



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

**CHALLENGES AND PROSPECTS OF MOTOR INSURANCE: THE CASE
OF TSEHAY INSURANCE S.C.**

**BY:
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**FEBRUARY 2021
ADDIS ABABA ETHIOPIA**

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**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY,
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SCHOOL OF GRADUATE STUDIES
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ENDORSEMENT

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

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DECLARATION

I, Bisrat Shiferaw, hereby declare that the thesis entitled ‘Challenges and prospects of Motor Insurance: The case of Tsehay insurance s.co’ is my original work. I have carried out the present study independently with the guidance and support of the research advisor, **ZEMENU AYNADIS (Ass.prof.)**. Any other contributors or sources used for the study have been duly acknowledged. Moreover, this study has not been submitted for the award of any Degree or Diploma Program in this or any other institution.

Name

Signature & Date

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LIST OF ABBREVIATIONS (ACRONYMS)

CII – Chartered Insurance Institution

CMI – Commercial Motor Insurance

CTPL – Compulsory Motor Third-party Liability Insurance

IFO – Insurance Fund Office

NBE – National Bank of Ethiopia

NCD – No claim Discount

SPSS – Statistical Package for Social Science

TISC- Tsehay Insurance Sher Company

WB – World Bank

WTO – World Trade Organization v

Abstract

Motor insurance is the major class of business that contributes to the overall income of insurance industry. This being said, much of the prospects and challenges that faces the industry highly adhere to motor insurance and remain points of discussion persistently. Therefore, this research intends to focus on one of the recently established insurance company, Tsehay Insurance s.c, and strives to look at the challenges and prospects of motor insurance accordingly. In doing so it has used descriptive approach as its methodology while the population consisted of 101 employees of the company. A structured questionnaire, with a five-point Likert scale was used. whilst all respondents are professionals of the subject. The study selects critical variables a perspective to look at the challenges and prospects surrounding motor insurance. These are questions raised in relation to government policies, inflation, market& competition, traffic accidents, and economic developments. The study finds out that opening to international market, introduction of laws regarding motor, the continuous economic development attributed by investment, as a prospects while increasing traffic accidents, the ill capacity of local insurers and their slow growth to compete in the short term with international companies, the absences of local reinsurers, lack of professionals, and stiff market competition between insurers e.t.c as the major challenges. And in its conclusion, its Bolden the importance of communal exertion, in addition to the company's sole effort, of industry's stakeholders' as much of challenges and prospects emanates externally.

Key words: *insurance, motor insurance, inflation, claims, policies, reinsurance*

CHAPTER ONE

INTRODUCTION

1.1. BACKGROUND OF THE STUDY

People seek security. A sense of security may be the next basic goal after food, clothing, and shelter. An individual with economic security is fairly certain that he can satisfy his needs (food, shelter, medical care, and so on) in the present and in the future (Anderson & Brown, 2005). Insurance serves a number of valuable economic functions that are largely distinct from other types of financial intermediaries. Insurers also have an incentive to control losses, which is a significant social benefit (Brainard, 2008). Insurance, as Haddrill (2006) has stated, is about more than just compensating for loss. It is a highly effective mechanism for assessing, managing and reducing risk. By helping customers face up to and manage risk effectively, insurance is an invaluable part of modern society and the motoring experience. Insurance is a means of reducing hardships and transferring risks.

So as to cover future major expenses due to illness, death, accident, or theft, insurance lets individuals to pay a little now. Insurance Australia Group (IAG, 2004), by taking out the worry from the people's lives; insurance plays a significant role in serving the whole community. Haddrill (2006) also confirmed that insurance enables individuals and businesses to transfer the burden of risk. Premiums for similar risks are pooled, and the costs of valid claims arising from these policyholders are paid for out of this collective pool. In addition, Anderson and Brown (2005) claimed that insurance is an agreement where, for a fixed payment called premium, the insurer agrees to pay the policyholder or his designated beneficiary a defined amount (the claim payment or benefit) upon the occurrence of a specific loss. The contribution of insurance to an economy's growth and efficiency is not the only entry point into its role in development (Brainard, 2008).

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

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

Motor third party insurance is mandatory in most countries around the world, which is an expression of contemporary trends in securing compensation of victims of traffic accidents. For this reason the functioning of this product is relevant to many subjects: vehicle holders who pay premium, drivers covered, injuries and damaged parties seeking for compensation as well as the state which impose the obligation and decides about shape of system and its rules (Kwiecien&Poprawska, 2011). Likewise, motor third party liability insurance has been made compulsory in our country, Ethiopia since September, 2011. The policy plays the critical role in pooling the risks of homogeneous loss exposures hence minimizes the financial risks that might be happen if the driver or owner of the insured vehicle cause an accident on the third party regardless of the fault who ever commit.

The Ethiopian Insurance Industry is suffering from the higher claims and administrative costs due to the growing traffic accidents and ever-increasing costs of spare parts and labor, particularly with respect to motor business class (OIC, 2010/11, 2011/12 & 2012/13). According to the Ethiopia's transport authority, the number of people killed as well as the rate of accidents occurring per year increased in a considerable way. The number of people killed increased from 4,500 to 5,118 while a record number of close to 41,000 traffic accidents were registered during the 2017/18 fiscal year. Another 7,754 people had also sustained serious physical injuries from traffic accidents across the country, while some 7,775 others had light injuries, according to the report of the Ethiopian Federal Transport Authority. The authority also indicated that Ethiopia's rate of traffic incidents during the just concluded fiscal year has registered a 6-percent increase as compared with the previous year. Even Though Ethiopia has one of the lowest per capita car ownerships in the world, deadly traffic accidents are fairly common due to bad roads and flawed driving license issuance system.

However, even though motor insurance is a difficult class of business to manage but, with the appropriate strategies and operations in place, the rewards are there (Ernst & Young, 2011). As the basic objective of insurance systems is to compensate for losses incurred, the motor and

personal injury insurance sectors have a potentially key role in ameliorating the consequences of those casualties and crashes not avoided. Their economic significance in reducing payouts, by a reducing the number of casualties and crashes is great (Aeron-Thomas, 2002). Since Insurance and road safety are natural allies; insurers are always looking for new ways to reduce the number and severity of collisions on the road, both as part of their commitment to social responsibility and of their efforts to lower claims rates (CEA, 2009). Motor Insurance industry can involve in road safety in various ways. From these, according to the analysis by Aeron-Thomas (2002), the involvement of the Low-Income Countries (LIC) insurance industry in road safety was considered in five ways: 1) Pricing incentives to encourage safe driving 2) Compensating road traffic casualties 3) Participating in policy making and advocacy 4) Funding and sponsorship for prevention efforts and 5) Research.

1.2 Statement of the problem

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

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

In and around the world, while the economic recovery remains far from robust, there has been enough growth in areas that impact the property and casualty (P&C) insurance sector to keep premium growth on the rise.

The growth of the number- of cars is caused by a variety of factors which may differ from one country to another, but on the whole those factors' derive from greater productivity, the expansion of human and technical resources, the improvement of the standard of living, the

increasing trend of urbanization and the resulting mass migration to the cities., and finally the emergence of a leisure-oriented way of life in which a private motor plays a pivotal role.

The country has imported a total of 135, 457 vehicles during Ethiopia's fiscal calendar ended July 7, 2019, according to the statistics obtained from the federal ministry of transport. The figure is 30,834 higher than the total amount of vehicles the country has registered the previous year. This means that the average growth in the number of vehicles is about 22.76%. Currently the total number of vehicles registered in Ethiopia including motor bicycles and the locally assembled are 1,071,345. Over half of the total registered in the country 596,084 are registered in the capital Addis Ababa, followed by Oromia region with 171,308 vehicles, 94,001 registered in Amhara region, 94,001 in Sothern region, 52751 in Tigray, 21,938 in Dire Dawa, 15160 in Somali region, 8,842 in Benishangul Gumz, 8,000 in Harar, 6,598 in Afar and 5,558 in Gambella region.

Tsehay Insurance S.C. is an Insurance firm fully owned by Ethiopian individuals and business entities. Tsehay began its General Insurance operation 7 years ago with a vision of to be trustworthy insurance company, which generation will be proud off! This vision is expected to be achieved by providing customers an efficient and reliable insurance service

According to Insurance Industry Data the motor class of business has a major share in comparison with other class of business in the industry. Similar to the industry Tsehay insurance's largest premium generated by motor insurance, which accounts 70% of the total gross written premium.

Though identifying challenges & prospects of motor insurance is the base for the corporation in order to take proper action, the researcher does not believe that it is adequately assessed. Previous research conducted with regard to motor insurance mostly focus on motor accidents and the effect of motor insurance business on financial performance of insurance company. The absence of empirical studies in insurance Companies concerning the challenges and prospects for the development of motor insurance is thus what motivated the researcher to put his own contribution. Therefore this thesis tries to identify challenges and prospects of motor insurance in the case of Tsehay insurance S.C

1.3 Research questions

The research paper focuses on identifying challenges and prospects of motor insurance in the case of Tsehay insurance and the study strives to answer the following questions.

- 1- What are challenges & prospects of Government policies on motor insurance?
- 2- What are the major marketing factors that affect motor insurance?
- 3- What are the potential economic factors that affect motor insurance?
- 4- What are the major challenges of inflation on motor insurance?
- 5- What are the major challenges of frequent occurrence of traffic accident on motor insurance?

1.4 Objectives of the Study

1.4.1 General Objective

The general objective of the research study is to identify challenges & prospects of motor insurance in Tsehay insurance s.c.

1.4.2 Specific Objectives

The specific objectives of the study are to: -

- Identify challenges & prospects of Government policies on motor insurance.
- Asses major marketing factors that affect motor insurance.
- Identify potential economic factors that affect motor insurance.
- Investigate challenges of inflation on motor insurance.
- challenges of frequent occurrence of traffic accident on motor insurance.

1.5 Significance of the study

Motor insurance is one of the main and wider classes of insurance. Hence, this paper, based on its objectives, attempts to identify challenges and opportunities of motor insurance in the specific context to Tsehay insurance.

This study is expected to provide empirical evidence on challenges and opportunities of motor insurance. By identifying the challenges and prospects of motor insurance, the management of the company will take necessary actions to improve the performance of their company and choose the right decisions.

Not the least, the study serves as a springboard for those who may get interest to carry out similar assessments in identifying factors affecting performance of motor insurance in different areas, or on other insurance scheme in the target place

1.6 .Scope and limitation of the study

1.6.1 Scope of the study

The scope of this study is limited on challenges and opportunities of motor insurance in the case of Tsehay insurance s.c.. The study focuses on identifying challenges and opportunities of motor insurance.

1.6.2 The geographical scope

of the study is specifically limited to Addis Ababa city only on account of the fact that out of 27 branch offices, which are in operation throughout the country as at Mar. 30, 2020i.e.71% are located in Addis Ababa and, in connection with this, it was found adequate to undertake the study by taking Addis Ababa as a study area. And also due to time and financial constraints, it focuses in Addis Ababa region. Thus the branches of the insurance found outlining areas are excluded.

1.6.3 Conceptual scope

The conceptual scope of the study rotates around the challenges and prospects of motor insurance specifically focusing on internal and external factors whilst emphasizing price inflation, government policies, potential economic factors major marketing factors, and last but not least frequent occurrence of traffic accident of Tsehay insurance in undertaking motor underwriting and claims management. The study carefully selects its area of focus through a thorough assessment of selected empirical studies and in turn identify variable that what has not been covered fully or partially and/or what the researcher believed should be seen with an in-depth sight.

1.6. 4 Methodological scope

One can infer from the title itself that the study tries to unveil the challenges and prospects associated with practice of motor insurance through craving ample & suitable variables which enables the research to describe the relationship and degree of influence that exists between. In line with the methods of study will adhere to descriptive approach which the researcher thinks relays on survey strategy. This strategy, as advised by various scholars, enables researcher to promulgate the very thought of respondents and their propensity towards the issue through preparing appropriate and propelling questions. And this is done through disseminating carefully designed questionnaire that will be filled by all respondents who are selected using non probability method which is CENSUS. This method is selected mainly because the number of employees and required respondent, who are all believed to be eligible and reachable, are all in Addis Ababa, and their number is manageable under the planned platform. In a nutshell, the study is descriptive in its approach, survey based in its strategy, while it follows non probability methods in its orientation

1.6.5 Limitation of the study

In order to meet its intended objectives, data collection was closely linked to challenges & prospects of motor insurance. However, the study was conducted only on Tsehay Insurance Share Company located in Addis Ababa. Hence, it does not examine outlining area branches & other companies operating in Addis Ababa to see its relative difference on challenges and prospects of motor insurance. As a result the outcome of the study may not represent the overall challenges and prospects of motor insurance in the industry. Lack of well-organized secondary data, which was appropriate to the study, was found to be another limitation.

CHAPTER TWO

LITERATURE REVIEW

2.1. Theoretical literature

2.1.1 What is Insurance?

Insurance in its basic form is defined as " A contract between two parties whereby one party called insurer undertakes in exchange for a fixed sum called premiums, to pay the other party called insured a fixed amount of money on the happening of a certain event" (Kotler, 2003:3). In simple terms, it is a contract between the person who buys insurance and an insurance company who sold the Policy. By entering into contract the insurance company agrees to pay the Policyholder or his family members a predetermined sum of money in case of any unfortunate event for a predetermined fixed sum payable which is in normal term called Insurance Premiums.

Insurance is basically a protection against a financial loss which can arise on the happening of an unexpected event. Insurance companies collect premiums to provide for this protection. By paying a very small sum of money a person can safeguard himself and his family financially from an unfortunate event (Steel, 1989). For Example if a person buys a Life Insurance Policy by paying a premium to the insurance company , the family members of insured person receive a fixed compensation in case of any unfortunate event like death.

The insurance scheme is one of the most usual means of provision of security and reducing loss against the risks which otherwise restrict trade or effect other human interests. It is a loss distributing and equalizing mechanism with the aim of making protection against the danger of a risk upon human life or property, by transferring risks of individual entities to a risk averter entity called insurer.

For the purpose of this review, insurance is defined in line with Churchill (2006) as an insurance that (i) operates by risk-pooling (ii) is financed through regular premiums and is (iii) tailored to the people who would otherwise not be able to take out insurance. Other ways through which individuals or the public sector can insure against risks, such as precautionary savings, access to

credit or through public safety nets are therefore not treated in detail in this research. However, this leads already to one key omission in the existing literature: generally, the benefits of insurance are not compared to alternative mechanisms that may provide insurance- like benefits, possibly in a more cost-effective way, such as savings, consumer or emergency credit, and public safety nets.

2.1.2 The Importance of Insurance

Uninsured risk leaves poor households vulnerable to serious or even catastrophic losses from negative shocks. It also forces them to undertake costly strategies to manage their incomes and assets in the face of risk, lowering mean incomes earned. Welfare costs due to shocks and foregone profitable opportunities have been found to be substantial, contributing to persistent poverty (Morduch, 1990; Dercon, 2004; Rosenzweig & Binswanger, 1993; Elbers et al. , 2007, Pan, 2008). Insurance, therefore, has the potential to reduce these welfare costs. By offering a payout when an insured loss occurs, it avoids other costly ways of coping with the shock leaving future income earning opportunities intact.

Furthermore, the security linked to being insured can be expected to allow the avoidance of costly risk-management strategies with positive impacts on poverty reduction. Organization and private individuals take of insurance to protect them against possible financial losses caused by a range of causes of damages in their property due unexpected factors. This means that should the worst happen and these losses occur, they will receive financial compensation from their insurance company (Rosenzweig & Binswanger, 1993). Therefore, insurance provides companies with financial protection in the event of loss that could influence their operations.

Individuals unwilling or unable to handle their own funds have been pleased to find an outlet for their investment in insurance policies. Endowment policies, multipurpose policies, deferred annuities are certain better form of investment. An individual from his own capacity cannot invest regularly with enough of security and profitability (Morduch, 1990). Many of the existing literatures reviewed above clearly indicate that the insurance companies in different parts of the world have not yet stood on a solid footing. In this sense, many reasons are there for the backwardness and underdevelopment of property insurance, too.

The important role that financial institutions such as insurance companies remain in financing and insuring economic activity and contribute to the stability of the financial system in particular and the stability of the economy of concerned country in general is part of immune and repair system of the economy. The insurance sector plays important role in the financial services industry in almost developed and developing countries, contributing to economic growth, efficient resource allocation, reduction of transaction costs, creation of liquidity, facilitation of economics of scale in investment, and spread of financial losses (Haiss and Sumegi, 2008).

According to Rosenzweig & Binswanger (1993); the insurance sector can play an important role in the growth of the economy of the country as it can accelerate the development process. The sector in many countries is much stronger with policy supports as it can ensure a sustainable development of the economy.

The industry in our country lacks attention of the policy makers and the previous governments neglected the sector, but the present government under its reform and investment constructive policy has given better attention to the insurance sector than ever.

In fact, the government strongly seems encourage the development of the private sector including the expansion of private companies. As being the growth of insurance companies are one of the privileged sector to grow throughout the country, nevertheless, there are several growth and sustainability problems in the insurance sector. If private insurance companies come forward for re-insuring property insurance using different working strategies, then it would be possible to ease the existing challenges in their institutional processes.

In present property insurance is too much important to the business and individual sector. Most of the companies provide more or less same services. For this reason, the competition is increasing day by day between the insurers, on the other hand, some new insurance companies are going to start businesses in the competent market.

2.1.3 Aspects of insurance

Life insurance and non-life insurance are the two aspects of insurance scheme.

Life insurance (or commonly final expense insurance or life assurance, especially in the Commonwealth) is a contract between an insured (insurance policy holder) and an insurer or assurer, where the insurer promises to pay a designated beneficiary a sum of money (the "benefits") in exchange for a premium, upon the death of the insured person. Depending on the contract, other events such as terminal illness or critical illness can also trigger payment. The policy holder typically pays a premium, either regularly or as one lump sum. Other expenses (such as funeral expenses) can also be included in the benefits.

Life policies are legal contracts and the terms of the contract describe the limitations of the insured events. Specific exclusions are often written into the contract to limit the liability of the insurer! common examples are claims relating to suicide, fraud, war, riot, and civil commotion. Life-based contracts tend to fall into two major categories:

- Protection policies - designed to provide a benefit, typically a lump sum payment, in the event of specified event. A common form of a protection policy design is term insurance.
- Investment policies - where the main objective is to facilitate the growth of capital by regular or single premiums. Common forms (in the U.S.) are whole life, universal life, and variable life policies.

Non- life insurance, on the other hand, is a broad category, including on both people and things. Insurance companies and company-owned agencies typically specialize in one or the other, though individual brokers and brokerages have the option of dealing in multiple types of coverage. For example, a large brokerage might contain people specializing in life and disability, auto and homeowner's insurance, or liability coverage for professionals. Smaller brokerages are more likely to specialize in one or two lines of business. If your own broker doesn't sell everything you need, you can probably score a referral to another broker who's got what you want.

Property insurance is one of the main and wider classes of insurance and a peculiar form of indemnity insurance. It has its main purpose to protect the possible losses that can happen to a person upon the destruction of property. It is only based on indemnity, compensation being equal to loss, that any other undertaking to extend the coverage more than indemnity is normally out with the doctrine (Pan, 2008).

Property insurance insures your business against loss or damage to the location of the business and to its contents. It will also insure against loss or damage to contents under your control. Finally, if your business rents or leases a location or travels to other physical locations, then your business will be required by the property owner to carry property insurance by the terms of the lease or contract (Boop, 2003).

2.1.4 Basic Principles of Insurance

Bodla et. al (2004) states that every subject or discipline has certain generally accepted and systematically laid down standards or principles to achieve the underlying objective. Insurance is not exception to this general rule. Hansell (1975) identified the following as basic principles of insurance: - Insurable interest, utmost good faith, Indemnity, Subrogation, Contribution, and proximate cause. Each basic Insurance principle is explained further hereunder: -

- **Insurable Interest:** - Insurable interest in property may arise through ownership, possession or contract and in certain cases it may be created or modified by statute. Hall (1985). A property owner has insurable interest in his property because damage or loss sustained by the property would result in financial loss to the owner. On the other hand, if a person has no financial interest on the subject of insurance (property, vehicle, and etc.), such a person is said to have no insurable interest. Thus, any one person that have no insurable interest on a particular property would not be allowed to insure such property. This is what is meant by the principle of insurable interest.
- **Utmost Good Faith:** -In simple terms, utmost good faith in insurance means that each party to a proposed contract is legally obliged to reveal to the other all information which would influence the other's decision to enter the contract, whether such information is requested or not Hansell (1975). In motor insurance, for example, the proposal form to be

fully completed by the proposer is designed in such a manner that the underwriter would adequately assess the proposed risk and set terms and condition, including the premium amount, to accept the proposed risk for insurance. Thus, if the proposer failed to tell the truth in respect of all requests stated in the proposal, the underwriter would not be in a position to assess the proposed risk and charge adequate premium. Obviously, under such circumstances, one party would benefit (the insured) while the other losses (the insurer). The principle of utmost good faith is, thus, put in place in order to protect the interest of both the insured and the insurer in this respect.

- **Indemnity:** - According to Hall (1985), the intention of the parties to the contract is that the insured, on the happening of an event insured against, will be placed by the insurer in the same pecuniary position that he occupied immediately before the event, subject to any limitations which may have been agreed and written into the contract. The insured is not entitled to receive any thing in excess of the monetary extent of his loss and he will receive less than this if any limitation in the policy operates. According to this principle, if, for instance, an insured person insured his car for sum insured of Birr 300,000.00 against motor comprehensive insurance and if at some later date (say after 6 months from inception date of the policy) the vehicle overturned and sustained damage to extent it could not be repaired and if the market value (current replacement cost) immediately before the accident was Birr 250,000.-, the insured would be paid Birr 250,000.- If the insured is to be paid any amount in excess of this sum, the insured would be over indemnified which, of course, would be against the principle of indemnity. The insurance company is also entitled to possess the wreck after settlement of the claim.
- **Subrogation:** - Subrogation means the exercise, for one's own benefit, of rights or remedies possessed by another against third parties. If the rights or remedies have already been exercised, subrogation entitles one to the proceeds there from, Subrogation rights are acquired by insurers once they have provided their insured with an indemnity and at common law any actions to recover from third parties must be conducted in the name of the insured. (Hansell 1975) The principle of subrogation is further explained from motor insurance point of view as follows: - Assume that two vehicles owned by Mr. A and Mr. B involved in collision accident and the driver of the vehicle owned by Mr. A was responsible for the accident. This was further confirmed by a traffic police that attended

the accident site immediately after the accident. If Mr. B has already bought comprehensive insurance policy for his car from an insurance company, he is required to report to his insurance company about the accident. After assessing the extent of damage, the insurance company would determine the amount of claim and indemnify Mr. B. By exercising the subrogation right, the insurance company would request Mr. A for reimbursement of costs incurred by the insurance company in connection with the collision accident for which the driver of his car was responsible.

- **Contribution:** - The principle of contribution, which, like the principle of subrogation, has been described as a corollary of indemnity, is concerned solely with the apportionment of liability as between insurers in the event of double insurance, and the rules adopted for its application are primarily rules of practice designed by insurers for their own guidance. Hall (1985). When risk materializes in a situation where double insurance exists, the insured shall claim to one of the insurance companies and the insurance company that received notification of claim shall indemnify the insured and request for reimbursement proportional cost of the claim from the other insurance company. If the insured is allowed to claim from both insurance companies, it would be in violation of the principle of indemnity. In case the claim is reported to both insurance companies, there is a possibility of paying their proportional cost of the claim direct to the insured.
- **Proximate:** - cause the classic definition of proximate cause was given in *Pawsey v. Scottish Union & national* (1907) “Proximate cause means the active, efficient cause that sets in motion a train of events which brings about a result, without the intervention of any force started and working actively from a new and independent source” Hansell (1974). According to the principle of proximate cause, if an insured person lodged a claim, he is required to justify that the loss is caused by a peril insured under the policy. In other words, he must ensure that the loss is not caused by an insured peril. For example, under motor insurance, damage caused by war and war like operation is an excluded risk. Loss or damage to the vehicle by fire, however, is covered peril. If the insured vehicle is burnt down to ash due to exchange of fire between two parties at war, the insured will not be indemnified in respect of losses incurred in this regard. Because the proximate cause for the loss is war which is a peril not covered under the policy.

- Reinsurance A basic principle to all insurance is that the risks underwritten should be spread or shared as widely as possible. Reinsurance is an extension of this principle. It is a System whereby an insurer who has accepted a risk can himself insure the liability he has thereby assumed, in whole or in part, with another insurer. He is entitled to do so because he has an insurable interest, not in the subject matter of the original insurance but in the insurance contract he has entered into in respect of it. Hall (1985). Reinsurance enables insurance companies to accept huge risks that would have not been accepted in the absence of reinsurance because of limitation of capacity. Based on their paid-up capital, insurance companies determine their retention limit from each classes of insurance and arrange reinsurance program on annual basis. The reinsurance program is renewable every year subject to revision of terms and conditions as may be necessary. Risk acceptance limit of insurance companies is determined by the amount of risk retained by the company and the number of risks covered by the Reinsurers according to the Reinsurance Program. The annual Reinsurance program comprises treaties such as surplus, quota share, and excess of loss. When insurance companies accept risks with sums insured exceeding treaty limit, another kind of reinsurance called “facultative” should be arranged. Facultative reinsurance is arranged on case-by-case basis where insurance companies are to accept huge risks that exceed treaty limit.

2.1.5 Definition and Concept of Motor Insurance

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

2.1.6 Nature of Motor Insurance

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

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

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

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

General cartage: these are types of vehicles that are intended or designed to carry goods. It ranges from trucks to small goods caring delivery vans. Such vehicles can be used for carriage of goods for hire or reward and carriage of own goods.

Passenger carrying vehicles: This group includes vehicles such as taxis, minibuses, buses, etc. Generally, it is divided into public service vehicles and own service vehicles. Public service vehicles are vehicles used for the carriage of passengers for hire or reward. These include public hire vehicles, private hire vehicles and buses. On the other hand, own service vehicles are vehicles used for the carriage of passengers not for hire or reward. These include organizations employee transport services.

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

Vehicles of special construction: such vehicles are designed or constructed to perform specific purposes such as mobile cranes, fire trucks, breakdown vehicles, dumpers dozers graders etc.

Agricultural and forestry vehicles: This group includes tractors, trailers, and balers and combined harvester.

Motor cycles: This group is two or three wheeled vehicles used for personal or business purposes.

Motor trade: This class of risk relates to vehicles used by dealers and repairers in during driving test, in custody and other related activities.

Learners: such vehicles are designed with double clutch and brake pedals used for training drivers. (EIC manual, 2011)

2.1.7 Motor Insurance in Ethiopia

The history of insurance service is as far back as modern form of banking service in Ethiopia which was introduced in 1905. At the time, an agreement was reached between Emperor Menelik II and a representative of the British owned National Bank of Egypt to open a new bank in Ethiopia. Similarly, modern insurance service, which were introduced in Ethiopia by foreigners, mark out their origin as far back as 1905 when the bank of Abyssinia began to transact fire and marine insurance as an agent of a foreign insurance company. According to a survey made in 1954, there were nine insurance companies that were providing insurance service in the country. With the exception of Imperial Insurance Company that was established in 1951, all the remaining of the insurance companies were either branches or agents of foreign companies. In 1960, the number of insurance companies increased considerably and reached 33. At that time insurance business like any business undertaking was classified as trade and was administered by the provisions of the commercial code.

According to HailuZelege (2007), the first significant event that the Ethiopian insurance market observation was the issuance of proclamation No. 281/1970 and this proclamation was issued to provide for the control & regulation of insurance business in Ethiopia. Consequently, it created an insurance council and an insurance controller's office, its strange impact in the sector. The controller of insurance licensed 15 domestic insurance companies, 36 agents, 7 brokers, 3 actuaries & 11 assessors in accordance with the provisions of the proclamation immediately in the year after the issuance of the law.

After four years that is after the enactment of the proclamation, the military government that came to power in 1974 put an end to all private enterprises. Then all insurance companies operating were nationalized and from January 1, 1975 onwards the government took over the ownership and control of these companies & merged them into a single unit called Ethiopian Insurance Corporation (EIC). In the years following nationalization, Ethiopian Insurance Corporation became the sole operator. After the change in the political environment in 1991, the proclamation for the licensing and supervision of insurance business heralded the beginning of a new era. Immediately after the enactment of the proclamation in the 1994, private insurance companies began to increase.

After 1991 the insurance business that was monopolized by EIC was opened to private companies to operate the insurance business. This government liberalization of the economy creates new rival insurance companies to the previously monopolistic company. Those new comer insurance companies are trying to strength their capacity and to get more market share by introducing attractive premium and by implementing better customer service (Medin, 2010). Tsehay Insurance S.C. is one of among those new rival insurance companies, established in March 2012 in accordance with the NBE proclamation No.86/ 1994 by some of the prominent business entities and individuals with a mission of providing general insurance services. It started operation with a subscribed and paid-up capital of Birr 45.1 and 11.2 million in its order. Currently, the authorized capital has grown to Birr 120 million while the paid-up capital has risen to more than Birr 87.3 million as of the end of 2017/ 18.

2.1.8 Types of Cover Given in Motor Insurance in Ethiopia

- A. **Comprehensive Motor Insurance:** - It is wider cover include, accidental damage due to collision or overturning to the vehicle insured.
- B. **The road traffic act (Ethiopian third party risk):** In Ethiopia, until recent times there was no compulsory third party motor insurance. Recently however the council of representatives has adopted a proclamation, proclamation No559/2008 to this effect.
- C. **Third party only:** This could be a possible cover which the market may bring to give some additional covers in addition to compulsory insurance. Probably it may cover additional costs and expenses as well as it may have additional cover legal liability to third party property and persons apart from that is given by road traffic act.
- D. **Third party, fire and theftcover:** -This policy extends the third-party cover to incorporate covers that relates to the policy holder's own vehicle or motorcycle. The additional covers include theft and fire risks. Theft includes intention of permanently depriving of a thing from its place. In motor insurance, it also includes loss or damage due to unauthorized use of motor vehicles such as joy riding. Fire includes external fire, fire resulting from wear and tear, mechanical or electrical breakdown or failures

The main motor insurance policy covers include

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

2.2. Empirical literature

Motor and motor related insurances took the major business portfolio of almost all insurance, according to (NBE,2019) motor insurance covers almost 75-80 percent of insurance provisions. This indicates that the public awareness towards non-life insurance is highly attached with motor vehicle. This may also be triggered by the government policies that enforces car owners to have a third-party insurance certificate, (**Shemiles May, 2015**) in its study raises that the economic and social damage due to motor vehicle is escalating alarmingly. To this end shimeles states that the government of Ethiopia was forced to pass a legislation of “Vehicle Insurance Against Third Party Risks Proclamation”, with the aim of laying down a mechanism to alleviate economic loss as a result of road accident. The implementation of this legislation will affect the insurance industry bi-dimensionally. one is that, it creates an advantage for insurers to get more customers on the other hand it makes them prone to claim costs arising out of escalating damages. (Shimeles,2015) in his thesis illustrates the arguments pertaining to third party insurance and its proclamation reaches to a conclusion that CTP(compulsory third party) insurance has positive impact to insurers and IFAA in general.

The researcher of this study takes shemiles’s perspective and considers his conclusion as a variable, among others, selected for analysis. Although shimeles argument states that the passing of CTP proclamation enhances the insurers, it fails in meeting its core importance of serving its intention, that is, giving prompt response to the ill and victim of car accident while stressing that this has occurred mainly because of lack of awareness between involved parties.

On the other hand (**Abi June, 2014**) in his study that intends to assess profitability of motor insurance, especially the comprehensive cover, which according to him, registered negative results during the fiscal years 2008/2009-2010/2011 reveals that the management and technical operation of comprehensive cover falls under the discretion of each insurance company attributed by the negative performance of motor class of business during the period mentioned which in turn was fueled by inadequate pricing, failure to avoid acceptance of accident prone vehicles for comprehensive cover, claims management problem, failure to control unnecessary acquisition costs and unproportional charge of the motor account by management expense. He then concludes that strict compliance to the directive issued with respect to minimum rate,

avoidance to accept ISUSU (NPR, FSR) and MISSAN UD vehicles for comprehensive cover, reorganization of the claims department, putting in place control mechanism to minimize unnecessary acquisition costs, and adopting an accounting practice of charging the revenue account with only direct management expenses are suggested to improve performance of the motor account.

This study will try to cover the issues raised under the stated research and investigates them in relation to governments policy, competition in the industry, and the like and strives to come up with a more compressive outlook.

(TEMESGEN JUNE, 2015) in his study explain that the insurance industry is playing an important role in Ethiopia's economic development by promoting financial stability, reduce anxiety, substituting for government security programs and mobilizing national savings and enabling risks to be managed. But according to Tmesegen , the industry entails opportunities and challenges simultaneously . Claiming that lack of qualified insurance professionals, retaining existing customers, existing of price war among companies and increasing number of motor vehicles accidents as a challenge while his study identifies economic growth in the country, large number of private and government projects, high foreign direct investment and the current construction boom in the country as potential opportunities. The variables under Temesgen's study are of great critical impact while studying motor insurance as a sub product of insurance service. Although in practical terms it is highly debatable to come up with a clear dichotomy of the factors under assessment, but the researcher specifically focuses on peculiar characteristics that are pertinent to motor insurance.

(TSEGEREDA 2016) on the other hand empirically assess the effect of opportunities and challenges on motor insurance portfolio taking of EIC as case of study. Tsegereda in her study examines motor insurance and found out that claim expense, the future opening of global insurance companies in the country and lack of awareness of customers about motor insurance as challenges facing this specific sector but remains positive that opportunities out way the challenges. To the end Tsegerda concluded that EIC need to strive on utilizing the existing opportunities than focusing on mitigating challenges in order to attain high growth in motor insurance. It's found from Tsegerda's conclusion that, with all the preceding challenges, it is rather advisable to stick to enabling factors that further strengthen motor insurance. Therefore,

the researcher of this study gives emphasis to what Tsegerad have come up with and will take a deeper look at the opportunities out there taking Tsehay Insurance S.c as its case.

To summarize, it can be said that insurance industry, especially motor industry is faced with various challenges and opportunities that must be address to harness as much possible as it can offer. Accordingly, this study will carry out a thorough look at of motor insurance selecting a very commendable variables supporting ample elaboration.

2.3 Conceptual Framework of the Research

A conceptual frame work represents the researcher`s synthesis of literature on how to explain a phenomenon. It maps about the actions required in the course of the study given his previous knowledge of other researcher`s point of view and his observations on the subject of research. In other words, the conceptual framework is the researcher understands of how the particular variables in his study connect with each other. The conceptual framework for this study was done based on the work of Mulugeta (2012) and Shimelis(2015)

2.3.1 Opportunities of motor insurance in Ethiopia

Government policy: - the new legal framework issued by Ethiopia Transport Authority has advantages for the community, for the industry and for the owners of vehicles. Vehicle Insurance against Third Party Risks Proclamation number 559/2008 is milestone in insurance industry in Ethiopia. This proclamation is supporting to the community, to the vehicle owners and to the insurance industry as a whole. (Mulugeta, 2012)

The fast development of Ethiopian economy is major prospect for the insurance industry. The insurance industry is providing protection to the major and minor infrastructural and building projects in the country. Government of Ethiopia has committed itself to achieve the Growth and Transformation Plan. All projects require motor vehicles to do their activities. They require much motor vehicle. Motor vehicles require insurance coverage and this is an opportunity for the industry. (Mulugeta, 2012)

Growth of Ethiopia's import and export: - the major transportation of import and export in Ethiopia is done by motor transport and this is prospect to the insurance industry in particular to

all other sectors in general, (Mulugeta, 2012) The tremendous expansion of banks and bank branches in the country is an opportunity to the insurance industry. As the insurances are providing cover new investments and old investments. Insurances are providing peace of mind to investors. Banks operation is directly related to insurance; thus, their expansion is going proportionally, (Mulugeta, 2012)

2.3.2 Challenges of motor insurance in Ethiopia

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

The future opening of the insurance sector to the global insurance companies: - is huge threats to the insurance sector in Ethiopia. The financial capacity, human skill, global competition experience is the areas which the Ethiopian players would lag behind than their would-be competitors, (Mulugeta, 2012)

The traffic accident in Ethiopia is increasing according to one key informant Ethiopia is number one in crash in Africa though the number of vehicles available in the country is much lower than other countries, (Mulugeta, 2012)

price based competition of the insurance companies rather than service are pulling back the price customers are paying to the insurance industry lower or constant though the inflation is increasing year by year, (Mulugeta, 2012)

Not educating customers: - are the challenges that create problem to insurance. Customers are negligence and unaware of the risk of motor insurance. Giving the vehicle to a driver which has limited number of years in driving experience is also another reason cited by one informant, (Mulugeta, 2012) Ethiopian motor insurance customers lack awareness of the need for insurance. They want lower premium and get minimum protection, when accident happen there would be too much argument and dissatisfaction. (ibid)

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

Hence, motor risk is considering as high hazard risk. As a result, insurance companies are taken various strategies to minimize motor insurance adverse effect and maximize their profitability. Some of the underwriting measures taken in these regards are charging the highest premium for motor insurance, restricting the share of motor class of business and diversify their portfolio-mix and in place stringent claim settlement strategy. The experience of other country shows, private insurers are shy away from writing motor class of business particularly CTP motor insurance to all commercial vehicle owners. (Shimelis, 2015)

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

Climes control

Adequate Claims control is essential. unfortunately, this is lacking in many insurance companies. This is often caused by inadequately trained staff. This results in delays in claims settlement and disenchantment of victims and insured. A good claim procedure should seek a minimum of documentary evidence

Extent of coverage

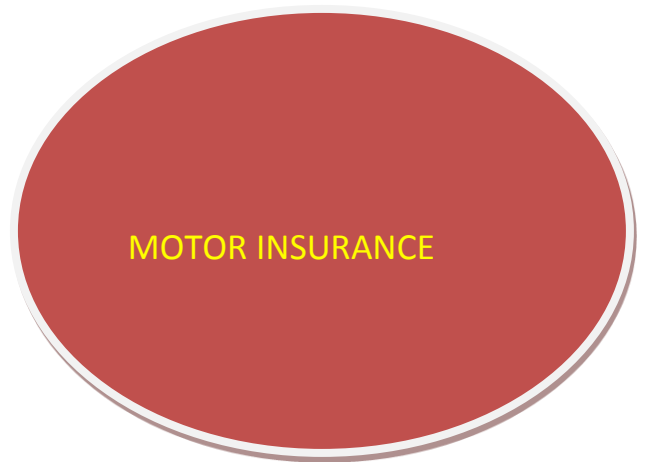
Is the amount of risk or liability that is covered for an individual or entity by way of insurance services. Insurance coverage, such as auto insurance, life insurance—or more exotic forms, such as hole-in-one insurance—is issued by an insurer in the event of unforeseen occurrences

Generally, the comprehensive **car insurance** plan provides the following **coverage**: Damages caused due to accident, riots, strikes, malicious acts, earthquake, flood, storm etc. Loss or theft of the **insured vehicle**. Third-party liability. Personal accident **cover** for the driver.

- **Government policy**
- **The fast development of Ethiopian economy**
- **Growth of Ethiopia's import and export**



- ❖ **The higher inflation rate**
- ❖ **The future opening of the insurance sector to the global insurance companies**
- ❖ **The traffic accident in Ethiopia**
- ❖ **price based competition**
- ❖ **Not educating customers**
- ❖ **Limited insurance professionals**
- ❖ **Extensive dependency on cross border reinsurance**



CHAPTER THREE

RESEARCH APPROACH AND METHODOLOGY

3.1 Research Approach

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

3.2 Research design

Research design is the arrangement of conditions for collection and analysis of data in a manner that aimed to combine relevance to the research purpose with economy in procedure (Kothari, 2004). This study adopted a descriptive research design. According to (Cooper and Schindler, 2003), a descriptive study is concerned with finding out the what, where and how of a phenomenon.

It allows one to collect quantitative data which can be analyzed quantitatively using descriptive and inferential statistics (Saunders, Lewis and Thornhill, 2003). State that a descriptive method in data collection in qualitative research is central to open, unstructured qualitative research interview investigations (Streubert and Carpenter, 1999)

The research is designed as a case study method that focused on Tsehay Insurance S.C. For this study, the data source is primary and secondary data. This helped to classify the understanding and responses of different types of respondent during data analysis. Cases studies can be exploratory, explanatory, causal or descriptive. Descriptive type will used in this study.

3.3 population and sampling

Tsehay insurance s.c. currently has 27 branches out of that 19 of them are with in Addis Ababa city as it is difficult to assess all branches, the population of this study encompasses branches with in Addis Ababa city management and employees. The necessary data for the study is believed to be obtained from these branches,

The Company currently has 198 employees working at Addis Ababa city, with in 19 branches at different positions, out of which 34 of them are management members, 67 employees are operational staff which directly engaged in insurance service delivery of the Company, whereas 97 employees are non-operational. Hence, the number under observation which is 101 (management and operational employees) is manageable, census approach was used for the study.

The study used survey approach to collect primary data from the respondents by using semi-structured questionnaire and secondary data was extracted from annual publications of National Bank of Ethiopia, annual reports of Tsehay insurance s.c. Ethiopia's transport authority and various related documents.

3.4 Methods of data analysis

The data analysis method for this study comprises both quantitative and qualitative method. Quantitative method will used with a view to properly address the research questions and qualitative analysis method is employed to analyze response on semi-structure interview. The data collected through close ended questionnaires will be analyzed with descriptive statistics. To conduct this analysis, SPSS version 21.0 software tool will used. The data will be presented using tables and charts. The researcher also utilized various descriptive statistical techniques such as percentage and frequency distribution tables.

The qualitative and quantitative data were analyzed by using different statistical tools. Charts, tables, and percentages had been used in data analysis parts of the research report.

3.5 Ethical consideration

Respondents were granted privilege of not writing their names and other identities to hide them from unwanted approach to be maintained by other groups later on. Furthermore, they were assured on the part of treatment their responses in strict confidentiality. No respondent was forced to fill the questionnaire unwillingly and without the actual purpose of the research being clear to him/her.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

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

4.1 Response Rate

It is here paramount to recall the readers that this research selects census as its sampling technique for the reasons stated in chapter three under the segment. To this end, it distributed 101 questionnaires to operational officers at varies level who are directly involved in underwriting and claims activity. From the 101 questionnaires disseminated, 92(91 %) of it were collected are found to be correct while Nine of them are identified as incomplete resulting in discarding them. The fact that the researcher had close contact with the respondents has contributed to the inexistence of incomplete and unusable questionnaires; attributed to efficient follow up and monitoring effort.

4.2 General Information of respondents

In this section the general information of the respondents was analyzed. The result showing frequencies and percentage distribution of each category presented as follows:

Table -1 Gender and Age of Respondents

<i>Description</i>		<i>Frequency</i>	<i>Percent</i>
<i>Sex</i>	<i>Male</i>	62	67.4
	<i>Female</i>	30	32.6
	<i>Total</i>	92	100.0
<i>Age</i>	<i>18-30</i>	39	42.4
	<i>31-45</i>	48	52.2
	<i>46-60</i>	3	3.3
	<i>Above 60</i>	2	2.2
	<i>Total</i>	92	100.0

Source: survey finding (2020)

From the analysis result shown in the above table indicates that 62(67.4%) of the respondents were males and there maining 30 (32.6%) of the respondents were females.

The majority of the respondents48(52.2.%) were found in the age range of 31-45, followed by 18-30 and 46-60 which consists 39 (42.4%) and 3 (3.3%) of the respondents respectively. The remaining groups with the age range above 60 consist of 2 (2.2%). The result indicates that majority of the management and employees of the organization are in the productive age, which can give the organization an opportunity to enhance its service by utilizing these enthusiastic staff.

Table -2: Educational status, work unit & work position of respondents

<i>Description</i>		<i>Frequency</i>	<i>Percent</i>
<i>Educational Status</i>	<i>Degree</i>	<i>82</i>	<i>89.1</i>
	<i>Masters</i>	<i>10</i>	<i>10.9</i>
	<i>Total</i>	<i>92</i>	<i>100</i>
<i>Work unit</i>	<i>Underwriting</i>	<i>65</i>	<i>70.7</i>
	<i>Claims</i>	<i>17</i>	<i>18.5</i>
	<i>Engineering</i>	<i>2</i>	<i>2.2</i>
	<i>Others</i>	<i>8</i>	<i>8.7</i>
	<i>Total</i>	<i>92</i>	<i>100</i>
<i>Work Position</i>	<i>Management level</i>	<i>4</i>	<i>4.3</i>
	<i>Branch manager</i>	<i>19</i>	<i>20.7</i>
	<i>Division level</i>	<i>4</i>	<i>4.3</i>
	<i>Senior Officer Level</i>	<i>13</i>	<i>14.1</i>
	<i>Officers</i>	<i>52</i>	<i>56.5</i>
	<i>Total</i>	<i>92</i>	<i>100</i>

With regard to the respondents' educational level, the majority of them are Degree holders 82 (89.1%) while the rest possess master degree indicating all respondents are professional in their specific fields which in turn contributes to better understanding of the questions and rational behind filling them.

Regarding the work unit of respondents, the majority of them 65(70.7%) are from underwriting department which leads and coordinates all the branches. On the other hand, 17(18.5) of respondents are from Claims Department which is solely stationed at head office while the rest 10(10.9) are from Engineering and other departments. On the other the respondents' position seems to be high at officers with a figure showing 52(56.5%) while Branch managers stand at second with 19(20.7%) preceding senior officers who are only 13(14.1%). Top level management and division managers takes their share of 4 respondents each with 4.3 %.

The intention of having a mixture of respondents through classifying their position helps the researcher grab the rich experience of senior officers and managers while not negating recent entrants to the industry. One can see all respondents are at least degree holders with ample experience for analyzing the issue understudy that enables them and the researcher to come up with sizeable ideas.

4.3 Descriptive analysis

This section presents the data analysis of each elements, which is opportunities and challenges of Tsehay Insurance S.c separately by using descriptive analysis. The responses under rating refers to 1-strongly agree, 2-agree, 3-neutral, 4-Disagree and 5-strongly Disagree have been combined to indicate agreement or disagreement with a statement.

4.3.1 Government policy

Table -3: Government policy

	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Government policy is encouraging Motor Insurance development	9	42	36	5	0	92
Motor insurance business benefited from introduction of foreign companies in the Market (WTO)	0	32	46	11	3	92
Entrance of foreign insurance companies hinder growth of Motor insurance business	11	63	11	6	1	92
The newly introduced Vehicle Excise tax enhances Motor insurance business	10	49	24	6	3	92
Lack of integration with stake holders Hinder the development of motor insurance business	0	17	45	25	5	92
No premium no cover" directive of national bank of Ethiopia safeguard the wellbeing of Motor insurance	21	34	35	1	1	92
Total	51	237	197	54	13	

Skipper (2001) that insurance market activity, provider of risk transfer and indemnification and as an institutional investor, may contribute to economic growth in the following ways: (a) mobilizing domestic savings;(b) allowing different risks to be managed more efficiently, thereby encouraging the accumulation of new capital; (c) boosting financial stability ; (d) facilitating trade and commerce The most ancient insurance activity) (e) supporting to reduce or mitigate

losses; and(f) fostering a more efficient allocation of domestic capital. National Bank of Ethiopia is the insurance policymaker, regulator and supervisor. The Licensing and Supervision of Insurance Business Proclamation (No. 86 of 1994), together with the Monetary and Banking Proclamation (No. 83 of 1994), designate the Bank of Ethiopia as the policymaker, regulator and supervisor of the insurance industry in Ethiopia. The Bank has an Insurance Supervision Department that is responsible for all insurance policy, regulation and supervision activities. This implies that the insurance supervisor is not independent from the Central Bank as required by the International Association of Insurance Supervisors (IAIS). As result, membership of the IAIS has not been open to the Bank of Ethiopia. Putting this in mind, it is expected of any government regardless of its political ideology to enhance insurance sectors give a considerable emphasis by providing various enabling mechanism. According to respondents, current policies related to insurance made in effect by the regulatory body are believed to be enabling as 51 (55.5%) respondents give thumbs up for the effort. Speaking of insurance policy, the Ethiopian government, through national bank of Ethiopia has put in place an initiative to open up its market to foreign companies. According to respondent this issue is found to be argumentative and hard to take stand on as 46 (50%) of them remain indifferent while 14(15.3%) negates on the idea.

The researcher believes and tried to make sure through his interview made with some managers that the existing insurance market is very small attributed by various factors and prone to stiff competition. Beside this much the service delivered by insurers is not sufficiently supported by technology and remain traditional in many senses like service infrastructure, leadership quality, customer awareness, shortage of capital etc. Baring this in mind, the interviewees explained that the entrance of foreign insurers will highly affect the domestic insures by adding fuel to the fact. This is found to be as equally challenge as to respondents as 80.5% of them stand in support of the fear.

Since the analysis result described by using percentage, the table should include the percentage or frequently values. Another policy issue addressed under the research is the law related to tax. The current government introduced a new excises tax that increase a sizeable of money paid to importing vehicles. This is seen as an opportunity to some managers, as it contributes to reduction of used cars through replacing the market with the new ones. It is directly related to cost reduction through minimizing car accident and spare part cost laid in claims settlement.

64.2% of the respondents stand in support of the law for previously stated reason as taking it as an opportunity.

Insurance and its practice need the involvement of different stake holders starting from the regulatory body to supportive institutions and even individuals. National bank of Ethiopia, Association of Ethiopian Insurers, Banks, trade association, chamber of commerce at various levels, polices courts at various level, different ministries, roads and traffic management agencies are among the many worth to mention. The smoothen cooperation between these stakeholders directly affects the overall insurance process specially that of motor insurance. Government through its directive put in place the connection points that an insurance must pass through to deliver its services. To this end, it is highly contributory that a well facilitated relation will boost the process. In view this 67.4 % respondent think that the existence of lack of integration among stakeholders has affected the overall process of motor insurance. The researcher from their response underscore that it is critical here to note that one is dependent on the other although they seem to stand independent of each other.

The fundamental rule abiding the overall process of insurance is a collection of premium for a transferred risk. National bank as policy stands firm and protect it through its directive as golden rule. Companies are at minimum expected to meet this rule sensing it core concept is protecting them and ensuring their existence. 59.8 % respondent think that it a fundamental policy that must be respected by all insurance companies as it has an enormous impact on profitability let alone their very existence.

4.3.2 Market Challenge

Table -4: Market challenge

Market Challenge	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Win and lose type of competition among insurance companies negatively affects the growth of motor insurance business	10	28	46	5	3	92
Price war affects the performance of motor insurance business of TISc.	52	32	4	3	1	92
Lack of cooperation and integration within insurance companies hinders development of Motor insurance Of TSISc.	12	51	25	3	1	92
Lack of awareness of customers about motor insurance affects its practice in TIScs.	18	56	15	2	1	92
Absence of local reinsurer in later times affects claim settlement	8	40	34	9	1	92
Lack of insurance professionals affects service delivery.	7	73	8	3	1	92
Total	107	280	132	25	8	

Competition is the presence in a market of a large number of independent buyers and sellers competing with one another and the freedom of buyers and sellers to enter and leave the market (Dutt, 2012).

The existence of a large number of actors in the market and free entry to and exit from the market are the requirements for competition to exist (Haroye, 2008). Therefore, trade competition is the rivalry among business persons, in terms of price, quality, service and etc., to attain certain business objectives like attracting more customers and profits.

It also presupposes the large number of independent competitors and free entry to and exit from the relevant market. Unfair competition occurs when business persons act to avoid competition or to win the competitor in ways that kill or weaken the competition. It is exercised through using restrictive business practices such as predatory pricing, exclusive dealing, cartels and the like rather than focusing on innovation, choice, quality and services (Haroye, 2008). Predatory pricing occurs when firms sell their product at unreasonably low prices to drive competitors out of the market to prevent new entry and successfully monopolize the market and hence results in reduced products and high price in the future (Haroye, 2008). Such unfair competition can also cause failure of the sector in particular and the whole economy in general. This has been coming the true feature of insurance companies in Ethiopia which has started to create a troublesome experience for some participants. National bank of Ethiopian, after accentuating the fact has started to undergo a study that should come up with a minimum price floor especially for motor underwriting. In view of this 91.3% of respondents support the fact that this unfair, price centered competition, is enormously affecting the market. In addition to this 41.3 % respondents reveals their concern of existence of win lose competition and its negative impact in the market while 50% of respondents remain undecided which, as per the researcher understanding, may be attributed by their understanding of business competition centered around goal of snatching the very few customers, by any means possible.

According to Demarso, Y. K., &Abba, B. A. (2020) , Competition highly dependent on price is dangerous particularly where thereis a general price rise in the economy as the costs and expenses increases while the income may not cover them (Zelege, 2007). This situation may put the companies in declining position and lead to failure (Interview with Mr. WondimenehKeleme, 2019). There was always the danger that severe price competition would threaten solvency of insurers (Armentano, 1989). He added that, the insurers themselves reported the situation to the NBE in their annual reports as saying “insurance sector is characterized by competition predominantly based on reduction in premiums and providing highly uneconomic rates to attract customers”. (Birhan insurance S.c,2012) This report discloses the existence of trade competition highly dependent on setting uneconomical premium. It also recommended that the NBE must set minimum economic premiums for those loss-making classes of business, especially motor commercial vehicle. This existence of unfair competition, that hugely relies on price setting has arises from insurers effort to adhere and abide by one of the major principles contained in their

bay law which reaches up to cease of membership for such unlawful act (united insurance s.c 2011) .

In contrary to its introduction to the country's financial market in the late 50's, the contribution of Ethiopian insurance to the total GDP remains at its lowest. According to NBE (annual report, 2019) this has been a reality because of various factors amongst which, the prevalence of lack awareness by the population towards the concept and benefit of insurance has left to be an area where much is left to work on. This reality has contested the growth of insurance industry severely and left the insurer to compete on what is there in the market. A key issue to note here is that, the problem has been also seen on those who are insured for their property or life let alone those who are not at all covered or have any idea against. The insured are either are not informed of their purchased insurance policy well or they are not able enough to understand the fact which in turn propel them to look at the market form lower price bid perspective only. To this end, conflicts usually arises at point of claims settlement. Customers usually assume that once they possess the policy, their claims request, up on occurrence, will have an acceptance which again is not the reality and remains a point of clash. This has been found to be an area of dissatisfaction affecting the overall all performance of insurance, especially that of motor. In relation to this much is left to be done particularly, what the policy cover and mentioning the company's willing to give cover to the policy holder at the time of policy purchase. 80.4% respondents capture the issue as critical and recommend that it is an area where much is left to be done.

Another area where insurers are facing a market challenge is the process of reinsuring their customers. As a due process insurers pay their premium to the reinsurers through international transaction using hard currencies. The shortage of hard currencies, which has been a naked reality, and the persistent depletion of the purchasing power of Ethiopian birr against these has cost them high to meet premiums. In addition to this the time that it takes to go through all the process to settle customers' claim payments through reinsurance is an area where insurers struggle to attain competence at. If there were local insurers the issue of foreign currency and the longer duration that it takes to settle claims request would be minimized. In relations to this 52% of respondents agree to the idea whilst finding it as a challenge.

Insurance is an area where there exists a deficiency of professionals as there is no specific field of study that flourished skilled professionals. Professional in the industry are usually graduates with degree or masters in business fields rather than insurance itself. Insurance as a knowledge of

discipline, hasn't had its own institutions that produce such professionals who now are only remains reliant to short term trainings at various level. This has created a substandard understandings on insurance policies ,terms, and agreements which in many cases ,as stated above results in an ill awareness both by the insured and the insures. 87 % of respondents agree on the idea that lack professionals affect the motor insurance and it market remaining defiant to the issue.

4.3.3 Economic Growth

Table -5: Economic Growth

Economic Effect	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Country's Economic growth enhances Motor insurance business of TISc.	11	64	16	1		92
Increase import of vehicles in the country enhances motor insurance business of TISc.	17	59	12	3	1	92
Increase in precipitate income enhances motor insurance of TISc.	12	54	23	2	1	92
Increase in Import Export performance of a country enhances Motor insurance business of TIS.c	8	67	14	2	1	92
Total	48	244	65	8	3	

Ethiopia's economy has been perceived as the fastest among sub-Saharan Africa countries which is acclaimed by the international financial organization which adds up to local news outlets. This growth although given thumbs up by many stakeholders, is showing an eventual decrease in its rate precipitated by overall political reforms in the country and related attributes. The growth matrix as has been indicated in GDP index, states that the service sector leads the other two main

contributors by wider margin. As has been the case, the service sector inculcates financial institutions among which insurance is found.

Insurance companies like any other actors in the economy are direct users and losers from the overall performance of the country's economy and as such the balance between import export transaction, the growth in per-capita income, manufacturing and import substitution capacity, the reduction in unemployment will affect the industry significantly. Therefore, the insurance industry like any other in the service sector is reliant on the economic growth. In relation to this 81.5 % respondents refer to the growth as paramount and fundamental.

They also remain firm in their stand that growth in per capital income and increase in imported items especially that of motor and marine shipped goods directly have a positive impact. The expansion in the manufacturing industry and the service sector has been a prelude to the increment in number of vehicles imported. In addition, the customary notion of perceiving vehicle as a luxury item has faced a huge upturn as a result of which large number of individuals possess cars for their daily activities. This may be triggered by the annual per capita increment registered which again is complementary to overall economic attributes. To this end, country has imported a total of 135,457 vehicles during Ethiopia's fiscal calendar year ended July 07,2019, according to a statistic obtained from federal ministry of transport. The figure is 30,834 higher than the total amount of vehicles the country has registered the previous year. This means that the average growth in number of imported cars is about 22.76 %. This, in addition to mandatory insurance related proclamations, has been supplementary to the insurance market for the past growth years and now In relation to these 82.6 % respondents refer to imported vehicles as paramount and fundamental. Respondents as per their reaction express that imported vehicles do increase the motor market and likewise uttered their understanding of Increase in Import Export performance contribution too through their response upon on which they agree by 71.70% and 82.6 % respectively.

4.3.4 Inflation

Table- 6: Inflation

Inflation	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Inflation hinders the development of Motor Insurance business of TISc.	30	54	5	2	1	92
Price hike in spare parts and labor is treat for the company	12	42	36	1	1	92
increase Claim expense obstruct development of motor insurance business	14	63	10	4	1	92
Total	56	159	51	7	3	

Inflation means rise in the general level of prices of goods and services over a period of time in an economy. Inflation may affect the economy either in positive way or negative way.

It is now widely accepted among economists, policy makers and central bankers that the main objective of macroeconomic policy is to achieve a high and sustained economic growth rate while maintaining a low inflation rate. It is also generally believed that high inflation is detrimental to medium and long-run economic growth. Not surprisingly, the existence and the nature of the relationship between inflation and economic growth have become the subject of an extensive body of theoretical and empirical studies (Temple, 2000).

Inflation could affect insurance companies' profitability influencing both their liabilities and assets. In expectation of inflation claim payments increases as well as reserves that are required in anticipation of the higher claims and of outstanding claims, consequently reducing technical result and profitability. According to government of Ethiopia budget summary (EFY, 2012E.c) the inflation rate using twelve month moving average for the year 2018/19 reached 12.6 for non-food items. This is a two-digit inflation rate that has been record as the highest of the past eight years. On the contrary the premium rate is declining very fast as the price war intensifies between competitors, making some of the companies prone to liquidation. With regard to this, 91.3% of respondents are worrisome of the increasing inflation rate and its impact to on motor

insurance whilst they also express their concern of increased claims expense as 83.7 % of respondents found it as an issue that must be dealt promptly. In addition the impact of inflation on spare parts and labor, which are an actual precedents to the rise of claims expense, are also singled out to be critical factors or challenges under the shadow of inflation. This point has prop up as apprehension scenario to respondents with their significant 58.7% recognition as a challenge.

4.3.5 Traffic Accidents

Table 7 : Traffic accident

Traffic Accidents	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
Increase in motor accident is a big challenge for TISc.	12	70	6	4	0	92
Customer adheres to standards	8	41	37	4	2	92
frequent act of conciliation by customers	5	30	50	5	2	92
Lack of training on safety training contribute in increasing Motor accident	26	57	8	1	0	92
Issuance of driving license has propelled traffic accidents	18	66	6	1	1	92
Total	69	264	107	15	5	

According to the Ethiopia's transport authority, the number of people killed as well as the rate of accidents occurring per year increased in a considerable way. The number of people killed increased from 4,500 to 5,118 while a record number of close to 41,000 traffic accidents were registered during the 2017/18 fiscal year. This puts a considerable burden of claim on insurance companies by raising their expense. It has a direct relationship with cost of maintenance and spare parts let alone the other class of business. One of the critical factors that triggers car accidents, according (to behailu,2016) is the process and the quality of issuing driving license let

alone the ailing experience and poor attitudinal perception of most drivers. Behailu in his study analyzed the educational status of the drivers and through which found out most of the drivers in his quest attended senior secondary school and post senior secondary school which attributed to the relationship of drivers with the vehicle is 58.4% of those drivers were recruited; others (either borrowed from a friend or family) 78 (20.4%) and owners 47 (12.3%). 99 (25.9%) of drivers held responsible for the fatal crash drove for more than ten years; 5 - 10 years and 2 - 5 years accounting 22.5% and 22.0% respectively. Besides this 7,754 people had also sustained serious physical injuries from traffic accidents across the country, all these will end up to be, to a lesser degree or not, an insurance cases that must be settled according to the new third-party proclamation no.559/2008. With regard to *increasing accidents* and its propensity to influence motor insurance in their overwhelming response of 89.1%. while *lack of training on safety* contributes to 91.2 % which as per the researcher may be attributed by driver's age and experience. *Corrupted Issuance of driving license* as per the respondents contributes to alarming rate of accidents in addition the prior reasons. They again reveal their agreement to this fact by 91.3%. The fact that customer reluctance and inability to keep up and fulfill the requirement put in the procedure of claim settlement contribute to ill management of motor insurance. Although this factor may not be seen as a critical among others it still weighs in some manner and found to be hindrance to process at all. 53.3% of respondents think that it is an issue that must be dealt while other 40.2 % of respondents remain neutral to the subject.

CHAPTER FIVE

5. CONCLUSION AND RECOMMENDATION

This chapter entails the conclusions and recommendation made based on the analysis in the preceding chapter. Prospects and challenges regarding motor insurance are well dealt hereunder with supportive arguments using statistical data from chapter three as premises for its well thrived conclusions. The researcher prefers to put his observations in a viable manner and states what he found as enabling and/or hampering factors as per their class of variable.

With the emergence of globalization, the opening up of market to the wider world has become imminent that countries must adopt to the pressure that is bulging up. Developed countries, especially that of western blocks, with strongest say in the operation and management of world trade organization propel countries, that of developing, to scrutinize their political tale and make them surrender for their own narrative. This act of persuasion mainly circles around African countries who are highly denied of their native ideological stand, endorsed by their poverty, and rather exposed themselves to imposed political narrative of those with big power. Having a profound political impact on African politics and usually known for its firms stand against WTO, besides its geographic importance, Ethiopia has been viewed as an area of concern for western countries.

Remaining skeptical of western involvement, it has been witnessed that the political rhetoric for the country has shown a dynamic change in relation to the political reform introduced in the last two years. It has been observed that the narration and thought of developmental state seems to lose its grip and in now replaced by liberalism. In relation to the current political form, prosperity party (the then EPRDF) deployed a liberal economic outlook which promptly acclaims recognition for its measures to carry on negotiation with WTO, and for its gesture to transfer ownership of major public enterprises. This has given a big signal to the wider world and is soon expected to scale up to private industries like that of finance. In relation to this the national bank of Ethiopia has already started to revise its policy and make an appealing environment for both inland and abroad investing companies.

Among the very many sectors, the financial industry is an believed to have an enormous potential for profit making organization. With the growth of the overall growth of the economy and that of per capital the purchasing power of the middle class that of joining it has increased. To this end, the government initiative to revisit its policy has been acclaimed and seen as an opportunity to the motor industry. The involvement of international companies has been understood as an opportunity and a challenge simultaneously having their own peculiar merit and demerit respectively. Respondents fear that the technical and financial capacity to reach out to the wider market by the current inland companies is yet not satisfactory and remains an area of concern which in turn makes them scramble for the left-out market. On the contrary though, it is believed that the introduction of foreign companies will have a bigger impact in importing huge financial potential and help in sprout the middle class to property ownership, boost companies service delivery custom, and enhance the very thought of customer centricity which surely shift the competition form price reduction service excellence.

Another area of policy that respondents praise the government is the area of taxation and the newly introduced excise tax law. This main aim of the tax law is to decrease the importing of used cars which shades an enormous burden on the alarming rate of increase in spare part cost and on the other hand decrease rate of accidents that emanates from highly depreciated cars. This decision enhances the importing of newly produced cars which in turn bring about versatile benefits starting from less carbon emission to reduction of costs in various terms ,according to the study and its core essence ;the advantage it has for motor is stipulated as having latent opportunity. Besides the introduction of tax law the proclamation of insurance necessitates no premium no cover policy and assumed it as basis for insurance company wellbeing. various regulations released by the national bank of Ethiopia has been seen as enabling factors that facilitates the operational task of insurance especially that of motor.

One the major area that has been perceived by the study to be long lasting challenge to motor insurance is the win lose competition that has prevailed in the insurance market. Companies have price based wars where they solely concentrate and tend to attract customers thorough lowering premium price. This according to the study is found to be worrisome in many perspective by posing a danger to the very existence of some companies. What is perceived as promising is the regulatory body of the finance industry in Ethiopia ,National bank of Ethiopia, has already made

a move to set a price floor to protect the endangered. Usually some respondents ,according to the interview conduct, revealed that competition in the insurance industry is highly reliant on traditional mechanism than that of scientific methods. Person to person engagement, ethnicity, shareholder-customer bias ,and so on attributed to irrationality of service choice by recipient and fueled the win lose competition and at the same time discourage cooperative competition. According to the research, the narration that market choice of customers is prone to irrationality arises mainly if not solely from ill awareness of customers towards insurance. Customers, according to the study, are not well informed of the insurance itself and the package that it entails while purchasing the service. It is critical here to note the larger share of motor portfolio goes to third party insurance which is enacted by government through proclamation.

Absence of local reinsurers is one of the major challenging area to motor insurance and its operational activities. This is because, according to the study, the time that it consumes to settle a certain claim request is obviously affected by the due process that it requires and the amount of premium effected in hard currency.

Economic development, in Ethiopia context, can be considered as a result of an increment in gross domestic product which directly is preceded by the growing number of products from the three major sectors of agriculture, industry & service. It is assumed that the more the amount of export items increases the more the amount of foreign exchange it brought and the more the ability for a nation to buy finished products. Among which various consumable items like vehicle will be available to the local market. For instance, if we consider (FDRE ministry transport data 2019) number of cars imported for the year 2019 increased by 22.76 percent to that 2018 budget year amounting to 135,457 cars from 104,623 greater. This shows that there is an enormous potential of expansion in business activities which results in acquisition of motor for facilitation of business and for personal comfort.

It is quite notable that inflation has an adverse impact on any business as they are highly interwoven in many aspects that a price increment in one situates the other to intake the spillover pressure. As has been noted intermittently in the study motor class of business takes the lions share of the market portfolio and remain a core source of income for all almost all insurance companies. this said so , an increment in the price motor attributed by whatsoever means snares any interested person (individuals or entities) for its move and in turn makes the market gloomy

for insurers. To this end inflation, though a macroeconomic factor that must be dealt at higher level, insurers; as the study finds out, are left prone to its destructive consequences and are advised to remain vigilant while ornamenting their propensity to work with respective governmental or nongovernmental organization as found demanding. Among the many detrimental perspectives of inflation a price hike in spare parts is found having the foremost impact on motor insurance as it escalates claims expense and result to be a prelude to obstruction of vigorous claims management. This has been identified as substantial fact that needs mitigation through integrated effort of stakeholders as inflation and its effects never remain bounded to self-circle.

The Ministry of Transport in its annual report of the year 2012 E.C revealed that the number of traffic accidents unusually decreased in relation to the prior years. Although this may be taken as a prospect traffic accidents weather human or property damages still remain posing a significant threat to motor insurance. As has been pointed out in the analysis customers negligence to traffic standards, the orientation of license examiners and the techniques of the exam itself , the ill practiced training offering of insurance companies to customers, and not least the ailing attitude of insurers to check out the moral hazard of new customers either communally or not have shadowed the effort to combat traffic accidents. Accordingly the researcher stress out the need to create a platform for stakeholders where they can take their share of contribution and exchange their views and avoid contentious attitudes whilst reaming keen on issues that can be solved proactively and solely.

It is here paramount to note that the newly induced tax law has been a lancet in simultaneously tackling traffic accidents and reducing spare part cost as it exceedingly encourages the import of newly produced vehicle. The researcher puts his remark, same as respondents, despite its gloomy effect on market expansion in the short term, the benefit outweighs the demerits in the long run.

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St Mary's University

Questionnaire to be filled by Tsehay Insurance s.c. Employees

This questionnaire is designed by a student of St Mary's University to undertake a research under the title – Challenges and Prospects of Motor Insurance in Tsehay Insurance S.C in partial fulfillment of the requirements for a Masters of Business Administration. The general objective of the research is to identify the challenges and prospects of Motor Insurance at Tsehay insurance s.c. It is for academic purpose and therefore all information provided shall be treated with maximum caution and confidentiality.

Please put a thick “√” mark where appropriate for your choice:

1. Gender: Male Female
2. Age (Year): 18-30 31-45 46-60 Above 60
3. Educational Status: Diploma Degree MA/MSc
4. Work Unit: Underwriting Claims Engineering Other
5. Work Position:-
Management level Branch manager Division Level
Senior Level Officer Level

S.N	Questions	Strongly agree	Agree	Somehow agree	Agree	Strongly disagree
Effect of government policies have on motor insurance						
1	Government policy (e.g third-party cover proclamation) is encouraging motor insurance development of TISc					
2	TSISC's motor insurance will be a beneficiary from the introduction of international insurance companies in the market attributed by membership of World Trade organization (WTO)					
3	The entrance of global insurance companies in the country's insurance industry may/will hinder the growth of motor insurance of TISc as it may do so for others					
4	The newly introduced vehicle excise tax (proclamation no. 1186/2020) enhances motor insurance business of the company					
5	Lack of cooperation or integration with other stakeholders (eg. Transport office, traffic police) can hinder the development of motor insurance of the company					
6	"No premium No cover" directive of national bank of Ethiopia safeguard the wellbeing and better undertaking of motor insurance (underwriting & Claims) of TISc					
Major market challenges of motor insurance						
1	Win and lose type of competition against that of win-win perspective among insurance companies have negatively impacted the growth of motor insurance of TISc					
2	Does price war tangibly affects the performance of motor insurance business of TISc					
3	Lack of cooperation and /or integration among insurance companies (co-insurance) hinders the overall development of motor insurance of TISc					
4	Lack of awareness of customers about motor insurance affects its practice in TISc					
5	The absence of local reinsurer, in prior times, in the industry affects the facilitation of reinsuring process which in turn, hampers claims settlement.					
6	The lack of adept professionals in the market confronts companies in their making of reliable service. This has been a reality to Tsehay insurance S.c					
Effect of economic growth on motor insurance						
1	Economic developments of the country enhance motor insurance of TISc					
2	Increments of the import of vehicles in the country					

S.N	Questions	Strongly agree	Agree	Somehow agree	Agree	Strongly disagree
	enhance motor insurance of TISc.					
3	Increment in per capita income of the society enhance the motor insurance of TSISC					
4	The current import export expansion (since most of the transportation is done by motor transport) enhances the motor insurance of TISc					
Challenge of inflation on motor insurance business						
1	Inflation can hinder the development of motor insurance of TISc					
2	Price hike in spare parts and that of labor are becoming a huge treat for the company's cost structure					
3	Increase in claim expense obstruct the development of motor insurance of TISc					
Challenge of frequent occurrence of traffic accidents on motor insurance business						
1	Ever increasing motor accidents has come out to be a considerable challenge for TISc.					
2	Customer adhere to standards and due process set by the company while they notify accidents and are required to submit additional documents.					
3	Moral hazard, an act of conciliation, is frequent and seen among customers as a means to acquire /win claim request .					
4	Lack of Trainings on safety driving and road management played its part in increasing Motor accident					
5	The process of issuance of driving license has propelled traffic accidents.					

Thank you for your time!!!