



St Mary's University  
SCHOOL OF GRADUATE STUDIES

THE EFFECT OF MOTOR INSURANCE SERVICE QUALITY ON  
CUSTOMERS SATISFACTION: THE CASE OF ETHIOPIAN INSURANCE  
CORPORATION, NORTH ADDIS DISTRICT

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A THESIS PROPOZAL SUBMITTED TO ST. MARY'S UNIVERSITY,  
SCHOOL OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE  
FOR THE AWARD OF DEGREE OF MASTER OF BUSINESS  
ADMINISTRATION (MBA GENERAL)

June, 2020

Addis Ababa, Ethiopia.

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## **Declaration**

I, the undersigned, declare that this thesis is my original work and all the sources of materials used for the thesis have been duly acknowledged.

\_\_\_\_\_

**Name of the candidate**

\_\_\_\_\_

**signature**

\_\_\_\_\_

**date**

## Letter of Certificate

Tenaw Ejigu has carried out this thesis entitled with “the Effect of Motor Insurance Service Quality on Customer Satisfaction: The case of Ethiopian Insurance Corporation, North Addis District” under the supervision of me. This thesis has been submitted for final examination with my approval as an advisor.

Ephrem Assefa (Ph.D) \_\_\_\_\_

Name of advisor

signature

date

Place of submission: Addis Ababa, Ethiopia

**ST. MARY'S UNIVERSITY  
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**BY**

**Tenaw Ejigu**

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## **Lists of Acronyms**

CSA Central statistics Agency

EIC Ethiopian Insurance Corporation (EIC)

OLS Ordinary Least Square

SPSS Statistical Package for the Social Sciences

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## ABSTRACT

*This study examined the Effect of Motor Insurance Service Quality on Customers Satisfaction in: The case of Ethiopian Insurance Corporation; North Addis District. To meet the objective this study used explanatory and descriptive research designs. In addition, qualitative and quantitative research approach was adopted. Questionnaire was the primary data gathering tool for this study, sample of 312 respondents (clients of the company who were motor insurance policy holders) and interview of eic Directors and two middle managers. the above samples, questionnaires were distributed to pertinent respondents. The collected data were analyzed descriptively (frequency, percentage, mean and standard deviation) and inferentially (correlation and regression analysis) processed through statistical package for social science (SPSS) version 20. The study examined between Motor Insurance Service Quality dimensions (tangibility, assurance, responsiveness, reliability and empathy) and customer satisfaction. The research finding indicate that except responsiveness all others motor insurance service quality dimensions (tangibility, assurance, reliability and empathy) have statistically positive effect on customer satisfaction. This is confirmed by both regression and correlation result. According to regression result, reliability had greeter effect customer satisfaction in North District of motor insurance provision. Indeed, reliability and assurance have statistically moderate and positive significant effect on customer satisfaction. Moreover, empathy and tangibility have statistically significant positive effects on customer satisfaction. However, tangibility has insignificant effects on customer satisfaction. On the other hand, responsiveness has statistically negative significant effect on customer satisfaction with the value of  $\beta = -0.232$ . These results are agreed with the correlation finding. On the other hand, open-ended questionnaires and interview finding; the claim handling and service provisions of the insurances was relatively improved and attract customers. However, absence of timely responses/ services and crane, poor systems and its service provision, absence of modern technology (crane) and promises and action gap were the other challenge and reducing factor for customer's satisfaction in North District. Based on the findings of study, researcher recommend that, except responsiveness the increments of all others motor insurance service quality dimensions have positive effect on customers satisfaction Further, the researcher recommend that, to enhance customer satisfaction all responsible bodies or service providers are required to cooperate and establish smart systems and provide quality services timely. **Key words:** - customers, customers satisfactions, motor insurance, service quality.*

# CHAPTER ONE

## Introduction

This chapter gives introductory information about the study, more specifically background of the study associated with insurance service and customer's satisfactions emphasizing on motor insurance. The chapter also brings out statement of the problem and research gap related to study area and also it contains, objective of the study, research questions related to its objective, scope, significance and limitation of the study.

### 1.1 Background of the Study

In existed world, risks and uncertainty are unavoidable and it occurred in the day to day lives of the human being. However, by using sophisticated and scientific risk management systems reduced the severity or magnitude of its damage. For sure, risks and uncertainty occurrence influence individual life, societies, commerce, industry or business in generals. To struggle such problems global society launched various talking mechanisms to reduced or alleviate risks that are faced day to day's activities of human life. Among that insurance industry plays an important role to ensuring the stability of financial system and helping to manage risk in socio-economic activities of the country. Even though, world insurance coverage and its type, insurance company strength (financial, and all over all strength), service quality and insured awareness varies across the world. As it can be seen scholars views regarding with insurance practices, insurance is a technique, which provides for collection of small amounts of premium from many individual and firms out of which losses suffered by few are reimbursed. In this method the individual insured, which is exposed to a large but uncertain loss, is able to buy protection through the payment of a small but definite cost viz. the premium. Further, insurance company transfer risk of individual entitles to an insurer, who agrees for a consideration (called the premium) to assume to a specified extent losses suffered by the insured (Zewdu A., 2013). .

In developing countries, insurance coverage and service quality are somehow poor due to weak economy and unstable financial system. However, insurance are a crucial effect in the socio-economic affairs of the country as well as an individual life and business by using financial protection reducing risks on time.

Like others country, Ethiopia faced different risks in their history hence to reducing those risks various measures should be taken in time and space. Among those the emerging and provision of

insurance services was mentioned. In Ethiopian history, modern insurance service introduced in 1905 when the Bank of Abyssinia began to underwrite of fire and marine insurance policies as an agent to a foreign insurance company (Zelege, 2007). Through time, insurance business realizing and the numbers of insurance company reached thirteen in 1972. The military government, under proclamation No. 281/1970 nationalized all 13 insurance companies operating in the country. In relation to this, Ethiopian Insurance Corporation (EIC) was established in 1976, under proclamation No.68/1975 with a paid-up capital of 11 million Birr. The assets, liabilities, rights and obligations of the nationalized private insurance companies were transferred to the EIC and also it operates as a sole public insurance organization until 1994 (Getensh, 2007).

The current form EIC was re-established under proclamation No: 25/1992 with a capital of 61 million Birr. According to Yosef Belay (2018), EIC had 76 direct branch outlets throughout the country and 600 sales agents to offer life, property, and liability insurance services. EIC worked to become a leader in the insurance business. To this effect EIC hold large number of corporate clients and insurance professionals, by using them providing an efficient and reliable insurance service and reduced both life and non-life risks. Specifically, motor insurance facilitating to build sound financial systems and protect business, individual's life or insured and insurer from economic and related risks with legal procedures (Zelege, 2007). As a result this study is emphasizing on motor insurance practice of Ethiopian Insurance Corporation.

In general, Ethiopian insurance are somehow far behind and the service has its limitations. Despite the fact that, motor insurance is the major business line and, probably, contributing to more than one-third of the total premium collected per year in general (Zewdu A., 2013). The number of deaths and injuries occurred due to motor accidents is very high even though different causes have their own contributions for the accidents, such as the quality of infrastructures, the quality and behaviors of traffic polices and others (Disdal, 1980). Ethiopia has been reported to have the worst motor accident records in the world and also large number of vehicles are destroyed and damaged accidentally every year. Damage and destruction of property, loss of life are almost certain to happen and become bad news to listen very frequently; hence motor insurance implementation very important to reduced those risks (Birritu, 2004)

Motor insurances was contract by which the insurer assumes the risk of any loss of the owner or operator of any motor vehicle may incur through damage to property or persons as the result of an accident or a peril. As a result of risk and legal principles variations motor insurance practice

coverage varies across them. In Ethiopian insurance corporation, there are three types of motors insurance such as third party(covered bodily injury and property damage), third party fire and theft cover and compressive insurance or covered all risks (Abdul and K. Srinivasa, 2017)

The main purpose of motor insurance is financial protection that is to provide to the insured with financial compensation amounting to the sum assured if the insured faces accidents while the policy is in force. Moreover, it maintains the insured economical and financial condition, when risk or accidents are happened. As a result, the modern society has insurance for its life and properties and insurance industries exist when it has customers.

Customers are those who buy the goods and services provided by the company. However, the creation of satisfying customers is a core business challenge which has attracted considerable research attention. Customer satisfaction measures how well a company's products or services meet or exceed customer expectations. These expectations often reflect many aspects of the company's business activities including the actual product, service, company, and how the company operates in a global environment. Customer satisfaction issues included or assessed the overall psychological evaluation of customer' life, time of a product and service experience of companies (Smith and Clarke, 2007).

On the others hand; claims, claims handling, service quality and customers satisfactions are another's important issue in the implementations of insurance policies. A claim is a request to be reimbursed / compensated filed by the insured to the insurer. Claims handling is emphasis upon claim review, claims investigation and claim negotiation, but excluding risk management issues.

The claims process is the defining moment in a non-life insurance customer relationship that includes motor insurance. In relation to this, retain and grow market share and improve customer acquisition and retention rates, insurers are focused on enhancing customers' claims experience. To maintain market share and profitability of insurance new and more effective claims management practices used (OECD, 2004).

To this effect, the insurance company's main asset customers is maintain , the customers should get good value in order to buy insurance repeatedly and to attract new customers by telling or positive mouth advertising. However, these tasks are very challenging and needs synergy to met intended goals and maintaining customers. This problems is various across country's development levels and capacity of insurance company.



Therefore, the study examines the effects motor insurance claims management services quality on customer satisfaction, emphasizing on North Addis districts of EIC. To achieve this, the researcher will use both qualitative and quantitative approaches.

## **1.2. Background of the organization**

During military government, all foreign 13 insurance companies were nationalized and operating as EIC. It was established in 1976, with a paid-up capital of 11 million Birr. The assets, liabilities, rights and obligations of the nationalized private insurance companies were transferred to the EIC. The current form EIC was re-established under public enterprise proclamation No: 25/1992 with a capital of 61 million Birr and until 1994 EIC operated as a sole insurance organization in Ethiopia (Getensh, 2007). As a result of liberalization after 1994 many private insurance company open and provide services. In 2012/2013 fiscal years, Ethiopia had one public enterprise (EIC) and 16 private insurance companies are operating insurance as business. According to Yosef (2018), EIC had 76 direct branch outlets throughout the country and 600 sales agents to offer life, property, and liability insurance services. EIC is leader in the insurance business, hold large number of corporate clients and insurance professionals.

Recently, EIC had one division, two supporting services and six regional/functional main branches (District 1) in the capital city and also one hundred branch offices in different parts of the country all under the supervision of their respective main branches (districts). It also has networking of sales agents throughout the country working class to the customer and deals with well recognized insurance brokers with in the capital city. The corporation major insurance coverage (life, property and liability) provided for insured. In December 20, 2019, EIC had 1,600 employees with different educational background both the management and supervisory staff of the corporation and had many years of excellent practical experience in the insurance industry. Motor insurance of Ethiopia include private and commercial motor vehicles (third party only, third party with fire and theft) and also Motor trader's comprehensive service. This study focused on Addis Ababa emphasizing with North-Addis District office only. It had 1005 corporate and 1235 retailers' customers and its total customers are 2240 currently (North-Addis District marketing Department, 2020).

## **1.3 Statement of the Problem**

Motor Insurance plays a predominant role in a country economy by protect insured properties. To be more effective markets innovative motor insurance company established to keep an advantage of both parties: insurer and insured. However, the seriousness of motors or vehicles accidents

influences motor insurance provisions. According to the data from, United Nations Economic commission for Africa (2009), in 2007/2008 physical years, the total of motor vehicle accidents in Ethiopia were counted 15085 (fatal, 1802, seriously injured, 2156, light injury, 2123, property damage, 9005). This are highly influenced insurance service providers (insurer) and policy holders or insured to provide and received services. On the other hand, Insurance practice in Ethiopia is underdeveloped and exhibited several major weaknesses: lack of awareness of insurance as risk mitigation tools among the people, low coverage of insurance products, and limited range of products (Zelege, 2007).

Moreover, customer defections are high in insurance sector. According to EIC business development and risk management department Report, from the total of 69,731 general and life insurance policy holders (policies) 17, 884 (25.6%) policies were not renewed in 2011. This indicates that, there is a gap between policy holders/ insured (customers' expectations) and insurer (service quality). Besides this, Jacada (2008) and American satisfaction index revealed that 26% of insurance customers switch insurance providers, based solely on a bad experience with the company.

According to the report by the Federal Transport Authority of Ethiopia (2013), the numbers of registered motor vehicles in Ethiopia were more than 425,000. Among these 200,609 of them were used for people transporting service. Moreover, additional 20,000 vehicles will be added averagely on Ethiopian road annually. On the other hand, about 92% of the registered motor vehicles were insured the third party compulsory insurance. Similarly the office on its 2011 report show those, the motor vehicle insured on the comprehensive basis were not more than 35% of the registered motor in Ethiopia. The data indicated that about 8% and 65% of the registered motor vehicles in Ethiopia have not insured for motor compulsory third party insurance and compressive basis respectively in accordance with annual report of Ethiopian insurance fund office (2013).

In Ethiopian insurance industry, mass customers handling Practices have influenced the business. According to EIC (2013) report, The corporation's motor insurance market share is limited to 30.86%, the rest 69.14% of the motor business has been held by other private insurance companies. This can be associated with risks, risk management/ claims handling and customer's current status and their satisfaction. Customer's treatment and satisfaction are an essential element in insurance. According to Center for the Study of Social Policy (2007), loyal customers are not sensitive to price, hence, customer loyalty insurance companies are benefited at large and also

loyal customer save time and benefited from existing companies. However, more customers are lapsed each year from Ethiopian insurance companies. The insurance industry confines itself with low-cost based competition regardless of customer defection while the world business environment is changed the rule of the game- meeting customer needs to maintain customer loyalty.

In addition, our life and our property are full of risk in one way or another. So, the significant way of risk transfer mechanisms is an insurance process of which an individual or the organization transfers unexpected loss to the insurance company. Thus, the main purpose of motor insurance is the financial protection according to the principle of indemnity states that the insured not be profited from a covered loss, but should be restored to approximately the same financial position that existed prior to the loss. Claim handling includes repairing, reinstatement, replacement or by cash.

The motivating factors to conduct this study's is the existence of mass customers handling business, absence of research studies related to the title; claims handling and low loyalty and satisfactions of customer. This study, therefore, examines the effect of motor insurance claim handling service quality on customer's satisfaction in Ethiopian Insurance Corporation, North Addis district. The study also attempts to fill the gap and suggest mechanisms for successful motor insurance claim handling to improve customer's satisfactions.

#### **1.4. Research Questions**

1. What is the effect between tangibility dimensions of motor insurance service quality on customer satisfaction?
2. What is the effect between reliability dimensions of motor insurance service quality on customer satisfaction?
3. What is the effect between responsiveness dimensions of motor insurance service quality on customer satisfaction?
4. What is the effect between assurance dimensions of motor insurance service quality on customer satisfaction?
5. What is the effect between empathy dimensions of motor insurance service quality on customer satisfaction?
6. Which service quality dimensions have greater influences on customer satisfaction?

## **11.5. Objective of the Study**

### **.5.1 General objective**

The general objective of this study was to examine of motor insurance service quality on customer satisfaction in the case of Ethiopian Insurance Corporation, North District of Addis Ababa.

### **1.5.2 Specific objectives of the study**

1. To assess the effect of tangibility dimension of motors insurance service quality on customer satisfaction
2. To assess the effect of reliability dimension of motors insurance service quality on customer satisfaction
3. To assess the effect of responsiveness dimension of motors insurance service quality on customer satisfaction
4. To assess the effect of assurance dimension of motors insurance service quality on customer satisfaction
5. To assess the effect of empathy dimension of motors insurance service quality on customer satisfaction
6. To identify which service quality dimensions have greater influence on customer's satisfaction.

## **1.6. Significance of the Study**

The results of the study help different stakeholders such as finance sector policy makers, the Ethiopian Insurance Corporation, researchers, practitioners, and others in many ways.

- This research helps for new comer policy holders or customers.
- It provides relevant information on the availability of insurance services
- It hhelps to facilitate claims handling procedure.
- Policy holders/ insured can get better information from this research finding
- Based on research finding, insured, insurer, new policyholders, sell, and the general public can get an input to take appropriate measures.
- Finally, the study serves as a reference for anyone who is interested to conduct research in the study area.

## 1.7. Scope of the Study

The scope of study delimited to the effects motor insurance service quality on customer satisfaction in the case of Ethiopian Insurance Corporation. Particularly, the study is delimited to motor insurance claims handling service quality only and area wise it is focused on North-Addis District offices, of Addis Ababa. Furthermore, the target respondents of study were North-Addis District motor insurance customers (policy holders), who received service from Addis Ababa District office. Motor insurance covers the insured in respect of loss or damage to the insured vehicle or other impacted by the insured vehicle (Bao and Gu, 2014).

## 1.8 Definitions of Key terms

- **Claims:** losses actually sustained by the insured during a period, usually a year. (INSMOD, 2007)
- **Customer:** external customer who has purchased insurance products (Loma 1997)
- **Insured:** person or people to whom payment will be made in the case of risk. (Dinsdale, 1980)
- **Insurer:** a party who sell an insurance policy in order to collect premium and provide insurance protection to the insured (CII, 2011)
- **Policy holders (insured):** external customer who purchased insurance product. (INSMOD, 2007)
- **Risk:** the possibility of an unfavorable deviation from expectations (Athearn, 1969).

## 1.9 Organization of the Study

This study is organized in five chapters. Chapter one deals with introduction, statement of the problem, research gap, and objective of the study, research questions, scope, and significance of the study and definition of key terms. The second chapter presents the review of the related literature, i.e., theoretical, policy and empirical review of literature in relation to motor insurance service and customer's satisfaction. The third chapter discusses the research methodology; including research approach, design, sample size and sampling technique, research respondents, data collection instruments, method of analysis and data collection procedures and ethical considerations. The fourth chapter presents and analyzes data gathered via primary and secondary sources. The fifth chapter includes summary, conclusion and recommendation based on the research findings.

## **Chapters Two: Review of Literature**

### **2.1 Introduction**

This chapter discusses the theory and concepts of insurance, motor insurance claim handling, quality of service and customers satisfactions, and more emphasis shall be given to Ethiopian Insurance Corporation (EIC) and its current practice in Ethiopian. In addition, different related literature reviewed from different sources were discussed in this chapter. Overall, the discussion is divided into three parts: theoretical review, policy review and empirical review. At the end, the conceptual framework of the study and research hypotheses were discussed.

### **2.2 The concepts of Insurance and its significance**

Emergence and implementation of insurance is a vital role for the sustainability of business, economic stability and social security through risky and uncertainty reductions. Along this, various scholars and writers define insurance from the different perspective such as economic, social, legal etc. some of them are described below.

Preffer (1956) provides that insurance is a device for the reduction of the uncertainty of one party called the insured, through the transfer of particular risks to another party, called the insurer, who offers a restoration, at least in part, of economic losses suffered by the insured. According to Pritchett, et. al, (1996), insurance is a social device and which means that a group of individuals (insured) transfer risk to another party (insurer) in order to combine loss experiences, which permits statistical prediction of losses and provides for payment of losses from fund contributed (premiums) by all members who transferred risk. The Commercial Code of the Empire of Ethiopia (1960) article 654(2) Defines insurance as a contract where by a person called the insurer undertakes against payment of one or more premiums to pay to a person, called the beneficiary, a sum of money where a specified risk materializes.

In recent time, the coverage of insurance is expanded and both actors (insured and insurer) are highly benefited from them. Some and the most important benefits of insurance As stated by Dickson (1999) include:

**Peace of mind:** Almost everyone has a basic desire for some security or peace of mind. This wellness helps to improving efficiency.

- A. Indemnification:** The direct advantage of insurance is indemnification for unexpected loss.
- B. Keep families and business together:** The existence of insurance often supplies financial aid at time of death of family or damage of property due to unforeseen events.
- C. Provides a basis for credit;** insurance are a base for credit economy developments.
- D. Stimulates savings;** some insurance is stimulating savings.
- E. Provides investment capital:** Insurance premiums normally are paid in advance of losses and held by insurers until the time of claim payment, which allows insurers to invest it.

### **2.2.1 Claims, Claims handling and its purpose**

A claim is a request to be reimbursed (or compensated) filed by the insured and addressed to the insurer. On the other hand, a claim can be made (notified) without an insured loss or regardless of terms of the policy the claim request would be invalid. As a result, an insured loss event can occur the policyholders asks claim request immediately. Furthermore, the numbers of claims are a source of dispute; however, they are very less as compared with the majority of claims that are settled promptly (Chartered Insurance Institute, Study Course, 2004).

The purpose of claims handling is far greater than just complying with the contractual promise and also serves as an opportunity where the insurance company sells its image to the public. In relation to this an insurance company has dissatisfied customer, it is bad publicity to the company (Charles, 1980). On the other hand, insurance company provided a service for public; hence the general public is influence on clam decisions in many ways and for many reasons. In addition to the general public, policy holders and judiciary is another external influence in claims settlement. There is a general tendency by courts to protect the public more than the insurance companies. Any ambiguity is decided in favor of the insured, considering that insurance contracts are drafted by the insurer without the participation of the applicant (Teffer Demiss, 2009).

The internal influence also constitutes the claims environment; hence claims handling personnel are squeezed between their responsibility to handle reported claims according to their merit and the reaction of the other work units within the Company itself (Charles, 1980). Underwriting and sales departments, for fear of losing their customers, want the Claims personnel to be flexible and liberal in the handling of claims; thus the claims people should strike a balance between the interest of the insurance Company and the proper and equitable treatment of claimants (Charles, 1980).

Furthermore, the claim function is under the pressures of cost effectiveness by top management (Charles, 1980:135).

### **2.2.2 General overview of Motor insurance**

Motor insurance is one of the branches of general insurance; which covers all forms of insurance other than life. Common forms of general insurance are motor, fire, burglary, marine, health, travel, accident, etc. 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. Motor insurance is divided into two main category, the private motor insurance and commercial motor insurance that is given for private automobile and commercial vehicle cover respectively. A vehicle is classified as private vehicle if it is used solely for social, domestic, pleasure and professional purposes or business calls of the insured. The term 'private 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 (Jerome, 2001).

According to Abdul and K. Srinivasa (2017), the types of risk covering in emerging markets under Motor Insurance are; (1) comprehensive insurance: It pays for damage to the insured car resulting from fire or theft or many other causes. This covers the cost of repairs or replacement to your own vehicle and property whether you are at fault or not. It can also cover the cost of emergency repairs, transportation costs and damages caused by other drivers (2); collision insurance: It pays for damage to the insured car if it collides with another vehicle or object; (3); liability insurance It pays for damage to someone else's property or for injury to other persons resulting from an accident for which the insured is judged legally liable. It covers damage that you have caused to another person's vehicle or property. It does not cover the cost of damage to your own car (4); medical-payment insurance: It covers medical treatment for the policyholder and his passengers and (5) additional coverage option: Besides the standard cover provided some Insurers will have additional features and benefits available, they may include new car replacement, protected no Claim Bonus choice of repairer.

### **2.2.3 Claim and claims handling factors in insurance**

A claim is a request to be reimbursed filed by the insured and addressed to the insurer and also it made (notified) without an insured loss, under the terms of the policy.



Indeed, insurance companies are highly concerned with immediate/ timely notification of a claim as soon as any claim occurs. Failure to report a claim immediately is precedent to liability (Chartered Insurance Institute, 2004). In relation to this; there are various factors which an insurer should consider when settling a motor vehicle insurance claim. The factors may focus on the details of the driver of the covered motor vehicle, as well as other factors concerning the detrimental incident as a whole. The following sections contain a brief description of the main claims handling factors (Steenkamp, et.,al., 2009).

#### **2.2.3.1 The place where and the date when the incident happened**

This claims handling factor focuses on the place where and the date when the incident happened. Well-known and identified location are disadvantageous, because more gravel road or dangerous mountain pass, and may point to the driver not exercising due precaution in this regard. A motor insurance policy usually stipulates that a condition for cover is that the detrimental incident must happen in a particular country (Davis, 1993). In addition, the incident occurs in other geographic regions, the insurer will not provide any cover to the policyholder. The date of the incident is also important to indicating incident situation (it occurred when business activities, holiday trips, a festive season or weekend excursions. This helps to assess the mood and attitude of the driver, being under a lot of stress or perhaps being over-relaxed. The date show whether the insurance policy was actually in force when the unfavorable incident happened.

#### **2.2.3.2 The prevailing circumstances when the incident happened**

The current circumstances or the time of unfavorable situation/incident are an impact on general driving conditions. The current circumstances may aggravate the cause of the incident but it is important to assess the current claim and indicate future insurance policies (Hohl, Schiesser & Knepper, 2002).

#### **2.2.3.3 The age of the driver of the covered motor vehicle**

Age of drivers is an important claims handling factor in some insurers and their insurance policy. Coincides to this younger drivers are usually viewed as higher risks than older people. However age is not a controllable factor as drivers or no one have not any power over their age (Yeo et al., 2002 and Gardner & Marlett, 2007)

#### **2.2.3.4 Covered motor vehicle driver was duly and fully licensed and for how many years**

In order to enforce this claims handling factor, an insurer must stipulate at the inception of the contract that the driver must be duly and fully licensed (Davis, 1993). This come to effect, claims handling factor must be specified and embedded as part of the current insurance policy.

#### **2.2.3.5 Whether the driver of the covered motor vehicle caused the incident**

A knock-for-knock agreement between insurers binds only the parties that concluded the contract, and the various insured's are not bound by the agreement (Davis, 1993). According to a knock-for-knock agreement every insurer is liable for the damages to motor vehicle he/she has insured and it is irrelevant which party caused the detrimental incident. If there is no a knock-for-knock agreement between the insurers and insured regarding with disadvantageous incident, difficult differentiate driver of the covered motor vehicle is guilty or not. In such a situation the insurer of the innocent party may apply subrogation against the insurer of guilty party to recover the damages to the property of the innocent party (Dinsdale & McMurdie, 1987; Hansell, 1987; Vivian, 2006). This claims handling factor is therefore important in the absence of a knock-for-knock agreement between the insurers of the various parties to the disadvantageous incident.

#### **2.2.3.6 Whether the incident was reported to and/or the scene visited by the police service**

The involvement of the local police service by either reporting the incident and/or the police service visiting the scene of the incident are important claims handling factors in order to bring the incident to the attention of the governing authority. The testimony of the police service is important when civil and/or criminal charges are laid afterwards.

#### **2.2.3.7 Particulars of the other driver(s) involved in the incident**

The implication whether the driver of the covered motor vehicle caused the incident, was previously is cussed. Irrespective of which driver is guilty and how innocent, insurers are always wanted to know who the other drivers were, should any type of litigation follow afterwards. That is the reason why the particulars of the other drivers are important as a claims handling factor.

#### **2.2.3.8 Particulars of all persons who are injured or dead due to the incident**

Possible future litigation is also the rationale why insurers perceive the details of all persons who are injured or dead as a result of the incident, as important for the claims handling process. An unfavorable motor vehicle incident may lead to extensive civil and/or criminal charges.

#### **2.2.3.9 Covered motor vehicle driver was under the influence of intoxicating liquor or drugs**

When the driver of the covered motor vehicle was under the influence of intoxicating liquor or drugs, an insurer usually excludes any cover based on the stipulations of the insurance policy (Davis, 1993). The driver may be the policyholder, or any other person who drives the motor vehicle with the permission and knowledge of the policyholder. It is important for an insurer to know whether the driver of the covered motor vehicle was intoxicated or not.

## 2.2.4 Claims Management and Common Procedures

Claims management is critical to an insurer's success. It is process of all managerial decisions and processes concerning the settlement and payment of claims linked with terms of insurance contract (Tajudeen and Adebowale, 2013). According to Wedge and Handley (2003), claims management depicts and carrying out the entire claims process with a particular emphasis upon the monitoring and lowering of claims costs. As we understand the above two definitions, claims management process has to strike a balance between customer expectations and maintaining cost efficiency.

Customer's expectation during a claim, is to be paid without any delay, while a claim manager ascertain whether the claim is payable and if so, the amount payable. This process requires inputs from various service providers including investigators, assessors, garages, hospitals, doctors, advocates and loss adjusters. The service provider may not attach the same priority to a customer as the insurer, resulting to slow turnaround time and complaints from customers. Although different insurers follow different procedures, some of the basic elements are:-

**Claim notification:** most policies state that the insured should notify their insurer of a claim promptly. The initial report may be verbal, though the insured will be required to give further information by completion of a claim form (Roff, 2004). Further, company should draw the attention of the policyholder to report claims timely during the signing of the policy and also insurer prepares appropriate claim reporting forms and provides necessary information to help the client report (OECD, 2004).

**Claim Review:** this is emphasizing on the analysis of claim and comparison of information in claim form with what was provided in the proposal form, interpretation of the policy in light of the claim, economic considerations such as decision on whether the claim is too small to warrant further investigations or the need to call for additional documentation (James, Lyn and Rowe, 2009). The OECD guideline suggests that the insurer establishes a compliance programs for combating fraud, discourage fraudulent practices by making the policyholder /claimant/ beneficiary aware of the consequences of submitting a false statement (which in particular could be liable to prosecution) and/or an incomplete statement (OECD, 2004).

**Response to Claimant:** the initial response is usually an acknowledgment or a request for further information. Once the insurer is satisfied with information given, they either convey decision to pay or decline to pay the claim. A third response may be offered to pay a lower amount than that

claimed or enter into negotiations with the insured, without initially making any offer on amount. This is in a situation where liability is accepted, but insurer is not satisfied with amount claimed. Whether the insurer intends to decline a claim or enter into negotiation, they must convey to the insured their reasons for the decision, to ensure the insured is satisfied with the decision and avoid the insured resorting to litigation (James, Lyn& Rowe, 2009).

**Claim Investigation:** some time, the insurer may not have full facts of the claim and is unable to make a decision on a claim, hence they require appointing an investigator, to carry out investigations and file a report to the insurer. This is mainly for motor and liability claims. In the case of motor claims, a motor assessor assesses the extent of damage to the vehicle and establishes the cost of repairs. The assessor also advises whether to repair the vehicle or treat it as a constructive total loss and pay insured pre-accident value of the vehicle (Wedge & Handley, 2003). Besides to the above points, OECD (2004) recommends the establishment of internal methods for assessing claim by the insurance company, clarifying the role of claim adjusters, as well as ascertains their competence and qualifications.

**Claim settlement:** where liability is not in dispute and both insurer and insured are in agreement on quantum, settlement follows immediately. However, in situations where either liability or quantum is in dispute, the claim is delayed. OECD (2004) points out, after an agreement has been reached between the insurer and the policyholder (claimant or beneficiary) on the amount of compensation, the payment should be completed within a reasonable amount of time. A quick claims settlement as well as high quality and punctual information provided to the policyholder are key competition features for insurance companies. In case of any delay, the guideline recommends that the insurance company as soon as possible should advise in writing the policyholder on the reasons for any delay and resolution (OECD, 2004).

**Complaints and dispute settlement:** in cases, client has complaints or goes in to disputes, acknowledgement of the receipt of the complaint to the client within a reasonable period of time be made, explain how their complaints will be handled and on the procedures of follow up. Complaints should be processed promptly and fairly with communication of progress. Final response should be given in writing within a reasonable period of time. Further, policyholder is dissatisfied with the final response given by the insurer, he should be informed if interested to activate an internal appeals process or appeal to the dispute settlement procedure available outside the company (OECD, 2004).

**Claim recoveries:** although this process does not involve the policyholder, an insurer may require recovering all or part of their outlay. There are four sources of recovery; from a third party who was to blame for the accident, from a party insurer has subrogation rights against, from a reinsurer if reinsurance protection is in place or from sale of salvage.

### **2.3 Motor Insurance in Ethiopia**

According to EIC (2013) report, motor insurance of EIC market share is only 30.86% the rest 69.14% of the motor business has been held by other private insurance companies. The most popular types of Motor Insurance coverage in Ethiopia include:-

**A. The road traffic act (Ethiopian third party risk):** recently Ethiopia adopted compulsory third party motor insurance by using proclamation No559/2008. This limit a liability by using article 16 of this proclamation as follows: (1) Birr 40,000 - in case of death ;( 2) Birr 15,000 - in case of bodily injury; and (3) Birr 100,000 - in case of property damage. This proclamation sets out the minimum cover for third party liability in respect of death and bodily injury as well as third party property up to a limited amount. The cover further stipulated that an injured person will get medical help in government hospitals up to birr 1,000 immediately even if it is not uninsured because the medical center can get refund from the insurance fund (Solomon, 2014)

**B. Third party only:** This could be a possible cover which the market may bring to give some additional covers in addition to compulsory insurance.

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

**D. Comprehensive Motor Insurance:-** It is wider cover than those given from (a) to (c). The cover include, apart from given above, accidental damage due to collision or overturning to the vehicle insured. The main motor insurance policy covers include (1)Loss of or damage to the insured car and accessories or spare parts; (2) accidental collision or overturning to insured vehicle to consequent upon insured perils(3) Loss due to fire, external explosion, self ignition, lightning (4); Theft or attempted theft (5); Malicious act(6); Whilst in transit by road, (7) 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 (Fund office manual,2011)

## **2.4 Challenges of motor insurance in Ethiopia**

The increment of traffic accident, poor financial capacity, absence of human skill, global competition of insurance industry, , lack of cooperation among insurance companies, insurance companies competition with price and service, customers no or poor education, lack awareness (insured want lower premium and get minimum protection), motor insurance high hazard risk and higher inflation rate (28%) are highly affect or influenced Ethiopian motor insurance (CSA, 2012 and Mulugeta, 2012).

## **2.5 Service Quality**

In business organizations, quality is a significant role for its sustainability; hence they should be managing quality. Quality can be defined as the totality of features and characteristics of a product or services that bear on its ability to satisfy stated or implied needs (Kotler et al., 2002). Also, quality applicability linked with quality management; therefore quality management can be defined in the claims management context. The use of service standards and procedures systematically and independently assessed and audited by experienced and qualified assessors (Wedge and Handley, 2005).

Likewise, service quality and customer satisfaction interrelated concepts and one influence the others, insurance company to attract and retain more customers through service quality and increase their market share to compete with rivals and grow their business (Gamage, 2019). These concepts see in detail below. Service quality is considered an important tool for a firm's struggle to differentiate itself from its competitors (Ladhari, 2008). Also, service quality indicates the extent to which customers' perceptions of service meet and/or exceed their expectations or the differences between customer expectations and perceptions of service (Zeithaml ,1990 and Parasuraman, 1988). Furthermore Bitner and Hubbert (1994) "define service quality as the customers' overall impression of the relative inferiority or superiority of the organization and its services." According, Gronroos (2007) service quality as the outcome of the comparison that consumers make between their expectations and perceptions. Most of the above concepts measuring service quality by showing the difference between perceived and expected service was a valid way and could make management to identify gaps to what they offer as services.

On the others hand, Service quality has a strong correlation with customer satisfaction and also it is a strategic component and marketing plan of an organizations (Cronin et al., 2000; Wong et al., 2008; Spathis et al., 2004). Through service quality, organizations can reach a higher level of

service quality, a higher level of customer satisfaction and can maintain a constant competitive advantage (Meuter et al., 2000).

Service quality can be extended to the overall evaluation of a specific service with ten service quality dimensions: tangibles, reliability, responsiveness, competence, courtesy, credibility, security, access, communication and understanding/knowing the customer (Parasuraman et al., 1985, 1988). These ten dimensions define into five to measure customer's perceived value of service quality, which is known as SERVQUAL. This SERVQUAL adopts the meeting expectations paradigm to measure service against firms (Ladhari, 2009) Parasuraman et al., 1988).

### **2.3.1 Measurement of service quality**

The SERVQUAL scale which is also known as the gap model by Parasuraman, (1988) has been proven to be one of the best ways to measure the quality of services provided to customers. Also SERVQUAL scale is a principal instrument for assessing customer service quality (Parasuramanvd, 1991; Parasuraman et al., 1988). According to Boller, ( 1992) and Carman, 1990) assessed customer perceptions of service quality by using SERVQUAL scales and indicated five dimensions of service quality emerged across a variety of services. These are:-

- (a) **Tangibility:** The physical facilities, equipment, and the appearance of the staff or and communication materials.
- (b) **Reliability:** The dependability and accuracy of the service provider regarding with delivery, service provision, problem resolution and pricing.
- (c) **Responsiveness:** The ability to know and willingness to cater to customer needs or the ability to respond customer request, questions, complaints and problems.
- (d) **Assurance:** The ability of the staff to instill confidence and trust in the company or knowledge and courtesy of employees and their ability to inspire trust and Confidence.
- (e) **Empathy:** The ability of the staff to provide a caring service to customers through quality services, skillfully handling of conflicts and efficient delivery of services resulted in satisfied customers for long term benefits. This helps to reduced service quality l measurement issues through attention centered on the determinants of perceived service quality with particular emphasis on the service delivery process.

## **2.6. Customer satisfaction**

### **2.6.1. The concept of customer satisfaction**

Satisfaction is a person's feeling of pleasure or disappointment resulting from comparing a product's performance (outcome) in relation to his or her expectation. Likewise, customer satisfaction is a consumer's post-purchase evaluation and affective response to the overall product or service experience. In business organization customer satisfaction associated with the increments of their customer, customer loyalty, revenue, profits, market share and survival. Among those profit is the primary driver, exemplary businesses focus on the customer and his/her experience with the organization. They work to make their customers happy and see customer satisfaction as the key to survival and profit. Customer satisfaction in turn hinges on the quality and effects of their experiences and the goods or services they receive Center for the Study of Social Policy (2007). Further, customer satisfaction can be experienced in a variety of situations and connected to both goods and services. It is a highly personal assessment that is greatly affected by customer expectations (Hanan & Karp, 1989).

Krishnan et al. (1999) have conducted various studies and put forward that satisfaction with perceived product quality was the prime driver of overall customer satisfaction. Furthermore, their studies also found and recommended that the impact of service delivery factors varies considerably on customer satisfaction.

In accordance with different marketing theoreticians customer satisfaction had several definitions have been offered. It is the degree to which the real performance of a company satisfies the expectations of customers. In other words, customer satisfaction the performance of a company satisfies the expectations of the customers, the customer will feel satisfied; otherwise, the customer will be dissatisfied (Divandari & Delkhah, 2005). Similarly satisfaction is the degree that actual performance of a company satisfies customer expectations, meaning the performance of a company satisfies customer expectations, the customer will have sense of satisfaction; otherwise he/she will be dissatisfied (Abdoli & Fereidunfar, 2008).

Customer's satisfaction is fulfilling their needs and wants as means for the achievement of organization's objectives. This underlying motivation on customer focus is clear mission to create value for customers, stay profitable and gain desired performance (J. Munaiah, 2017).



Additionally, customer satisfaction is an expected outcome of complementary marketing activities, so that by providing of satisfied services and products succeed in today's highly competitive world of trade. Satisfaction can be revised as supplementary pleasurable activities when the consumer feels it in consumption (Haghighi et al, 2012). On the other hand, Customer satisfaction can be defined the customer achievement to the goal that has before predicted. That is, the products and services that meet customer already has in mind (Javanmard and Husseini, 2013).

### **2.6.2 Measurement of Customer Satisfaction**

Customer's satisfactions measured by service quality and responsiveness of the firms. Researchers and scientists in service marketing have presented several metaphors for service quality. For example, Berry has defined it as "the most powerful competitive weapon", Clave has considered it as "the reviving blood for the organization" and Peters as "the magic bullet that provides the customer with less expensive services at lower prices" (Haghighi et al, 2003). The customers expect two desirable and sufficient levels of services that are separated by the tolerance zone of the customer (Baglou & Zomorodpoush, 2009). According to interactive views, quality is the outcome of customer and the service-provider and organizational quality (Shahriari, 2006). In addition, Parasuraman (1988) service quality is the "the differences between customer expectations and perceptions of service". According to him, measuring of service quality as the difference between perceived and expected service was a valid way and could make management to identify gaps to what they offer as services.

Responsiveness is the willingness to help customers and provide prompt service. It emphasizes attentiveness and promptness in dealing with customer request, questions, complaints and problems. It is all about length of time they have to wait for assistance, answers to questions or attention to problems. To truly distinguish themselves on responsiveness companies need well-staffed customer service department as well as responsive frontline people in all contact positions (Zeithaml, 2006).

Continuous measurement of satisfaction level is necessary in a systematic manner (Chakravarty et al., 1996). Because satisfied customer is the real asset for an organization that ensures long-term profitability even in the era of great competition. Cronin et al., (2000) mentioned in their study that satisfied customer repeat his/her experience to buy the products and also create new customers by communication of positive message about it to others. On the other hand, dissatisfied customer may switch to alternative products/services and communicate

negative message to others. Customer satisfaction is a set of feeling or outcome attached with customers experience towards any product/ service (Solomon, 1998). Hence, organizations must ensure the customer satisfaction regarding their goods/services.

In order to describe customer's satisfaction, links with motor insurance, claim handling and service quality. According to TeleTech (2015) Property & Casualty Customer Satisfaction Survey indicated and depicted that how the claims process influences customer satisfaction. The most significant predictors of customer satisfaction measured in the study are; (1) Insurance company acted in my best interest; (2) Initial ling of the claim; (3) my issues were resolved the first time; (4) obtaining approval for the claim; (5) Insurance representative managed my expectations; (6) overall effort required to be a claim; (7) There were no surprises; (8) filling out necessary forms; (9) Initial assignment of the adjustor on the claim; (10) The insurance representatives were knowledgeable about the process; (11) my personal information was already known by the insurance representative; (12) obtaining an adjustment for the claim; (13) finding the contractor of my preference; (14) receiving money from insurance company for the claim; (15) the insurance representatives provided a personalized experience.

Even if, the single predicator or drivers is not depicted customer satisfaction; it is influenced by a coalition of variables that act together. The mix of relationship factors with tools and processes have an impact on overall satisfaction. As a result according to the research findings the impacts of the variables varies one to another's.

## **2.7 Empirical Review**

Review of empirical studies on the relationship between service quality and customer satisfaction. Among those Birhanu (2014) studied on the Effects and Prospects of Customer Handling in the Insurance Industry in Ethiopia; in the Case of Nile Insurance Share Company. The researcher used survey research method and also employed questionnaire for data collection. Based on their research findings, high number of population and economic growth of Ethiopia were the major opportunities for life insurance business while absence of insurance culture, low income and lack of awareness were the main challenge for the growth of life insurance business in Ethiopia.

In Addition, Yosef (2018) has conducted a study on the effect of motor insurance claim management on customer satisfaction at EIC. The study was descriptive in nature and applied convince sampling techniques. The research results indicated that there is a statistically significant

correlation between customer satisfaction and motor insurance claim management processes regarding with 'claim reporting', 'response to a claim', 'towing damaged vehicle' 'damage assessment' and 'repair handling.

Again, the research conducted by Solomon (2014) focused on the assessment of customer satisfaction on motor insurance services: the case of EIC. The researcher used descriptive research design to meet the research objectives. Also the researcher collected data from Addis Ababa branches customers through structured questionnaire and select respondents by using systematic random sampling. The research finding shows that the majority of customers were not satisfied with the service delivery of EIC.

According to Nabutse (2018) research findings, weak underwriting standards form the highest challenge in management of General Insurance claims in Kenya. At the same time, there is a high level of fraud in the Kenyan General Insurance Industry. It is clear that claims departments are more likely to find it necessary to investigate a claim when circumstances of accident are unclear and when vehicle is not valued prior to commencement of cover. Claimant advocates and agents/brokers are the ones highly used to perpetrate fraud. Moreover, delay in reporting a claim and high work load of staff were the main factors found to contribute to delay in claim payment.

Moreover, Nebo, G. N., & Okolo, V. O. (2016) studies and its findings show that, these are: prompt settlement of claims, quality insurance products, fair premium, prompt attendance to customer complaints, timely communication of policy renewal notices, thorough explanation of policies, explanation of product benefits and understandable policy documents. Third, the strategies used by insurance firms had a significant influence on the performance of the insurance firms ( $R^2=0.766$ ,  $P < 0.001$  at 5% significance level).

Likewise, Abaidoo (2015) research findings indicated that, feedback on life insurance policy, understanding of life insurance function and benefits, responsiveness, and operational efficiency as determinants of customer satisfaction. These findings may contribute to social change by creating awareness of the relevance of life insurance in the socioeconomic development of individuals, families, organizations, and communities, leading to financial security to reduce poverty levels in Ghana

The research gap among the above study regarding with motor insurance claims handling, Customer satisfactions and their practices were, the researchers examines claims handling procedures and service quality diminutions individually or studied in one side perspectives. This

study try to full fill the research gapes and investigate the effects of motor insurance claims handling on customer satisfaction through main elements claims handling procedures and service quality diminutions.

## 2.8 Research Model and Hypotheses

The research model for this study, as depicted in figure 2.1, shows the relationship between motor insurance claims handling and customer satisfaction. Service quality is a multi-dimensional construct composed of five dimensions namely, tangibility, reliability, responsiveness, assurance and empathy; whereas customer satisfaction is a uni-dimensional construct.

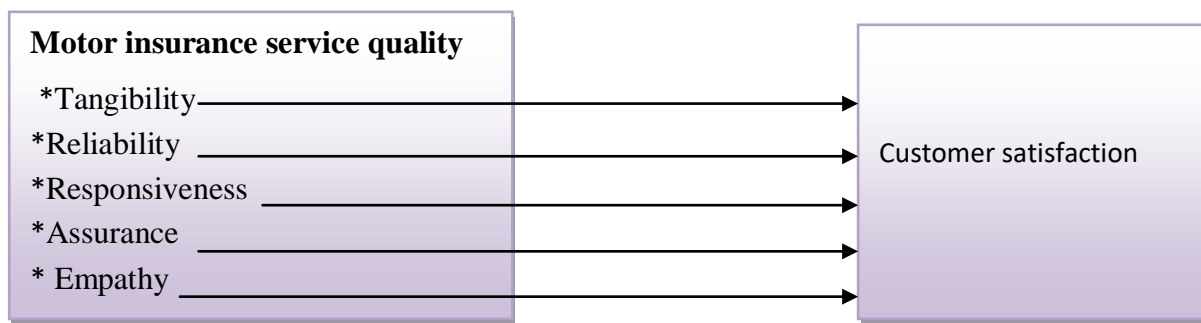


Figure 2. 1 Research model

## 2.9 Hypothesis of the Study

Ha<sub>1</sub> : The tangibility dimension of service quality has a statistically significant positive effect on customer satisfaction in motor insurance

Ha<sub>2</sub> : The reliability dimension of service quality has a statistically significant positive effect on customer satisfaction in motor insurance

Ha<sub>3</sub> : The responsiveness dimension of service quality has a statistically significant positive effect on customer satisfaction in motor insurance

Ha<sub>4</sub> : The assurance dimension of service quality has a statistically significant positive effect on customer satisfaction in motor insurance

Ha<sub>5</sub> : The empathy dimension of service quality has a statistically significant positive effect on customer satisfaction in motor insurance

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter deals with research methodology and follows to meet the research objective. Specifically, it deals with research design and approach, data source, sampling design (population, sampling technique, sampling procedure, and sample size), methods of data collection, data analysis and ethical consideration to be employed to conduct the study.

### **3.2 Research design and approach**

As indicated in Kothari (2004), designing a research is making a road map to a study, which leads all activities, and steps that would be undertaken. As the conceptual structure, research design depicts which research is conducted. Likewise, the researcher used descriptive and explanatory research design based on the ground that, it helps to examine the effects motor insurance claim handling service quality on customer's satisfaction in EIC, focused on North-Addis District office only. This study applied a combination of descriptive and explanatory research design. Descriptive research design method was an advantageous to pertinent to collect details of data from many respondents, it describes what the reality or what actually exist within a situation such as current practices, progresses and situations of different aspects of the research where as explanatory research design helps to explain and understand the relationship between variables (motor insurance claim handling service quality on customer satisfaction) and present in inferential ways. Moreover, this study applied both qualitative and quantitative research approach to substantiate the breadth and depth of the finding. It helps to triangulate results so as to ensure the validity and reliability of the findings and to control possible data bias.

### **3.3 Target population and Sampling Design**

To conduct this study total population, sample size and sampling design used to select samples. Hence, the researcher specified, the study population, the sample frame, sampling technique and then selecting the sample to examine the effects of motor insurance claim handling service quality and customer satisfaction.

#### **3.3.1 Study population/ universe**

This study examines the effects of motor insurance service quality on customer's satisfaction in EIC, the study limited on Addis Ababa emphasizing with North-Addis District office only. It has 1005 corporate and 1235 retailers' customers making the total number of customers to 2240

(North-Addis District marketing Department, 2020). The study participants or targets are North-Addis District motor insurance customers only and their employees and managers. To confirm the reliability and validity of the study taking sufficient sample size and utilizing appropriate sampling techniques, hence the researcher considered customers who are in the North-Addis District.

### 3.3.2 Methods of sampling and Sampling Technique

Due to the limited nature of resource availability, it was difficult to treat all members of the population as source of data for the study and, hence sampling was required.

The researcher used both probability and non probability sampling techniques to conduct this study. By using non probability sampling (purposive sampling techniques) the researcher specify North-Addis District office from six EIC districts and also the study focused only motor insurance and their customers(policy holders) only. Furthermore, the researcher applied probability (systematic random) sampling technique to collect data from North-Addis District motor insurance customers. On the other hand, based on purposive sampling the researcher used three key informative interviews from North-Addis District employee and manager to keep the validity of the study.

### 3.3.3 Sample Size Determination

Kumar (2002), states that an optimum sample size is one of fulfilling the requirements of efficiency, representativeness, flexibility and reliability while taking into consideration the constraints of time and cost. To this effect, acceptable confidence level and true representation of sample were used by the help of Kothari's (2004) formula.

If  $N \geq 10,000$  then, sample  $n = \frac{z^2 pq}{e^2}$  where,

$N$  = population size (2240), North-Addis District motor insurance customers in A.A.

$n$  = size of sample

$p$  = estimate characteristics of the population (0.5),  $q=1-p$

$z$  = confidence level (95%=1.96)

$e$  = level of statistical significance set/margin error (0.05)

$$n = \frac{(1.96)^2(0.5*0.5)}{(0.05)^2} = 384$$

➤  $n$  ( desired sample size) = 384

However, the total population of the study is below 10,000, using the above criteria, the sample size become,

$$\text{Sample} = (fn) = \frac{384}{1 + \frac{384}{2240}} = 328 \text{ this are total sample}$$

### **3.4. Source of Data**

To acquire the relevant data and conducting this study researcher used both primary and secondary data source and also applied various data gathering tools to triangulation the result.

#### **3.4.1. Primary Data Sources**

To conduct this study, primary data is what is the researcher originally collected from the sample or target population and clients of the company (policy holders) through questionnaires and interview. The researcher both closes and opens ended questionnaires and unstructured interviews emphasis on motor insurance service quality.

#### **3.4.2 Secondary Data Sources**

To realize the objective of the study, the researcher collected relevant secondary data source from published and unpublished materials, professional journal articles and different research books related with the study area.

### **3.5 Methods of data Collection**

For the purpose of data triangulation, the researcher, both primary and secondary data source by using various data gathering tools and techniques. The primary data collected through questionnaire, interview and document review, whereas the secondary data collected through document review.

#### **3.5.1 Questionnaire**

To get required data, the researcher used semi-structured (both an open-ended and closed end) type of questionnaire. The questionnaire had two parts; the first part focused on demographic information of respondents, while the second part is prepared to get information about motor insurance services quality and customer's satisfaction. Pilot test would be conducted 20 non sampled customers to improve the answerability of the questionnaires and used the feedback properly. Finally, the researchers distributed questionnaires to sampled respondents to get relevant data.

Howeve,r out of the 328 questionnaires that were distributed to the sampled policy holders,312 were completed and returned to the researcher with the response rate of 95.12%.

The questionnaire highly focused to shows the relationship motor insurance service quality dimensions or independent variables (tangibility, reliability, responsiveness, assurance and empathy) and customer's satisfaction in Ethiopian Insurance Corporation, North District of Addis

Ababa. To maximize the reliability and validity of the findings the researcher adapted other questionnaires and tested them using Cronbach's alpha. It is > 0.70 the reliability is acceptable.

The questionnaire adapted from Zeithaml, (1988) and the internal consistency test of Cronbach's alpha result is given below.

*Table 3.1 Internal consistency test Cronbach's alpha result of Zeithaml, (1988)*

Their questionnaire	Cronbach's Alpha	N of Items
Tangibility	4	.720
Reliability	5	.830
Responsiveness	4	.820
Assurance	4	.810
Empathy	5	.860
Customer Satisfaction	5	.856
All items	27	.920

### **3.5.2 Key informative interview**

Interview involves a series of open-ended questions related to motor insurance claim handling service quality and customer's satisfaction. The open-ended nature of the questions defines the topics under investigation and provides opportunities for both interviewer and interviewee to discuss some topics in more detail. To get relevant information, the researcher shall conduct three key informative interviews from North-Addis District employees and managers, i.e. two employees and one manager. During the interview, the interviewer shall use a sound recorder to collect information accurately.

### **3.5.3 Document reviews**

The researcher applies systematic analysis of motor insurance policy, claim handling service quality and its procedures and customer profiles if any. Also, the researcher reviews and collects different literature for the purpose of cross-checking.



### 3.6 Method of Data Analysis and Interpretation

This section sought to describe the process and procedures employed to analyze the data obtained from questionnaire, key informative interview and document reviews. The data collected through the above techniques analyzed using several methods. The data analysis methods chosen based on the type of data used and the nature of the research questions and objectives of the study. In this study, a blend of quantitative and qualitative data analysis methods employed

Qualitative data gathered via interview and secondary sources analyzed through narrative analysis. Quantitative data gathered via questionnaire processed by using SPSS version 20 and analyzed through descriptive statistics (frequency, percentage and mean analysis) and inferential statistics (correlation and regression analyses).

Quantitative data is presented by using ordinary least squares regression model. It helps to indicate the independent variables (motors insurance claim handling service quality) and its influence on dependent variables (customer's satisfaction). Ordinary least squares regression model (OLS) needs at least one interval scale (dependent variables) and two or more independent variables Pohlman (2003). This is treated by the formula indicated below.

$$Y=B_0+B_1X_1+B_2X_2+B_3X_3\dots+E$$

### 3.7 Reliability and validity of instruments

The researcher prepared questionnaire in order to collect essential data from the respondents and before the actual data collection, the researcher distributed the prepared questionnaire for non sampled staff customers and service providers as pilot test. By using the pilot test feedback the researcher improved the clarity and responsiveness of the questionnaire then by using Cronbach Alpha reliability statistic the researcher checked (acceptable or not) the reliability of the instruments and the coefficient of the reliability of Alpha,  $\alpha = 0.889$ . The result was acceptable and then the researcher made full scale survey. According to Avolio (1993), the reliability coefficient,  $> 0.5$  the instruments can be accepted as a reliable and also number approach to 1 the more is its internal consistency are strong or the reliability is more acceptable. On the other hand, to protect the issue of validity the researcher followed scientific research procedures, all the questionnaires adapted from others researchers and the collected data measured by appropriate data analysis tools.

Table 3. 2 Reliability test

Types of questionnaire	Cronbach's Alpha	N of Items
Tangibility	4	.872
Reliability	5	.876
Responsiveness	4	.881
Assurance	4	.883
Empathy	5	.848
Customer Satisfaction	5	.856
All items	27	.889

### **3.8. Ethical Considerations**

To conduct this study ethical consideration is mandatory for researcher. Accordingly, the researcher preserves and respected all the respondents and also carry out the whole study free from any judgments and follows scientific procedure throughout the study and every individual who are involved in this research process was entitled to the right to privacy and dignity of treatment; no personal harm would be caused to subjects in the research. Moreover, every individual who supported the researcher to conduct the study and sources of data from which information is generated will be acknowledged. In general, the following basic ethical considerations are kept to conduct the study; openness, fairness, disclosure of methods, respect work values and norms of the respondents; informed willingness of every person who involved in this research.

## CHAPTER FOUR

### 4. DATA ANALYSIS AND PRESENTATION

#### 4.1 Introductions

This chapter presents the analysis of the research findings obtained from the data collected through questionnaire using descriptive and inferential statistics in order to examine the effects of motor insurance service quality on customer's satisfaction and also to identify which motor insurance service quality dimension has significant effect on customer's satisfaction in the case of Ethiopian Insurance Corporation, North District of Addis Ababa. Descriptive statistics on demographic information and on the study variables were presented. Pearson correlation and regression analysis used to answers set objective. The responses were summarized and presented using the below tables.

#### 4.2. Response Rate

From the total of 328 questionnaire distributed to participants, 95.12% (312) questionnaires were found completed correctly and used for further analysis and the remaining 6 questionnaires were not returned as well as 10 questionnaires were found incomplete Mulusa (1990) argue that 50 percent return rate is adequate, 60% is good while 70% and above is very good. In this study therefore, the response rate is 93.13% which is above the very good rating. Therefore, 96% response rate was deemed to be over sufficient for data analysis.

#### 4.3 Demographic Characteristics of the Respondents

This section analyses sex, age, qualification and customers years to take services and it would be better to introduce the respondents profile instead of direct rush to the analysis and discussion. This is done to understand the respondents profile so as to estimate the accuracy of information provided by them. Therefore, it is depicted in the table below.

*Table 4. 1 Demographic Characteristics of the Respondents*

		Frequency	%
<b>Sex</b>	Male	232	74.4%
	Female	80	25.6%
	Total	312	100%
<b>Age</b>	15-25 years	14	4.5%
	26-40 years	181	58%
	41-55 years	117	37.5%

	Above 55 years	-	-
	Total	312	100%
<b>Education Status</b>	Grade 1- 8	15	4.8%
	Grade 9- 12	65	20.8%
	Diploma	71	22.8%
	First Degree	130	41.7%
	Second degree and above	31	9.9%
	Total	312	100%
Service year experience with EIC	1- 2 years	91	29.2%
	3- 4 years	116	37.2%
	5- 6 years	37	11.9%
	Above 6 years	68	21.8%
	Total	312	100.0%

#### 4.3.1 Sex of Respondents

Table 4.1 shows the summary of personal detail of respondents in terms of their sex. Accordingly, 232(74.4%) respondents were male and 80(25.6%) female. Therefore, more male respondents were found than the female's one.

#### 4.3.2 Age of Respondents

The researcher takes interest to know the respondents age bracket. Accordingly, it was found that; out of the total 312 respondents as shown in the table 4.1 above the majority of the respondents, 181(58%) of the total respondents with in the age bracket of 26-40. Next, 117(37.5%) respondents were the age of within the age bracket of 41-55, and 14(4.5 %) were between 15-25 years.

#### 4.3.3 Respondents' Educational level

According to the table 4.1 above one easily can understand that most of the respondents 130 (41.7%) have earned their first degree, 71(22.85) were diploma holders and also 65 (20.8%) were completed 9-12 grade. This indicate that Ethiopian Insurance Corporation, North District customer have good qualification in relative scene.

#### 4.3.4 Years of customers who received insurance service

As results of table 4.1 indicate, out of 312 respondents 66.4% of them were less than four years who received services from Ethiopian Insurance Corporation, North District. Also 43.6% of the respondents were 5 and above years who got services from the corporation. May be this indicate that, most of the customers recently joined in the corporations.

#### **4.4 The association between motor insurance service qualities and customer’s satisfaction**

One of the objectives of this study was assessing the relationship between variables. Correlation is meant for exploring the degree of relationship between two variables in consideration. As a result, the study assessed the relationship between service quality dimensions (tangibility, reliability, responsiveness, assurance and empathy) and customer satisfaction. These identified factors influence were tested below by using Pearson correlation analysis and its coefficient values found between -1 and 1. In addition, in onset of the correlation analysis it is required to indicate standards that can be used to label coefficient values as strong, moderate and weak. For instance, As per Marczyk, Dematteo and Festinger, (2005) correlations of .01 to .30 are considered weak, correlations of .30 to .70 are considered moderate, correlations of .70 to .90 are considered strong, and correlations of .90 to 1.00 are considered very strong or perfect relations. The correlation result and its interpretation found below the table.

*Table 4. 2 Motor insurance services and customer satisfaction association*

	Tangibility	Reliability	Responsive ness	Assurance	Empathy	Customer satisfaction
Tangibility	1					
Reliability	.720 <sup>**</sup>	1				
Responsiveness	.075	-.098	1			
Assurance	.706 <sup>**</sup>	.769 <sup>**</sup>	-.118 <sup>*</sup>	1		
Empathy	.453 <sup>**</sup>	.438 <sup>**</sup>	.080 <sup>**</sup>	.432 <sup>**</sup>	1	
Customer satisfaction	.371 <sup>**</sup>	.788 <sup>**</sup>	-.270 <sup>**</sup>	.757 <sup>**</sup>	.475 <sup>**</sup>	1

\*\* . Correlation is significant at the 0.01 level (2-tailed), all Sig. (2-tailed) significant at 0.000

The above table 4.2 shows that, the relationship between motor insurance service quality dimension (tangibility, reliability, responsiveness, assurance and empathy) and customer satisfaction. As indicated in the table above, except responsiveness all motor insurance service quality dimension have positive significant relationship with customers satisfactions with p-value = 0.000. However, reliability and assurance have positive and strong significant relationship with customer satisfaction with high coefficient value of 0.788 and 0.757 respectively. Next to these, empathy and tangibility have moderate relationship with customer satisfaction with the correlation coefficient value of 0.475 and 0.371 respectively. On the other hand, responsiveness was negatively associated with customer satisfaction in the study area ( $r=-.270$ ,  $p< 0.05$ ). This indicates that, service quality of Insurances Corporation is below the customers' expectation regarding with responsiveness. Others services were relatively good and positive effects with customers satisfactions.

#### **4.5 Multiple Regression Analysis and its assumptions**

To analysis the collected data the researcher used regression analysis. It is a statistical technique that investigates the relationship between a dependent variable and specified independent variables. When paired with assumptions in the form of a statistical model, a regression can be used for prediction, inference, and hypothesis testing, and modeling of causal relationships (Aron, 1994). However, before going to analyze multiple regressions test results, basic assumptions of multiple regression analysis are carryout to ensure the reliability and validity of the study. The results of these tests are shown below.

##### **4.5.1 Normality Test**

Regression analysis result should be reliable or trustworthy the variables that are used in the model are normally distributed. In reality, only the assumption of normally distributed errors is relevant to multiple regressions. Specifically, considering that errors are normally distributed for any arrangement of values on the predictor variables (Osborne and Waters, 2002). When histograms are close to zero it is assumed that the data is normally distributed for the dependent variable. However, when skewness and kurtosis are not close to zero and the histogram does not appear to have a normal distribution. According to the information in figure 4.1 below indicated that the

skewness and kurtosis are not far from zero or between them the zero value is indicated. Thus, the result assured that the distribution is normal for this study.

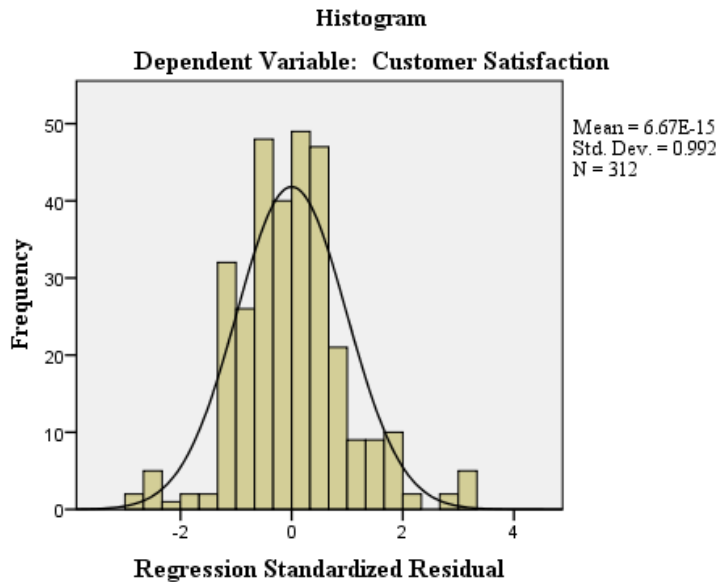


Figure 4. 1 Histogram regression of standardized residual of customer satisfaction.

#### 4.5.2 Multi-Co linearity Test

The presence of multi -colinearity was coming from the existence of two or more highly correlated predictor’s variables or non-related variable existence in the regression model. Severe multi-colinearity problem occurred during perfect correlation between two or more predictors. The existence of Multicollinearity detected by tolerance values and variance inflation factor (VIF) result. As a result, the researcher checked the colinearity problem with the assumption of tolerance and VIF statistics. The tolerance values of all independent variables and the Variance inflation factor are above 0.1 and below 10 respectively which indicates there is no multi-collinearity problem (Keith, 2006 and Shieh, 2010). It seems from these values that there is not an issue of multi-collinearity problem between the predictor variables. Thus, the multi-collinearity result of this study as indicated in table 4.3 below confirmed that there is no problem of multi-collinearity since the value indicates between one and ten.

Table 4. 3 The Multi colinearity test distribution result

Model	Colinearity statistics		Remarks
	Tolerance	VIF	

Tangibility	.642	3.557	No Multi-Co- llinearity
Reliability	.563	4.775	
Responsiveness	.825	2.213	
Assurance	.605	3.653	
Empathy	.763	2.310	

Source :- Own field survey (2020)

#### 4.5.3 Homoscedasticity test

Homoscedasticity errors are generally assumed to have an unfamiliar but finite variance that is constant across all levels of the predictor variables. This assumption is also known as the homogeneity of variance assumption. When the variance of errors differs at different values heteroscedasticity is indicated. According to Berry, Feldman and Stanley (1985), slight heteroscedasticity has little effect on significance tests. Heteroscedasticity is indicated when the residuals are not evenly scattered around the line (Weisberg, 2005). As we have seen in figure 4.2 below, it can be assured that the point is random and evenly throughout the scattered diagram and no evidence of funnel-like the shape of points on one side than the other is observed, so no heteroscedasticity in the data is confirmed.

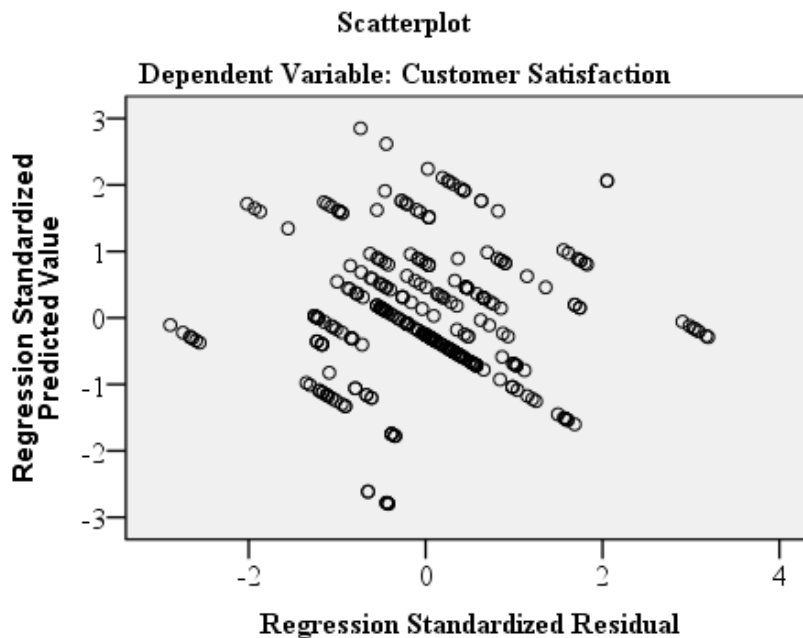


Figure 4. 2 Scatter Plot of regression of standardized residual of dependent and independents variables



#### 4.5.4 Linearity Assumptions

Linearity defines the dependent variable as a linear function of the predictor (independent) variables (Darlington, 1968). Standard multiple regression can only precisely estimate the relationship between dependent and independent variables if the relationships are linear in nature.

The relationship between independent variables and the dependent variable is not linear; the results of the regression analysis will underestimate the true relationship. Mostly normality of residuals can be checked with a normal p-p plot. The plot shows that the points generally follow the normal (diagonal) line with no strong deviations. This indicates that the residuals are normally distributed. According to the information in figure 4.3 below indicated Normal P-P Plots show that this assumption had been met for this study.

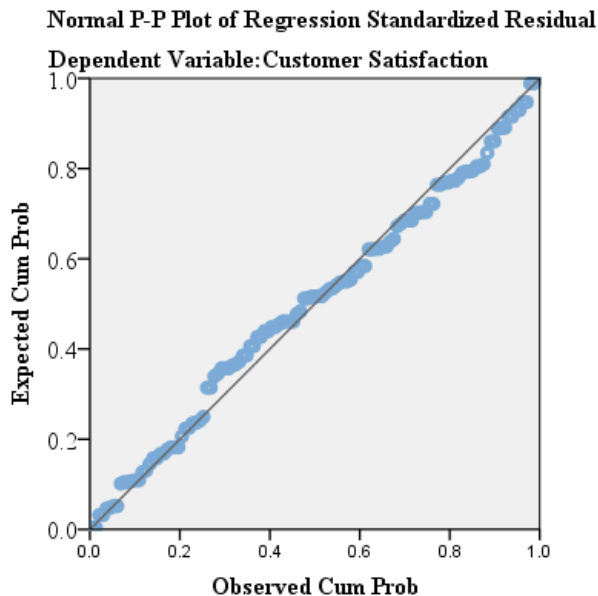


Figure 4. 3 : Normal P-P Plot of dependent variable customer’s satisfactions

#### 4.6 Regression analysis result and hypothesis test

After meeting regression assumption; the researcher began analysis of the regression result to depict the effects of motor insurance service quality on customer’s satisfaction in the case of Ethiopian Insurance Corporation, North District of Addis Ababa. In this part of the study the researcher tested intended hypothesis and carry out regression analysis. Hypothesis test was employed by multiple regressions to test the effect of independent variables (tangibility, reliability,

responsiveness, assurance and empathy) on dependent (customer satisfaction) and also to determine to what extent predict the variable. Table 4.4, below shows, SPSS result and research hypothesis test. Based on the finding, except responsiveness all of the independent variables were statistically positive significant effects on customer's satisfaction. To explain in detail all intended tests and discussion given below.

Table 4. 4 multiple regression output.

**Model Summary<sup>a</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.784 <sup>a</sup>	.614	.608	.35508

- a. Predictors: (Constant) tangibility, reliability, responsiveness, assurance and empathy
- b. Dependent Variable: Customer Satisfaction

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	150.220	5	30.044	97.510	.000 <sup>b</sup>
	Residual	94.282	306	.308		
	Total	244.502	311			

- a. Dependent Variable: Customer Satisfaction
- b. Predictors: (Constant), tangibility, reliability, responsiveness, assurance and empathy

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.521	.359		1.449	.148
	Tangibility	.193	.062	.166	1.489	.005
	Reliability	.544	.052	.493	10.417	.000
	Responsiveness	-.232	.049	-.187	-4.792	.000
	Assurance	.391	.045	.398	8.724	.000
	Empathy	.253	.048	.245	1.108	.002

a. Dependent Variable: Customer Satisfaction

Table 4.4 presents the summary of the model which states customer satisfaction as a function of responsiveness, tangibility, assurance, reliability and empathy. Based on the above model summary R square value indicated that the independent variables explained the dependent variable (customer satisfaction) by 0.614. This result implies that service quality of motor insurance accounted for 61.4 percent of the variance in customer satisfaction. So, Service quality variables explained the customer satisfaction by 61.4 percent.

ANOVA tells overall goodness of fit of the model. As depicted in the ANOVA table 4.4 above the significance value of F statistics is 0.000 which are less than 0.05. This also shows that there is a significant relationship between the dependent and independent variables at 1% level of significance.

Table 4.4 above revealed that, except responsiveness all motor insurance service quality dimensions of the independent variables (tangibility, assurance, reliability and empathy) have statistically positive effects on customer satisfaction in Ethiopian Insurance Corporation, North District of Addis Ababa. However the degree of effects within the variables varies as it can be seen the table above. Particularly, reliability and assurance have statistically moderate and positive significant effect on customer satisfaction with the value of  $\beta = 0.544$  and  $0.391$  respectively. From those variables reliability has strong effect on customer satisfaction in North District of motor insurance provision. Moreover, empathy and tangibility have statistically significant positive effects on customer satisfaction with the value of  $\beta = 0.251$  and  $0.193$  respectively. However, tangibility has insignificant effects on customer satisfactions ( $p = 0.05$ ). On the other hand, responsiveness has statistically significant negative effect on customer satisfaction with the value of  $\beta = -0.232$ . These results are agreed with the correlation analysis table explained above.

### **Hypothesis test**

Based on the above finding all of the independent variables were positive association with customer's satisfactions and all test given bellow.

In addition, the open ended questionnaire finding shows that, the claim handling and service provision of the insurances during accident was relatively good in accordance with most respondents. However, there are problems during claim handling and service provision in Ethiopian Insurance Corporation, North District of Addis Ababa. Most participant agreed factors were absence of timely responses or services (during accident, maintenance, bidding, incidence

checking or observation...) and crane to uplift motors timely. Some of the participants believed that, poor systems and its service provision, less value/ emphasis for customer, absence of modern technology (crane), the occurrence of promises and action gap and poor checking practice insured motors were the other challenge and reducing factor for customer's satisfactions in North District of Ethiopian Insurance Corporation.

The participants also recommended improving claim handling and service provision in the Corporation. According to them, the corporation should be establish smart claim handling and service provision systems and provide service timely with communicative approach, the service provision should be supported by modern technology (crane), provide service based on promise or set standards, gives values for their customers, improve the practice of timely response and develop insured motor management in all times.

The interview participants also support the above facts. According to them, the corporation service quality has improved through time and averagely satisfied the existing customer. The corporation was reliable insurance and provides services in affordable prices. Sometime due to bid process, poor understanding of customer towards agreement and absence of officer and input delayed service as an expected.

#### **4.7 Discussion**

In recent times the profitability and sustainability of business were linked with the satisfactions of customer with service provision. As a result money firms give first priority for their customers to retain and attract them. In relation to this, the study examine effects of motor insurance service quality on customer's satisfaction and discussed incomparable with others research finding. Findings from the study show that, all independent variables (responsiveness, tangibility, assurance, reliability and empathy) have statistically positive effects with customer satisfaction in Ethiopian Insurance Corporation, North District of Addis Ababa. Particularly, reliability and assurance have statistically moderate and positive significant effect on customer satisfaction with the value of  $\beta = 0.544$  and  $0.391$  respectively. From those variables reliability is greeter effects/ influence on customer satisfaction in North District of motor insurance provision. Moreover, empathy and tangibility have statistically significant positive effects on customer satisfaction with the value of  $\beta = 0.251$  and  $0.193$  respectively. On the other hand, responsiveness has statistically negative significant effect on customer satisfaction with the value of  $\beta = -0.232$ .

In addition, the open ended questionnaire finding shows that, the claim handling and service provision of the insurances during accident was relatively good in accordance with most respondents. However, there are problems during claim handling and service provision in the study. Most participant agreed factors were absence of timely responses or services (during accident, maintenance, bidding, incidence checking or observation...) and crane to uplift motors timely. Also, poor systems and its service provision, less value emphasis for customer, absence of modern technology (crane), the occurrence of promises and action gap and poor checking practice insured motors were the other challenge and reducing factor for customer's satisfactions in North District of Ethiopian Insurance Corporation.

The others research studies finding discussed below in comparable with the study. According to (Fasil, 2009) all service quality dimensions have positive and significant impact on customer satisfaction in Ethiopian insurance industry. Likewise, Helen (2017) research finding shows that all the five service quality dimensions are positively related with customer satisfaction regarding with **Oromia** Insurance Company. Assurance shows the strong positive relation with customer satisfaction. The result also indicates that the overall service quality perceived by consumers was not satisfactory meaning expectations exceeded perceptions and all the dimensions showed higher expectations than perceptions of services.

According to Nabutse (2018) research findings, weak underwriting standards form the highest challenge in management of General Insurance claims in Kenya. At the same time, there is a high level of fraud in the Kenyan General Insurance Industry. It is clear that claims departments are more likely to find it necessary to investigate a claim when circumstances of accident are unclear and when vehicle is not valued prior to commencement of cover. Claimant advocates and agents/brokers are the ones highly used to perpetrate fraud. Moreover, delay in reporting a claim and high work load of staff were the main factors found to contribute to delay in claim payment.

Moreover, Nebo, G. N., & Okolo, V. O. (2016) studies and its findings show that, these are: prompt settlement of claims, quality insurance products, fair premium, prompt attendance to customer complaints, timely communication of policy renewal notices, thorough explanation of policies, explanation of product benefits and understandable policy documents. Third, the strategies used by insurance firms had a significant influence on the performance of the insurance firms ( $R^2=0.766$ ,  $P < 0.001$  at 5% significance level).

On the contrary, Yetnayet, (2017) research finding shows that, all the service quality dimensions showed a negative confirmation result indicating that the service quality at Nyala Insurance Share Company is below the customers' expectation. Moreover the study indicating that customers of Nyala Insurance Share Company are less satisfied by its service.

In Addition, Yosef (2018) has conducted a study on the effect of motor insurance claim management on customer satisfaction at EIC. The research results indicated that there is a statistically significant correlation between customer satisfaction and motor insurance claim management processes regarding with 'claim reporting', 'response to a claim', 'towing damaged vehicle' 'damage assessment' and 'repair handling.

Again, the research conducted by Solomon (2014) focused on the assessment of customer satisfaction on motor insurance services: the case of EIC. The research finding shows that the majority of customers were not satisfied with the service delivery of EIC.

As a result, insurance services of the study area relatively good but needs more attentions to satisfied customers in work place.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION, AND RECOMMENDATIONS**

This chapter gives a summary of the findings, conclusion, and recommendations of the study. It also highlights suggestions for further research.

#### **5.1 Summary of the Research Findings**

This study major purpose was to examine the effects of motor insurance service quality on customer's satisfaction in the case of Ethiopian Insurance Corporation, North District of Addis Ababa. Moreover, the study examines the effects of service quality dimensions namely tangibility, assurance, responsiveness, reliability and empathy effects on customer satisfaction.

To meet this, the researcher used explanatory and descriptive research design with mixed research approach; quantitative and qualitative research approach. Moreover, data were gathered from 312 respondents and the results are presented as follows:

This study finding shows, in Ethiopian Insurance Corporation, North District of Addis Ababa there is unequal sex distribution of customers; 232(74.4%) male and 80(25.6%) female. Academically, majorities (50.6%) of the respondents/customers have a degree and above, they are crucial effect for this study result. On the other hand, 58% of the total respondents were found with the age bracket of 26-40 years. Further, majority (66.4%) of the customers/respondents were less than four years who received services from Ethiopian Insurance Corporation, North District.

According to Pearson correlation and regression result, except responsiveness all others motor insurance service quality dimensions (tangibility, assurance, reliability and empathy) have statistically positive effects with customer satisfaction with some degree of variations.

Particularly, reliability and assurance have statistically moderate and positive significant effect on customer satisfaction with the value of  $\beta = 0.544$  and  $0.391$  respectively. From those variables reliability is greeter effects/ influence on customer satisfaction in North District of motor insurance provision. Moreover, empathy and tangibility have statistically significant positive effects on customer satisfaction with the value of  $\beta = 0.251$  and  $0.193$  respectively. On the other hand, responsiveness has statistically negative significant effect on customer satisfaction with the value of  $\beta = -0.232$ .

The model summary of multiple regression revealed that, responsiveness, tangibility, assurance, reliability and empathy explained 61.4 % of the variation in customer satisfactions. . As depicted in the ANOVA table the significance value of F statistics is 0.000 which are less than 0.05. This also shows that there is a significant relationship between in customer satisfactions and independent variables; those are mentioned above.

In addition, the open ended questionnaire finding shows that, the claim handling and service provision of the insurances during accident was relatively good. However, there are problems during claim handling and service provision in North District of Addis Ababa. Most participant agreed factors were absence of timely responses or services (during accident, maintenance, bidding, incidence checking or observation...) and crane to uplift motors timely. Some of the participants believed that, poor systems and its service provision, less value/ emphasis for customer, absence of modern technology (crane), the occurrence of promises and action gap and poor checking practice insured motors were the other challenge and reducing factor for customer's satisfactions in North District of Ethiopian Insurance Corporation.

The interview participants also support the above facts. According to them, the corporation service quality improved through time and there is a moderate level of customer satisfaction. The corporation was reliable insurance and provides services in affordable prices. Sometime due to bid process, poor understanding of customer towards agreement and absence of officer and input delayed service as an expected.

## **5.2 Conclusion**

This study shows that the effects of motor insurance service quality on customer's satisfaction. . According to regression result, except responsiveness all others motor insurance service quality dimensions (tangibility, assurance, reliability and empathy) have statistically positive effects with customer satisfaction. The correlation analysis also indicates that except responsiveness those factors have positive relationship with customer satisfaction.

Therefore in motor insurance service quality highly influence customer satisfaction in North District of the corporation. From this it was concluded that, motor insurance service quality increased customer satisfaction also increases except responsiveness or there is directly relationship the independent variable (tangibility, assurance, reliability and empathy) and dependent variables customer satisfaction.

The reliability dimension of service quality is greater effect on customer satisfaction. Than general assurance and empathy have statistically positive significant effects customer satisfaction. On the contrary, responsiveness has statistically negative significant effects customer satisfaction.

On the other hand, the claim handling and service provision of the insurances during accident was relatively good based on open-ended questionnaires and interview participants. The challenge that are faced were absence of timely responses or services and crane and also poor systems and its service provision, less value/ emphasis for customer, absence of modern technology (crane), the occurrence of promises and action gap and poor checking practice insured motors were the other challenge and reducing factor for customer's satisfactions in North District of Ethiopian Insurance Corporation.

From this research result, to enhanced customer satisfaction all responsible bodies or service providers have more cooperation to provide to established smart systems and provide quality services timely.



### **5.3 Recommendations**

The recommendation parts of the study forwarded on the basis of the above summary of finding and conclusions.

According to the finding motor insurance service quality dimension (tangibility, assurance, reliability and empathy) was directly relationship with customer satisfaction. In other words, they are statistically positive and significant relationship with customer satisfaction. Specifically pay and promotion policies have greater impacts and strong negative relationship on employee affective commitment, hence Addis Ababa North-Addis district office revisited Pay and promotion policies and its practices to reduced organization politics influence.

Reliability and assurance have statistically moderate and positive significant effect on customer satisfaction hence the corporation used this advantages to improved customer satisfaction. Also, empathy and tangibility have statistically significant positive effects on customer satisfaction. This variable needs attention to maximized customers satisfaction so the corporation gives priority for these issues. On the other hand, responsiveness has statistically negative significant effect on customer satisfaction. This mean provided services regarding with responsiveness were below customer expectations. As a result all corporation body give strong emphasis for timely service provisions for insured customers. This indicates that, customer satisfactions are highly victimized by motor insurance service quality dimension responsiveness.

This finding supported by open ended questionnaire and interview participates. According to them absence of timely responses or services and crane and also poor systems and its service provision influenced customer satisfaction in the corporation. Therefore North District of Ethiopian Insurance Corporation and responsible body provide quality services by the help of smart system and modern technology support. Also, all staff members and implementers give high attention for customer satisfactions or reduced or alleviate high workplace challenges to improved customer satisfaction.

Also, participants recommended that, the corporation should be established smart claim handling and service provision systems and provide service timely with communicative approach, The service provision support by modern technology (crane), provide serviced based on promise or set standards, gives values for their customers, improved the practice of timely response and develop insured motor management in all times.

Finally, the researcher recommends for further investigation focused on motor insurance service quality dimension and its influence with customer satisfaction; included with additional issues; that are preconditions of motor insurance service provision like insurance agreements.

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## **Anex 1 English Versions questionnaires**

**ST MARY UNIVERSITY**

**SCHOOL OF GRADUATE STUDIES**  
**DEPARTMENT OF BUSINESS ADMINISTRATION (MBA)**

**Questionnaire to be completed by motor insurance customers**

Dear Respondents:-

The main objective of this study is to examine the effects of motor insurance service quality on customer's satisfaction in the case of Ethiopian Insurance Corporation emphasizing on insurance claims handling service quality in North-Addis District of Addis Ababa. The questionnaire has four parts: part one includes questions related to the respondents' biographic information; part two is about opinion on motor insurance service quality; part three is about customer satisfaction and part four is the way forward. Your genuine and complete answers have great input to the outcomes of the research. Therefore, the researcher is kindly asking you, to give valid responses to the questions below. Your answers you provide on each paper will be used for research purpose only. The information generated in the study will remain confidential. Hence, you are not required to write your name and provide other personal information. The survey will take 15 minutes to complete. I thank you very much for your willingness to participate in the study.

*Thank you in advance for your cooperation!*

**Instruction one:** Answer the following questions by choosing the appropriate alternative and tick mark (✓) on the space provided.

**Part I: General/ biographic information**

1. Sex: 1) Male                       2) Female
2. Age: 1) 15 -25,     2) 26-40,     3) 41-65,     4) above 65
3. Level of education
  - 1) Grade 1- 8                                       2) Grade 9 to
  - 3) Diploma
  - 4) First Degree                       Second degree and above
- 4 For how many years have you used the company's insurance services?
  - 1) 1- 2 years     2) 3-4 years     3) 5-6 years     4) above 6 years

**Part II: Motor insurance service quality**

This section aims to measure the company’s motor insurance service quality. The scale has five dimensions namely tangibility, reliability, responsiveness, assurance and empathy. Thus, indicate the extent to which you agree or disagree on the statements using a seven point Likert scale (1- strongly disagree, 7- strongly agree). Put a tick mark (✓) on the appropriate response boxes in front of the statements.

(1= strongly disagree 2= disagree 3 = partially disagree 4 =Neutral, 5= Partially agree, 6=Agree, 7 = strongly agree)

Service measurement and its item description	Strongly disagree (1)	Disagree (2)	Partially Disagree (3)	Neutral (4)	Partially Agree (5)	Agree (6)	Strongly agree (7)
<b>1. Tangibility</b>							
Q1 corporation has up-to-date equipment							
Q2 corporation physical facilities are visually appealing							
Q3 corporation employees are well dressed and appear neat							
Q4 The appearance of the physical facilities of corporation is in keeping with the type of services provided							
<b>2. Reliability</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
Q5 When corporation promise to do something by a certain							

time, it does so							
Q6 when you have problems corporation is sympathetic and reassuring							
Q7 corporation are dependable							
Q8 The corporation provide its services at the time it promises to do so							
Q9 The corporation keeps its records accurately							
3. Responsiveness	1	2	3	4	5	6	7
Q10 corporation does not tell customers exactly when services will be performed							
Q11 you do not prompt service from corporation employees							
Q12 employees of the corporation are not always willing to help customers							
Q13 employees of corporation are too busy to respond to customers' requests promptly							
4. Assurance	1	2	3	4	5	6	7
Q14 you can trust employees of the corporation							
Q15 you feel safe in your							

transactions with corporation employees							
Q16 employees of the corporation are polite							
Q17 employees get adequate support from corporation to do their jobs well							
5. Empathy	1	2	3	4	5	6	7
Q18 corporation does not give you individual attention							
Q19 employee of corporation does not give your personal attention							
Q20 employee of corporation does not know what your needs are							
Q21 corporation does not have yours best interests at heart							
Q22 corporation does not have operating hours convenient to all their customers							

### Part III- Customer satisfaction

This part of the survey attempts to measure your level of satisfaction on the company's motor insurance services. Thus, indicate the extent of your satisfaction using a seven point Likert scale (1- strongly disagree, 7- strongly agree). Put a tick mark (✓) on the appropriate response boxes in front of the statements.

(1= strongly disagree 2= disagree 3 = partially disagree 4 =Neutral, 5= Partially agree, 6=Agree, 7 = strongly agree)



Customer Satisfaction	Strongly disagree (1)	Disagree (2)	Partially Disagree (3)	Neutral (4)	Partially Agree (5)	Agree (6)	Strongly agree (7)
In most ways the service level of the company close to my expectations							
The service conditions of the company are excellent							
I am satisfied with the service of the company							
So far I have gotten important services when in joined the corporation							
In most ways the Service level of the company is less than my expectations							

This part is adapted from (Frehiwot, 2016) and cited with (Zeithaml, parasuraman and Berry, 1990)

**Section four: The way forward**

**Please answers the following questions by writing on the space provided.**

- 1) In your opinion, how do you describe the appropriateness of the way the insurance company provides services in the event of a car accident? -----  
-----  
-----
  
- 2) What are the obstacles or challenges in the service provision process and implementation of vehicle insurance? -----  
-----  
-----
  
- 3) What remedial action should be taken to address the limitations of the insurance service provided by the company and increase your satisfaction? Please explain in detail? -----  
-----  
-----

Thank you!

## **Anex II Interview questions**

### **ST MARY UNIVERSITY**

#### **SCHOOL OF GRADUATE STUDIES**

#### **DEPARTMENT OF BUSINESS ADMINISTRATION (MBA)**

##### **Interview questions**

1. How do you see motor insurance practices/overall work conditions, duration of customers, /of the corporation? In yours opinion, the corporation intended objective successfully achieved regarding with customers satisfaction and the provision of quality service? Please discuss in details?
2. What are the major tasks to retain and attract customers in yours corporations also discusses the corporation mechanism to satisfied customers?
3. What are the major challenges in the provision of quality service and customers satisfactions?
4. What are the possible mechanisms to improved motor insurance services and customers satisfactions in the corporation? Please discuss in details?

Thank you!

### Anex III Amharic Versions questionnaires

**በቅድስት ማሪያም ዩኒቨርሲቲ**  
**የቢዝነስ አድሚኒስትሬሽን ትምህርት ክፍል**  
**ድህረ ምረቃ ፕሮግራም**

**ይህ መጠይቁ የሚሞላው በሞተር ኢንሹራንስ ደንቦች ብቻ ነው**

ይህ መጠይቅ በቅድስት ማሪያም ዩኒቨርሲቲ ለቢዝነስ አድሚኒስትሬሽን ትምህርት ክፍል ለድህረ ምረቃ /ማስተርስ ዲግሪ ማሟያ ጥናታዊ ጽሁፍ ለማዘጋጀት ነው። መጠይቁም አራት ክፍሎች ያሉት ሲሆን አንደኛ የመረጃ ሰጪዎችን የሕይወት ታሪክ፣ ሁለተኛ የሞተር ኢንሹራንስ አገልግሎት ጥራትን፣ ሶስተኛ የደንበኞች እርካታን እና አራተኛ ወደፊት መደረገ ያለባቸውን ጉዳዮች ላይ የሚያጠነጥኑ ናቸው። ስለሆነም እርስዎ ይህንን መጠይቅ በተሟላና ግልጽ በሆነ መልኩ ከሞሉልን የጥናቱን ዓላማ በትክክል ለማሳካት ይረዳል። የሚሰጡት መረጃ ከጥናቱ ውጪ ለሌላ አላማ አይውልም፤ የሚሰጡት መረጃ በሚስጢር ይጠበቃል። መጠይቁን በ15 ደቂቃ ሞልው ያጠናቁ፤ በማንኛውም ገጽ ላይ ስምዎን መፃፍ አያስፈልግዎትም። ይህንን መጠይቅ ለመሙላትና በጥናቱ ለመሳተፍ ፈቃደኛ ስለሆኑ በጣም አመሰግናለሁ።

**ክፍል አንድ: የመረጃ ሰጪዎች አጠቃላይ መረጃ**

**መመሪያ አንድ:** ከ1-4 የቀረቡ ጥያቄዎችን በማንበብ ከቀረቡት አማራጮች መካከል ትክክለኛውን በመምረጥ በተገቢው ቦታው ላይ የx ወይም የ(✓) ምልክት በማስቀመጥ ይመልሱ?

1. ያታ: 1) ወንድ  2) ሴት
2. እድሜ : 1) ከ15 -25  2) ከ26-40  3) ከ41  4) ከ65 በላይ
3. የትምህርት ደረጃ:
  - 1) ከ1-8ኛ ክፍል  2) ከ9-12ኛ ክፍል  3) ዲፕሎማ
  - 4) የመጀመሪያ ዲግሪ  5) ሁለተኛ ዲግሪ (ማስተር) እና ከዚያ በላይ
4. ለምን ያክል ጊዜ ሆንዎቻል የድርጅቱ የኢንሹራንስ አገልግሎት መጠቀም ከጀመሩ?
  - 1) 1-2 ዓመት  2) 3-4 ዓመት  3) ከ5-6 ዓመት  4) ከ6 ዓመት በላይ

**ክፍል ሁለት: የሞተር ኢንሹራንስ የአገልግሎት ጥራት የሚዳስስ**

**መመሪያ ሁለት:** ይህ ክፍል የኩባንያውን የሞተር ኢንሹራንስ አገልግሎት ጥራት ለመለካት ያለመ ነው። ጥራቱም አምስት መለኪያዎች ሲኖሩት እነሱም ተጨባጭነት (Tangibility)፣ ተዓማኝነት (Reliability)፣ ምላሽ አሰጣጥ (Responsiveness)፣ እርግጠኝነት (Assurance) እና የመረዳት አቅም (Empathy) ናቸው። ይህም ባለሰባት ነጥብ የሊንክርት (Likert) ስኬል አማካኝነት የቀረበ ሲሆን የቀረበውን ስኬል በደንብ ተመልክተው የሚስማሙበትን ወይም የማይስማሙበትን ደረጃ ከመግለጫዎቹ ፊት ለፊት በተቀመጠው ባዶ ቦታ ላይ የ(√) ምልክት በማድረግ ምላሽዎን ይስጡ። (1 = በጣም አልስማማም 2 = አልስማማም 3 = በከፊል አልስማማም 4 = ገለልተኛ ፣ 5 = በከፊል እስማማለሁ ፣ 6 = እስማማለሁ ፣ 7 = በጣም እስማማለሁ)

የአገልግሎት ጥራት መገለጫዎችና መለኪያዎች	በጣም አልስማማም (1)	አልስማማም (2)	በከፊል አልስማማም (3)	ገለልተኛ (4)	በከፊል እስማማለሁ (5)	እስማማለሁ (6)	በጣም እስማማለሁ (7)
<b>5. ተጨባጭነት (Tangibility )</b>							
Q1 ኮርፖሬሽኑ ዘመናዊ መሣሪያዎች አሉት							
Q2 ኮርፖሬሽኑ የሚጠቀምባቸው መገልገያዎች ለእይታ ማራኪ ናቸው							
Q3 የኮርፖሬሽኑ ሰራተኞች አለባበስ ተገቢና ንፁህ ነው							
Q4 ኮርፖሬሽኑ አገልግሎት የሚሰጥባቸው መሳሪያዎች ከሚሰጡት የአገልግሎት ዓይነቶች ጋር የሚስማማ ነው							
<b>6. ተዓማኝነት (Reliability)</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
Q5 ኮርፖሬሽኑ ቃል በገባው መሰረት አገልግሎቱን ይሰጣል							

Q6 ችግሮች ሲያጋጥሙ ኮርፖሬሽኑ ትህትና በተሞላበት ሁኔታ ችግሮች እንዲፈቱ ያደርጋል							
Q7 ኮርፖሬሽን በአገልግሎት አሰጣጡ አስተማማኝ ነው							
Q8 ኮርፖሬሽኑ ቃል በገባበት ወቅት አገልግሎቱን ይሰጣል							
Q9 ኮርፖሬሽኑ መረጃዎችን በትክክል ይይዛል							
<b>7. ምላሽ አሰጣጥ (Responsiveness)</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
Q10 ኮርፖሬሽኑ አገልግሎቶችን መቼ መቼ እንደሚሰጥ በትክክል ለደንበኞች አያሳውቅም							
Q11 የኮርፖሬሽኑ ሠራተኞች ፈጣን አገልግሎት አይሰጡም							
Q12 የኮርፖሬሽኑ ሠራተኞች ደንበኞችን ለመርዳት ሁልጊዜ ፈቃደኞች አይደሉም							
Q13 የኮርፖሬሽኑ ሰራተኞች ለደንበኞች ፈጣን ምላሽ ለመስጠት በስራ ተጠምደዋል							
<b>8. እርግጠኝነት (Assurance)</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
Q14 የኮርፖሬሽኑ ሠራተኞች እምነት የሚጣልባቸው ናቸው							
Q15 ከኮርፖሬሽኑ ሰራተኞች ጋር የሚደረጉ የስራ ግንኙነቶች ጤናማ ናቸው							
Q16 የኮርፖሬሽኑ ሠራተኞች በስነ ምግባራቸው ምስጋና ናቸው							
Q17 ሠራተኞች ሥራቸውን በጥሩ ሁኔታ እንዲያከናውኑ ከኮርፖሬሽኑ በቂ ድጋፍ ያገኛሉ							
<b>5. የመረዳት አቅም (Empathy)</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>

Q18 ኮርፖሬሽኑ ለግለሰብ/ ለደንበኛ ትኩረት አይሰጥም							
Q19 የኮርፖሬሽኑ ሠራተኞች ለግል ጉዳይዎ ትኩረት አይሰጥም							
Q20 የኮርፖሬሽኑ ሠራተኞች ፍላጎትዎ ምን እንደሆኑ አያውቁም							
Q21 ኮርፖሬሽኑ የርስዎን ፍላጎት በሚገባው ልክ አይረዳም							
Q22 ኮርፖሬሽኑ ለሁሉም ደንበኞች የሚሰጡት የሥራ ሰዓት የለውም							

**ክፍል ሶስት- የደንበኛ እርካታ**

መመሪያ ሶስት:- ይህ የጥናቱ ክፍል የሞተር ኢንሹራንስ አገልግሎቶች ላይ የደንበኛው እርካታ ምን እንደሚመስል ለመለካት ሲሆን የቀረበውን ስኬል በደንብ ተመልክተው የሚሰማሙበትን ወይም የማይሰማሙበትን ደረጃ ከመግለጫዎቹ ፊት ለፊት በተቀመጠው ባዶ ቦታ ላይ የ(√) ምልክት በማድረግ ምላሽዎን ይስጡ። (1 = በጣም አልሰማማም 2 = አልሰማማም 3 = በከፊል አልሰማማም 4 = ገለልተኛ ፣ 5 = በከፊል እስማማለሁ ፣ 6 = እስማማለሁ ፣ 7 = በጣም እስማማለሁ)

የደንበኛ እርካታ (Customer Satisfaction)	በጣም አልሰማማ ም (1)	አልሰማ ማም (2)	በከፊል አልሰማማ ም (3)	ገለልተኛ (4)	በከፊል እስማማለ ሁ (5)	እስማማ ለሁ (6)	በጣም እስማማ ለሁ (7)
Q 23 የሚያገኙት የኢንሹራንስ አገልግሎትና የጠብቂት ተመጣጣኝ ነው							
Q 24 የድርጅቱ የኢንሹራንስ አገልግሎት አሰጣጥ በጣም ጥሩ ነው							
Q25 በድርጅቱ የኢንሹራንስ አገልግሎት አሰጣጥ እረክቻለሁ							
Q26 ከኢንሹራንስ ድርጅቱ ጋር በነበረኝ ቆይታ ጠቃሚ አገልግሎቶችን አግኝቻለሁ							
Q27 በብዙ ነገሮች የዚህ ኢንሹራንስ አገልግሎት							

አሰጣጥ ደረጃ ከግምቴ በታች ነው							
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**ክፍል አራት፡ ወደፊት መደረገ ያለባቸውን ጉዳዮች ላይ የሚያጠነጥኑ**

**መመሪያ አራት፡- ለሚከተሉት ጥያቄዎች እንደ አጠያየቃቸው አጭርና ግልፅ መልስ ይስጡ**

1) በእርስዎ እይታ የተሸከርካሪ አደጋዎች በሚደርሱበት ወቅት የኢንሹራንስ ድርጅቱ አገልግሎት ለመስጠት የሚሔድበትን መንገድ ተገቢነትን እንዴት ይገልፁታል በዝርዝር ይግለፁ? -----

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2) በውሉ መሰረት ተገቢ የሆነ የተሸከርካሪ የኢንሹራንስ አገልግሎት ለማግኘት ጥያቄ በሚያቀርቡበት ወቅት መሰናክል ወይም ተግዳሮት የሚሆኑ ጉዳዮችን ይዘርዝሩ?

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1) በድርጅቱ የሚሰጠው የኢንሹራንስ አገልግሎት ላይ የሚስተዋሉ ውስንነቶችን ለመፍታትና የእርስዎን እርካታ ከፍ ለማድረግ ምን ምን የመፍትሔ እርምጃ መወሰድ አለበት? በዝርዝር ይግለፁ?-----

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**እናመሰግናለን!**

