



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
DEPARTMENT OF BUSINESS ADMINISTRATION**

**THE EFFECT OF MOTOR INSURANCE CLAIM
MANAGEMENT ON CUSTOMER SATISFACTION IN
THE CASE OF ETHIOPIAN INSURANCE
CORPORATION**

Submitted to Belaynesh Tefera (PHD)

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WONDYFRAW TILAHUN BETRU

**A THESIS SUBMITTED TO THE SCHOOL OF GRADUATE
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ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
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DECLARATION

I, the undersigned, declare that this thesis “**THE EFFECT OF MOTOR INSURANCE CLAIM MANAGEMENT ON CUSTOMER SATISFACTION AT ETHIOPIAN INSURANCE CORPORATION**” is my original work, prepared under the guidance of Dr. Belaynesh Tefera (Ass. Proff). All sources of materials used for this thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or full to any other higher learning institution for the purpose of earning any degree.

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May 2022

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ACRONYMS/ ABRIVATION

EIC: Ethiopian Insurance Corporation

NBE: National Bank of Ethiopia

IFAA: Insurance Fund Administration Agency

FDRE: Federal Democratic Republic of Ethiopia

OECD: Organization for Economic Co-operation and Development

RTA: Road Traffic Act

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Abstract

The objective of this research was to examine the effect of motor insurance claims management process on customer satisfaction at EIC. The research identified five elements of the motor insurance claim management process at EIC, which are claim reporting, response to a claim, towing damaged vehicle, damage assessment and repair handling. The motor insurance claim management included a sixth process complaint or dispute settlement for those raising any. Taking a sample of 123 customers selected using a convenience sampling technique from EIC customers; the research examined the relationship between the elements of the claim management process and customer satisfaction. The results indicated that there is a statistically significant correlation between customer satisfaction and motor insurance claim management processes presented in their order of Pearson correlation coefficient (repair handling, damage assessment, complaint settlement, damaged vehicle towing, claim reporting, and response to a claim. The model also identified repair handling, damage assessment as strong predictors of customer satisfaction followed by complaint and dispute settlement. This implies that improving motor Insurance claim management process could improve the overall customer satisfaction, which can also translate in to policy renewals and further recommendation to others increasing the word of mouth advertising. Prioritizing and improving elements of the motor insurance claim management process specifically 'repair handling' and 'damage assessment' followed by 'complaint and dispute settlement' should result in higher level of customer satisfaction quickly.

Key Words: Motor Insurance, Claim Management, Customer Satisfaction

CHAPTER ONE

INTRODUCTION

As an introduction of the study, this chapter presents about the background of the study, statement of the problem, research objective, research question, scope of the study, limitation of the study, significant of the study, definition of terms and concepts and organizations of the paper respectively.

1.1. Background of the study

Insurance: - is a group of individuals called Insured transfer risk to another party called the Insurer in order to combine loss experiences. The business world without insurance is unsustainable since risky business may not have the capacity to retain all kinds of risks in this ever-changing and uncertain global economy.

A claim management process in insurance is a procedure or process in which the insured's claim for compensation on an insured loss or damage is received, validated and verified, so the claim gets approved for compensation. The process covers the entire timeline of the application; from when you make a claim to when the insurance company approves or denies. (July 24, 2020 by Get Insurance Today)

Motor claims management process starts once a road traffic accident (RTA) has happened and usually involves repair to damage of vehicles, write-offs, loss of vehicle. In many cases, the costs incurred in repair and compensation are covered by motor insurance and insurers are therefore closely involved in the claims management process.

"The auto insurance industry has been investing heavily in streamlining the claims process and those investments are starting to pay off in the form of faster cycle times and record levels of satisfaction," said Tom Super, head of property and casualty insurance intelligence at J.D. Power. 28 October 2021

Today the significance of the insurance business for the proper functioning of economies and the players within it is beyond question. Not only it is functioning but also development,

in the first place, depends on the soundness of business systems of which the insurance sector is one of the major players. The business world without insurance is unsustainable since risky business may not have the capacity to retain all kinds of risks in this ever-changing and uncertain global economy (Ahmed et al., 2011). Insurance serves as a protection against economic loss arising due to an unexpected event (Butler and Francis, 2010). In other words, an insurance policy is designed to indemnify the insured against all sums for which the insurer is legally liable upon receipt of premium by the insurer in the occurrence of the peril insured against.

The amount of money an individual or business pays for an insurance policy called premium. Insurance premiums are paid for policies that cover healthcare, auto, home, and life insurance. Once earned, the premium is income for the insurance company. It also represents a liability, as the insurer must provide coverage for claims being made against the policy. Failure to pay the premium on the individual or the business may result in the cancellation of the policy. (By JULIA KAGAN updated March 03, 2022).

Information obtained from EIC's 2016/17 annual report indicated that currently the total of 492 insurance branches distributed throughout the country and through the intermediation of 54 insurance brokers and 1,438 agents, the industry able to underwrite gross written premium of 7.5 billion Birr of which 7.1 billion (95 percent) is general insurance and the remaining 400 million Birr is life business.

The relevance of this relationship is clearly depicted in the statistics that show insurance customers in Ethiopia have bought insurance worth of the 6.5 Billion Birr while insurance companies have made out 70% of it as a payout (NBE, 2017).

Insurance in Ethiopia has been providing such form of risk management since its introduction in 1905 following the establishment of the first bank, Bank of Abyssinia, that begin to transact fire and marine insurance as an agent of the foreign insurance company

(Zelege, 2007). Since then the industry has gone through various defining moments. Proclamation No. 86/1994 were, however, a new era for insurance business in Ethiopian that allowed the public and private insurance companies to operate. The industry currently constitutes eighteen insurance companies providing a range of products across life and non-life insurance products.

Ethiopian Insurance Corporation (EIC) was established in 1976 by proclamation No.68/1975. The Corporation came into existence by taking over all the assets and liabilities of the thirteen nationalized private insurance companies, with Birr 11 million (USD 1.29 million) paid up capital. And also in its current form was re-established following the public enterprise proclamation No: 25/1992 with a capital of birr 61 million. EIC currently has 7 districts A and B, 75 direct branch outlets and 17 satellite offices throughout the country and 1,956 sales agents to offer life, property, and liability insurance services. Citing its 46 years of experience and its strong financial standing, EIC continues to promise to be a reliable insurer.

For insurance policyholder, the most important expectation from the insurer is claims settlement upon the event of the peril insured against. The right of the insured to receive the amount secured under the policy of insurance contract promised by the insurer is called claim (Butler and Francis, 2010). For Crawford (2007) cited on Yusuf et al (2017) claims are the most critical channels and defining a link that shape the overall perception of the customers towards their insurer and their satisfaction by the service it offers. Barua (2015), indicating the importance of claims for an insurance company, warns that any delay or negative behavior by the insurer during claim settlement creates customer dissonance. On the positive claims handling offers a unique opportunity to develop a customer satisfaction and build a lasting relationship with them. Hewitt (2006) on Tajudeen and Adebawale(2013), therefore, rightly puts claims handling as the moment of truth for the insurance company an opportunity to fulfill the promise made to customers to pay a valid claim thereby resulting in a satisfied customer.

While claims management process offers an opportunity to create a positive experience for the customer, it also enables the insurer to control its claim management costs. Tajudeen

and Adebowale (2013) defined claim management process as a combination of all managerial decisions and processes concerning the settlement and payment of claims in accordance with the terms of the insurance contract (Redja, 2008 cited on Tajudeen and Adebowale, 2013). Kelly (2008) points out that good claims management easily recognizes and allows paying legitimate claims; helps accurate assessment of the reserve associated with each claim; allows regular reporting; minimizes unnecessary costs; avoids protracted legal disputation and expedites claims handling. Wachira (2013) suggest maintaining a balance between assuring customer's satisfaction and maintaining cost efficiency.

A survey conducted on European motor claims has shown that insurers have managed to create customer satisfaction by placing customers at the heart of their claims process (EY, 2010). Kiana (2010) in his identification of challenges in claims in Kenya also indicated elements of the claim management process like assessment, reporting a claim and participants like agents and brokers are causes of customer dissatisfaction. Wachira (2013) also indicated that efficient claims management process is one of the key success factors for the Kenyan insurance industry.

Modernizing the claims process for efficiency, effectiveness and flexibility have been being a daunting task, due to the fact that it is a mission-critical function that touches all parts of the organization, affecting competitive positioning, customer service, fraud management, risk exposure, cost control, and IT infrastructure (TIBCO, 2011). However, Singh (2012) points at certain inefficiencies that are driving up claims costs and adversely affecting customers claims experience. These inefficiencies include aging technology, increasing process complexity, and arising number of fraudulent claims. Studies in other parts of the world have indicated that efficient claims management led to customer satisfaction and poor claims management to the dissatisfaction of insurance customers. In the context of the Ethiopian insurance industry, however, studies on the effect of claims management process on customer satisfaction are non-existent. To this end, this research examined the effect of motor insurance claims management process on customer satisfaction at EIC.

1.2. Statement of the Problem

The success of any a service business is always attached to its ability to keep customers satisfied. Satisfaction is the customer's overall judgment of the service provider while with a positive judgment the customer can be maintained for a long time. Just like companies of other business domains, insurance companies also consider their customers as the most important asset.

The product customer consumption from an insurer is peace of mind, based on the promise the insurer makes to him that he will be reimbursed in the event of the happening of the insured peril. For insurance customers, especially in the event of a peril, few things are as important as the claims payment and the claim handling process. Policyholders expect to have fair and hassle-free claim settlement process at the time of need (Butler and Francis, 2010). It can, therefore, be argued that a claim payment is a defining moment in the relationship between an insurance company and its customer (Tajudeen and Adebowale, 2013). In line with this, Butler and Francis (2010) put claim payment as a chance to show that the years spent paying premiums were worth the expense. According to Capgemini (2011a), the claims processing is the mirror to the customer that enables the insurers drive.

For an insurer, claims payment is an opportunity to exhibition its commitment to its customers contributing to customer satisfaction and long-term relationship. The claims management process offers a unique opportunity for insurers to deliver an experience that will allow a positive customer relationship to develop. Yusuf ET at (2017) also asserts that excellence in claims handling is being used as a competitive edge for insurance companies and it is a service that clients greatly value. For example, a survey of European motor insurance markets has shown that claims process is a key driver of satisfaction and pointed out that claims management should be a vital part of any successful customer retention strategy (EY, 2010).

On the contrary, dissatisfaction on claims is a crucial trigger for switching (Accenture, 2014). The survey of European motor insurance markets has also shown that a small

decline in satisfaction has a significant impact on customer behavior and that their claim experience has affected their tendency to thinking of switching insurer. According to Subashini and Velmurugan (2016), if policyholders are not satisfied in long run it will result in more number of terminations of the policies. Policyholders switch their insurer as a direct result of being unhappy with how their claim was handled hence the need for protecting the brand through efficient claims handling is a must (Accenture, 2014).

Even though the customer's expectation is to be paid without any suspension, claim payment process normally involves many systems, multiple processes, and multiple channels (Butler and Francis, 2010). A claim manager will have to ascertain whether the claim is payable, and if so, the amount payable. In order to do so, she/he relies on service providers including investigators, assessors, garages, hospitals, doctors, advocates and loss adjusters. Yusuf ET at (2017) also points out that for insurers; claims are their most significant expense. Insurers, therefore, need to keep a watchful eye on the customer experience (and perceptions) of claims handling to keep customers happy, while also trying to control costs and reduce leakage.

In Ethiopian Insurance Corporation, in the year 2020/21 ETB 4.58 Billion premium has collected from all classes of business in insurance, out of this 35.04% (ETB 1.6 Billion) of the total insurance premiums collected from motor insurance, covering almost 41% of the market share, declining from 45% of market share. For the same year, motor insurance loss ratio was about 180% (ETB 2.88 Billion) of the premium collected indicating a significant level of claims. Given the fact that, motor insurance has a very high loss ratio, it can be inferred that a significant percentage of motor insurance customers experience the motor insurance claim management process at EIC possibly shaping their perception of EIC and its service. EIC report also outlines a range of problems in motor insurance claim management including participants in the process such as very high number of claims per day resulting in a workload, lack of skilled manpower, lack of competent car repairer garages, delay of documents like police report and investigation report, delay of garages in delivering repair cost estimation, delay of garages in finishing repairing the vehicle, gang up among garages- increase repair cost unnecessarily and shortage of vehicle spare

parts among others (EIC, 2021).

With all the problems identified however, EIC have not yet conducted any research to assess how these problems are affecting their customers satisfaction. Further, similar researches in the area also tend to focus on the general relationship between service quality and customer satisfaction. Even though there are researches that has been conducted on the area of the effect of claim management process and customer satisfaction, the researcher better to study on the effects of claim management process and customer satisfaction.

With this in mind, assessing the effect of the claims management process on customer satisfaction should be an interesting and practical undertaking. This research therefore would analyzed the effect of EIC's motor insurance claims management process on customers satisfaction with the aim of identifying practical implications to EIC.

1.3. Research Questions

In relation to the statement of the problem, this research tried to answer the following General and Specific research question:

General research question; - what are the effects of claims management process on customer satisfaction of motor insurance customers at EIC?

Specific research question;-

1. What is the motor insurance claim management process at EIC?
2. How is the claim notification process affecting the customer satisfaction?
3. How is the response to claim affecting the customer satisfaction?
4. How is the damaged vehicle towing process affecting the customer satisfaction?
5. How is the damage assessment process affecting the customer satisfaction?
6. How is the repair handling process affecting the customer satisfaction?
7. How is the complaint and dispute settlement process affecting the customer satisfaction?
8. What is the overall level of motor insurance customer's satisfaction at EIC?

1.4. Objectives of the study

1.4.1. General Objective

This research has been conducted with the general objective of understanding the effect of claims management process on customer satisfaction of motor insurance customers at EIC.

1.4.2. Specific Objectives

The specific objective of this research was to be able:

1. To understand the motor insurance claim management process at EIC
2. To assess the effect of the claim notification process on customer satisfaction
3. To examine the influence of response to claim process on customer satisfaction
4. To analyze the effect of towing a damaged vehicle process on customer satisfaction
5. To examine the effect of the damage assessment process on customer satisfaction
6. To determine the effect of the repair handling process on customer satisfaction
7. To determine the influence of complaint and dispute settlement process on customer satisfaction
8. To assess the level of motor insurance customer's overall satisfaction at EIC

1.5. Significance of the Study

The study is important in various ways to stakeholders in the industry. Practitioners at EIC will primarily be able to understand the impact of their motor insurance claims management process on the satisfaction of their customers. Besides pointing out which processes are primarily influencing customers' satisfaction; the research could also shade light some necessary revisions in the claim management process. Based on the outcomes, designing workable claim management processes that will help to create and deliver customer value, achieve customer satisfaction and loyalty, build beneficial relationships with customers that will achieve sustainable business growth for EIC.

Other practitioners in the industry will also use the outcome of this research as a benchmark to evaluate their claims management process. Further, other researchers can use it as an input for doing similar research in the insurance industry.

1.6. Scope of the Study

Due to limited time and financial resources, the scope of this research was geographically limited to Ethiopian Insurance Corporations customers in Addis Ababa on the five districts (eastern, western, northern southern and central). Conceptually, the effect of motor claims management process on customer satisfaction was only looked at from the perspective of motor insurance customers. Hence the scope was only limited to customers side and did not look at it from the company's perspective. Further, only a quantitative survey was used as a data collection method and other methods like an interview or group discussion was not conducted. Data was collected from March 14 – 23, 2022 at the five districts located in Addis Ababa.

1.7. Limitation of the Study

The main limitations of this study are constraints of resources, access to information, and time. The study covers only one company in the industry, which limits its generalizability to the industry. The research intended to answer these questions considering only one company of this industry. Even though it might not necessarily be representative of the industry, the researcher also believes it can give preliminary ideas about the customers satisfaction could correlated with repair handling in the motor insurance claims management at EIC.

1.8. Definition of Terms and Concepts

Insurance: insurance is a mechanism by which an organization can exchange its uncertainty for greater certainty. An economic device whereby the individual or business pays a cost (premium) in exchange for protection against financial loss (Vaughan and Vaughan, 2008).

Premium: the payment, or one of the periodical payments, a policyholder agrees to make for an insurance policy (Vaughan and Vaughan, 2008). It is the amount paid to an insurance company, sometimes in regular installments or as per the agreement with the insurer for the insurance policy (Zelege, 2007).

Claim: demand made by the insured, or the insured's beneficiary, for payment of the benefits as provided by policy. Claim is a formal request that's made either by a plan participant or his or her healthcare provider to the insurance company, asking for payment for a procedure the member received. Vaughan and Vaughan (2008) also define claim as a notification to an insurance company that payment of an amount is due under the terms of a policy.

Claim management: claim management also referred to as claims handling covers all the necessary steps starting from the notification of incident by the customer all the way to settlement. The claim management process, while requiring to pay all claims as per the policy terms fairly and promptly, guarding against fraud, minimizing costs and assuring customers satisfaction (Tajudeen and Adebawale, 2013).

Motor Insurance: 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)..

Customer satisfaction is a measure of how products and services supplied by a company meet or surpass customer expectation (Farris et al, 2010).

1.9. Organization of the Research

The report has been organized into five chapters. Chapter one deals with all about the introduction and the objective of the research. Chapter two deals with the review of the related literature, chapter three deals with the methodology of the study, chapter four deals about data analysis and interpretation and finally chapter five contains summary, conclusions and recommendation.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This chapter introduces the basic concepts related to insurance, describes prominent theories and canvases empirical research undertaken in the area of customer satisfaction and the claims management process in motor insurance. Based on the theories discussed and empirical research discussed, a research framework that will help guide this research is presented.

2.1. Theoretical Literature Review

2.1.1. Insurance

People seek security. A sense of security may be the next basic goal after food, clothing, and shelter. An individual with economic security is fairly certain that he can satisfy his needs (food, shelter, medical care, and so on) in the present and in the future. Economic risk (which we will refer to simply as risk) is the possibility of losing economic security. Historically, economic risk was managed through informal agreements within a defined community. If someone's barn burned down and a herd of milking cows was destroyed, the community would pitch in to rebuild the barn and to provide the farmer with enough cows to replenish the milking stock. This cooperative (pooling) concept became formalized in the insurance industry. Under a formal insurance arrangement, each insurance policy purchaser (policyholder) still implicitly pools his risk with all other policyholders (Andersson, 2005).

Zelege (2007) also defines insurance as a social device, in which a group of individuals called Insured transfer risk to another party called the Insurer in order to combine loss experiences, which permits static prediction of losses and provides for payment of losses from premiums by all members who transferred risk.

2.1.2. Benefits of Insurance

Insurance, like most institution presents society with various benefits. Peace of mind, indemnification, keeps families and business together, provides a basis for credit, stimulate savings and provides investment capital are the most important general benefits of insurance (Dickson, 1999).

Peace of mind: Almost everyone has a basic desire for some security or peace of mind. To the extent that insurance provides certainty or predictability, it helps an individual or business improving efficiency of actions by reducing anxieties.

Indemnification: The direct advantage of insurance is indemnification for unexpected loss, which means, putting one to the same position he/she was before the unfortunate events occurred.

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.

Provides a basis for credit: One finds it impossible to visualize the credit economy of today without insurance. For instance, fire insurance is invariably used by mortgages who loan money with real or personal property as collateral. Banks would not dare to grant any loans without making sure there is some institution or someone that will pay them their money if the unfortunate happens to the collateral they hold against the credit granted.

Stimulates savings: classes like life insurance have special advantages in stimulating savings.

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.

2.1.3. Motor Insurance

Motor vehicle as defined on Vehicle Insurance against Third Party Risks Act 799/2013, is any mechanical or electrical power propelled vehicle moving on roads. Motor vehicles made their first spluttering appearance at the turn of the 20th century. At that time, they were much slower and so cumbersome than the common horse and carriage. As a result, during the early years of motoring, there seemed little need to consider the implications and requirements of insurance. By the time of the First World War, a motor vehicle was developed and improved with the change in technology and to comply with considerable interest for the motor car (Talk Once, 2010). In the process of building an affluent society, a car has changed from luxury consumer goods to an ordinary merchandise which as a result is causing frequent traffic accidents. Accidents arise from poor standards of driving skills, little road discipline as well as technical challenges (Bao and Gu, 2014).

In Ethiopia, until 1950, motor vehicle insurance cover was categorized along with general accident insurance. But now a day as the number, type and use of vehicles increased, motor insurance cover is treated as a separate class of business (IFAA, 2010). Motor insurance is generally measured non-life insurers strongest class of business in terms of premium volume and promotion tool. According to NBE report, motor insurance constitutes 49.4% of the insurance industry's premium and 37.5% of EIC's premium volume for the years from 2012-2016 (NBE, 2017). Currently, motor insurance in Ethiopia covers the following perils:

- By accidental collision or overturning consequent upon mechanical breakdown but excluding damage to tires unless such insured motor vehicle is damaged at the same time, and wear and tear.
- By fire, external explosion, self-ignition, lightning, theft or attempted theft.
- By malicious act
- Whilst in transit (including the processes of loading and unloading incidental to such transit) by road, rail, inland waterway, lift or elevator; and

- by impact damage caused by falling objects provided no convulsion of nature such as flood, typhoon, hurricane, volcanic eruption, earthquake etcis involved.

In 2008, citing the rising volume of accidents in Ethiopia, a mandatory third-party insurance was introduced to the pull of motor insurance by Proclamation No. 559/2008. A few years later, a dedicated entity, Insurance Fund Administration Agency (IFAA), was established following the Regulation No. 30012013 by the Council of Ministers. The Federal Democratic Republic of Ethiopia (FDRE) Insurance Fund Administration Agency (IFAA) is an executive government body established under Ministry of Transport with a responsibility to oversee the enforcement of mandatory third-party insurance all over the country, to ensure all motor vehicle accident victims can receive medical treatment without any precondition and provide compensation to victims for the extent of damage (IFAA, 2010). The premium tariff applicable to vehicle insurance policy against third-party risks is determined by the Council of Ministers based on the study carried out and submitted by the Insurance Fund Administration Agency.

Customers of motor insurance like any other services expect to get the service they paid for. One of the key elements of the service is getting payouts in the event of an incident/damage to the vehicle insured. The satisfaction of customers partly depends on the quality of the service during the claim. Below, concepts like service quality and customer satisfaction in general and in the case of insurance companies are discussed.

2.1.4. Service Quality and Customer Satisfaction

Satisfaction/dissatisfaction is defined as ‘the consumer’s fulfillment response, the degree to which the level of fulfillment is pleasant or unpleasant’. Therefore, satisfaction is the customer’s overall judgment of the service provider (McDougall and Levesque, 2000). Crompton and MacKay (2002) state that satisfaction is a psychological outcome emerging from an experience. Customer satisfaction can also be a measure of how products and services supplied by a company meet or surpass customer expectation (Farris et al, 2010). Measuring customer satisfaction provides feedback on how successful an organization is at providing products and/or services to the satisfaction of

customers.

On the other hand, service quality is defined as the customer's impression of the relative inferiority/superiority of a service provider and its services and is often considered similar to the customer's overall attitude towards the company. Service quality takes a prominent position in the marketing management literature. Researchers have tried to conceptualize and measure service quality and explain its relation to the overall performance of companies and organizations (Bitner and Hubert, 1994).

A common denominator of research on service quality is the conclusion that, because services are intangible, heterogeneous, and their production and consumption are usually inseparable, the process used by customers to evaluate service quality is exceptionally composite and cannot be easily identified. The idea that services are evaluated both by the outcome and by the production and delivery, process is commonly accepted.

2.1.5. Relationship between Service Quality and Customer Satisfaction

Quality and customer satisfaction have long been recognized as playing a crucial role for success and survival in today's competitive market. Considerable research has been conducted on these two concepts.

Whereas there exists a widespread agreement that understanding what contributes to customer satisfaction could be the key to achieving competitive advantage, an overview of the literature shows that as a theoretical construct, customer satisfaction is problematic to define and operationalize, especially in relation to perceived service quality. Some authors have suggested both that perceived service quality and customer satisfaction are distinct constructs, and that there is a causal relationship between the two (Taylor and Baker, 1994). In some cases, however, the constructs have been used interchangeably. It would seem that at the most general level, perceived service quality and customer satisfaction are evaluation or appraisal variables related to customer judgments about a product.

By defining perceived quality as the customer's long-term, cognitive evaluations of a company's service delivery, and customer satisfaction as a short-term emotional reaction to a specific service performance, Lovelock and Wright 30 bring the time dimension into discussion. They argue that satisfaction is by default experience-dependent as customers evaluate their levels of satisfaction or dissatisfaction after each service encounter. In turn, this information is used to update customer perceptions of quality. However, quality attitudes are not necessarily experience-dependent (for example they can be based on word of mouth or advertising). In other words, it is satisfaction that determines quality and not vice versa.

Oliver (1997) research on the direction of the causal relationship between perceived quality and satisfaction adds to the discussion by indicating that the direction depends on the level at which the measurement is conducted: at the single-transaction level there is a strong quality – affects – satisfaction relationship; and at the multiple-transaction level there is a strong satisfaction – affects – quality relationship, as overall satisfaction judgments influence consumers' views about perceived quality. Parasuraman et al (1994) address these issues directly by developing two different models: a single-transaction (encounter) model and a multiple-transaction (global) model, in which they differentiate between past and present transactions. However, in both models it is perceived quality that influences customer satisfaction. Thus, their work supports the dominant view in the literature: that with regard to quality satisfaction is the super-ordinate construct.

2.1.6. Service Quality and Customer Satisfaction in Insurance

Like any other service business, the quality of service and the resulting satisfaction of customers is a paramount concern for insurance services. Insurance providers increasingly recognize that today's customers who insist on improvements in quality of services have many alternatives and, therefore, may more readily change providers if not satisfied. This is evident from the practice of policy termination taken by dissatisfied policyholders which is not uncommon. Research has shown that the quality of services and the achievement of customer satisfaction and loyalty are fundamental for the survival of insurers (Yusuf and Ajemunigbohun, 2015). The decrease in customer loyalty has

made management of service quality and customer satisfaction critically important factors for insurance players. Taylor (2001) concluded that the quality of after sales services can lead to very positive results through customer loyalty, repetitive sales and cross-selling. Insurance providers need to reconfigure their strategy and business to sustain or improve their competitive advantage, and for this, they first need to consider how to create a satisfied customer base that will not be eroded even in the face of fierce competition (Siddiqui and Sharma, 2010).

A significant portion of the service an insurance customer receives is settlement of claims in accordance with the terms of the insurance contract. From an insurance company viewpoint, claim management is a key element in the competition between insurance providers and for the improvement of its public image (OECD, 2004). While claims management process offers an opportunity to create a positive experience for the customer, it also enables the insurer to control its claim management costs. On the other hand, claim management service quality and effectiveness, is said to be the basis on which an insurance company is ultimately judge by clients and the key issue affecting the reputation of the insurer (Yusuf and Ajemunigbohunb, 2015).The payment of legitimate claims to a client represents the delivery of the promise at the heart of the insurance contract.

Customer satisfaction in insurance means the use of policy product purchased for a cost, to ultimate satisfaction of the buyer. A survey conducted on European motor claims has shown that insurers have managed to create customer satisfaction by placing customers at the heart of their claims process (EY, 2010). Kiana (2010) in his identification of challenges in claims in Kenya also indicated elements of the claim management process like assessment, reporting a claim and participants like agents and brokers are causes of customer dissatisfaction. Wachira (2013) also indicated that efficient claims management process is one of the key success factors for the Kenyan insurance industry.

2.1.7. Claims Management and Common Procedures

Claims management is critical to an insurer's success. Done right, it solidifies customer relationships. Tajudeen and Adebawale (2013) defined claim management process as a combination of all managerial decisions and processes concerning the settlement and payment of claims in accordance with the terms of the insurance contract (Redja, 2008 cited on Tajudeen and Adebawale, 2013). Wedge and Handley (2003) define Claims Management as the carrying out of the entire claims process with a particular emphasis upon the monitoring and lowering of claims costs. The two definitions combined together suggest that the claims management process has to strike a balance between customer expectations and maintaining cost efficiency.

A customer's expectation, during a claim, is to be paid without any delay, while a claim manager will have to 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 include claims notification, claim review, responding to claimants, claim investigation, claim settlement and claim recovery if required. Understanding the importance of claims management, OECD Insurance Committee had documented and published best practices in claim management practices. Activities the OECD guideline identified as important include: adequate information and assistance to the policyholder for claim reporting; efficient claim filing methods; operational fraud detection and prevention measures; adequate, fair and transparent claim assessment and processing; expeditious claim settlement; effective complaint and dispute settlement procedures; and appropriate supervision of claims-related services (OECD, 2004).

The various stages a claim goes through from its occurrence to conclusion 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. For liability claims, the insured is required to forward to the insurer all correspondence from the claimants or their advocates. It is the insured's responsibility to prove that they have suffered a loss, and the loss was caused by a peril, which is covered by the policy. The client must also prove the amount of loss, such proof being by way of purchase receipts, repair account or a valuation (Roff, 2004).

When a claim is not reported promptly, the insurer misses out the opportunity to investigate facts when they are still fresh. Other factors also come into play, which may aggravate the loss. Besides, an insurer needs to separate genuine claims from fraudulent ones. Late reporting makes this separation difficult.

The OECD guideline recommends that the insurance company should draw the attention of the policyholder to report claims timely during the signing of the policy. The guideline also recommends that the insurer prepares appropriate claim reporting forms and provide necessary information to help the client report the claim (OECD, 2004).

Claim Review: involves analysis of the claim and includes 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. Alternatively, a large claim may justify further investigations or legal action. The insurer needs to check that the policy was in force at the time of loss, the insured's details are as per proposal form, the peril insured against is covered by the policy, the insured has complied with the policy terms and conditions and that the loss claimed against does not fall under an exclusion.

Claims review is a crucial stage in the claims process; where likely conflicts arising from policy interpretation, economic considerations, market practice and legal requirements. A senior claims handler needs to be involved at this stage, in order to handle major issues accurately and promptly, including properly investigating the claim if need be (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: in some cases, the insurer may not have full facts of the claim and is unable to make a decision on a claim. They may therefore require appointing an investigator, to carry out investigations and file a report to the insurer. This is mainly for motor and liability claims. Investigations are also necessary if a claim is suspected to be fraudulent. The nature of other claims requires an insurer to appoint a loss adjuster, to establish liability and quantum of the claim. This is especially for property claims, including Fire, Burglary, Domestic Package, All Risks, and Marine among others.

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. Once investigations are completed, the insurer is expected to convey findings and next course of action to the insured. The investigator must exercise speed but also be efficient. The report should be comprehensive, covering all the salient features of the claim, while bringing out the issues in an orderly and clear manner (Wedge & Handley, 2003).

Besides 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 (claimant or beneficiary) 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 (claimant or beneficiary) on the reasons for any delay and resolution (OECD, 2004).

Complaints and dispute settlement: in cases where the client has complaints or goes in to disputes, OECD (2004) suggests that complaints or disputes be filed, 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, if policyholder/claimant/beneficiary 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.

2.1.8. Challenges in Management of Insurance Claims

A challenge can be described as a difficult task that tests a person's ability and skills (Hornby, 2005). In terms of claims management, a challenge may be described as a factor that hinders effective performance of the claims function. Some of the major challenges in management of general insurance claims are:

Insurance Fraud. Fraud is defined as a deliberate act done with intent to deceive (Cockerell, 1997). A claim is said to be fraudulent if the insured makes false statements of fact in his claim or made statements, knowing them to be false, or not believing them to be true, or that he made them carelessly not caring whether they were true or false. The insurer has a right to decline a claim if fraud is proved, as it amounts to breach of one of the basic principles of insurance, the principle of Utmost Good Faith (Bennett, 1992). Wedge and Handley (2003) note that fraud can take a variety of forms, including the inflation of a genuine claim, creating an entirely fictitious event, and causing deliberate as opposed to accidental damage to insured property. The main motive of insurance fraud is financial gain.

Insurance companies have had to undergo very tough times and incur huge payouts in claims, some of which have proved to be fraudulent. This has forced insurance companies to rethink the way they handle claims (Karau, 2008). Fraud is perpetrated by a cartel of crooks, through non-existent or exaggerated claims. Fraud has been cited as one of the causes of the collapse insurance companies in the last decade (Wahome, 2010). As much as genuine customers need to be paid promptly, they must be separated from the fraudulent ones through investigations, which is time consuming and a major cause of customer dissatisfaction. If a fraudulent claim is paid, the insurer loses a lot of money to fraudsters. The insurer may resort to increasing premiums, which affects both the good and bad customers. In addition, if a fraudster gets away with it, he may be tempted to continue this practice in the future (Roff, 2004).

Cash Flow Constraints. Cash flow management is the process of monitoring, reviewing and regulating a company's cash flows. The statement of cash flows reports a company's cash inflows and outflows for a period and provides a company's ability to generate cash from operations, maintain and expand its operating capacity, meet its

financial obligations and pay dividends (Reeve, Warren & Duchac, 2009). For a general insurance company, cash inflows include premium, investment income, capital injections, policy excess, sale of salvages and reinsurance recoveries. Cash outflows include claim payouts, costs, investments made in shares/bonds, distribution payments to owners and creditors of the insurer, tax to the government and payment of reinsurance premiums (General Insurance, 2010).

A company may experience cash flow constraints due to various reasons, including outstanding premiums, competing priorities, failure or delay of reinsurers to pay their share of claims, huge claims among others. Claims payment usually takes the largest percentage of a company's payments, and the one affected most when a company has cash flow constraints. If a company has cash flow constraints, the item likely to be affected most is claims payments. Failure or delay in meeting financial obligations when they fall due negatively may affect a company's reputation.

Capacity of Claims Personnel. In a service industry such as insurance, contact employees are the face of the organization, and can directly influence customer satisfaction (Zeithaml & Bitner, 2003). Employees in Claims Department are in close contact with the customer and/or intermediary from the time a claim is reported, throughout its processing, until it is eventually settled or rejected. The difference between one service supplier and another often lies in the attitude and skills of their employees (Lovelock & Wirtz, 2007). Further, the best defenses against claim fraud are well-trained Claims staff. The process of uncovering and battling fraud begins in the Claims Department (Brown, 1997).

It is the responsibility of the Claims Manager to recruit, train and retain intelligent and competent staff. He should also delegate responsibilities within the department in a way that whereas a substantial proportion of claim advices do not have to be referred to his office, decisions with serious ramifications on the business are not left to inexperienced or incompetent staff (Wedge & Handley, 2003).

However, due to various factors, some of which are not within the manager's control, claims staff leave employment and have to be replaced. Whereas direct costs associated with loss and replacement of employees is measurable, there are also indirect costs

associated with loss of employees, including loss in customer service and customer satisfaction. The company also suffers loss of specific job skills and disruption of service (Mwangi, 2008). If the insurance company is not an attractive employer, retention of competent and qualified staff may be a major challenge.

Information Technology Support. Information Technology (IT) is defined as –the use or production of a range of technologies (especially computer systems, digital electronic and telecommunications) to store, process and transmit information) (Wedge & Handley, 2003). Claims managers need to maximize the use of information technology, in order to reduce claims processing cycle, thus enhancing efficiency and customer satisfaction. Ineffective IT governance and control is likely to be the main cause of the negative experiences many organizations and especially insurance firms have had with the use of IT, including lost business, damaged reputations, weakened competitive position, inability to meet deadlines, failed or aborted projects, budget overruns and poor returns on investments (Nyakomitta, 2009).

Large complex claims, especially liability claims may take long to be concluded. Besides, they may involve a lot of correspondence between the insurance company and claimant and/or the claimant’s advocate. For such claims, there may be a lot of manual intervention, and the IT system may not be flexible enough to capture all the intricacies of the claims. Further, general insurance claims are paper-based to a large extent; therefore, automation may be only partial. In addition, interfaces between insurers and service providers may not be integrated, which may result to poor claims tracking and lack of management information.

Weak Underwriting Standards. Underwriting refers to the process of evaluating a proposal that comes for insurance and making a decision of whether to accept the proposal or not. If the proposal is to be accepted, at what price and on what terms, conditions and scope of cover (Brown, 1997). The underwriter also has a responsibility to ensure that there is no adverse selection against the insurer, and that the proposer is not a moral hazard. The underwriter must ensure that the premium charged is commensurate with the risk exposure.

To a large extent, the quality of underwriting has a bearing on claims eventually made. Moral hazard proposers and adverse selection are also not detected. Within the insurance period, such proposers lodge claims, which would have been avoided if they were detected at underwriting stage. Unissued policy documents pose a major challenge to a claims handler. The insured feels unjustly treated, if the claims manager relies on breach of a policy condition to decline a claim which policy the insurer had not issued and sent it to the insured. Other challenges include wrongly worded policy documents, incomplete or no proposal forms, agents completing proposal forms on behalf of the insured among others. The claims manager ends up paying claims, which would otherwise not have been paid if proper underwriting were done.

Inability to adhere to internationally accepted underwriting standard brings a level of risk, which leads to charging premium which is less than the risk exposure (Karau, 2008). When the level of claims exceeds premiums received, the insurance company is unable to meet its obligation to policyholders; and this may result to its closure.

2.2. Empirical Research

As the subject of continued debate in marketing literature, the distinction and association between service quality and customer satisfaction remains at the forefront of many academics and practitioners (Spreng and Harrell, 1998). Oliver (1993) first suggested that service quality would be antecedent to customer satisfaction regardless of whether these constructs were cumulative or transaction - specific. Some researchers have found empirical supports for the view of the point mentioned above. For instance, Munawar (2014) has researched impact of service quality on customer satisfaction and customer loyalty in the banking industry. His findings indicate that service quality and all its dimensions have significant and positive association with customer satisfaction and customer loyalty. Similarly, Qadeer(2013) looked at service quality and customer satisfaction in Nigerian Banking Sector. He found that service quality does affect customer satisfaction by significantly contributing towards it.

In the insurance industry, Siddiqui and Sharma (2010) for example analyzed customer satisfaction with service quality in life insurance services in India. Based on data collected

from 868 participants and Structural equation modeling, their research showed service-quality dimensions such as assurance personalized financial planning, competence, corporate image tangibles and technology influence customer satisfaction with agents, functional services and with company, which, in turn, has an impact on overall satisfaction in life insurance. Gachau(2015) also tried to examine the impact of service delivery quality on customer satisfaction in Kenyan Insurance Industry. Using a sample of 64 respondents from 16 insurance companies, he found out that those who were dissatisfied with the service offer at the insurance companies cited poor service delivery quality as a reason.

Yusuf and Ajemunigbohun (2015) conducted a study of effectiveness, efficiency, and promptness of claims handling process in the Nigerian insurance industry. Using a sample of 107 respondents drawn from claims department of 33 insurance companies and One Sample T-test, he tested two hypotheses. Their finding indicated that managing claims effectively and efficiently will significantly affect operational process in claims management and thus, promptness in claims handling processes does essentially assist in fraud detection and prevention.

Asfaw (2008) also conducted a research to assess the impact of service quality on customer satisfaction and loyalty in the Ethiopian Insurance Industry. Using the SERVPERF scale and a sample of 706 participants, he conducted an inferential analysis. The result of this study showed that, all service quality dimensions (Tangibles, Reliability, Responsiveness, Assurance, and Empathy) have positive and significant impact on customer satisfaction and customer loyalty.

The main reason customers buy insurance policy being risk management, getting payout on claims during an incident accounts for a significant part of the service clients expect from insurers. EY (2010) also claims process is a unique opportunity for insurers to deliver an experience that will allow a positive customer relationship to develop. Customer satisfaction with motor claims has consequent impact on retention rates and brand advocacy EY (2010).In line with this, research have looked at the impact of service quality of the claims management process of motor insurance on customer satisfaction.

Research on the effect of claims management process on customer satisfaction in the motor insurance sector are dominated by white papers and industry analytics rather than peer reviewed research papers. For example, a research commissioned by Central Bank of Ireland to assess the Consumers' Experience of the Motor Insurance Claims Process used quantitative online survey of 284 consumers who had made a motor insurance claim (Central Bank of Ireland, 2017). The research showed that element of the claim management process like the easiness of reporting damage, a single person handling the claim, the amount of settlement and the repair work done as determinants of customers' satisfaction.

Similarly, the J.D. Power 2016 U.S. Auto Claims Satisfaction Study (annual publication) showed that drivers of increase in overall satisfaction level were found to be availability of multiple communication option to report and follow up claims (Auto Claims Satisfaction Study, 2016). The study also finds that the use of technology to check the status of a claim is relevant for satisfaction. The study also calculated satisfaction on a 1,000-point scale using dimensions of first notice of loss (claim); service interaction; appraisal; repair process; rental experience; and settlement to rank motor insurance service providers. A research conducted by TeleTech to identify what drives customer satisfaction during the insurance claims process, identified initial filing of the claim, use of knowledgeable insurance reps, obtaining approval for the claim, overall effort required to file a claim and initial assignment of the adjustor on the claim as the top reasons for satisfaction (TeleTech, 2015).

EY (2010) conducted pan-European survey of customer satisfaction with motor claims covering motor insurance customers in Belgium, France, Germany, Italy, Netherlands, Spain and Great Britain. Using 700 customers, their findings indicate that insurer's communication capability during all the process of claims management was the main reason for customer's satisfaction. The study also indicated that customers' age, gender and level of income have a minimal effect on their level of satisfaction. Further, the study indicated that strong levels of customer satisfaction can have a very positive effect on loyalty.

2.3. Conceptual Framework

Based on the theoretical and empirical review presented above, this research identified elements of the claims management process the customer experiences that could determine the level of customer satisfaction with the claims management.

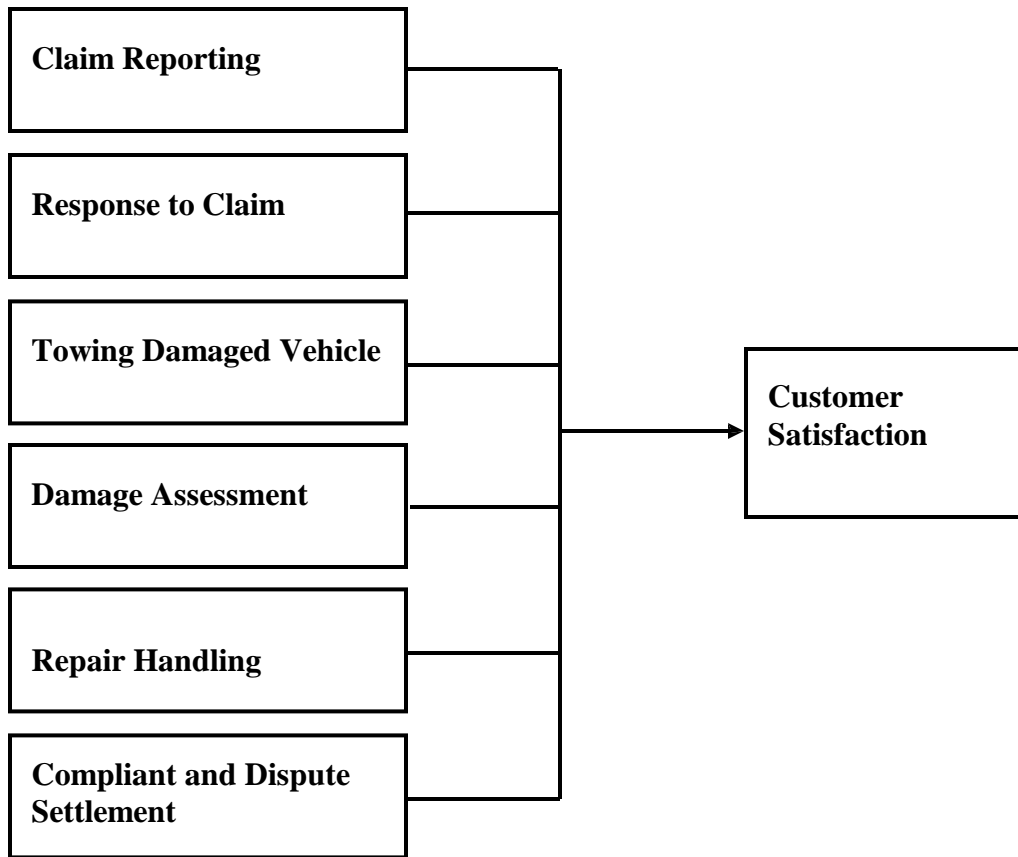


Figure 2.1: Research Framework developed based on Claim Process (July 24, 2020 by Get Insurance Today)

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This chapter provides the details of the research strategies adopted to address the research questions identified in chapter one. Specifically, this chapter covers, design and approach, sampling method, data collection method, procedure and data analysis techniques.

3.1. Research Approach

Research approach constitute the plan and the procedure for research that span the steps from broad assumptions to detailed methods of data collection, procedure analysis, and interpretation (Creswell,2014). Creswell (2014) further suggests that both quantitative and qualitative research approach is suitable for testing objective theories by examining the relationship among variables. Accordingly, this research followed both quantitative and qualitative approach to conduct the research. A quantitative data was therefore collected using a survey of customers' satisfaction across the claim management process and analyzed. And also quantitative data was collected from the corporation's policy and procedures

3.2. Research Design

Research design constitutes the blue print for the collection, measurement, and analysis of data (Cooper and Schindler, 2014). This research is designed as a descriptive research. According to Chinese scholarship council, 2021, descriptive research design focuses on describing the aspects of the study in a detailed manner where the researcher starts with a general idea and uses research as a tool which could lead to the subjects that would be dealt in the incoming future.

3.3. Sample and Sampling Technique

The research looks at the effect of the motor insurance claims management process on customers' satisfaction at EIC. The primary population of the study, therefore, constitutes existing motor insurance customers of EIC. Representative sample were considered to collect the required information from motor insurance customers in the five districts of EIC in Addis Ababa. Sampling is related with the selection of a subset of individuals from within a population to estimate the characteristics of whole population. The two main advantages of sampling are the faster data collection and lower cost (Singh and Masuku, 2014).

If sampling is chosen, the researcher must determine which and how many people to interview, which and how many events to observe, or which and how many records to inspect (Cooper and Schindler, 2014). This research based its sample size determination on Van Voorhis and Morgan (2007) where their analysis of understanding power and rules of thumb for determining sample size mention Green (1991) procedures for determining regression sample sizes. The analysis suggests $n > 50 + 8m$ (where m is the number of IVs) for testing the multiple correlation and $n > 104 + m$ for testing individual predictors. Although Green's (1991) formula is more comprehensive, there are two other rules of thumb that could be used. With five or fewer predictors, (this number would include correlations), a researcher can use Harris's (1985) formula for yielding the absolute minimum number of participants. Harris suggests that the number of participants should exceed the number of predictors by at least 50 (i.e. total number of participants equals the number of predictor variables plus 50), a formula much the same as Green's mentioned above. For regression equations using six or more predictors, an absolute minimum of 10 participants predictor variable is appropriate.

As indicated in the research framework (fig.2.1) this research has one DV and six IV. Accordingly, the research considered Green's (1991) formula for testing predictors which results: Where n = sample size and m = no. of predictors.

Since obtaining a sampling frame from EIC (a list of all customers) is a challenge, conducting a probability sampling is practically impossible. To this end, a non-probability sampling technique of convenience sampling (also known as availability sampling) was used. Saunders, et al (2012) recommend the use of convenience sampling for the purpose of reducing the time and cost required for data collection. Data was collected from customers randomly who were available at the five districts of motor insurance located in addis ababa.

3.4. Source and Instruments of Data Collection

The study mainly utilized primary data collected from customers using a self-administered questionnaire prepared both in Amharic and English. However, secondary data regarding the process of motor insurance claim management at EIC was also collected from the policy manual. A five-point Likertscale questionnaire was designed by the researcher that was aligned with the motor insurance claim management process at EIC and activities in each of those claim management processes. The questionnaire developed contained two sections. The first section contained five questions related to the customers demography. The second section however contained thirty questions grouped under the six stages in the claim management process except the three questions that measured the customers overall satisfaction.

3.5. Methods of Data Analysis

The data collected from the customers using the survey questionnaire was basically a quantitative data. Descriptive statistics, particularly tabular method of data presentation, was used to characterize the participants' demography. Further, descriptive statistics, particularly mean and standard deviation were used to present customers opinion on the claim management process and their overall satisfaction.

Inferential statistics such as correlation and regression were also used to deduce relationship between the dependent and independent variables as well as develop a model for prediction customer's satisfaction on claim management process based on the different elements of the process.

Pearson correlation coefficient was calculated to measure direction and degree of relationship between variables. Pearson correlation coefficient could range from -1 to +1, where a result closer to +1 indicates a strong positive relationship while a closer to -1 value could indicate a strong negative relationship.

On the other hand, multiple regressions were used to determine the overall fit (variance explained) of the model and the relative contribution of each of the predictors to the total variance explained. The dependent variable was customer's satisfaction while the independent variables included claim-reporting, response to a claim, damaged vehicle towing, damage assessment, repair handling as well as complaints and dispute settlement. Accordingly, the model specification is therefore as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6$$

Where: Y=Customer Satisfaction

β_0 =Constant term

X1=Claim Reporting X2=Respond to claim X3=Towing damaged vehicle

X4= Damage assessment X5=Repair handling X6= Compliant and dispute settlement

3.6. Validity and Reliability

In order to assure the validity of the questionnaire, pilot testing, as well as feedback from practitioners at EIC, was done. EIC staff first gave their confirmation that the questions included were representative of the practice. Then ten questionnaires were distributed to customers to the southern addis district only to see the clarity of the questionnaire before distributing it to the whole participants.

Further, Cronbach's alpha was calculated for the scale to determine reliability (internal consistency). The result of the reliability analysis done using SPSS 23.0 shows that all the seven sub-scales had an alpha of more than 0.8 (see table 3.1) which is acceptable according to Tavakol and Dennick (2011).

Table 3.1: Test of Scale Reliability

S. No.	Item	Cronbach's Alpha	N of Items
1	Claim Reporting	.871	6
2	Response to Claim	.938	2
3	Damaged Vehicle Towing	.943	4
4	Damage Assessment	.835	4
5	Repair Handling	.827	7
6	Complaints and Dispute Settlement	.968	4
7	Customer Satisfaction	.874	3

3.7 Ethical Considerations

During the course of administering the questionnaires, names and any identifying remarks were not used. The confidentiality of the responses collected was also kept. Policy and Procedure manuals accessed as a secondary data sources were strictly used for the purpose intended and will not be shared outside. The data analyzed were based on the responses to the questionnaire and by no means involved the researcher opinion and input. Hence, any result or meaning arrived at is solely based on the data gathered.

CHAPTER FOUR

DATA PRESENTATION AND DISCUSSION

This section presents the findings of the study and the goes on to discuss its implications. The findings present the demographic property of the participants, descriptive statistics in terms of mean and standard deviation, followed by correlation and regression analysis. The discussion part tried to derive the implications of the findings in light of other findings elsewhere.

4.1. Findings

4.1.1. Demographic Variables

The research used a survey questionnaire that was distributed to 136 participants. Of those participants, 127 of them were returned and 123 of them are valid questionnaire resulting in 90.4% response rate.

Section one of the survey questionnaire included five questions related to the demographic profile of the participants. Table 4.1 below shows the summarized demographic profile of the participants. It can be observed from the table that the majority of participants were male constituting 61% and also only 39% were female. In terms of age, customers with age group between 26 and 30 were the largest at 32.5%, closely followed by the age group 36-40 with 30.1% and >40 with 16.7%. The other two age's group 18-25 and 31-35 covered 10.6% and 8.1% of the participants respectively.

Looking at the level of education of customers who participated in the survey, one can notice that it covers those with a high school, diploma, degree and post graduate levels education. Those with degree level of education were the significantly larger group containing 45.5% of the participants followed by diploma level education with 30.9%. The third group postgraduate level of education covered only 13.8% of the participants and 9.8% of basic education level.

Table4.1: Demographic profile of participants

S. No.	Item		Frequency	Percent
1.	Districts	Eastern	21	17.1 %
		Western	13	10.6 %
		Northern	20	16.3 %
		Southern	38	30.9 %
		Central	31	25.2 %
2.	Gender	Male	75	61%
		Female	48	39%
3.	Age	18-25	13	10.6%
		26-30	40	32.5%
		31-35	10	8.1%
		36-40	37	30.1%
		>40	23	16.7%
4.	Education	Basic Education	12	9.8%
		Diploma	38	30.9%
		Degree	56	45.5%
		Post Graduate	17	13.8%
5.	Tenure with EIC	< two years	2	1.6 %
		2-4 years	43	35.0 %
		4-6 years	18	14.6 %
		6-8 years	3	2.4 %
		Above 8	57	46.3 %
		Total	123	100%

Source: Own Survey (2022)

The customers tenure with EIC shows that, the majority, 46.3% have stayed with EIC for more than eight years. Those who stayed with EIC as a customer from 2- 4 years were 35% and those 4- 6 years stayed were 14.6%. This means that 63.3% of the participants have been with EIC for more than four years. From the total participants of the study, 35% are stayed with EIC between 2-4 years and 1.6% stayed of less than two years.

4.1.2. Descriptive Statistics

The claim management process at EIC mainly constitutes five stages starting from claim reporting, response to a claim, towing damaged vehicle, damage assessment, and repair handling with one further probable phase of complaint and dispute settlement if the customer lodges complaint or raises a dispute.

The second section of the survey questionnaire constituted twenty-seven questions grouped into the above six stages in the claim management process as well as three additional questions measuring the customers overall satisfaction. The table below presents the descriptive statistics for each of the variables, particularly their mean and standard deviation (Table 4.2).

Table 4.2: Descriptive statistics of variables

S. No	Variables	Mean	Std. Deviation
1	Claim reporting	3.65	0.71
2	Response to claim	3.20	0.80
3	Damaged vehicle towing	3.32	0.84
4	Damage assessment	3.11	0.77
5	Repair handling	2.90	0.92
6	Complaints and dispute settlement	2.83	0.88
7	Overall satisfaction	3.10	0.80

Source: Calculated from the survey, 2022

The customer's response to claim management processes claim reporting and towing damaged vehicles have a mean value of slightly higher (3.65 and 3.32) than the neutral value three merely suggesting their agreement those processes were acceptable to them. On the other stages of the claim management process, namely response to claim and damage assessment had a mean value of 3.20 and 3.11 respectively which is a close to neutral value three but below it which could indicate a degree the customer disagreement that the processes were handled acceptably. The standard deviation for both were below one (0.80 and 0.77) suggesting a higher level of agreement between participants.

For repair handling and complaints and dispute settlement, the mean values were 2.90 and 2.83 showing customers' disagreement that the processes were handled acceptably. The mean value of the overall customer satisfaction is 3.10 with standard deviation of 0.80. This value is close to the neutral value three, which represents acceptable rather than the value two that represented poor.

4.1.3. Correlation and Regression Analysis

Pearson correlation was calculated to see the relationship between the dependent and the independent variables claim reporting, response to a claim, damaged vehicle towing, damage assessment, repair handling as well as complaints and dispute settlement. All the independent variables showed correlation with the dependent variable.

In their order of strength of relationship repair handling was strongly correlated to satisfaction with Pearson correlation coefficient $r(123) = 0.763, p < .01$, followed by damage assessment with $r(123) = 0.751, p < .01$. Third was complaint and dispute settlement with $r(123) = 0.717, p < .01$. Vehicle towing and claim reporting were fourth and fifth with $r(123) = 0.641, p < .01$ and $r(123) = 0.584, p < .01$ respectively. The last variable response to claim had a weak positive relationship with satisfaction but a lesser degree of significance ($r(123) = 0.326, p < .05$).

Table 4.3: Correlation Coefficient

		Correlations					
		Claim Reporting	Response to Claim	Vehicle Towing	Damage Assessment	Repair Handling	Complaint Settlement
Overall Satisfaction	Pearson Correlation	.584**	.0326*	.641**	.751**	.763**	.717**
	Sig. (2-tailed)	.000	.0296	.000	.000	.000	.000
	N	123	123	123	123	123	123
**. Correlation is significant at the 0.01 level (2-tailed).							
*. Correlation is significant at the 0.05 level (2-tailed).							

Source: Calculated from Survey (2022)

A standard multiple regression analysis was conducted to evaluate how well the different elements of the claim management process particularly claim reporting, response to a claim, damaged vehicle towing, damage assessment, repair handling as well as complaints and dispute settlement predicted overall satisfaction of customers.

Table 4.4: Model summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.956 ^a	.914	.890	.28983
a. Predictors: (Constant), Complaint, Response, Towing, Reporting, Assessment, Repair				
b. Dependent Variable: Satisfaction				

Table 4.5 ANOVA

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	85.207	27	3.156	37.567	.000 ^b
	Residual	7.980	95	.084		
	Total	93.187	122			
a. Dependent Variable: Satisfaction						
b. Predictors: (Constant), Complaint, Response, Towing, Reporting, Assessment, Repair						

The multiple linear regression of the dependent variable (overall satisfaction) and the independent variables (claim reporting, response to a claim, damaged vehicle towing, damage assessment, repair handling as well as complaints and dispute settlement) resulted in a significantly related equation with $F((6,95)) = 37.567, p < .001$. The multiple correlation coefficient was 0.843, indicating that approximately 71.1% of the variance in satisfaction can be accounted for by the linear combination of factors claim reporting, response to a claim, damaged vehicle towing, damage assessment, repair handling as well as complaints and dispute settlement.

Table 4.6: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.188	0.438		0.428	0.669
	Reporting	0.0055	0.1326667	0.007833	0.0015	0.4921667
	Response	0.035	0.1095	0.019	0.28	0.2255
	Towing	0.0245	0.12025	0.04425	0.17775	0.023
	Assessment	0.0488	0.1558	0.0690	0.7393	0.1143
	Repair	0.0874	0.1221	0.1006	0.7039	0.2449
	Complaint	0.165	0.143	0.133	1.056	0.210

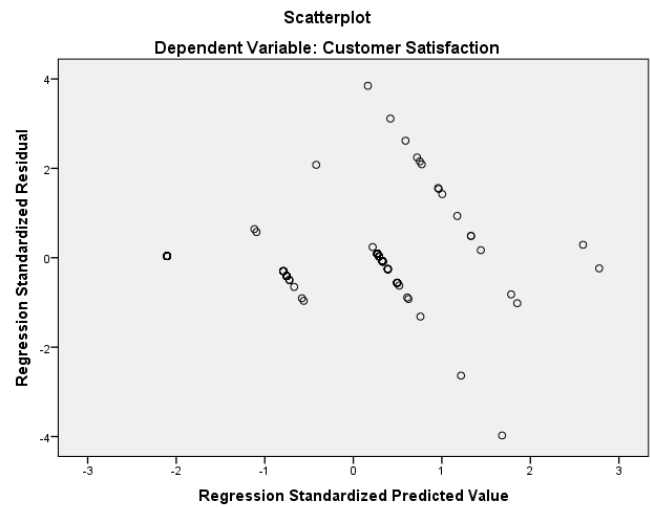
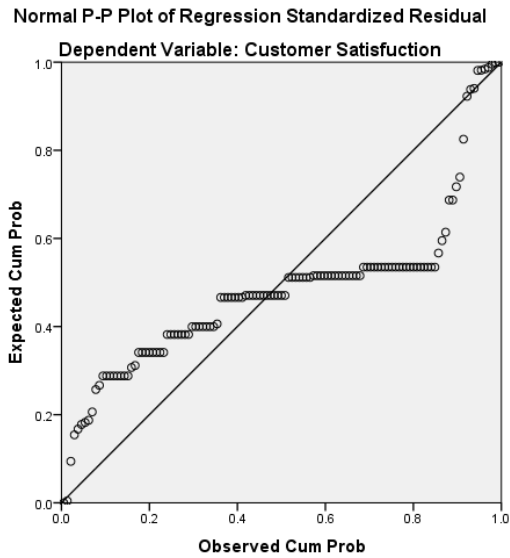
Test of basic assumptions in multiple regressions was done. Test of non-linearity was done using a scatter plot of the standardized predicted value with the standardized residuals. From the Loess curve, it appears that the relationship of standardized predicted to residuals is roughly linear around zero.

The multiple linear regressions also showed that the independent variables damage assessment and repair handling were significant at $p < 0.01$ while complaint and dispute settlement was significant at $p < 0.05$. The other three predictors claim reporting, response to claim and damaged vehicle towing were not found to be statistically significant at $p < 0.05$. The regression equation for predicting overall satisfaction is therefore:

$$\text{Predicted Satisfaction} = 0.188 + 0.0055 [\text{Claim Reporting}] + 0.035 [\text{Response to claim}] + 0.0488 [\text{Vehicle Towing}]$$

Therefore, it was concluded that the relationship between the response variable and predictors is zero since the residuals seem to be randomly scattered around zero. Similarly, the scatter plot was also used to test the homogeneity of variance which showed the trend is centered around zero but also that the variance around zero is scattered uniformly and randomly. We conclude that the linearity assumption is satisfied and the heteroscedasticity assumption was satisfied.

Multi co-linearity effect in the multiple linear regression models was also checked. The Tolerance value for all predictors was > 0.1 and $VIF < 10$. Finally, normality of residuals was checked using 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. Accordingly, it can be concluded that the regression model developed satisfies the basic assumption in regression.



4.2 Discussion of Findings

As per the findings presented above and mentioned at various points, the claim management process at Ethiopian Insurance Corporation included five elements or stages, which are claim-reporting, response to a claim, damaged vehicle towing, damage assessment and repair handling. A sixth probable and potential process involves complaints and dispute settlement process for those clients with any kind of grievances. Although, there was a shortage of similar research to compare this with industry researches in western countries show that the claim management process elsewhere involves third parties like agents and brokers as well as digital technologies (online services) during the claims process (EY,2010; Accenture,2014). The findings above show that customers overall satisfaction with motor insurance claim management is close to acceptable (a mean value of 2.88 and Standard deviation of 0.97). This in contrast, is much lower than European customers experience of making a motor insurance claim is, on average, extremely positive (EY, 2010).

Further, inferential statistics showed that all the six processes or elements have a positive correlation with overall satisfaction with claim reporting (0.584), damaged vehicle towing (0.641), damage assessment (0.751), repair handling (0.763) and complaint settlement (0.717) with $p < 0.01$ while response to a claim (0.326) with $p < 0.05$. In line with this, the regression model developed to predict customer satisfaction showed that a statistically significant linear model using the independent variables was possible. The model also showed that the predictors repair handling with coefficient 0.087 and damage assessment with coefficient 0.0488 were the highest predictors of satisfaction with $p < 0.01$ followed by complaint and dispute settlement with coefficient 0.165 ($p < 0.05$). The regression model also showed that the predictive ability of element of claim management like claim reporting with coefficient 0.0055, response to claim with coefficient 0.035 and vehicle towing with coefficient 0.0245 where all three were insignificant.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

In summary the research begun with the aim of assessing the effect of motor insurance claims management process on customer satisfaction at EIC. Specifically, the research tried to examine the effect of each stage (element) of the claim management process on customer satisfaction. In line with that, the findings can be summarized as follows:

- Customers rating of the current claim reporting process resulted in a mean of 3.65 and SD of 0.71 claim reporting was also found to be significantly correlated to customer satisfaction with a Pearson correlated coefficient of 0.0055 at $p < 0.01$
- Response to a claim had a mean of 3.20 and SD 0.80. It was also found to be significantly correlated to customer satisfaction with a Pearson correlated coefficient of 0.035 at $p < 0.05$.
- The mean value for customers rating of damaged vehicle towing was found to be 3.32 with SD of 0.84 which was also significantly correlated to customer satisfaction with a Pearson correlated coefficient of 0.0245 at $p < 0.01$.
- Customers rating of damage assessment had a mean value of 3.11 with SD of 0.77. The correlation analysis also showed that it was significantly correlated to customer satisfaction with a Pearson correlated coefficient of 0.0488 at $p < 0.01$
- The mean value of repair handling as rated by customers was 2.93 with SD of 0.90. The correlation analysis also showed that it is significantly correlated to customer satisfaction with a Pearson correlated coefficient of 0.0874 at $p < 0.01$
- Complaint and dispute settlement was given a mean of 2.83 by customers with SD of 0.88. It was further found to be significantly correlated to customer satisfaction with a Pearson correlated coefficient of 0.0165 with $p < 0.01$
- The multiple linear regression model calculated to predict customer satisfaction based on elements of the claim management process was significant with $F(6,95)=37.567, p<0.001$, with an R^2 of 0.914.

- regarding the customer satisfaction, the mean value of 3.10 and SD of 0.80 suggest that customers overall satisfaction with motor insurance claim management is close to the neutral value three representing acceptable level.

5.2 Conclusions

The research intended to assess the effect of motor insurance claim management process of customer's satisfaction at EIC. In light of the analysis done and the summary presented above, the following encompassing conclusions are given:

- Both the correlation analysis as well as the multiple regression model have indicated that customer satisfaction is positively related to all the elements of the claim management process. Specifically, repair handling showed the strongest correlation as well as the highest coefficient in the regression analysis leading to the conclusion that repair handling is the most important element of the motor insurance claim management handling process to customers. This is followed by Damage assessment and complaint and dispute settlement processes, which were observed to be the second and third important element of the motor insurance claim management process with the respectively highest correlation and regression coefficients. The other three elements of the claim management process were seen to have positive relationship with customers' satisfaction however were not found out to be statistically significant predictors of customer satisfaction.
- Based on the result of the multiple regression analysis, one can also conclude that the highest drivers of customer satisfaction are the claim management process with direct impact on the monetary value of the claim (damage assessment, repair handling, and complaints and dispute settlement) as opposed to the feel-good elements of the claim process (claim reporting, response to claim and towing).
- Regarding the current level of overall satisfaction, a mean value of three representing an acceptable level found. Given the current level of competition in the motor insurance industry in Ethiopia, a mediocre level of customer satisfaction is unacceptable by any standards.

5.3 Recommendations

The following recommendations can be made based on the conclusions:

Practical implications

- The inferential statistics showed that all the six elements have a positive correlation with overall customer satisfaction. Therefore for Ethiopian Insurance Corporation, improving motor insurance claim management process could improve the overall customer satisfaction which can also translate in to policy renewals and further recommendation to others increasing the word of mouth advertising.
- The model also showed that the high predictors are repair handling and damage assessment, therefore for EIC prioritizing and improving elements of the motor insurance claim management process specifically repair handling and damage assessment followed by complaint and dispute settlement should result in higher level of customer satisfaction quickly
- The other three elements of the motor claim management processes; namely Claim reporting, response to a claim and damaged vehicle towing were not seen as strong predictors of satisfaction. However, this does not mean that these processes irrelevant rather their improvement could enhance the subsequent processes as their outcome serves as an input for the subsequent processes.

Research implications

- basing this research as a spring board, further research confirming the result at a broader geographic area and across other insurance products could be done to cement the findings of this research.

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ANNEX

A. Research Questionnaire

**Saint Mary's University
School of Graduate Studies Masters
of Business Administration
Research Questionnaire**

Dear participant,

My name is Wondyfraw Tilahun I am a student undertaking a Master of Business Administration at St. Mary's University, Department of Business Administration. To fulfill the completion of this program, I am carrying out a study in title *-The effect of motor insurance claim management on customer satisfaction*. I am inviting you to participate in this research study by completing the attached questionnaire and provide your feedback candidly. The study is intended for academic purposes only, hence there is no need to provide your name or any personal identifier. All information collected will be kept confidential and feel free to provide your honest opinion.

Thank you in advance for your cooperation!

Section I: Demographic in formations

1. District: Eastern Western Northern Southern Central

2. What is your Gender?

Male

Female

3. Age

18 – 25 31 – 35 Above 40

26 – 30 36 – 40

4. Indicate your Level of Education

High school Post Graduate

Diploma Other

Degree

5. How long have you stayed with the insurance company as a motor insurance client?

Less than two years 6 – 8 years

2–4 years Above 8 years

4 – 6 years

Section II: Consumers' Satisfaction with Motor Insurance Claims Process.

Please put '√' sign for your answer of the following. SD= Strongly Disagree D= Disagree, N= Neutral, A= agree, and SA= Strongly agree

		<i>SD</i>	<i>D</i>	<i>N</i>	<i>A</i>	<i>SA</i>
	CLAIM REPORTING					
1	It was easy to contact the insurance company to report the incident/claim					
2	The person I contacted was knowledgeable about claim reporting					
3	The person I contacted clearly explained how the claim process worked					
4	The person I contacted offered to provide assistance in completing the claim form					
5	The process of reporting the incident to the insurance was easy					
6	Getting contact person to follow up on claim was easy.					
	RESPONSE TO CLAIM					
7	Initial response either to approve or request additional information was expedited.					
8	Getting claim approval was expedited process.					
	DAMAGED VEHICLE TOWING					
9	EIC arranged to have the damaged car towed from the accident area on time					
10	The process of getting the damaged vehicle towed was easy					
11	Towing the damaged vehicle was safe					
12	The recovery yard on which the damaged vehicle parked was convenient for damage assessment					

	DAMAGE ASSESSMENT					
13	A damage assessor was assigned promptly					
14	The damage assessment done was Exhaustive					
15	The estimate of repair cost or pre-accident value (in case of total loss) was appropriate					
16	The speed with which the estimate is given was acceptable					
	REPAIR HANDLING					
17	EIC provided me with the detail of the work that had been approved to be carried out					
18	EIC provided me with detail of the cost associated with the repair work					
19	The bidding process to provide a repair work was quick					
20	The garage used was preferred by the client or acceptable to the client					
21	The quality of the spare part used was at least equivalent to the standard that existed before the accident					
22	The quality of the repair work done was to the standard that existed before the accident					
23	The time it took to complete the repair work was acceptable					

	COMPLAINTS AND DISPUTE SETTLEMENT					
24	There was a mechanism to file any complaints or disputes during the claim process					
25	The complaint handling process was clear.					
26	If any, my complaint was acknowledged and processed promptly					
27	There was a mechanism to appeal final response either internally or externally					

	OVERALL SATISFACTION	Very Poor	Poor	OK	Good	Very Good
28	Your overall satisfaction with motor insurance claim management process at EIC					
29	The likelihood that you will renew your motor insurance policy with EIC					
30	The likelihood that you will recommend EIC's motor insurance to others					

