



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

**ASSESSMENT OF SERVICE QUALITY OF
MOTOR INSURANCE AT ETHIOPIAN
INSURANCE CORPORATION**

**By: TEKOL CHANYALEW
ID NO. SGS/0682/2007A**

**MAY, 2017
ADDIS ABABA**

ST.MARY'S UNIVERSTY
SCHOOL OF GRADUTE STUDIES

**ASSESSMENT ON SERVICE QUALITY OF MOTOR
INSURANCE AT ETHIOPIAN INSURANCE
CORPORATION**

**ATHESIS SUBMITTED TO ST. MARRY'S UNIVERSITY, SCHOOL
OF GRADUATE STUDIES IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE DEGREE MASTER OF PROJECT
MANAGMENT**

Advisor: Dr. Solomon Markos

PREPARED BY:

TEKOL CHANYALEW

SGS/0682/2007A

APPROVED BY BOARD OF EXAMINERS

Dean, Graduate Studies

Signature

Advisor

Signature

External Examiner

Signature

Internal Examiner

Signature

DECLARATION

Tekol Chanyalew ID NO SGS/0682/2007A do here by declare that this Thesis is my original work and that it has not been submitted partially: or fully, by any other person for an award of a Degree in any of the University/institution.

By: Tekol Chanyalew

Signatures _____

Date_____

ENDORSEMENT

This Thesis has been submitted to St.Mary's University School of Graduate Studies for examination with my approval as University advisor.

Advisor: Solomon Markos(PHD)

Signature: _____

Date _____

ACKNOWLEDGEMENTS

First of all I would like to praise almighty God for helping me and enabling me to carry out this study.

I would also like to thank my family members especially for their encouragement and giving me time and letting me be free to complete the research and also a great thank special gratitude is addressed to all managers and insurance customers in EIC, in Addis Ababa because giving me a great opportunity and cooperation to conduct my research at your insurance company.

I am also greatly indebted to my advisor Dr Solomon Markos for his patience, encouragements, suggestions, comments and Continual help and advice.

TABLE CONTENT

ACKWLEDGEMENT.....	vi
TABLE CONTENT.....	vii
LIST OF FIGERS.....	x
LIST OF TABLES.....	xi
LIST OF ACRONYMS.....	xii
ABSTRACT.....	xiii
CHAPTER ONE.....	1
INRODUCTION.....	1
1.1 Background of the Study.....	1
1.2 Background of the Organization.....	2
1.3 Statement of the Problem.....	3
1.4 Basic Research Question.....	4
1.5 Object of the Study.....	4
1.5.1 General Objectives.....	4
1.5.2 Specific Objectives.....	4
1.6 Significance of the Study	5
1.7 Scope of the Study.....	5
1.8 Limitation of the Study.....	5
1.9 Organization of the Study.....	6
CHAPTER TWO.....	7
LITERATURE REVIEW.....	7
2.1 Conceptual Review.....	7
2.1.1 Customer.....	7
2.1.2 Customer Service.....	7
2.1.3 Ways to Improving Customer Service.....	8
2.1.4 Customer Satisfaction.....	9
2.1.5 Customer Satisfaction in Insurance.....	10
2.1.6 Service Quality(SERVQUAL.....	11
2.1.7 Concedptual Framework.....	12

2.1.8 Characteristics of Service.....	14
2.1.9 Nature and Scope of Quality.....	15
2.1.10 Service Quality in the Insurance Sector.....	16
2.2 Empirical Review.....	18
2.2.1 The Concept of Insuran.....	18
2.2.2 Characteristics of Insurance.....	19
2.2.3 Insurance Company of practies.....	19
2.2.4 Ethiopian Insurance Industry Analysis.....	21
2.2.5 Performance Analysis of EIC.....	22
2.2.6 The Nature of Motor Insurance.....	25
2.2.7 Classification of Motor Vehicles.....	25
2.2.8 Types of Cover in Motor Insurance in Ethiopia.....	26
CHAPTER THREE.....	28
RESEARCH DESIGN AND METHODOLOGY.....	28
3.1 Research Design and Approa.....	28
3.2 Population,Sampling Size and Sampling Techniques.....	28
3.2.1 Populatio.....	28
3.2.2 Sampling Size and Sampling techniques.....	28
3.3 Method of Data Collection.....	29
3.4 Data Collection Tools.....	30
3.4.1 Questionnaires.....	30
3.4.2 Adimistrative of Questionaries.....	30
3.5 Data Analysis Method.....	31
3.5.1 Descriptive Analysis.....	31
3.6 Ethical consideration.....	31
CHAPTER FOUR.....	32
RESULT AND DISCUSSION.....	32
4.1 Response Rate of respondent.....	32
4.2 General Information About Customer.....	33
4.3 Service Quqlty Dimensions EIC.....	35

4.3.1 Tangibility Dimension.....	36
4.3.2 Reliability Dimension.....	37
4.3.3 Responsiveness Dimension.....	38
4.3.4 Assurance Dimension.....	38
4.3.5 Empathy dimension.....	39
CHAPTER FIVE.....	41
MAJOR FINDING, CONCLUSION, AND RECOMMENDATION.....	41
5.1 Major Finding.....	41
5.2 Conclusion.....	42
5.3 Recommendation.....	42
REFERENCES.....	44
APPENDICES.....	46

LIST OF FIGURE

Figure 1. Conceptual framework of the effect of customer service quality
On customer Satisfaction

.

LIST OF TABLES

Table 2:1	GWP Growth of the industry and EIC by class of Business(2012-2016)
Table 2:2	EIC Market share for the last five(2012-2016)
Table 2:3-	Industry & EIC loss Ratio by class of Business (2012-2016)
Table 4:1	Background of Respondent
Table 4:2	General Information About Respondent
Table 4:3	Tangibles Dimension
Table 4:4	Reliability Dimension
Table 4:5	Responsiveness Dimension
Table 4:6	Assurance Dimension
Table 4:7	Empathy Dimension

LIST OF ACRONOMY /ABBREVIATIONS

EIC	Ethiopian Insurance Corporation
BDRM	Business Development and Risk Managment
CEO	Chief Executive Officer
UNCTD	United Nations Conference on Trade and Development
CSA	Central Statistics agency
NBE	National Bank of Ethiopia
ICT	Information Communication Technology
GATS	Global Agreement on Trade and Service
CII	Chartered Insurance Institute

ABSTRACT

This study is to assess service quality of motor insurance at Ethiopian Insurance corporation. Service quality is very important concepts that companies must understand, if they are to grow and remain competitive in the business environment. It is very important for companies to know how to measure these constructs from the customers' perspective so as to understand their needs and satisfy them. Service quality is considered to be very critical to any modern business because it contributes higher customer satisfaction, profitability, reduced cost, improved customer loyalty and retention. The main purpose of this study is to assess service quality using SERVQUAL model within EIC working environment. Other purposes include how service are being derived in EIC customer ,what are the expectation of customers from EIC with respect to motor insurance quality service and identify which service quality dimensions are bring customer satisfaction/ dissatisfaction. A questionnaire was designed and distributed to respondents using a convenience sampling technique for EIC customers. The analysis carried found that, the overall service quality perceived by customers was not satisfactory; means customers expectations exceeded perceptions. This study contributes to examining service quality within EIC using SERVQUAL model. It also provides empirical results that guide other Insurance companies on the corrective measures that lead to respective company's significant growth.

Key words: *Customer Satisfaction, Insurance Company, SERVQUAL Model*

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Service marketers have realized over past few years that competition can be well managed through quality. Thus service quality is imperative to achieve competitive advantage. Poor quality places a firm at a competitive disadvantage. Service quality offers a way of achieving success among competing services, particularly in case of firms that offer nearly identical services.

Research has shown that the quality of services and the achievement of customer satisfaction and loyalty are fundamental for the survival of insurers. The quality of after sales services, in particular, can lead to very positive results through customer loyalty, positive word-of-mouth, repetitive sales and cross-selling. However, many insurers appear unwilling to take the necessary actions to improve their image. This creates problems for them as the market is extremely competitive and continuously becomes more so (Taylor, 2001).

Ethiopia's insurance industry is relatively undeveloped which is exemplified by the sectors low penetration levels. There are an estimated 0.4 Million formal insurance clients in Ethiopia. As per the data obtained from National Bank of Ethiopia (NBE), insurance premiums, including life and general insurance, totaled approx. ETB 6.1 Billion in the 2014/2015 financial year representing merely 0.79% of GDP.

The competition existing in the insurance industry is a cutthroat competition and it is based on price. Service Quality is another and major area of competition. Therefore, Service Quality improvement is key issue that determines the very survival of the insurance company.

The purpose of this research was to examine the service quality in EIC insurance companies with respect to motor insurance business.(parasuraman,A,Zenithal,V.A.,Berry,L,1,1991)

1.2 Background of the Organization

Ethiopian Insurance Corporation (EIC), organization under study, was established by proclamation No. 68/1975 on the 1st January 1976 and managed in accordance with the public enterprises proclamation No. 25/1992, with the objectives of engaging in the business of rendering insurance services and in any other related activities conducive to the attainment of its purpose. Starting from its establishment, EIC has been providing insurance services for its customers for the last 41 years both as the only insurance service provider (for 19 years, from 1976-1994) and as a competitive insurance service provider in the country (1994- present).

Profile of the Organization

The company vision:-“To be a world class insurer by the year, 2025”

The Company mission:-“We provide our customers an efficient and reliable insurance service and engage in investment activities by deploying the right mix of expertise, the state of the art technology and cost effective strategy. In doing so, we contribute to the sustainable development of the national economy and play a vital role in the industry.”

The Company Value:

Customer focused: we seek first to understand the needs and expectations; of our customers and we deliver on them:

Development partner: We are partner in the Government’s development program;

Excellence: We are aware of our performance and we constantly strive to deliver better than the last time in everything we do;

Pro-Activities: We provide professional advice to our customers on loss prevention and control;

Transparency and Accountability: We take positive Responsible for the planning successful execution and delivery of the our services;

Team work: We help each other to do better and together we support one another to keep the promise we made to our customers;

Professional Ethics: We value playing a pivotal professional role aimed at meeting ethical standards in the insurance industry as a whole and,

Learning Organization: We value continual learning and use state of the art technology.

1.3 Statement of the Problem

Delivering quality service is considered an essential strategy for success and survival in today's competitive environment (Dawkins and Reichheld, 1990; Parasuraman *et al.*, 1985). Perceived service quality is defined as “global judgment, or attitude, relating to the superiority of the service” (Parasuraman *et al.*, 1988).

Insurance sector is one of the most important entities which have been growing relatively in the past decade in Ethiopia. At present there are seventeen insurance companies operating in the market and there is fierce competition among themselves. With a greater choice and an increasing awareness, there is a continuous increase in the customers' expectations and they demand better quality service. Therefore, to sustain in the market, service quality becomes the most critical component of competitiveness for insurance companies in Ethiopia.

With the increasing demands of customer, insurance sector has become competitive. Customers are becoming increasingly aware of their expectations, and demand higher standards of services, as technology is enabling them to make comparisons quickly and accurately. Their perceptions and expectations are continually evolving, making it difficult for service providers to measure and manage services effectively.

It has been observed that there is widespread customer dissatisfaction in the insurance industry, arising from poor service design and delivery, and inferior quality of services largely account for this.

Levesque and McDougall (1996) “confirmed and reinforced the idea that unsatisfactory customer service leads to a drop in customer satisfaction and willingness to recommend the service to a friend.” This would in turn lead to an increase the number of customers shifts to competitors. As such, this study examines service quality on delivered by the EIC.

1.4 Basic Research Question

The research was carried out to assess on service quality of motor insurance at Ethiopian Insurance Corporation. After a thorough examination of the subject, the research tries to address the following basic research question among others:-

- How services are being delivered in EIC customers?
- What are the expectation customers from EIC respect to motor insurance service?
- Which service quality dimensions brings satisfaction/distaifanction to EIC customers?

1.5 Objectives of the Study

1.5.1 General Objectives

The general objective of this study is to assess service quality of motor insurance at Ethiopian Insurance Corporation.

1.5.2 Specific Objectives

The specific objective of the study is:-

- To study how service are being delivered in EIC customers.
- To identify the expectation customers from EIC respect to motor insurance service.
- To determine which service dimensions brings satisfaction/distaifanction to EIC customers.

1.6 Significance of the Study

The study identifies quality dimension significant to EIC to enables the insurance to develop strategies to improving the quality of service delivery. This enhances the insurance competitive position in the insurance industry and ensure survival of the business, especially in the in the era of keen competition. The study serves as guide for EIC to develop polices which will be improved its overall service delivery, to enhance customer satisfanction.This will give EIC a comparative advantages and the most preferred insurance in industry .The study also serves as a guideline for further research in service quality in insurance industry or related filed.

1.7 Scope of the Study

This research undertaken to assess service quality for special reference to EIC southern Addis District and Arada District only.EIC other District /Branch are exclude due to financial and time constraints.

1.8 Limitation of the Study

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

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

1.9 Organization of the Study

The study has been organized into five chapters. The introductory part of the 1st chapter provides a brief background to the study, the research problem, objectives of the study, basic Research questions, significance of the study , scope of the study and limitation of the study. The second chapter deals with an overview of literatures that have relevance to the research. Key issues addressed in this chapter include- customer satisfaction, service quality, SERVIQUAL MODEL, history of motor insurance, the nature of motor Insurance. The third chapter presents the methodology adopted in the study which covers the research design and approach, sapling size and sampling techniques, method of data collection, data collection tools, data analysis method. The fourth chapter is about the results and interpretation part of the study. It covers the presentation of respondent's characteristics, and evaluation of the study parameters based on the respective research questions designed and responses given. The fifth (final) chapter deals about the major findings, conclusions and recommendations. At last, the researcher forwarded his recommendation for future similar studies and limitations faced while undertaking the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Conceptual Reviews

2.1.1 Customers: - are known as a client, buyer or purchaser, or there is the recipient of good, service, product or idea. A customer is a person who purchases goods or services from another. An insurance company's customers can be divided into two general categories:-

An external customer: is any person or business:

- Who has purchased or is using the insurance company's products
- It is in a position to buy or use the company's products, or
- It is in a position to advise others to buy or use the company's products without being paid by the company to do so.

The internal customers are: the employees of an insurance company who receive service from other employees of the company. (Smith, 2013) are more important in connection with the topic under the study.

2.1.2. Customer Service

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

Customer service is one of the most important functions performed in business. Customer service interactions whether good or bad are expectations that both an insurance company and its customers long remember. A company's ability to provide excellent customer service is essential for that company to develop and maintain a positive, long, and profitable relationship with its customers.

The importance of providing quality customers service cannot be overestimated. The more valuable a company is to its customers; the more likely it is that those customers will continue doing business with the company. By providing its customers with the kind of service and the quality of service that they need and expect, and by exceeding the customer 'expectations whenever possible, a company improves its value to the customer and its chances of meeting or exceeding its bottom- line business goals. Because of increasing competition among companies that offer the same or similar products, providing customer service that "delights" has become more important in creating the loyalty that causes a customer to continue doing business with a company.

2.1.3 Ways to Improve Customer Service

1. Design a quality customer service program. Set a start date and end date or evaluation Purpose;
2. Read books on customer service, make sure you and our employees have retained information and use it;
3. Evaluate your employees are happy and have a vested interest in you success;
4. Cut or reduce system that tends to isolate you from your customer;
5. Change your company culture thought customer focused program;
6. Provide outstanding service to every customer you encounter;
7. Top leaders discuss how they serve their customers. Tell customers that you are happy with them for choosing your business;
8. Policies usually are not meant to punish customer .You must know what rule you can "bend" to satisfy your customers and
9. Motivate and reward your employees as they are source of your success.
(Amacombooks org,wwbreiefing.com)

Furthermore Heller.(2006),has sited four keys to improve customer service;

- ask the customer what are his real requirement:
- agree service level measurement with the customer:
- monitor the company's performance against these criteria and

- periodically ask customer for his perception of how well the company is performing. (Heller, (2006).pp.109

2.1.4 Customer Satisfaction

Customer satisfaction is a highly personal assessment that is greatly influenced by individual expectation. Some definitions are based on the observation that customer satisfaction or dissatisfaction result from either the confirmation or disconfirmation of individual expectations regarding a service or product.

To avoid difficulties stemming from the kaleidoscope of customer expectation and differences, some experts urge companies to concentrate on a goal that is more closely linked to customer equity. Instead to asking what her customers are satisfied they encourage companies to determine have customers hold them accounted kottler, 1989

In the public sector, the definition of customer satisfaction is often linked to both the personal interaction with the service provider and the outcomes experienced by service users. A customer may be satisfied with a product or service an experience, a purchase decision, a salesperson, store, service provider, or an attribute or any of these (Kurtz and Boone,2007)

To add some basic ideas from the above concept, customers are satisfied when their expectation is met and delighted when this expectation is exceeded. Satisfied customers remain loyal longer, buy more, are less sensitive and talk favorably about company. To be known, customer satisfaction has to be measured and there are several established ways of doing this. Therefore, the company should care about their customer's satisfaction because if you do not truly care about your customer's you are not a good marketer.

2.1.5 Customer Satisfaction in Insurance

Marketing research findings ascertaining that satisfied customers are likely to continue their relationship with the firm, and they are less costly to approach than new customers. Therefore, the fact that attracting new customers is much more expensive than keeping old ones, explains the corporate drive toward increased consumer satisfaction.

Additionally, customer satisfaction renders multidimensional benefits to the business form. Kotler (2006) considered customer satisfaction to be the best indicator of a company's future profit. (Likewise, Anderson et al, 1994) found that customer satisfaction has a direct outcome on the primary source of future revenue streams for most of the companies, they studied. Other scholars and practitioners (Fornell, 1992; Swanson and Kelley, 2001; have pointed out that the benefits of satisfied customers can be manifested in terms of positive word of mouth, repeated purchase, less defection to competitors, satisfied employee, solution against price competition, great reputation, etc.

In consideration of the above, almost every business firm is expected to employ customer satisfaction measures thoroughly, because of the fact that satisfied customers are essential to make a business become successful. Thus, it is believed that the customer in insurance sector needs, among other things:

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

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

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

2.1.6 SERVQUAL MODEL

The most popular is the SERVQUAL model of Parasuraman et al. (1988) consisting of the five dimensions of service quality - tangibles, reliability, responsiveness, assurance and empathy.

Initially, only five dimensions of service quality were indicated in the SERVQUAL approach (Parasuraman et al. 1988):

Tangibles: (physical facilities, equipment, and appearance of personnel);

Reliability: (ability to perform the promised service dependably and accurately);

Responsiveness: (willingness to help customers and provide prompt service);

Assurance: (knowledge and courtesy of employees and their ability to inspire trust and confidence); and

Empathy :(caring, individualized attention the firm provides its customers).

According to the formulation of parasuraman et al(1985) there is five gaps that cause unsuccessful service delivery. The gaps are summarized below and these research is based on gap five.

Gap:1 customer Expectations versus management perception. It represents the difference between what customers want customers expectations and what the company thinks that want management perceptions. It usually occurs for one reason: The people responsible for establishing service levels neither talk nor listen to their customers.

Companies often believe they already know what they customers want; through they have never done any quantifiable.

Gap 2:Management perceptions versus service specification it represents the difference between what a company's management believes that customers want and the service specifications that management sets for the work that its employees do.

Gap3. It represents the difference between the service specifications of by the company and service that it actually delivers. Even when accompany established adequate procedures and appropriate job performance specifications. The company's employees may not perform at level set by this specification.

Gap 4:- Actual service levels versus advertised service level. It represents the discrepancy between the service a company advertises that it will provide and the actual service levels that it does provide. Form the customer's point of view, this gab can be the most glaring and damaging it also of the most common.

Gap5:- Expected service versus perceived service

The purpose of identifying and reducing gab 1 though 4 is to reduced the gab that is always most apparent to the customer. Which is the service gap the difference between service that customers expect to get and the service that they feel they actually receive? The service gap can be viewed as the culmination of the four preceding gaps. By reducing of elimination gabs through 4, an insurance company can reduce or eliminate the service gap. An insurance company can also reduce this gap by changing customer expectation.

2.1.7 Conceptual Framework

The general idea from the past literature is that there is a relationship between customer satisfaction and service quality; also that service quality could be evaluated with the use of five service quality dimensions and the most useable is the SERVQUAL scale.

Thus, customers in this paper are those who consume the services, satisfaction denotes customer's desire to maintain a business relationship with the organization and it is also the feelings of the customers towards the services provided to them by the organizations; while customer satisfaction in this study is the pleasures obtained by customers for the services provided to them by the employees of the organizations.

It has been proven that "perceived service quality is a component of customer satisfaction" (Ziethaml et al. 2006, p.106-107).

Moreover, the SERVQUAL model has been proven to be the best model to measure service quality in service sectors especially with the customer perspective. This idea generates an assumption that the five dimensions of SERVQUAL model could have a direct relationship with customer satisfaction.

Service quality Dimensions

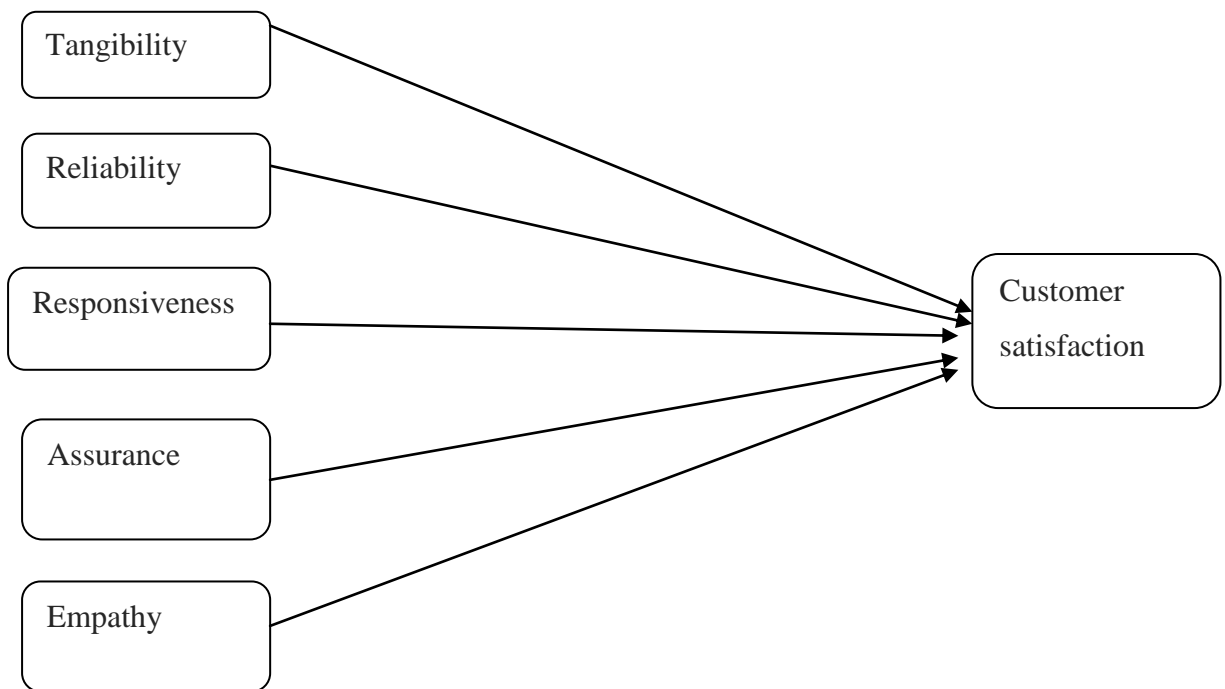


Figure 1. Conceptual framework of the effect of customer service quality on customer Satisfaction.

Source: Parasuraman et al., (1988).

The difference between expectations and perceptions is called the gap which is the determinant of customers' perception of service quality. Following from the literature review done above, the relationship between service quality variables and customer satisfaction can be shown in the diagram

2.1.8 Characteristics of Service

Service simultaneous production and consumption According to him, service leaves services providers to be engaged in more interactive processes with customers. Discussing about the nature of service (Ibid pp 150-152) stated that for the service to be produced and delivered to the end user, service providers, integrate their most valuable resources like employees technologies, physical resources, governing system and customers as well in the best possible way so that service quality can be assured for service organization or service provider, satisfying or fulfilling the expectation of its customer is one of the major goals. It is stated the articles of (Ibid PP 121-134) that for service providers, their main task is to reduce the mismatch or gap between what the organization planned to provide and what the end users (customers) are expected to benefit from the service they have been offered.

It is mostly viewed that in many service provider organization, a reduction in the price of service is taken as a means to attract customers. But more has to be done than mere price reduction to retain customers and keep them satisfied. Elaborating this idea, (Ibid, PP57) argued that training front line employees and creating integrated service process enhances the quality a service grandeyet al (2005) argued that there is a positive and rewarding response. From customer for service providers who have employees with a positive smile during service encounters. Positive impressions are critical and really matter being as a major role for service providers.

According to Kottler (1996) and Repan (1963) services have four major characteristics

Intangibility: it is one of the key characteristics of services. Regan (1963) introduced the idea of service being activities, benefits or satisfactions which are service offered for sale, or are provided in connection with the sale of goods. Services are intangible unlike physical product, they cannot be seen, tasted, felt, heard or smelled before they are bought.

Inseparability: services are typically produced and consumed simultaneously. This is not true of physical goods that are manufactured, put into inventory distributed through

multiple resellers and consumed still later. For instance, the cashier in the bank is an inseparable part of the service offering. The client also participates to some extent in the service, and offsets the outcome of the service. Both the producer and the client offer the service outcome.

Variability:-services are highly variable, since they depend on who provided them and when and where they are provided. Service buyers are aware of this high variability and frequently talk to others before selecting service providers.

Perishability : in general services cannot be stored and carried forward to a future time period. Services are item dependent and item important which make them very perishable. Hartman and Linger claim that the issue of perishables is primarily the concern of the service producer and that the consumer only becomes aware of the issue when there is insufficient supply and they have to wait for the service .

Insurances, by their nature, do not produce tangible goods but provide services which must meet the requirements of their customers. In this regard, it is imperative for EIC to set its standards in terms of service quality and continuously measure customer's satisfaction so as to determine existing and how they can be closed. Due to this and related issues I tried to see each service characteristic indicated about in my study

2.1.9 Nature and Scope of Quality

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

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

1. In terms of expectation (exceeding high standards and passing a required

standard):

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

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

A. Transcendent definitions:- These definitions are subjective and personal. They are eternal but go beyond measurement and logical description. They are related to concepts such as beauty and love.

B. Product-based definitions:- Quality is seen as a measurable variable. The basis for measurement is objective attribute of the product.

C. User-based definitions. Quality is a means for customer satisfaction. This makes these definitions individual and partly subjective.

D. Manufacturing-based definitions. Quality is seen as conformance to requirements and specifications.

E. Value-based definitions. These definitions define quality in relation to costs. Quality is seen as providing good value for costs (Largosen et al. , 2004)

Quality should be a bottom-up approach and everyone should be conscious of why we should worry about quality of services, programmers and approaches.

2.1.10 Service Quality in the Insurance Sector

In order to address the issue of service quality in insurance, one must take into account the specific characteristics of the industry. Insurance products and services are extremely

complicated; perhaps, there are no other products or services in the market for which such ignorance exists (Ieste and Wanderey, 1997 as cited by Shimeles, 2011).

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

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

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

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

Therefore, the good insurance quality service delivery mechanism could improve customers and insurance staff member's satisfaction, increased customer loyalty to the insurer and encouraged customers to return to the insurance company and recommend the service to others. The cumulative effect of this will be reflected on the bottom line i.e. profit. It therefore, appears that insurers who invest in customers satisfaction may

have superior chance of forming an effective and vibrant organization, with caring, committed and empowered people(Chartered Insurance Institute, Marketing ,2006).

2.2. Empirical Studies

2.2.1 The Concept of Insurance

There is no single definition for insurance .Insurance can be defined from the viewpoint several disciplines, including law, economy, history .actuarial science, risk theory and sociology. A working definition insurance and the one that captures the essential characteristic of a true insurance plan by the Commission on Insurance terminology of the American Risk and Insurance Association is define as following:

Insurance is the pooling of fortuitous losses by transfer of such risks to insurers, who agrees to indemnity insured people for such losses ,to provide others pecuniary benefits on the occurrence, or to render service connected with the risk (Reida,2008,p.13).

Also from a view point of individual, insurance can be define as an economic device whereby the individual, substitutes small certain cost(the premium) or a large uncertain financial loss(the contingency insured against) that would exist if it were not for the insurance .In addition to eliminating risk for the individual thought transfer, the insurance device reduces the aggregate amount of risk in the economy by substituting certain cost for uncertain losses. So from the view point of society insurance is an economic device for reducing and eliminating risk through the process of combining a sufficient number of homogeneous exposures into a group to make the losses predictable for the group for the group as a whole.(Vaughan and Vaughon,1999).

Moreover, there is another definition by Bickelhaupt(1983.p.13)that definition insurance as:

Insurance is an agreement by which one party (the Insurer) promises to pay another party(the Insured or policy holder) a sum of more if something happens which causes the insured to suffer a financial loss.

Hence, in the cause of accident the responsibility for paying such loss is transferred from policy holder to the insurer .In return for accepting the burden of paying for losses when they occur, the insurer charges the insured a price, the insurance premium.

2.2.2 Characteristic of Insurance

Based on the above definition an insurance agreement typically characterized by pooling of losses, payment of fortuitous losses, risk transfer and indemnification.

Pooling or the sharing losses is the heart of insurance. Pooling is the spreading of losses incurred by the few over the entire group, So that in the process, average loss is substituted for actual loss. Moreover ,pooling involves the grouping of a large number of exposure units so that the law of large numbers can operates to provide a subsutailly accurate prediction of the future losses(Reida,2008).The law of large number means that the greatest the number of exposure units, the more accurate the insurers can be in calculating their premiums ,and this is because they are better able to assess the size of future loss payments and hence to work out an appropriate charge that will enables them to cover those losses (Bickelhaupt,1983).

A payment of fortuitous loss is one that is unforeseen and unexpected and occur as a result of chance. In other words, the loss must be accidental. The law of large numbers is based on the assumption that losses are accidental and occur randomly. Risk transfer means that a pure risk is transferred from the insured to the insures, who typically is in a stronger financial position to pay the loss that the insured. Indemnification means that the insured is restored to his or her approximate financial position prior to the occurrence of loss. Thus or example, If one's home burns in fire, a home owner 'policy will indemnify or restore the person to the previous position (Reida,2008)

2.2.3 The Insurance Company Practices

The business of any insurance company is to pay claims in return for the payment of premiums .But running such a business is ,of course, a great deal more complex than

this .According to Diacon & Carter(2003),every insurance company undertaken the following essential activities:

Underwriting: this is a procedure by which an insurer evaluates the risk of a proposal and decides whether or not to enter into a contract, and if so on what terms.

Deciding a price: pricing is an important part of underwriting and is a process known as premium rating .The price should reflect the claims costs and expense associated with the contract but must also include the allowance for the insurer's profit margin. This allowance depends on the level of competition in the relevant insurance market.

Generating new business: like all other companies, these types of companies want to increase the amount of business that they undertake at the right price. Companies differ in their degree of reliance on a direct sales force rather than using brokers, and also in the amount they spend on advertisement.

Paying claim: the procedure used by companies for paying claims.

Maintaining fund: insurer cannot pay all claims out of revenue received from premiums and investment income. Therefore; they must maintain a fund that can be used to pay claims.

Investing the fund for earn investment income; In many classes of insurance substation funds are accumulated. Careful investment of these funds allows insurers to earn investment income and make capital gains.

Buying reinsurance: the insurance may be aware that certain claims payments may exceed his financial resources. Hence, they will wish to pass on part of liability for these claims to another insurance by purchasing reinsurance.

Providing additional service: as part of their operations. insurers may provide additional service and advice to their customers.

Drawing accounts: like other trading enterprises, insurers, make payments to creditors and receive money from debtors. They must then compile accounts for internal management, share holders, and the taxation and supervisory authorities

Paying taxes: insurance companies, like other trading enterprise must pay corporation tax, value added tax, and capital gain tax (Diacon & Carter.2003).

2.2.4 Ethiopian Insurance Industry Analysis

Examining the industry environment needs an assessment of the competitive structure of the company in the industry, including its competitive position and its foremost rivals. In this respect, different analysis of the industry has been presented as follow. Ethiopia's insurance industry is relatively undeveloped which is exemplified by the sectors low penetration (percentage of insurance premium in Birr to GDP in Birr) levels, which is 0.0079. As per the data obtained from National Bank of Ethiopia (NBE), insurance premiums, including Life and General insurance, totaled approx. ETB 6.4 Billion in the 2015/16 financial year representing merely 0.79% of GDP. Currently, 17 insurance companies are operating in the country with a total of 465 Branches throughout the country. Figures indicate that Ethiopia's insurance sector is skewed towards corporate clients who insure their assets (motor vehicle, buildings, warehouse, stocks and other properties), business (aviation, engineering) and insurance of the person (accident, health, workmen's compensation

General insurance premium dominates the sector with Birr 6.1 Billion or 94.8% premium market share leaving the balance of Birr 333 million or 5.2% to long-term insurance business. Out of the general insurance gross premium, Motor vehicle insurance taking the largest share of 57.3% followed by Marine, Engineering and Pecuniary class of business with respective share of 7.8% and 6.9%. On the other hand, Long term insurance constituted merely 5.2% of total premiums. As per the data obtained from NBE, industry's net premium earned and net claims incurred for the period ended as June 2014/15 reached Birr 4.5 Billion and Birr 3.1 billion, which resulted its loss ratio to reach 67.9%. The registered figure has shown an increase from year 2015/16 performance by 5.6%, which was 62.3%. As far as the registered loss ratio by class of business is concerned, Motor class of business took the largest share, which was 79% followed by liability and other class of business, which were 59% and 47% respectively. Source.NBE Annual Report

2.2.5 Performance Analysis of EIC

Premium Income

Premium growth rate is one of the major financial indicators so as to know the performance of the Corporation in the industry. EIC has exerted an unceasing effort in order to ensure its leading position in the industry even though the expansions of competitors in every aspect (particularly on price cutting) get the level at peak. In this regard, it is very relevant to evaluate the overall performance of the corporation against the industry so as to take sound decision and to predict the future. To this end, premium growth of the EIC against the industry by major product type for the period covering from 2012-2016 has been illustrated in the tables below

Table 2:1 GWP Growth of the Industry & EIC by Class of Business (2012 - 2016)

Class of Business	2012		2013		2014		2015		2016		Average	
	Industry	EIC	Industry	EIC	Industry	EIC	Industry	EIC	Industry	EIC	Industry	EIC
Motor	72.0	85.4	12.9	20.2	15.2	16.9	16.9	9.1	23.3	26.3	28.10	31.6
Marine	47.8	58.0	(7.9)	(10.3)	0.9	1.2	(8.6)	(1.4)	(3.8)	(11.7)	5.7	7.2
Fire	45.1	60.4	16.4	10.2	22.2	21.7	10.1	(2.8)	20.4	22.2	22.8	22.3
W.C	14.2	58.7	(18.7)	3.2	317.6	26.7	(14.5)	(87.9)	(11.7)	6.3	57.4	1.4
Aviation	26.0	23.0	(2.6)	(2.2)	6.0	6.2	(10.1)	(11.4)	22.5	24.2	8.4	8.00
Others	38.4	9.9	71.8	238.1	(27.3)	(47.2)	22.5	27.3	9.9	(10.3)	23.1	43.6
Sub-Total	53.8	50.8	20.8	37.5	4.2	(7.8)	11.8	4.8	16.2	11.3	21.4	19.3
Long term	65.7	102.4	12.5	(19.0)	(8.6)	(20.9)	15.0	22.8	5.7	(17.6)	18.1	13.5
Total	54.5	54.5	20.2	32.2	3.4	(8.6)	12.0	5.7	15.6	9.6	21.1	18.7

As per the data illustrated in the table above, the average five year's (2012 – 2016) growth of the industry and EIC is 21.1% and 18.7% respectively; which shows that EIC's growth rate is less than average industry growth which was mainly due to the decline (8.6%) registered growth of year 2013/14. Henceforth, proper attention should be given to address the deviation observed in the upcoming period particularly for liability and long-term insurance class of business.

Market Share

Premium market share in the insurance industry strongly serves as road map in showing the exact position of a particular company because it shall also highlight the composition of product mix, number of clients, number of policies etc. As augmenting the corporate premium share is one of the corporate strategies, it is very vital to make a continuous appraisal of EIC's premium market share in each particular product line in order to make sound and timely decision.

As per the data illustrated in the table below, EIC's average five year's (2012 - 2016) premium market share reached 40.0%. Analyzed the premium market share by class of business, Aviation class of business took the lion share of 95.7%, followed by Marine, Fire, Long-term, "Others", liability and Motor class of businesses, which were 64.4%, 48.3%, 40.1%,35.7%,33.6%,and 30.1% respectively.

Table 2:2 EIC Market Share or the last five Years (2012 – 2016)

Period	Particular	Motor	Marine	fire	Liability	Aviation	others	Long Term	Total
2012	Industry	1,861,172	577,344	197,422	65,409	237,746	785,667	266,170	3,990,930
	EIC	539,377	375,712	105,843	35,523	227,042	201,576	155,206	1,640,279
	EIC share%	29.00	65.10	53.6	54.3	95.5	25.7	58.3	41.1
2013	Industry	2,101,661	531,721	229,701	53,175	231,630	1,349,778	299,514	4,797,180
	EIC	648,552	336,980	116,681	36,669	222,114	681,442	125,780	2,168,217
	EIC share%	30.90	63.40	50.80	69.00	95.90	50.50	42	45.20
2014	Industry	2,421,725	536,721	280,738	222,077	245,484	980,912	273,871	4,961,528
	EIC	758,023	340,978	141,989	46,453	235,994	359,659	99,440	1,982,536
	EIC share%	31.3	63.5	50.6	20.9	96.10	36.7	36.3	40
2015	Industry	2,830,635	490,450	308,990	189,801	220,740	1,201,469	315,044	5,557,129
	EIC	827,210	336,065	138,027	56,271	209,199	407,046	122,146	2,095,964
	EIC share%	29.2	68.5	44.7	29.6	94.8	33.9	38.8	37.7
2016	Industry	3,489,111	472,050	372,137	167,654	270,325	1,320,384	333,008	6,426,685
	EIC	1,045,067	296,887	168,623	59,814	259,819	365,252	100,670	2,298,151
	EIC share%	30.0	62.9	45.3	35.7	96.10	27.7	30.2	35.8
Average (2012- 2016)	Industry	2,540,861	521,657	277,798	139,623	241,185	1,127,642	297,521	5,146,690
	EIC	763,646	337,324	134,233	46,946	230,834	402,995	120,648	2,037,029
	EIC share%	30.10	64.7	48.3	33.6	95.7	35.7	40.6	40

Corporate Loss Ratio

Trend analysis of the corporate average loss ratio serves as spring hold for Districts and Branches while predicting their own respective claims paid and outstanding for budget preparation. In this regard, each respective Districts and Branches need to consider the average corporate loss ratio by each class of business while predicting loss ratio in budget preparation. Hence forth, the last five consecutive years' loss ratio of the corporation (2012 - 2016) by class of business (General insurance) has been illustrated in the table below.

Table 2:3 Industry & EIC loss Ratio by class of Business(2012-2016)

	Particular	2012	2013	2014	2015	2016	Average
Industry Loss Ratio EIC	Motor	86.7	82.3	80.9	83.3	78.5	82.3
	Marine	22.5	15.8	14.2	3.0	29.9	17.10
	Fire	1.3	25.0	22.4	16.8	11.1	15.3
	Liability	60.9	44.8	47.9	42.9	49.7	49.2
	Aviation	64.0	(19.5)	1,178.0	(254.10)	1,630.7	519.8
	Others	34.6	30.4	31.8	23.5	32.2	30.5
	Long Term	23.7	33.1	39.7	55.6	51.3	40.7
	Total	63.0	62.4	63.2	62.4	67.9	63.8
EIC Loss Ratio	Motor	91.6	81.2	78.8	95.3	85.6	86.5
	Marine	(16.7)	9.0	2.0	(3.1)	19.9	2.2
	Fire	(5.5)	19.5	10.7	12.9	(0.7)	7.4
	Liability	62.3	34.0	24.3	36.7	27.9	37.0
	Aviation	19.4	53.4	2,430.0	1,783.2	114.7	880.1
	Others	26.4	18.6	21.3	23.2	21.2	22.1
	Long Term	28.9	32.7	39.7	49.6	42.0	38.6
	Total	58.4	53.7	57.6	59.8	60.0	57.9

2.2.6 The Nature of Motor Insurance

The main objective of motor insurance is mainly to cover losses to third party liability to persons and property as well as accidental own damage to the same due to overturning or collision depending upon the type of cover.

The subject matter in motor insurance is motor vehicle. A motor vehicle is defined by Road Traffic Act of the UK as a mechanically propelled vehicle intended or adapted for use on roads. Road means any highway and any other road to which the public has access and includes bridges over which a road asses (Insurance Note and Guidance, 2011).

2.2.7 Classification of Motor Vehicles:

For the purpose of motor insurance motor vehicles are classified as follows:-

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

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

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

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

(EIC's Insurance Note and Guidance, 2011)

2.2.8 Types of Cover Given in Motor Insurance in Ethiopian

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

A. The Road Traffic Act (Ethiopian Third Party Risks):

Under proclamation No.799/2013 no person in Ethiopia shall drive a vehicle insurance coverage against third party risks in relation to such vehicle. It is therefore a compulsory or obligation motor vehicle insurance coverage. It is a greater opportunity for the insurance companies in Ethiopian as well. Basic compulsory policy provides the following cover:

Bodily injury:

- ✓ Compensation for death up to Birr 40,000.00 Per person with minimum Birr 5,000
- ✓ Compensation for disability up to 40,000 per person Birr 5,000
- ✓ Medical expense up to birr 40,000 which will be deducted from disability/death compensation.
- ✓ Emergency Medical Treatment up to birr 2,000 per person

Property damage:

- ✓ Compensation for third party property damage up to birr 100,000 per event for the both private and commercial motor vehicle

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

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

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

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

The main motor insurance policy covers include:-

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

(Find Office manual,2011

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

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Research Design and Approach

Both descriptive and qualitative method was used to analyze the data collected from customers. This study used descriptive analysis that describes the service quality dimensions that leads to customer satisfaction.

The research was designed and presented to determine the objective of the study. The SEVQUAL framework models some complimentary suggestions and opinions were gathered from EIC customers and management members of EIC through questionnaires and interview, were used the expected and perceived service with respect to EIC customer service quality attributes.

3.2 Population, Sampling Size and Sampling Techniques

3.2.1. Population

Population for this study focused in two district of the corporation which are assumed to availability of data for the purpose of this study. Accordingly this, 600 current EIC customers are taken as the population for the study.

3.2.2. Sampling Size and Sampling Technique

Due to the limited nature of resource availability, it was difficult to treat all members of the population as a source of data for the study and, hence, sampling was required. The representation of the population of the study made use of the probability sampling method which was used for acquiring primary data from sample motor insurance holders through questionnaires. The list of the motor insurance clients holding a comprehensive cover in the branch offices of EIC in Addis Ababa was used as a sampling frame. And, systematic random sampling method was applied until the required sample size was met.

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

$$n = \frac{N}{1 + N(e^2)} \quad \text{Where:}$$

n = size of sample

e = maximum tolerable sampling error=5%

N= population size =600

Consequently, the ultimate figure is computed as:

$$N = 600$$

$$e = 0.05$$

$$n = \frac{600}{1 + 600(0.05)^2} = 240$$

Accordingly, total of 240 motor insurance policy holders were selected from two different districts in Addis Ababa using convenience the questionnaire were distributed according to the number of the motor insurance customers that each District policy holds. As the desired sample size was 240, random numbers at the 5th interval were selected until the required sample size was attained and targeted for the self-administered questionnaire.

Then by applying the stated formula, the number of sample customer for the study is determined to be 145 for Southern Addis District and 105 for Arada district and brings the total for the study to be 240. These districts were selected for having different customers mix from the private, public, and financial and government sectors

3.3 Method of Data Collection

Both primary and secondary data sources used to answer research question. Primary data in relation to customers' attitude towards quality service of the corporation was collected from 240 motor insurance clients of EIC through questionnaires and from management

through interview. This tool was selected because questionnaire could cover wide range of respondents to give their opinion freely. The secondary data has been collected from different sources such as from EIC documents, open customer suggestion books, published books, research papers.

3.4 Data Collection Tools

3.4.1 Questionnaires

The questionnaire is divided into two three sections. In the first part information related to demographic features of the respondent such as gender, age, education and customer type's. In the second part respondent asked general information about customers. In the third part the respondent, were asked to evaluate parameters of the SERVQUAL five dimension (Tangibles, Reliability, Responsiveness, Assurance and Empathy) were used which are subdivide 21 statements, which were direct to measuring service quality relevant to insurance industry (on a five point likert scales at "strongly agree to strongly disagree").

This was to enable to get a better understanding of the type of respondents and related it to how they perceive service quality in EIC. The SERVQUAL models used as the basis for the structured questionnaire because, it provides information in research questions in which it trying to how service are being delivered in EIC customers, what are the expectation customers from EIC respect to motor insurance service and which service quality dimensions brings satisfaction/dissatisfaction.

3.2.2 Administering of Questionnaires

As mentioned earlier in this study, a convenience sampling technique has used and had 240 questionnaires to administer. I only received 200 questionnaires that were complete. This was because some people got the questionnaires and went away with them and others did not completely answer the questions and so considered them invalid.

3.5 Data Analysis Method

The study employed descriptive tools in analyzing the data. The data was edited and coded. The coded data was then processed using Statistical Package for Social Science (SPSS).

3.5.1 Descriptive Analysis

The descriptive statistical results were presented by tables, frequency distributions and percentages to analyze the data. This was achieved through summary statistics, which includes the mean values, standard deviation and percentages which were computed for each variable in this study.

3.6 Ethical Considerations

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

CHAPTER FOUR

RESULT AND DISCUSSION

This chapter consists of data analysis and also involves the presentation and discussion of the results.

4:1 Response Rate of Respondent

Table 4:1 Response rate of Respondents

Variable	Frequency	Percentage (%)
1. Gender		
Male	106	53
Female	94	47
Total	200	100
2. Age		
18-35	38	19
36-45	74	37
46-60	59	29.5
Above 60	29	14.5
Total	200	100
3. Educational		
Master & Above	28	14
First degree	73	36.5
Diploma	62	31
Twelve grades completed	37	18.5
Total	200	100
4. Customer		
Private customer	104	52
Business customer	96	48
Total	200	100

Source: Own survey 2017

The demographic profile of the respondent that is presented in table 4:1, indicated that the majority 106 (53%) of the respondent are male with the remaining 94(47%) are female. In terms of age 88 (44%) of them aged above 46, while 74(37%) of them are at middle age (36-45) and the rest 38(19%) are at younger age (18-35).In addition, 101(50.50%) of the respondents are the holders of First degree and above and 62(31%) of them are diploma holders and the rest 37(18.5%) are less than 12 grades. This implies the majority of the respondents are educated and qualified and give proper justifications

regarding the inquiries. The majority 104 (52%) of the respondent are from private sector and individuals which are stated to be running their own business, 48% respondents from government/public/Non government organization. This implies an effort was made to address variety of customers in different sectors.

4.2 General Information About Customer

Customer were asked to give information in relation to their stay EIC customer and various issues which are related to claims service and the following reply have been obtained.

Table.4:2- General Information about customers

Variable	Frequency	Percentage
5. How long you have stayed as customers of EIC?		
Below 2 years	34	17
3-5 years	79	39.5
6-10 years	52	26
Over 10 years	35	17.5
Total	200	100
6. Have you ever lodged claims related to your Vehicle?		
Yes	119	59.50
No	81	40.5
Total	200	100
7. If you answer for the above question is yes, how long is takes for you to get claims processed?		
Below a week	7	5.88
Between 2 and 4 weeks	39	32.77
Between 1 and 2 months	37	31.10
Between 3 and 4 months	26	21.85
Between 5 and 7 months	8	6.7
Over 7 months	2	1.68
Total	119	100
8. If you claim has taken very long period to be settled what do you think the reason to be? (You can give more than one answer).		
Lack of employee concern	20	16.81
Incapacity of employee to make timely decision	34	28.57
Too long repair process and delay in garages	36	30.25
Employee do not ask all relevant documents Beginning to which are helpful settle the claim	29	24.37
Total	119	100

9. Has the corporation timely settled your claim as promised to pay during the purchase your motor policy?		
Never	11	9.24
Has accomplished as promised	45	37.82
To some extent	42	35.29
Has accomplished beyond what I expected	21	17.65
Total	119	100
10. Generally, how do you rate the quality of motor insurance service towards your satisfaction?		
Strong dissatisfaction	8	4
Dissatisfaction	30	15
Neutral	98	49
Satisfaction	39	19.5
Highly satisfaction	25	12.5
Total	200	100

Source: Own survey 2017

As depicted in above table 4:1 Question 5, above were asked for how long have you stayed customers with EIC? Accordingly 34(17%) stayed that they have been customers of EIC for less than two years, 79(39.5%) stayed that they have been EIC customer between 3 to 5 years, 52(26%) stayed 6 to 10 years and 35(17.5%) over 10 years. As can be seen above about 166(83%) of the customers have been with EIC for more than 3 years and they can tell about the claims service of EIC.

In Question 6, customer were asked whether they have lodged motor claims or not 119(59.5%) said yes and the remaining 81(40.50%) said No. As most of the respondent had claims in connection to motor, they can witness the type of claims service EIC is offering.

In Question 7, those customers who responded yes in the above question were asked how long it takes for you to get claims be processed. Accordingly 7(5.88%) Below a week, 39(32.77 %) Between 2-4 weeks, 37(31.10%) responded between 1-2 months, 26 (21.85%) responded 3-4 months, 8(6.7%) responded, 5-7 months and 2(1.68) replied over 7 months. As one can observed from the above, 73(61.35%) of the claims settlement

process has consumed from 1 months to over 7 months to be settled, this is not a good signal of quality service delivery.

In Question 8, those customers were also asked the reason too much delay in processing claims. The outcomes of being 20(16.81%) responded lack of employees concern,34(28.57%)reply incapacity of employees for making timely decision,36(30.25%) come up with too long repair process and delay in garages to be the reason for the delay and 29(24.37%)responding that employees do not ask all relevant documents at the beginning of the which are helpful to settle the claim.

To long repair process and delay in garage, incapacity of employees for making timely decision and employees do not ask all relevant documents at the beginning of the claim are indicate to the major reason as opinions of respondent.

In question 9, customer were asked whether EIC timely settles their claim as promised to pay during purchased your motor policy,11(9.24%)of the respondent replied never,42(35.29%) replied to some extent,45(37.82%) stated to be accomplished as compared to the promise made at purchase of policy 21(17.65%) of the respondents declared that ,at time of claims their promises are not kept to the optimum level as they expected.

In question 10, customer were asked how do you rate the quality of motor insurance service towards your satisfaction, 8(4%) of the respondent Strong dissatisfaction, 30(15%) are dissatisfaction, 98(49%) are neutral, 39(19.5) are satisfaction and 25(12.5%) are highly satisfaction.

4.3 Service Quality Dimensions EIC

After reviewing the literature, a seven service quality dimensions made up of twenty one (21) factor questionnaire was developed to measure service quality in EIC. Each question was based on a 5-point weighted likert scale as shown below:

1= Strong Disagree 2 = Disagree 3=Neural

4= Agree 5= Strong agree

In order to measure the level of service quality delivery, the five dimensions: tangibles, empathy, responsiveness, reliability and assurance developed by Parasuraman et al (1988).

4.3.1 Tangibility Dimension

Tangibility deals with the appearance of physical facilities, equipment, and appearance of personnel, and communication materials.

Table 4.3: Descriptive Statistics on Tangibility Dimension

Tangibles		Mean	St.Dv
T1	Are the locations Branches or Districts convenient to you?	3.25	1.32
T2	Is the appearance and dressing of employees is neat and attractive?	3.13	1.40
T3	Materials associated with the service in the office are visually appealing.	2.75	1.39
T4	Are the office equipment & network system modern looking & accessible respectively?	2.99	1.43
Group(Mean & Standard deviation)		12.12	5.54
Average(Mean & Standard deviation)		3.03	1.38

Are we can see from the table 4:3: Overall average result mean and standard deviation of the tangibility from the findings is 3.03(1.38). Even if the service providing by the insurance is purely intangible, but the quality and accessibility of tangible materials associated with its service like office furniture, building neatness of employees and location of building have the capacity to attract customers and play a role for promotional activities and as a factor for competitive dimension.

Most of the result indicated the above table the mean is higher than the average mean, this implies that the respondent satisfied.

4:3:2 Reliability Dimension

Reliability refers companies' consistency and certainty in terms of performance, with regarding of this issue.

Table 4:4: Descriptive Statistic on Reliability Dimension

Reliability		Mean	St.Dv
R5	Do Employees have Providing services to you just as they promise to do so?	2.61	1.51
R6	Do Employees Perform service in a way that inspires trust and confidence?	2.45	1.38
R7	Do Employees have sincere interest in solving customer's problems?	2.73	1.49
R8	Is there A practices of Keeping error free records?	2.96	1.43
R9	Do the employees treat all customers equally?	2.40	1.42
Group(Mean & Standard deviation)		13.15	7.23
Average(Mean & Standard deviation)		2.63	1.44

Are we can see from the table 4:4: average result mean and standard deviation for reliability from the findings is 2.63(1.44). This implies that the employees of the company could not do the customer's request by a certain time as the promises to do. When customer face problems, the employees of the company could not react as expected. The result also indicates majority of the employees are not willing to helps customers and most of time could not provide the customers with the accurate information or records. In consequence of this, the customer may turn their similar companies or may not renew their policies since they will not be reliable or be trustful on the activities done by the employees.

Most of the result indicated the above table the mean is lower than the average mean, this implies that the respondent dissatisfied.

4:3:3 Responsiveness Dimension

Responsiveness is wiliness of employee to help customers and ability to provide them with prompt service.

Table 4:5: Descriptive Statistics on Responsiveness Dimension

Responsiveness		Mean	St.Dv
R10	Does the staff provide quick service of customer?	2.84	1.31
R11	Does the staff have willing to help customers	2.69	1.45
R12	Customers are always informed when exactly service will be performed?	2.70	1.30
R13	Are the employees Responsive to customer?	2.62	1.53
Group(Mean & Standard deviation)		10.85	5.59
Average(Mean & Standard deviation)		2.71	1.40

Are we can see from the table 4:5: average result mean and standard deviation for responsiveness from the findings is 2.74(1.40).This implies that the employees are not encourage and empowered: as a results they are not willing to help customer as expected with quick response. The service providers in the first place should have positive attitude to help customers willing with a prompt response.

Most of the result indicated the above table the mean is lower than the average mean, this implies that the respondent dissatisfied.

4:3:4 Assurance Dimension

This considers the knowledge and courtesy of employees as well as their ability to convey trust and confidence

Table 4:6 Descriptive Statistics on Assurance Dimension

Assurance		Mean	St.Dv
A14	Are the employee's friendly and show courtesy to the customers?	3.34	1.5
A15	Do customers feel safe in their transactions?	3.16	1.53
A16	Do the Behaviors of staff instill confidence in customers?	3.18	1.51
A17	Are the staffs having knowledge to answer questions aroused by customers?	3.25	1.46
Group(Mean & Standard deviation)		12.92	6.00
Average(Mean & Standard deviation)		3.23	1.50

Are we can see from the table 4:6: average result mean and standard deviation for Assurance dimension from the findings is 3.23(1.50). This implies that even if most of the respondent more that average are satisfied the management and staff of EIC should keep on or continue such practice until the customer have full trust and confidence on the performance through approaching the customers friendly and with courtesy thereby customer feel safe in their transaction. Most of the result indicated the above table the mean is higher than the average mean, this implies that the respondent satisfied.

4:3:5 Empathy Dimension

Empathy Dimension is the provision of caring, individualized attention to customers.

Table 4:7 Descriptive Statistics on Empathy Dimension

Empathy		Mean	St.Dv
E18	Does the staff understand about specific needs of customers?	2.6	1.37
E19	Are the employees are giving customers best interest at heart?	2.57	1.43
E20	Are the operating hours convenient to you?	2.98	1.55
E21	Does the staff give attention or consideration to customer?	2.69	1.38
Group(Mean & Standard deviation)		10.84	5.75
Average(Mean & Standard deviation)		2.71	1.43

As we can see from the table: 4:7 average result mean and standard deviation for Empathy dimension from the findings is 2.71(1.43). The overall results gained from the respondent regarding empathy indicates that majority of the employees of EIC will not understand the specific needs of their customers the employees should give customer their personal attention and also have their customers best interests at heart.

Most of the result indicated the above table the mean is lower than the average mean, this implies that the respondent dissatisfied.

As we can see the above result stated that, the mean is lower than the average means show the problem facing given by the company service in all service dimensions.

CHAPTER FIVE

FINDINGS, CONCLUSIONS AND RECOMMENDATION

5.1 Major Findings

From the analysis of the study, the major findings are summarized as follows:

- The overall result of tangibility dimension on average, 3.03(1.38) indicates that majority of the respondents said that they agree that the physical facilities of the corporation are usually appealing
- Reliability refers companies' consistency and certainty in terms of performance, with regarding of this issue, the average result, 2.63(1.44) show that majority of the respondents are disagree in the companies' reliability service.
- Responsiveness is wiliness of employee to help customers and ability to provide them with prompt service. In association with this service dimension factor, the average result, 2.71(1.40) shows that the employees are not helpful, responsive and quick response for customers.
- Assurance is competency and creditability of service personnel. Regarding assurance dimension, on average result, 3.23(1.5) show that most of the respondents agrees confirmed that the employees of the company are educated, competent and courtesy.
- The average result of the empathy dimension, 2.71(1.43) stated that most of respondent are disagree with the staff attention give to them (specific needs of customers) and the operating hours are inconvenient.
- Too long claims settlement process and delays made by repaired garage mentioned as reasons for customers' dissatisfaction.
- According to the believe of district directorate and team leader ,procedures for the checking the existence of cover ,validation of claims lodged request for documentation for settling claims and some legal issues are mentioned as a reason for delaying in claims settlement creation of customers, dissatisfaction.
- Most of respondent confirmed insufficient manpower allocation and too much work load on employees have contributed for the delay.

5.2 Conclusions

The main purpose of this study was to assess service quality using SERVQUAL model from EIC current business set ups. It also , see how applicable the SERVQUAL model in the context of EIC using its dimensions to measure service quality , what are the expectation customers from EIC respect to motor insurance service and which service quality dimensions brings satisfaction/dissatisfaction. Knowing how customers perceive service quality and being able to measure service quality will benefit management of service organizations including EIC. Measuring service quality helps management to provide reliable data that can be used to monitor, maintain and improve service quality. Findings show that EIC customers expect more than what they perceive therefore EIC must strive hard to improve all the service quality dimensions for improve customer satisfaction.

5.3 Recommendations

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

- The insurance policies prepared for customers should be clear and be prepared in simple language easy to understand.
- Underwriters should educate customers in their first approach to let them be aware what they are buying, to know policy terms and conditions; and the scope of cover and policy exclusions. The clients should be informed also the steps (procedures) that they follow at time of the accident.
- The product innovation and product differentiation in terms of policy benefits, terms and conditions and providing efficient services can be major competitive factors that EIC should rely on instead of competing only on price cutting.
- The EIC should make the furniture and equipments be modern looking, the physical facilities should be visually appealing, the employees of service giving organization like EIC better be neat in appearance. All these will improve the services and also they are a value added activities.

- The management should arrange training facilities regarding the field of Insurance to update and uplift the employees' skill in order to have full confidence in their knowledge and reply to any questions raised by the customers and solve any problems faced by the customers.
- So that the employees and the management of EIC should have the ability to identify and understand their customers feelings or discomforts/ difficulties in the process of handling them in order to take a pro-active measure pre hand.
- EIC is expected to give priority to improve the culture of the organization, particularly the way employees give personal attention/ consideration to their customers, retain the existing business and attract more,
- The EIC should set time limit for completion of issuing policies, paying claims or commissions, returning policy owners calls or requests with a flexible manner. The EIC should also make the operating time available for longer hours than currently scheduled.
- Too long repaired process and delay in garages has been found to be one of the reasons for customer's dissatisfaction. Therefore, EIC has to be think of other alternative fixing maximum repair time while giving work order to garage and alternatives must try to have its own garage to make repair of customer's vehicle that special attention.
- As good communication is a key drives of customers satisfaction and EIC to do a lot to realize better communication with its customers and employees.
- IT plays vital role in increasing efficiency, and enhancing communication, Therefore EIC has to use better insurance packages that support the activity operational unit.

Recommendation for future Research

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

REFERENCES:

- Berry, L.L., Zeithamal, V.A , and Parasuraman, A. (1985), Quality Counts in Services, business Horizons, PP. 44-52.
- Bickelhaupt,D.(1983).General Insurance (11ed).U.S.A Richard IRWIN,Inc.
- Bottle F.(1996) SERVQUAL review, critique research agenda,Eropean Journal of Marketing No.1 vol 30
- Dawkins, P. and Reichheld, F. (1990), "Consumer as a Competitive Weapon, " Directors and Boards, 14 (Summer), pp 42-47.
- Diacon, S, and carter,R.(2003).Success in Insurance (3rd).New York: Ethiopian Insurance Corporation, 2016. Annual performance report, EIC's Insurance Note and Guidnce,2011
- Fornell C. Jonson, D., Andesson, W., Cha J.Bryant, E(1996) . The America Customer satisfaction.
- Gummesson, E. (1992), Quality Dimensions: what to measure in service organization,
- John Adams, Hafiz T.A. Khan, Robert Raeside and David white (2007) Research Methods for Graduate Business & Social Science Students California, Sage
- Levesque T, McDougall GHG. (1996), "Determinants of customer satisfaction in banking." *International Journal of Bank Marketing*; Vol. 14(7), Pp. 12-20.
- Parasuramam, A. Zeithaml, V.A and Berry, L.L. (1985) A conceptual Model of Service Quality and its implications for future research. *Journal of Marketing*, Vol.49)PP.41-50
- Parasuraman, A-,Zeithaml, V.A , and Belly, L.L (1988) "SERVQUAL! A Multiple-Item scale for measuring consumer perceptions of service quality, "Journal of retailing, Vol.64,No-1,PP12-40
- Rejda ,G(2008). Principles of Risk management and Insurance .Boston:pearson Education Inc.
- Robert Heller,(2006),The complet Guide to modern Management Jajco publishing house,Mumbai,pp.109.

Smith Jan, 2013, Meeting Customer needs ,third edition p. 9-10

Taylor, S. A. (2001).” Assessing the use of regression analysis in examining service recovery in the insurance industry”: relating service quality, customer satisfaction and customer trust. *Journal of Insurance Issues*, 24(1/2),30-57

Zeithaml, V.A, Berry, L, and Parasuraman, A (1996), the behavioral consequences of service quality “ *Journal of Marketing*, vol. 60.No. 2, PP. 31-46

Zeithaml, V.A. (1988), ‘ ’ Consumer perceptions of price, quality and value: a means – end model and synthesis of evidence, “ *Journal of Marketing*, Vol. 52, July, PP2-22

Zathmal V.A Berry,LL.parasuranam,A.(1990),Delivering Quality Service in balancing

APPENDIX I: Questionnaires

St Mary's university school of Graduate studies

MBA program

A Questionnaire on the assessment on motor insurance service quality on customer satisfaction to be filled by the motor insurance policy holders of EIC.

Dear customer

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

Please don't write our name!!

Thank you in advance!

9. Has the corporation timely settled your claim as promised to pay during the purchase your motor policy?

Never

To some extent

Has accomplished as promised

Has accomplished beyond what I expected

10. Please give us your general view in relation to the motor service delivered to you by the corporation?

.....

.....

.....

.....

.....

Thank you

SEVIQUAL MODEL QUESTIONNAIRES

Question related to evaluate assessment on motor insurance service quality on customer satisfaction

Please mark “x” where appropriate

SD= Strong Disagree D= Disagree N=Neural

A= Agree

SA= Strong agree

Tangibles		SD	D	N	A	SA
T1	Are the locations of Branches/Districts convenient to you?					
T2	Is the appearance and dressing of employees is neat and attractive?					
T3	Materials associated with the service in the office are visually appealing.					
T4	Are the office equipment and Network system modern looking and accessible respectively?					
Reliability						
R5	Do Employees have Providing services to you just as they promise to do so?					
R6	Do Employees Perform service in a way that inspires trust and Confidence?					
R7	Do Employees have sincere interest in solving customer’s problems?					
R8	Is there A practices f Keeping error free records?					
R9	Do the employees treat all customers equally?					
Responsiveness						
R10	Does the staff provide quick service o customers?					
R11	Does the staff have willing to help customers?					
R12	Customers are always informed when exactly service will be performed?					
R13	Are the employees Responsive to customer?					
Assurance						
A14	Are the employee’s friendly and show courtesy to the customers?					
A15	Do customers feel safe in their transactions?					
A16	Do the Behaviors of staff instill confidence in customers?					

A17	Are the staffs having knowledge to answer questions aroused by customers?					
Empathy						
E18	Does the staff understand about specific needs of customers?					
E19	Are the employees are giving customers best interest at heart?					
E20	Are the operating hours convenient to you?					
E21	Des the staff gives attention/consideration to customer?					

Appendix II: Interview Question

St marry,s university school of Graduate studies

MBA program

Interview questions prepared for managers /Principal

1. How do you see your communication with your customer?
2. Do you feel that your customer are happy with the service they receive?
from the corporation
3. What are the achievement and challenges EIC faced with its service delivery?
4. What improvement had been made by the corporation to make customer delighted and happy with your service?
5. Do you have clear directive and procedure to manage customers' complaint?
6. Have you ever thought customers complaint as a base for the improvement of your service delivery?
7. Do you think you are fully authorized and empowered decision that enables you to make customers happy and loyal to your organization?
8. What strategy have you developed to improve the service delivery and to make your customers happy and satisfied?
9. Please give any comment you have towards improvement of service quality in particular for the creation of customers satisfaction.