SAINT MARY'S UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS DEPARTMENT OF MANAGEMENT
MBA PROGRAM

The Effect of Motor Claim Service Quality on Customer Satisfaction: The Case of Abay Insurance Company

By: HALEFOM GIDEY

ADDIS ABABA

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A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OFGRADUATE STUDIES IN PARTIAL FULFILMENT OF THEREQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

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ABBREVIATIONSAND ACRONYM

AISC	Abay Insurance Share Company
AS	Assurance
CS	Customer Satisfaction
EM	Empathy
NBE	National Bank of Ethiopia
P-P	Probability Plot
RL	Reliability
RS	Responsiveness
SERVQUAL	Service Quality
SPSS	Statistical Package for Social Scientists
TA	Tangibility
VIF	Variance inflation factor

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ABSTRACT

The aim of this research was to assess motor insurance claim service quality and its effect on customer satisfaction in case of Abay insurance S.C. from the perspective of corporate customers. To this end gap model of service quality with the application of SERVQUAL instrument were used to measure corporate customers' expectation and actual perception of motor insurance claim service quality delivered in Abay insurance. The study used primary sources of data. Primary data was collected from 290 selected sample corporate customers of Abay insurance S.C. who claimed at least once through questionnaire. The study employed both descriptive and inferential statistics to analyze the collected data from sample corporate customers using SPSS version 22. The findings of this study shows that all five SERVQAUL dimension have negative gap score, in that reliability dimension has the highest negative gap score whereas empathy has lowest gap score, implying that corporate customers' perceive less than their expectation, suggesting corporate customers' dissatisfaction with the claim service provided by Abay insurance S.C. (AISC). The study also revealed that overall mean score customers satisfaction of AISC is 2.79 which shows that customers are not satisfied by AISC motor claim service since this value is below 3, the point of neutrality or adequate satisfaction level. Furthermore, the findings of the multiple regression analysis shows that reliability, assurance and empathy service quality dimensions have strong and significant effect on corporate customers' satisfaction. Accordingly, the conclusions drawn from the findings of this study were that AISC was not providing quality motor claim service demanded by most corporate customers, in the overall most corporate customers felt dissatisfaction in the motor claim services of AISC and 3 out of 5 service quality dimensions have significant effect on corporate customers' satisfaction. The findings and conclusions of this study implied that AISC is expected to go a long way in improving the quality of its motor claim service in order to improve the satisfaction level of its corporate customers. Finally, the study suggest that AISC need to improve all the five dimensions of service quality continuously giving more emphasis to reliability, assurance and empathy dimensions to keep the motor claim services corresponded with corporate customers' point of view and hence to improve the level of their satisfaction.

Keywords: ***Customer satisfaction, claim service quality, motor insurance, Abay insurance, SERVQUAL model.***

CHAPTER ONE

1. INTRODUCTION

This chapter focuses on background of study, statement of the problem, research questions, the general & specific objectives, significance, scope and limitation of the study.

1.1. Background to the Study

The emphasis on customer-centric marketing philosophies has garnered significant attention in marketing literature from both scholars and practitioners. They are increasingly seeking ways to understand, attract, retain, and establish intimate long-term relationships with profitable customers (Kotler, 2006; Gronroos, 1994). A crucial element of the customer-centered marketing paradigm involves ensuring the satisfaction of existing customers. Consequently, organizations have been developing strategies to satisfy customers and achieve customer delight. In today's competitive business environment, maintaining customer happiness is vital for long-term success. Intensified competition in many industries highlights the importance of customer service quality as a means of differentiation.

Service quality acts as a crucial antecedent to customer satisfaction (Zeithaml and Bitner, 2003). The connection between service quality and customer satisfaction is integral for companies aiming to remain competitive and foster growth. The positive effect of customer satisfaction on an organization's profitability cannot be ignored. Satisfied customers form the foundation of successful businesses, leading to repeat purchases, brand loyalty, and positive word of mouth.

Studies highlight the importance of customer satisfaction, with a very satisfied customer being nearly six times more likely to be loyal and recommend a product or service to family and friends than a customer who is just satisfied. Businesses are increasingly realizing the significance of delivering and managing service quality to meet customer expectations and ensure satisfaction. Customer retention, driven by customer satisfaction and loyalty, is cost-effective compared to acquiring new customers. Organizations with a long-term growth perspective are developing measures to assess customer satisfaction through rigorous qualitative

and quantitative mechanisms. Measuring customer satisfaction provides feedback on the success of an organization in providing products and services to meet customer expectations.

Financial institutions play a vital role in contributing to the overall performance of an economy in any country, serving as intermediaries and risk-takers. They offer divers financial services to the community (Aman, 2008). Within the financial institution is insurance, which provides a unique financial service by helping societies manage risk. Insurance companies protect policyholders from adverse events. In an insurance contract, one party, the insured, pays a specified amount called a premium to another party, the insurer (Arasli et al., 2005). The insurer, in turn, agrees to compensate the insured for specific future losses outlined in the contract, referred to a policy.

As previously discussed, customer satisfaction and service quality remain critical issues in many service industries, particularly, they are more important for insurance service providers offering generally undifferentiated products. It is inevitable for the insurance industry to sustain and remain competitive; the customer is the back bone and the reason for the insurance sector's existence concerning service provision. In the insurance industry, the primary approach to differentiate and the principal means by which one insurer can distinguish itself from another is service before and after the sale of policy (Stafford and Wells, 1996). Therefore, service quality is a crucial aspect that demands serious attention for every insurance company to survive in the insurance business. Moreover, customer satisfaction is not an option but a necessity, especially in this dynamic environment where customers can easily switch to other alternatives if not handled properly.

Ethiopia's insurance industry is relatively undeveloped which is exemplified by the sectors low penetration levels. However, as per the data obtained from National Bank of Ethiopia (NBE), general insurance premium dominates the sector with 93.8% premium market share leaving the balance to life insurance business (NBE, 2014). Figures indicate that Ethiopia's insurance sector is skewed towards corporate clients who insure their assets (motor vehicle, buildings, warehouse, stocks and other properties), business (aviation, engineering) and insurance of the person (accident, health, workmen's compensation). In Ethiopia, motor insurance is the most important business line, accounting for more than a third of all premiums collected each year (NBE, 2013).

The competition existing in the motor insurance industry in Ethiopia is a cutthroat competition to attract and retain more customers and increase their market share in motor insurance. The competition is based on price and service quality is another and major area of competition. Nowadays, service quality has received much attention because of its obvious relationship with customer satisfaction and customer retention. Therefore, it is very important for companies to know, how to measure these constructs from the customers' perspective in order to better understand their needs and satisfy them.

For insurance policyholder, the most important expectation from the insurer is claims settlement upon the event of the peril insured against. A claim is a demand made by the insured to the insurer for the payment of benefits under a policy. It is well know that claims service is the most important aspects in the functioning of an insurance company. Claims management is the heartbeat of an insurance company since effective claims management saves the insurer time & money moreover it can also improve customer satisfaction and retention. For Crawford (2007), claims are the most critical channels and defining a link that shapes the overall perception of the customers towards their insurer and their satisfaction by the service it offers. Additionally, 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 lasting relationship with them. Hewitt (2006) on Tajudeen and Adebowale (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.

In the present highly competitive and economically challenging environment, claims settlement can serve as a market differentiator that puts insurance companies at the forefront of industry leadership and innovation. Claims handling service is being said to be the basis on which an insurance company is ultimately judged by clients (Butler and Francis, 2010). To be successful, insurers need to improve the operational efficiency of their claim organizations and build an operating model that can minimize claim costs as well as eliminate the unnecessary expenses associated with claims handling.

This research paper seeks to assess motor insurance claim service quality in case of Abay insurance S.C. (AISC) from the perspective of corporate customers. AISC is one of private insurance operating in the country, hold large number of corporate clients and insurance professionals (company profile). It was established in July 2010 in accordance with the licensing and supervision of insurance business proclamation No. 86/1994. The prevailing paid up capital of the company is Birr 180 million. Currently, the company is providing general and long term (life insurance) service under 28 branch offices that operate in different regions of the country. Motor vehicle insurance is one type of insurance which is growing rapidly in Ethiopia especially in Addis Ababa. AISC offers motor insurance, which protects the insured against financial loss whenever the motor vehicle is involved in an accident, burns, or stolen. It provides three types of motor insurance policies to vehicle owners: third party only, third party plus fire or/and theft cover, and comprehensive coverage. The third party motor insurance provides the cover against third party bodily injuries, deaths and property damages caused by motor vehicles and the comprehensive motor insurance policy provides the cover to the own damage of the vehicle, along with the third party cover. Motor insurance is the type of business where extra labor and huge administration cost is expended, according to NBE (2013) motor insurance sector is the backbone of the insurance business as it holds large number of customers than the other class of businesses and contributes about 50% of the gross premium from non-life insurance business. According to the report by Ethiopian insurance fund office (2013), about 92% and 35% of the registered motor vehicles in Ethiopia have insured for motor on compulsory third party insurance and compressive insurance basis respectively.

1.2. Statement of the Problem

At present eighteen insurance companies are operating general insurance business in Ethiopia and motor insurance is the dominant class of business of almost all those insurers (NBE, 2022; Abate and Kaur, 2023). It was also indicated that Ethiopia's insurance sector is skewed towards corporate clients who insure their motor vehicles (Beyene, 2019). Attraction of new customers and retention of existing customers are the major challenges faced by almost all the companies due to keen competition among them to acquire substantial part of the market share and lead the market in motor insurance business. Insurance companies follow different strategies to satisfy the customers, specifically corporate customers, through various forms in order to enhance their

customer network and the profitability in motor insurance business. In spite of the efforts made by the insurance companies to retain the corporate customers with them, they experience switching the corporate motor policy holders to competitors at the renewal. Accordingly, long term retention of corporate motor policy holders by the insurers is a significant issue in the motor insurance industry in switching.

In view of the above, the research problem of this study is: How can motor claim service quality affect customer satisfaction with reference to corporate motor insurance policy holders in Ethiopia's insurance industry taking AISC as a case study.

1.3. Research Questions

Based on the identified research problems, this study tried to answer the following specific research questions.

1. What is the overall level of claim service quality in AISC?
2. What are the effects of the five dimensions (Responsiveness, Empathy, Tangibles, Assurance and Reliability) of claim service quality on customer satisfaction?
3. What is the overall level of customer satisfaction with the existing claim service delivery at AISC?

1.4. Objective of the study

1.4.1. General objective

The general objective of the study is to assess the motor insurance claim service quality provided by AISC.

1.4.2. Specific objective

Specific objectives that were measured to achieve the general objective were:

1. To determine the level of the motor insurance claim service quality provided by AISC.

2. To investigate the effects of the five dimensions (Responsiveness, Empathy, Tangibles, Assurance and Reliability) of motor claim service quality on customer satisfaction at AISC.

3. To determine the level of customer satisfaction with the existing motor claim service delivery at AISC.

1.5. Significance of the Study

The significance of the study will be important in a variety of ways basically for the company and to the stakeholders in the insurance industry if they will apply what the findings of this study will be shown. Designing effective motor claim management systems based on the expected results of this study will help AISC create and deliver customer value, resulting in customer satisfaction and loyalty. The study will also expect to foster positive customer relationships, which will lead to long-term economic success. The research can also give directions to other similar companies that are engaged in insurance service delivery or to other researchers who have interest on the subject matter.

1.6. Scope of the study

The scope of this study is limited geographically, conceptually, temporally and methodologically to assess the motor insurance claim service delivery quality and customer satisfaction.

Geographically, the study is conducted in Addis Ababa branch with informal and formal consultation with customers in the city and with staff of AISC. The study limited itself to Addis Ababa because it was assumed that customers in the city were representative of the overall customer base of the company. And it was conducted in the head office since the claim service at AISC is centralized at the head office.

Conceptually the study assesses the motor claim service quality and customers' satisfaction in AISC head office and the target population is corporate customers who have claimed at least once. The study focuses on the effect of motor claim service on customer satisfaction of AISC using the five service quality (SERVQUAL) dimensions. The independent variables that were

selected are based on SERVQUAL dimensions (tangibility, reliability, responsiveness, assurance and empathy) where the dependent variable was customer satisfaction.

Methodologically, service quality and customer's satisfaction was measured by using service quality model SERVQUAL, an instrument developed by Parasuraman et al. (1985; 1988). Descriptive and explanatory research methods were applied for this study. To achieve the main objectives of the study, primary data was utilized. Primary data was acquired by using structured questionnaire with 5 point likert scale.

Finally, temporally, the study was carried out between February and May 2024.

1.7. Definition of Key Terms

Customer: external customer who has purchased insurance products.

Insurance: is a device for transfer of risk of individual entitles to an insurer, who agrees, for a consideration (called the premium) to assume to a specified extent losses suffered by the insured.

Motor Insurance: motor insurance indemnifies motor vehicle damage caused by an accidental occurrence and indemnifies the insured party in the event that it is legally liable to pay compensation to third party.

Policy holders (insured): person or people to whom payment will be made in the case of risk.

Premium: the amount of consideration that an insurer charges to a policyholder for the transfer of the risk to the insurer. It is basically the price an insurance purchases pays for the insurance policy purchased.

Customer satisfaction: Customer satisfaction measures how satisfied or dissatisfied customers are with a company's products, services, or experience. It is made up of a customer's perception of the firm's quality, value, and expectations, and it provides important insights into how customers relate to your brand and how they will interact with it in the future.

1.8. Limitation of the Study

The study had certain limitations. It was limited by constraints of resources, access, and time. The finance and material resource that were needed for a larger sample size for this study is inadequate. Again, by the constraint of academic calendar within which the study should be completed, not every insurance company in Ethiopia were included in the sample, though that is desirable for generalizing the findings to the entire insurance industry. Therefore, this study was conducted on a single insurance company and the sample for this study was limited to a sizeable two hundred ninety (290) customers. Consequently, the expected results of this study could be applied up to some extend in the same industry but cannot be generalized for the whole service industry.

1.9. Organization of the Study

This research was organized into five chapters. Chapter one presents the general introduction about the whole report i.e., the background of the study, statement of the problem, research questions, research objectives, significance of the study, scope of the study & limitation of the study. Chapter two describes the conceptual review, theoretical review, empirical review, conceptual framework of the literature review & knowledge gap related to how the motor insurance claims management process affects customer satisfaction. Chapter three provides research design and approach, sample and data collection methodologies, and data analysis methodologies. Chapter four presents the finding of the study. The final chapter presents the summary, conclusion, & recommendation of the study.

CHAPTER TWO

2. LITERATURE REVIEW

This chapter mainly devoted to reviewing concepts and theories developed on issues related to service quality, customer satisfaction and insurance claim services. The section also revisits empirical evidences from a variety of literatures using service quality in insurance claim services as a lens. Finally, conceptual model that will help the study to classify relevant facts has also been presented right after empirical studies related to issues under the investigation are reviewed.

2.1. Conceptual Review

To better understand the concept of service quality and satisfaction in insurance claim service, we should look into the definitions of the four main concepts of this research service quality, customer satisfaction, insurance and claim service, which are discussed in detail below.

2.1.1. The concept of service quality

The definition of quality may vary for person to person and from situation to situation. The definition of service quality vary only in wording but typically involve determining whether a perceived service delivery meets, exceeds, or fails to meet customer expectations, (Zeithaml et al., 1993). Service quality has also been defined by Czepiel (1990) as a customer perception of how well a service meets or exceeds preconceived expectations. Service quality is commonly noted as a critical prerequisite and determinant of competitiveness for establishing and sustaining a successful relationship with customers.

Cronin and Taylor (1992) viewed service quality as a form of attitude representing a long run overall evaluations. Maintaining service quality at certain level and improving service quality must be an effort to those companies who desire life-time prosperity in customers' heart.

Previous studies suggest that service quality is an important indicator of customer satisfaction (Spreng and Machoy, 1996).Attention to service quality can make an organization different from other organizations and helps it to gain a lasting competitive advantage (Boshoff and Gray, 2004). Service quality can be considered as part of the offered package. According to Turban

(2000), customers prefer service quality when price and other cost elements are held constant. The satisfaction a customer gets from quality of service offered is usually evaluated in terms of technical quality and functional quality (Gronroos, 1984). According to Gronroos (1984), perceived quality of a given service is the result of an evaluation process since consumers often make comparison between the services they expect with perceptions of the service that they receive. He concluded that the quality of service is dependent on two variables that are expected service and perceived service. Furthermore, Sureshchandar et al., (2002) identified five factors of service quality, which were core service or service product, human element of service delivery, systematization of service delivery, tangibles of service, and social responsibility.

Usually, customers do not have much information about the technical aspects of a service; therefore, functional quality becomes the major factor from which customers form perceptions of service quality (Donabedian, 1982).Service quality can be measured in terms of customer perception, customer expectation, customer satisfaction, and customer attitude (Sachdev and Verma, 2004).The evaluation of service quality leads to customer satisfaction (Ekinci, 2003). In competitive business world, service quality is considered as a competitive factor of an organization. Moreover, it is also considered as an essential determinant that allows an organization to differentiate for other organization. It helps an organization to again sustainable competitive advantage.

2.1.2. The concepts of customer satisfaction

The concept of customer satisfaction has drawn the attention of practioners and academics from last several years based on the fact that customers are the primary source of profit for most of the firms operating in the market (Tam, 2004).

Customer satisfaction is a term most widely used in the business industry. Kotler (2000) defines Customer satisfaction as a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations. Brown et al (1992) defines customer satisfaction as the state in which customer needs, wants and expectations throughout the product or service's life are met or exceeded resulting in repeat purchase, loyalty and favorable worth-of mouth. 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). 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.

Customer satisfaction is often viewed as a central determinant of customer retention and business success, without customers the service firm hardly be able to exist, thus, every service giving organization needs to proactively define and measure the level of customer satisfaction (Reincheld, 1996). They are dissatisfied when expectations are not fulfilled by actual experience: satisfied when expectations are fulfilled; and very satisfied, or thrilled, when they are exceeded.

Kobylanski and Pawlowska (2012) postulated that customer satisfaction means the sense of receiving acceptable systematic management through the process of continuous improvement. Customers always expect businesses to have a dynamic and seamless service delivery process that is simple and meet standards and expectations so customers can receive unquestionable service. Customer satisfaction is not a static concept. Many internal and external events can quickly change a satisfied customer into a dissatisfied one. Companies that commit themselves to satisfying customers must establish a system to continually monitor customer satisfaction. Marketing research findings ascertaining that satisfied customers are likely to continue their relationship with the firm, and they are less costly to approach than new customers. Therefore, the fact that attracting new customers is much more expensive than keeping old ones, explains the corporate drive toward increased consumer satisfaction. Additionally, customer satisfaction renders multidimensional benefits to the business form. Kotler (2006) considered customer satisfaction to be the best indicator of a company’s future profit. Likewise, Anderson et al. (1994) found that customer satisfaction has a direct outcome on the primary source of future revenue streams for most of the companies, they studied. Other scholars and practitioners (Fornell, 1992; Swanson and Kelley, 2001); have pointed out that the benefits of satisfied customers can be manifested in terms of positive word of mouth, repeated purchase, less defection to competitors, satisfied employee, solution against price competition, great reputation, etc.

2.1.3. Relationship between Service Quality and Customer Satisfaction

Customer satisfaction and service quality are interrelated. The higher the service quality, the higher is the customer satisfaction. Many agree that there are no recognized standard scales to measure the perceived quality of a service. Thus, competitive advantage through high quality service is an increasingly important weapon to survive. Measuring service quality seems to pose characteristic of services that are intangibility, heterogeneity, inseparability, and perishability. Because of these complexities, various measuring modes have been developed for measuring perceptions of service quality (Gronroos, 1984; Parasuraman, 1985; 1988; Bahia & Nantel, 2000).

According to DeRuyter et al. (1997), service quality has been found to be an antecedent of customer satisfaction based on their empirical test on health care service of chiropractic care. In addition, Antreas (1997) found that service provider perceptions about customer satisfaction are a function of perceived service quality. In addition to these, Sureshchandar et al., (2002) found that service quality and customer satisfaction were highly related.

In addition, Mittal & Lassar (1998) found that there was a relationship between service quality and customer satisfaction.

2.1.4. Concepts of insurance and insurance claim service

2.1.4.1. The concept of insurance

Scholars and writers have given various definitions of insurance from different perspective such as economic, social, and legal and the like (Rejda, 2003). Rejda and McNamara, (2017) provide an economic definition of insurance as insurance is the pooling of accidental losses by transfer of such risks to insurers, who agree to indemnify insured's for such losses, to provide other financial benefits on their occurrence, or to render services connected with the risk. Pritchet et al. (1996) in Esubalew (2019) provide that insurance is a social device, in which a group of individuals (called "insured's") transfer risk to another party (called the "insurer") in order to combine loss experiences, which permits statistical prediction of losses and provides for payment of losses from fund contributed (premiums) by all members who transferred risk. Article 654 (2) of Commercial Code of Ethiopia (1960:140) provides a legal definition of insurance as follows:

An insurance policy is a contract whereby a person called the insurer undertakes against payment of one or more premiums to pay to a person, called the beneficiary, a sum of money where a specified risk materializes. In general all the three definitions shares a common concept that the insurance system is based on the concepts of risk pooling and risk sharing, as well as the law of big numbers. Pooling and sharing refers to the pooling of similar insurance pure risks of individuals and organizations, estimating the pool's expected losses, and then dividing the pool's predicted losses on an unbiased basis to all persons in the pool.

In Ethiopia, motor insurance dominates the sector. According to (NBE, 2014-2018) the market share of motor insurance in the industry over the five years (2014-2018) was 55%. Therefore, the following section discussed the nature of motor insurance.

2.1.4.2. The nature of motor insurance

Any vehicle moving on a road by mechanical or electrical power can be considered for motor insurance. The significance of motor insurance is to indemnify the covered losses of the insured vehicle due to accidental own damage and the liability against third party person and property due to theft, overturning, collision and fire depending upon the type of cover. The subject matter in motor insurance is motor vehicle. As per federal democratic republic of Ethiopia Vehicle insurance against third party risks Proclamation No 799/2013, Article 2(6), "Motor Vehicle" is defined as any vehicle moving on a road by mechanical or electrical power; and according to Article. 2(5) "Vehicle" is defined as any wheeled motor vehicle, semi-trailer or trailer for use on the road with the exception of wheelchair and bicycle.

Motor insurance cover can be seen as three different cover policies that is own damage cover for the damage or theft of own vehicle; third party cover which became mandatory under the Federal Democratic Republic of Ethiopia Compulsory Motor Third Party Insurance Proclamation No.559/2008 for liabilities to third party risks and third party plus fire and theft cover that will indemnify for losses of third party including due to fire and theft. A customer can buy one or both types. To have a full coverage for a vehicle the insured should have both own damage and third party cover. Currently, in Ethiopia, own damage insurance is optional and third party insurance is mandatory.

Motor own damage insurance is divided into two as motor private and motor commercial depending on the nature and use of the vehicle. A vehicle is classified as private vehicle if it is used solely for social, domestic, pleasure and professional purposes or business calls of the insured. The term "private use" does not include use in connection with the motor trade, racing, commercial travelling and hire and reward. On the other hand, commercial vehicles are goods carrying vehicles as well as passenger carrying vehicles. It is used to describe different types of vehicles that are intended or designed to carry goods and passengers. It ranges from trucks, busses to small goods caring delivery vans and small mini buses.

2.1.4.3. The concept of insurance claim service

A claim is a demand on the insurance company to fulfill its portion of the promise, committed to while writing contact with the insured (Krishnan, 2010).According to Asokere and Nwankwo (2010) it is the demand made by the insured person under to the insurer for the payment of benefits under a policy. Brooks et al. (2005) earlier submitted that an insurance claim is also a demand by a person or an organization seeking to recover from an insurer for a loss that an insurance policy might cover. A claim, according to Vaughan and Vaughan (2008), is described as a notification to an amount is due under the terms of a policy.

According to Francis and Butler (2010) claim is a defining moment in the relationship between an insurance company and its customer. Similarly, such relationship can become healthy if the insurers are able to address five key issues such as: taking greater control of the claim process; understanding their customer; choosing the right claims model for their business; developing a mutually beneficial relationship with other service providers; and gaining an information advantage (Francis and Butler, 2010).

Singh (2012) opines that insurers can transform the claims processing by leveraging modern claims system that are aligned with robust business intelligence, document and content management system that will improve claims processing efficiency and effectiveness.

2.2. Theoretical Review

2.2.1. Theoretical models of service quality assessment in the insurance sector

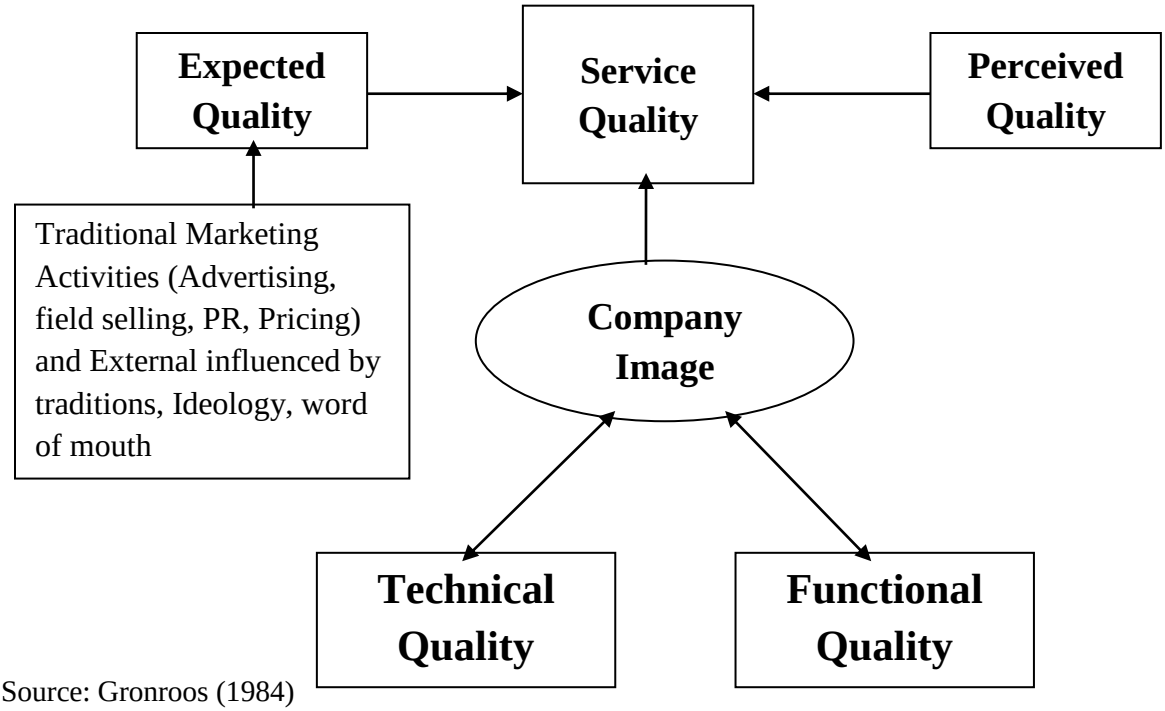
To measure quality of service various researches have been tried to develop quality measurement models in the light of the changed business scenario. Thus in this research brief explanations of the two major models have been given in the following manner:

2.2.1.1. Technical and functional quality model

One of the theoretical models which are used to study service quality assessment is the technical and functional quality model prepared by Gronroos (1984). The concept of this model distinguishes two categories of service quality—technical quality and functional quality. The result of operational processes, i.e., benefits for the customer, resulting from this service provision, constitutes the technical dimension; whereas, the functional dimension describes the process of service provision as perceived by the customer.

The perception of quality by customers includes both the final result as well as the whole process of providing the service (Hemmasi et al., 1994). Moreover, we should pay attention to the links and correlations existing between these two quality types. Firstly, the improvement of technical quality has a significant impact on functional quality. Secondly, the interrelations between these areas not only raise the value of the service in the eyes of the customer, but also become an important factor of competitive advantage in the market. In order to fully assess the quality of a given service process, one should consider the so-called expected quality, which is a measure of the confrontation of expectations and demands in the mind of a potential buyer (Garczarczyk, 2002). The above described categories of service quality are presented in Figure 1. The concept proposed by Gronroos, is the key category of every marketing strategy formed by companies dealing in the service sector. It can be concluded that the total service quality assessment includes itself both objective and subjective aspects (Gronroos, 2000).

Figure 1 Gronroos Technical and functional Model of Service Quality



Source: Gronroos (1984)

2.2.1.2. Gap model

A different view on service quality is presented by the gap theoretical model. The gap model was proposed by Parasuraman et al. in 1985. The model presupposes that service quality is a function of the differences between expectation and performance relating to quality dimensions. These differences are referred to as gaps. The gaps model (figure 2) identified and conceptualizes the following five gaps in the service quality. Identifying gaps in customer service allows companies to develop tactics to overcome or remove those gaps. Businesses that understand the five gaps in customer service are more prepared to avoid or overcome the problems encountered in areas where service typically breakdown.

Gap 1: Difference between customers' expectation and management's perceptions of those expectations, i.e. not knowing what customers expect. It represents the difference between what customers want customer expectations and what the company thinks they want management perceptions. Gap 1 usually occurs for one reason: the people responsible for establishing service levels neither talk nor listen to their customers. Companies often believe they already know what their customers want, though they have never done any quantifiable.

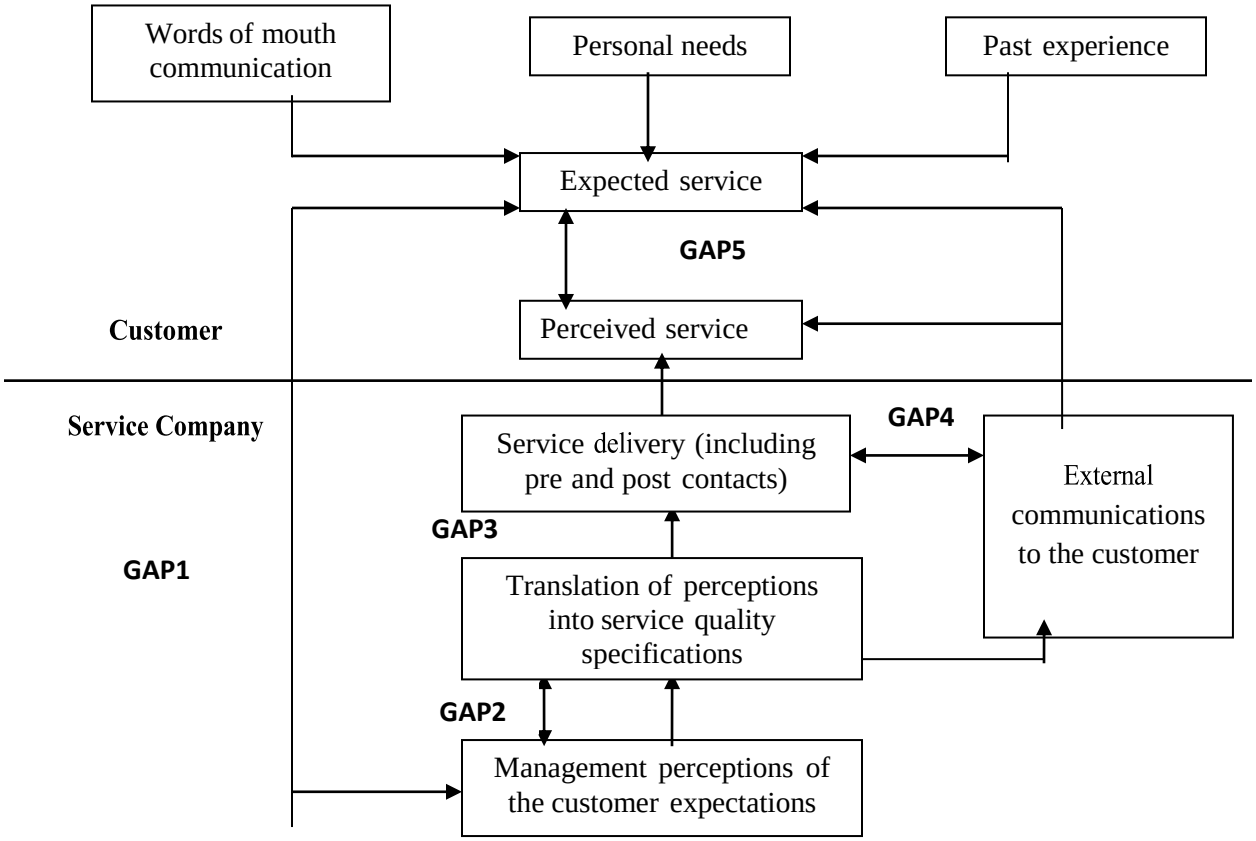
Gap 2: Difference between management's perceptions of customers' expectations and service quality specifications, i.e. improper service-quality standards. It represents the difference between what a company's management believes that customers want and the service specifications that management sets for the work that its employees do.

Gap 3: Difference between service quality specifications and service actually delivered i.e. the service performance gap. It represents the difference between the service specifications set by the company and the service that it actually delivers. Even when a company established adequate procedures and appropriate job-performance specifications, the company's employees may not perform at the level set by shoes specifications.

Gap 4: Difference between service delivery and the communications to customers about service delivery, i.e. whether promises match delivery? It represents the discrepancy between the service a company advertises that it will provide and the actual service levels that it does provide. From the customer's point of view, this gap can be the most glaring and damaging. It is also one of the most common.

Gap 5: Difference between customers' expectation and perceived service. This gap depends on size and direction of the four gaps associated with the delivery of service quality on the service company's side.

Figure 2 The Gap Model of Service Quality



Source: Parasuraman et al., (1985)

So as to measure customer satisfaction with respect to different aspects of service quality and to overcome problems that are created as a result of the gap between management and customers, a survey instrument was developed by Parasuraman et al. in 1988. The instrument is called SERVQUAL. The basic assumption of the measurement was that customers can evaluate a company's service quality by comparing their perceptions with their expectations. Normally, it is designed to measure service quality as perceived by the customer.

According to Parasuraman et al. (1985), regardless of the type of service, consumers basically use the same criteria to assess quality. Service quality is a general opinion the client forms regarding its delivery, which is constituted by a series of successful or unsuccessful experiences. Managing gaps in service will help the company improve its quality. But gaps are not the only means clients use to judge a service. They can also use five broad-based dimensions as judgment criteria. The five dimensions of service quality are explained hereunder:

I. **Reliability**: Is the company reliable in providing the service? Does it provide as promised? Reliability reflects a company's consistency and certainty in terms of performance. Reliability is the most important dimension for the consumer of services. Reliability is the ability to carry out the promised service dependably and accurately or doing what you say you will do.

II. **Tangibility**: How are the service provider's physical installations, equipment, people and communication material? Since there is no physical element to be assessed in services, clients often trust the tangible evidence that surrounds it when making their assessment (Lovelock and Wirtz, 2007). Tangibility dimension also includes the appearance of physical facilities, equipment, personnel and communication materials.

III. **Responsiveness**: Are company employees helpful and capable of providing fast service? It is responsible for measuring company and employee receptiveness towards clients. Responsiveness is the willingness to help customers and to deliver prompt service. Customers judge a company's responsiveness by considering the amount of time it takes and the attentiveness that is offered in response to their demands, questions, complaints, and problems (Sheaba and SekataKenea, 2017).

IV. **Empathy**: This is the capacity a person has to experience another's feelings. Does the service company provide careful and personalized attention? These elements clearly have a highly subjective factor linked to the person who perceives the service. Empathy is defined as the caring individualized attention the firm offers its customers. Gronroos (2000) states that clients perceive the level of a company's empathy by the degree of personalized service offered.

V. **Assurance**: Are employees well-informed, educated, competent and trustworthy? This dimension encompasses the company's competence, courtesy and precision. Assurance is well-defined as employees' knowledge, courtesy, the ability of the firm and its employees to inspire trust and confidence.

On their empirical research, Parasuraman, et al., (1988) identified a total of 22 factors distributed under the five service quality dimensions i.e. Responsiveness, Empathy, Tangibles, Assurance

and Reliability. The service quality measurement scale is comprises a total of 44 attributes (22 for expectations and 22 for perceptions). Customers' responses to service expectations and perceptions that is acquired by a 5-point Likert scale and are calculated to arrive at (P-E) gap scores. The quality gap (Q) is calculated by subtracting the expectation (E) from the perception (P) value i.e. P-E = Q. Summation of all the Q values provides an overall quality rating which is an indicator of relative importance of the service quality dimensions that influence customers' overall quality perceptions. Therefore, according to the gap model, the service quality is a function of perception and expectations and can be modeled as:

$$SQ = \sum_{j=1}^{22} (P_{ij} - E_{ij})$$

where

SQ = overall service quality; 22 = total number of attributes.

Pij = Performance perception of customer i with respect to attribute j.

Eij =Service quality expectation for attribute j that is the relevant norm for customer i.

The higher is the perception minus expectation scores, the higher is the level of service quality (Parasuraman et al., 1985). The concept of measuring the difference between expectations and perceptions in the form of the SERVQUAL gap score proved very useful for assessing levels of service quality. Parasuraman et al., (1985) argue that, with minor modification, SERVQUAL can be adapted to any service company. They further argue that skills of SERVQUAL (Gap model) used to identify diagnose where performance improvement can best be targeted. The SERVQUAL gap model is the most valuable and one of the best received contributions to the service literature. Therefore, in this research with some minor modification on SERVQUAL, it will try to apply to assess Abay insurance company's claim service quality.

2.2.2. Theoretical models for customer satisfaction measurement

Consumer satisfaction has been conceptualized in the marketing literature as the difference between perceived performance of a product/service and some cognitive standards such as expectation and desire of consumers (Oliver, 1980; Cronin and Taylor, 1992). In this regard satisfaction is the result of perceived product performance and some expectation or desire of

consumers. This results in a confirmation or disconfirmation of customer expectation and desire. Disconfirmation theory of consumer satisfaction suggests that customer satisfaction/dissatisfaction is the disparity that exists between the performance of a product/service and some cognitive or emotional standards of the consumer, such as desire and expectation of customers. If perceived performance exceeds or falls short of expectation or desire, there is positive disconfirmation or negative disconfirmation and the customer is satisfied or dissatisfied respectively. Desire Disconfirmations (DD) and Expectation Disconfirmation (ED) are both empirically validated to significantly explain customer satisfaction (Khalifa and Liu, 2002).

Previous studies (e.g. Danaher and Haddrell, 1996) have identified three broad categories of measurement scales used in customer satisfaction measurement. They are performance scales, disconfirmation scales and satisfaction scales. Performance scales are those that use scales such as poor, fair, good and excellent; disconfirmation scales are those that use scales such as worse than expected to better than expected; and satisfaction scales are those that use scales such as very dissatisfied to very satisfied.

Disconfirmation scales are based on the disconfirmation theory. Oliver (1980) was the first to propose and developed the expectancy disconfirmation theory. It has been verified and recommended that the use of disconfirmation scales is useful for three reasons. "First in one disconfirmation-based single question, it captures succinctly Parasuraman et al.'s (1988) two-stage SERVQUAL measurement, i.e. much worse than expected to much better than expected. Second, it is shown mathematically that comparison with expectations will correlate higher with customer retention than either a quality question or a satisfaction question (Rust and Oliver, 1994). Lastly, using disconfirmation scale is better because a customer rating service quality highly, for example as good or excellent, may not perceive it as 'better than expected' (Rust and Oliver, 1994).

For the above reasons, in this study, the theoretical framework for measuring overall customer satisfaction with service quality uses satisfaction scales and a five-point disconfirmation scale: from much better expected or desired to much worse than expected or desired.

2.3. Empirical Review

A lot of researchers examined the effect of claim handling on customer satisfaction. They came to different conclusions depending on the country, method and time of study. This section presents the various studies done, the methods used, the countries of research and the results obtained.

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 claim reviewing, responding and repairing processes significantly affect on client satisfaction.

A research conducted by Kassahun (2015) with entitled the impact of service quality on customer satisfaction of Ethiopian Insurance Corporation showed that reliability and responsiveness raised the highest level of expectation and the five service quality dimensions had a positive correlation and impact with customer satisfaction and there was a negative service gap.

Arokiasamy and Tat (2014) conducted a study on assessment and relationship between service quality and customer satisfaction in the Malaysian Automotive Insurance Industry. The major objective of the study was to assess if there exists relationship between service quality and customer satisfaction. Finding of the study showed that good relationship exists between service quality dimensions and satisfaction. And finally the researcher put forward the study could benefit other financial service companies to gauge and enhance their customer satisfaction level with improve service performance.

A study conducted Perera and Gamage (2019), in motor insurance policy holders in insurance companies in Sri Lanka to investigate attitudes towards the existing situation of the service quality of the motor insurers and to examine the customer satisfaction and intention behavior to retain with existing company, the study found that customers were neither disagree nor agree with the existing situation of the insurers. Further, it was found that, there was strong positive relationship between functional quality dimensions with customer satisfaction, except tangible and assurance dimension which are having moderate positive relationship between the variable.

Moltot (2016) conducted a study under the title "assessment of challenges and prospects of motor claims management in Africa insurance company S.C." the findings reveal that the current claims management process is a major problem area that needs to be addressed to improve customer satisfaction. Lack of current and clear claims management manuals and processes, as well as a lack of trained, knowledgeable, experienced, and devoted claim professionals in claims service, were cited as major issues by Africa insurance company's customers.

Akalu (2015), the study entitled "The effect of service quality on customer satisfaction in selected insurance companies in Addis Ababa". The study focused to examine the effect of service quality on customer satisfaction in selected insurance companies in Addis Ababa by applying SERVEQUAL model comprising five dimensions: Tangibility, reliability, responsiveness, assurance and empathy. The data collected from 141 questionnaires were analyzed using gap score, statistical tools such as mean, correlation and multiple regression analysis. The gap score between perception and expectation of customers of the insurance companies showed that there is a negative gap score in all service quality dimensions meaning those customers' expectations exceeds their perception. The study also indicated that the five service quality dimensions have positive and significant relationship with customer satisfaction. The study showed that the selected insurance companies in Addis Ababa were not providing the level of service quality demanded by customers. The findings suggested that the insurance companies need to improve all the dimensions of service quality.

2.4. Summary of the Literature Review and knowledge Gap

The significant market share of motor insurance in the insurance industries on the one hand and its poor results on the other prompted many researchers to perform numerous motor insurance claim service quality studies. The success or failure of the company's efforts is heavily reliant on the level of service offered to this class. As previously stated, a claims package from an insurer serves as a point of contact and a litmus test for the company's claims service.

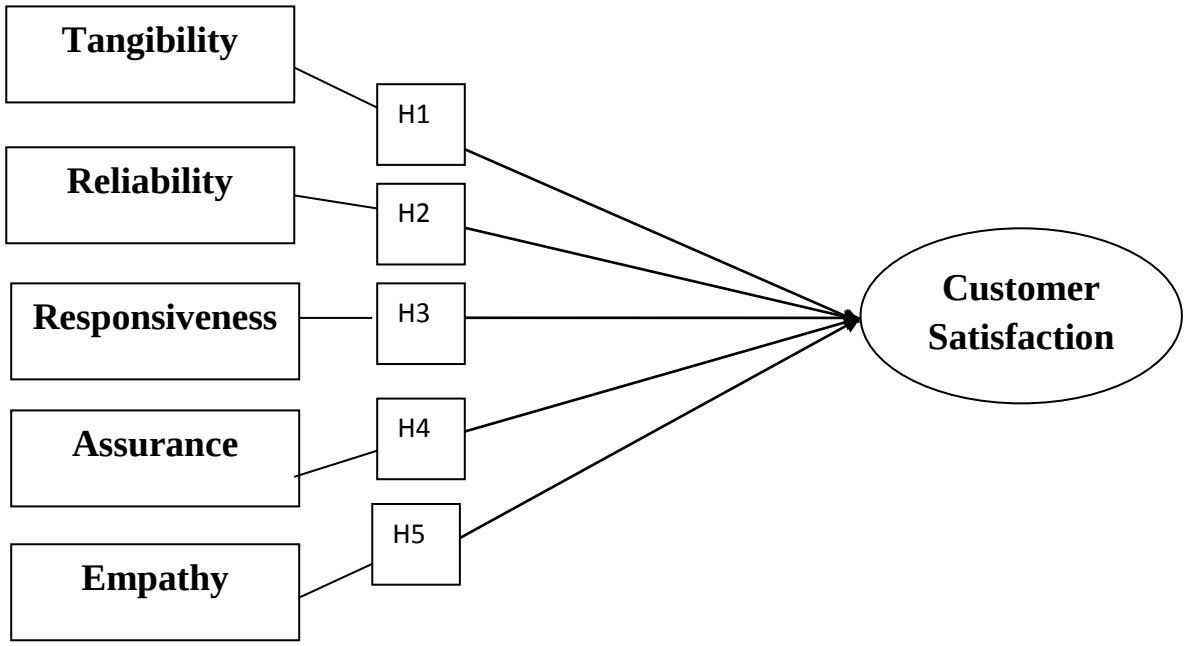
To the best of the researcher's knowledge a specific examination of motor claim service quality focusing on the corporate customers, has not been conducted. To identify the issue and provide appropriate solutions, it is crucial to first establish the quality of motor claim service quality, as well as the satisfaction of Abay insurance corporate motor insurance customers. The goal of the

study is to assess the motor claims service quality that affect corporate customer satisfaction in AISC.

2.5. Conceptual Framework of the study

Conceptual frameworks have been developed based on the conceptual, theoretical and empirical review of the motor claim service quality that motor insurance customers experience and could influence their level of satisfaction. The conceptual framework indicates the crucial process, which will be useful to show the direction of the study. The study shows the relationship between the five motor claim service quality dimensions (the independent variables including tangible, reliability, responsiveness, assurance and empathy) and customer satisfaction (the dependent variable).

Figure 3 Conceptual framework



Source: adopted from Parasuraman et al., (1988).

Based on the conceptual framework, the hypotheses of this study include;

H1: Tangibility dimensions of motor claim service quality have significant positive effect on customer satisfaction

H2: Reliability dimensions of motor claim service quality have significant positive effect on customer satisfaction

H3: Responsiveness dimensions of motor claim service quality have significant positive effect on customer satisfaction

H4: Assurance dimensions of motor claim service quality have significant positive effect on customer satisfaction

H5: Empathy dimensions of motor claim service quality have significant positive effect on customer satisfaction

CHAPTER THREE

3. RESEARCH METHODOLOGY

After establishing the theoretical and conceptual issues of the study, this chapter presents the research methods/approach that was adopted for sourcing data in order to accomplish the study objectives. It contains the research design, target population, sample size, sampling techniques, data collection technique/instruments and the methods of analysis.

3.1. Research Design

Descrptive and explanatory research design was used. Because this study tries to investigate the impact of claim service quality on corporate customers satisfaction in motor insurance service sector within AISC. To obtain appropriate information the investigator uses cross sectional research design.

3.2 Research Approach

Based on the research design a quantitative descriptive and explanatory approach was used to assess the data at hand. The explanatory research is a research approach whose purpose is to explain an event or circumstance that is related to variables that can be analyzed using quantitative/statistical approach in order to test the hypothesis that has been set and, in this research, questionnaire was used as an instrument. Besides, the study was carried out between February and May 2024.

3.3. Study population, Sampling Technique and Sample Size Determination

The population in this research is 1,057 motor insurance corporate customers of AISC Addis Ababa branch who have used motor claim service at least once in the past in order to know the experience, perception and expectation of corporate motor service claimants during an accident in Addis Ababa (company's planning department, 2023). The data collections for the corporate customer motor claimants were carried out with contacting the corporate customers while they were claiming for their accident by the time and others during the renewal of their annual policy of motor insurance but now making sure that they had claimed at least once. The contacts were

made through customer service officers who were in place to contact customers being at the front desk. The claims service of AISC is centralized at head office handling all claims reported by corporate customers who are insured in any branch of the company found in Addis Ababa.

The study uses simple random sampling technique to identify sample customers from AISC Addis Ababa branch. The reason behind using this technique is that it gives equal chance for the targeted population to be included in the sample an important desirable property which only exists in the case of simple random sampling methods. The sample size was calculated using a simplified proven formula of (Yamane, 1967) for a finite population size designated as:

$$n = \frac{N}{1 + N(e^2)}$$

where,

n= Sample size

N= Total of population (1057)

e= Sampling error (5%) at 95% of level of confidence

$$n = \frac{1057}{1 + 1057\ (0.05 * 0.05)} = 290.19 = 290$$

Accordingly, sample size of 290 corporate customers was taken from Addis Ababa branch who have claimed at least once.

3.4 Method of Data Collection

For the proper achievement of the objectives of the study; the researcher uses both primary and secondary data source. Secondary data for this study was collected through document review. While, primary data was collected using structured questionnaires. Documentation involves collecting information and data from existing reports, journals and any relevant publications. The structured questionnaire has three major parts. The first part is about the demographic characteristics of respondents. The second part was designed to measure the quality of motor claim service delivery processes of AISC Addis Ababa branch by using the SERVQUAL model

as proposed by Parasuraman et al (1988), comprising five dimensions of service quality. The dimensions are Empathy, Responsiveness, Assurance, Tangibility, and Reliability. The researcher uses a five-point Likert scales, representing a range of attitudes from very low (1) to very high (5), to measure service quality expectations and perceptions respectively. The third part was designed to measure the overall customer satisfaction with Abay insurance's handling of their motor insurance claims. The dimensions of motor claim service quality delivery (independent variables) were measured using the SERVQUAL model, whereas the customer satisfaction (dependent variables) was measured using five items which comprised a range of scales from much worse than expected (1) to much better than expected (5).

3.5 Method of Data Analysis

After data collection quantitative data was organized, coded, tabulated and checked for appropriateness and finally quantitative data analysis was done by the use of the Statistical Package for Social Scientists (SPSS) software version 22. The descriptive statistical tools such as mean, frequency, standard deviation and percentages through SPSS plus Pearson product correlation coefficient were also applied to investigate the relationship among variables. Multiple regression analysis was used to investigate the effect of motor claim service quality dimensions (Tangible, reliability, responsiveness, assurance, empathy) on corporate customer satisfaction. Presentation devices such as tables, graphs, and charts were also used to analyze and present the results.

3.6 Model specification

The multiple regression statistics that was employed to establish a statistically significant relation between motor claim service quality dimensions and corporate customer satisfaction of AISC were based on the following regression model:

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

Where;

Y= Customer satisfaction of AISC.

X1= Tangibility dimension of claim service quality

X2= Reliability dimension of claim service quality

X3= Responsiveness dimension of claim service quality

X4= Assurance dimension of claim service quality

X5= Empathy dimension of claim service quality

$\beta_0\beta_1\beta_2\beta_3, \beta_4, and\ \ \beta_5$ are the coefficients of the variables to be estimated.

e is the error term

3.7. Reliability and Validity Test

In order for results to be usable to conduct further research they must be reliable and valid. Reliability refers to the consistency of scores or answers from one administration of an instrument to another and from one set of items to another. If an instrument is reliable, it provides consistent results; it gives the same outcome each time it is used. Reliability can be equated with the stability, consistency, or dependability of a measuring tool (Fraenkel et al, 2008). On the other hand, validity tries to assess whether a measure of a concept really measures that concept, that is, the extent to which the concept measures what it was designed to measure (Singh, 2007).

When a measure is reliable and valid the results can be correctly utilized and understood. Although reliability and validity are two different concepts, they are related in some way because validity presumes reliability, which means that if a measure is not reliable it cannot be valid, though the opposite is not true and a study can be reliable even if it is not valid. Cronbach's alpha is a commonly used test of internal reliability. A computed alpha coefficient varies between 1, denoting perfect internal reliability, and 0, denoting no internal reliability. The figure of 0.70 or more usually is treated as a rule of thumb to denote an accepted level of reliability (Singh, 2007). To check whether the 22 items of the five SERVQUAL dimensions for both perceived and expectation performance meet consistency reliability or not, the researcher run a Cronbach's alpha test, and results given in Table 1 show that Cronbach's alpha for perceived performance and expectation were 0.790 and 0.814 respectively which indicates all good and acceptable reliability scales (Table 1). Therefore it can be concluded that all the 44 (22+22) questions used in the questionnaire are reliable to assess service quality of Abay insurance's claim service.

Moreover as Table 2 and 3 below show, results for the scale reliability statistics (Cronbach's alpha statistics) for each dimension and customer satisfaction measurements are also well clear of the cut-off point of high reliability i.e., 70% respectively. Therefore, it can be established that the instrument used for the study is reliable.

Table 1 Alpha Cronbach's reliability test result for the 22 SERVQUAL measurement items

Variable	Number of Items	Cronbach's Alpha of expectation performance	Cronbach's Alpha of perceived performance	Number of questionnaire
SERVQUAL	22	0.814	0.790	290

Source: Primary data collected (2024)

Table 2 Alpha Cronbach's disaggregated reliability test result for the 5 SERVQUAL dimensions

Dimensions	Number of Items	Cronbach's Alpha of expectation performance	Cronbach's Alpha of perceived performance	Number of questionnaire
Tangibility	4	0.818	0.782	290
Reliability	5	0.876	0.812	290
Responsiveness	4	0.751	0.830	290
Assurance	4	0.791	0.794	290
Empathy	5	0.712	0.770	290

Source: Primary data collected (2024)

Table 3 Alpha Cronbach's Reliability test result for the 5 customer satisfaction measurements

Variable	Cronbach's Alpha	Number of Items	Number of questionnaire
Customer satisfaction	0.713	5	290

Source: Primary data collected (2024)

The content validity of the instrument for the present study ensured as the service quality dimensions and items were identified from the literature and from similar thesis works. Researcher has also carried out pilot testing study to see whether the questionnaires can obtain the results which the researcher required to meet his objectives. Researcher did several methods to conduct pilot testing:

- Researcher requested professional in the field of motor insurance claims service management and professor to review the questionnaires and if there are any ambiguities which researcher hasn't noticed.

- Researcher sent out a number of questionnaires to corporate customer motor claimants which visited AISC head office who will be taking part in the main survey.

3.8. Ethical Consideration

Measures were taken to ensure the respect, dignity and freedom of each participant of the study. Complete confidentiality of the study subjects was also emphasized. Names of respondents were not recorded anywhere on the final report. The researcher was first informed participants the purpose of the study and requested their consent to take part in the research. Their participation was purely voluntary and they were guaranteed confidentiality and anonymity during data handling. Further, participants were told that they have the right to withdraw from the study at any time if they feel uncomfortable with their participation. Only those individuals who were voluntary were approached for the purpose of data collection.

CHAPTER FOUR

4. DATA PRESENTATION, ANALYSIS AND DISCUSSION

This chapter reveals the results and discussions of the research. The data collected through the means of questionnaires are analyzed and interpreted using the SPSS Version 22.0 software. The researcher spent six weeks in AISC head office in the distribution and collection of the questionnaires. Questionnaires were distributed among customers of AISC basically corporate customers who have claimed at least once. Data collections were continued until a total of 290 questionnaires were fully filled by corporate customers which were the sample size determined for this study. Therefore, 290 questionnaires served as data for analysis to present the findings and draw conclusion.

Data analysis for this study was done in two steps, the preliminary analysis and the main analysis. For preliminary analysis which involves mainly descriptive statistics to summarize data, the demographic characteristics including respondents personal and motor insurance experience with Abay insurance of the sample corporate customers were outlined in order to simplify the understanding of the data. The main analysis involved the gap score analysis whereby descriptive statistics and regression analysis were applied to summarize means of customers' perceptions and expectations of service quality and explain the relationship between service quality dimensions and customer satisfaction respectively. The descriptive statistics used to determine overall service quality perceived by customer, service quality dimensions that brings satisfaction and to determine what should be done to improve customer satisfaction. While the regression analysis used to identify the most important service quality dimensions that affects customer satisfaction significantly.

4.1. Demographic Characteristics of the Sample

This section presents information about the demographic characteristics of the respondents in line to their personal and relationship with AISC.

4.1.1. Respondents Personal Profile

The respondents' personal profiles include: gender, age, level of education and about the company profile of the sample customers particularly their business type. As profile data of respondents are demonstrated in table 4, males were 69% while females were 31% this indicated that customers are more dominantly by males. As far as age of respondents is concerned, 21.9% of the respondents are in the range of 18-30 years, 40.3% of the respondents are in the range of 31-40 years, 28.6% are in the range of 41-50 years, and 10.0% are above 50 years. Thus, the majority respondents' age is between 31 and 40 years. With regard to educational level of respondents, high school are 20.7%; diploma holders represented 30.3% of the respondents and first-degree holders represented 40.7% of the respondents. Finally, masters or second-degree holders and above represented 8.3% of the respondents; so that a majority of the respondents were diploma and first-degree holders forming 71.0%. This result was attested that the majority of the respondents were graduates who have the required knowledge to understand the questions in the questionnaire that asked customers to measure the service quality and rate their overall level of satisfaction on the quality of services which they experienced in their visit of AISC head office.

Table 4 Distribution of respondents' profile

Characteristics	Frequency	Percent
	N	%
Sex of the respondents		
Male	200	69.0
Female	90	31.0
Total	**290**	**100.0**
Age of the respondents		
18-30	61	21.0
31-40	117	40.3
41-50	83	28.6
51 and above	29	10.0
Total	**290**	**100.0**
Education of the respondents		
High school	60	20.7
Diploma	88	30.3
First degree	118	40.7
Second degree and above	24	8.3
Total	**290**	**100.0**
Main businesses activity of your company		
Agriculture	27	9.3
General trade (wholesale and retail)	128	44.1
Service	95	32.8
Manufacturing	40	13.8
Total	**290**	**100.0**

Source: Own survey, 2024

4.1.2. General information about sample motor insurance customers' relationship with AISC

This section presents information about motor insurance customers' relationship with AISC includes the type of motor insurance cover, length of relationship with AISC and frequency of claim. As motor insurance customers' relationship with AISC are demonstrated in table 5 below shows that about 52% of the respondent were third party insurance coverage and the reaming 48% were motor compressive coverage. This implies that majority of the motor insurance customers of AISC had third party insurance coverage.

The other two main variables that the respondents were asked were length of relationship with AISC and frequency of claim. The number of years a customer has relationship with AISC and the frequency of claim the customer made in the past could determine the customer's experience of the claim service delivery in AISC. It also determines one's ability to evaluate the level of service quality. Accordingly, the respondents were asked to give the number of years they have relationship with AISC and the number of times they made claim in AISC. With regard to the length of relationship with AISC; 29.0% of the respondents answered they had 1 to 4 years of relationship with AISC as motor insurance customer, 31.7 % of the survey respondents indicated that they had 5 to 7 years of relationship with AISC, 24.8% of the respondents answered they had 8 to 10 years of relationship with AISC, while 14.5 % had more than 10 years of relationship (Table 5). Therefore, it can be said that motor insurance customers had relatively average experience on motor insurance service related issue which indicates that almost half of them are well experienced which can able them measure motor insurance claim service quality. Finally with regard to frequency of claim made by sample customers, majority of the respondents (30.3%) indicated that they made motor insurance claim 2 times, 27.6 % of the respondents were claim 3 times, while 19.2% answered that they were claim 4 times and 15.2% of the respondents were claim more than 4 times and the remaining 7.2% answered that they were claim once (Table 5). This indicates that the majority of them know the motor insurance claim service delivered by AISC and it is important to note that information given to this study was given by well-informed person and add value to the quality of the study.

Table 5 Distribution of motor insurance customers' relationship with AISC

Characteristics	Frequency	Percent
	N	%
Type of motor insurance cover		
Motor comprehensive	140	48.3
Third party only	150	51.7
Total	**290**	**100.0**
How long have you been customer of AISC		
1-4 years	84	29.0
5-7 years	92	31.7
8-10 years	72	24.8
More than 10 years	42	14.5
Total	**290**	**100**
Frequency of motor insurance claims		
More than 4 times	35	15.2
4 times	53	19.7
3 times	80	27.6
2 times	88	30.3
Once	21	7.2
Total	**290**	**100**

Source: Own survey, 2024

4.2. Descriptive Analysis of Service Quality and Motor Insurance Customers Satisfaction

Under this subsection, an attempt made to measure the level of motor insurance service quality and motor insurance customers' satisfaction with the motor insurance claim service delivered by AISC. It delved into a detail motor insurance claim service quality profiling and overall motor insurance customers' satisfaction of AISC. In addition to measure the level of motor insurance claim service quality and motor insurance customers' satisfaction, the study also assesses whether there exists a relationship between motor insurance claim service quality and motor insurance customers' satisfaction in AISC.

4.2.1. The overall motor insurance claim service quality as perceived by customers in AISC

This study uses 22 statements/items within the five SERVQUAL dimensions (4 statements in Tangible, 5 statements in Reliability, 4 statements in Responsiveness, 4 statements in Assurance and 5 statements in Empathy) for both perceptions and expectations and measured using the 5-point Likert scale between 1 and 5 whereby the higher numbers (above 3 i.e., 4 or 5) indicate higher level of perception or expectation, 3 being point of neutrality and lower

numbers (below 3 i.e., 1 or 2) indicate lower level of perception or expectation. In this section, the mean score of perceptions and expectations for each of the 22 items with their respective dimensions were calculated and presented in order to conclude the overall motor insurance claim service quality delivery processes of AISC.

Parasuraman (1988) proposed that customers' perception of service quality is based on the comparison of their expectation of customers (what they feel service providers should offer) with their perceptions of the performance of the service provider. In this paper, the gap score analysis enables to find out how motor insurance customers perceive claim service quality in AISC and helps to identify what dimensions of service quality they are satisfied with. According to Parasuraman et al. (1985) if the perception (P) exceeds expectation (E) score, the higher the perceived service quality by customers and thereby leading to a higher level of customer satisfaction. In this regard, the gap scores are calculated based on the difference between the customers' perceptions and expectations of claim services offered by AISC. For each dimension, the SERVQUAL scale provides a score for motor insurance customer expectations (E) and a score for motor insurance customer perceptions (P) of claim service quality. The differences between the two scores on each dimension are called gap scores. The key to optimizing service quality is to maximize these gap scores and the associated gap equation (Q = P – E).

In general, in this study as we will discuss below in detail motor insurance customers' expectation exceeded the actual perceived level of claim service shown by the motor insurance customers scores (Table 6). This resulted in a negative gap score (Perception – Expectation). According to Parasuraman et al. (1988) it is however common for customer's expectation to exceed the actual service perceived and this signifies that there is always need for improvement.

As indicated in Table 6, out of the 22 items the top five items with the highest average expectation scores were; TA1 (AISC has modern looking equipment), AS4 (Employees have the knowledge to answer your questions), AS3 (Employees in AISC are consistently courteous with you), RL5 (AISC insists on error free records) and RL1 (When AISC promises to do something by a certain time, it does so), respectively. However, these scores are not very

different from expectation scores of other items where all items score above average value (3) and this implies generally, insurance customers expect a higher claim service quality from AISC. In the other hand, out of the 22 items, the top five items rated highest for actual service perceived were; TA2 (AISC's physical facilities are visually appealing), TA3 (AISC's claim service employees are neat appearing), AS3 (Employees in AISC are consistently courteous with you), TA1 (AISC has modern looking equipment) and AS1 (The behavior of employees in AISC instills confidence in you), respectively (Table 5). However, there is no so much difference between the average scores of the 22 perceptions items but all of them are generally lower than expectations (Table 6).

Moreover, according to the result of this study as shown in table 6 below, the lowest gaps scores out of the 22 items were ''AISC gives you individual attention'' (EM5) with average score of -0.03 implies this item was the highest actual perceived service quality in AISC and the largest gaps scores were ''When AISC promises to do something by a certain time, it does so'' (RL1) with average score of -0.83 implies it was the lowest actual perceived service quality in AISC at the time of this study.

Table 6 Summary of Customers' Gap Scores of Perceptions and Expectations

SERVQUAL Dimension	Statement	Perception Score	Expectation Score	Gap Score
Tangibility				
TA1	AISC has modern looking equipment	3.08	3.56	-0.48
TA2	AISC's physical facilities are visually appealing	3.39	3.48	-0.09
TA3	AISC's claim service employees are neat appearing.	3.12	3.31	-0.19
TA4	Materials associated with the service are visually appealing at AISC	2.74	3.31	-0.56
Average Gap Score Tangibles		**3.08**	**3.41**	**-0.33**
Reliability				
RL1	When AISC promises to do something by a certain time, it does so.	2.66	3.49	-0.83
RL2	When you face problem AISC shows sincere interest to solve.	2.75	3.47	-0.72
RL3	AISC performs the service right the first time	2.93	3.46	-0.53
RL4	AISC respond its claim service compliant in time	2.63	3.38	-0.75
RL5	AISC insists on error free records.	2.96	3.50	-0.54
Average Gap Score Reliability		**2.79**	**3.46**	**-0.67**
Responsiveness				
RS1	Employees in AISC tell you exactly when the services will be performed	2.75	3.31	-0.56

RS2	Employees in AISC give prompt service	2.96	3.34	-0.38
RS3	Employees in AISC are always be willing to help you.	2.86	3.33	-0.47
RS4	Employees are never too busy to respond to your requests.	2.68	3.34	-0.66
Average Gap Score Responsiveness		**2.81**	**3.33**	**-0.52**
Assurance				
AS1	The behavior of employees in AISC instills confidence in you.	3.05	3.27	-0.22
AS2	You feel safe in your transactions with AISC.	3.02	3.37	-0.35
AS3	Employees in AISC are consistently courteous with you.	3.10	3.50	-0.40
AS4	Employees have the knowledge to answer your questions.	3.05	3.52	-0.47
Average Gap Score Assurance		**3.05**	**3.41**	**-0.36**
Empathy				
EM1	The employees of AISC understand your specific needs	2.77	3.23	-0.46
EM2	AISC has operating hours convenient to all its customers.	2.82	3.16	-0.34
EM3	AISC has employees who give you personal attention.	2.93	3.19	-0.26
EM4	AISC has your best interests at heart	2.88	3.31	-0.43
EM5	AISC gives you individual attention.	2.99	3.02	-0.03
Average Gap Score Empathy		**2.88**	**3.18**	**-0.30**
Overall Average Service Quality Gap Score		**2.92**	**3.36**	**-0.44**

Source: Own survey, 2024

In general, overall average actual perceived service quality is low (-0.44) meaning the level of service they receive is lower than what they expect indicating there is no satisfaction. This is a good ground for asserting whether customers are satisfied with service quality in AISC or not since the average perception score is low. A higher perception also indicates higher satisfaction as service quality and satisfaction are positively related and this study was checked whether this is true or not which was discussed in section 4.2.5 and 4.2.6 below.

4.2.2. Ranks of Service Quality Dimensions as Perceived by Customers

A summary of descriptive statistics is presented in table 7 that shows the ranks of the five service quality dimensions as perceived by motor insurance customers with respect to AISC that is Tangibles, Reliability, Responsiveness, Assurance, and Empathy. A ranking method with average value of each service quality dimensions' gap score has been used in order to rate the service quality dimensions of AISC.

The gap analysis is accurate in identifying service short falls in an operation (Parasuraman et al., 1994). This helps AISC management to identify which dimension/s needs an improvement and which one is in a good condition. The Larger mean gap score is identified for the dimension of

Reliability which is (-0.67) followed by Responsiveness (-0.52), Assurance (-0.36), Tangibility (-0.33), and the least gap score is shown in the Empathy dimension (-0.30). This reflects that AISC perform more on Empathy dimension than other dimensions. Generally, the result indicated that there is no service quality gap which shows positive result (difference between perception and expectation). This implies that there is no dimension on which customers' perception is equal to or greater than what they expect from it. In summary, from results obtained, customers perceive claim service quality as poor in all dimensions meaning their expectations fall short of they actually experience in AISC. In this regard, customers are not content with any dimensions of claim service quality.

Table 7 Ranking of Dimensions of SERVQUAL in AISC

Dimensions	Ranking (in ascending order)	Average Gap Score
Empathy	1	-0.30
Tangibles	2	-0.33
Assurance	3	-0.36
Responsiveness	4	-0.52
Reliability	5	-0.67

Source: Own survey, 2024

4.2.3. Detail analyses of SERVQUAL dimension as perceived by customers

Table 8 Summary statistics of the SERVQUAL questions for Tangibility dimension

Variable	Statement	Perception Score	Expectation Score	Gap Score
TA1	AISC has modern looking equipment	3.08	3.56	-0.48
TA2	AISC's physical facilities are visually appealing	3.39	3.48	-0.09
TA3	AISC's claim service employees are neat appearing.	3.12	3.31	-0.19
TA4	Materials associated with the service are visually appealing at AISC	2.74	3.31	-0.56
Average Gap Score Tangibles		**3.08**	**3.41**	**-0.33**

Source: Own survey, 2024

As indicated in Table 8 above the Tangibility dimension scores are almost above 3 points of neutrality in both perception and expectation formation of respondents. As we will see over and over again, this is a fundamental result of the study indicating that customers have formed low expectations about the service quality of the AISC and these have been reinforced by low level of service quality perception through repeated use of the services of the motor insurance claim service in AISC. The result in table 8 shows that in all the 4 item of tangibility dimension the

customer expectation of service quality is higher than perceived claim service reflected in the negative sign of the gap score for each item of the tangibility dimension and the average gap score of the dimension is -0.33. This implies, even if the customers have low expectations i.e., close to neutrality about the service quality of AISC, their level of service quality perception is much lower.

Table 8 also shows that among the tangibility dimension items/attributes TA4 (Materials associated with the service are visually appealing at AISC) has comparatively high gap score of -0.56 which shows that the majority of the customers perceive less attracted with the equipments associated with their visual attractiveness (Table 8).

Table 9 Summary statistics of the SERVQUAL questions for Reliability dimension

Variable	Statement	Perception Score	Expectation Score	Gap Score
RL1	When AISC promises to do something by a certain time, it does so.	2.66	3.49	-0.83
RL2	When you face problem AISC shows sincere interest to solve.	2.75	3.47	-0.72
RL3	AISC performs the service right the first time	2.93	3.46	-0.53
RL4	AISC respond its claim service compliant in time.	2.63	3.38	-0.75
RL5	AISC insists on error free records.	2.96	3.50	-0.54
Average Gap Score Reliability		**2.78**	**3.46**	**-0.67**

Source: Own survey, 2024

In all business, reliability plays a very crucial role, in which it creates long lasting mutual business relationship. Its importance increases even more in the field of insurance service because insurance service will directly conduct and guarantee smooth provision of services to customers as promised and timely. Therefore, customers always want reliable employees to deliver their services. However, as illustrated in the table 9 above the reliability dimension has an overall average gap score of -0.67 which indicates that AISC fails to meet customer's expectation on this dimension.

Once again, as indicated in Table 9 the reliability dimension score is almost around 3 for both perception and expectation of service quality. The sampled service users reported that the service quality in terms of reliability again hovers around the point of neutrality and the gap between perception scores and expectation scores is negative for all items of the reliability dimension. However, among the attributes, RL1 (When AISC promises to do something by a certain time, it

does so) has comparatively high gap score of -0.83 than others which indicating that the customers do not have full confidence in the service promised by AISC.

Table 10 Summary statistics of the SERVQUAL questions for Responsiveness dimension

Variable	Statement	Perception Score	Expectation Score	Gap Score
RS1	Employees in AISC tell you exactly when the services will be performed	2.75	3.31	-0.56
RS2	Employees in AISC give prompt service	2.96	3.34	-0.38
RS3	Employees in AISC are always be willing to help you.	2.86	3.33	-0.47
RS4	Employees are never too busy to respond to your requests.	2.68	3.34	-0.66
Average Gap Score Responsiveness		**2.81**	**3.33**	**-0.52**

Source: Own survey, 2024

In the fiercely competitive economy today, quick response and timely conduction play a major role in the success of business. Responsiveness dimension is concerned with the willingness, readiness of employees and the preparedness of AISC to provide a service to satisfy the needs and desires of customers. As per the result obtained from the customers in the table 10 above responsiveness dimension has an overall average gap score of -0.52.

Table 10 also indicates the mean score of responsiveness also scored almost equal to 3. This point also shows neutrality in both perception and expectation of service delivery quality like that of reliability. Again, for all items of responsiveness dimension the customer expectation of service quality is higher than perceived service, particularly item RS4 (Employees are never too busy to respond to your requests) has comparatively higher gap score of -0.66 demonstrating that AISC's staffs are too busy to respond to customers requests.

Table 11 Summary statistics of the SERVQUAL questions for Assurance dimension

Variable	Statement	Perception Score	Expectation Score	Gap Score
AS1	The behavior of employees in AISC instills confidence in you.	3.05	3.27	-0.22
AS2	You feel safe in your transactions with AISC.	3.02	3.37	-0.35
AS3	Employees in AISC are consistently courteous with you.	3.10	3.50	-0.40
AS4	Employees have the knowledge to answer your questions.	3.05	3.52	-0.47
Average Gap Score Assurance		**3.05**	**3.41**	**-0.36**

Source: Own survey, 2024

It cannot be denied that assurance is very important in any relationships as it is hard to change and might affect the relationship later. Politeness of employees, customer feeling safe in their

transaction, personal behavior of employee and adequate knowledge of employee are satisfying assurance dimension of service quality. However, as per the details of the information obtained from respondents summarized in table 11 above shows that AISC does not seem recognize the importance of this dimension in the service quality it provided, as the assurance dimension has an overall average gap score of -0.36. More specifically item AS4 (Employees have the knowledge to answer your questions) has comparatively high gap score of -0.47 which indicates that customer feeling in their transaction is unsafe in some extent.

As indicated in Table 11 in both perception and expectation of service quality of AISC in terms of assurance score is around 3 and it is good in comparison with reliability and responsiveness dimensions of service quality. However, in comparing with the average gap score of tangibility, the average gap value of assurance dimension was higher which obviously implies AISC in terms of tangibility are relatively better than assurance.

Table 12 Summary statistics of the SERVQUAL questions for Empathy dimension

Variable	Statement	Perception Score	Expectation Score	Gap Score
EM1	The employees of AISC understand your specific needs	2.77	3.23	-0.46
EM2	AISC has operating hours convenient to all its customers.	2.82	3.16	-0.34
EM3	AISC has employees who give you personal attention.	2.93	3.19	-0.26
EM4	AISC has your best interests at heart	2.88	3.31	-0.43
EM5	AISC gives you individual attention.	2.99	3.02	-0.03
Average Gap Score Empathy		**2.88**	**3.18**	**-0.30**

Source: Own survey, 2024

Customers always want friendly and enthusiastic communication in which they can talk, share and be listened. They also enjoy being treated like important customers. Not only does empathy help to create a close relationship with clients but it also plays a critical role in satisfying customers. A service provider who tries to put himself in the position of its customers to understand customers need, and then providing what they want in a convenient way have the potential to satisfy its customers on empathy dimension of service quality. As indicated by Table 12 above 5 items were used to assess the claim service quality of AISC in terms of empathy and were resulted around 3 in both perception and expectation of service quality except all items of empathy in customer expectation is higher than their perception resulting negative gap score for all items of empathy. Specifically, item EM1

(The employees of AISC understand your specific needs) has comparatively high gap score of -0.46 which indicates that AISC employees lack an ability to understand the customers' interest and feeling.

As stated in the table 12 above the empathy dimension has an average gap score of -0.30. This result implies, in comparison with the other service quality dimensions of tangibility, reliability, assurance and responsiveness, empathy dimension has the lowest average gap score. This indicates service quality of AISC in terms of empathy dimension is relatively better, but it is not still at the required level of the customers' expectation, since it has negative gap score.

4.2.4. Overall customers' satisfaction level

In this study based on the objective and to answer one of the research question customers' satisfaction level is measured. Table 13 below presents descriptive statistics of level of respondents' satisfaction with AISC's claim services.

Table 13 Summary statistics of Overall Satisfaction

Variable	Definition	Mean	Std.Dev.
SAT1	Rate your satisfaction with the claim reporting process of AISC	2.81	0.92
SAT2	Rate your satisfaction with the claim investigation process of AISC	2.82	0.89
SAT3	Rate your satisfaction with the claim settlement process of AISC	2.79	0.90
SAT4	Rate your satisfaction with the complaint management process of AISC	2.76	0.89
SAT5	Generally rate your overall satisfaction with the claim services provided by AISC	2.78	0.82
	Average	**2.79**	**0.605**

Source: Own survey, 2024

Table 13 shows the overall customer satisfaction mean score is 2.79 this shows that customers are not satisfied by AISC service since this value is below 3, the point that shows of neutrality or adequate satisfaction level. It means customers felt dissatisfaction in the overall claim services quality provided by AISC.

4.2.5. Correlation results of service quality dimensions and customer satisfaction

For this study Pearson's correlation analysis was used to measure the magnitude of the relationship between service quality dimensions and customer satisfaction. In addition,

correlation analysis was used to provide evidence of convergent validity. A correlation coefficient is a very useful means to summarize the relationship between two variables with a single number that falls between -1 and +1 (Field, 2005). A correlation analysis with Pearson´s correlation coefficient (r) was conducted on all variables in this study to explore the relationships between variables. To interpret the strengths of relationships between variables, the guidelines suggested by Field (2005) were followed, mainly for their simplicity. His classification of the correlation coefficient(r) is as follows: 0.1to 0.30 is weak; 0.3 –0.50 is moderate; and > 0.5 is strong. Regarding the relationship between the variables, table 14 clearly shows that figures with the symbol (**) indicates that each of the variables are significantly correlated at a significant level of p<0.01.

Table 14 Pearson correlation results

		CS	TA	RL	RS	AS	EM
CS	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	290					
TA	Pearson Correlation	.144*	1				
	Sig. (2-tailed)	.010					
	N	290	290				
RL	Pearson Correlation	.433**	.292**	1			
	Sig. (2-tailed)	.000	.000				
	N	290	290	290			
RS	Pearson Correlation	.128*	.013	.099	1		
	Sig. (2-tailed)	.030	.824	.092			
	N	290	290	290	290		
AS	Pearson Correlation	.497**	.322**	.476**	.050	1	
	Sig. (2-tailed)	.000	.000	.000	.398		
	N	290	290	290	290	290	
EM	Pearson Correlation	.469**	.100	.233**	.066	.295**	1
	Sig. (2-tailed)	.000	.090	.000	.261	.000	
	N	290	290	290	290	290	290

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed)

Source: Own survey, 2024

The results shown that there is a significant(P<0.01) positive relationship between customers' satisfaction and service quality dimensions, reliability, assurance and empathy however there is

some variation with degree of relationship across the different items of service quality dimensions. That means as the ability to perform promised service dependably and accurately, commitment to provide error-free service, employees' knowledge and skill to solve problems, employee's ability to inspire confidence on customers and employees & management treat their customers' with respect contributes most to satisfaction.

4.3. Regression Analysis of Service Quality Dimensions and Customer Satisfaction

Multiple regression analysis is used to determine the relationship between dependent variable (customer satisfaction) and independent variable (Tangibility, Reliability, Responsiveness, Assurance and Empathy). Multiple regression analysis also shows how the dependent variable varies as the situation changes. To compute the measurement of multiple regression findings for this study, the researcher utilized SPSS version 22 software.

4.3.1. Regression test

Before the analysis for this part was made, the model adequacy and fitness was checked before running the regression analysis based on the statistical requirements. In addition, multicollinearity, normality, homoscedasticity and independent of residual tests have been performed to check whether the assumptions required running regression analysis was satisfied or not.

4.3.1.1. Test for Multicollinearity

In statistics multicollinearity is a phenomenon in which one predictor variable in a multiple regression model can be linearly predicted from the others with a substantial degree of accuracy or refers to a situation in which two or more variables in a multiple regression model are highly linearly related. Multicollinearity is a common problem in regression analysis. There are two major problems of multicollinearity. First multicollinearity generates high variance of the estimated coefficients and hence, the coefficient estimates corresponding to those interrelated explanatory variables will not be accurate in giving us the actual picture. Second, as a consequent of this the t-ratios for each of the individual slopes might get impacted leading to insignificant coefficients. It is also possible that the adjusted R squared for a model is pretty good and even the overall F-test statistic is also significant but some of the individual

coefficients are statistically insignificant. This scenario can be a possible indication of the presence of multicollinearity as multicollinearity affects the coefficients and corresponding p-values, but it does not affect the goodness-of-fit statistics or the overall model significance. Variance inflation factor (VIF) is a measure of the amount of multicollinearity in a set of multiple regression variables. In this research VIF technique was used and is equal to the ratio of the overall model variance to the variance of model that includes only that single independent variable. The decision rule is a variable whose VIF is greater than 10 indicates the possible existence of multicollinearity problems. Tolerance is defined as 1/VIF and can be also used to check multicollinearity and the decision rule is that if tolerance value is less than 0.1 shows existence of multicollinearity problem.

Table 15 The variance inflation factor (VIF) test of multicollinearity

Variables	Collinearity Statistics	
	Tolerance	VIF
Tangibility	0.871	1.148
Reliability	0.737	1.356
Responsiveness	0.988	1.012
Assurance	0.703	1.422
Empathy	0.900	1.111

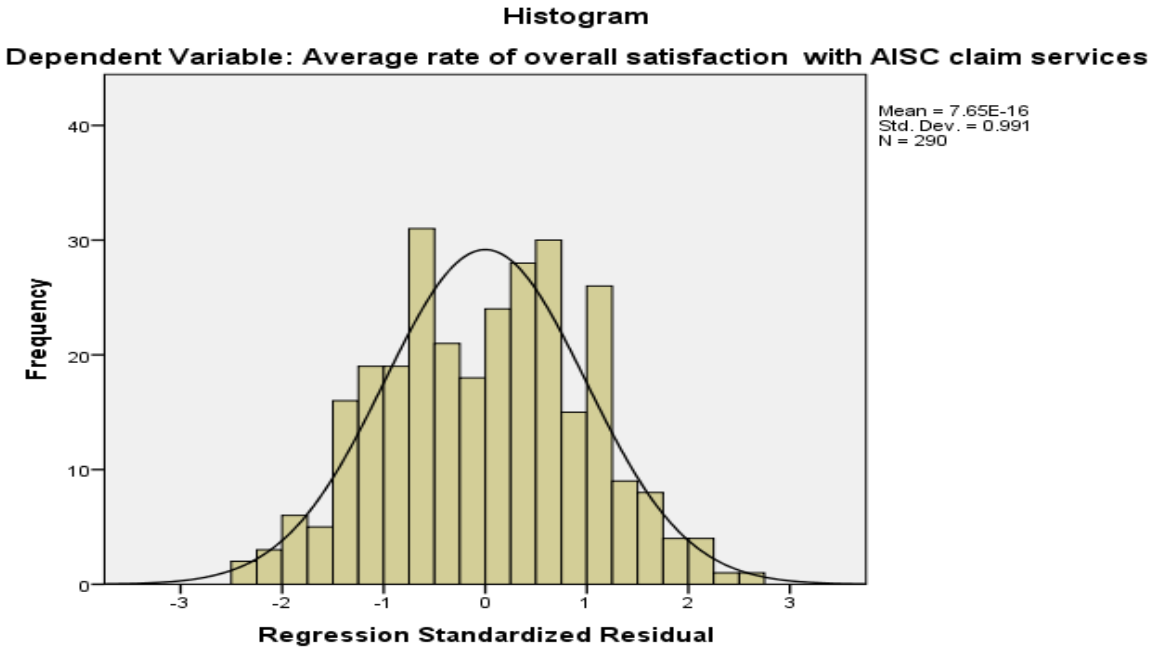
Source: Own SPSS result (2024).

Table 15 above shows that the all the five independent variables have VIF below the critical levels of multicollinearity, i.e., they have a VIF lower than 10, which implies that multicollinearity is not a problem. This indicates that the assumption of multicollinearity was not violated.

4.3.1.2. Test for normality of data

This assumption can be tested through histograms of the standardized. Histograms are bar graphs of the residuals with a superimposed normal curve that showed distribution. In this case, as indicated in figure 4 below, the graph showed relatively equal distribution on both sides. So, the residuals are normally distributed and the assumption was satisfied for the dependent variable.

Figure 4 Test for normality of data

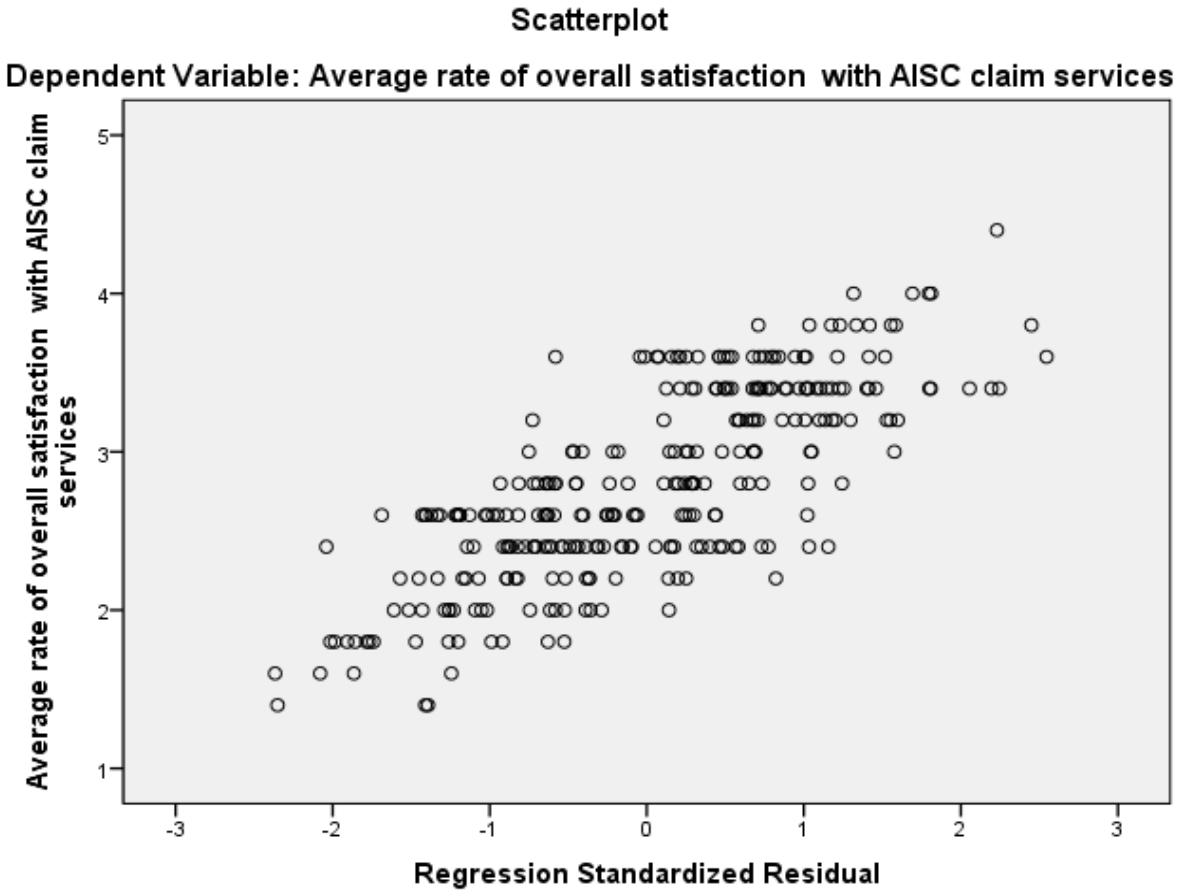


Source: Own SPSS result (2024)

4.3.1.3. Test for homoscedasticity

Homoscedasticity refers a condition in which the variance of the residual or error term in a regression model is constant (Hair, 1998). That is the error term does not vary much as the value of the predictor variable changes. Standard suggestion for examining the assumption of homoscedasticity in regression analysis is to plot the predicted *Y* values against the residual values. As can be seen in the Figure 5 the scatterplot shows that the points are concentrated around 0 which shows that no violation of homoscedasticity.

Figure 5 Test for homoscedasticity of data



Source: Own SPSS result (2024)

4.3.1.4. Test for independent of residuals

Multiple linear regression models assume that the residuals are independent of one another. The Durbin-Watson statistic is used to test for the presence of serial correlation among the residuals. The value of the Durbin-Watson statistic ranges from 0 to 4. As a general rule, the residuals are not correlated if the Durbin-Watson statistic is approximately 2, and an acceptable range is 1.5 - 2.5. Values approaching 0 indicate positive autocorrelation and values toward 4 indicate negative autocorrelation.

Table 16 Test for independent of residuals

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.635[a]	.403	.393	.471	1.5

a. Predictors: (Constant), TA, RL, RS, AS, EM

b. Dependent Variable: CS

Source: Own SPSS result (2024)

Table 16 above shows the independent of residuals and the assumption has met since Durbin-Watson value fall in the acceptable range.

As a conclusion, the multiple regression models have met all the five assumptions and hence the data can be modeled. Therefore, in multiple regression,

$$Y = a_0 + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + e$$

Where, Y is the outcome variable (customer satisfaction), X1, X2, X3, X4, and X5 represents the predictors including Tangibility, Reliability, Responsiveness, Assurance and Empathy respectively, a0 is the constant term, b1, b2, b3, b4 and b5 are the coefficient of the predictors and e is the error term.

4.3.2. Multiple linear estimated model coefficients

The model summary presented in Table 16 above shows the R2 of the model which is .403 implies that approximately 40.3% of variance in customer satisfaction can be explained by the linear combination of the independent variables service quality dimensions (Tangibility, Reliability, Responsiveness, Assurance and Empathy) in the models. Moreover, the ANOVA table (Table 17) below revealed the F-ratio, which explains whether the results of regression model could have occurred by chance. The F value is 38.413 at 0.000 significant levels which show that the model is good as their value is less than 0.05. This implies that all the independent variables or the overall claim service quality are statistically significant and can be explain the value of the dependent variable. Therefore, a significant amount of customer satisfaction is influenced jointly by the motor insurance claim service quality dimensions; this result implied that the model significantly predicts Customer Satisfaction. (i.e., the regression model is a good fit or adequate of the data).

Table 17 Multiple Linear Statistical significance (ANOVA[a])

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	42.675	5	8.535	38.413	.000[b]
	Residual	63.102	284	.222		
	Total	105.777	289			

a. Dependent Variable: CS

b. Predictors: (Constant), TA, RL, RS, AS, EM

Source: Own SPSS result (2024)

The estimated model coefficient result in Table 18 below shows that all the independent variables are statistically significant at sig value of 0.01 except for Tangibility and Responsiveness dimensions. The coefficients indicate how much the dependent variable changes with an independent variable while all other independent variables kept constant. As a result, implies that Empathy dimension has the greatest impact on Customer Satisfaction. Generally, the estimated multiple regression model implied that, while all other independent variables in this model remain constant, a 1% change in Empathy will change Customer Satisfaction by 32.8% on average. Furthermore, while all other variables remain constant, a 1% improvement in Assurance dimension can improve Customer Satisfaction by 31.1% on average & a 1% change in Reliability dimension will improve Customer Satisfaction by 21.7% on average.

Therefore, based on the preceding findings, Customer satisfaction can be significantly improved by paying special attention to Empathy, Assurance & Reliability service quality dimensions.

Table 18 Multiple linear regression estimated model coefficient result

Coefficients[a]					
	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	2.987	.035		86.500	.000
TA	-.026	.024	-.053	-1.078	.282
RL	.105	.026	.217	4.057	.000
RS	.042	.028	.070	1.512	.132
AS	.138	.024	.311	5.690	.000
EM	.205	.030	.328	6.783	.000

a. Dependent Variable: CS

Source: SPSS output based on Own Survey, 2024

4.4. Discussion of the Results

The result of this study shows low expectations and perception for all items of the tangibility dimension. However, for all of the four items under tangibility dimension customers' expectations of the service quality exceed their perception. The highest gap score is recorded with respect to visual appeal of materials and modern equipment, as expectations of customers exceeded the perceived quality of AISC. Therefore, AISC performed worst in terms of visual appeal of materials associated with the service with regard to tangibles in the premises of the office. Besides, AISC should also work to acquire modern equipment.

With regard to the second-dimension, reliability, the study revealed that AISC did not keep their deadline for delivering a certain service within a certain time. The perceived services provided as promised were much lower than customers expected it to be; and what customers expected it to be are 3.49. This result repeated itself for all the other attributes/items of reliability dimension.

The study also reveals that there is no single item where customers' perception exceeds expectation in terms of responsiveness of AISC since none of the perception versus expectation gaps is positive. There is a large gap between what customers expect and what is perceived about whether employees of AISC are too busy to respond to your requests. Customers find the insurance claim service providing personnel too busy to respond to their requests more than they expected them to be. Likewise, expectation of customers about prompt service provision is unmatched with what is perceived upon arrival at AISC. The same result is returned in the analysis with respect to employees' readiness and willingness to help customers.

The result then showed that the gap between perception and expectation with respect to assuring customers with respect to delivering quality service is negative for all items with in this dimension. The behavior of AISC employees in instilling confidence in customers was perceived to be much lower from what was expected than other items. Thus, with respect to making customers feel safe in their interactions with AISC employees, customers sensed a level of safety lower to their expectations. AISC employees were also found to be less polite and courteous than customers expected them to be. Employees of AISC were also found to be less knowledgeable in answering customers' questions than customers expected them to be.

Finally, this study indicates that AISC were found to be unemphatic as customers expected them to be as the gap between perception and expectation was negative for all four statements that describe empathy. The perceived low level of employees' understanding of specific needs of customers was found to be the highest gap from what customers expected it to be. The customers perceived level of whether AISC has prioritizes customers' best interests was the second highest gap from expected. The scheduling of convenient working hours of the office also did not beat the expectation of customers. With respect to whether employees and management treat customers with respect, customers' perceptions ended up being lower from their expectations.

Generally, to answer the main research question which is; how customers perceive service quality and satisfaction, the gap scores analysis carried out provided answers to these questions. The gap score analysis found that, the overall service quality is low as perceived by corporate customers of AISC and hence unsatisfactory customer satisfaction. Customers have higher expectations than what they actually experience from AISC. The overall perceived service quality is low as expectations exceed perceptions; implying that customers demand more than what is being offered to them. This result is in line with studies conducted by Kassahun, (2015); Demisse, (2014); Beyene, (2019) and Zelalem Amene, (2020) who reported that all the service quality gap dimensions were negatively scored with reliability and responsiveness scored the highest gap. Furthermore, according to these studies all the service dimensions were below expectation and hence dissatisfaction which agrees with this research.

Due to such prevailing gap, it is clear that customers are not satisfied in AISC. This is confirmed by a further evaluation on the overall level of satisfaction of the customers, and the findings has been observed that customer satisfaction mean score is below 3, the point that shows of neutrality or adequate satisfaction level. It means customers felt dissatisfaction in the overall claim services quality provided by AISC.

Moreover, the correlation analysis result on the relationship between service quality dimensions with customer satisfaction showed that there is strong relationship between service quality dimensions (reliability, assurance and empathy) and customer satisfaction. Similarly, studies conducted by Anantha Raj A. Arokiasamy and Huam Hon Tat, (2014); Kassahun, (2015); Kasse, (2017) and Zelalem Amene, (2020) also found a positive and strong correlation between

insurance service quality and customer satisfaction. This shows that the results are in comply with the researcher findings.

Finally, the regression analysis revealed that most of the service quality dimensions (reliability, assurance and empathy) have significant positive effect on customer satisfaction. The result of this study is consistent with the findings of previous similar studies by Esubalew Molla (2019); Alemayehu and Dalega (2019) and Zelalem Amene, (2020). Thus, the evidence from regression analysis suggests that, AISC has to improve the performance of Empathy, Assurance & Reliability service quality dimensions in order to increase customers' satisfaction. By improving customers service quality means strengthening the loyalty of the customers to AISC this in turn improve the profitability of the company.

CHAPTER FIVE

5. SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

This chapter deals with the highlights of the study findings, conclusions that are derived from the data analyses and discussions and finally recommendations are provided based on the conclusions drawn from the study based on the findings of the study. Thus, the chapter is organized in to three sub-sections the first section summarizes major findings of the study, the second section presents the major conclusions of the study and the third section deals with the recommendation drawn from the study.

5.1. Summary of Major Findings

This research has been undertaken to assess motor insurance corporate customers' perceptions of claim service quality and their satisfaction on AISC using a measurement model called SERQUAL. Thus, to achieve this objective this study adopted descriptive and explanatory research design and employed quantitative methods for the analysis of primary data collected from 290 motor insurance corporate customers in AISC through questionnaires. On the basis of the findings of the study discussed earlier on chapter four, the following summaries of major findings are derived and presented below.

- Regarding customers' expectation and perception difference, it is found that there is a negative gap calculated by the difference between perceived service and expected service that is all service quality dimensions have negative gap score.
- Among five dimensions of measurement based on gap score the highest gap mean score is in reliability dimension that is -0.67 followed by responsiveness which is –0.52, assurance (-0.36), tangibility (-0.33), and empathy have the lowest gap score -0.30.

- Within these five dimensions 22 items of measurement provided for customers. Out of the 22 items the lowest gaps scores were "AISC gives you individual attention" (EM5) with average gap score of -0.03 and the largest average gaps scores were ''When AISC promises to do something by a certain time, it does so'' (RL1) with average score of -0.83.

- Overall satisfaction mean score of AISC is 2.79 which shows that customers are not satisfied by AISC service since this value is below 3, the point that shows of neutrality or adequate satisfaction level.
- Regarding relationship between service quality dimensions with customer satisfaction it was analyzed using regression model and the regression analysis revealed that there is significant relationship between independent variables (reliability, assurance and empathy) and the dependent variable, customer satisfaction. However, tangibility and responsiveness has no statistically significant relationship with customer satisfaction.

5.2. Conclusion

According to the results obtained from the analyses, the following conclusions can be made about claim service quality of AISC sampled as a case study.

- From the result of the overall gap score of the dimensions, it was found that motor insurance corporate customers' perception of the claim service is less than what they expected so we can conclude that claim service quality with respect to tangibility, reliability, responsiveness, assurance and empathy in AISC is not satisfactory for the customers.
- The overall mean of customers' satisfaction result shown 2.79, that is, below neutral thus, it is possible to conclude that customers were not satisfied with the claim service given by AISC.
- Service quality dimensions and customer satisfaction relationship result was shown in the estimated regression coefficient leads this study to conclusion that there is strong and significant relationship between reliability, assurance as well as empathy dimensions and customer satisfaction.

5.3. Recommendation

In order to meet customers' expectations, improvement in the quality of services is imperative. Accordingly, to improve the poor service quality performance result obtained by this study the following recommendations were suggested:

- In areas which are short of visually appealing materials, modern equipment, neat offices

and sufficient parking area for customers' vehicles, AISC should consider possible solutions that scaling up its capacities to fulfill the lack of visually appealing materials, modern equipment, offices and sufficient parking area for customers' vehicles;

- Since financial institutions like insurance is more of computerized and networked, using internet, AISC networking system need to be improved to its level best. This enables AISC to provide fast and efficient claim service to customers.
- AISC management needs to arrange different types of incentives to motivate its employees as this is a useful approach of encouraging the employees to perform consistent service, genuine interest to solve problems, and provide prompt service to the customers'.
- AISC needs to make continuous assessment and evaluation on its claim service quality provided to customers possibly through customer surveys and obtain regular feedbacks on the claim services customers got. This enables AISC to know and understand the level of satisfaction customers' have in the claim service quality. This would also help AISC in identifying areas of weaknesses to devise means for improvement.
- AISC needs to train their staff particularly in customer care. This would assist in improving the way they handle customers.
- There is also a need for continuous staff training through in-service training to acquaint AISC employees with knowledge and understanding associated with motor insurance claim service procedures to respond to customers' queries and serve them politely and with courtesy, besides it effectively builds the capacity of the employees

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7. APPENDEX

Questionnaire

Dear Customer,

This questionnaire is designed to gather information on the assessment of motor claim service quality: the case of AISC. The purpose of the study is to fulfill a thesis requirement for the Master Degree in Business Administration. The information that you provide will be used only for the purpose of the study & will be kept strictly confidential. You do not need to write your name. Finally, I would like to thank you very much for your cooperation & sparing your valuable time for my request.

Thank you in advance for your cooperation.

Section I: **Respondent's Background**

For each of the following questions/items, please indicate your choice from the list, and show your choice by putting √ in the box along the selected item.

1. Please indicate your gender

☐ Male ☐ Female

2. Please indicate your age

☐ 18-30 ☐ 31-40

☐ 41-50 ☐ Above 50

3. Please indicate your educational qualification.

☐ High school ☐ First degree

☐ Diploma ☐ 2nd degree and above

4. For how long have you been customer of Abay insurance company as a motor insurance customer?

☐ Less than one year ☐ 8-10 years

☐ 1-4 years ☐ above 10 years

☐ 5-7 years

5. Please indicate the types of your organization's business.

☐ Agriculture ☐ Service

☐ Trading ☐ Manufacturing

6. Please indicate the type of motor insurance cover you have from AISC for your vehicle.

☐ Motor Comprehensive ☐ Third party only

7. Please indicate the number of times you have received motor insurance claims.

☐ > 4 times ☐ 2 times

☐ 4 times ☐ Once

☐ 3 times

Section II: Customer expectation (anticipation) and perception

Service quality: this part deals with your expectation and perception on motor insurance claim service quality offered by AISC, please circle the number that indicates your level of expectation and perception.

Expectation: 1.Very low 2. Low 3. Neutral 4. High 5. Very high

Perception: 1.Very low 2. Low 3. Neutral 4. High 5. Very high

SERVQUAL DIMENTIONS	**Ref. no.**	**Statement of evaluation**	**LEVEL OF EXPECTATION**					**LEVEL OF PERCEPTION**				
			Rating scale					Rating scale				
Tangibility	TA1	AISC has modern looking equipment	1	2	3	4	5	1	2	3	4	5
	TA2	AISC's physical facilities are visually appealing	1	2	3	4	5	1	2	3	4	5
	TA3	AISC's claim service employees are neat appearing.	1	2	3	4	5	1	2	3	4	5

	TA4	Materials associated with the service (pamphlets or statements) are visually appealing at AISC	1	2	3	4	5	1	2	3	4	5
			1	2	3	4	5	1	2	3	4	5
Reliability	RL1	When AISC promises to do something by a certain time, it does so.	1	2	3	4	5	1	2	3	4	5
	RL2	When you have a problem, AISC shows a sincere interest in solving it.	1	2	3	4	5	1	2	3	4	5
	RL3	AISC performs the service right the first time	1	2	3	4	5	1	2	3	4	5
	RL4	AISC respond its claim service compliant in time	1	2	3	4	5	1	2	3	4	5
	RL5	AISC insists on error free records.	1	2	3	4	5	1	2	3	4	5
			1	2	3	4	5	1	2	3	4	5
Responsiveness	RS1	Employees in AISC tell you exactly when the services will be performed	1	2	3	4	5	1	2	3	4	5
	RS2	Employees in AISC give prompt service	1	2	3	4	5	1	2	3	4	5
	RS3	Employees in AISC are always be willing to help you.	1	2	3	4	5	1	2	3	4	5
	RS4	Employees in AISC are never too busy to respond to your requests.	1	2	3	4	5	1	2	3	4	5
			1	2	3	4	5	1	2	3	4	5
Assurance	AS1	The behavior of employees in AISC instills confidence in you.	1	2	3	4	5	1	2	3	4	5
	AS2	You feel safe in your transactions with AISC.	1	2	3	4	5	1	2	3	4	5
	AS3	Employees in AISC are consistently courteous with you.	1	2	3	4	5	1	2	3	4	5
	AS4	Employees in AISC have the knowledge to answer your questions.	1	2	3	4	5	1	2	3	4	5
			1	2	3	4	5	1	2	3	4	5
Empathy	EM1	The employees of AISC understand your specific needs	1	2	3	4	5	1	2	3	4	5
	EM2	AISC has operating hours convenient to all its customers.	1	2	3	4	5	1	2	3	4	5
	EM3	AISC has employees who give you personal attention.	1	2	3	4	5	1	2	3	4	5
	EM4	AISC has your best interests at heart	1	2	3	4	5	1	2	3	4	5
	EM5	AISC gives you individual attention.	1	2	3	4	5	1	2	3	4	5

Section III: Overall Customer Satisfaction

This part deals with your overall satisfaction with Abay insurance's handling of your motor insurance claims, please circle the number that indicates your level of satisfaction.

Overall Satisfaction: 1. Much worse than expected. 2. Worse than expected 3. Equal to expectation4. Better than expected 5. Much better than expected

	Ref. no.	**Statement of evaluation**	Rating scale				
Overall Satisfaction	CS1	Rate your satisfaction with the claim reporting process of AISC	1	2	3	4	5
	CS2	Rate your satisfaction with the claim investigation process of AISC	1	2	3	4	5
	CS3	Rate your satisfaction with the claim settlement process of AISC	1	2	3	4	5
	CS4	Rate your satisfaction with the complaint management process of AISC	1	2	3	4	5
	CS5	Generally rate your overall satisfaction with the claim services provided by AISC	1	2	3	4	5