ST. MARY'S UNIVERSITY
BUSINESS FACULTY
DEPARTMENT OF MANAGEMENT

CLAIMS HANDLING PRACTICES AND CHALLENGES OF THE UNITED INSURANCE COMPANY SC

BY: ABEBA ASSEFA

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Addis ababa

Claims handling practices and challenges of the united insurance company sc

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By: abeba assefa

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APPROVED BY THE COMMITTEE OF EXAMINERS

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Department Head	**Signature**
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Advisor	**Signature**
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Internal Examiner	**Signature**
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External xaminer	**Signature**

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INTRODUCTION

CHAPTER ONE

Background of the Study

Risks inherent in their nature and significant in their impact are always prevalent in one form or another in insurance operation. How effectively an insurance company alleviates these risks would bring the level of risk exposure down from high category to moderate and from moderate to low. On the contrary, poor handling of low inherent risks would push the risk level up to the moderate risk category of from moderate to high risk category.

Ensuring the safety and soundness of the insurance companies ongoing basis, focusing on the handling of inherent and significant risks, obviously enable the insurance sector to continue to play its role in supporting the economic development of the country(NBE, 2012:1)

The United Insurance Company S.C. is one of the 16 insurance companies currently operating in Ethiopia. The company has been established in 1994G.C.The headquarter is registered in Addis Ababa with 28 branches operating throughout the country. Its current authorized capital is Birr 250,000,000.00 and paid up capital Birr 125,000,000.00 (Company profile, 2014). The main activity of the company is to underwrite life and non-life insurance businesses, provide property, liability, accident, health and life insurance to the public in general and the business society in particular. The company operates under competitive environment where attracting new customers and retaining the existing customers is one of the major challenges.

Though the company serves as risk transfer mechanism as far as the public or customers are concerned it has got its own risk factors that could affect, unless properly handled or managed, the profitability of the company which is the ultimate objective of shareholders.

The major risk factors, among others, are operational and financial risks. Operational risks are referred to as risks caused as a result of core activities that are underwriting and claims process (NBE, 2012: 4).

The claims service of United Insurance Company SC is centralized at head office handling all claims reported by customers who are insured in any branch of the company. Centralization is considered as company policy because of, according to information obtained from company officials, the need to control claims leakages, fraud and lack of skilled man power to decentralize the claim service so that claims up to a certain limit could be handled at branch level.

Centralization, on the one hand, is a tool for the company to control and manage the claims, while on the other hand it causes delay and work load at head office. The company, evaluating the advantages and disadvantages of both approaches, has decided since its establishment to make the claims service centralized.

How customers feel about this approach specially those customers whose domicile and place of business/work is outside Addis Ababa has to be examined critically.

Besides this, according to the operations department and lapsed policies monthly report, the number of customers who refuse to renew their policies is increasing from time to time which could be due to poor claims service or price (premium) cutting by competitors or both. It also needs critical evaluation based on the assessment of basic service features depending on the response and comment of customers and employees respondents.

Therefore the research proposal focuses on the operational risk factor of the company with specific emphasis on risk factor related to the claims process/service of the Company.

This paper explores the level of operational risk factor of the company with particular emphasis to customer satisfaction with the claims service provided by The United Insurance Company S.C. Problems and their root causes have been identified through analysis of data collected from customers as well as employees.

The Insurance Industry in Ethiopia pays huge amount of money for claims every year. According to data obtained from the National Bank of Ethiopia, Insurance Supervision Directorate office, net claims amounting 1.04 billion birr were paid in the budget year that ended in June 2013. Out of this paid amount, around 81% were made in respect of Motor claims. When compared with previous year, growth in net claims soared up by 54% whereas premium production showed a growth of only 33%. The overall loss ratio for the year 2013 is 74%, which is the highest recorded so far.

Motor accounts for over 40% of the premium income and about 81% of the claims paid of Non-life business of the industry. Data on loss ratio for the last ten years reveals that Motor business holds the highest share, 73% on average. The amount of loss hints the severity as well as the frequency of Motor accidents.

As a service provider, United Insurance Company SC strives toward achieving its objectives articulated in its mission statement as “To provide complete Insurance Cover at economic rates, Honest, Prompt and Courteous Claims Service to fully satisfy all its constituents: Customer, Shareholders, Employees, Society and the Environment.” One of these objectives, i.e. efficient Claims service, is chosen for this study.

The main purpose of this research is to explore and identify the basic problems related to claims service of United Insurance Company.

Problem Statement

Satisfying its customers is the best strategy for growth and profitability of an organization. An insurance company that wishes to satisfy and retain its customers should try to understand customers’ needs and expectations specially related with the claims service because it is the ultimate objective of insuring as far as the customer is concerned. Understanding customers’ expectations however, may not be enough. Establishing customers’ expectations is also necessary to make it aligned with the service offered. This saves the company from dissatisfying its customers. The two major (core) activities of any insurance company are underwriting and claims settlement.

Unless they handle these activities properly they have the risk of losing their customers which is very costly for the insurance companies to regain them. So a risk handling for not losing customers due to claims service and underwriting is important for the insurance company and the main objective is the need to focus on the

handling of this risk specially the claims settlement aspect because claims settlement as the real test to the insurer's service comes when a claim is reported on the policy. It is at this time the insurance contract assumes a 'tangible shape' and insurance protection becomes meaningful to the insured. Since claims settlement is the act of fulfilling the terms of the contract, the claims process can be done to the satisfaction of both the customer and the company depending on how well the underwriting is done. Poor underwriting leads to customer dissatisfaction at the time of claim in that the claim may either be totally rejected or settled for an amount below the customer's expectation (Chartered Insurance Institute Study Course 820, 2004).

Customers easily attracted by competitors' adverts due to inefficient claims service coupled with their unrealistic/exaggerated expectations in the process because policy holders judge the value of their policy and their insurer by the way their claims are handled. Therefore, it is important for the company to understand the needs of and problems faced by each claimant and resolve such claim issues promptly, fairly and equitably.

With this understanding, therefore, this research focuses on identifying inherent and significant risks of the company which directly emanate from the claims operation and to make sure whether or not risks related to loss of customers, reputation etc. as a result of poor claims handling is actually the problem of United Insurance Company.

Research Questions

The following research questions can be forwarded

What are the major risk factors that would affect the United Insurance Company in relation to the claims service?

What is the level of efficiency of claims service in relation to customers' satisfaction?

What are the major challenges of the company in delivering efficient claims service?

What risk handling mechanism should be followed by the company to meet customers' expectation?

Objective of the Study

The general objective of the study focuses on identifying the major internal and external problems and challenges of the United Insurance Company S.C within the frame work of the existing practice and competitiveness in retaining customers in relation to the claims service delivered with the following specific objectives.

To assess the current claims handling process of the Company and to propose possible alternate way of handling claims effectively and efficiently.

To explore the basic problems related to claims service of United Insurance Company S.C. and to look for best possible ways for improvement.

To identify the factors determining customer satisfaction level in The United Insurance Company S.C. with regard to the claims service.

To determine the relative importance of factors which determine formation of customer loyalty.

Scope of the Study

All claims reported to the company are processed or handled centrally at head office representing all 28 branch offices of the company engaged in the underwriting activities. As a result, the scope of this study is to examining the current challenges related to the overall claims service of the united insurance company which may be considered for a certain period and subject to review after the elapse such period as competition and other developments may bring about new challenges and problems after a certain period say one year based.

Significance of the Study

This study in addition to serving the researcher for the purpose of fulfilling the requirement to come up with a senior essay it will assist the top management of the company to see the gap at every customer touch point with specific emphasis to the claims service of the company and create awareness that the responsibility of improving the claims service should not be left to the claims department only. This situation may also help the public requiring insurance services.

Research Design and Methodology

1.7.1. Research Design

The research design is diagnostic type. This type of design is preferred because the purpose of the study is to identify/diagnose existing problems and their root causes by studying the relationship between different variables; and in order to observe situations in the claims process of united insurance company based on a set of observation of the data collected from focus group related to the practice and challenges in claims handling process.

1.7.2. Sampling Techniques and Target Population

The sampling frame for customers' data was claimants/customers that have reported motor claims during the underwriting year 2012/2013. Simple random sampling technique was employed in selecting representative sample.

Assuming only 20% of the customers are dissatisfied with the service and opting for 95% level of confidence and 5% of margin of error, sample size was determined using the following formula:

$$n= p*q*(z/e)\ 2$$

Where, n = the minimum sample size required

P = proportion of satisfied customers

q = proportion of unsatisfied customers

z = value corresponding to 95% confidence (z=1.96)

e = margin of error

Substituting the values in the formula: n=245

Using the formula for adjusted sample size n' = n/ (1+ (n/N)

Where, n' = the adjusted minimum sample size

n = minimum sample size

N = total population (1210)

n' = 204 rounded off to 200

Target population for employees' sample data comprised all staffs of underwriting and claims division with grade VII (underwriting and claims supervisors) and above as per the company's scale and all top and middle management members. Employees who have been in the employment of the company for less than one year were excluded. Target population size was 60. Taking proportion of employees relevant for the study as 30% and applying the same formula as above sample size was determined as 55. Sampling technique for this group also was simple random sampling.

1.7.3. Types of Data Collected

The primary source of data was obtained from the respondents through questionnaire and while the secondary data was collected from different references related to the topic including examining claim files of customer.

1.7.4. Data Collection Methods

Data was collected from customers as well as employees of the Company by using questionnaires as instrument of data collection. Questionnaires related to key variables of the study were included in the feedback forms which have been developed for both customer and employee groups. Additional queries also included for the latter group aiming at evaluating the internal problems in detail.

1.7.5. Data Analysis Techniques

Data has been collected, sorted, classified and coded then tabulated for ease of analysis. The data was summarized and categorized according to the common themes. The collected data was analyzed using

frequency distribution table and descriptive statistics. Mean and standard deviation was used for the result of the survey

1.8 Organization of the Study.

The research paper has the following organization: In the first section/chapter introduction, background to the study, problem statement, research questions, research design and methodology have been provided.

Second chapter is devoted to review literatures related to the insurance claims service and corresponding risk handling/management tools and the third unit deals with data analysis findings and discussions and followed by the last chapter which represents conclusions and recommendations.

CHAPTER TWO

REVIEW OF RELATED LITRATURE

Overview of Insurance Product and Claim.

Definition of Insurance:

The Commission on Insurance Terminology of the American Risk and Insurance Association has defined insurance as follows:

Insurance is the pooling of fortuitous losses by transfer of such risks to insurers, who agree to indemnify insureds for such losses, to provide other pecuniary benefits on their occurrence, or to render services connected with the risk (Rejda, 2003:18).

Scholars and writers have given various definitions of insurance from different perspective such as economic, social, legal etc. (Hailu, 2007:23)

Preffer, (1956:35) provides that insurance is a device for the reduction of the uncertainty of one party called the insured, through the transfer of particular risks to another party, called the insurer, who offers a restoration, at least in part, of economic losses suffered by the insured.

Pritchet, (et al 1996: 52) also provide that insurance is a social device, in which a group of individuals (called "insureds") 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 the Commercial Code of the Empire 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.

Insurance is unlike some other products: it is a conditional promise. In return for a fee (the premium), the insurer promises to make a payment (referred to as the claim) if an event of a specified nature occurs (usually referred to as an insured peril) and the insured consequently suffers loss or damage. As such insurance is a risk transfer mechanism; the basic proportion is that the insured exchanges the uncertainty of a low frequency, high severity risk for the certainty of a lower cost premium.

The insurance system operates on the principles of pooling/sharing of risks and the law of large numbers. Pooling and sharing refers to the combination of similar insurance pure risks of individuals and organization in a pool, predicting the probable loss to the pool, and then distributing the predicted loss of the group to all those in the pool on some equitable basis. The empirical experience indicates that in a given period (say a year) it is very unlikely that all policyholders in the pool suffer losses (excluding fundamental pure risks) (Hailu, 2007: 24)

2.1.2. Nature of insurance product

Insurance is a unique product because its quality can only be judged when something goes wrong so that the claim is the tangible result of insuring. Thus the handling of claims becomes perhaps the most important aspects of insurer's advertising (Chartered Insurance Institute Study Course 820, 2004: 13). Claims and loss handling is the materialized utility of insurance; it is the actual "product" paid for.

Therefore it is not an option for insurance companies to give priority to the claims service as they are selling a promise which they should live up to.

The basic difference between product and service is that the former is tangible while the latter is intangible. Service is more labor intensive, involves high customer contact and it is produced and consumed at the same time as there is no 'stock' concept here. At some point product has service component and coming to the service sector the different types of services can be considered as products.

In light of the above, for the insurance sector the products are the various covers it provides like Property, Liability and Life Insurance. What makes it different from other service sectors is that even at the time of selling its products it is still selling a promise (Chartered Insurance Institute Study Course 820, 2004:52). What could be referred to as after-sales service by other sectors, becomes the main service and the very essence of the sold product. It is the way this 'promise' is fulfilled or complied with that satisfies or dissatisfies a customer, though the way the 'promise' is sold also has a share.

2.1.3 Insurance Claim:

A claim is a request to be reimbursed (or compensated) filed by the insured and addressed to the insurer. A claim can be made (notified) without an insured loss event happening (an insured loss event is an occurrence which is covered under the terms of the policy). In such a case the claim would be invalid. Similarly, an insured loss event can occur without a claim being made (Chartered Insurance Institute, Study Course 820, and 2004:67).

It is with this important aspect that insurance companies are highly concerned with immediate/ timely notification of a claim as soon as any claim occurs. Failure to report a claim immediately is precedent to liability. The motor claims manual of the United Insurance Company, (UIC, 2012:1) for example, states as a policy, that notification of a claim shall be the responsibility of the insured or his/her legal representative and immediate notification is required.

The requirement to report immediately has not only been stated in the claims manual which is prepared for internal use but also stated in the standard insurance contract document/policy so that customers are aware of the notification condition of the insurance policy.

A final characteristic of insurance is indemnification for losses. Indemnification means that the insured is restored to his or her approximate financial position prior to the occurrence of the loss (Rejda, 2003:19)

2.1.4 Claims Procedure

The procedure of handling claims depends on a number of cases like type of cover, amount of claim, etc. The following are the basic stages involved (Chartered Insurance Institute, Study Course P01, 2007:69).

Notification of Claims – The insured should notify the Company the loss/damage immediately within reasonable time of the occurrence, by completing forms prepared by the insurer for this purpose (CII Study Course P01, 2007:69).

Claims Processing

Before accepting liability the insurer determines the validity of the reported claim by checking whether, (CII Study Course P01, 2007:70).

Cover was in force at the time of the loss

The person making the claim has the right to claim under the policy

Peril is covered by the policy

The sum insured is adequate

The insured has complied with the policy conditions

No exclusions apply

There is any other reason the insurer might wish to reject the claim (e.g. Suspected fraud)

Claims that do not fulfill the minimum requirement will be rejected. The claim resolution process will start only after the validity of the claim is verified. Assessment and investigation for property claims is usually done by company‘s surveyors for simple and straightforward claims and where the loss is large and complex the service of independent surveyors and loss assessors is employed. At this point the insurer will hold a reserve for the expected claim payment, termed as Claims estimate. (Chartered Insurance Institute Study Course P01, 2007:73).

Claims Settlement – Actual Settlement amount depends on a number of factors like the nature of the cover, the adequacy of the cover and the application of any conditions which limit the amount payable or the terms of settlement. The company may choose the mode of settling the claim as repair, replacement or payment in cash, but all modes of settlement should be in line with the principle of indemnity according to motor claims manual of United Insurance Company(UIC, 2012:38).

It would be necessary at this point to explain what indemnity means which is one of the fundamental principles of insurance. The act of Claims settlement is dictated by the principle of indemnity which is one of the doctrines of insurance. The idea of indemnity is that “the insurer agrees to pay no more than the actual amount of the loss; stated differently, the insured should not profit from a loss.” (Rejda, 2003:79).

2.1.5. Claims handling and public perceptions

The purpose of claims handling is far greater than just complying with the contractual promise and therefore serves as an opportunity where the insurance company sells its image to the public. A dissatisfied customer is bad publicity to the company. Charles, (1980:9) describes the public's influence as follows:

The general public is, inevitably, an influence on clam decisions. This is only natural, as insurance is provided as a service to the public. The influence of the public is felt in many ways and for many reasons. Although additional business may be generated among existing policy owners, a company's market for new customers consists of members of the public who are not currently policy owners.

2.1.6. External influence on claims

Apart from the general public and policy holders, the judiciary is another external influence in claims settlement. There is a general tendency by courts to protect the public more than the insurance companies. Any ambiguity is decided in favor of the Insured, considering that insurance contracts are drafted by the insurer without the participation of the applicant. (Vision, Journal of Society of Insurance Professionals, contributed by Teffera Demiss, 2009:12).

To some extent, an internal influence also constitutes the claims environment (Charles, 1980).Sometimes, claims handling personnel are squeezed between their responsibility to handle reported claims according to their merit and the reaction of the other work units within the Company itself, usually underwriting/Sales department. Underwriting and sales departments, for fear of losing their customers, want the Claims personnel to be flexible and liberal in the handling of claims. However it's not possible to please everybody. Therefore, the claims people should strike a balance between the interest of the insurance Company and the proper and equitable treatment of claimants (Charles, 1980). Furthermore, the claim function is under the pressures of cost effectiveness by top management (Charles, 1980:135).

Customer Satisfaction

Customer satisfaction (CS) is a term that has received considerable attention and interest among scholars and practitioners perhaps because of its importance as a key element of business strategy, and goal for all business activities especially in today's competitive market (Gro¨nroos, 2000).

The concept has been variously defined by many authors. ''Satisfaction is a person's feeling of pleasure or disappointment resulting from comparing a product's performance (outcome) in relation to his or her expectation'' (Kotler & Keller, 2006: 144).

''Satisfaction is merely the result of things not going wrong; satisfying the needs and desires of consumers.''(Besterfield, 1994:195).

Admittedly, satisfaction is more complex to define to accurately fit every context and measure. In the words of Oliver (1997:102), "everyone knows what [satisfaction] is until asked to give a definition. Then it seems, nobody knows"

Satisfaction can as well be related to other non-quality dimensions (Singh, 1991). It may be related to an on-going business relationship or with price-performance, satisfaction with the time or service delivery or the service experience, service context and satisfaction with entire reputation and outlook of an organization. Even with the product or service quality there can be several dimensions.

Therefore depending on the purpose one wants to achieve, one can relate satisfaction to any object of interest. Satisfaction can be related to attribute-specific and overall performance. It is attribute specific where it relates to a specific product or service.

In our **context,** therefore satisfaction can be related to a specific attribute, such as insurance underwriting and claims service.

Claims provides insurance companies with the opportunity to deliver real value to their customers, whose experience of the company's service in this situation is critical in determining whether they renew or take out future new business. The insurance company can get new sources of business from satisfied customers' recommendation (Chartered Insurance Institute Study Course 820, 2004).

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, 1997). 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.

Expectations – disconfirmation model of customer satisfaction suggests that "if customers perceive their expectations to be met (positive disconfirmation) they are satisfied. If their expectations are under-performed (negative disconfirmation), they will be dissatisfied" (Buttle, 2009:44).

After learning customers' expectations, a company should translate customers' needs and expectations into specific activities and procedures which can be referred to as Service standards (Tschohl and Franzmieier, 1997).

A discussion on external customers' satisfaction will not be complete without mentioning about employees, who are the internal customers of a company. The way a company handles its internal customers has a cascading effect on its capacity to acquire and retain external customers. Good external service depends on the level of service the employees receive from their employers (Webb et al., 1978).

In order to be able to give their customers an efficient service, companies should give more attention to their human resource. Treating all employees equally without favoritism, paying them good, improving their benefits, motivating them and creating a good working atmosphere are some of the things that will lead to their satisfaction. Employee retention should be given proper attention. Tschohl and Franzmieier (1997:162) states that, "the most effective means of reducing turnover is motivating employees to high-quality performance from which they derive satisfaction that leads them to work hard to retain their jobs.' Therefore the importance of satisfying and motivating employees cannot be overemphasized.

Johri (2009:1) defines customer satisfaction in insurance as follows:

The use of a Policy Product purchased for a cost, to the ultimate satisfaction of the buyer, when a claim is paid. The satisfaction is not fully achieved only when a product so purchased gives its full use, but it also stipulates that the product bought by the buyer will give him the expected fruit, i.e. peace of mind during the product cycle when it is in use by the customer.

2.3. Customer Service Quality in insurance

Quality must reflect customers' expectation. Decision about quality levels can only be taken with a clear view of customer expectation.

According to Fogli(2006) service quality is "a global judgment or attitude relating to a particular service; the customer's overall impression of the relative inferiority or superiority of the organization and its services.

Stafford et al. (1998) pointed that insurance providers are putting increasingly more emphasis on service quality and customer satisfaction. He further noted that service quality in insurance industry is measured through complaint ratio which is the number of received complaints divided by a measure of insurance business enforce.

(Govind, 1992: 26) defines customer satisfaction in insurance as follows:

The use of a Policy Product purchased for a cost, to the ultimate satisfaction of the buyer, when a claim is paid. The satisfaction is not fully achieved only when a product so purchased gives its full use, but it also stipulates that the product bought by the buyer will give him the expected fruit, i.e. peace of mind during the product cycle when it is in use by the customer

2.3.1. Measuring Service Quality in insurance

In the context of claims operations, service standards mean 'management's expectations to the turnaround time of a claim, that is the amount of time that elapses between the receipt of a claim and the claims decision (Charles, 1980:492). There are different forms of setting standards based on type of claim activity involved.

Unlike the quality of tangible goods, the intangible nature of services makes their quality difficult to measure. Service cannot be subjected to objective quality control tests before it is provided to the general marketplace; it is only with experience that we know how consumers perceive the quality of the services they receive. There are four levels of quality.

Below threshold quality: Fails to meet the expectation.

Basic threshold quality: Meets the expectations, but does neither more or less.

Enhanced threshold quality: Identifies that the customer would see an element of quality, but which once delivered, they will see as no more than a reasonable meeting of expectations (e.g. following failure to pay a valid claim on time, payment is made with an apology plus interest)

Incremental quality: Identifies that there are elements of quality which can be delivered at a reasonable cost compared to revenue and which the customer could see as exceeding expectations. (E.g. following failure to pay a valid claim on time, payment is made with an apology, plus interest, plus a certain amount as recognition of inconvenience (Chartered Insurance Institute, CII, Study Course 820, 2004:64)

Survey conducted to study the level of customer satisfaction with their reasons why they changed insurer (Chartered Insurance Institute Study Course 820, 2004:75) indicate that customer expectation of a good – quality claims service include but not limited to:

Speed of response

Prompt authorization of repairs for property and motor losses

Fair settlement and

Prompt issuance of cheques in settlement of claims.

Risk of Fraudulent Claims(challenge)

The fact that insurance is open to fraud makes the work of insurers challenging. They have to keep an eye and carefully scrutinize the claims to protect themselves against internal and external frauds.

Fraud has been an integral part of insurance ever since the first fraudulent marine cargo claims in Venice in the Middle Ages. Only recently, however, has fighting this fraud become a priority (Chartered Insurance Institute Study Course 820, 2004:89).

In managing the claims handling function, insurers seek to balance the elements of customer satisfaction, administrative handling expenses, and claims overpayment leakages. As part of this balancing act, fraudulent insurance practices are a major business risk that must be managed and overcome.

In the insurance business, satisfying customers becomes very challenging. Quite often, when a year goes by without a claim being reported on their policy, customers grumble that they are paying their money in vain. The peace of mind that comes with transferring the risk onto the shoulders of the insurance company is taken for granted. It is also common to hear customers, even those who never had a claim, saying “Insurance people treat their clients with a smile until they collect their money, but when a loss occurs they want every loophole to reject the claim.”

While some of the complaints are invalid complaints that arise from lack of awareness of insurance business, high expectation of service or false accusations made in an attempt to make benefit out of insurance claim, there are, however, valid and well-founded complaints. (Insurance Institute of India IC 56, 1993). Claims fraud may arise as a result of deliberate planning or casual opportunity, and in each case it may involve

complete fabrication of losses or relatively small exaggerations. It may be motivated by pure profit seeking, a sense of entitlement, desperation or resentment (Baker, 1996).

The problem of moral hazard is recognized as an intrinsic business risk for insurers, and the insurance contract, insurance law, insurers' claims handling practices, and even the selection of insured take it into account (Baker, 1996: 73).

2.5. Competition

In the face of a stiff competition such as the Ethiopian Insurance Industry is struggling with, charging lower premium may not continue to be a competitive advantage. The awareness of the insuring public towards insurance is increasing and high expectation of service, especially claims service, has become the order of the day. Nothing less than an efficient claims service will satisfy such enlightened and well informed customers. Therefore insurers should pay close attention to their claims service in order to keep their customers with them and play fair game in the competition (Draft Risk Management Programme, UIC).

Customer Complaint Handling and Dispute Resolution

The numbers of claims that are a source of dispute are very less as compared with the majority of claims that are settled promptly. Controversies may arise at any stage of the claims process. Usually disputes arise and are mainly about whether a claim is covered by a policy, amount which should be paid or speed with which claims are handled. In case of such disputable claims it is quite difficult to settle amicably and this necessitates establishing some form of dispute resolution and complaint handling procedures by the Insurer (Chartered Insurance Institute Study course 820, 2004:160)

The most advised dispute resolution found to be effective by most insures is Alternative Dispute Resolution (ADR). ADR is advantageous in that it enhances speed and is less costly than litigation. It is more flexible and helps in preserving business relationships, thus resulting in

customer retention. The different forms of ADR include Mediation and Conciliation, Expert appraisal, Expert determination, etc.

CHAPTER THREE

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

In this chapter the results of analysis of the collected data from customers and employees through questionnaire and interview on the major service factors are reported. The response rate and respondents profile followed by stages of the analysis are presented in the first few sections. In the latter sections, findings are reported and discussed.

3.1 General characteristics of respondents

3.1.1 Employees

Table 3.1: Working Department Classification of Employees (Sample)

Working Dept.	No. of Employees	Percent
Operations Department	3	5.0
Underwriting Department and Branch Office Managers	35	59.0
Claims Division	16	27.0
Finance and Administration	2	3.0
Marketing Department	3	5.0
Legal Services	1	1.0
Total	60	100.00

Source: HR& Adm. Department

Division wise classification shows that 16 (27%) of respondents are from Claims Division and 35 (59%) from Underwriting Division which is composed of Branch Managers and Underwriters. The smallest group 9 (14%) is that of middle and top management group.

Though sampled employees were 60, only 56 questionnaires were distributed to sampled employees. Total number of responses was 51 while non responses were 2. Two other employees were ineligible to respond because they are not directly involved in operational activities. Total response rate worked out as 96%.

Table 3.2: Sampled Employees Classification by their year of service in The United Insurance S.C.

Year of Service	No. of Employees	Percent
Less than 3 years	8	15.0
3-5 years	24	48.0
6-10 years	12	23.0
More than 10 years	7	14.0
Total	51	100.0

Source: Field Survey

For the first sample, which is employees group, majority of 32 respondents (63%) have been in the employment of the company for less than five years. While 12 (23%) lie in the 6 to 10 years category. 7 employees (14%) of them have been with the company for more than 10 years. Considering their overall experience in the insurance practice, 36 employees (70%) of the respondents have worked in the industry for

up to 10 years. 9 employees (18%) have served in the industry from 11-20 years and 6 of them (12%) are having more than 20 years experience.

3.1.2 Customers

Table 3.3: How Customers choose UNIC to be their Insurer

Reasons for choosing UNIC	Customers Response	
	No.	Percent
Advertisement	-	-
Reasonable premium	20	16.0
Recommended by a friend	25	21.0
Acquaintance with employees of the Company	45	37.0
Through insurance agent/broker	25	21.0
Being a share holder	6	5.0
Total	121	100.0

Source: Field Survey

Majority of the respondents (37%) chose UNIC to be their insurer because of their acquaintance with employees of the company while 21% were recommended by a friend. Another 21% were introduced to the Company through agent/broker and the rest through other channels. As regards branch location, 63% of the respondents placed their business in branches located in Addis Ababa while 37% of them are insured with branches located outside Addis Ababa. While checking their business relationship with UNIC, 48% of them were found to have been insured with the Company for more than five years.

As discussed in the previous chapter, minimum sample size for the customers was computed as 200. The questionnaires were distributed to twenty-two branches. The method adopted for administering questionnaires was delivery and collection where the branch managers delivered the questionnaires to client's place and followed up with the customers for collection of the completed form. This method of administration was opted because it results in better response rate than mailed questionnaires. Majority of the sampled customers were individuals, most of whom were unreachable because neither fax number nor e-mail address was found in the policy records. In an effort to increase response rate, responses were keenly monitored. The investigator followed-up with the branch managers, who in turn pursued with the customers.

Total usable questionnaires were 121, non response was 49 and 5 were unusable as there were missing values and inconsistency of information was detected in one of them. Despite the time constraint, the response rate turned out to be 72%, (126 response out of 175 distributed questionnaires) which is satisfactory.

From a total of 200 sampled customers, feedback was obtained from 121 respondents, of which 50% were individual customers while the other 50% represented organizations. Although in the company's register book the composition of individual customers and organizations is 40:60 percent for the target population the

proportion in this sample turned out to be 50:50 because of the non response of most individual customers as explained above.

3.2 Analysis of Data and Interpretation

3.2.1 Customers Perceptions of the Service. To explore customers' perceptions in connection with claims service of the company, customers were asked to rate the service in terms of key service features. The results are presented as follows.

Table 3.4: Frequency Table of Customers' Perceptions of Service Features

	Frequency	Percent	Valid Percent	Cumulative %
Customer Handling				
Very Good	37	30.6	30.6	30.6
Good	36	29.8	29.8	60.3
Moderate	27	22.3	22.3	82.6
Responsiveness				
Very Responsive	31	25.6	26.3	26.3
Responsive	33	27.3	28.0	54.2
Moderate	33	27.3	28.0	82.2
Authorization of Repair Work				
Very Good	11	9.1	9.3	9.3
Good	33	27.3	28.0	37.3
Moderate	42	34.7	35.6	72.9
Settlement of Claim				
Fair	18	51.0	36.0	36.0
Small Variance	24	33.0	48.0	84.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Issuance of cheques				

Very Fast	10	8.3	8.6	8.6
Fast	11	9.1	9.5	18.1
Moderate	50	41.3	43.1	61.2
Slow	34	28.1	29.3	90.5
Very Slow	11	9.1	9.5	100.0
Total	116	95.9	100.0	
Missing System	5	4.1		
Total	121	100.0		

Source: Field Survey

3.2.1.1 Customer Handling

Majority of the respondents, about 60% perceive that they are receiving good customer handling. Around 22% of respondents are saying the service is moderate while the rest of them (18%) rate is as poor. See table 3.4.

From the data, the majority (60%) has no complaint on the customer handling of officers of the Company. However a significant part of the respondents (40%) represents those who are neutral and have not decided whether to rate the service is poor. This signals a problem in this area.

3.2.1.2 Responsiveness

The perception of 54% of the respondents is that the officers are responsive to customer's requests while 18% of the respondents say the officers are not responsive see Table 3.4. Since comparing the extreme ends (positive and negative) may not give a complete picture, focus should be made on middle group (28%). About 45% of the feedbacks indicate that the level of responsiveness is not up to the required level.

3.2.1.3 Promptness in Authorization of Repair Work

As perceived by 37% of the respondents, repair work is authorized by the Claims division promptly while 27% of the respondents say that the process is slow. But still a significant percentage of respondents (36%) rate the speed as moderate. See Table 3.4. To put it in another way, around 63% of respondents are saying the speed is not fast which calls for immediate attention of the Claims division in this area.

3.2.1.4 Fairness of Settlement of claims

Settlement of claims is perceived as fair by 51% of the respondents while 33% say there is small variance between the settled amount and what they expect. The rest of respondents (16%) reported wide variance.

However, in practice, variances as small as 10 to 15 percent, are considered negligible. It is assumed that out of the 33% responses (small variance) a significant percentage would fall in the 10% to 15% range. Therefore, responses that fall in the 'fair group' can be considered much higher than 51%.

3.2.1.5 Promptness in Issuance of Cheques

Majority of the respondents (43%) is saying speed of cheque issuance is of moderate speed and around 39% of the respondents perceive that the speed is slow. In total 82% of respondents agree that the speed is not fast. See Table 3.4.

Considering the complexity involved in the service features examined, issuance of cheques is relatively expected to be much smoother and easier. However, in a situation where 82% of respondents agreed that issuance of check is slow, it shows how customers are disappointed for a simple reason/task which can easily be corrected. Because the issuance of cheque comes after all the claims process is finalized and the amount payable is approved by the concerned official. So delay in issuance of cheque at final stage has significant implications to the extent of spoiling all efforts made during the claims process.

3.2.1.6 Identifying the major causes of delay in the claims process

Table 3.5: Cause of Delay as perceived by customers

	N=78	
Cause of Delay	**Frequency**	**Valid percent**
Lack of proper repair follow up	30	38.0
Unavailability of Parts	27	35.0
Delay in bid process	26	33.0
Negligence by Company's officers	24	31.0
Delayed delivery by parts suppliers	18	23.0
Failure by garages to meet repair time limit	13	17.0
Incomplete documents produced by claimant	7	9.0

Source: Field Survey

Customer respondents were asked to indentify causes of delay they experienced while their claim was being processed (Q.5). Seventy eight respondents answered this question while the remaining 43 respondents stated that their claim was not delayed. See table 3.5

Lack of repair follow up was identified as a cause by majority of the respondents (38%), followed by Unavailability of parts (35%). Delay in bidding process and negligence of Company's Officers were identified by 33% and 31% of the respondents, respectively.

3.2.2 Customers' Overall Satisfaction

Table 3.6: Customers' Overall Satisfaction

Level of Satisfaction	Frequency	Percent	Valid Percent	Cumulative Percent
Highly Satisfied	10	8.0	8.0	8.0
Satisfied	42	35.0	35.0	43.0
Moderate	46	38.0	38.0	81.0
Dissatisfied	18	15.0	15.0	96.0
Highly Dissatisfied	5	4.0	4.0	100.0
Total	121	100.0	100.0	

Source: Field Survey

Respondents were asked to indicate their level of satisfaction in the service. Majority of the respondents (57%) are either dissatisfied or are neutral about the service. Only 43% of the customers are satisfied.

Comparing the mean score in the general satisfaction variable for individual customers (3.29) and organizations (3.25), no significant difference was observed in the level of satisfaction of the two groups. However the variation in values was greater among individuals group (standard deviation = 1.097) as against 0.779 for the organizations.

Furthermore, no significant difference was observed between the level of satisfaction of customers insured with branches located in Addis Ababa, where claims are handled, and branches outside Addis Ababa (Mean scores were 3.31 and 3.2, respectively).

Table 3.7: Do customers Recommend United Insurance Co. to their Friends?

	No. of Customers	Percent
Yes we recommend	93	77.0

No we don't recommend	28	23.0
Total	121	100.0

Source: Field Survey

Asked whether they recommend United Insurance Co to their friends, 77% respondents said they recommend. However 23% of them are saying they don't recommend United Insurance Co, which suggests that they are not happy with the service. Though they are the lesser number of respondents who don't recommend United Insurance Co the negative effect of these aggrieved customers is very high. A single aggrieved customer can affect the good will of the company. Therefore, this part of the finding is a big issue to the company.

Table 3.8: Comparing the claims service of United Insurance with other Competitors

	Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Very efficient	18	15.0	15.0	15.0
efficient	35	29.0	29.0	44.0
Same as others	42	35.0	35.0	79.0
Less efficient	26	21.0	21.0	100.00
Inefficient	-	-	-	
Total	121	100.0	100.0	

Source: Field Survey

Respondents were asked how they rate the claims service of United Insurance Co as compared with other competitors. About 44% of the respond are saying United Insurance Co's service is more efficient than other companies, 35% of them put it in same level as other competitors and 21% of them rate the service as less efficient than others. Here, percentage of those who rate the service as less efficient than competitors is a significant amount and therefore the company should take care of.

3.2.3 Factors Causing Customer Dissatisfaction

Table 3.9: Factors Causing Customer Dissatisfaction

		N = 63	
No	**Source of Dissatisfaction**	**No of Respondents**	**Valid Percent**
1	Delay in claims processing	31	49.0

2	Failure in the Company's Procedure, no flexibility	20	32.0
3	Overall service: poor customer handling, delay in response or no response at all	20	32.0
4	Post risk Survey	10	16.0
5	Garages' Incompetence and delay in repair work	10	16.0
6	Poor follow up (repair work and other processes)	9	14.0
7	Unfair settlement, delayed cheque issuance	7	11.0
8	Excess-delay in refunding excess paid by claimant when third party is at fault	7	11.0
9	Policy terms and conditions not explained to customers, advice not given to customers to revise the sum insured of their vehicles	5	8.0
10	Inexperienced and inadequate Staff, no supervision and monitoring by management	5	8.0
11	Shortage of Parts suppliers	5	8.0

Source: Field Survey

To study causes of dissatisfaction, an open ended question (Q.10) was included in the questionnaire asking respondents to give feedback on aspects of the existing claim procedure which they feel should be amended or totally changed. Only sixty-three respondents give feedback on this. Most of the answers however, revolved around the overall service rather than comments on specific procedures. The points are summarized as shown in table 3.9

Delay is observed to be the biggest source of complaint as can be seen from table 3.9. Majority of the respondents (49%) are not happy with the speed of claims processing. This includes all stages of the service, starting from the time they notify a claim to final collection of payment. Causes of delay are discussed in section 3.2.1.6.

Second biggest cause of dissatisfaction identified by respondents (32%) is related to claims procedures adopted by the Company. Most of the points raised include comments on procedures being long and inflexible. One specific point mentioned was related to centralized claims service, which is considered as a problem especially by customers who are insured with branches located out of Addis Ababa. Since claims are centrally handled at the head office of the Company, claims insured with branches located out of Addis Ababa, have to come to the head office to follow up their cases. Although they can report their claim to the insuring branch that facilitates the process for them, in case of major damages they should necessarily come to the head office. Additionally, in connection with salvages, customers complain about the cost and

inconvenience involved in delivering salvages to the Company. They are of the view that the Company should devise another way of collecting salvages.

Other sources of customer dissatisfaction emphasized by respondents were poor customer handling and delay in response or no response at all sometimes. Problems related to post risk survey, incompetence of garages and poor follow up of claims by the company's officers were mentioned by most respondents.

Table 3.10: Frequency Table for Employees' Perceptions of Service Features

	Frequency	Percent	Valid Percent	Cumulative
Customer Handling				
Very Good	4	7.8	7.8	7.8
Good	16	31.4	31.4	39.2
Moderate	16	31.4	31.4	70.6
Poor	10	19.6	19.6	90.2
Responsiveness				
Very Responsive	2	3.9	3.9	3.9
Responsive	11	21.6	21.6	25.5
Moderate	35	68.6	68.6	94.1
Authorization of Repair Work				

Very Fast	3	5.8	6.0	6.0
Fast	4	7.9	8.0	14.0
Moderate	29	56.9	58.0	72.0
Slow	12	23.5	24.0	96.0
Very Slow	2	3.9	4.0	100.0
Total	50	98.0	100.0	
Settlement of Claim				
Fair	18	35.3	36.0	36.0
Small Variance	24	47.1	48.0	84.0
Wide Variance	8	15.7	16.0	100.0
Total	50	98.0	100.0	
Issuance of cheques				
Fast	5	9.8	9.8	9.8
Moderate	25	49.0	49.0	58.8
Slow	21	41.2	41.2	100.0
Total	51	100.0	100.0	

Source: Field Survey

3.2.4 Employees' Perceptions on key service Features

Employees were asked to specify their perceptions of the key service features. The results are as follows: See Table 3.10 above.

About 39% of the respondents are of the view that customers are handled well, while 31% and 30% rate the service as moderate and poor respectively. About 6% of respondents perceive responsiveness towards customers request as poor, 25% perceive it as good whereas the majority (69%) perceive it as moderate. Majority of the respondents (58%) rate speed of authorization of repair work as moderate, while 28% of them rate it as slow. Only 14% of the respondents believe that repair works are authorized speedily. A good half of the respondents (48%) think that claims settlements have small variance, while 36% of them perceive that fair settlement are being made. Only 16% of them think that there is wide variance in claims payment from what it should be.

Respondents were also asked to compare the claims service of UNIC with that of competitors. About 40% (the majority) rated the service as less efficient, 34% of respondents think it is same as competitors' service, whereas the rest (26%) think that it is efficient than others.

Table 3.11: Causes of Delay (Employees' Ranking)

Rank	Cause of Delay	N= 51	
		Frequency	Valid percent
1	Late delivery of parts by suppliers	18	35.0
2	Inadequate resource (staff)	14	27.0
3	Claimant's lack of awareness of the procedures	10	20.0
4	Late bid submission	3	6.0
5	Unskilled man power	2	4.0

Source: Field Survey

In section 3.2.1.6 causes of delay identified by customers were discussed. As investigated in the preceding sections, there is a delay element in the performance of both internal and external players of the service. This necessitates taking a closer look into this problem. Respondents were asked to rank the sources of delay in claims processing from most severe (1) to least sever (5). For summary see table 3.15. Late delivery of parts by suppliers was rated as the most severe by 35% of respondents, followed by inadequate resource indentified by 27% Claimants lack of awareness of the procedures was identified by 20% of the respondents and was ranked third.

3.2.5 Assessment of Internal and external Factors in Claims Processing

Table 3.12: Frequency of Various Claims Factors

	Frequency	Percent	Valid Percent	Cumulative
Service Quality				
Improving	18	35.3	35.3	35.3
No Change	20	39.3	39.3	74.6
Declining	13	25.4	25.4	100.0
Total	51	100.0	100.0	
Adequacy of Staff				

More than Enough	-	-	-	-
Enough	14	27.5	27.5	27.5
Not Enough	37	72.5	72.5	100.0
Total	51	100.0	100.0	
Follow up of Claims				
Regularly	33	64.7	64.7	64.7
Only sometimes	18	35.3	35.3	100.0
Never Follow up	-		-	
Total	51		100.0	
Legitimacy of Customer Complaint				
100%	-	-	-	-
75%	19	37.3	37.3	37.3
50%	23	45.0	45.0	82.3
25%	9	17.7	17.7	100.0
Total	51	100.0	100.0	

Aiming to further examine the various issues related to the service, employees were asked detailed questions and few selected management group have been interviewed. Most of the internal and external factors reflected in the service are noted below as per table 3.12.

3.2.5.1. Claims Division

To assess the performance of the claim division, respondents were asked to answer few questions directly related to the division.

Service quality: Comparing the service currently provided to that of preceding years, about 36% of the respondents think that the service is improving, 38% say there is no change and the remaining 26% feel that it is declining (Table 3.12).

Adequacy of staff: About 72% of the respondents think that number of claims staff is inadequate, as compared with the frequency of claims being reported. This can be taken as one of the reasons for delay in claims processing (Table 3.12).

Follow up of Claims cases: Around 65% of respondents are of the opinion that follow-up of in-progress repair work is done almost always while 35% of them think that follow up is done only sometimes (Table 3.12).

Customer's Complaints: It is understandable that not all of customer's complaints are genuine and reasonable. Some of the complaints may even be matters of principles of insurance on which the Company cannot compromise. Respondents' view was sought as to what extents they think complaints reported by customers are legitimate. Majority of respondents (45%) believe that fifty percent of the complaints are legitimate, while a significant parentage of respondents (37%) believe that seventy five percent of the complaints are legitimate. Around 18% of respondents however, believe only twenty–five percent of the complaints are legitimate (Table 3.12).

Significant percentage of responses indicating declining service quality, inadequate number of staff and poor follow up of claims show the weak spots of the division.

3.2.6. Customers' and Employees' Feedback on how to Improve the Service

Respondents (both customers and employees) were asked to suggest ways of improving the service. Ninety six customers and 43 employees forwarded their suggestions. The major points are complied as follow. For detail see Appendix c and d. Feedback from management group obtained through interview is also included.

It was remarked that the claims procedure adopted by the Company needs to be modified. Decentralizing claims service up to a certain level was also advised by both groups. It was also commented that the Company should have proper service standards in place. Regarding staff issue, equipping the claims division with adequate and experienced staff was advised by most of the respondents. The need to monitor the claims division and reducing staff turnover were also emphasized by customers.

Handling customers with courtesy and providing speedy settlement of claims was stressed by respondents. The need to select competent garages, having more suppliers and proper follow up of claims cases were also among the few suggestions highlighted by most of the respondents.

3.3. Conclusion

Customers' perception was analyzed and it was observed that their expectations are not met and hence they are not satisfied with the Company's claims service. Relationship between some of the variables was discovered. Internal and external factors in the handling of claims were assessed and cause of customer dissatisfaction as well as factors contributing to delay in claims processing were indentified.

CHAPTER FOUR

SUMMARY OF THE FINDINGS, CONCLUSIONS & RECOMENDATION

Introduction

This chapter summarizes the major points/issues which are the basis of this study starting with the very purpose of the study, the initial research questions raised and the actual findings. Furthermore, the conclusions followed by recommendations are presented.

4.1. Summary of the Findings

In considering the special nature of motor insurance claims which is high frequency and their being sources of dispute most of the time, particular emphasis was given to this class. For this purpose the target population of customers which is 1495 (see 1.7.2) was determined to be claimants that have reported motor claims in one year 2012/2013 and almost all of the questions in the feedback-forms revolved around motor claims.

The study explored customer perceptions in connection with the claims service. Analysis of the data revealed that there is a gap to be filled to enhance customer satisfaction. Based on the initial research questions it has been attempted to see the level of claims service of the company in relations to customers' satisfaction, risk factors that would affect United Insurance S.C. etc. The level of claims service is proved to be below customers' expectation and perception,

Moreover, the research identified causes of customer dissatisfaction by examining customers' feedback. 63 customer respondents have given feed backs on eleven identified causes for dissatisfaction (see table 3.9) and 31 respondents (49%) suggested that the main source of dissatisfaction is delay in claims processing. Another source of dissatisfaction recognized was related to the company's claims procedure, which customers considered as being long and inflexible. The rest of the issues were related to poor customer handling and delay in response.

Furthermore the study investigated most of the customer touch points, both internal and external to the company. Some of the internal factors observed were; inadequate staff of claims division, and delay by company's surveyors in conducting and reporting of post risk survey. External factors include Problems related to Parts dealer companies, local suppliers and garages.

4.2. Conclusions

Form the findings of this research, it can be concluded that the level of claims service in relation to customers satisfaction is far below the expectations of the customer. This can be easily observed from analyzed data and findings where evaluation on customer overall satisfaction reveals that (table 3.6), 57% of the respondents are not satisfied. This finding addresses the research question no.2 where the level of efficiency of claims service of the company in relation to customer satisfaction is below the expected.

Taking the sensitive nature of the business into account, this figure is very high. Delay in claims processing is the major cause of customer dissatisfaction i.e. 49% from 63 respondents. Form the investigation made on internal and external factors, one of the research questions no 3 has been addressed that the major challenges of the company in delivering efficient claim service are identified. The study has identified lack of adequate staff in the claims division as the root cause of delay. Had the division been equipped with adequate and experienced staff, the impact of other factors could have been reduced considerably through consistent follow up. Additionally, staff turnover in the division has also contributed to delay. There seems to be lack of proper hand over of pending actives when an officer resigns, hence the newly assigned officers take some time to familiarize themselves with the pending cases.

Another conclusion that can be drawn from this research is that, customer satisfaction is highly associated with customer handling. Apart from this association confirmed through statistical analysis of the study, the researcher observed that good customer handling is the key to customer retention. Some respondents of the survey commented that they are not happy with some aspects of the claims service, and they don't recommend United Insurance company to their friends (table3.7). This is one of the major risk factors that would affect the United Insurance Company S.C. because even one aggrieved customer can harm the good will of the company i.e. addressing the research question no.1

4.3. Recommendations

This study suggests that the responsibility of improving the services should not be left to the claims division only. The gap at every customer touch point should be filled. This needs a concerted effort by top management in periodically reviewing the performance of all work units that have a direct or indirect role in claims service so that a risk handling mechanisms should be followed by the company to meet customers' expectation.

The researcher recommends that the company should try to work toward enhancing customer satisfaction. This can be achieved by focusing on the causes of dissatisfaction identified through this research. The following measures are suggested to be taken by the company:

Equip the claims division with adequate man power, since overstressed staff cannot be expected to give efficient and quality service. Capacitating staff by providing intensive trainings on insurance discipline and customer service should be given priority.

Encourage and motivate employees to continue in their customer centered attitude and aspiration toward delivering a quality service. At the same time try to reduce staff turnover rate by studying from exit interviews the shortcomings of the company in retaining employees.

Give due attention to customer handling and be fast in responding to customers' requests.

Set proper and achievable service standards and monitor how well they are being met. This will help in identifying the bottlenecks and avoiding unreasonable delays. Review the existing claims procedures and try

to see to what extent the changes suggested by the respondents of this research can be incorporated. Having a proper customer complaint handling procedures in place is also recommended.

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APPENDIX-A

St. Mary's University

Faculty of Business

Department of Management

Questionnaire to be filled by Customer of United Insurance Company S.C

This questionnaire is designed to collect data for the study on the Claims handling practice and challenges of United Insurance Company in partial fulfillment of the requirements for my first degree. This study aims to get information about your feelings on the service you get from UNIC, Ethiopia. The information that you provide will be kept secret and be used mainly for academic purpose.

Please tick √ your answer in the box provided

How long have you been insured with The United Insurance Company SC (UNIC)?

☐ Less than ☐ 1-3 ☐ 4-5 ☐ More than 5 years

How did you choose UNIC to be your insurer?

☐ Advertisement

☐ Reasonable premium

☐ Recommended by a friend

☐ Acquaintance with employees of the Company

☐ Through insurance agent/broker

☐ You are a share holder of the company

Others (please describe) _____

Have you appointed a broker or agent who follows up your insurance matters?

☐ Yes ☐ No

During the past two years how many times did you report a claim, particularly Motor claim?

☐ Only once ☐ Upto 3 times ☐ More than 3 times

If there was a delay in the claims process what was the reason for that?

☐ Delay in collection of bid documents from garages

☐ Unavailability of parts

☐ Delayed delivery by parts suppliers

☐ Failure of garages to meet the repair time limit

☐ Negligence by the Company's officers

☐ Lack of proper repair follow up by the Company

☐ The documents you produced were incomplete

Others (please describe) _____

How do you rate UNIC's claims service in terms of:

6.1) Customer handling:

☐ Very ☐ Good ☐ Moderate ☐ Poor ☐ Very

6.2) Responsiveness:

☐ Very ☐ Responsi ☐ Moder ☐ Not ☐ Ve

6.3) Promptness in authorization of repairs of motor vehicles

☐ Very ☐ Fast ☐ Moderate ☐ Slow ☐ Very

6.4) Fairness of claims settlement amount as compared with actual repair cost

☐ Fair ☐ Small variance ☐ Significant variance

6.5) Promptness in issuance of cheques in settlement of claims

☐ Ver ☐ Fas ☐ Moderat ☐ Slo ☐ Very

How satisfied are you with UNIC's claims service in general?

☐ Highly ☐ Satisfied ☐ Moderate ☐ Dissatisfied ☐ Highly

How do you rate the claims service provided by UNIC when compared to other competitor companies? UNIC's service is:

☐ Very ☐ Efficient ☐ Same ☐ Less ☐ Inefficient

Do you recommend UNIC to your friends, relatives and business partners?

☐ Yes ☐ No

Please mention any of the existing claims procedures adopted by the Company which you think should be amended or totally changed.

_____
_____
_____
_____

St. Mary's University

Faculty of Business

Department of Management

Questionnaire to be filled by Employees of United Insurance Company S.C

This questionnaire is designed to Support the assessment of the current Practice & Challenges of claims service in the United Insurance Company in partial fulfillment of my first degree. This questionnaire aims at obtaining relevant inputs to the study specifically in identifying the level of customer satisfaction and related. The information that you provide will be kept secret and be used mainly for academic purpose.

This questionnaire is specially designed for employees who are actively working in the core activity of the company (Underwriting & Claims) including managers of different departments who are responsible for the overall performance of the company. Therefore as one of this group member, your response to the questionnaire is vital.

i) General Characteristics of the Respondents

What is your current working Department in the United Insurance Company?

☐ Operations ☐ Underwriting ☐ Claims ☐ Finance and Division

☐ Marketing ☐ Legal ☐ Branch

What is your position ----------

How long have you been working for UNIC-Ethiopia?

☐ Less than 3 ☐ 3-5 ☐ 6-10 ☐ More than

ii) Questions related to claims and underwriting service

How well do you think policy terms are explained to customers either by underwriting branches or agent/broker?

☐ Very ☐ Satisfactory ☐ Fair enough

☐ Unsatisfacto ☐ Very unsatisfactory

How well do you think policy conditions are explained to customers either by underwriting branches or agent/broker?

☐ Very ☐ Satisfactory ☐ Fair enough

☐ Unsatisfacto ☐ Very unsatisfactory

At the time of taking out insurance, how often are customers informed of claims procedures by underwriters or agent/broker?

☐ Always ☐ Most of the ☐ Only ☐ Never

If your answer is 'only Sometimes' or 'Never', what do you think the reason is?

☐ Underwrites/agents do not know the procedures

☐ Customers are not interested in such explanations

Others (Please describe) _____

Are customers often advised to revise the sum insured of their vehicle as per market value at the time of renewal or during the period of the policy?

☐ Yes ☐ No ☐ Only

When customers are advised to revise the sum insured of their vehicle as per market value what is the usual response?

	All	Majority	Few	None
- Willingly accept the advice & revise the Va...	☐	☐	☐	☐
- Appreciate the advise but they don't act immediately	☐	☐	☐	☐
- Not willing at all	☐	☐	☐	☐

Do customers themselves revise sum insured of their vehicle as per market value without being requested to do so?

☐ Yes ☐ No ☐ Only

Do customers report complaints to the insuring branch regarding claims service?

☐ Yes ☐ No ☐ Only

In your opinion how much percent of customer complaints regarding claims service is legitimate?

☐ 100% ☐ 75% ☐ 50% ☐ 25%

_____
_____
_____
_____

Are there any failures in the Company's underwriting which could be sources of dispute at the time of claim? Please describe.

_____
_____
_____
_____

iii) Problems related to survey activity at time of claim

How fast do the Company's surveyors conduct post-risk surveys?

☐ Very ☐ Fast ☐ Reasonable ☐ Slow ☐ Very

How fast do the Company's surveyors submit claims estimates or reports to claims division?

☐ Very ☐ Fast ☐ Reasonable ☐ Slow ☐ Very

How close is the estimate given by Company's surveyors compared to labour cost quoted by garages?

☐ Very close ☐ Small ☐ Wide

To what extent do you feel the involvement of independent surveyors adds value to claims service

☐ Highly ☐ Moderate ☐ Low

iv) Problems related to delays due to Parts suppliers and dealer companies

How do you agree to the statement 'There are enough part dealers in the country"

☐ Strongly ☐ Partially ☐ Partially ☐ Strongly

How often do part dealers keep enough stock?

☐ Always ☐ Almost ☐ Sometimes ☐ Very rarely

How fast repair works get completed by dealer companies?

☐ Very ☐ Fast ☐ Reasonable ☐ Slow ☐ Very

In situations where parts are not available at dealers, how fast other suppliers deliver parts?

☐ Very ☐ Fast ☐ Reasonable ☐ Slow ☐ Very

How reliable are the parts supplier's other than dealers?

☐ Very ☐ Reliable ☐ Fail to be reliable ☐ Unreliable

If your answer is 'Unreliable 'what other option do you suggest to tackle this problem?

_____
_____
_____

How fast repair works get completed by dealer companies?

☐ Very ☐ Fast ☐ Reasonable ☐ Slow ☐ Very

v) Garages

Is the Company working with adequate number of garages

☐ Yes ☐ No

How do you rate the competence of garages shortlisted by the Company

24.1 The quality of repair

☐ Excelle ☐ Go ☐ Avera ☐ Dissatisfact ☐ Ver

24.2 Speed

☐ Ver ☐ Fa ☐ Reasonab ☐ Delay ☐ Unaccepta

What are the problems created by garages that affect the claims service adversely?

_____
_____
_____

vi) Claims division

What do you think about the resource the Claims division currently has compared to the frequency of claims being reported?

☐ More than enough ☐ Enough ☐ Not enough

How do you rate the reasons for delay in claims processing based on severity? Please rank from more severe as 1 to less severe as 5.

	Rank
Inadequate resource (staff)	[ ]
Late bid submission by garages	[ ]
Delayed response/delivery by parts suppliers	[ ]
Claimants lack of awareness of the procedures therefore not able to produce necessary documents all at once	[ ]
Others (please specify)	[ ]

How consistently the claims division follows up in-progress repair works?

☐ Regularly ☐ Only ☐ Never follow up

How often customers are communicated once claims payments are ready?

☐ Always ☐ Almost ☐ Only sometimes ☐ Never

How do you rate UNIC's claims service in terms of:

5.1 **Customer handling:**

☐ Very ☐ Good ☐ Moderate ☐ Poor ☐ Very

5.2 **Responsiveness:**

☐ Very ☐ Responsive ☐ Moderate ☐ Not ☐ Very

5.3 **Promptness in authorization of repairs of motor vehicles**

☐ Very ☐ Fast ☐ Moderate ☐ Slow ☐ Very

5.4 **Fairness** of **settlement of claims** as compared with actual cost of repair:

☐ Fair ☐ Small ☐ Significant variance

5.5 **Promptness** in issuance of cheques in settlement of claims

☐ Very ☐ Fast ☐ Moderate ☐ Slow ☐ Very

How do you rate the Company's Claims service in general?

☐ Very ☐ Efficient ☐ Moderate ☐ Inefficient ☐ Very

Generally, how do you feel about UNIC's claims service quality as compared to preceding years?

☐ Improving ☐ No ☐ Declining

How do you compare the claims service provided by UNIC-Ethiopia with that of the other companies in the industry? UNIC's service is:

☐ Very ☐ Efficient ☐ Same ☐ Less ☐ Very

Does the Company have customer complaint handling procedure in place?

☐ Yes ☐ No

In your opinion what is the major strength of the Claims Division?

_____
_____
_____

In your opinion what are the major weaknesses of the Claims Division?

_____
_____
_____

In your opinion which part of the existing procedure adopted by the Company causes customer dissatisfaction and **how**?

- ☐ Work order issuance
- ☐ Bid conducting
- ☐ Investigation
- ☐ Part cost assessment in the market
- ☐ Collection of salvage
- ☐ Payment

Others (Please describe)

_____
_____
_____
_____

In your opinion what should the Company do to improve its claims service

_____
_____
_____
_____
_____
_____

DECLARATION

I the undersigned, declare that this senior essay is my original work prepared under the guidance of Mr. Zelalem Tadesse. All sources of materials used for the manuscript have been duly acknowledged.

Name ……

Signature ……

Place of Submission …….

Date of Submission ……

Advisor's Declaration

The paper has been submitted for examination with my approval as the university advisor.

Name ……

Signature …….

Date ……..