ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

ASSESSMENT OF CHALLENGES AND PROSPECTS OF MOTOR CLAIMS MANAGEMENT INAFRICA INSURANCE COMPANY S.C.

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Declaration

I, the undersigned, declare that this essay is my original work prepared under the guidance of Dr. Tesfaye Wolde. All sources of materials used for the manuscript have been dully acknowledged.

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List of Acronyms / Abbreviations

AIC	Africa Insurance Company (S.C.)
AEI	Association of Ethiopian Insurers
PAB	Personal Accident Benefit
PAMB	Personal Accident Medical Benefit
PLL	Passenger Legal Liability
COMESA	Common Market for Eastern and South Africa
BS	Bandits and *Shifta*
BSG	Bandits, *Shifta* and Guerrillas
P&C	Property & Causality
CSAT	customer satisfaction
ADR	Alternative Dispute Resolution
NBE	National Bank of Ethiopia
MTPL	Motor Third Party Liability Insurance
MBA	Masters of Business Administration
EIC	Ethiopian Insurance Company
SMU	St Mary's University
UNCTAD	United Nations Conference on Trade and Development
GNPI	Gross National Premium Income
VIATPR	Vehicle Insurance Against Third Party Risks
IFAA	Insurance Fund Administration Agency
CII	Chartered Insurance Institute
TP	Third Party
TP&F&T	Third Party and Fire and Theft

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Abstract

The tragic effects of motor claims management is a nuisance to the insurance business. This study analyzes the challenges and prospects of as well as customer satisfaction level of the motor insurance business account in general and motor claims handling and management in AIC by considering the specific objectives of identifying the claims handling processes affecting customer experience and satisfaction. At the same time the study evaluated motor claims handling procedure and identified the challenges directly related in customer satisfaction and confidence on AIC and its products delivered. The study further assessed the prospects of installing motor claims management that alliance with its strategic plan in lieu of prevailing claims handling procedure. The study employed cross-sectional survey design in which 315 external customers selected randomly and 88 internal customers (i.e., staffs) involved in the claim process were the subject of the study by administering specially designed questionnaires. Besides, three FGDs and six KIIs were carried out to get an in-depth insight in the evaluation of service delivery according to the missions and strategies of AIC. The results obtained suggest that the prevailing claims handling process is a major problem area affecting customers' satisfaction that need to be overhauled. The clients of AIC believed that lack of updated and clear claims management manuals and procedures, lack of skilled, knowledgeable, experienced and committed claim staff and in claims service are the key challenges in AIC. More importantly, centralized claims management, external and internal effects of immoral behavior of the clients, surveyors, garages, spare part dealers, and internal employees along with sluggish interdepartmental/work units/ communications towards claims management were the major issues in the company. Poor compliant handling system of the company, delay of claims management from notification up to settlement to claimants, lack of intensive standard training for claims staff, and lack of work standard for internal employees, external surveyors and garages decelerates the rate at which quality service is delivered in the company. Thus, it's recommended based on the finding that the AIC should create an effective, transparent and customer-oriented means to standardize the services, educate the customers, decentralize the claim unit and make use of the standard monitoring mechanism as per the strategies and policies of the company so as to maximize the level of satisfaction of motor claimants.

Keywords: - Challenges, Clients, Motor claims management, Satisfaction

CHAPTER ONE: INTRODUCTION

1.1. Background of the Study

Insurance is a risk transfer mechanism and its purpose is to compensate or indemnify the victim for the financial losses suffered as a result of the risks but it does not eliminate the risk 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, by providing security in the form of cover and making available funds for investment. In this regard insurance, being an area of investment, has a critical linkage to all sectors of the national economy (Rejda and McNamara, 2014).

The development of insurance is associated with the early days of human civilizations. For example, marine insurance was practice around 1,000 BC, some 2000 year ago, in Roman time a form of life assurance was practice by burial societies (Fisher and Marshall, 1999). However there is no unanimous evidence as to when and how the modern insurance began. Nonetheless, the 19th and 20th centuries have been marked with the hastening of insurance services all over the world (Getensh, 2007).

Modern insurance service in Ethiopia traces its origin back to 1905 when the Bank of Abyssinia began to underwrite fire and marine insurance policies as an agent to a foreign insurance company. According to Tsegaye (2009) in 1951about 31 foreign insurance companies' were transacting insurance business in Ethiopia that started with opening of a single company in 1905. The success of foreign companies became seed for the establishment of first domestic insurer known as Imperial Insurance Company, by foreign nationals with the ruling aristocracy and royal families in 1951; and was followed by National Insurance Company of Ethiopia. In the subsequent years fifteen privately owned insurance companies' were operational in the Ethiopian insurance market until 1975 (Getensh, 2007).

Following of government and political change in Ethiopia, and with shutting down of one by Government decision and other filing for bankruptcy, the remaining thirteen companies were nationalized with their full assets and liabilities, resulting in the establishment of Ethiopian Insurance Company in 1976. This action marked the end of free economy and beginning of the

period of monopoly that stayed for about 20 years until 1994, with promulgation of a new law that deregulated the financial sector to domestic investors (Belay, 2007).

A new and comprehensive law to regulate the licensing operation and supervision of insurance business has been promulgated under proclamation no 86/1994 on February 1, 1994(EIBI, 1996) which led to the establishment of privately owned insurance companies (Getensh, 2007). Between February 1994 and June 30, 2015, the total number of insurance companies operating in Ethiopia, including governmentally owned Ethiopian Insurance Company, is 17(seventeen); and Africa Insurance Company (S.C.) is one of the leading operators in the market. The industry has registered the following records: - birr 5.9 billion worth of total assets, birr 1.5 billion of capital, birr 4.5 billion of gross premium (out of which 51% is accounted to motor insurance) and birr 576.9 million of net income in general or non-life insurance business (NBE, 2014) and operate nationwide by using 377 branch offices (NBE, 2015).

Africa Insurance Company S.C. was established on 8, December 1994, with the main objective of transacting general and long-term Insurance Business, in accordance with the licensing and supervision of Insurance Business Proclamation No.86/1994 and the Commercial Code of Ethiopia. The company was set up with subscribed capital of birr 30 million and paid up capital of 15 million. Currently the company's paid up capital risen to birr 145.7 million as at June 30, 2015; and registered a total gross premium income of 327.4 million of which 64% is accounted for motor insurance (AIC Annual Report, 2014/15).

The Company currently has 301 employees; and out of this 150 are males and the rest females. It operates throughout the country by using its 25 branches where 14 are situated in Addis and its environs and the rest being outlaying branches (AIC Annual Report, 2014/15). AIC's vision is to succeed in the competition and seen as the most preferred insurance company by customer in the company; and the mission is to provide reliable and quality insurance services in the best interest of our existing and potential customer at a competitive price and insuring long term sustainable growth and profit, productivity and asset returns to its shareholders. To achieve this objective and excel than its competitors it is paramount importance to assess the current motor claims handling policy and procedure and identify the issues affecting customer satisfaction.

1.2. Statement of the Problem

The issue of motor claim management had been a massive nuisance to the insurance business industry since its commencement. Abinet (2015) stated that there is a considerable gap in customers' expectation and satisfaction towards the claims service. Uncovering the pain, the research stated that the reliability, tangibility and responsiveness were identified as the most important problems in the field. On his SERVEQUAL-based model, Akalu (2015) concluded that tangibility, reliability, assurance, responsiveness and empathy have positive and significant effect on customer satisfaction. The findings of this study also indicated that assurance is the most important factor to have a positive and significant effect on customer satisfaction followed by reliability, responsiveness, empathy, and tangibles (Akalu, 2015). However, the research didn't indicate anything on the motor claim management which this study attempts to address. Thus, prompt and appropriate settlement of claims must be regarded as an excellent advertisement, over and above that it places reliance on any insurer (Peter and Handly, 2003).The total national gross premium generated in the country about 94% is derived from general insurance business and the rest 6% from long term insurance business (NBE, 2014/15). From the 94% gross premium income of the market motor insurance constitutes about 51% (NBE, 2014/15) thereby dominating every insurer's fortune in the short and long run (UNCTAD, 1984). It was argues that, any mal-practice, particularly on the claims service, highly attracts public attention and considerably affects market performance of any insurer and the insurance market (Akalu, 2014). Therefore, besides other things due caution shall be made in delivering insurance service to the customers of this class (Akalu, 2015; Abinet, 2015).

In general underwriting and claims handling are the two most important aspect of the functioning of or delivering insurance service by an insurance company. Qaiser (2015) argues that the customer expects adequate insurance coverage, timely delivery of defect free policy documents with relevant endorsements; and quick settlement to his satisfaction. The claim settlements in general insurance thus have their own peculiarities and therefore need proper handling (Tsegaye, 2009; and Getenesh, 2007). Most policyholders had appreciated it for great importance. The services being rendered will determine the attitude of the customers (Qaiser, 2015).

Though it is dominant contributor to Gross National Premium Income (GNPI), by providing half of the total market premium, very few studies have been conducted on motor claims service. The studies so far conducted on general claims handling reveal varying results ranging from 19% to 76% satisfaction level of customers (AIC Annual Report, 2016). As indicated under previous sections motor insurance business takes major share of the market and 64% of AIC's total premium income, thereby dominating other classes (AIC Annual Report, 2016). Assessment and identification of challenges encountered and customers perception of the standard of motor claims service delivery in motor insurance by AIC and resultant effect of achieving its strategic objective as envisaged on vision and mission statement have not been researched.

1.3. Research Questions

This study attempted to address the following questions in order to identify the challenges found in AIC's motor claims handling and prospects of alleviating the problem and install claims management with a view of meeting customers expectation and reduction of cost in AIC:

i. How important is motor insurance for the company to achieve its objective as specified by its Vision and Mission statement?
ii. What are the challenges encountered in AIC's motor claims handling procedure negatively affecting customers satisfaction and trust?
iii. What is the gap between the perceived and expected satisfaction of customers in motor claims handling process of AIC?
iv. What are the expected benefits derived from implementing proper motor claims management in AIC?

1.4. Objectives of the Study

1.4.1. General Objective

The prime task of this study is to assess investigate the prevailing AIC's motor claims handling procedure and identify the challenges thereof and the prospect of implementing claims management to achieve its strategic objective as enshrined in its vision and mission statement.

1.4.2. Specific Objectives

The study analyzes the management and performance of the motor insurance business account in general and motor claims handling and management in AIC by considering the following specific objectives: -

- To identify the importance of motor insurance business and claims handling to AIC;
- To identify the processes in motor claims handling procedure of AIC affecting customer experience and satisfaction;
- To evaluate the gap between customers' perceived and expected level of satisfaction on the motor claims handling process of AIC; and
- To assess prospects of installing motor claims management that alliance with AIC's strategic plan in lieu of prevailing claims handling procedure.

1.5. Significance of the Study

The research outcome can be used by AIC to identify the problems associated in the performance of motor insurance account and put in place remedial solutions. It also assists to identify slack areas of performance and make remedial measures by tapping possible leakages and minimization of claims costs; and identify the gap between its customer's expectation and existing performance in this class of business and filling the unsatisfied demand. In general it can help the company to make proper revision of its underwriting claims policy and procedure operation manual.

In addition to the above the research paper can be used as a base of reference by other scholars for research purposes and as resource material for other private insurance companies in order to evaluate their performances.

1.6. Scope of the Study

The study mainly has been conducted at AIC's claims department at head office situated in Addis Ababa where all the regional claim settlement service is centralized for amounts exceeding birr 20,000. Furthermore due to possible difficulty of combining life insurance in this respect, the study only covers claims management of general insurance with special emphasis on motor insurance. In addition, availability of research documents and reference in the areas of

insurance in general and claims service in particular in Ethiopian insurance industry has limited the scope of the study.

1.7. Organization of the Study

The study is presented in five chapters. The first chapter is the introduction part and offers background of the study, statement of the problem, basic research questions, research objectives, definition of terms and significance of the study.

The second chapter is a review of related literature and focuses on significant factors that are related to the study area. Chapter three provides information about the methods used in this study in addressing the questions posed earlier in this study. The methodology illustrates how necessary data are collected and usage of gathered data to answer the research questions. The fourth chapter discusses data analysis and interpretation. The fifth chapter gives conclusion and relevant recommendations based on the findings of the study.

CHAPTER TWO: REVIEW OF RELATED LITERATURE

2.1. Theoretical Literature

2.1.1. Insurance in Ethiopia

Insurance is the financial arrangement that redistributes the cost of unexpected loss. From the dawn of civilization man has been engaged in an unending pursuit of security. Whether in battling the elements of nature or developing social formations, the need to control human destiny and reduce uncertainty has been as the core of human endeavor (Kutty, 2008). As a result risk management was among the foundation of human endeavor to mitigate the outcomes of such uncertainties in life since time immemorial. Insurance is the financial arrangement that redistributes the cost of unexpected losses. The roots of insurance might be traced to Babylonia (in Iraq), and its evolvement in its present form started at the beginning of the 20th Century.

In Ethiopia, local support systems were practiced among the community members in establishments called *Idiris, Equib* and *Debo* since time immemorial. However, modern insurance services in its present form started in the beginning of the 20th century, through the agents of foreign insurer. However, modern insurance left its birth-mark in Ethiopia1905 during the reign of Menelik II. Sources indicate that it was the Habesha Bank (Bank of Abyssinia) (Tsegaye, 2009) a branch of the Bank of Egypt, began to transact fire and marine insurance acting as an agent of a foreign insurance company (Eyessus, 2007).

The history of the development of insurance in Ethiopia can be demarcated in to four. The "Period of Agents" is the first one that runs from early 1900 to early 1950's. This period is characterized by operation of insurance in a laissez-faire environment on loose agency agreement between the domestic operator and insurance companies established and operating in foreign countries. The second one is the Middle Period, running from early 1950' to 1974; which is characterized by the end of the period of agents and emergency of indigenous companies and also among others, the coming of the Civil Code and Commercial Codes of Ethiopia 1960. The third period is the Period of Monopoly covering the years running between 1974 and 1994, where EIC alone had an insurance monopoly for almost two decades, after the nationalization of thirteen privately owned insurance companies in 1974. The last is, the Current Period that defines the time from 1994 onwards (Getensh, 2007). Between February 1994 & June 2016,

including the government owned EIC, the total number of insurance companies operating in Ethiopia as at June 30, 2015 is 17(seventeen), and Africa Insurance Company is one of the main operators in the market.

Africa Insurance Company S.C. has been established on 8, December 1994, to find its own place among private insurance companies, with the main objective of transacting General and long-term Insurance Business, in accordance with the licensing and supervision of Insurance Business Proclamation No.86/1994 and the Commercial Code of Ethiopia. The company was set up with subscribed capital of birr 30 million and paid up capital of 15 million. Currently the company's paid up capital has risen to birr 145.7 million as at June 30, 2015; and a total gross premium income of 327.4 million of which 64% is accounted for motor insurance (AIC Annual Report, 2014/15).

2.1.2. Operational Profile and Importance of Motor Insurance

It is informative to state at this juncture that South British Insurance Company was the first to issue Motor insurance policy in 1950. Citing the Ethiopian Economic Review No 3 of 1960, Hailemariam (2007), states that in 1959 approximately 50% of all motor vehicles were insured as compared with only 17% coverage in 1954. Hailu (2007) states that motor premium income constitute 44.63% of the gross premium registering a gross claims of 51.08% during the period running from 1967 to 1972 (Hailue, 2007). Similarly, the same source indicate that between 1979/80 to 1993/94 motor insurance constitute about 43.5% of the total gross premium income of the industry with 41.6% of the total gross claims incurred.

Compiled data in this regard, to show all the cyclic trends during the various periods in motor insurance still unachievable due to lack of information. However, as can be noted from the following Table, the motor insurance business constitute a mean average of about 45-46 % from the industry's, general insurance business, total gross premium and registered loss ratio of 90%, while the general insurance business only showed a loss ratio of 69% during the period running from 2008/09 to 2012/13. Moreover, on effective implementation of the compulsory Vehicle Insurance against Third Party Risks Proclamation No 799/2012, the insurance premium is estimated to continue growing quite significantly by over 40% per annum (IFAA, 2014). The

importance of motor insurance to the industry and insurance companies cannot be overemphasized than this fact.

As it has been indicated in Table 1, the total percentages of premium and motor claims had been 66.88 and 51.26, respectively (AIC, 2015/16). The five years motor premium profile of Africa Insurance Company is presented here below and depicts the importance of the same as is the case for the whole industry:

Table 1 : Gross Premium Income of AIC 2011/12- 2015/16

No	Year	General Insurance		Motor (Birr)		Motor % Of In,000	
		Premium	Claims	Premium	Claims	Premium	Claims
1	2011/12	343,849,984	217,020,398	212,848,344	123,944,904	61.90	57.11
2	2012/13	310,154,621	202,043,203	210,775,842	109,671,085	67.96	54.28
3	2013/14	316,062,890	221,032,645	202,045,077	113,397,007	63.93	51.30
4	2014/15	327,395,255	216,118,153	210,725,984	141,314,750	64.36	65.39
5	2015/16	374,470,721	190,603,156	250,436,435	97,703,840	66.88	51.26
						65.01	55.87

Source : Africa Insurance Company (2016)

2.1.3. Motor Vehicles and Motor Insurance

Motor vehicles Motor insurance accounts as the largest source of revenue of premium for all insurance companies in Ethiopia, constituting over 50% of the industry premium (NBE,2015). As per Article 2(6) of VIATPR Proclamation No 799/2013, “Motor Vehicle” is defined as any vehicle moving on a road by mechanical or electrical power; and according to Article 2(5) “Vehicle” is defined as any wheeled motor vehicle, semi trailer or trailer for use on the road with the exception of wheelchair and bicycle.

AIC’s classification of motor risks for underwriting and rating purposes goes in line with this definition. Accordingly the various categories of motor risks are made in accordance with the use and type of the vehicles. The categories include private vehicle, commercial vehicle including goods, passengers carrying and special tools vehicles, two and three wheeler vehicles, learners, hire cars and tour operators.

2.1.4. Types of Cover

AIC provides the following types of motor insurance covers to it’s varies customers: -

- ✓ Third Party insurance cover which seemingly is similar VIATPR cover,
- ✓ Third Party with Fire and / or Theft insurance cover, and
- ✓ Comprehensive insurance cover.

2.1.4.1.Motor Third Party Liability or VIATPR Insurance Cover

As the name implies, Third Party is the minimum cover required to comply with VIATPR Proclamation No 799/2013. Its importance is that vehicle users on a road are obliged to make adequate provision by way of insurance and hence victims of road accidents are not dependent on the personal wealth of the responsible person. The basis in which such a law is enacted is the Civil Code of Ethiopia Article 2081, which is the only source of legal reference in this respect (IFAA, 2015). It is also important to note that, unlike strict definition of foreign practices, VIATPR Proclamation No 799/2013 under Article 2(9) define “road” widely as “any highway, urban or rural street, parking or terminal, bridge or any other passage used by a vehicle; covering any place where vehicle can be driven (Teferi, 2016) .

2.1.4.2.Motor Third Party Liability and / or Fire and / or Theft

In addition to the cover provided under Third Party insurance, the Third Party with Fire and / or Theft indemnifies the insured for loss of or damage to the insured vehicle (and accessories and spare parts whilst thereon) caused by fire, lighting, external explosion, self ignition and/or theft or burglary or housebreaking (CII Text, Private Motor Insurance, 1998).

2.1.4.3.Motor Comprehensive Insurance Cover

Motor insurance covering comprehensive insurance cover contains two Sections: though not sequential Section I: ‘Third Party Liability Section’, and Section II: ‘Own Damage Section’ or ‘Damage or Loss Section’. Accordingly, in addition to the cover afforded by Third Party, comprehensive motor insurance policy generally grants cover against destruction of or damage to the insured vehicle caused by accidental, external and physical means; that include collision, overturning, self-ignition, fire, lightning, external explosion, theft, burglary, house breaking, and malicious acts, damage/loss during transit and falling of objects. This is the widest form of cover (AEI, 1998).

However, the own damage section of comprehensive insurance cover of AIC differs in this respect from other market players. It provides loss or damage to the insured vehicle by any extraneous accidental cause unless specifically excluded (AIC, Motor Policy). The common policy exclusions, among other things include:-

- any accident occurring outside the geographical or territorial limit of Ethiopia;
- consequential loss sustained by the insured or loss of use of any motor vehicle;
- wear and tear and/or depreciation of any motor vehicle or any part of such motor vehicle;
- mechanical fracture and/or mechanical or electrical breakdown or failure of any part of any motor vehicle; and any mechanical damage consequent thereto;
- death of or injury to members of the insured's household (family) or his employees; and damage to property of the insured or held by him in trust or in custody; and
- damage or loss or liability as a result of political risks, war and related risks and natural calamities or forces of nature (CII Text, Private Motor Insurance, 1998).

2.1.4.4.Extensions to Standard Motor Insurance Cover

Moreover, depending on the type of vehicle covered, the basic/standard covers as stated above can be extended to cover the following additional risks, by a payment of additional premium: - increase in third party liability limit, personal accident benefit (PAB); passenger legal liability (PLL); personal accident medical benefit (PAMB); Yellow Card to COMESA member countries; own damage territorial extension; third party working risk; bandits, *shifta* and guerillas (BS/BSG), and others as may be required (Motor Policy and Procedure, AIC).

2.1.5. Core Insurance Business processes

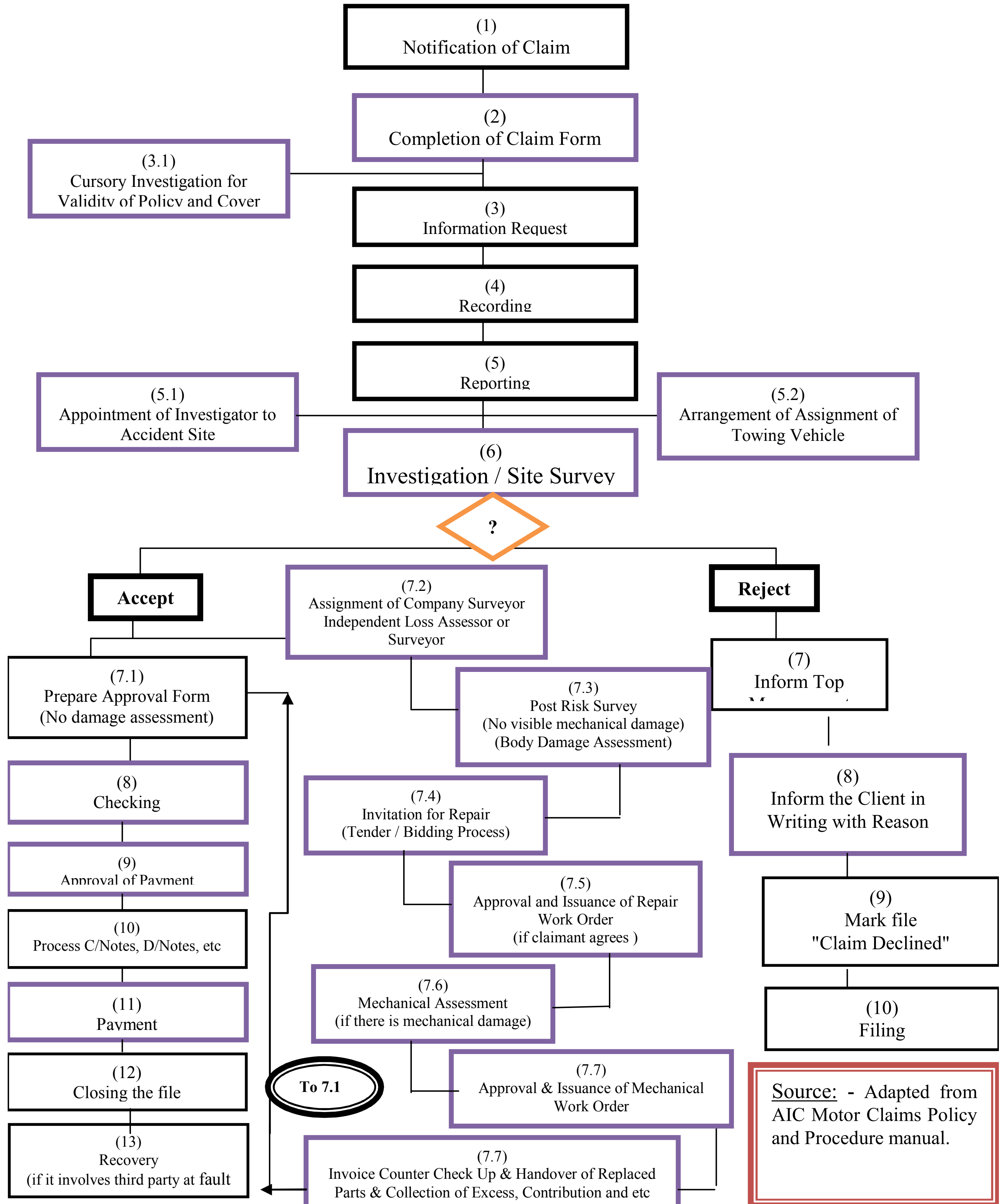
Underwriting and claims settlement are the two most important aspect of the functioning of an insurance company or core insurance business processes. According to Qaiser (2015) out of any insurance contract, the customer has the following expectations: - (i) adequate insurance coverage, which does not leave him high and dry in time of need, with right pricing; (ii) timely delivery of defect free policy documents with relevant endorsements / warranties / conditions / guidelines; and most of all, (iii) should a claim happen, quick settlement to his satisfaction.

For the purpose of this study, we shall be concentrating on (iii), as (i) and (ii) relate to underwriting, though proper underwriting facilitates claim settlement. Unlike life insurance,

where all policies necessarily result in claims – either at maturity or by death – in general insurance not all policies result in claim. Approximately around 15% policies in general insurance result in claim. The claim settlements in general insurance thus have their own peculiarities and therefore need proper handling. Also how 15% policy holders are attended is of great importance. The services being rendered will determine the attitude of the customers. How the service being rendered is perceived by the customer? That also needs to be kept in mind. Do we have a mechanism to find out the same?(R. Qaiser, 2015).

Defective underwriting may saddle the companies with unwanted claims (Quasier, 2015) but to all intents and purposes, the claim department can be seen as the "shop window" of the insurance company. It does not matter how cheap an insurance company's premium is, or how efficiently they conduct their underwriting administration if a claim is not properly and fairly dealt with. This is where an insurer was judged." (Roff, 2004). In the present liberalized scenario, with cut-throat competition being the order of the day, the insurance companies have to go much beyond the handling of claims have to manage it (Tefera, 2010). General insurance especially motor insurance being a market driven service industry, the customer has to be kept satisfied. With so many options available, a customer once lost is most likely a loss forever. Buying insurance is all about receiving compensation at the time of happening of an insured event; the benefits of providing adequate, equitable, fair and prompt claims service cannot be overemphasized in changing the fortune of insurer in the short and long run, not to forget increase in the market size of the insurer (Teferi, 2016). Therefore, claim settlement can be used as a marketing tool; by retaining existing customers and ensuring inflow of new business. It has to be noted that brining in a new customer is much more costly than retaining the existing ones, thus insurer's objective shall mainly be directed in satisfying customers by the service especially claims service they provide.

Figure 1: Motor Claims Procedure -Work Flow Chart



2.1.6. Meaning and Concepts of Customer Satisfaction

According to Center for the Study of Social Policy (2007) businesses monitor customer satisfaction in order to determine how to increase their customer base, customer loyalty, revenue, profits, market share and survival. Although greater profit is the primary driver, exemplary businesses focus on the customer and his/her experience with the organization. They work to make their customers happy and see customer satisfaction as the key to survival and profit. Customer satisfaction in turn hinges on the quality and effects of their experiences and the goods or services they receive.

The definition of customer satisfaction has been widely debated as organizations increasingly attempt to measure it. Customer satisfaction can be experienced in a variety of situations and connected to both goods and services. It is a highly personal assessment that is greatly affected by customer expectations. Satisfaction also is based on the customer's experience of both contact with the organization (the "moment of truth" as it is called in business literature) and personal outcomes. Some researchers define a satisfied customer within the private sector as "one who receives significant added value" to his/her bottom line (Hanan & Karp, 1989).

However, some researchers completely avoid "satisfaction" as a measurement objective because it is "too fuzzy an idea to serve as a meaningful benchmark" (Wreden, 2005).Instead, they focus on the customer's entire experience with an organization or service contact and the detailed assessment of that experience. To avoid difficulties stemming from the kaleidoscope of customer expectations and differences, some experts urge companies to "concentrate on a goal that's more closely linked to customer equity."Instead of asking whether customers are satisfied, they encourage companies to determine how customers hold them accountable" (Wreden, 2005).

2.1.7. Service Quality and Claims Service Quality

In order to be able to manage quality, it is essential to define exactly what 'quality' means. Quality can be defined as the totality of features and characteristics of a product or services that bear on its ability to satisfy stated or implied needs (Kotler et al., 2002, p. 831). It is evident that quality is also related to the value of an offer, which could evoke satisfaction or dissatisfaction on the part of the user.

The concept of quality applicable to the context of quality management is: 'conforming exactly to the agreed documented specification'. Therefore, quality management can be defined in the claims management context as: The introduction and use of a set of documented and defined service standards and procedures which have been systematically and independently assessed and audited by experienced and qualified assessors (Wedge and Handley, 2005).

Research identifies many characteristics that are associated with service quality. Business researchers Benjamin Schneider and David Bowen assert that "service organizations must meet three key customer needs to deliver service excellence:" security, esteem, and justice (Schneider and Bowen, 1995). Research identifies an array of service quality factors that are important for customers, including: timeliness and convenience, personal attention, reliability and dependability, employee competence and professionalism, empathy, responsiveness, assurance, availability, and tangibles such as physical facilities and equipment and the appearance of the personnel (Center for the Study of Social Policy, 2007).

However, the insurance product is unique in that its quality can only be judged when something goes wrong. For this reason, the way in which a claim is handled will have important marketing repercussions for insurers. Therefore it is important that the claims operation is adequately managed. The procedure for handling claims varies according to the type of cover, the amount of the claim, and whether it is a personal or commercial claim (Wedge and Handley, 2005).

Unlike the situations in developing countries, the increase in the purchase of motor vehicles in developing countries represent more a real growth in the rate of motorization, rather than vehicle replacement. Therefore, motor insurance line is extremely important in developing countries. It represents for them the major source of premium income (UNCTAD, 1987). The same source also emphasizes that issues associated with motor insurance as complex, by involving not only to a particular insurer but also affecting interests of all players in the insurance market, motor vehicle operators and owners, victims of motor accidents, and the public at large.

2.1.8. Motor Claims Policy and Procedure

A claim is a request to be reimbursed / compensated filed by the insured to the insurer. Claims handling is defined as the original or traditional terms for handling the claim process with

emphasis upon claim review, claims investigation and claim negotiation, but excluding risk management issues. On the other hand claims management is defined as *t*he carrying out of the entire claims handling process from notification to review of performance with a particular emphasis upon the monitoring and lowering of claims costs (Wedge and Handley, 2005).

The claims process is the defining moment in a non-life insurance customer relationship. To retain and grow market share and improve customer acquisition and retention rates, insurers are focused on enhancing customers' claims experience. In a highly competitive insurance market, differentiation through new and more effective claims management practices is one of the most important and effective ways to maintain market share and profitability.

Accordingly, AIC's Claims Policy and Procedure Manual specifies that, the quality of the company's service is measured by the performance of the company's promises under the policies it sold to its customers. There is no factor more important than the quality of a claim service to Africa Insurance Company (AIC). The company therefore will have to pay special attention to claims processing in order to maintain smooth and fair settlement of claims and thereby to achieve the good will of the policyholder through a regular follow up.

2.1.8.1. AIC Motor Claims Policy and Procedure

As admitted therein on AIC's Claims Policy and Procedure Manual, it is neither meant to be exhaustive nor intended as substitute for sound personal judgment it only states areas which claims staff shall have to cover and aware of and follow at the minimum. Thus, in an effort to achieve a fair and prompt settlement of claims, some procedures are hereunder set to serve as a guideline. The Manual further acknowledges that, a product is only as good as the service that backs it up, which makes the latter number one factor to the growth of the company. Therefore the objective of the manual is to achieve consistent claim handling by its employees as it is a top priority of the Company. It also asserts that the claims department at Head office is responsible for all claims.

The fundamental legal principles of insurance contracts are clearly asserted to be complied with and also specify all the implied and expressed duties of insured person. Moreover, the manual further specifies the policies and procedures to be followed either by the insured or claims

handler in respect of Notification; verification; investigation / survey; recording and claim reserve; collection of relevant documents and evaluating the claim for acceptance or rejection; informing rejection by a letter; reporting; protection and removal of damaged property; tender procedure for repair / replacement; claims approval authority including work order; collection of salvage, handling of claims deductibles, such as excess, contribution for age and prorate condition of average for underinsurance; exercising subrogation right and recovery; payment processing; closing a file; and also third party liability claims handling in respect to property, bodily injury and etc (Motor Claims Policy and Procedure of Africa Insurance Company).

Accordingly, the purpose of this study is to assess customer satisfaction to the laid down claims policy and procedures in place and their execution thereof by the Company in connection with motor insurance claims.

2.1.8.2. Effects of Legal Principles of Insurance on Customer Satisfaction

According to Article 655 (1) of the Commercial Code the provisions under Title III of Book III therein apply to insurance of risks arising on land, on rivers or on the air; and as per Article 655 (2) of the same the Maritime Code (Title VII from Chapter 1 to 4) applies to the insurance of risks on sea or marine insurance. Insurance of liability on the other hand are mainly enshrined form Article 2027 to 2132 and third party bodily injuries are handled in accordance with article 2090 to 2123 of the Ethiopian Civil Code. The subject of this study is motor insurance which mainly falls with the relevant provisions of the Commercial and Civil Codes sated above. Moreover, the insurance business is highly influenced by Directives issued by NBE, the Supervisory Authority of insurance business in Ethiopia.

The primary and basic legal principles of insurance influencing customer handling in one way or another are described briefly here below: -

2.1.8.1.1. Insurable Interest or Insurance Permitted

According to Article 675 of the Commercial Code (1) any person interested in the preservation of an object may insure it and (2) any direct or indirect interest in a risk may be insured. On the other hand according to the Civil Code strict liability by law arising from machines and motor vehicles, whoever is using or driving or operating the vehicle, rests on (1st) the owner, [Article

2081(1)]; (2nd) the Keeper, who take possession for his personal financial gain, [Article 2082(1)] and the Agent, if his fault results in damage, [Article 2082(2)] of a machine or motor vehicle. The above have been further confirmed by Article 654 (2) of the Commercial Code that specifies "where damages are insured, the insurance policy shall extend to the risks affecting property or arising out of the civil liability. In motor insurance both insured's interest on the vehicle and civil liability so arising is covered by the terms of the policy.

2.1.8.1.2. Utmost Good Faith or Statements on Making Proposals for a Policy

Article 667, of the Commercial Code provides that the proposer for insurance must disclose exactly, and all circumstances within his knowledge and which are likely to assist the insurer to appreciate fully the risks he undertakes to insure. If his act of misrepresentation or concealment is intentional, the contract would totally be avoided from the beginning by the insurer who is also retaining all premiums paid (Article 668 of the Code). In cases where the fact of failure was committed as a result of negligence and a loss has not occurred, the law provides that the insurer would only be entitled to cancellation of contract or let it run its course at his option. If however, a loss had already occurred after the risk has materialized, the insurer would be liable only to a reduced amount; representing the extent in proportion to the coverage which the facts as presented would have entitled the insured person.

Furthermore, according to Article 669 of the Commercial Code such a duty of disclosure of a material fact on the part of insured extends to 'increase of risk' during the currency of the policy where the insured is required to inform the insurer within fifteen days from the occurrence or being aware' of such occurrence. The insurer is entitled to terminate the policy or maintain it and increase the premium. If however, where the beneficiary does not inform or gives false information to the insurer Article 668 may apply in which the insurer is entitled to avoid the contract ab initio. The application of this principle is another area of dispute and dissatisfaction.

2.1.8.1.3. Indemnity or Compensation

The principle of indemnity is stated under Article 678 of the Commercial Code which states that "a contract for the insurance of an object is a contract for compensation. The compensation shall not exceed the value of' the object insured on the day of the occurrence. The application of prorate condition of average is specified under Article 679 of the same where the on the day of

the occurrence the object insured is of a value greater than the amount for which it is insured, the insured person shall be deemed to be his own insurer for the difference and shall share proportionately in the damage, unless otherwise provided in the policy. Contrary to these provisions over insurance is no rewarded by over compensation as specified under Article 680 of the same Code. The interpretation and application of indemnity is a constant and hot spot for dispute and customers complaints at the time of claims handling process.

2.1.8.1.4. Contribution or Cumulative insurance

According to Art, 681 of the Commercial Code, where several insurers insure the same object against the same risk whereby the object is intentionally over insured, the insurer is entitled to terminate the policy and claim damages. Where the multiple insurance was, however, done in good faith, each insurer would only be liable in proportion to the amount insured with it. The insured is required to collect the ratable proportion of each insurer under indemnity claim.

2.1.8.1.5. Subrogation or Substitution of insurer

The law under Article 683 of the Commercial Code entitles the insurer who has paid the agreed compensation to substitute him to the extent of the amount paid by him for the beneficiary for the purpose of claiming against third parties who caused the damage. However, if such insurer's right are affected by the insured the insurer may be relieved in whole or in part of his liabilities to the beneficiary according to the degree of infringement. Inadvertent disregard of the stipulation in this regard which is also a policy condition is another point of disagreement between the insured and insurer affecting customer satisfaction. `

2.1.8.1.6. Proximate Cause or Risks Insured or Excluded

As provided under Article 667 of the Commercial Code, the insurance policy shall guarantee the beneficiary for loss or damage against risks specified in the policy (1); unless specifically agreed risks arising out of unforeseen events or negligence of the beneficiary (2); and according to Article 664 of the same Code, faults of persons for whom the beneficiary is responsible. However, as per Article 676 'unless otherwise agreed the insurer shall not be liable for losses or damage due to international or civil war'. If the insurer alleges these to be the cause of loss or damage the onus of proof rests upon him and cannot revert it to the insured. Insurer's wording of

policy terms and prolonged and delayed investigation in the determination of causes of loss or damage is a constant point of customer frustration and dissatisfaction.

2.1.8.1.7. Occurrence of Risk to be notified

According to Article 670 (1) of the Commercial Code the beneficiary shall inform the insurer of any occurrence likely to render the insurer liable as soon as he knows of such occurrence or within not more than five days, unless he is prevented by force majeure; which may not be shortened in the policy (2). On the other hand VIATPR Proclamation No 799/2012 Article 17(1) provides that 1/ The insured person shall, unless prevented by the existence of force majeure, give to the insurer notice of an accident caused by the insured vehicle immediately or at the latest within 10 days from the date of the occurrence of such accident.

However, as per Article 17(2) ‘any third party entitled to compensation may submit his claim, together with supporting evidences, directly to the insurer”. This stipulation overrides the Commercial Code provision under Article 685 (Insurer when liable) that states ‘The insurer who insured a liability for damages shall not pay compensation until a claim is made against the insured person with a view to amicable or judicial settlement.

Insurers’ notification condition which requires immediate notification of claims and his legal provisions in this respect is s constant dispute and source of litigation between the insured and insurer, thereby affecting customer satisfaction.

2.2. Empirical Literature Review

Business researchers Benjamin Schneider and David Bowen assert that “service organizations must meet three key customer needs to deliver service excellence:”security, esteem, and justice. Research identifies an array of service quality factors that are important for customers, including: timeliness and convenience, personal attention, reliability and dependability, employee competence and professionalism, empathy, responsiveness, assurance, availability, and tangibles such as physical facilities and equipment and the appearance of the personnel (Benjamin Schneider and David Bowen, 1995).

Claims are the defining moment in the customer relationship for non-life insurance firms, with a firm's success often defined by one factor: the customer's experience around claims. For non-life insurers several inefficiencies-including aging technology, increasing process complexity, and a rising number of fraudulent claims-are driving up claims costs and adversely affecting customers' claims experience (Wedge and Handley, 2013).

2.2.1. International Research on Satisfaction and Insurance Selection

Rajkumar and Kannan (2014) conducted a study with the objective of identifying factors influencing the selection of insurance company for purchasing the policy. The variables on selection of company made consisted of the 7 Ps of Services Marketing, which services providing companies like insurance companies are assumed to have given due importance The 7 'P's of services marketing are product, price, place, promotion, people, physical evidence and process. The respondents were queried about which factors strongly influences their choice of a particular company. The findings were analyzed using ANOVA tests for each of the 7 Ps. Findings discovered that Product features, accessibility, low premium amount, advertising, proper re-addressability of complaints and better claim settlement are some of the factors that drastically influences the choice of a company.

Çiğdem (2014) conducted a study to identify selection factors or criteria of insurance companies for Turkish Cypriots, by using experimental surveys in North Cyprus which additionally, the results were examined by using the SERVQUAL instrument. The survey outcomes represent that the most important criteria for an insurance company selection are recommendations from relatives / friends, location of the insurance company, the service quality, and the costs of the services. Moreover, the SERVQUAL instrument outcomes showed that empathy is the most crucial dimension, whereas tangible is the least important one for an insurance company selection (Çiğdem, 2014).

The research conducted by Ofori-Attah (2012) on 'the effects of slow claims settlement on the sales and marketing of insurance products'; investigated the trends in the company's (Enterprise Insurance Company Ltd) claims settlement system and its effect on the sales and marketing of its insurance products. Data collection was conducted by administering questionnaires to both customers and staff of the company. The results obtained from the data collection were cross

tabulated and subjected to descriptive analysis. The results obtained established the fact that prompt and satisfactory claims payment had positive effects on the sales and marketing of insurance products and vice versa (Ofori-Attah, 2012).

Mathur and Tripathi (2014) also conducted a study to identify the “Factors Influencing Customer’s Choice for Insurance Companies- a Study of Ajmer City”. The findings revealed that according to the ranks given the most important factors that influence customers for selecting a insurance companies are computerization and online transactions, connectivity with bank , speed and efficiency in transactions, clear communication and the least important factors are influential marketing campaign, free gifts for customers, peer group impression etc. .

Ernest & Young (2010) conducted a study under the title ‘European motor claims: Is customer satisfaction enough?’ Almost all over the world especially in Europe motor insurance has the added complexity of being a compulsory, regulated product sold to millions of customers. This survey conducted by Ernest & Young (2010) looks at just one component of buyer behavior - the claim process - and focuses in particular on the impact of customer satisfaction levels. The study acknowledges that the decision to invest in customer service improvements will impact many aspects of an insurance business, and so needs careful analysis. The findings suggest among other things that: ‘claims create strong opinions and making a claim is an experience that polarizes customers’ opinions of their insurer’. It also emphasis the need for good customer communication and support, as it is clearly linked with high levels of customer satisfaction and brand advocacy. This means quality is more important than quantity - customers need to feel that they are dealing with competent staff able to address their concerns in a sensitive way. The study further suggests that to have control of supply chains - especially over the choice of repairers- has the potential to reduce indemnity and administration costs without harming customer satisfaction.

Most of all study conducted by Ernest & Young (2010) on motor claims indicate that ‘customers do value good service and customers’ experience of making a claim can boost brand loyalty. The study also strongly suggests that insurers shall be aware that ‘one size does not fit all. Therefore, investment in claims service should form a key part of any customer retention strategy, but each

insurer must strike its own balance between the need to control costs, meet hygiene levels of service and realize the potential upside of higher customer satisfaction.

A Study of Customer Satisfaction with Service Delivery in the Motor Insurance Industry: A Case of Metropolitan Insurance Company within Kumasi, Ghana; by Nkrumah-Arkoh and Kweku Amoah (2012) Company to work on customer retention as potential proportion of customers to be lost. Secondly, most of the customers are satisfied with the empathy dimension which has to do with convenient periods & terms for expired policy renewals, convenient operating hours, sound loyalty programme, giving individualized customer attention, understanding specific customer needs and apologizing for inconvenience caused to customers/clients. Although the other dimensions do not seem to be satisfactory; it serves as a sign of caution to the management to think about ways to increase the satisfaction of the customers in those dimensions to a significant level. Distributive justice, responsiveness, technical quality assurance, reliability, and empathy were the main issues. On the other hand, having explored the degree of importance of each service dimension for customers, we found out that distributive justice is the most important dimension to customers (Nkrumah-Arkoh and Kweku Amoah, 2012).

TeleTech (2015) conducted Property & Causality (P&C) Customer Satisfaction Survey about how the claims process influences customer satisfaction. The most significant predictors of customer satisfaction (CSAT) that are measured in the study include the following 15 items: (1) Insurance company acted in my best interest; (2) Initial ling of the claim; (3) My issues were resolved the first time; (4) Obtaining approval for the claim; (5) Insurance rep managed my expectations; (6) Overall effort required to le a claim; (7) There were no surprises; (8) Filling out necessary forms; (9) Initial assignment of the adjustor on the claim; (10) The insurance reps were knowledgeable about the process; (11) My personal information was already known by the insurance rep; (12) Obtaining an adjustment for the claim; (13) Finding the contractor of my preference; (14). Receiving money from insurance company for the claim; (15) The insurance reps provided a personalized experience. It's important to emphasize that customer satisfaction is not just predicated on singular drivers. It is influenced by a coalition of variables that act together. The mix of relationship factors with tools and processes have an impact on overall satisfaction. As a result according to the findings item (1), (2), (3) and (4) proved to have strong

impact on CAST, where as item (1) and (3) having good and item (2) and (4) with lower opportunity for improvement; and the rest of the items showing lower impact on CAST.

However, the data shows that understanding your policyholders and acting in their best interests are critical to delivering the best experience possible throughout the claims process. In addition customer service representatives have enormous potential to influence customer satisfaction and loyalty, as well as company growth, by how they work with policyholders during this important time. Therefore, recommended among other things to focus analysis on a specific point in the customer journey to ensure a clear and actionable set of results, such as the claims process; and identify the coalition of variables that affect customer experience in the business and identification of key areas have most impact on customer satisfaction (TeleTech, 2015).

2.2.2. Domestic Study on Customer Satisfaction and Insurance Selection

Motor insurance being the dominant class that generates about 46% of the annual premium income of the insurance industry, the emphasis on the assessment of claims handling process and management in motor insurance is critical not only for any particular insurer but mainly for the development and growth of the market (IFAA, 2014).

This is mostly evident by the fact that there is a compulsory Motor Third Party Liability insurance in place dictating all vehicle owners unless exempted to have the compulsory cover. This brings quite a significant number of new motor insurance customers to the insurance industry and also Africa Insurance Company who may not have thought of buying an insurance product. These new customers and third party claimants, who came along with it, if properly served even with the minimum standard of service and prudency will definitely have an appetite to buy other non-compulsory motor and other non-motor insurance products (Teferi, 2016).

Moreover, serving existing motor insurance customers which constitute more than fifty percent of the customer base with effective and efficient claims management than the ordinary dogmatic and lengthy claims procedure will serve as an impetus for the customers to buy out other products and refer the company to other party. Satisfied customers definitely serve as an excellent public relation officer(s) to Africa insurance company and solidify its position in the market and more so excel than its competitors by employing claims management rather than

claims handling. This will assist not only in the growth of revenue of the company but also further smoothness the progress and growth of the market with marginal or even without any additional cost on its part. On the contrary any misdeed to this vast customer base definitely acts as a deterrent for growth of the Company in particular and the industry at large.

Teferra (2009) underscored motor claims handling problem in Ethiopia by affirming that in a majority of cases claims that end up in courts are liability claims arising from motor accidents. He further stressed the need to move away from litigation and resort more often to Alternative Dispute Resolution (ADR) mechanisms to avoid the negative effect on profitability and insurers image (Tefera, 2009). Another common problem cited by the same source in handling of even regular motor claims is delays in payment for whatever reason. Furthermore, Temesgen (2004) elaborated the need for insurers to a decisive constructive stance to resolve the problems associated with motor insurance and make it profitable. He earmarked the dominance of motor class of business in taking about 60% of the total industry earnings and the Ethiopian insurance industry in all values, surmounting the problems of this class of business alone is, therefore, believed to bring about 50% solution to the insurance industry problems.

Teferi (2016) on his MBA thesis under the title "Practices and Challenges in Implementing Compulsory Motor Third Party Liability Insurance (MTPL) in Ethiopia" with special reference to the Claims handling procedure and practices in the market concluded that 70% of study respondents agree that 'the motor claim process lacks service standard, processing time or timeliness, transparency and fairness of the whole claims process; and resulting compensation amount offered for payment and paid by way of settlement is inadequate and inequitable. In addition to theses work processes in service delivery system there are other main items also affecting the claims process such as: customer service; complaint handling system and clarity of insurance law(Teferi, 2016).The findings of this study suggest that the insurance companies have hitherto been handling claim rather than managing them. Accordingly the claims handing process found to be unfriendly to customers, lacks transparency and fairness, also lacks service standard and defined processing time, delivers unfair and inequitable compensations and etc.

Again another MBA thesis by Abinet (2015) under the title "Customers' Expectation and Satisfaction Level Towards Claims Service Provided by Africa Insurance Company (S.C.)"

concluded that “on the measurement of customers’ expectation and satisfaction gap towards the claims service, the reliability dimensions of service quality is found to be with highest gap, followed by tangibility, and responsiveness; whereas assurance and empathy quality of service quality dimensions meet customers expectation. He finally concluded that 55.4% of respondents are satisfied, 42.4% are indifferent and 2.2% of respondents are dissatisfied with the services rendered at claims service of AIC.

Akalu (2015) conducted the effect of service quality on customer satisfaction in selected three insurance companies (in EIC, Nib and Lion Insurance Company) applying SERVEQUAL model. He concluded that in terms of the stated research hypotheses the following specific empirical findings emerged from the investigation: The five service quality dimensions including tangibility, reliability, assurance, responsiveness and empathy have positive and significant effect on customer satisfaction. The findings of this study also indicated that assurance is the most important factor to have a positive and significant effect on customer satisfaction followed by reliability, responsiveness, empathy, and tangibles (Akalu, 2015). In an attempt to reengineer the work process at EIC in 2010, the performance baseline for claims handling in general shows 19.3% customer satisfaction level (EIC, 2010), whereas is 74% in AIC in 2013/14(AIC, 2015).

As indicated above the figures on claims service in the market and AIC vary quite considerably. Motor insurance in particular being the major contributor of its income, constituting 64% of its gross premium income any fortune or misfortune to the Company’s endeavors highly depends on delivery of service to this class. As indicated above the claims service of any insurer is the point of contact and acid test of any insurance company of its claims service. Moreover, accurate assessment of the whole motor claims service and claims handling and real challenges encountered in at each individual process has not been properly researched. In order to institute appropriate changes and bring about customer satisfaction and increase in the level of business to the company, as envisaged in AIC’s Strategic Plan can only be achieved by making refined assessment based on the circumstances on the ground. Therefore, it is important to know the type of claims service in place and the current claims service perception of Africa’s motor customers, in order to find the problem and recommend appropriate solutions.

2.3. Conceptual Framework of the Study

The research is based on identifying the main motor claims handling processes affecting customer service in AIC and try to measure customers' opinion or satisfaction about the perceived service of the items under the heading. Insurance company by customers is drastically influenced among other things by existence of proper reprisal of complaints and better claim settlement (Rajkumar and Kannan, 2014); service quality (Çiğdem, 2014); speed and efficiency in transaction, clear communication (Mathur and Tripathi, 2014). Moreover, Ofori-Attach (2012) concluded that, among other things, prompt and satisfactory claims payment have positive effect on sales and marketing of insurance products; and furthermore Ernst & Young (2010) study further indicates that - the claim process, investment in customer service, good customer communication and support- at the time of claims handling have an impact and is clearly linked with high levels of customer satisfaction levels and brand advocacy. Nkrumah-Arkoh and Kweku Amoah (2012) study result emphasized that customer are satisfied with the empathy dimension which has to do with service delivery in the motor insurance industry on factors such as: receipt of convenient periods and terms for expired policy renewals, convenient operating hours, sound loyalty programme, individualized customer attention, understanding specific customer needs and apologizing for inconvenience caused to customers/clients. However, found out that customers are not satisfied on other dimensions such as distributive justice (which is important one), responsiveness, technical quality, assurance, reliability and empathy (different from the above) requiring management to work on these dimensions to increase satisfaction.

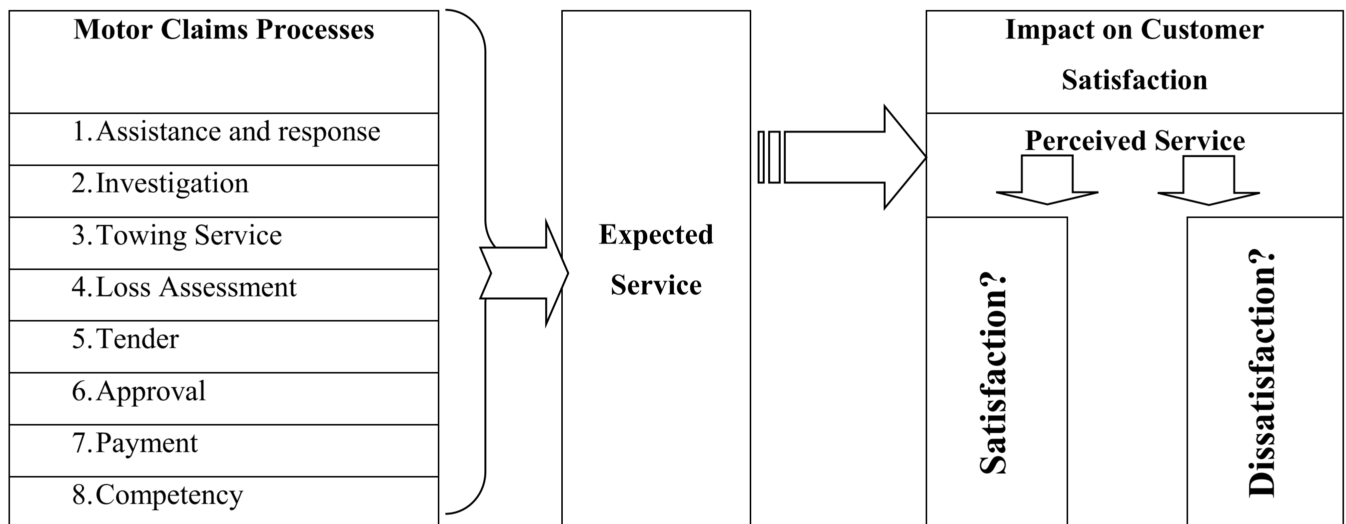
According to TeleTech (2015)customer satisfaction in general and insurance claims process in particular is not just predicated on singular drivers, but is influenced by a coalition of variables that act together; meaning the mix of relationship factors with tools and processes have an impact on overall satisfaction. The coalition of variables that affect customer experience in the business and identification of key areas have most impact on customer satisfaction(TeleTech, 2015).

According to findings of domestic studies at least one reveal that main problems in motor claims handling in Ethiopia is associated with majority of claims cases ending up in courts, either as a result of dispute on quantum or rejection, – indicating that insurers are more inclined to confrontation and litigation rather than negotiation and ADR – and delay in settlement of claims

(Teferra, 2009); and most delays attributed to external causes such as lack of spare parts, foreign currency and etc. The study conducted by Akalu, (2015) on the effect of service quality on customer satisfaction in selected three insurance companies have a positive and significant effect on customer satisfaction followed by reliability, responsiveness, empathy, and tangibles. Furthermore in an attempt to reengineer the work process at EIC in 2010, the performance baseline for claims handling in general shows 19.3% customer satisfaction level (EIC, 2010). Finally another study by Teferi (2016) reveals that motor insurance claim process, like other classes is deficient in service standard, processing time or timeliness, and transparency and fairness, proper customer service, complaint handling system and clarity of insurance law; and as a result inadequate and inequitable compensation amount and delayed payment are provided negatively affecting the concerned insurance company to increase its market share and also restraining insurance market growth (Teferi, 2016).

Motor insurance in particular being the major contributor of its income, to the Company's endeavors highly depends on delivery of service to this class. Therefore, it is important to identify the type of current motor claims service in place (i.e., claims handling or claims management) and customers expectation and perception of the vast AIC's motor customers, in order to find the problem and recommend appropriate solutions.

Figure 2: Conceptual frameworks on Main Motor Claims Handling Sub Processes



Source: Developed by the researcher based on the reviewed literature, 2016

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

3.1. Research Design

The research employed a cross-sectional survey design. Both qualitative and quantitative research approaches will be adopted as research design. For quantitative data acquisition, the respondents were selected randomly, from internal and external respondents; whereas the interviewees were selected through purposive sampling technique. Furthermore, in this research descriptive research method was used to get relevant data from a representative sample of the population; in order to identify and assess challenges associated with efficient and effective motor claims service delivery in Africa Insurance Company (S.C.).

3.2. Sources and Types of Data

As indicated above this research used both primary and secondary data sources to collect the required information. Primary data sources were the customers and internal staffs, whose perceptions were collected using questionnaires in which customers who have lodged or have been following motor claims within 2015/2016 period had been considered. Company claims staff, branch managers, and major insurance agents operating in Addis Ababa was presented with questionnaire to cast their opinion to the relevant questions raised in this regard. Secondary data sources include among other things, relevant books, pertinent industry and market reports and publications, journals, the internet, strategic plan, appropriate insurance laws, proclamations, regulations and directives.

3.3. Instruments of Data Collection

The collection of data is an important aspect of a research design. The method of collection of data directly affects the credibility of a research. While collecting primary data, the researcher employed two of the collection techniques, namely a questionnaire and interview. Furthermore to measure the validity, pilot tests of 5 (five) questionnaires and interview questions were distributed and collected to insurance experts in the field to check for their validity. Based on the received comments the questionnaire and interview questions were adjusted before distribution to respondents.

Questionnaire is the most commonly used method of gathering information because it is less costly way to reach more people, including people at some distance. Depending upon the method of distribution, it can be swiftly done and data analysis can begin right away (Saunders *et al.,* 2007). Accordingly, well designed questionnaires, containing both open and close ended questions, was employed for external customers who have lodged a claim within the specified period of one year (Appendix 1). Similarly relevant questionnaires were distributed to Company's claims staff, branch managers, and major insurance agents operating in Addis Ababa (Appendix 2).

3.4. Sampling Frame

Several potential ways were identified in participants' selection for inclusion in a research study, and the manner in which participants were selected is determined by several factors, including the research question being investigated, the research design being used, and the availability of appropriate number and types of study participants (Geoffrey *et al,* 2005).

The sampling frame for customer' data was claimants of motor insurance that reported claim from July 1, 2015 to June 30, 2016. A one year data was used to provide sufficient information on the prevailing motor claims handling situation in the Company. Similarly the sample frame for company claims staff, branch managers, and major insurance agents operating in Addis Ababa was employment record information received from the Company.

3.5. Sample Size

3.5.1. External Clients Sample Size

To reach customers of motor insurance within the period running from July 1, 2015 to June 30, 2016, the claims register book was used as a reference to enable taking of manageable and representative sample of from the population through structured questionnaires prepared to collect primary data. The total number of claims within the specified period is represented by N. In order to determine the sample size (n_1), formula recommended by Kothari (2004) was used: -

$$n_1 = \frac{z^2.p.q.N}{e^2(N-1)+z^2.p.q}; \qquad n_1 = \frac{(1.96)^2.(0.5)(0.5)(3,975)}{(0.05)^2(3,975-1)+(1.96)^2.(0.5)(0.5)}$$

Where: z = 1.96 (in the absence of any previous estimate of p = 0.5, and q = 1 – p), e = 5%; and N = number of motor claims during July 1, 2015 to June 30, 2016 is 3,975. Thus, $\boldsymbol{n_1}$ (Sample Size) = 350 Clients.

Though it was intended to administer 350 questionnaires for external customers, only 315 (90%) of them had properly filled and returned it. The rest, 10 % (N=35) of the respondents had lost, refused to fill, thrash or misfiled the questionnaire.

3.5.2. Internal Staff Sample Size

Internal staffs are those individuals that negotiate, enhance and advertise the insurance business on company's behalf. Internal customers include company claims staff, branch managers, and major insurance agents operating in Addis Ababa and Brokers working with the same sample size (n_2) was determined based on the list obtained from AIC Human Resource Department. Accordingly there were twenty nine (29) claims staff, fourteen (14) branch managers, thirty (30) active sales agents working for the company; and fifteen (15) brokers working with the company; making a total of eighty eight (88) participants. It is not required to use any formula to determine the sample size, because all of them (i.e., 88) had participated in responding to the questionnaires prepared for that purpose.

3.5.3. Qualitative Data

Key informant interviews (KII) had been collected from AIC's top-managers and senior customers. Three focus group discussions (FGD) consisting of 8 people was also carried out to capture information based on consensus and to verify the responses from the individual interview (Appendix 3 and 4). Respondents of pertinent familiarity were placed in groups of 8–10 and a checklist of issues was used to facilitate the discussion and notes was taken. Data collected include satisfaction of claimants, challenges of motor claims management, access to services delivered, customer handling and disparity between expectations of the claimants and delivery of services. Secondary data and other relevant information were collected from various bulletins, reports, journals, and publications from AICand others.

3.6. Data Analysis Tools

The quantitative data collected using questionnaire was punched and processed using SPSS Version 20.0, in which the validity and consistency of data was checked. Thereafter, the gathered

data shall be analyzed and interpreted using descriptive statistical tools such as tables and percentages, among others. The collected qualitative data was punched, integrated and analyzed with quantitative information.

3.7. Ethical Considerations

Sufficient and reliable raw data are obtained from respondents through purpose built questionnaires and interviews. The researcher has received all the required cooperation from respondents and has openly discussed and advised the objective of the study. The respondents are assured about the confidentiality of the information and unanimity of the source.

CHAPTER FOUR: RESULTS AND DISCUSSION

4.1. Demographic Characteristics of the Respondents

The compositions of respondents had been characterized based on gender education level, age and work experience. The proportions of female and male respondents were 35.79 and 64.21 percent, respectively (Figure 4.1).

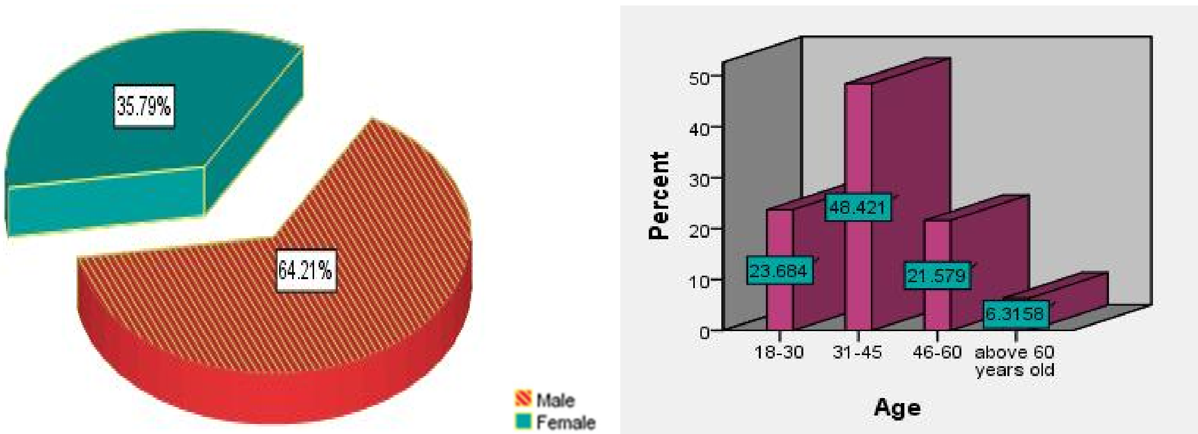


Figure 4.1.: Proportion of Respondents by sex (Left) and Age (Right)

(Source: Own survey, 2016)

The mean age of respondents participated in this study was 38. The youngest age was 18 while the oldest customer was 65 years old. Furthermore, the standard deviations in age among the customer were ± 7. On the contrary, among the respondents, there was a big difference in terms of work experience in which the customers have minimum and maximum of 2 and 29 years of work experience, respectively (Figure 4.1).

Respondents had also been characterized based on education level, occupation and work experience. The proportions of Third and second degree holding respondents were 27.89 and 22.11 percent, respectively (Figure 4.2). Those who had a bachelor degree were 29.45 %, while diploma holding respondents were twenty percent.

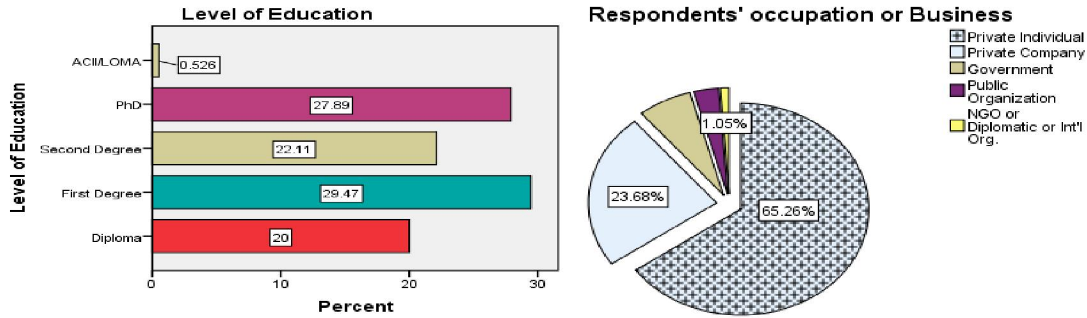


Figure 4.2. Proportion of Respondents by level of Education (Left) and Occupation (Right)

Respondents' occupation or business had been analyzed. Those who are engaged in private individual business had been 65.26 while 23.68 percent of them were from private companies. The rest of the respondents came from public organization, government offices and Non-government organizations (Figure 4.2). Most of the respondents (40%) had private use cars whereas 35.79% owned goods carrying trucks. Owners of Fuel carrying trucks and Passenger carrying busses were 12.63 and 5.26 percent, respectively; while the rest owned minibus (2.63%) and other types of vehicles (Figure 4.3). The respondents were also categorized based on their length of client ship. The majority of the respondents (43.68%) had short client ship duration (1-3 years) while the second majority (33.68%) of them had client ship duration of 4-6 years. Almost 16.32% of the respondents had client ship duration of 7-10 years while 3.16% of them had 11-15 years' client ship. The rest of the respondents had the most senior client ship (with >= 16 years of client ship).

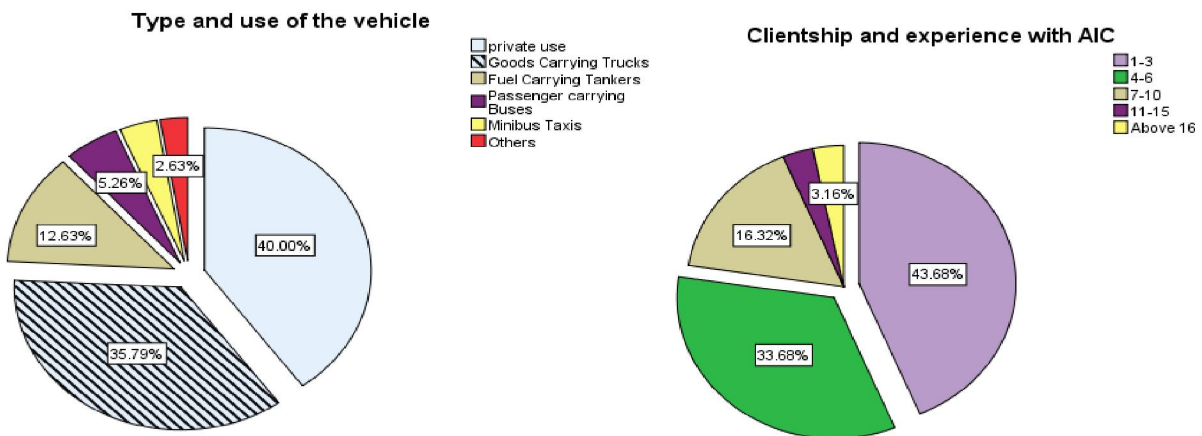


Figure 4.3. Proportion of Respondents by vehicle type (Left) and client ship with AIC (Right)

4.2. Data Analysis Pertaining to the Study

In this section a detailed analysis of the internal and external customers' opinion on each of the sub processes of the prevailing motor claims handling service delivered by AIC has been presented.

4.2.1. Intimation or Claims Notification

Respondents' perception against the intimation or the claims notification was indicated in Table 4.1. The cumulative mean perception ranged between 2.82+0.92 and 3.77+0.91 while their variation ranged between $\pm$0.86 and $\pm$1.16. Forty-four percent of the respondents agreed that there is courteous and prompt assistance, while 30.5% of the respondents disagreed about courteous and prompt assistance. 60.3% of the respondents agreed that the company verifies immediately the validity of policy cover. Half of the respondents said that the company never creates awareness on required claims documents, implying that there is huge gap in the mode of service delivery. The findings of this study corroborate the results of Akalu (2015), Tefera (2015) and Abinet (2015).

Table 4.1 Intimation and Claim

#	*(1) Strongly Disagree; (2) Disagree; (3) Neutral; (4) Agree; (5) Strongly Agree*	**%**					**Mn**	**Sd**	**R**
		1	**2**	**3**	**4**	**5**			
1	Courteous and prompt assistance	8.6	29.0	17.0	37.0	8.6	3.08	1.16	1
2	Verifies immediately the validity of policy cover	1.3	12.0	12.0	58.0	16.9	3.77	0.91	5
3	Creates awareness on required claims documents	1.3	25.0	25.0	42.0	7.0	3.28	0.96	4
4	Educates on claims and extent cover	2.5	39.0	26.0	29.0	3.2	2.91	0.95	4
5	Informs standard of service and processing time for each	4.4	36.0	37.0	19.0	3.8	2.82	0.92	5
6	Prompt assistance in handling the reported accident	5.1	34.0	24.0	31.0	6.0	2.98	1.05	2
7	Acknowledges receipt of claim and further steps in writing	3.8	27.0	30.0	32.0	7.3	3.12	1.01	3
8	Promptly assigns an investigator to site of accident / loss	1.3	15.0	15.0	64.0	5.1	3.56	0.86	6
	Cumulative Average	**3.5**	**27.0**	**23.0**	**39.0**	**7.2**	**3.20**	**1.00**	

%=Percentages, Mn=Mean, SD=Standard Deviations, R= Rank for Improvement

(Source: Own survey, 2016)

In a different indicator, 44.2% of the respondents disagreed that the company educates on claims and extent cover. Over 42.1% and 37.4% of the respondents either disagreed or had neutral reaction on the company's activity to Inform standard of service and processing time for each service. Regarding prompt assistance in handling the reported accident, the company failed to address it as perceived by 35.8 percent of the respondents. On the other hand, 38.9 percent of the respondents contradicted it. Apparently, 39.2 of the respondents stated against the company acknowledge receipt of claim and further steps in writing. Thirty-one percent of the respondents agreed to it. Seventy percent of the respondents said that the company promptly assigns an investigator to site of accident/loss.

The obtained result indicates that the company is still behind the anticipated level of customer handling regardless of some inconsiderable encouraging reaction of the respondents. More specifically the findings suggest that the claims activities stated under item 1, 6, 7, 3 and 4 of the motor claims handling process on Table 4.1., require due attention by AIC.

4.2.2. Towing Vehicle Arrangement

As indicated in Table 4.2., the cumulative mean perception ranged between 3.21±0.92 and 3.50±0.86 while their variation ranged between ±0.80 and ±0.92. Sixty six percent of the respondents said that the company assigns or arranges tower vehicles without delay, while 60% of them perceived that the company allowed clients to arrange towing vehicle.

Table 4.2.: Towing Vehicle Arrangement

#	*(1) Strongly Disagree; (2) Disagree; (3) Neutral; (4) Agree; (5) Strongly Agree*	%					Mn	Sd	R
		1	**2**	**3**	**4**	**5**			
1	Assigns or arranges tower vehicles without delay	1.9	15.0	19.0	60.0	4.4	3.50	0.86	2
2	Allows you to arrange towing vehicle by yourself	3.5	18.0	18.0	54.0	5.4	3.40	0.96	1
3	Puts flexible requirements to timely get towing service	1.3	12.0	42.0	40.0	4.8	3.35	0.80	3
4	Received service to your expectation	2.5	25.0	22.0	49.0	1.3	3.21	0.92	2
	Cumulative Average	**2.3**	**18.0**	**25.0**	**51.0**	**4.0**	**3.40**	**0.90**	

% = Percentages, Mn= Mean, SD= Standard Deviations, R= Rank for Improvement
(Source: Own survey, 2016)

Further, the company puts flexible requirements to timely get towing service and received service to clients' expectation as perceived by 43.1% and 50.6% of the respondents, respectively (Table 4.2). It can be seen from the result that the company lags at the back of the predictable level of customer satisfaction regardless of some inconsiderable positive responses. This is more evident on claims activities stated under item 2 and 4 which require due consideration by AIC.

4.2.3. Investigation at Site of Accident

As shown in Table 4.3, the collective mean perception ranged between 3.2±0.91 and 3.69±0.79 while their variation ranged between ±0.85and ±1. Seventy one percent (N=315) of the respondents said that the company assigned person immediately dashes to accident site. 71.6 % believed that the company takes photographs of the damaged vehicle from all sides, whereas 51.6% said that the company takes video recording of the accident. Overall, the result shows that the company is in fact in need to work hard to meet the needs of the customers.

Table 4.3.: Investigation at Site of Accident

#	*(1) Strongly Disagree; (2) Disagree; (3) Neutral; (4) Agree; (5) Strongly Agree*	**%**					**Mn**	**Sd**	**R**
		1	**2**	**3**	**4**	**5**			
1	The assigned person immediately dashes to accident site	3.8	18.0	11.0	62.0	5.7	3.48	0.97	1
2	Takes Photographs of the damaged vehicle from all sides	1.3	7.9	20.0	63.0	8.3	3.69	0.79	5
3	Takes video recording of the accident	5.1	20.0	25.0	45.0	5.4	3.26	1.00	1
4	Secures Traffic Police Report	-	15.0	14.0	61.0	9.8	3.66	0.85	3
5	Provides assistance to avert further loss and damage	1.9	14.0	24.0	51.0	8.6	3.50	0.91	2
6	Handovers properly the damaged vehicle to the tower	3.5	9.8	18.0	65.0	4.4	3.57	0.86	4
7	Involves you in the whole process	3.8	17.0	21.0	56.0	2.5	3.36	0.92	2
8	Immediately issues the investigation report within set time	1.3	25.0	30.0	39.0	4.4	3.20	0.91	2
	Cumulative Average	**3.0**	**16.0**	**20.0**	**55.0**	**6.1**	**3.47**	**0.90**	

% = Percentages, Mn= Mean, SD= Standard Deviations, R= Rank for Improvement
(Source: Own survey, 2016)

Furthermore, about 70.5% of the respondents replied that the firm secures traffic police report, and 58.4% of them said the firm provides assistance to avert further loss and damage. The

company, as replied by 70.5 % of the respondents, handovers the damaged vehicle to the tower properly. 58.9% of the respondents said the company involves clients in the whole process, while 44.2% of them replied that the firm immediately issues the investigation report within set time (Table 4.2). Therefore, the company was in big jeopardy in timeliness of issuing the investigation report.

4.2.4. Assessment of Damage or Post Risk Survey

More than Sixty-one percent of the respondents perceived that the company immediately assigns a professional damage assessor. The cumulative mean perception ranged between 2.72+1.05 and 3.37+1.01 while their variation ranged between +0.84 and +1.05.

Table 4.4.: Assessment of Damage or Post Risk Survey

#	*(1) Strongly Disagree; (2) Disagree; (3) Neutral; (4) Agree; (5) Strongly Agree*	**%**					**Mn**	**Sd**	**R**
		1	**2**	**3**	**4**	**5**			
1	Immediately assigns a professional damage assessor	5.4	18.0	17.0	55.0	5.4	3.37	1.01	2
2	Provides adequate amount to the damage sustained	5.4	28.0	18.0	45.0	4.8	3.16	1.05	1
3	Sets representative depreciation amount for betterment	1.9	33.0	24.0	34.0	6.7	3.10	1.00	3
4	Issues the assessment report within fixed processing time	1.9	21.0	26.0	47.0	3.8	3.30	0.91	7
5	The assigned damage /loss assessor conducts his duty with impartiality	11.0	35.0	29.0	22.0	3.8	2.72	1.05	1
6	The assigned damage /loss assessor conducts his duty with professional diligence	5.7	31.0	38.0	24.0	1.9	2.86	0.91	5
7	The assigned damage /loss assessor conducts his duty with professional competence	6.0	33.0	37.0	23.0	1.3	2.81	0.91	6
8	The assigned damage /loss assessor conducts his duty in ethical manner	11.0	27.0	33.0	29.0	0.6	2.83	0.99	4
9	Properly and timely handles your request for additional damage assessment	3.2	9.5	24.0	59.0	3.8	3.51	0.84	7
10	Properly and timely handles your complaints on delay of damage assessment	1.9	22.0	18.0	58.0	0.6	3.34	0.89	4
11	Properly and timely handles your complaint on damage assessment amount	4.8	16.0	17.0	59.0	3.5	3.41	0.95	4
	Cumulative Average	**5.3**	**25.0**	**25.0**	**41.0**	**3.3**	**3.10**	**1.00**	

% = Percentages, Mn= Mean, SD= Standard Deviations, R= Rank for Improvement

(Source: Own survey, 2016)

Half of the respondents agreed that the firm provides adequate amount to the damage sustained, while 39.4% of the respondents said that the company sets representative depreciation amount for betterment. Slightly more than half (51.1%) of the respondents agreed that firm issues the assessment report within fixed processing time. Quarter of the respondents said the firm assigned damage /loss assessor conducts his duty, with impartiality, with professional diligence, with professional competence, and in ethical manner. More than 64% of the respondents said that the firm properly and timely handles customers' case, complaints on delay of damage assessment, complaint on damage assessment amount (Table 4.3). It gives the impression that the firm curtails the dissatisfaction level of customers by doing a lot of activities. Having it to be glanced from a different angle, however, showed that the company is not fulfilling the anticipated level of customer handling services.

4.2.5. Tender / Bid Procedure

As shown in Table 4.5, the cumulative mean perception ranged between 2.55±1.15 and 3.45±0.89, while their variation ranged between ±0.89 and ±1.19. Garages on insurer's approved repairers list, as to 31.6% of the respondents, have similar quality of workmanship and competency. Data showed that the company is not doing up to the expectation levels of the customers in motor claims handling services.

Table 4.5.: Tender or Bid Procedure

#	*(1) Strongly Disagree; (2) Disagree; (3) Neutral; (4) Agree; (5) Strongly Agree*	%					Mn	Sd	R
		1	2	3	4	5			
1	Garages on insurer's approved repairers list have similar quality of workmanship and competency	23.0	31.0	15.0	29.0	2.5	2.57	1.19	1
2	Equitable compensation is guaranteed by setting repair cost of the damage through bidding process	18.0	42.0	11.0	25.0	3.8	2.55	1.15	1
3	Choice of two garages each by insurer and insured ensures equity and fairness of repair cost estimate	12.0	43.0	15.0	27.0	2.9	2.65	1.09	2
4	Selected Garages provide reliable and impartial repair cost estimate	13.0	39.0	17.0	27.0	3.5	2.68	1.11	2

5	Least bid winner amount represents true indemnity	11.0	21.0	33.0	32.0	3.2	2.95	1.05	3
6	Bidding is conducted within defined processing time	3.8	11.0	26.0	55.0	4.4	3.45	0.89	4
7	Process is transparent & done with your participation	5.4	17.0	19.0	48.0	9.8	3.40	1.05	3
	Cumulative Average	**12.0**	**29.0**	**20.0**	**35.0**	**4.3**	**2.89**	**1.08**	

%=Percentages, Mn=Mean, SD=Standard Deviations, R=Rank for Improvement

(Source: Own survey, 2016)

According to 27.4% of the respondents equitable compensation is guaranteed by setting repair cost of the damage through bidding process, while 30% of the respondents choice of two garages each by insurer and insured ensure equity and fairness of repair cost estimate. Besides, 30.5% of the respondents agreed that selected garages provide reliable and impartial repair cost estimate, and biding garages provide repair estimate in a fixed time. According to 34.7% of the respondents agreed that least bid winner amount represents true indemnity. Virtually half of the respondents said that bidding is conducted within defined processing time, and the process is transparent and done with clients' participation. The overall perceptions of customers indicate that the company is not providing competitive customer handling services to attract the customers.

4.2.6. Approval and Issuance of Repair Work Order

Respondents' perceptions on various elements of approval and insurance of repair work order had been assessed and the cumulative mean perception ranged between 3.14$\pm$0.87 and 3.47$\pm$0.96 while their variation ranged between $\pm$0.87 and $\pm$0.96, as indicated in table 4.6.

Table 4.6.: Approval and Issuance of Repair Work Order

#	*(1) Strongly Disagree; (2) Disagree; (3) Neutral; (4) Agree; (5) Strongly Agree*	%					Mn	Sd	R
		1	**2**	**3**	**4**	**5**			
1	Timely approves and issues work order to the bid winner	6.0	10.0	19.0	60.0	4.8	3.47	0.96	1
2	Allows you to choose any bidder garage without cost	3.8	17.0	20.0	57.0	2.5	3.38	0.92	2
3	Awards repair work transparently by your participation	2.5	23.0	35.0	38.0	1.9	3.14	0.87	3
	Cumulative Average	**4.1**	**16.0**	**25.0**	**52.0**	**3.1**	**3.30**	**0.90**	

%=Percentages, Mn=Mean, SD=Standard Deviations, R=Rank for Improvement

(Source: Own survey, 2016)

The company, as witnessed by 65.8% of the interviewees (N=315), timely approves and issues work order to the bid winner. More than sixty percent of the respondents replied that the firm allows clients to choose any bidder garage without cost and awards repair work transparently by customers' participation.

The result indicates that the company is not fully engaged in a clearer, transparent and participatory approach of approval and issuance of repair work order and solving customers' problems.

4.2.7. Standard of the Repair Work

Three indicators: repair standard, punctuation and expectation had been evaluated to determine AIC's performance as per the standard of the repair work. The cumulative mean perception ranged between 2.83±1.07 and 2.92±0.94 while their variation ranged between ±0.94 and ±1.07.

Table 4.7.: Standard of the Repair Work

#	*(1) Strongly Disagree; (2) Disagree; (3) Neutral; (4) Agree; (5) Strongly Agree*	**%**					**Mn**	**Sd**	**R**
		1	**2**	**3**	**4**	**5**			
1	The repair work is done to the standard of service promised	7.0	35.0	21.0	36.0	1.6	2.91	1.02	2
2	The repair work is performed within the agreed fixed time	5.1	31.0	34.0	28.0	2.5	2.92	0.94	3
3	The Performance of repairer meets your expectation	5.1	46.0	17.0	26.0	6.3	2.83	1.07	1
	Cumulative Average	**5.7**	**37.0**	**24.0**	**30.0**	**3.5**	**2.90**	**1.00**	

% = Percentages, Mn= Mean, SD= Standard Deviations, R= Rank for Improvement

(Source: Own survey, 2016)

Thirty-five percent of the respondents agreed that the repair work is done to the standard of service promised. The repair work, as to 27.9% of the respondents, is performed within the agreed fixed time. The quarter of the respondents said that the performance of repairer meets clients' expectation (Table 4.7). It can be seen from the cumulative result that the company performs below the anticipated level of customer handling in work standardization.

4.2.8. Approval of Settlement and Payment Process

Approval of settlement and payment process had been evaluated by the respondents in which the cumulative mean perception ranged between 2.62±1.17 and 2.87±1.11 while their variation ranged between ±1.06 and ±1.17 (Table 4.8).

Table 4.8.: Approval of Settlement and Payment Process

#	*(1) Strongly Disagree; (2) Disagree; (3) Neutral; (4) Agree; (5) Strongly Agree*	%					Mn	Sd	R
		1	**2**	**3**	**4**	**5**			
1	Counter checks repair invoice within a specified time period	4.8	47.0	16.0	27.0	5.7	**2.82**	**1.06**	4
2	Approves an agreed amount without any new surprises	10.0	35.0	16.0	36.0	3.2	**2.87**	**1.11**	3
3	Approves the claim payment within a specified time period	20.0	32.0	17.0	29.0	2.2	**2.62**	**1.17**	2
4	Prepares settlement cheque within a specified time period	14.0	40.0	16.0	26.0	5.1	**2.69**	**1.15**	1
	Cumulative Average	**12.0**	**38.0**	**16.0**	**30.0**	**4.1**	**2.8**	**1.1**	

% = Percentages, Mn= Mean, SD= Standard Deviations, R= Rank for Improvement
(Source: Own survey, 2016)

According to thirty percent of the respondents, the firm counter checks repair invoice within a specified time period but half of the respondents stood against it. In real terms, 39.4% of the respondents believed that the firm approves an agreed amount without any new surprises, and approves the claim payment within a specified time period. Two-third of the respondents was dissatisfied with the timeliness of payment stating that the firm never prepares settlement cheque within a specified time period (Table 4.8). The data showed that company had a huge problem in the approval of settlement and payment process. Therefore, the firm's vision is being impaired by the poor motor claims handling services.

4.2.9. Performance and Competence of Claims Staff

Staff performance one of the most important factor that governs customers' satisfaction. In this study the empathy, swiftness, knowledge and skill, problem understanding, accuracy and commitment had been assessed based on respondents' perception. The cumulative mean perception ranged between 2.79±1.21 and 3.4±1.08 while their variation ranged between ±0.96 and ±1.21. Forty percent of the respondents said that the clam staff shows empathy and is

always courteous. The staff, according to 46% of the respondents, never handles the claim in timely and swift manner.

Table 4.9.: Claims Staff (Performance and Competence)

#	*(1) Strongly Disagree; (2) Disagree; (3) Neutral; (4) Agree; (5) Strongly Agree*	**%**					**Mn**	**Sd**	**R**
		1	**2**	**3**	**4**	**5**			
1	Shows empathy and is always courteous	22.0	17.0	27.0	31.0	3.8	2.79	1.21	2
2	Handles the claim in timely and swift manner	17.0	26.0	21.0	33.0	3.5	2.80	1.17	1
3	Handles the claim with competence	6.0	31.0	28.0	28.0	6.7	2.98	1.05	3
4	Shows adequate knowledge and skill	4.4	30.0	37.0	24.0	5.1	2.96	0.96	5
5	Has understanding of your problem	4.8	24.0	32.0	34.0	5.1	3.10	0.99	4
6	Executes his job accurately and to the standard	5.7	16.0	24.0	41.0	13.0	**3.40**	**1.08**	3
7	Shows commitment to his assigned duty	7.0	17.0	25.0	42.0	10.2	**3.31**	**1.08**	3
	Cumulative Average	**9.5**	**23.0**	**28.0**	**33.0**	**6.8**	**3.00**	**1.10**	

% = Percentages, Mn= Mean, SD= Standard Deviations, R= Rank for Improvement
(Source: Own survey, 2016)

More than 37.9 % of the respondents said the staff handles the claim with incompetence, and shows inadequate knowledge and skill. There was poor understanding of clients' problem but executes his job accurately and to the standard (as to 57.4 % of them said). Moreover, the staff, as 52.7 % of said it, had commitment to their assigned duty. By and large, the acquired result implies that the company decelerates compared to the expectations of its customers in terms of staff competence and quality. Thus, customer handling process in the company is not well accepted regardless of minor affirmative responses.

4.2.10. Complaint Management System

To buy clients' trust, complaint management system is the key apparatus of quality customer handling as it is attributed to accountability and transparency. The study showed that cumulative mean perception ranged between 2.95$\pm$0.99 and 3.22$\pm$0.97 while their variation ranged between $\pm$0.97 and $\pm$ 0.99. Visibility of customer service unit was disreputable as 29.5 % of the respondents reflect, whereas the system, according to 47 % of the respondents, handles claims through negotiation. The vast majority of respondents (43.5 %) said that they are not sure

whether separate compliant management system is place or not while 34.9 agreed about the system (Table 4.10).

Table 4.10.: Complaint Management System

#	*(1) Strongly Disagree; (2) Disagree; (3) Neutral; (4) Agree; (5) Strongly Agree*	%					Mn	Sd	R
		1	**2**	**3**	**4**	**5**			
1	There is a separate Customer Service unit	8.3	23.0	40.0	25.0	4.1	2.95	0.99	1
2	Handles claims through negotiation	4.1	21.0	28.0	42.0	4.8	3.22	0.97	2
3	A separate compliant management system is place	7.0	15.0	44.0	29.0	6.3	3.13	0.98	3
	Cumulative Average	**6.5**	**20.0**	**37.0**	**32.0**	**5.1**	**3.10**	**1.00**	

% = Percentages, Mn= Mean, SD= Standard Deviations, R= Rank for Improvement
(Source: Own survey, 2016)

Based on the obtained result, the company has a poor complaint management system and could not satisfy the needs of the customers in motor claims management and handling services in the company despite the consequences of some insignificant optimistic reply from the respondents.

4.2.11. External Customers Response Summary on AIC Claims Handling Process

As can be noted on Table 4.1_10 below, the sum of external customers' response on main sub-processes of motor claims handling process of AIC in general demands for the overhaul of the entire process; with cumulative %, either strongly disapproving or simply disapproving, with % being neutral and the rest % either just approving or strongly approving the entire claims handling process.

However, thorough analyses on each of the main sub-processes customers' response suggest that seven of them requiring change as they are eroding customers' satisfaction and trust. On the reverse side, at least three of the sub-processes require continuous improvements in order to address customers' requirements and meet expectations. These are Table 4.2.: Towing Vehicle Arrangement, Table 4.3.: Investigation at Site of Accident, and Table 4.6.: Approval and Issuance of Repair Work Order. These by no means suggest that they are defect free. In almost all cases the 76% satisfaction level stated on AIC's Five Years Strategic Plan have not been attained and the prospect of achieving the envisaged future targets seems far away unless AIC management take a constructive and dynamic change in this regard in the soonest possible time.

Table 4.1_10: Summary of External Customers Responses on AIC Claims Handling Process							
(1) Strongly Disagree: SD; (2) Disagree : D; (3) Neutral: N; (4) Agree: A; (5) Strongly Agree: SA		Satisfaction Level			Dispersion		Customers Demand
Table No	Main Sub-Processes	SD+D	N	A+SA	Mn	Sd	
4.1	Imitation and Claim	30.5	23.0	46.2	3.2	1.0	Change
4.2	Towing Vehicle Arrangement	20.3	25.0	55.0	3.4	0.9	Improve
4.3	Investigation at Site of Accident	19.0	20.0	61.1	3.5	0.9	Improve
4.4	Assessment of Damage or Post Risk Survey	30.3	25.0	44.3	3.1	1.0	Change
4.5	Tender or Bid Procedure	41.0	20.0	39.3	2.9	1.1	Change
4.6	Approval and Issuance of Repair Work Order	20.1	25.0	55.1	3.3	0.9	Improve
4.7	Standard of the Repair Work	42.7	24.0	33.5	2.9	1.0	Change
4.8	Approval of Settlement and Payment Process	50.0	16.0	34.1	2.8	1.1	Change
4.9	Claims Staff (Performance and Competence)	32.5	28.0	39.8	3.0	1.1	Change
4.10	Complaint Management System	26.5	37.0	37.1	3.1	1.0	Change
	Cumulative Average	31.3	24.3	44.6	3.1	1.0	Overhaul

% = Percentages, Mn= Mean, SD= Standard Deviations, R= Rank for Improvement

(Source: Own survey, 2016)

4.3. Perceptions of Internal Staffs on Claims Handling Processes Attributes

As the roles of internal staffs in the AIC are to deliver insurance product that meets customers requirements and solve their problem, assist and process claims request when such events materialize, negotiate, enhance and advertise the insurance business to existing and prospective customers on the company's behalf, their perceptions of each client or customer opinion they encounter in this process is of great significance for assessing customers' satisfaction. Their opinion on the Company's claims process is also essential. Internal customers include company claims staff, branch managers, and major company sales agents operating in Addis Ababa.

4.3.1. Capacity Building

More than 67.3 **%** of the respondents said that the company always attaches standard basic claims guidelines with the policy documents, while 68.2 **%** of them said that the company provides contact details at the time of accident. 43.2 **%** percent of the respondents denied that there is a 24 hour help-line / claims line to assist clients and third parties. This survey implied that the level of company to capacitate the staff is not up to the expectations of the internal

customers and staff.

4.3.2. Claim Intimation Process

Apparently, 87.5 **%** of the respondents said that the company always maintains a claims register in which every claim is recorded. On the other hand, 73.8 **%** of the respondents reflected that the claim register contain all valuable information according to a standard. Adamantly, 39.8 **%** of the respondents claimed that the register is always updated continuously but not later than one month. It can be seen from the result that the internal staffs are not being satisfied with the company's claim intimation process.

4.3.3. Initial Contact with the Client and/or Third Party

Upon intimation of accident or claim the company's claims officer or investigator always visits the scene of loss as soon as practically possible. This was evidenced by 67 **%** of the respondents. If the claim needs a surveyor or independent assessor/surveyor/external investigator etc. was appointed immediately in writing as stated by 88.7 **%** of the respondents. Three-fourth of the respondents stated that the company timely provides all documents that can assist the loss assessor in determining the loss. According to 55.7 **%** of the respondents, all correspondences with assessors are copied to the clients or third party (Table 4.11). The overall result showed that the company is not satisfying the needs and expectations of the internal customers and staffs.

Table 4.11.: Educating, Intimation and Initial Contact With Customers

#	*(1) Strongly Disagree; (2) Disagree; (3) Neutral; (4) Agree; (5) Strongly Agree*		1	2	3	4	5
Staff Capacity Building							
1	Always attach standard basic claims guidelines with the policy documents.	N	5	13	9	41	20
		%	5.7	14.8	10.2	46.6	22.7
2	Provides contact details at the time of accident.	N	3	17	8	42	18
		%	3.4	19.3	9.1	47.7	20.5
3	There is a 24-hour help line/claims to assist the customers and third parties	N	20	18	15	25	10
		%	22.7	20.5	17.0	28.4	11.4
	Cumulative Average		**10.6**	**18.2**	**12.1**	**40.9**	**18.2**
Claim Intimation Process							
1	Always maintain a claims register in which	N	0	5	6	53	24

	every claim is recorded.	%	0.0	5.7	6.8	60.2	27.3
2	The claim register contain all valuable information according to a standard.	N	0	8	15	50	15
		%	0.0	9.1	17.0	56.8	17.0
3	The register is always updated continuously but not later than one month	N	8	23	22	22	13
		%	9.1	26.1	25.0	25.0	14.8
	Cumulative Average		**3.03**	**13.63**	**16.27**	**47.33**	**19.70**
Initial Contact with the Client and/or Third Party							
1	Upon intimation of accident or claim the company's claims officer or investigator always visits the scene of loss as soon as practically possible	N	5	13	11	45	14
		%	5.7	14.8	12.5	51.1	15.9
2	If the claim needs a surveyor or independent assessor /surveyor / external investigator etc. was appointed immediately in writing.	N	1	4	5	68	10
		%	1.1	4.5	5.7	77.3	11.4
3	The company timely provides all documents that can assist the loss assessor in determining the loss.	N	0	9	13	54	12
		%	0.0	10.2	14.8	61.4	13.6
4	All correspondences with assessors are copied to the Clients or third party.	N	8	10	21	40	9
		%	9.1	11.4	23.9	45.5	10.2
	Cumulative Average		**4.0**	**10.2**	**14.2**	**58.8**	**12.8**

N=count, % = percentages,

(Source: Own survey, 2016)

4.3.4. Reserving

More than 69 **%** of the respondents said that the company always maintains a reserve for each claim from the time the claim is intimated. Such reserve includes additional expenses and charges for assessors, legal and other incidentals and etc., as stated by 43.2 **%** of the respondents. Only 36.4 **%** of them said in case of long tail liability claims provision for inflation or factor is considered. But a outsized enormity (42 **%**) of the respondents said that they are unsure of its extent. Nonetheless, 71.6 **%** of the respondents said that in the absence of sufficient information, a minimum payable amount is reserved, which later is adjusted as the information is obtained (Table 4.11). The perceptions of respondents on claims process and service standards for company surveyor or independent loss assessors/surveyor had been assessed. Sixty-seven percent of the respondents said there is a fixed time limit set for the assessment processes to be

completed from the date of assignment. The result showed that there's a huge need for improvement in the mode and speed of service delivery to satisfy the needs of the customers.

4.3.6. Claim Investigation, Independent Loss Assessor and Surveyor Appointment Process

Three-fourth of the respondents said that there is a written direction or guideline that specifies the reason to appoint an independent loss assessor and surveyor. 68.2 **%** said there are pre specified requirements to select and appoint one independent loss assessor and surveyor among those licensed by NBE; while 84 **%** of them agreed that insured is permitted to assign his own loss assessor/surveyor. However, half of the respondents unsure of a proper registration system to record each appointment and all information in relation to the undertaking including the opinion of the client or third party receiving the service and each appointment are made with properly worded contractual agreement. Each appointment is made in writing. Any misdeed by the concerned independent loss assessor and surveyor in executing his duty is immediately reported to the NBE. At the time of each appointment and entering of a contractual agreement with the independent loss assessor and surveyor the insurance company gives timelines for submitting final report though it's not satisfying to the majority of the respondents.

4.3.7. Claim admission and repudiation of claims

For admissible claims, a settlement offer in writing is being sent to the insured or third party with a defined time line after receipt of the necessary documents. Any repudiation of claim is decided by the involvement of senior management member of the company. Repudiation of a claim, according to three-fourth of the respondents, is communicated in writing to the insured and/or third party using simple language and giving clear grounds for repudiation. Almost 42 **%** of the respondents agreed that a copy of any letter written to repudiate claim is also communicated to NBE while similar proportion of the respondents (36.4 **%**) disagreed to it (Table 4.12).

Table 4.12.: Reserving

(1) Strongly Disagree; (2) Disagree; (3) Neutral; (4) Agree; (5) Strongly Agree		1	2	3	4	5
Reserving						
The company always maintains a reserve for each claim from the time the claim is intimated.	N	2	15	10	46	15
	%	2.3	17.0	11.4	52.3	17.0
Such reserve includes additional expenses and charges for assessors, legal and other incidentals and etc.,	N	0	19	31	28	10
	%	0.0	21.6	35.2	31.8	11.4
In case of long tail liability claims provision for inflation or factor is considered.	N	1	18	37	21	11
	%	1.1	20.5	42.0	23.9	12.5
In the absence of sufficient information, a minimum payable amount is reserved, which later is adjusted as information is obtained	N	0	10	15	47	16
	%	0.0	11.4	17.0	53.4	18.2
There is a fixed time limit set for the assessment processes to be completed from the date of assignment.	N	5	11	13	48	11
	%	5.7	12.5	14.8	54.5	12.5
Average percentages		**1.5**	**15.5**	**22.6**	**43.8**	**14.6**
Claim Investigation Independent Loss Assessor						
There is a written direction or guideline that specifies the reason to appoint an independent loss assessor and surveyor.	N	3	11	8	52	14
	%	3.4	12.5	9.1	59.1	15.9
There are pre specified requirements to select and appoint one independent loss assessor and surveyor among those licensed by NBE;	N	0	6	22	49	11
	%	0.0	6.8	25.0	55.7	12.5
Insured is permitted to assign his own loss assessor/surveyor	N	2	10	11	53	15
	%	2.3	11.4	12.5	60.2	13.6
Repudiation of a claim is communicated in writing to the insured and/or third party using simple language and giving clear grounds for repudiation.	N	3	10	10	55	10
	%	3.4	11.4	11.4	62.5	11.4
A copy of any letter written to repudiate claim is also communicated to NBE.	N	22	10	20	26	10
	%	25.0	11.4	22.7	29.5	11.4
Average percentages		**1.4**	**2.1**	**3.2**	**10.7**	**2.6**

N=count, % = percentages, (Source: Own survey, 2016)

4.3.9. Choice and Appointment of Repairing Garages

Four-fifth of the respondents said that the insured is allowed to choose his preferred repairing garage while 47.8 **%** of them said the garages on company's approved repairer list have similar standard of workmanship and organization. 53.2 **%** of the respondents said bidding garages repair estimate always provide accurate measurement of the damage sustained, while 47.8 **%** of them said the least bidding garage estimate actually represents the exact compensation payable before deduction of contribution. Over and above, insurers bidding process for repair cost guarantees fairness and equity as perceived by 70.3 **%** of the respondents (Table 4.11). The result showed that there are no clear garage selection and appointment processes.

4.3.10. Claim Payments, Subrogation and Complaints

Three-fourth of the respondents agreed that the insurer settles the claim promptly in line with the service standards. Subrogation, as to 56.8 **%** of the respondents is being done well. From the time a claim is intimated, the insurance company or intermediary guide their insured's on how to conduct in order to preserve the insurers' subrogation rights and the consequences thereof.

According to half of the respondents, the company has set up a desk to address the customer complaints. 78.2 **%** of the respondents had said that unsatisfied customers are advised to refer their cases to the highest organ of the organization, while 44.3 **%** of the respondents disagreed that unsatisfied customers are advised to refer their cases to the NBE. Ironically, considerable number of the respondents (52.3**%**) disagreed that there is a separate Complaints Bureau or an independent Insurance Ombudsman to address insurance customers' complaints.

Perception of respondents to prevent aggregate losses and claims from single accident had also been assessed. Accordingly, 54.6 **%** of the respondents agreed that separate record is made if a number of claims are made from a single accident and such types of claims are communicated to NBE with details, as stated by 45.4 **%** of the respondents. However, 42 **%** of them are against it.

Based on the survey result, it can be seen that significant proportion of people are not satisfied with the company's customer handling process. Substantial proportion of respondents had a neutral opinion towards company's complaint handling system. Incongruously, considerable numbers of them argue that there was poor complaints management system. Therefore, the

company needs to look into it to meet the expectations of the customers.

Table 4.13.: Choice of Garages, Subrogation and Staff Competency

(1) Strongly Disagree; (2) Disagree; (3) Neutral; (4) Agree; (5) Strongly Agree		**1**	**2**	**3**	**4**	**5**
Choice and Appointment of Repairing Garages						
The insured is allowed to choose his preferred repairing garage	N	1	10	7	55	15
	%	1.1	11.4	8.0	62.5	17.0
The garages on Company's approved repairer list have similar standard of workmanship and organization	N	1	12	33	35	7
	%	1.1	13.6	37.5	39.8	8.0
Bidding garages repair estimate always provide accurate measurement of the damage sustained	N	2	27	12	35	12
	%	2.3	30.7	13.6	39.8	13.6
The least bidding garage estimate actually represents the exact compensation payable before deduction of contribution	N	8	14	24	35	7
	%	9.1	15.9	27.3	39.8	8.0
Insurers bidding process for repair cost guarantees fairness and equity	N	2	16	9	47	14
	%	2.3	18.2	10.2	53.4	15.9
Cumulative Mean Percentage		**3.40**	**17.90**	**21.60**	**45.48**	**11.65**
Claim Payments, Subrogation and Complaints						
The insurer settles the claim promptly in line with the service	N	0	7	15	58	8
	%	0.0	8.0	17.0	65.9	9.1
Subrogation	N	6	10	22	38	12
	%	6.8	11.4	25.0	43.2	13.6
The company has set up a desk to address the customer complaints.	N	3	22	18	36	9
	%	3.4	25.0	20.5	40.9	10.2
Unsatisfied customers are advised to refer their cases to the highest organ of the organization	N	4	9	6	56	13
	%	4.5	10.2	6.8	63.6	14.8
There is a separate Complaints Bureau or an independent Insurance Ombudsman to address insurance customers' complaints.	N	29	17	13	24	5
	%	33.0	19.3	14.8	27.3	5.7
A separate record is made if a number of claims are made from a single accident.	N	9	20	10	45	4
	%	10.2	22.7	11.4	51.1	4.5
Cumulative Mean Percentage		13.20	16.90	15.06	45.73	9.09

N=count, % = percentages, (Source: Own survey, 2016)

4.3.14. Staff Competency

Respondents' perception on the competency of AIC staff had been evaluated based on three different indicators. It was assessed if the company maintains competent staff with appropriate skills in claims handling. Besides, the level of customers' perception on whether the company carried out regular internal audit of all claims lodged or not. How internal audit applies to all stages of the claims management process had also been evaluated. In wrapping up, the staff could not be considered as competent by many customers.

Table 4.14.: Staff Competency

(1) Strongly Disagree; (2) Disagree; (3) Neutral; (4) Agree; (5) Strongly Agree		**1**	**2**	**3**	**4**	**5**
The company maintains competent staff with appropriate skills in claims handling.	**N**	13	14	11	41	9
	%	14.8	15.9	12.5	46.6	10.2
The company carry's out regular internal audit of all claims lodged.	**N**	1	9	25	47	6
	%	1.1	10.2	28.4	53.4	6.8
The internal audit applies to all stages of the claims management process	**N**	7	5	26	40	10
	%	8.0	5.7	29.5	45.5	11.4
Cumulative Percentage		8.0	10.6	23.5	48.5	9.5

N= count, % = percentages, (Source: Own survey, 2016)

As it was indicated in Table 4.14, 56.8 **%** of the respondents said that the company maintains competent staff with appropriate skills in claims handling. 30.7 **%** of the respondents considered that staff as incompetent. The company, according to 60.2 **%** of the respondents, carry's out regular internal audit of all claims lodged. 56.9 **%** of the respondents said that the internal audit applies to all stages of the claims management process. Many agreed on staff competence. But a considerable number saw it from different angle, which may lead to an implication that the company is not satisfying the needs and expectations of the customers.

4.3.15. Timeliness of the Claims Process and Service Standards of the Company

The relative speed with which those services had been delivered was accessed (Table 4.15). Claim intimation is usually refined in hours (according to 43.2 **%** of the respondents), in days (according to 26.1**%** of the respondents), in months (according to 30.7 **%** of the respondents). The acknowledgements of claim and acquisition of documents or contacts with the claimant

finished in hours (according to 47.7**%** of the respondents), days (according to 35.2 **%** of the respondents), and months (according to 17 of the respondents). Site visit/or appointment of investigators, internal surveyors, independent assessor / surveyors etc, takes hours (according to 44.3**%** of the respondents), days (according to 33 **%** of the respondents), and months (according to 22.7**%** of the respondents).

Table 4.15. Timeliness of the claims process and service standards of the company

	Simple (hours)		Intermediate (days)		Complicated (Months)	
	N	%	N	%	N	%
Claim intimation	38	43.2	23	26.1	27	30.7
Acknowledgement of Claim and acquisition of documents / contact with the claimant	42	47.7	31	35.2	15	17.0
Site visit / or appointment of investigators, internal surveyors, independent assessor / surveyors etc	39	44.3	29	33.0	20	22.7
Making settlement offer or communicating repudiation of claim	29	33.0	44	50.0	15	17.0
Settling claim	29	33.0	50	56.8	9	10.2
The company provides a written reason explaining why a claim cannot be settled within the indicative timelines for each of the processes.	21	23.9	45	51.1	22	25.0
This explanation reaches the regulatory authority (NBE) before expiry of applicable time limit	16	18.2	39	44.3	33	37.5
Copies of such correspondences to the insured or intermediary as the case may be.	30	34.1	38	43.2	20	22.7
Cumulative Average	**30.5**	**34.7**	**37.4**	**42.5**	**20.1**	**22.9**

N=count, % = percentages, (Source: Own survey, 2016)

The respondents stated that making settlement offer or communicating repudiation of claim takes hours (according to 33**%** of the respondents), days (according to 50 **%** of the respondents), and months (according to 17**%** of the respondents). Settling claim, takes hours (according to 33**%** of the respondents), days (according to 56.8**%** of the respondents), and months (according to 10.2**%** of the respondents). The company provides a written reason explaining why a claim

cannot be settled within the indicative timelines for each of the processes takes hours (according to 23.9**%** of the respondents), days (according to 51.1**%** of the respondents), and months (according to 25**%** of the respondents).

Providing copies of correspondences to the insured or intermediary takes hours (according to 34.1**%** of the respondents), days (according to 43.2**%** of the respondents), and months (according to 22.7**%** of the respondents) (Table 4.15). Based on the obtained data, it can be seen that not a few number of the internal customers were satisfied with the timeliness of the services being delivered in handling motor claims in AIC. Internal customers' response suggest that AIC doesn't have a procedure that specify the timeliness or the processing time set for each of the claims sub-processes and the related activities which is known and made official to each of the internal and external customers that is rigorously adhered to by all parties including claims staff.

4.3.16. Summary of Internal Customers Response on AIC Claims Handling Process

From Table 4.3.11_14 shown below and Appendix VI, presenting cumulative average summary results of internal customers response on AIC's main motor claims handling sub-processes, it can be generally concluded they are of the opinion that claims handling process is carried out to the satisfaction of majority of customers; with an approval rate of 61.8%, neutral being about 17.6 % and disapproval rate of 20.7%. Though the approval response rate of 61.8%, is not equal to the prevailing customers satisfaction rate of 76% as indicated on the Five Year Strategic Plan, the overall process as perceived by the internal customer of AIC is to the liking of most customers and meets their expectation as it is based on sound and standard principles and practices.

However, according o the internal respondents there are at least three sub-processes in the whole claims service diluting customers satisfaction requiring due consideration for change and / or improvement by AIC. These are (1) Claim Payments Approval and Processing, Providing due advice to preserve Subrogation Rights of AIC, Having Proper Complaints Handling System, and recording and keeping appropriate motor claims data- particularly 'Data on Per Event Aggregate Losses and Claims From Single Accident', (2) Customer Education, and (3) Choice and Appointment of Repairing Garages. Besides giving higher approval rating to other sub-processes and related activities, respondents have strong opinion that the claims staff providing the service is competent enough to provide the claims service and the performance of the system is intact.

Table 4.3.11_14: Summary of Internal Customers Response on AIC Claims Service

Motor Claims Sub-Processes and Activities		Level of Approval			Rank
	(1) Strongly Disagree: SD; (2) Disagree : D; (3) Neutral: N; (4) Agree: A; (5) Strongly Agree: SA	SD+D	N	A+SA	
Table 4.11. : Customer Education, Intimation and Initial Contact with Customer		(%)	(%)	(%)	
1	Customer Education	28.8	12.1	59.1	2
2	Claim Intimation Process	16.6	16.3	67.0	7
3	Initial Contact with the Client and/or Third Party	14.2	14.2	71.6	8
Table 4.12. : Reserving, Claims Service Standard and Investigation					
4	Reserving	18.4	24.1	57.5	5
5	The Claims Process & Service Standards for Company Surveyor or Independent Loss Assessors / Surveyor				
6	Claim Investigation, Independent Loss Assessor and Surveyor Appointment Process	17.5	16.1	66.4	6
Table 4.13. : Choice of Garages, Payments and Subrogation					
9	Choice and Appointment of Repairing Garages	21.2	19.3	59.6	3
10	Claim Payments Approval and Processing				
11	Providing due advice to preserve Subrogation Rights of AIC				
12	Having Proper Complaints Handling System				
13	Data on Per Event Aggregate Losses & Claims From Single Accident				
		30.1	15.1	54.8	1
Table 4.14. : Staff Competency					
14	Staff Competency	18.6	23.5	58.0	4
	Total Cumulative Average	**20.7**	**17.6**	**61.8**	

% = Percentages, Mn= Mean, R= Rank for Improvement (Source: Own survey, 2016)

4.4. Key Findings from the Focus Group Discussion

4.4.1. The Major Challenges of AIC

The FGD result had shown that there are a lot of critical problems in AIC that hinders its mission. Particularly, the agents, claimants and low-managements of AIC believed that lack of updated and clear claims handling policy and procedure or claims management operations manuals; lack of skilled, knowledgeable, experienced and committed claim staff in motor claims service are the key challenges in AIC. More importantly, centralized claims service mainly at the head quarter level, lack of implementing claims management, external and internal effects of immoral behavior of the clients, surveyors, loss assessors and internal engineers, garages, spare

part dealers, and claims staff along with sluggish interdepartmental / work units / communications that are deteriorating customers satisfaction and eroding customers profit and market share are the inherent attributes of the prevailing traditional claims handling process.

Poor or non-existent compliant handling system in the Company, delay of claims process from notification up to settlement, unfair premium price competition rather than service excellence in the insurance industry, shortage of competent manpower and work overload, lack of standard and intensive training for claims staff, and lack of work standard based on outcomes and performance for internal employees, external surveyors and garages, which are also attributes of the traditional claims service deeply embodied in the market, also decelerates the rate at which quality service is delivered in AIC.

Unless the situations mentioned above are not properly addressed in due course, AIC, rather than excelling than competitors, may loss its right full share of the market, from new and existing business, and a further exacerbated loss ratio and miserable profitability.

4.4.2. Coping Mechanisms

The interviewees raised the coping mechanisms being implemented them in order of their frequency and effectiveness. They said that updating and replacing the current traditional claims handling procedure and replacing it with proper claims management with defined claims philosophy of the Company; assigning qualified, competent, experienced and committed manpower in all work units; keeping close relationship with clients, police traffic offices, garages and concerned stakeholder; immediate assigning of inspectors and branch managers at the site of accident to investigate the loss, to deter possible moral hazard and fraudulent acts, to put measures in minimizing exaggerated claims cost at the same time by satisfying clients by meeting their expectations were the major coping mechanisms recommended to reverse the situation at hand.

4.4.3. Possible Elucidations of the Way Forward

According to the informants the AIC should do the following to improve satisfaction of the customer: Delivering fast and timely claim service to our claimants, assigning inspector at the site of the accident, notifying claims process in writing up to claims payment and informing

helpline or contact point at the time of accident.

4.4.4. Learning from Competitors

Considering competitors companies in the same insurance businesses in the country, and international benchmarked insurance institutes, what AIC can learn from other best practices are: (1) decentralization of claims service based on defined and official criteria to branches, in order to minimize work load at head office, (2) introduction of practical claims management, to be efficient in claims service, and (3) upgrading of claims systems and procedures, with current information technology targeting the motor claims handling process, (4) introduction of team works and strong integration of work units and departments towards the objectives of the Company and (5) immediate assignment of investigators and claims officers including branch managers in order to conduct site investigation to minimize exaggerated and fraudulent claims. Assigning company inspector and delegating branch managers at the site of accident is more important to protect manipulation of police report and to minimize moral hazard of third party.

Interviewees further suggested that there is an urgent need for the Company to standardize the quality of services delivered by the company, the external surveyors, and the garages by ranking according to their qualification, competency with defined and official standard; and period of work and performance result.

4.5. Key Informants Interview

4.5.1. Alignment of Service Delivery with the AIC's Mission and Strategies

Almost all internal customers' (informants) know the policy, the mission and strategic plans of the AIC. The Manager from Customer Services stated that: the policy of the company is reflected in the corporate motto of the Company 'committed to excellence and quality service'. The company strives to win its competitors by providing excellent and quality service with reasonable price".

The mission of the company is providing reliable and quality products and services in the best interest of its customers at commensurate price. The newly developed Five (5) Years Strategic Plan has put a vision for the company which makes it shine as most preferred, accessible and

market leader insurance company in the country by the year 2025 G.C. In addition to this the strategic plan is to increase the overall wealth of the company.

Most informants having admitted the prevailing motor claims handling process problems, still argue that the prevailing service delivery is in alignment of the Company's strategic objective

4.5.2. Excellence of Claims Service and Customers Expectations

According to opinion of internal customers the service standard of AIC exceeds its competitors, and appears to perform well and good. But it still lacks major elements which majority of existing and potential customers expect. Internal customers are of the opinion that the standard of claims service in motor or other class of insurance meets customers' expectation. However, service excellence can be achieved only if total satisfaction is achieved as has been properly identified and stated by the informants. This statement seems to contradict the popular view, such as lack of standard work, standard service, defined processing time / turnaround time, competent staff and etc specified above from the gathering of informants themselves.

4.5.3. Identifying the Existence of Claim Management in AIC

The other comment provided at the time of interview is whether the motor claims handling process known by its misnomer as claims management is liberated from problems relating to internal and external actors making fraudulent and/or exaggerated claims corroborated with tampered evidences/documents and other methods. According to information gathered from internal customers, when compared to competitors in the market, informants are of the opinion that AIC has better claims handling process or claims management that needs improvement. Among those requiring improvement are the existence of a lot of bureaucratic procedures."

The main actors/participants responsible for the exacerbation of the motor claims cost being the clients, claims staff and clerks, internal and external loss assessors and surveyors, police traffic, medical institute workers, third party claimants, garages and etc. All these factors accounts are expected for the skyrocketing of motor claims ratio of 106% during the last quarter as compared to 94% of same period last year.

4.5.4. Major Challenges in AIC

The informants had coined various challenges that needed to be addressed and measures should be enacted to tackle these challenges, lack of sufficient knowledge and experience by claims staff. Immoral behavior of the client and internal employees, lack of speedy response from government authority like police, lack of sufficient skill by derivers of motor vehicles, Centralized claims payment system of the company and unfair premium price competition in the insurance industry.

4.5.5. Mitigation Measures

It was repeatedly mentioned by these key informants that the company needs to have clear claims handling procedures and processes which can avoid fraud and bad practices. It was also imperative for the company to train its staff consistently to increase their efficiency; and capacitate itself in areas of resources and other vital deliverables. The insurance association has to work strongly together to influence the government and other partners and organs, so that speedy communication and service delivery can be made. Decentralized claims service or claims settlement system of the company should be implemented.

4.5.6. Prospects of the AIC

According to the interviewees, Africa Insurance Company will definitely be at top level from the private sector in the next 5 – 15 years through its diverse investment in shares, real estate and transport sectors. The good image of the company has developed in the past and these lucrative private and government investment in the next five to fifteen years are the opportunities and enablers. While the prevailing unfair market competition, ever increasing price of spare parts and labor cost, high turnover of employees and lack of skilled man power, the possible opening of the financial sector to foreign companies shall be the threats for the coming period. It was underscored in this ever-changing market environment that the company can achieve its five-year strategic plan if only if all stakeholders are participating through sense of ownership.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

This Chapter presents summary of major findings, conclusions and recommendations derived from he analysis, discussion and interpretation of the data that were collected through questionnaires, interviews, FGD and documents on 'Assessment of Challenges and Prospects of Motor Claims Management in Africa Insurance Company'. The following sections present the summary, conclusions and recommendations of the Study.

5.1. Summary of the Findings

Most insurance professionals agree that the value of insurance product is appreciated not at the issue of the policy but at the time of accident or claim. If adequate and timely claims payment is no coming then the buying of insurance losses its purpose and becomes meaningless for the customer. This has more profound effect especially in the case of motor insurance where most consider it in equal terms or give it the same value as daily consumption items mainly due to the compulsory nature of procuring the cover partially. Motor insurance being so important to most customers it is also the major revenue generator of AIC by contributing more than 64% of its annual income. However, it is not by any means a major contributor to the profitability of an insurer, as is the case in AIC. The very successful performance in this brings customer satisfaction and increase in market share and if properly managed increased profitability; whereas failure to succeed in this area highly undermines the overall future of the company.

Accordingly, having identified its importance and role in the future endeavour of AIC the very purpose of this study was to evaluate and identify the type of motor claims handling process in AIC, and the challenges encountered in the process negatively affecting customers satisfaction and the level of effect on customers perception of claims service provided by AIC; all this is done to ensure the implementation of proper and practical claims management not only on motor claims service but also on other insurance businesses.

Therefore, the following provide the summary of major findings from survey questionnaire and interview respondents, FGD discussions regarding motor the claims handling process in AIC:

(1). Assistance and Response at the Time of Intimation of Claims: - Most external customers are of the opinion that AIC's response by making cursory investigation, providing adequate

information to claimants, educating customers about the extent of their cover and their duties and rights and etc in other words claims handling process at this initial stage does not meet their expectation. On the contrary, internal customers especially the claims staff is of their opinion that their performance in this regard is very sound and customer focused. KII responses and FGD discussion suggests lack of strict procedure, due compliance and control mechanism in place to ensure customers receive adequate assistance and timely response in writing at the time of claims.

(2). Towing Vehicle Arrangement: - Both external and internal customers have reached a consensus in this issue by approving AIC's procedure in allowing clients to timely arrange towing vehicles by themselves at the time of accident that prevent the vehicle to be driven to the nearest repairer or recovery lot, rather than wait for the claims department arrange the same.

(3). Investigation at the Site of the Accident: - External customers are a little bit skeptical to approve the due assignment and investigation at the site of accident on intimation incidents that may bring a claim under the policy of insurance, as sound. Though internal customers response suggest that it is a standard practice to appoint an investigator to conduct investigation at the site of the accident, from KII responses and FGD discussion gathering it is not consistently done for every case; but only conducted when situations and circumstances of the case warrant.

(4). Assessment of Damage: - majority of external customers disapprove the standard of service provided in the assessment of damage to be indemnified. The challenges and problems diluting customers satisfaction doesn't only emanate from internal sources but rather from both. The level of service, competency, ethical behavior, degree of professionalism and standard of service and etc provided from external independent surveyors and loss assessors to company engineers, falls short of a great portion of respondents. On the contrary majority of internal customers' response suggest that they provide satisfying and adequate level of service in this regard. The KII and FGD discussion gatherings are in agreement with external customers opinion, and are higly disapprove the existing assessment of damage procedure and the related process.

(5). Tender and Bid Process: - External customers', gathering from KII responses and FGD discussions, frame as very annoying process that lacks transparency and equity. Internal customers consider it as just and fair, which is done to the satisfaction of customers.

(6). Approval and Issuance of Damage Repair Work Order: - AIC procedure in this regard by allowing clients to decide whether to take the repair responsibility by themselves or entrust it to the Company by approving and issuing work order have been regarded as commendable by all parties external and internal customers, KII responses and FGD discussion outputs.

(7). Standard of the Repair Work by Repairing Garages: - A great majority of external customers are not in agreement to the similarity of the level and standard of workmanship between various approved repairing garages on the Company's list. They are also highly critical of their allegiance to the insurance company who is selecting them for repair job. The same has been reaffirmed from KII responses and FGD discussion outputs, which suggest that no two repairers can have the same capacity and workmanship. However, majority of internal customers' responses suggest contrary to the above and justify the mere choice by standard criteria set by insurance company ensures similarity of workmanship and high performance.

(8). Approval of Settlement and payment Process: Again while external customers response suggest that there is undue delay and lack of proper and transparency in fixing the amount to be approved which lacks true negotiation, internal customers believe that the process though has delay in processing it guarantees fair settlement. KII respondents and FGD participants again stand with the opinion of external customers.

(9). Competency of Employees Delivering the Claims Service: - Again external and internal customers depart in their opinion in connection with competency of claims staff. Majority of external customers suggest that the claims staff lacks the proper competency to deliver adequate service to the customers; internal customers believe that they are competent enough to delivery the service and have been doing so up to now. Again gathering from KII responses and FGD discussions there is a critical short of competent and claims staff to meet the ever increasing customers demand in this competitive environment.

(10). Compliant Management: Again all parties lack of independent complaint management system to uphold customer interest and guarantee satisfaction thereof.

(11). Timelines of the Claims Handling Process and Service Standard: - Again all parties are in agreement in connection with the lack of proper and implemented standard processing time and service standard for each activity made public to all customers and adhered to unreservedly.

(12). Other issues requiring due attention that is eroding customers satisfaction in the Company's claims handling process is the existence of centralized claims handling, lack of innovative system to deter fraudulent and exaggerated claims and register thereof, setting appropriate system to tackle the ever increasing (most of the time man made) spare parts cost and inflated labor charges and etc.

5.2. Conclusions of the Study

The findings in this study provided useful insights regarding the customer satisfaction, challenges in the claims handling process and prospects of implementing motor claims management that guarantee customer satisfaction at AIC. The first theoretically relevant result emerged in this study is that lack of having detailed claims handling procedure with the aim of establishing motor claims management in place. The existing claims handling policy and procedure lacks enforcement and is very sketchy. The very existence of critical problems in the claims handling process show lack of claims management which ensures reduction of costs and satisfaction of customers. Moreover, having or lacking thereof proper claims handling mechanisms and policies could not guarantee a solution to prevailing motor claims management problems of the insurance company because most of the enabling factors in both the internal and external environment was lacking. That is, the customer handling, adoption and practice of excellent motor claims management system at AIC would remain a slogan or rhetoric in a situation where the enabling conditions are not met.

The conceptual model of this study was based on two major assumptions concerning the adoption and implementation customer satisfaction in radiance of motor claims management. First, enhancing the image building process through motor claims management of insurance in general and maximizing the profit in particular is the primary responsibility of AIC and this is influenced directly by the specific managerial context of each unit in AIC. Second, the peripheral environment plays a significant role in creating the conditions that facilitate internal motor claims management practices. This may include setting and enforcing company policies

and procedures through strategic instruments/incentives that affect organizational processes (leadership, employees' entrance, staffing and resources). The findings in this study show that the major challenge for the adoption and implementation of internal motor claims management at AIC is not only lack of policies and structures, but also lack of professional capacity, integrity and commitment in the human element involved in the process is also the major problem. This suggests that initiating and introducing company policy and procedure are necessary but not sufficient conditions to effect motor claims management practices in AIC, unless there is a supportive environmental context. In this study, both the AIC specific and external environmental factors play a significant role in hindering or facilitating the practice of motor claims management, particularly motor claims management across the AIC.

Internally, this study has demonstrated lack of competent, motivated and engaged staff; ill preparation of incoming recruits, lack of reasonably adequate resources, and absence of a supportive professional culture for motor claims management in insurance business in the market. So far, the AIC does not have systematic and functioning internal motor claims management systems geared towards improving learning outcomes. The traditional motor claims handling process and related procedure shall be replaced by claims management.

Externally, absence of a robust and stimulating firm incentive mechanism, inability of the insurance system to capacitate and build staffs' readiness in required ways, and lack of sound planning and inadequate initiatives are major hindrances to the practice of motor claims management in AIC. These problems are reflections of the problems in the insurance and the indemnity system where obligatory awareness creation of customers, practicing motor claims management, preparing and assignment of competent staff, accountability, transparency, merit-based management, professional specialization, achievement and competence are not properly valued.

The other theoretical insight reviled by this study is that service efficiency (serving more customers with less cost and time) seems to be the intention behind the introduction and implementation of reform initiative (Strategic document, enlistment development and internal customers' mix policies) in the AIC. The findings in this study underscored that the current priority of the AIC is to address the low satisfaction rate in motor claims management.

Overall, the findings in this study show that many of the crucial conditions for motor claims management to effectively function are missing in the context of the AIC. This leads to the argument that enforcing the implementation of aspirations, directives, strategies and policies to effect motor claims management improvement is difficult in the absence of a supportive internal and external environment. This, in turn, suggests an overarching theoretical insight that motor claims management in motor insurance is context bound. That is the theoretical assumptions concerning effective motor claims management practice are not universal across the sector. The assumptions working in one context may not equally work in another context. The adoption and implementation of motor claims management systems should take into accountant the specific context of AIC.

The findings of this study discussed above suggested several implications for improved motor claims management practices at AIC, which are briefly presented as follows.

5.3. Recommendations

Overall, the study has demonstrated that many of the internal and external enabling conditions for motor claims management practices are missing in the context of AIC. There is a motor customer satisfaction gap between the intended and actual motor claims management practices, and outcome of the insurance company, particularly customer handling is constrained by a multitude of interrelated problems from both the internal and external environment of the AIC. This calls for a closer attention of the existing motor claims handling procedure and / or process or claims management systems and practices. In accordance with the findings, the implications and suggestions for improved motor claims management practices at AIC are presented as follows.

One of the implications of this study is that the adoption and implementation of motor claims management for improvement is unlikely in the absence of an enabling and supportive environment (internal and external).

(1) Issue and Implement Motor Claims Management Policy and Procedure: - Strengthen the legal and motor claims management implementation frameworks to stimulate and facilitate the adoption and implementation of internal motor claims management enhancement. The claims management policy and procedure and the company claims philosophy has to be detailed

covering all aspects of the process affecting customer satisfaction and claim cost as revealed by this study. It has to be properly communicated to all concerned parties and must be rigorously complied.

(2) Develop and Assign Competent Claims Staff: - Ensure that the motor claim management unit is led and staffed by professionally competent, relevant, accountable and committed leaders and experts. This suggests the need to ensure that the motor insurance sector and the AIC are well managed and led in terms of accomplishing their core tasks. This requires: i) ensuring that the selection and appointment of leaders and technical staff is based on transparent and sound criteria that is grounded in relevance and professional competence (e.g. integrity, specialization, merit and research orientation); ii) building the capacity of leaders and staff of the motor claim management unit and the AIC through training in relevant areas of elevated insurance business.

This approach may enable AIC to initiate and implement appropriate motor claims management policies and procedures, and promote a culture of continuous improvement.

(3). Involvement of AIC's Management and Board of Directors: - The management and board of directors shall be involved in designing and implementing and controlling of proper implementation of the claims management process in AIC. They should ensure that there is sufficient consultation with AIC internal and external customers before the implementation of company initiated reform agendas in this regard. This necessitates ensuring that the current program and also service expansion including the customer mix program policy matches the infrastructure and resource capacity of the AIC. This requires adequate and sound planning to ensure minimum resource requirements in terms of staff qualification, infrastructure, facilities and customer support services.

(3) Devise mechanisms that encourage transparency, education, monitoring and professional culture in AIC and insurance association that values relevance, specialization, competence and merit in job placement through code of conduct.

(4) Facilitate the introduction and implementation of systems that require motor claim management unit present evidences on customer handling outcomes. This may involve

developing and employing standardized instruments to collect and analyze information concerning motor claims management of customer service. This encourages motor claim management unit to examine, maintain and improve service delivery of their customers in all programs based on periodic feedback.

The second implication of the study is that strengthening intra-company, or/and inter-unit, regulatory frameworks and ensuring competence and commitment of leadership at all levels alone could not guarantee successful implementation of motor claims management policies, unless there are well-prepared internal customers; capable, motivated and committed staff; reasonably adequate resources and a supportive culture for service delivery.

(5) AIC needs to equip itself with capable candidates as per their set standards, human and resource capacity and strategic plans. Adequate preparation of staff requires ensuring a coherent, connected internal and external customer relationship, clear performance standards that are aligned with policies, strategies and missions. Staff must focus on customer satisfaction. Also, capacity and competence of incoming staff should be ensured and checked through well-designed entrance assessments and evaluations. This requires competent and committed leadership.

(6) The motor claims management system needs to be advertized, acknowledged and owned by the AIC clients. This requires professionally competent leadership that enhances the active participation of the insurance professionals in the development and implementation of motor claims management policies and structures. Also, discouraging moonlighting through established remuneration and incentive systems that motivate staff members to devote their full time and engage in their regular jobs. The ownership and acceptance of motor claims management can also be enhanced through shared leadership among the board, top leadership and staff.

(7) The findings in this study imply that central motor claims management system that is based on a bureaucratic approach does not help much in effecting improvement of motor claims management through the establishment and implementation of internal motor claims management system at AIC. This suggests the need to revisit the role of the unit and its clients and establish a robust and capable narrow motor claims management coalition that plays a

facilitative role in enforcing the establishment of strong motor claims management enhancement system at AIC, as stipulated in the insurance proclamation. Also, improvement of motor claims management at AIC is possible, when there is capable, engaged and competent leadership, and the staff play a facilitative role in terms of creating an enabling environment and key instruments that encourage competitive ability of motor claims management in AIC.

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APPENDICES

Appendix I. Questionnaire to be filled by Customers of VIATPR Cover

Dear Respondents,

First of all, I would like to extend my appreciation and thanks for your cooperation and kindness in filling out this questionnaire by taking a valuable time out of your tight working schedule.

The purpose of this questionnaire is to collect primary data on "Assessment of Challenges and Prospects of Motor Claims Management in Africa Insurance Company S.C. (AIC)"; for partial fulfillment of the requirements for the award of Masters of Business Administration (MBA) Degree.

General Instructions:

- Any information provided with care and honesty by you was given the highest recognition, value and shall be kept strictly confidential.
- Please do not write your name or sign anywhere in the questionnaire.

However, while completing this questionnaire if you have any queries or doubt please contact me at the following:

Moltot Abiyo: email Address : - moltota@yahoo.com ;
mobile number : - 0911-416297 and 0967-318367

PART I: Back Ground / Personal Information of Respondents

Please mark **(✓)** on the appropriate answer: -

1. Sex A. Male ☐ B. Female ☐
2. Age A. 18-30 ☐ B. 30-45 ☐ C.45-60 ☐ D. above 60 ☐
3. Educational Level
   A. 1-10 grade ☐ B. 10-12 / Preparatory ☐ C. Diploma/ TVET ☐
   D. First Degree ☐ E. Second Degree and above ☐
4. Occupation or Business:
   A. Private Individual ☐ B. Private Company ☐ C. Government ☐
   D. Public Organization ☐ E. NGO or Diplomatic or International Organisation ☐
5. Type and use of your vehicle under your ownership or care
   A. Private use ☐ B. Goods Carrying Trucks ☐ C. Fuel Carrying Tankers: ☐
   D. Passenger Carrying Buses ☐ E. Minibus Taxis ☐ F. Others ☐
6. What is **your cliental-ship and experience** with Africa Insurance Company (SC)?
   A. 1-5 ☐ B 6-10 ☐ C. 11-15 ☐ D. 16-20 E. Above 20 ☐

PART II: Claims Handling Processes Attributes

The following statements relate to your experience about Africa Insurance Company (SC), (AIC). For each statement please show the extent to which you believe AIC claims handling process has the feature described by the statement.

Illustration to facilitate completion of this Questionnaire

1. Level of Experience with the described features of each process					
Please mark (✓) on the one that fits the best	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Represented by	(1)	(2)	(3)	(4)	(5)

1.	**Rate your experience to the following motor claims processes of AIC**	**Claims Process Experience**				
1.1	**Intimation or Claims Notification**	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**
a)	Courteous and prompt assistance					
b)	Verifies immediately the validity of policy cover					
c)	Creates awareness on required claims documents					
d)	Educates on claims and extent cover					
e)	Informs standard of service and processing time for each					
f)	Prompt assistance in handling the reported accident					
g)	Acknowledges receipt of claim and further steps in writing					
1.2	**Promptly assigns an investigator to site of accident / loss**					
2.	**Towing Vehicle Arrangement**					
2.1	Assigns or arranges tower vehicles without delay					
2.2	Allows you to arrange towing vehicle by yourself					
2.3	Puts flexible requirements to timely get towing service					
2.4	Received service to your expectation					
3.	**Investigation at Site of Accident**					
3.1	The assigned person immediately dashes to accident site					
3.2	Takes Photographs of the damaged vehicle from all sides					
3.3	Takes video recording of the accident					
3.4	Secures Traffic Police Report					
3.5	Provides assistance to avert further loss and damage					
3.6	Handovers properly the damaged vehicle to the tower					
3.7	Involves you in the whole process					
3.8	Immediately issues the investigation report within set time					
4.	**Assessment of Damage or Post Risk Survey**					
4.1	Immediately assigns a professional damage assessor					
4.2	Provides adequate amount to the damage sustained					
4.3	Sets representative depreciation amount for betterment					
4.4	Issues the assessment report within fixed processing time					
4.5	The assigned damage /loss assessor conducts his duty					
a)	with impartiality					
b)	with professional diligence					
c)	with professional competence					
d)	in ethical manner					
4.6	Properly and timely handles your					
a)	request for additional damage assessment					
b)	complaints on delay of damage assessment					

c)	complaint on damage assessment amount					
5.	**Tender / Bid Procedure**					
5.1	Garages on insurer's approved repairers list have similar quality of workmanship and competency					
5.2	Equitable compensation is guaranteed by setting repair cost of the damage through bidding process					
5.3	Choice of two garages each by insurer and insured ensures equity and fairness of repair cost estimate					
5.4	Selected Garages provide reliable and impartial repair cost estimate					
5.5	Biding garages provide repair estimate in a fixed time					
5.6	Least bid winner amount represents true indemnity					
5.7	Bidding is conducted within defined processing time					
5.8	Process is transparent & done with your participation					
6	**Approval and Issuance of Repair Work Order**					
6.1	Timely approves and issues work order to the bid winner					
6.2	Allows you to choose any bidder garage without cost					
6.3	Awards repair work transparently by your participation					
7.	**Standard of the Repair Work**					
7.1	The repair work is done to the standard of service promised					
7.2	The repair work is performed within the agreed fixed time					
7.3	The Performance of repairer meets your expectation					
8.	**Approval of Settlement and Payment Process**					
8.1	Counter checks repair invoice within a specified time period					
8.2	Approves an agreed amount without any new surprises					
8.3	Approves the claim payment within a specified time period					
8.4	Prepares settlement cheque within a specified time period					
9.	**Claims Staff (Performance and Competence)**					
9.1	Shows empathy and is always courteous					
9.2	Handles the claim in timely and swift manner					
9.3	Handles the claim with competence					
9.4	Shows adequate knowledge and skill					
9.5	Has understanding of your problem					
9.6	Executes his job accurately and to the standard					
9.7	Shows commitment to his assigned duty					
10.	**Complaint Management System**					
10.1	There is a separate Customer Service unit					
10.2	Handles claims through negotiation					
10.3	A separate compliant management system is place					

Thank you very much

Appendix II. Questionnaire to be filled by Africa Insurance Company Claims Staff, Branch Managers and Major Agents

Dear Respondents

First of all, I would like to extend my appreciation and thanks for your cooperation and kindness in filling out this questionnaire.

The purpose of this questionnaire is to collect primary data on "Assessment of Challenges and Prospects of Motor Claims Management in Africa Insurance Company S.C. (AIC)"; for partial fulfillment of the requirements for the award of Masters of Business Administration (MBA) Degree.

General Instructions:

- Any information provided is strictly confidential; therefore, please do not write your name or sign anywhere in the questionnaire.
- Please put a tick mark (✓) in the space provided and complete it with care and honesty.

However, while completing this questionnaire if you have any queries or doubt please contact me at the following:

Moltot Abiyo: email Address: - moltota@yahoo.com ;
mobile no : - 0911-416297 and 0967-318367

I. Background Personal Information of Respondents

1. **Gender A.Male** ☐ **Female** ☐
2. **Age A. 21-25** ☐ **B. 26-35** ☐ C. 36-45 ☐ D. above 45 Years ☐
3. **Level of Education**

   A. Diploma ☐ B. 1st Degree ☐ C.2nd Degree ☐ D. Doctorate ☐ E. ACII/FCII/LOMA

4. **Your Position or Relation with the Organization**: - ______________________________
5. **Work Experience in or with the Organization**

   A. 1-3 ☐ B. 4-6 ☐ C. 7-10 ☐ D. 11-15 ☐ E. 16 and above ☐

Your cooperation in filling this questionnaire is of paramount importance.

PART I: Claims Handling Processes Attributes

Illustration to facilitate completion of this Questionnaire

Please mark (✓) the one that fits the best	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1.0. Customer Education: - The Company					
a) Always attach standard basic claims guidelines with the policy documents.					
b) Provides contact details at the time of accident.					
c) There is a 24 hour help-line / claims line to assist clients and third parties.					
2.0. Claim Intimation Process: - The Company					
a) Always maintain a claims register in which every claim is recorded.					
b) The claim register contain all valuable information according to a standard.					
c) The register is always updated continuously but not later than one month					
3.0. Initial Contact with the Client and/or Third Party					
a) Upon intimation of accident or claim the company's claims officer or investigator always visits the scene of loss as soon as practically possible					
b) If the claim needs a surveyor or independent assessor /surveyor / external investigator etc. was appointed immediately in writing.					
c) The company timely provides all documents that can assist the loss assessor in determining the loss.					
d) All correspondences with assessors are copied to the Clients or third party.					
4.0. Reserving					
a) The company always maintains a reserve for each claim from the time the claim is intimated.					
b) Such reserve includes additional expenses and charges for assessors, legal and other incidentals and etc.,					
c) In case of long tail liability claims provision for inflation or factor is considered.					
d) In the absence of sufficient information, a minimum payable amount is reserved, which later is adjusted as information is obtained					
5.0. The Claims Process & Service Standards for Company Surveyor or Independent Loss Assessors / Surveyor					
There is a fixed time limit set for the assessment processes to be completed from the date of assignment.					
6.0. Claim Investigation Independent Loss Assessor and Surveyor Appointment Process					
a) There is a written direction or guideline that specifies the reason to appoint an independent loss assessor and surveyor.					
b) There are pre specified requirements to select and appoint one independent loss assessor and surveyor among those licensed by NBE;					
c) Insured is permitted to assign his own loss assessor/surveyor					
d) There is a proper registration system to record each appointment and all information in relation to the undertaking including the opinion of the client					

or third party receiving the service.					
e) Each appointment is made with properly worded contractual agreement.					
f) Each appointment is made in writing.					
g) Any misdeed by the concerned independent loss assessor and surveyor in executing his duty is immediately reported to the NBE.					
h) At the time of each appointment and entering of a contractual agreement with the independent loss assessor and surveyor the insurance company give timelines for submitting final report					
7.0. Claim Admission					
For admissible claims, a settlement offer in writing was sent to the insured or third party with a defined time line after receipt of the necessary documents.					
8.0. Repudiation of Claims					
a) Any repudiation of claim is decided by the involvement of senior management member of the company.					
b) Repudiation of a claim is communicated in writing to the insured and/or third party using simple language and giving clear grounds for repudiation.					
c) A copy of any letter written to repudiate claim is also communicated to NBE.					
9.0 Choice and Appointment of Repairing Garages					
a) The insured is allowed to choose his preferred repairing garage					
b) The garages on Company's approved repairer list have similar standard of workmanship and organisation					
c) Bidding garages repair estimate always provide accurate measurement of the damage sustained					
d) The least bidding garage estimate actually represents the exact compensation payable before deduction of contribution					
e) Insurers bidding process for repair cost guarantees fairness and equity					
10.0 Claim Payments					
The insurer settles the claim promptly in line with the service standards.					
11.0. Subrogation					
From the time a claim is intimated, the insurance company or intermediary guide their insured's on how to conduct in order to preserve the insurers' subrogation rights and the consequences thereof.					
12.0. Complaints					
a) The company has set up a desk to address the customer complaints.					
b) Unsatisfied customers are advised to refer their cases to the highest organ of the organisation.					
c) Unsatisfied customers are advised to refer their cases to the NBE					
d) There is a separate Complaints Bureau or an independent Insurance Ombudsman to address insurance customers' complaints.					
13.0. Per Event Aggregate Losses and Claims From Single Accident					
a) A separate record is made if a number of claims are made from a single					

accident.					
b) Such types of claims are communicated to NBE with details.					
14.0. Staff Competency					
a) The company maintains competent staff with appropriate skills in claims handling.					
b) The company carry's out regular internal audit of all claims lodged.					
c) The internal audit applies to all stages of the claims management process					

15.0. The Claims Process and Service Standards of the Company: -	**Activity Indicative Timelines**		
	Simple (hours)	**Intermediate (Days)**	**Complicated (Months)**
a) Claim intimation			
b) Acknowledgement of Claim and acquisition of documents / contact with the claimant			
c) Site visit or appointment of investigators, internal surveyors, independent assessor / surveyors etc			
d) Making settlement offer or communicating repudiation of claim			
e) Settling claim			
f) The company provides a written reason explaining why a claim cannot be settled within the indicative timelines for each of the processes.			
g) This explanation reaches the regulatory authority (NBE) before expiry of applicable time limit			
h) Copies of such correspondences to the insured or intermediary as the case may be.			

16. Any other suggestions?

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Thank you very much

Appendix III: FGD (for the agents, claimants and low-managements of AIC)-Guiding Questions

1. What are the major challenges of Motor Claim Management in AIC? List the bottle-neck problems; rank them according to their severity and impacts on the company and the claimants at large. What will happen to the company if the current condition continues the same way?
2. What were the coping mechanisms? List them in order of their frequency and effectiveness
3. What shall the AIC do to improve satisfaction of the claimants?
4. Bearing in mind companies in the same service and insurance businesses in the country, what activities and services can AIC learn from others?
5. State your opinion if you have more to say.

Appendix IV. Key Informants Interview- (for the key Claimants and top-management) Guiding Questions

1. Do you know the Policy, the mission and strategic plans of the AIC?
2. Is the extent of service delivery in the needs and expectations of the customers?
3. How do you evaluate the motor claim management of the AIC?
4. What are the main challenges? What mitigation measures should be enacted to tackle these challenges?
5. Where do you see the AICin the next 5-15 years? What are the enablers/ Opportunities? What are the threats?
6. Any other Comments?

Appendix V: - Claimants Response Analysis and Proposed Course of Actions

	ITEM	SD	D	N	A	SA	Mn	Sd	R	Action
Table 4.1 Imitation and Claim		**%**	**%**	**%**	**%**	**%**				
1	Courteous and prompt assistance	8.6	29	17	37	8.6	3.08	1.16	1	Improve
2	Verifies immediately the validity of policy cover	1.3	12	12	58	16.9	3.77	0.91	5	Maintain
3	Creates awareness on required claims documents	1.3	25	25	42	7	3.28	0.96	4	Improve
4	Educates on claims and extent cover	2.5	39	26	29	3.2	2.91	0.95	4	Improve
5	Informs standard of service and processing time for each	4.4	36	37	19	3.8	2.82	0.92	5	Improve
6	Prompt assistance in handling the reported accident	5.1	34	24	31	6	2.98	1.05	2	Improve
7	Acknowledges receipt of claim and further steps in writing	3.8	27	30	32	7.3	3.12	1.01	3	Improve
8	Promptly assigns an investigator to site of accident / loss	1.3	15	15	64	5.1	3.56	0.86	6	Maintain
	Cumulative Average	**3.5**	**27**	**23**	**39**	**7.2**	**3.2**	**1**		
Table 4.2. Towing Vehicle Arrangement										
1	Assigns or arranges tower vehicles without delay	1.9	15	19	60	4.4	3.5	0.86	2	Maintain
2	Allows you to arrange towing vehicle by yourself	3.5	18	18	54	5.4	3.4	0.96	1	Improve
3	Puts flexible requirements to timely get towing service	1.3	12	42	40	4.8	3.35	0.8	3	Maintain
4	Received service to your expectation	2.5	25	22	49	1.3	3.21	0.92	2	Improve
	Cumulative Average	**2.3**	**18**	**25**	**51**	**4**	**3.4**	**0.9**		
Table 4.3. Investigation at Site of Accident										
1	The assigned person immediately dashes to accident site	3.8	18	11	62	5.7	3.48	0.97	1	Improve
2	Takes Photographs of the damaged vehicle from all sides	1.3	7.9	20	63	8.3	3.69	0.79	5	Maintain
3	Takes video recording of the accident	5.1	20	25	45	5.4	3.26	1	1	Improve
4	Secures Traffic Police Report	-	15	14	61	9.8	3.66	0.85	3	Maintain
5	Provides assistance to avert further loss and damage	1.9	14	24	51	8.6	3.5	0.91	2	Maintain
6	Handovers properly the damaged vehicle to the tower	3.5	9.8	18	65	4.4	3.57	0.86	4	Maintain
7	Involves you in the whole process	3.8	17	21	56	2.5	3.36	0.92	2	Improve
8	Immediately issues the investigation report within set time	1.3	25	30	39	4.4	3.2	0.91	2	Maintain
	Cumulative Average	**3**	**16**	**20**	**55**	**6.14**	**3.47**	**0.9**		

	Table 4.4. Assessment of Damage or Post Risk Survey									
1	Immediately assigns a professional damage assessor	5.4	18	17	55	5.4	3.37	1.01	2	Improve
2	Provides adequate amount to the damage sustained	5.4	28	18	45	4.8	3.16	1.05	1	Improve
3	Sets representative depreciation amount for betterment	1.9	33	24	34	6.7	3.1	1	3	Improve
4	Issues the assessment report within fixed processing time	1.9	21	26	47	3.8	3.3	0.91	7	Maintain
5	The assigned damage /loss assessor conducts his duty with impartiality	11	35	29	22	3.8	2.72	1.05	1	Improve
6	The assigned damage /loss assessor conducts his duty with professional diligence	5.7	31	38	24	1.9	2.86	0.91	5	Maintain
7	The assigned damage /loss assessor conducts his duty with professional competence	6	33	37	23	1.3	2.81	0.91	6	Maintain
8	The assigned damage /loss assessor conducts his duty in ethical manner	11	27	33	29	0.6	2.83	0.99	4	Improve
9	Properly and timely handles your request for additional damage assessment	3.2	9.5	24	59	3.8	3.51	0.84	7	Maintain
10	Properly and timely handles your complaints on delay of damage assessment	1.9	22	18	58	0.6	3.34	0.89	4	Maintain
11	Properly and timely handles your complaint on damage assessment amount	4.8	16	17	59	3.5	3.41	0.95	4	Improve
	Cumulative Average	**5.3**	**25**	**25**	**41**	**3.3**	**3.1**	**1**		
	Table 4.5. Tender or Bid Procedure									
1	Garages on insurer's approved repairers list have similar quality of workmanship and competency	23	31	15	29	2.5	2.57	1.19	1	Improve
2	Equitable compensation is guaranteed by setting repair cost of the damage through bidding process	18	42	11	25	3.8	2.55	1.15	1	Improve
3	Choice of two garages each by insurer and insured ensures equity and fairness of repair cost estimate	12	43	15	27	2.9	2.65	1.09	2	Improve
4	Selected Garages provide reliable and impartial repair cost estimate	13	39	17	27	3.5	2.68	1.11	2	Improve
5	Least bid winner amount represents true indemnity	11	21	33	32	3.2	2.95	1.05	3	Improve
6	Bidding is conducted within defined processing time	3.8	11	26	55	4.4	3.45	0.89	4	Maintain
7	Process is transparent & done with your participation	5.4	17	19	48	9.8	3.4	1.05	3	Improve
	Cumulative Average	**12**	**29**	**20**	**35**	**4.3**	**2.89**	**1.08**		
	Table 4.6. Approval and Issuance of Repair Work Order									
1	Timely approves and issues work order to the bid winner	6	10	19	60	4.8	3.47	0.96	1	Improve
2	Allows you to choose any bidder garage without cost	3.8	17	20	57	2.5	3.38	0.92	2	Improve
3	Awards repair work transparently by your participation	2.5	23	35	38	1.9	3.14	0.87	3	Maintain
	Cumulative Average	4.1	16	25	52	3.1	3.3	0.9		

Table 4.7. Standard of the Repair Work										
1	The repair work is done to the standard of service promised	7	35	21	36	1.6	2.91	1.02	2	Improve
2	The repair work is performed within the agreed fixed time	5.1	31	34	28	2.5	2.92	0.94	3	Improve
3	The Performance of repairer meets your expectation	5.1	46	17	26	6.3	2.83	1.07	1	Improve
	Cumulative Average	**5.7**	**37**	**24**	**30**	**3.5**	**2.9**	**1**		
Table 4.8. Approval of Settlement and Payment Process										
1	Counter checks repair invoice within a specified time period	4.8	47	16	27	5.7	**2.82**	**1.06**	4	Improve
2	Approves an agreed amount without any new surprises	10	35	16	36	3.2	**2.87**	**1.11**	3	Improve
3	Approves the claim payment within a specified time period	20	32	17	29	2.2	**2.62**	**1.17**	2	Improve
4	Prepares settlement cheque within a specified time period	14	40	16	26	5.1	**2.69**	**1.15**	1	Improve
	Cumulative Average	**12**	**38**	**16**	**30**	**4.1**	**2.8**	**1.1**		
Table 4.9. Claims Staff (Performance and Competence)										
1	Shows empathy and is always courteous	22	17	27	31	3.8	2.79	1.21	2	Improve
2	Handles the claim in timely and swift manner	17	26	21	33	3.5	2.8	1.17	1	Improve
3	Handles the claim with competence	6	31	28	28	6.7	2.98	1.05	3	Improve
4	Shows adequate knowledge and skill	4.4	30	37	24	5.1	2.96	0.96	5	Maintain
5	Has understanding of your problem	4.8	24	32	34	5.1	3.1	0.99	4	Maintain
6	Executes his job accurately and to the standard	5.7	16	24	41	13	**3.4**	**1.08**	3	Improve
7	Shows commitment to his assigned duty	7	17	25	42	10.2	**3.31**	**1.08**	3	Improve
	Cumulative Average	**9.5**	**23**	**28**	**33**	**6.8**	**3**	**1.1**		
Table 4.10. Complaint Management System										
1	There is a separate Customer Service unit	8.3	23	40	25	4.1	2.95	0.99	1	Improve
2	Handles claims through negotiation	4.1	21	28	42	4.8	3.22	0.97	2	Improve
3	A separate compliant management system is place	7	15	44	29	6.3	3.13	0.98	3	Improve
	Cumulative Average	**6.5**	**20**	**37**	**32**	**5.1**	**3.1**	**1**		