the difference between R and R^2 is 0.124 (0.835 - 0.697). This shrinking means that had all the questionnaires been responded, the model would account for approximately 12% less variance in the outcome.

Table 11: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1703.026	2	851.513	221.519	.000
	Residual	630.411	164	3.844		
	Total	2333.437	437			

Dependent Variable: Motor insurance

Predictors: (Constant), Opportunity, Challenge

 Source: Survey finding (2015)

The significant level in ANOVA table shows that the combination of variables significantly predicts the dependent variable. ANOVA tests whether the model is significantly better at predicting the outcome than using the mean as a best guess; specifically, the F-ratio represents the ratio of the improvements in prediction that results from fitting the model, relative to the inaccuracy that still exists in the model. For these data, F is 221.519, which is significant at $p<0.001$ (because the value in the sig. is less than 0.001). This result tells us that there is less than a 0.1% chance that F-ratio is larger would happen by chance alone. Therefore, we can say that the regression model results in significantly better prediction of motor insurance than if we used the mean value of motor insurance.

Table 12: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	12.696	2.355		5.390	.000
	Opportunity	.766	.048	.731	15.887	.000
	Challenge	-.230	.049	-.216	-4.682	.000

Dependent Variable: Motor Insurance

 Source: Survey finding (2015)

The above table clearly shows that both opportunity and challenge have significant effect on motor insurance.

Multiple regression is used to find the equation that could be used to find the impact of predictors on dependent variables. The specified regression equation therefore takes the following form:

$$0 \qquad\qquad 2$$

    OP - opportunity

    CH - challenge

    DM- development of motor insurance

So the equation comes as:

$$12.70 \quad 0.766 \qquad 0.230$$

The   values indicate the relationship between motor insurance and each predictor. If the value is positive, it shows that there is positive relationship between predictor and the outcome whereas a negative coefficient represents negative relationship. For these data one predictor have positive   whereas the other is negative.

The result shows that opportunity and challenge have a strong positive and negative relationship with development of motor insurance with significant level of .000.

   values has an associated standard error which indicate to what extent these values would vary across different samples, and these standard errors are used to determine whether or not the   values differs significantly from zero.

The   values and their significance are important statistics to look at. The standardized beta value tells us the number of standard deviations that the outcome will change as a result of one standard deviation change in predictor. The standard deviation units and so are directly comparable; therefore, they provide a better sight into the importance of a predictor in the model. The standardized beta value for opportunity is 0.731. On the other hand, with standardized beta value of -0.216. This indicates that, doing much on the opportunity side has relatively strong degree of importance on development of motor insurance than working on avoiding challenges.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This chapter provides the conclusion drawn from the findings of the study. Appropriate recommendations aimed at fostering the development of the motor insurance are also provided.

5.1 Summary of Findings

As discussed in the analysis part, government policy, the growth of import and export in the country and future opening of reinsurance Company are identified as the main opportunities for motor insurance sector. Claim expense, the future opening of global insurance companies in the country and lack of awareness of customers about motor insurance are found to be the main challenges faced the sector. Correlation and regression techniques were used to examine the relationships between opportunity, challenges and motor insurance development. Results of regression analysis show that opportunity and challenge are significant in affecting the motor insurance. Moreover, the results revealed that on the whole, the positive effect of opportunities is emerged as the most significant factor than the impact of challenges on motor insurance. The implication thus is EIC need to strive on utilizing the existing opportunities than focusing on mitigating challenges in order to attain high growth in motor insurance.

5.2 Conclusion

Motor insurance sector is the dominant class of business in Ethiopia. Thus, assessing the effect and identifying the major opportunities and challenges can support this class of identified the major opportunities and challenges of the development of motor insurance and indicates the extent to which they affect the motor insurance portfolio of EIC.

Among the indicators of the opportunity construct, government policy, the growth of import and export in the country and future opening of reinsurance Company are identified as the main opportunities for motor insurance sector.

By the same token, claim expense, the future opening of global insurance companies in the country and lack of awareness of customers about motor insurance are found to be the main challenges.

Unfair competition in the industry, no premium no cover directive of national bank, lack of cooperation with other stakeholders and inflation are also identified as challenges respectively based on the level of their impact on motor insurance of EIC.

Concerning development customer handling, competitiveness of motor premium of the corporation and the relative development of motor insurance in comparison with other class of business are showing progress.

Regarding the effect that opportunity and challenge have on motor insurance, the positive effect of opportunities outweigh the impact of challenges.

5.3 Recommendations

The empirical results of this study clearly underscore that, if EIC is in a position to increase its motor insurance portfolio:

- Since growth of import and export is an opportunity to the motor insurance, special customer handling system (e.g. special window and premiums) should be introduced for these clients
- Currently, government permits the opening of reinsurance by local insurance companies to prevent the outflow of foreign currency. Given that EICøs has huge capital, by having highest share it should play a major role in opening of reinsurance.
- As lack of awareness is one of the main challenges identified, customers need to be clear about various alternatives through different awareness mechanisms such

as promoting the service and translating policies into local language so that it can easily be understood by local customers.

- Providing recognition (such as, discounts, bonus etc..) to claim free clients and minimizing claim leakage through the process can mitigate claim expense challenge.

- Though unfair competition is identified as a challenge for EIC, the corporation should keep in mind that low premium is not the source of customer loyalty but service quality. Thus, the corporation should strive to provide quality service (through customer segmentation, providing customer caring trainings to the staff, assigning the right person for the right position etc..) and to outshine the unfair price competition.

Generally, as the effect of opportunity outweighs the impact of challenges, EIC should focus on utilizing the opportunities than mitigating the challenges.

5.4 Limitations and future research

As the sample is drawn from EIC district A, the results of the study are only representative of EIC district A. This imposes limitations on the generalization of the results of the study to EIC district B and branches found in Addis Ababa and out of the region as well as other insurance companies. For this reason, it is recommended that a further study be conducted on a greater variety of branches and insurance companies found in other geographical areas, backgrounds and cultures, to determine whether the variables that were investigated influence the development of motor insurance. Since the results of the study are based on employeesø perceptions only, future research should examine the customersø and service providers' perceptions on motor insurance sector development. Moreover, as the researcher conducted the study taking only three constructs of motor insurance development it will be difficult to generalize because there are other dimensions which can have a significant impact on motor insurance development. Hence, there is a need to conduct further research taking different dimensions so that the result will be reliable enough. Finally, this study was conducted in insurance setting, and may not be generalized in other industries.

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APPENDICES

Appendix One - Questionnaire

St Mary's University

Questionnaire to be filled by Ethiopian Insurance Corporation Employees

This questionnaire is designed by a student of St Mary's University to undertake a research under the title ó Assessment of the Effect of Opportunity and Challenges of Motor Insurance in EIC in partial fulfillment of the requirements for a Masters of Business Administration. The general objective of the research is to assess the effect of the current Opportunities and Challenges on Motor Insurance at EIC. It is strictly for academic purpose and therefore all information provided shall be treated with maximum caution and confidentiality.

General Instructions:

- To maintain confidentiality, please do not write your name or sign anywhere in the questionnaire.
- Please complete each parts of survey with care, honesty and due attention
- Put a tick mark (✓) in the space provided.
- You may mark more than one choice if you find it appropriate.
- You may pass over a question if it is not applicable for you.
- Your cooperation is of paramount importance for the completion of the study.

I. BACK GROUND INFORMATION OF THE RESPONDENT

1. Gender   A. Male ☐   B. Female ☐
2. Age   A. 21-25 ☐   B. 26-35 ☐   C. 36-45 ☐   D. above 45 Years ☐
3. Level of Education
      A. Certificate ☐   B. Diploma ☐   C. Degree ☐ D. Masters and above ☐
4. Work Experience in the Organization
      A. 1-3 ☐   B. 4-7 ☐   C. 8-10 ☐   D. 11 and above ☐

II. MAIN BODY

5. Please indicate the extent to which you agree to the following statements under opportunity construct with ✓ mark in the box .

S.No.	Question Item	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
1	Economic developments of the country enhance motor insurance of EIC.					
2	Increments of the import of vehicles in the country enhance motor insurance of EIC.					
3	EICøs motor insurance will be benefited from future WTO membership					
4	Increment in percapita income of the society enhance the motor insurance of EIC					
5	Motor vehicle loan service of banks enhances motor insurance.					
6	Government policy (e.g third-party cover proclamation) is encouraging motor insurance development.					
7	EICøs motor insurance will be benefited from future opening of reinsurance company					
8	The current import export expansion (since most of the transportation is done by motor transport) enhances the motor insurance of EIC.					

If there are other opportunities that are not mentioned above please specify

_____

_____

_____

6. Please indicate the extent to which you agree to the following statements under challenge construct with ✓ mark in the box .

S.No.	Question Item	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
1	Unfair competition in the industry can hinder the development of motor insurance of EIC.					
2	Inflation can hinder the development of motor insurance of EIC					
3	Unavailability of reinsurance in the country can hinder the development of motor insurance of EIC					
4	The future opening of global insurance companies in the country can hinder the development of motor insurance of EIC					
5	Lack of cooperation with other stakeholders (eg. Transport office, traffics) can hinder the development of motor insurance of EIC					
6	Lack of cooperation among insurance companies (coinsurance) can hinder the development of motor insurance of EIC					
7	Lack of awareness of customers about motor insurance can hinder the development of motor insurance of EIC					
8	Increase in claim expense hinder the development of motor insurance EIC					
9	No premium no cover directive of national bank can hinder the development of motor insurance of EIC					

If there are other challenges that are not mentioned above please specify

_____

_____

_____

7. Please indicate the extent to which you agree to the following statements under motor insurance element with ✓ mark in the box .

S.No.	Question Item	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
1	Motor insurance is contributing to gross premium income at level best					
2	EIC is getting the possible profit from motor insurance					
3	Motor insurance of EIC is growing yearly with increase in motor vehicles in the country					
4	Motor insurance of EIC is growing in comparison with the industry					
5	There is an increase in demand for motor insurance service of EIC as expected					
6	Handling of motor insurance customers is growing as required by the market					
7	The current motor premium of EIC is competitive					
8	Motor insurance show development when compared with other class of business					

8. What measures and changes the corporation shall perform in order to improve the motor insurance development?

_____

_____

Thank you

Appendix Two: CORRELATION AND REGRESSION RESULTS

Correlations

		Development	Opportunity	Challenge
Development	Pearson Correlation	1	.833[**]	-.560[**]
	Sig. (2-tailed)		.000	.000
	N	167	167	167
Opportunity	Pearson Correlation	.833[**]	1	-.472[**]
	Sig. (2-tailed)	.000		.000
	N	167	167	167
Challenge	Pearson Correlation	-.560[**]	-.472[**]	1
	Sig. (2-tailed)	.000	.000	
	N	167	167	167

[**]. Correlation is significant at the 0.01 level (2-tailed).

Regression

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	Challenge, Opportunity[b]	.	Enter

a. Dependent Variable: Development

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.854[a]	.730	.727	1.96060

a. Predictors: (Constant), Challenge, Opportunity

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1703.026	2	851.513	221.519	.000[b]
	Residual	630.411	164	3.844		
	Total	2333.437	166			

a. Dependent Variable: Development

b. Predictors: (Constant), Challenge, Opportunity

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	12.696	2.355		5.390	.000
	Opportunity	.766	.048	.731	15.887	.000
	Challenge	-.230	.049	-.216	-4.682	.000

a. Dependent Variable: Development

Appendix Three : GWP OF THE INSURANCE INDUSTRY BY CLASS OF BUSINESS W/OUT AVIATION

CLASS OF BUSINESS	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Motor	259,998	279,985	350,323	449,120	507,565	579,146	770,778	1,082,113	1,861,172	2,101,661	2,421,725
Marine	86,567	111,338	137,977	143,279	212,336	223,229	284,459	390,581	577,344	531,721	536,721
Fire	52,062	56,483	62,735	70,775	78,711	91,464	108,772	136,017	197,422	229,701	280,738
W.C	21,769	21,177	25,436	30,632	37,884	41,719	49,603	57,262	65,409	53,175	222,077
Others	82,898	105,262	156,117	216,307	334,010	374,508	611,281	567,805	785,667	1,349,778	980,912
Sub-Total	503,294	574,245	732,588	910,114	1,170,506	1,310,066	1,824,893	2,233,778	3,487,014	4,266,036	4,442,173
Life	29,273	36,088	45,911	61,698	81,180	100,324	114,739	160,595	266,170	299,514	273,871
G.Total	532,567	610,333	778,499	971,811	1,251,686	1,410,390	1,939,632	2,394,373	3,753,184	4,565,550	4,716,044

Appendix Four: GWP OF EIC BY CLASS OF BUSINESS W/OUT AVIATION

CLASS OF BUSINESS	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Motor	84,699	85,580	101,701	130,739	150,133	171,428	217,341	290,937	539,377	648,552	758,023
Marine	51,068	68,227	73,531	75,149	123,037	126,221	168,383	237,731	375,712	336,980	340,978
Fire	30,600	34,074	35,859	39,497	40,531	47,419	56,644	65,972	105,843	116,681	141,989
W.C	9,213	9,818	11,505	13,587	15,834	18,580	20,073	22,377	35,523	36,669	46,453
Others	35,148	42,318	61,043	98,632	155,040	158,475	219,483	183,467	201,576	681,442	359,659
Sub-Total	210,728	240,017	283,639	357,604	484,575	522,122	681,924	800,484	1,258,031	1,820,324	1,647,102
Life	23,397	27,283	31,878	38,240	44,653	53,467	58,328	76,687	155,206	125,780	99,440
G.Total	234,125	267,300	315,517	395,844	529,228	575,589	740,252	877,172	1,413,237	1,946,104	1,746,542

Appendix Five: SHARE OF EIC BY CLASS OF BUSINESS W/OUT AVIATION

CLASS OF BUSINESS	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Motor	32.6	30.6	29.0	29.1	29.6	29.6	28.2	26.9	29.0	30.9	31.3
Marine	59.0	61.3	53.3	52.4	57.9	56.5	59.2	60.9	65.1	63.4	63.5
Fire	58.8	60.3	57.2	55.8	51.5	51.8	52.1	48.5	53.6	50.8	50.6
W.C	42.3	46.4	45.2	44.4	41.8	44.5	40.5	39.1	54.3	69.0	20.9
Others	42.4	40.2	39.1	45.6	46.4	42.3	35.9	32.3	25.7	50.5	36.7
Sub-Total	41.9	41.8	38.7	39.3	41.4	39.9	37.4	35.8	36.1	42.7	37.1
Life	79.9	75.6	69.4	62.0	55.0	53.3	50.8	47.8	58.3	42.0	36.3
G.Total	44.0	43.8	40.5	40.7	42.3	40.8	38.2	36.6	37.7	42.6	37.0