

**ST. MARY'S UNIVERSITY COLLEGE
FACULTY OF BUSINESS
DEPARTMENT OF MANAGEMENT**

**PRACTICES AND CHALLENGES OF CLAIM
SETTLEMENT IN THE CASE OF
UNITED INSURANCE COMPANY S.C.**

**BY
SITTE MOHAMMED**

**FEBRUARY, 2012
SMUC
ADDIS ABABA**

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**A SENIOR ESSAY SUBMITTED TO THE
DEPARTMENT OF MANAGEMENT
BUSINESS FACULTY
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**IN PARTIAL FULFILMENT OF THE REQUIREMENTS
FOR THE DEGREE OF BACHELOR OF ARTS
IN MANAGEMENT**

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APPROVED BY THE COMMITTEE OF EXAMINERS**

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DECLARATION

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

Name: _____

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Date of submission: _____

ADVISOR APPROVAL

This paper has been submitted for examination with my approval as university college advisor.

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APPENDICES

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CHAPTER ONE

INTRODUCTION

1.1.BACKGROUND OF THE STUDY

Insurance is a contractual agreement where by one party agrees to compensate another party for losses. Every individual, in the world and all activities connected with his or her life, property, business travel or any other are subject to unforeseen and called for hazards or dangers. Insurance helps not only service but recover his loss and continue his life in a normal manner (GanGuly, 2002:34).

Claim is a demand for payment made for a covered loss by an insured on an insurer (Dorfman, 2005:473). Furtherly, Williams (1996:628) defines claim “a demand to insurer by the insured person for the payment of benefits under a policy”. Claim settlement is to provide for the indemnification of those members of the group who suffer loss (Teklegiorgis, 2004:160).

United Insurance Company divides their tasks in to different departments. One of this department is Claims Department. The department is mainly responsible for managing the economic loss and settlement of the claim properly.

The United Insurance Company SC better known as <UNIC-ETHIOPIA>, was established by 87 Ethiopians in November 1994 with an authorized capital of Br. 25 million and an initial paid up capital of Br. 8.073 million. Following to merger with Lion Insurance Company SC in 2002, <UNIC-ETHIOPIA> is currently owned by more than 321 shareholders.

As the result of the merger and the decision of the Sixth Extra-Ordinary General Meeting of shareholders, the Company’s authorized capital rise to Br. 250 million. The paid up Capital is now Br. 43 million.

<UNIC-ETHIOPIA>'s main objective is to transact all Life and Non-Life insurance, Reinsurance and related businesses along with the best commercial and professional tradition by providing the most complete and secure insurance cover and offering all these at reasonable and competitive price.

<UNIC-ETHIOPIA> gives all types of insurance services, which are Non-Life and Life Insurance. Non-life insurance includes Motor, Marine, Fire and other (Companies Brochure, 2010).

In the United Insurance Company there is a problem in customer handling when a claim arises. To this end, the student researcher wants to investigate the Company. Practices and challenges of claim settlement in the united insurance.

1.2. STATEMENT OF THE PROBLEM

Claim settlement is the insured must file a claim notice and submit a proof of loss within specified time limits. The insurer has specified time limits to supply claim forms and pay the claim. The time limits allow insurers a period to investigate and validate the claim (Dorfman, 2005:306).

Most of the time claims department is the **“Shop window”** of insurance company. Because the overall image of a company is judged by its performance when a claim arises. But function these procedures; there is a problem on both sides that is on the side of organization and customers in the process of handling claims in good faith.

The payment of losses that have occurred is the function of claim department and it is responsible for managing claim settlement (Rejeda, 1995:65).

A preliminary observation conducted by the student researcher revealed the following problems/gaps:-

- Problems related to mishandling of clients upon claim payments. Lack of efficient service for clients who faced accident.
- Almost all insurance policies are of international standard, which create inappropriate understanding of the policy. Many policyholders don't have a good understanding of what the policy purchased covers and does not cover. Most of the wordings in the policy are insurance jargons; hence it will be difficult for any layman to understand them.
- Most of the time insured's fail to fill the necessary information on the claim form and some claims officers are negligent as to pointing out unanswered questions which might be very crucial and taking corrective actions as soon as possible.
- Some of the claimant lack of good faith like fraud causes a major obstacle for handling of claim settlement.
- These days organization in a competitive environment depends on the information system. The current practice to process information is largely based on manual basis, which has become an obstacle to claims settlements, which of course has resulted in customer's complaints and loss.

To this end, the student researcher wants to assess practices and challenges of claim settlement in the company.

1.3. RESEARCH QUESTIONS

Hence, this research paper examines the following research questions to make the study viable:-

1. What are the challenges of claim settlement?
2. What is the claim settlement practice of the company?

3. What are the causes for delayance of claim settlement?
4. What is the level of customer's satisfaction with regard to claim settlement procedure of the company?

1.4. OBJECTIVE OF THE STUDY

1.4.1. General Objective of the Study

- The general objective of the study is to assess the claim settlement practices and challenges of United Insurance Company SC.

1.4.2. Specific Objectives of the Study

- To describe the challenges of claim settlements
- To describe the claim settlement practices of the company
- To investigate the cause of delay in claim settlement
- Measure of customer's satisfaction with regard to claim settlement procedure of the company.

1.5. SIGNIFICANCE OF THE STUDY

- The very importance of undertaking this study is the advantage or opportunity, which it creates to further broaden the knowledge of the writer about research methods in practical ways more specifically in claim settlement and sufficient knowledge on the area under consideration.
- The study will help other researchers who want to conduct research on the area.
- It will help UNIC-ETHIOPIA to identify problems associated with claim settlement and to take corrective action.

1.6. DELIMITATION/SCOPE OF THE STUDY

The focus of this investigation is the practices and challenges of claim settlement in UNIC-ETHIOPIA. The study is limited at Head Office because all claims handled at the head office. The availability a large number of respondents due to a large number of claimants of motor insurance during the year 2009/2010 budget year 35 claim cases amounted greater than Birr 100,000.00.

1.7. DEFINITION OF TERMS

Claim:- Tangible result of Insurance (UNIC Motor Claim Manual 2004,12).

Policy:- Formal written contract of an Insurance cover (UNIC Underwriter Manual, 2005,10).

Recovery:- The amount paid by the wrong doers which are collected for their wrong act by insurers (UNIC Motor Claim Manual 2004,20).

Premium:- An assessed contribution by all members called Insured's exposed to a similar risk (UNIC Underwriter Manual, 2005,11).

1.8. RESEARCH DESIGN AND METHODOLOGY

1.8.1. Research Design

The research is intended to assess the practices and challenges of claim settlement in UNIC-ETHIOPIA, the research method used is descriptive research method.

1.8.2. Population and Sampling Techniques

1.8.2.1. Population

This study covers those clients who have claim experience during the year 2009/2010 budget year. During the said budget year about 35 motor claims amounted more than Birr 100,000.00 were lodged to the company and 15 claims officers involved to handle the claims process. To make the study meaningful the student researcher selected 35 claim cases and 15 claim officers who are involved in claim settlement.

1.8.2.2. Sampling Techniques

Since the size of the population is manageable census is used.

1.8.3. Types of data collected

Primary and secondary data were collected in order to address the research. Primary data through questionnaire, observation and Interview and secondary data from the company's timely report and relevant documents were used to enrich the subject matter.

1.8.4. Data Collection Methods

The primary data were collected through questionnaire, interview and observation. Questionnaires were distributed to the United Insurance Company customers and employees and interview was conducted with Claims Manager and Head Office Branch Manager. Secondary data's was collected by viewing the company's relevant documents such as company's profile and company's annual reports.

1.8.5. Data Analysis

The process of analyzing the performance of UNIC-ETHIOPIA's claim experience. The analysis was made by percentage and tables carefully interpreted to give sound meaning.

1.9.LIMITATION OF THE STUDY

As it is affirmed in previous sections the main objective of this research study was to identify the practices and challenges of claim settlement in the united insurance company.

During the preparation of this research study, the student researcher was constrained by various limitations, among the major limitation shortage of books and limited financial resources were some of them.

1.10.ORGANIZATION OF THE STUDY

The research study consists of four chapters. The first chapter deals with the introduction, statement of the problem, objective of the study, significance of the study, delimitation of the study, research design and methodology, limitation of the study and organization of the study. The second chapter deals with the review of related literature. Moreover, the third chapter deals with the presentation, analysis and interpretation of data. The last chapter includes summery, conclusions and recommendations.

Finally list of bibliography, questionnaire and interview check list attached to this research paper.

CHAPTER TWO

LITERATURE REVIEW

2.1. THEORETICAL BACKGROUND OF INSURANCE

Insurance provides a more favorable utilization of capital. Without the possibility of insurance, individuals and businesses would be obligated to maintain relatively large reserve funds to meet the risk that they must assume. These funds would be in the form of idle cash, or would be in safe, liquid and low interest bearing securities. This would be an inefficient use of capital. When the risk is transferred to the professional risks bearer, the deviations from expected results are minimized.

An insurance business is a contract a legally enforceable agreement under which the insurance company agrees to pay a certain amount of money, called the policy benefit, when specific losses occur, provided the insurer receives a specified amount of money, called premium. The transaction made in insurance does not take place simultaneously, because the insured pay a certain amount of money for which he receives nothing in return immediately. The services for which price (premium) is paid would be provided in the future time whenever the loss is sustained by the insured (Dinsdale, 1980:5).

2.2. BENEFITS OF INSURANCE

The presence of insurance market is an important part to any successful economy. We will look at some of the benefits of insurance in this section:-

➤ **Peace of Mind**

The knowledge that insurance exists to meet the financial loss of certain risks provide a peace of mind to the insured (Dickson, 1996:6).

➤ **Loss Control**

In addition to increasing profitability insurers do have an interest to reduce the frequency and severity of losses (Dickson, 1996:6).

➤ **Social Benefits**

The fact that the owner of a business has the fund available to recover from the loss provides the stimulus to business activity. It also means that jobs may not be lost and goods or services can still be sold. The social benefit of this is that people keep their jobs, their sources of income are maintained and they can continue to contribute to the national economy (Dickson, 1996:7).

➤ **Investment of Funds**

Insurance companies have large amount of money. The premium collected by insurance companies could be used for investment purpose. Thus the insurance industry serves as an investment resource, which could promote the development of a country (Dickson, 1996:8).

2.3. GENERAL PRINCIPLES OF INSURANCE

The fundamental principles of insurance apply with equal force to accident business, namely utmost good faith, insurable interest, indemnity, subrogation and contribution.

➤ **Utmost Good Faith**

It is only when the insured fully discloses all material facts to the insurer. Otherwise the object of the contract can not be defined to the fullest satisfaction of the insurer. Misrepresentation and misstatement of material facts may lead to the avoidance of the contract (Batten and Dinsadale, 1965:10).

➤ **Insurable Interest**

Insurance is not gambling. Therefore, no one can insure whatever he/she likes unless there is a legally recognized relationship with the subject matter insured (Batten and Dinsdale, 1965:12).

➤ **Indemnity**

This is to provide compensation to the insured, which is equal to the financial loss/damage suffered. This places the insured where he/she was before the loss. This principle avoids any profit that the insured might gain out of the insurance transaction (Batten and Dinsdale, 1965:14).

➤ **Subrogation**

The insured is entitled to indemnity. This principle also not permitted the insured to make a profit. The insurer after claim settlement obtains the legal right to take the place of the insured to ask the third party who is responsible for the loss (Batten and Dinsdale, 1965:15).

➤ **Contribution**

This principle restricts the insured not to collect more than indemnity at the time of loss. When a single subject matter is insured under two or more insurance company, at the time of loss all companies contribute to the loss in order to place the insured where he/she was before the loss (Batten and Dinsdale, 1965:17).

2.4. INSURANCE CONTRACT

As we know contract is a legal binding agreement between two or more person and parties. Insurance contract are agreement between the insurance companies and insured for the purpose of transferring risk of loss from the insured to the insurer (Rejeda, 1995:45).

The Contract of Insurance is a contract based on Utmost good faith each party must provide the other with truthful and sufficiently complete information (Williams, 2002:239).

Condition full filled for the formation of contracts

- a. The parties must be competent to contract.
- b. The agreement must be with their free consent.
- c. It must be for a lawful consideration and for a lawful object.
- d. It should not be expressly, declared to be void by any law for the time being inforce.

One of the requirements for the information of a contract of insurance is the mutual agreement between the insured and insurer. There must be an offer by one and an unqualified acceptance of it by the other (Autar, 2004:45).

2.5. INSURANCE POLICY

After contract has been made between the Insured and Insurer it is recorded in a document called Policy. Policy is the formal document which evidences the contracts of insurance which has been formed by the mutual agreement between the parties (Williams, 2002:240).

The policy is an evidence of the terms of the agreement compressed the insurers and insured's. It is the promise of the insurers to indemnify the insured is subject of the terms, condition and exceptions of the policy.

2.5.1. Policy Schedule

The part of the policy is pre-printed informant and applies to individual insured's. The schedule is the place where the policy is made personal to the insured. They include information on:-

- The address of the insured
- The nature of the business
- The period of insurance

- Premiums
 - The limit of liability
 - The policy number and
 - Reference to any special exclusions, conditions or Aspect of cover.
- This place makes the policy simpler to read and understand (The chartered Insurance Institute, 2007:3).

2.6. DEVELOPMENT OF PRIVATE INSURANCE COMPANY IN ETHIOPIA

Modern forms of Insurance Services, which were introduced in Ethiopia by Europeans, trace their origin as far back as 1905 when the bank of Abyssinia to transact fire and marine insurance as an agent of a foreign Insurance Company. According to a survey made in 1954 there were 9 Insurance companies that were providing Insurance Service in the country (NBE, 2005/2006).

Starting from 1960 Insurance Business like any business undertaking was classified as trade and was administered by the provisions of the commercial code. This was the only legislation in force in respect of Insurance.

In 1974 proclamation was passed by the Government for the 1st time, how to transact Insurance in general and regulation come in to force No. 281/1974. This regulation concerned about the ownership and capital of the formation in particular, per this regulation more than fourteen insurance companies were formed by registering in ministry of Trade and Industry and operating in insurance business (NBE, 2004:94).

In 1974 a proclamation was passed nationalization of all financial institution including insurance company. Following this proclamation in 1976 all the thirteen insurance companies came in to one and called Ethiopian Insurance

Corporation and transact all kinds of insurance (The Chartered Insurance Institutes, 1999).

Government has taken an interest in insurance activities over the year. It has more than passing interest in the transaction of insurance. Insurance industry attracts huge volumes of money in premium is a major investors and offers an invaluable service to individuals and industry.

The beginning of the new era for insurance companies emerged after the fall of the military regime in 1991. Presently there are twelve private and government owned insurance companies.

2.7. MOTOR INSURANCE

Motor insurance is a major class of insurance providing the highest insurance premiums.

2.7.1. Classification of Motor Insurance

2.7.1.1. Private Vehicle

A motor vehicles used solely for private (social, domestic pleasure, professional purposes or business calls of the insured) purposes are classifies as “Private Vehicles” and are insured under the “Private Purposes” does not include use for hiring, racing, pace making, speed testing, the carriage of goods in connection with any trade or use for any purpose in connection with the motor trade.

2.7.1.2. Commercial Vehicle

A wide range of vehicles, which carry goods and passengers, are classified under this heading and different rates of premium are applied depending on their use and type.

2.8. MEANING OF CLAIMS

In real sense the claim is the tangible result of insuring prompt handling of claims is to build confidence. It is said that the claims department is the “shop window” of insurance institutions. Because the over all image of a company is judged by its performance when claim arises.

Accordingly, the whole purpose of insurance business revolves around providing compensations for losses and/or injuries we have acquire quite a lot about peace of mind, security, freedom from worry, and so on the insurance provides. But at the end of the day most people will judge the value of the cover by the way in which claim is handled (The Chartered Insurance Institute, 2007:6).

2.9. CLAIM PROCEDURES

All insurance policies spell out clearly the risks for which the property is covered. If the claim is happened and be sure that the loss that suffered have occurred, the procedures for claim is:-

A. Notification

It is the first and most important responsibility of the insured. The notification of claims is governed by policy conditions that vary with the type of insurance. The insured has a duty to notify the insurers of any accident, immediately, or within specified 24 hour the insured notify its claim in telephone, writing in mail, fax, etc.

The insured also inform the policy immediately it collision, over turning of vehicle immodestly inform the traffic policy. In liability claims, the insured must send any evidence, summons or other legal documents or letters to the insurers soon as they received. The insured must not admit liability, answer any letters with out the written permission of the insurer (Rejeda, 2003:145).

B. Verification

This is a form which is prepared by insurer and filled by the underwriting section. It shows and approves is that risk covered by the policy description of the item. Period of insured the sum insured and insured's claim experience. It is good evidence for claim procedure.

C. Bids

To maintain the bids must be provided which are provided by the insured and insurers and the one who will maintain the parts.

D. Work Order

The insurer gives to the winner bidder to repair the parts.

2.10. CLAIM FORM

It is a form by which the insured fill when he/she encounter accident. It is a form insurer is informed that an accident has happened. The insurer's duty to ascertain by all available means all relevant facts necessary to come to conclusion whether he is liable to indemnity the insured. The insurer is free to ascertain the facts through other means also as the insured's version may be incomplete or biased (Singh, 2004:254).

The claim form generally contains:-

1. Questions relating to the insured and to the vehicle.
2. Questions relating to the use of the vehicle at the time, (whether social, domestic, pleasure purpose etc).
3. Questions relating to the driver.
4. Questions relating to the accident.
5. Questions relating to damage to the insured's vehicle.

Lastly the insured's is required to complete the claim form and sign it with a declaration that the answers are true to the best of his knowledge and belief.

2.10.1. Structure of claim form

➤ **Motor**

- The insured - Name, Address, Occupation etc
- The Policy - Number, Identification
- The property insured – Plate, Cc, Year of make, life
- The date of Accident
- The place of Accident
- The time of Accident
- The description and nature of the accident detailed clarification
- Involvement of any other third party (for possible liability of Recovery)
- Other insurances more than one policy covering the subject matter of Assurance. (Contribution b/n insurers) (Avoid double claim Indemnity)
- The evidence – Policy, Kebele, etc
- The witness of claim
- The extent of damage – Own, third party
- Declaration – truth Utmost good faith, Misrepresentation

2.11. EFFECTS OF CLAIM

The burden is on the insured to prove that he sustained a loss due to an event insured under the policy and also to prove the amount of the loss often the statement given by the insured will need to be investigated by other independent qualified parties such as loss adjustors, surveyors, the police etc. whose reports together with the statement of the insured, will form the basis of the claim decision.

2.12. DOCUMENTATION IN THE TIME OF CLAIM

A. For repair of Motor

- Claim – registration and file should be opened
- Police Report
- Inspector Report
- Survey report- own surveyor or independent
- Bid (at least three garages)
- Work order- Satisfaction note

Total loss – in addition to the above

- Subrogation
- Clearance from Authorities- Inland, Road Transport
- Salvage collection and Recovery follow up (if any)

2.13. METHODS OF SETTLING CLAIMS

The final step in the claims procedures is settlement respective duties, and all that remains is for the claim to be settled. The actual settlement, or the amount payable, depends up on a number of factors including:-

- The nature of the cover
- The adequacy of the cover
- The insurer chosen solution
- The application of any conditions which limit the amount payable (Rejeda, 2003:95).

The eventual cost of the claim will depend on the extent of loss or damage and on the nature of the cover afforded by the policy.

- A. Indemnity is one of the basic doctrines of insurance which says that an insured is to be placed in the same financial position after a loss as they enjoyed before the loss this is only for property and liability policies.

- B. Reinstatement is another option in relation to property cover's under reinstatement, the insurer puts the property back in to the condition it was in prior to suffering damage i.e. pays for repair rebuilding as appropriate.
- C. Replacement provides the insured with the cost of replacing the assets destroyed with an equivalent, new asset with out making an adjustment for the age or wear and tear of the original asset. This is a form of "New for Old" cover, and many house hold insurers use that phrase in their marketing offering replacement avoids much of the difficulty in ascertaining the value of a loss under an indemnity contract.
- D. With liability claims indemnity to the insured's in respect of their legal liability to pay damage (through in some policies with maximum amount payable). The policy does not define the amount; this is left in many cases to the court, but it does lay down how indemnity is to be calculated.

In addition, to settle a claim in United Insurance Company SC the claims officer shall check those things before processing the claim settlement.

- Applicable excess has been collected in cash or deducted from payable amount.
- Remarks by company surveyor after repair completion have been complied with.
- Limit of towing and protection cost versus total agreed repair cost has been evaluated.
- Any previous payments effected to the insured/garages on advance basis have been deducted.

- Outstanding premium has been settled (Company's Motor Claim Manual, 2004:7).

2.14. TARGET CUSTOMER

This is the process of evaluating each customer attractiveness and select those who service well. To succeed in today's competitors market place. Companies must be customer centered, serving customers from competitors by delivering greater value for those who are selected. But before it can satisfy customers, company must trust understand that needs and wants. Those sound marketing refers a careful analyses of customers (Kotler, 2006:46).

2.15. CUSTOMER SERVICE

Customer service is really nothing more than common courtesy. Showing customer that you care for and appreciate them. According to Harris (2000:2) the average customer service provider doesn't know customer service is anything they do for the customer that enhances the customer's experience.

Customers have varying ideas of what expect from customers interaction. The customer service and strive to provide them with excellent service.

Services are identifiable, intangible activities that are the main object of a transaction designed to provide satisfaction of customer (Station, 1994:33).

2.16. LISTING AND HANDLING CUSTOMERS COMPLAINTS

Contemporary managers recognize that they must stay in touch with and listen to their customer's managers and employees must listen to customers who are complaints in the services. But listening is a first step, then respond to customers complaints. The successful company is one that listens open mindedly, act appropriately, and uses customer's

problems to improve service and will more customers (Williams, 2002:249).

The vast majority of claims are settled speedily, and to the satisfaction of both the insured and the insurer. Source of dispute, these can cause a measure of poor publicity both for the insurer and for the industry as a whole.

Coordinated action is needed to respond to customer problems successfully. One way to improve the customer's retention rate is by seeking to analyze the causes of customer dissatisfaction and focus on complaint. Customers should be encouraged to complain and it should be made easy for them to do so. Companies should welcome the complaining customers and utilize the service failure as an opportunity to improve the services.

Listing is one powerful mechanism through which companies can gather information about the satisfaction and dissatisfaction of their customers. It gives mutual benefit both for the company and the customer. For the company it helps to identify areas of strength and weakness; in a way identifying areas where improvements are required. On the other hand, listening is powerful for customers to real an impression that the company cares about them and fosters to meet their needs and requirements.

2.17. COMPLIANT RESOLUTION

Customers complain must be solved timely, unless it is the cost of the company. This cost is lost sales, because negative word of mouth transmitted more speedy. The formal analysis of complaints can often provide useful data for service improvement.

In insurance service when a dispute (Complaints) does arise it could resolve around a number of factors. In the main, disputes tend to be about the liability of an insurer to pay claim, the amount which should be paid, or the speed with which claims are handled (Company's Motor Claim Manual, 2004:28).

Where the insured is in dispute with an insurer about whether or not a claim is covered by a policy or the liability of the insurer to pay a claim the insured has the right to take their case to a lawyer and seek a resolution of the dispute in that way ultimately, there is nothing to stop the insured taking the insured to court. But all forms of dispute resolution will usually require that the participants have gone through some form of formal discussions and complaints process before moving on the next step.

In survive giving organization especially in insurance survive it is not best way to go in to court for any complaints with clients for the reputation of the company. It spoils the good will of the company in addition to some other costs.

2.18. ARBITRATION

Disputes concerning the amount to be paid liability under the policy having been admitted are usually the subject of policy conditions. Policies usually carry an arbitration condition which states that the insured must refer any such disputes to arbitration.

Arbitration involves appointing an independent arbitrator who will look at the merits of the case and make judgment. The decision of the arbitrator is the final and binding on both parties (Haregewein, 2009:5).

2.19. CLAIM SERVICE Vs SERVQUAL

Quality claim service means prompt response and payment for what is owed for damage and quality repair work and another measure of quality claim service is customer choice not only the choice of the company (Thomas, 1998:426).

SERVQUAL means measure service quality, the identification of causes of service quality shortfalls, and the design and implementation of corrective actions (Garvin, 2005:429).

SERVQUAL have five dimensions (Zeithaml and Berry, 1988:12).

- Tangible – The physical facilities at excellent Insurance will be visually appealing.
- Reliability – Excellent insurance will perform the service right the first time.
- Responsiveness – Employees of excellent Insurance give prompt service to customers and always be willing to help customers.
- Assurance – Employees of excellent insurance will be consistently courteous with customers and have the knowledge to answer customer questions.
- Empathy – The employees to excellent insurance will understand the specific needs of their customers.

2.20. PRODUCT OR SERVICE QUALITY

There is an intimate connection among product or service quality and the customer satisfaction. Many authors see a s largely or entirely as a subjective phenomenon that varies one person to another from Kotler (2002:39) give useful but somewhat broad definition of quality. Quality is the totality of feature and

characteristic of a product or service that bear on its ability to satisfy stated or implied needs. On the other hand, Schroeder (1989:575) further define quality as “fitness for use” this means that the product or service is fit for the customer use. Fitness for use is related to value received by the customer and to customer satisfaction.

CHAPTER THREE

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter deals with the presentation, analysis and interpretation of the data gathered from the united insurance company customers and employees.

The data were obtained through questionnaires, observation and interview. Thirty five and fifteen questionnaires were distributed for customers and employees and the interviews were held with the united insurance company Claim Manager and Head Office Branch Manager.

3.1. GENERAL CHARACTERISTICS OF THE RESPONDENTS

Table 1. Customer Background

No.	Item	Respondent	
		Number	Percentage (%)
1	Sex		
	Male	25	83
	Female	5	17
	Total	30	100
2	Age		
	26-33	6	20
	34-41	9	30
	42-50	10	33
	Above 51	5	17
	Total	30	100
3	Years customership		
	Below 5	15	50
	5-10	10	33
	Above 10	5	17
	Total	30	100

As can be seen in item-1 of table 1 above 25(83%) of the respondents were male and 5(17%) of them were females. Therefore, the general respondents were male this indicate the claims department the number of male employees greater than the number of female employees.

In relation to age category as shown in item-2 of the same table respondents from age 26-33 comprised 6(20%) from ages 34-41 comprised of 9(30%) from age 42-50 comprised of 10(33%) and age above 51 comprised of 5(17%) respondents.

Regarding year customership as show in item-3 respondents 15(50%) of them were below five years, 10(33%) of at the respondent were between 5-10 years and 5(17%) of the respondent were above 10 years.

Table 2. Employees Background

No.	Item	Respondent	
		Number	Percentage (%)
1	Sex		
	Male	12	80
	Female	3	20
	Total	15	100
2	Work experience		
	1-5	13	87
	6-10	2	13
	Total	15	100
3	Educational background		
	Degree	15	100
	Total	15	100

As it shown item-1 of table 2 above 12(80%) of the respondents were male 3(20%) of the respondents were female. According to the above figure it looks that the majority of the respondents were male.

In relation to work experience , as it is shown in item-2 of the same table respondents from 1-5 years comprised 13(87%) and between 6-10 years comprised 2(13%) of the total respondent.

Regarding educational background of the respondents 15(100%) of them were degree holders. This figure tells us that all respondents were well educated.

3.2. GENERAL CHARACTERISTICS OF THE RESPONDENTS

This research study tries to investigate practices and challenges of claim settlement on the united insurance company customers and employees as well as from manager’s point of view. Thus, in this section response from customers, employees and company managers are presented, analyzed and interpreters as follows.

Table 3. Customer’s criteria to measure insurance firm.

No.	Item	Respondent	
		Number	Percentage (%)
1	Price	17	56
2	Service	8	27
3	Reputation	5	17
	Total	30	100

As it is shown above in table about criteria to be used to measure. 17(56%) of the respondents were concerned about price, 8(27%) of the respondents related service is the best measurement and the rest 5(17%) reputation. But the student researcher observes the major respondents were sensitive to price for their measurement they didn't give concentration.

Table 4. What kind of policy do you have?

No.	Item	Respondent	
		Number	Percentage (%)
1	Motor Comprehensive	16	53
2	Third party only	9	30
3	Third party fire and theft	5	17
	Total	30	100

From the above table the type of policy offered to the respondents as per class of business is 16(53%) of the respondents were motor insurance users, 9(30%) of the respondents third party only and the rest 5(17%) of the respondents were used of the third party fire.

As indicate the above figure the majority respondents had motor insurance policy and. According to Claim Manager of the company said motor insurance claim case become increase year to year more delayance arises on motor insurance.

Table 5. Customers served claim in the company and the claim handling procedure.

No	Item	Respondent	
		Number	Percentage (%)
1	Have you served any claim in this organization?		
	Yes	23	77
	No	7	23
	Total	30	100
2	Claim handling procedure of the company		
	V. good	-	-
	Good	9	30
	Fair	4	13
	Poor	14	47
	V. poor	3	10
	Total	30	100

As it can be seen item-1 of table 4 respondents were served claim in the united insurance company. Among the total respondent 23(77%) of them serve claim in the company and 7(23) of them are not serve claim in the company. The majority respondents were faced claim in the company.

With regard to claim settlement handling as shown in item-2 of the same table 9(23%) of the respondents rated good, 4(13%) fair, 14(47%) poor respondents and 3(10%) very poor. According to the claim manager of the united insurance company said there are so many problems in the process of claim handling:-

- More and more vehicles of new models enter the market there is no accompanying growth in supply of spare parts either on the dealer's side or at local retail shop.
- Repair estimate provided by survey department is not proper and the garage couldn't complete repair work on a specific date.
- Claimant doesn't provide the necessary document at the time of accident and the claim process made on manual system. Those are the problems in claim handling process then the company management should be work hard in this area to provide efficient service for the claimant.
- The company on process to operate its manual system not computer net work system. Because the computer net working system delays in different cases like it takes a hug cost and also need a qualified person to operate this and so on.

Therefore, the student researcher observes due high number of claimant the claim handling procedure of a company is unstructured which means unclear claim procedure, not enough employees in claim department, there is no delegation of authority in the company.

Table 6. Customer service and satisfaction up on the claim handling process

No	Item	Respondent	
		Number	Percentage (%)
1	Have you got the necessary assistant to fill the necessary information at the time of accident?		
	Yes	13	43
	No	17	57
	Total	30	100
2	Do you satisfied with the services you get?		
	Yes	14	47
	No	16	53
	Total	30	100

As shown in item-1 of table 6 above concerning the necessary assistance from the claim officer at the time of accident get the necessary information on claim form 13(43%) of the respondent were Yes and 17(57%) No respondent. These responses indicate that the company should take the necessary action in claim department to assist the claimant at the time of accident.

On item-2 of the same table, customers were asked to give their response on their satisfaction. Thus, 14(47%) of them answered satisfied and 16(53%) of them replied not satisfied the service o the united insurance company.

According to the response question forwarded by the respondent the major element that limit the customer satisfaction is lack of assistance at the time of claim accident, how do you evaluate your customer satisfaction? The claim manager of the united insurance company does not use any specific method of evaluating customer's satisfaction. However, the companies use different indicated like customer shift to other company as a method of evaluating the customer satisfaction. Therefore, the company claim manager responsible implies that the company is not thoroughly assessing its customer need and want regularly.

Table 7. How do you rate the company gives prompt response for customer's complaints?

No.	Item	Respondent	
		Number	Percentage (%)
1	Highly satisfied	2	7
2	Satisfied	5	17
3	Neutral	7	23
4	Dissatisfied	13	43
5	Highly Dissatisfied	3	10
	Total	30	100

According to above table 7 customer were asked to the level of the united insurance company customer complaint handling practice. Thus 2(7%) of them replied highly satisfied, 5(17%) of them indicate satisfied, 7(23%) of the replied neutral, 13(43%) of them replied dissatisfied and 3(10%) of them replied highly dissatisfied. The above figure denoted that the united insurance company is less responsive in answering customer complain as well as in solving customer problem. Moreover, questionnaire forwarded to customer respondent on how the company employee approach to customer when they faced claim most of

them respondent replied unanimously that the company employees are not motivated to receive the customers problem and complaints. They lack willingness and competence to give the customer adequate and satisfying customer service.

Table 8. How do you help the customers when a claim arises?

No.	Item	Respondent	
		Number	Percentage (%)
1	As much as possible	4	27
2	As policy order	9	60
3	Not immediate	2	13
	Total	15	100

As shown in table 8 above employees can help customers when claim arise 4(27%) of the respondents were help customers as much as possible, 9(60%) of respondents were as policy order and 2(12%) of respondents were not immediate. The total number of respondent the majority respons helps customers at the time of accident as the policy order.

Table 9. Claim officers of the company with claim settlement.

No	Item	Respondent	
		Number	Percentage (%)
1	Does the company have enough claim officers to handle claim settlement?		
	Yes	4	27
	No	11	73
	Total	15	100
2	In your opinion is claim handling immediate?		
	Yes	6	40
	No	9	60
	Total	15	100

As shown item-1 of table 9 above 4(27%) of the total respondents were replied there is enough employee in the company to facilitate claim settlement and 11(73%) of the total respondent were replied there is not enough claims officer in the company.

According to item-2 of the same table 6(40%) of the total respondents were replied claim handling immediate and 9(60%) of the total respondent were not immediate because there are problem for claim handling. Therefore, the student researcher observes there is no enough claim officers in the company these is another cause for claim deleyance in the company.

Table 10. How do you rate the company to motivate employees to give prompt service to customer?

No.	Item	Respondent	
		Number	Percentage (%)
1	Highly satisfied	-	-
2	Satisfied	-	-
3	Neutral	2	13
4	Dissatisfied	13	87
5	Highly dissatisfied	-	-
	Total	15	100

As shown the above table 10 the united insurance company motivate its employees to give prompt service to its customers 2(13%) of the total respondents were replied neutral and 13(87%) of the total respondents said dissatisfied by the company motivation system. Therefore, the majority response indicates employees are not satisfies with their work because they are not get enough motivation from the management. Because of that employees cannot perform good service to customers and also these affect the claim settlement process.

Table 11. How do you rate the claimant provided the necessary documents timely?

No.	Item	Respondent	
		Number	Percentage (%)
1	V. good	-	-
2	Good	2	13
3	Fair	6	40
4	Poor	7	47
5	V. poor	-	-
	Total	15	100

As shown the above table 11 claimant provided the necessary document timely 2(13%) of the total respondents replied good, 6(40%) of the total respondents said fair and 7(47%) of the respondents replied poor.

According to claim manager of the united insurance company interview most of the time claimant didn't provide the necessary document timely like police report without this document we cannot run the claim process these is also another factor for deleyance of claim settlement.

3.2.1. Response of Interview with Claims Manager and Head Office Branch Manager.

☞ **Do you think that policy holder have a good understanding of what the policy covers and does not cover?**

The Head Office Branch Manager replied No, because the policy written in English word. Most policy holder interested the policy translated to Amharic. So, it is difficult to the policy holder to understand what the policy cover and does not cover.

☞ **Is your company provides a simple summary of what the policy contains and does not contain for the client?**

According to the Head Office Branch Manager, the company tries to help the policy holders to understand what the policy contains and does not contain it is the underwriters who give explanation at the time of they insured.

☞ **What are the main reasons for delay of claim settlements?**

The Claims Manager replied not all notification of loss will be covered by insurance. The policy will only operate if the event causing the loss is an insured event. All insurers must therefore set up a process of handling notified losses. This will vary according to a class of

business, amount of claim, type of cover and whether the claim is a personal or commercial risk.

Another aspect to be seen is as more and more vehicles of new models enter the market there is no accompanying growth in supply of spare parts either on the dealers side or at local retail shop, this contributes to the delay from claims settlement.

Survey department sometimes couldn't provide both mechanical and body repair estimates at a desirable time. Repair estimates provided by survey department often shows significant variation compared to other bidder garages. It is under estimated or overestimated. Sometimes damages related to the accident are involved in the report and some other times they are excluded.

Garages couldn't complete repair work on a specific date indicated on the work order. This frequently invited dispute with the clients. Sometimes garages couldn't carry out repair work in line with the work given by the corporation, they include repair work which is not included in the work order and some other times they exclude repair work already included on the work order.

☞ **What actions are taken to solve claims settlement problems?**

According to the Claims Manager, in the company decentralization major accident investigation had been implemented but this move coincided with a major fraud committed by certain members of the commercial insurers. This caused embarrassment and thus, serious accident investigation was immediately centralized structural review also involved salary adjustment. The pay rate has been lower than the market. As of July 2011, staff salary increased. This would motivate staff to work towards customer satisfaction.

CHAPTER FOUR

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The study emphasized on Practices and Challenges of Claim Settlement in the case of the United Insurance Company SC.

It was also intended to suggest possible solutions to the problem identified in order to minimize the problem of claim handling in the company. To collect the relevant data for the study, the student researcher distributed questionnaire to clients and employees, conducted interview and collected secondary data from the organization document. The responses given by the respondents have been analyzed and interpreted.

Therefore, on the basis of the data collected, the study comes up with the following findings.

4.1. SUMMARY OF FINDINGS

- In relation to the best measurement of insurance firm 17(56%) of them said price is measurement to select the best insurance firm, 8(27%) of them replied service and 5(17%) of them replied reputation.
- Regarding the customer intention 9(30%) of them replied good, 4(13%) of them said fair, 14(47%) of them replied poor and 3(10%) of them replied very good.
- Regarding the total response 2(7%) of them replied highly satisfied, 5(17%) of them replied satisfy, 7(23%) of them said neutral, 13(43%) of them replied dissatisfied and 3(10%) of them replied highly dissatisfied.

- In relation to customer satisfaction 14(47%) of them said satisfied and 16(53%) of them replied not satisfied the service of the united insurance company.
- According to Head office branch manager of the united insurance company response, most policy holders have not a good understanding what the policy cover and does not cover. Because the policy written in English word. Most policy holder interested the policy translated to Amharic. So, it is difficult to the policy holder to understand what the policy cover and does not cover.
- As the interview response, the following issues were raised by claim manager of the united insurance company causes for delayance of clam settlement in the company is:-
 - ❖ The repair estimate provide by survey department is not proper.
 - ❖ Claimant does not provide the necessary document timely.
 - ❖ The garage couldn't complete repairing on given specific.
 - ❖ Decision making is centralized.
 - ❖ The claims department still uses a manual system.
 - ❖ The companies who supply the spare parts are few in numbers.

4.2. CONCLUSIONS

To satisfy its customer in claim settlement process the company must give appropriate service timely. But the United Insurance Company SC (UNIC-ETHIOPIA) has certain problems:-

- The research indicates the claims procedure of the company is unstructured it doesn't show clearly claim settlement and delegation of authority. Therefore, the company needs to set its claim procedure clearly to help its customers to understand easily the time taken of claim settlement and to identify which person is an authorized in handling a claim.
- The research finding denoted cause of challenges claims settlement is the garage for repair and maintenance is few in number and only selected by the company, the current practice to process information largely based on manual based and claimant does not provide the necessary document timely. Therefore, the company should select potential garages based on their service and the claim officers have responsible to announce their customers to provide the necessary document timely it helps to run the claim process rapidly.
- According to the finding customer are dissatisfied with the service of the company because there is no rules and procedures to hear customers complainants and employees are not willing to assist customers at the time of accident. Therefore, the company should assign a person to handle customers complain.
- The study indicates the current practice to process information is largely based on manual basis, which has become an obstacle to claim settlements. Therefore, the company has to introduce a

modern mechanism like Information technology, local area network and extend its net work to branches to delegate the authority of handle claim.

- According to the research there is no customer service training policy in the company. Therefore, the company has to implement a new training program.

4.3.RECOMMENDATIONS

Based on the existing facts and future prospects of this company, the student researcher recommends the following points:-

- The company should make easily accessible customer s compliant receiving system to create and facilitate sustainable relationship with its customer. It is better if the company put suggestion box in a very convenient and accessible position for customers. Moreover, the company should establish compliant to handling department.
- The claims settlement procedure of the united insurance company should be understandable and short. Because enable the company to better service its customers through the introduction of reliable process and procedures for interacting with those customers.
- The policy wording should well be discussed before their adoption, with association of consumers. UNIC should provide a simple summary of its policy and explanation at the time of policy purchase to simplify misunderstanding of clients about their policy covers.

- In the absence of technology it is very difficult for the united insurance company to handle claims settlement properly. For this reason the company should change the manual system into computerization that can improve the company quality service to its customers.
- The claimant should provide the necessary document timely to minimize delayance of claims settlement.
- The Company must prepare training program on customer service to its employees to update their knowledge and give appropriate service to its customers.
- The united insurance company selects potential garages based on their quality service and time of accomplishment for repair work.
- Since this study is not an end in the area of practices and challenges of claims settlement. The student researchers recommend that, further in depth study should be carried out focusing on practices and challenges of claim settlement.

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Annex - I
St. Mary's University College
Faculty of Business
Department of Management

Questionnaires to be filled by claim officers of the United Insurance Company SC.

The following questioner pertains to a research to be conducted in partial fulfillment of BA Degree in management on the title "Practice and Challenges of claim settlement in the case of the United Insurance Company SC" the objective of the study is to assess the problems and practices of sound decision making to acquire the best solution for the problems.

Getting the correct answer for the question has great on successfulness of this paper. Therefore, I ask you politely to answer the question accurately. I assure you that this questioner will be kept secretly and used only for purpose of these study.

Thank you in advance for you cooperation.

Notice

1. Your name and address is not necessary for this questioner.
2. Make "✓" mark in front of the correct answer.
3. Pleas answer accurately on the space provided.

General Information

1. Sex

Male Female

2. Educational Background

Certificate Degree
 Diploma Above Degree

3. Work Experience

1-5 years 6-10 years Above 10 years

4. Number of years you have served in the organization?

- Less than 5 years 6-10 years
 11-15 years More than 15 year

5. What is your present position (title)? -----

6. How do you help the customers when a claim arises?

- As much as Possible As Policy order Not immediate

7. How do you see the level of your company, the way of handling claim settlement?

- V. good Fair V. poor
 Good Poor

8. In your opinion is claim settlement handled immediately?

- Yes No

9. If your answer for question N^o 8 is “No” what is/are your possible reason(s)?

10. Does the company have enough claim officers to handle claim settlement?

- Yes No

11. If your answer for question N^o 8 is “No” what is/are your possible reason(s)?

12. How do you rate company’s Willingness to give promised services timely?

- V. good Fair V. poor
 Good Poor

13. In your understanding the claim settlement procedure of your company is?

- V. Fast Average V. Slow
 Fast Slow

14. Do you believe the claim process made by manual system is it the cause of delay of claim settlement?

- Yes No

15. If your answer for question № 12 is “Yes” state your possible reason(s)?

16. How do you rate the claimant provided the necessary documents timely?

- V. good Fair V. poor
 Good Poor

17. Have you faced claimants who have not a good faith at the time of accident?

- Yes No

18. In your opinion how do you rate the level of satisfaction of customers under the procedure of claim settlement in your company?

- Highly Satisfied Neutral Highly Dissatisfied
 Satisfied Dissatisfied

19. Have you got an appropriate training about customer service in your organization?

- Yes No

20. If your answer for question № 17 is “No” state your possible reason(s)?

21. In your company the level of employee awareness about customer service is?

- V. good Fair V. poor
 Good Poor

22. How do you rate your company to motivate employees to give prompt service to customer is?

- Highly Satisfied Neutral Highly Dissatisfied
 Satisfied Dissatisfied

23. The culture of the company gives prompt response for customers complaints is?

- V. good Fair V. poor
 Good Poor

Thank You.

Annex - II

St. Mary's University College Faculty of Business Department of Management

Questionnaires to be filled by customers of the United Insurance Company SC. The following questioner pertains to a research to be conducted in partial fulfillment of BA Degree in management on the title "Practice and Challenges of claim settlement in the case of the United Insurance Company SC" the objective of the study is to assess the problems and practices of sound decision making to acquire the best solution for the problems.

Getting the correct answer for the question has great on successfulness of this paper. Therefore, I ask you politely to answer the question accurately. I assure you that this questioner will be kept secretly and used only for purpose of these study.

Thank you in advance for you cooperation.

Notice

1. Your name and address is not necessary for this questioner.
2. Make "✓" mark in front of the correct answer.
3. Pleas answer accurately on the space provided.

General Information

1. Sex

Male Female

2. Age

18-25 26-33 51-and above
 42-50 34-41

4. For how long is your customer ship?

Below 5 years 5-10 years Above 10 years

5. What type of Policy do you have?

- Motor Comprehensive Third party fire and theft
 Third party only

6. What is your criteria to best measure of insurance firm?

- Price Service Reputation

7. Have you served for any of claim in the United Insurance Company SC?

- Yes No

8. If the answer for question № 6 is "Yes" how was the claim handling?

- V. good Fair V. poor
 Good Poor

9. Do you believe the claim process of the company is fast?

- Yes No

10. If your answer for question № 9 is "No" state your possible reason(s)?

11. Is their efficient claim service in the organization for the client at the time of accident?

- Yes No

12. If your answer for question № 9 is "No" what is/are your possible reason(s)?

13. The compensation period of the company for the damage is?

- V. Fast Average V. Slow
 Fast Slow

14. In your opinion how do you rate the level of the company give a simple summary to policyholders what the policy contain or does not contain at the time of policy purchase?

- V. good Good Fair Poor V. poor

15. Have you got the necessary assistant from the claim officers at the time of claim to complete the necessary information on claim form?
 Yes No
16. Do you believe the claim process made by manual system is it the cause of delay of claim settlement?
 Yes No
17. If your answer for question № 12 is “Yes” state your possible reason(s)?

18. In your opinion the claim settlement practice of the company is?
 Highly Satisfied Neutral Highly Dissatisfied
 Satisfied Dissatisfied
19. How do you rate the company willingness to give promised service to customer at the time of claim accident?
 Highly Satisfied Neutral Highly Dissatisfied
 Satisfied Dissatisfied
20. In your opinion the level of employee initiation to help customer at the time of accident is?
 V. good Fair V. poor
 Good Poor
21. How do you see the claim procedure of the company to settle a claim case?
 V. Fast Fast Average Slow V. Slow
22. Do you satisfied up on the service you get?
 Yes No
23. If your answer for question № 18 is “No” state your possible reason(s)?

24. In your understanding the level of the company gives prompt response for customers complaints is?
 V. good Good Fair Poor V. poor

Thank You.

Annex - III

Interview Questions

Interview will be made with Head Office Branch Manager and Claims Department Heads.

1. Do you think that policyholder's have a good understanding of what the policy covers and does not cover?
2. Is your company provides a simple summary of what the policy contains and does not contain for the client?
3. What measures should be taken to keep clients in the company?
4. What are the challenges of claim settlement in your organization?
5. What are the main reasons for delay of claim settlement?
6. What actions are taken to solve claims settlement problems?
7. What is the effort of your organization to implement computer technology?