



**ST. MARY'S UNIVERSITY**

**SCHOOL OF GRADUATE STUDIES**

**DEPARTMENT OF BUSINESS ADMINISTRATION**

**Assessment of Motor Insurance Claim Service Quality: The Case of  
Ethiopian Insurance Corporation**

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**ID: - SGS/0121/2012A**

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**Addis Ababa, Ethiopia**

**ST. MARY'S UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**

**ASSESSMENT OF MOTOR INSURANCE CLAIM SERVICE  
QUALITY: THE CASE OF ETHIOPIAN INSURANCE  
CORPORATION**

**ATHESIS SUBMITTED TO ST. MARRY'S UNIVERSITY, SCHOOL OF  
GRADUATE STUDIES IN PARTIAL FULFILMENT OF MASTERS OF  
BUSINESS ADMINISTRATION IN BUSINESS MANAGEMENT**

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## DECLARATION

I, the undersigned, declare that this study entitled – “*Assessment of Motor Insurance Claim service quality in case of Ethiopian Insurance Corporation*” is my original work prepared under the guidance of Dr. Ephrem Assefa. To the best of my knowledge, all sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree. s

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## CERTIFICATION

This thesis entitled – “*Assessment of Motor Insurance Claim service quality in case of Ethiopian Insurance Corporation*” has been submitted to St. Mary’s University School of Graduate Studies for examination with my approval as a University advisor.

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**Prepared by: Mahlet Zewdu**

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## **List of Acronyms**

CII	Chartered Insurance Institute
EIC	Ethiopian Insurance Corporation
NBE	National Bank of Ethiopia
SERVQUAL	Service Quality

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## **Abstract**

*This study was aimed to assess motor insurance claim service quality in Ethiopian Insurance Corporation. In this regard, the researcher has used SERVQUAL model to assess the level of service quality. Both primary and secondary data were gathered for the study purpose. Quantitative data were gathered via structured questionnaire from 348 motor insurance customers of Ethiopian Insurance Corporation. Moreover, qualitative data were also gathered via semi-structured interview with managers of the concerned work unit. The study applied descriptive research design to assess motor insurance claim service quality. The findings of the study revealed that the aggregate mean value for motor insurance service quality was 3.105. Though this value is above the average, customers' perception about motor insurance service quality can still be regarded as relatively low. With regard to service quality dimensions, tangibility has the highest mean value ( $x=3.42$ ) whereas responsiveness ( $x=2.79$ ) has the lowest mean value. Therefore, the insurance corporation is recommended to improve its service quality so as to increase customer satisfaction as well as remain competitive in the insurance industry.*

*Keywords: Service quality, claim service, insurance, SERVQUAL*

# CHAPTER ONE

## Introduction

### 1.1. Background of the Study

Nowadays, quality of services is crucial factor and competitive advantages for any organization. Due to the competitive environment and the tendency of customers toward firms that provide higher benefits and services, especially in insurance firms, it is required that insurance firms seek to identify factors affecting the customer perceived service quality.

The quality of products and services received by the customers is very important, and this is a duty for the firms to supply high quality products and services on the market. Therefore, it is essential to follow and find the expectations of customers and satisfy their needs and expectations (Cirpin & Sarica, 2014). In addition, quality is one of the key organizational initiatives of the 21st century, which provides science-based style to focus on customers (Lillrank, 2003). Top quality service is the key to achieving a competitive advantage in the service industry. Level of satisfaction of customers depends on their knowledge of the quality of service and their trust or confidence on service provider (Ismail et al., 2006). The quality of service looks at difference between performance of customers and their expectations looks, and it assesses the received quality of services by highlighting the gap between them.

Ethiopian Insurance Corporation (EIC) is a public enterprise company and leader in the insurance business, hold large number of corporate clients and insurance professionals (EIC profile, published yearly). Motor insurance is the type of business where extra labor and huge administration cost is expended, according to NBE (2013) motor insurance sector is the backbone of the insurance business as it holds large number of customers than the other class of businesses and contributes about 50% of the gross premium from non-life insurance business.

A claim is a demand made by the insured to the insurer for the payment of benefits under a policy. It is well known that claims service is the most important aspects in the functioning of an insurance company. In the present highly competitive and economically challenging

environment, claims settlement can serve as a market differentiator that puts insurance companies at the forefront of industry leadership and innovation. Claims handling service is being said to be the basis on which an insurance company is ultimately judged by clients (Butler & Francis, 2010).

A number of researchers have created a list of quality factors, but the most common known factor presented by Parasuraman, Zeithaml and Berry (1988) who found five dimensions of service quality, including quality of tangibles, quality of reliability, quality of responsiveness, quality of assurance and quality of empathy (Parasuraman, Zeithaml & Berry, 1988). Thus, by analyzing this model various studies have been conducted on this matter in different countries in Africa, Asia, Europe as well in USA (such as Aslam et al., 2015; Ebrahim et al., 2016 and Pham, 2014). The study conducted by Aslam (2015) revealed that there is a huge gap between customer's expectation and perception in price, reliability and it is also revealed that there is a relationship between demographic factors and customer's expectation and perception of service quality dimensions (Aslam et al., 2015). The study conducted by Ebrahimi (2016) showed that service quality perceived by customers is very important for them and it has become as duty for firms in the field of providing high quality services in market. The study conducted by Pham (2014) indicated that responsiveness is the most important factor to have a positive and significant effect on customer satisfaction followed by reliability, assurance, empathy, and tangibles.

In Ethiopian context, various studies were conducted to assess service quality in insurance sector based on SERVQUAL model (such as Tekol, 2017 & Shambachew, 2015). Studies by Tekol (2017) indicate that EIC customers expect more than what they perceive and it suggests that EIC must strive hard to improve all the service quality dimensions for improve customer satisfaction. Moreover, a study by Shambachew (2015) using SERVQUAL model reveals that reliability is the most critical dimension followed by responsiveness, assurance, empathy while tangibility is found to be less critical dimension of service quality and customer satisfaction. Moreover, it is found that customers' satisfaction is significantly and positively related with customers' loyalty.

This research paper seeks to assess Motor Insurance Claim service quality in case of Ethiopian Insurance Corporation from the perspective of customers.

## **1.2. Statement of the Problem**

Parasuraman, Zeithaml and Berry (1985) state that service quality is more difficult to define and measure than product quality because services are intangible, heterogeneous (service quality can vary by customer or producer), and production is inseparable from consumption. As the competition in service industries is increasing from time to time, the notion of service quality has become increasingly important. Service quality has received much attention because of its obvious relationship with costs, financial performance, customer satisfaction, and customer loyalty (Adhari, 2009).

For insurance customers, especially in the event of a peril, few things are as important as the claims payment and the claim handling process. Policyholders expect to have fair and hassle-free claim settlement process at the time of need (Butler & Francis, 2010). It can, therefore, be argued that a claim payment is a defining moment in the relationship between an insurance company and its customer (Tajudeen & Adebawale, 2013). In line with this, Butler and Francis (2010) put claim payment as a chance to show that the years spent paying premiums were worth the expense. On the contrary, dissatisfaction on claims is a crucial trigger for Switching (Accenture, 2014). Therefore, in order to attract and retain customers by properly identifying and serving their need, service providers are actively involved in the process of understanding customer perception of service quality.

There is a substantial amount of competition among insurance companies; customers are becoming much more demanding due to the availability of alternative insurance companies. Customer's perceptions and expectations are continually evolving, making it difficult for service providers to measure and manage services effectively. In order to remain competitive, EIC should make a regular survey on the level of service quality that they are delivering to its customers, by doing so the organization in question will have a better understanding on the part of directing its resources to gain competitive advantage over rival firms. Therefore, this study is conducted to assess motor insurance claim service quality in the case of Ethiopian Insurance Corporation.

### **1.3. Objectives of the Study**

#### **1.3.1. General Objective**

The general objective of this study is to assess motor insurance claim service quality in the case of Ethiopian Insurance Corporation.

#### **1.3.2. Specific objective**

- To assess the level of motor insurance claim service quality with regard to reliability at EIC
- To examine the level of motor insurance claim service quality with regard to tangibility at EIC
- To determine the level of motor insurance claim service quality with regard to responsiveness at EIC
- To assess the level of motor insurance claim service quality with regard to empathy at EIC
- To assess the level of motor insurance claim service quality with regard to assurance at EIC

### **1.4. Scope of the Study**

Theme wise, this study is delimited to assess motor insurance claim service quality in EIC. In geographical terms, this study conducted on a single organization called Ethiopian Insurance Corporation located in Addis Ababa, Ethiopia. In other words, EIC branches operating out of Addis Ababa are excluded from this study due to financial and time. In terms of methodology, the researcher used structured questionnaire and interview among the different data collection methods. The targets of the study are the holders of motor insurance policy who placed their business in the capital city (Addis Ababa) where the majority of the total population is found.

### **1.5. Significance of the Study**

The study will be useful to EIC as well as to other similar companies to improve their motor insurance claim service delivery systems in line with their customer's expectation to increase its customer's base and its competitive advantage. By identifying the factors that affect motor insurance claim service quality, the management of EIC will take necessary actions to improve



the performance of the company in this area and choose the right decisions. Since the competitiveness and strength of the company is based on its claims management efficiency, it can also help the company to identify the gap between its customer's expectation and the existing performance in motor claims to fill the unsatisfied demand by indicating the root cause for poor motor claims performance. Moreover, the study will serve as a launching pad for those researchers who are interested to conduct related studies.

#### 1.6. Definition of key operational terms

- **Claim:** demand made by the insured, or the insured 's beneficiary, for payment of the benefits as provided by policy. Claim is a formal request that's made either by a plan participant or his or her healthcare provider to the insurance company, asking for payment for a procedure the member received. Vaughan and Vaughan (2008) also define claim as a notification to an insurance company that payment of an amount is due under the terms of a policy.
- **Claim management:** claim management also referred to as claims handling covers all the necessary steps starting from the notification of incident by the customer all the way to settlement. The claim management process, while requiring paying all claims as per the policy terms fairly and promptly, guarding against fraud, minimizing costs and assuring customers satisfaction (Tajudeen & Adebowale, 2013).
- **Customer satisfaction:** is a measure of how products and services supplied by a company meet or surpass customer expectation (Farris et al, 2010). Measuring customer satisfaction provides feedback on how successful an organization is at providing product and/or services to the satisfaction of customers.
- **Insurance:** insurance is a mechanism by which an organization can exchange its uncertainty for greater certainty. An economic device whereby the individual or business pays a cost (premium) in exchange for protection against financial loss (Vaughan & Vaughan, 2008).
- **Premium:** the payment, or one of the periodical payments, a policyholder agrees to make for an insurance policy (Vaughan & Vaughan, 2008). It is the amount paid to an insurance company, sometimes in regular installments or as per the agreement with the insurer for the insurance policy (Zelege, 2007).

- **Service quality:** means the difference between the customer's expectation of service and their perceived service. In this study, the assessment standards of Parasuraman, Zeithaml, & Berry (1988) will be used, which consist of five dimensions: tangibility, reliability, responsiveness, assurance, and empathy.
- **SERVQUAL:** A multiple-item scale for measuring customer perceptions of service quality Parasuraman, Zeithaml, & Berry (1988).

### **1.7. Organization of the study**

This study is organized in five chapters. Chapter one introduced the background of the study, problem statement, research objectives, research questions, scope and limitation of the study, significance of the study and definition of key operational terms. The second chapter presented the theoretical and empirical review of literatures related to the topic and the conceptual framework which tried to indicate how the variables in the study connect with each other. Chapter three is comprised of research methodology and that describes the approach and design of the research; the variables, data sources and data collection methods; population, sample size & sampling; reliability and validity of data collection instruments, method of data analysis and ethical considerations. The fourth chapter deals with data presentation, analysis and interpretation. Finally, in the fifth chapter, summary of the findings, conclusion and recommendation will be presented.

## **CHAPTER TWO**

### **Related Literature Review**

#### **2.1.Theoretical Review**

##### **2.1.1. Insurance**

Insurance is a social device in which a group of individuals (called “insures”) 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 contributed (premiums) by all members who transferred risk (Zelege, 2007).

Article 654 (2) of Commercial Code of Ethiopia (1960:140) provides a legal definition of insurance as follows: An insurance policy is a contract whereby a person called the insurer undertakes against payment of one or more premiums to pay to a person, called the beneficiary, a sum of money where a specified risk materializes. 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 (Butler& Francis, 2010).

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 (Zelege, 2007).

##### **2.1.2. Importance of Insurance**

Insurance as an economic device is justified because it creates certainty about the financial burden of losses and because it spreads the losses that do occur. In providing a mechanism

through which losses can be shared and uncertainty reduced, insurance brings peace of mind to society's members and makes costs more certain (Vaughan & Vaughan, 2007).

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

- **Peace of mind:** Almost everyone has a basic desire for some security or peace of mind. To the extent that insurance provides certainty or predictability, it helps an individual or business improving efficiency of actions by reducing anxieties (ibid).
- **Indemnification:** The direct advantage of insurance is indemnification for unexpected loss, which means, putting one to the same position he/she was before the unfortunate events occurred (ibid).
- **Keep families and business together:** The existence of insurance often supplies financial aid at time of death of family or damage of property due to unforeseen events (ibid).
- **Provides a basis for credit:** -it is impossible to visualize the credit economy of today without insurance. For instance, fire insurance is invariably used by mortgages who loan money with real or personal property as collateral. Banks would not dare to grant any loans without making sure there is some institution or someone that will pay them their money if the unfortunate happens to the collateral they hold against the credit granted (ibid).
- **Stimulates savings:** -classes like life insurance have special advantages in stimulating savings (ibid).
- **Provides investment capital:** - Insurance premiums normally are paid in advance of losses and held by insurers until the time of claim payment, which allows insurers to invest it (ibid).

### 2.1.3. Motor Insurance

As per federal democratic republic of Ethiopia Vehicle insurance against third party risks Proclamation No 799/2013, Article 2(6), "Motor Vehicle" is defined as any vehicle moving on a road by mechanical or electrical power; and according to Article. 2(5) "Vehicle" is defined as any

wheeled motor vehicle, semi-trailer or trailer for use on the road with the exception of wheelchair and bicycle.

Any vehicle moving on a road by mechanical or electrical power can be considered for motor insurance. The significance of motor insurance is to indemnify the covered losses of the insured vehicle due to accidental own damage and the liability against third party person and property due to theft, overturning, collision and fire depending upon the type of cover. The subject matter in motor insurance is motor vehicle. A motor vehicle is defined by road traffic act of UK as a mechanically propelled vehicle intended or adapted for use on roads. Road means any highway and any other road to which the public has access and includes bridges over which a road passes (CII, 2011). Motor insurance cover has different types, own damage, third party and third party plus fire & theft insurance. A customer can buy one or both types.

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

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

#### **2.1.4. Motor Insurance Claims Process**

Motor claim is a notification to an insurance company that payment of an amount is due under the terms of a policy (Vaughan & Vaughan, 1995). An insurance claim, therefore, is a demand

by a person or an organization seeking to recover from an insurer for a loss that an insurance policy might cover (Brooks et al., 2005). Insurance claims varies from simple that can be settled within days of notification to complex claims that remain open for many years. However, a claim on the policy is thus demand on the insurer to fulfill its part of the promise, committed to while writing the contract with the insured (Krishnan, 2010).

Insurance claim is a request to an insurance company by the insured for compensation of financial loss or policy event for the covered risk. Claims management is the carrying out of the entire claims process with a particular emphasis upon the monitoring and lowering of claims costs (Wedge & Handley, 2003). Thus, the fulfillment of the insurance contract depends on a company's ability to pay claims.

#### **2.1.5. Motor Claims Procedures**

The way an insurance company manages the claims process is fundamental to its profit and long-term sustainability (Rose, 2013). Core aspects of predictive insurance claims processing were noted to include: fraud management, recovery optimization, settlement optimization, claims benchmarking, activity optimization, and litigation management (Earnest, 2012). The procedure of handling claims depends on a number of cases like type of cover, amount of claim, etc. (Irukwu, 1977).

Although different insurers follow different procedures, some of the basic elements include claims notification, claim review, responding to claimants, claim investigation, claim settlement and claim recovery if required. Understanding the importance of claims management, OECD Insurance Committee had documented and published best practices in claim management practices. Activities the OECD guideline identified as important include: adequate information and assistance to the policyholder for claim reporting; efficient claim filing methods; operational fraud detection and prevention measures; adequate, fair and transparent claim assessment and processing; expeditious claim settlement; effective complaint and dispute settlement procedures; and appropriate supervision of claims-related services (OECD, 2004).

The various stages a claim goes through from its occurrence to conclusion are:

**Claim Notification:** Notification is a written notice of the insured to the insurer that explains the loss, what accident happened, how, when and the overall situations at the time of incident on the insured item. Most policies state that the insured should notify their insurer of a claim promptly. The initial report may be verbal, though the insured will be required to give further information by completion of a claim form. For liability claims, the insured is required to forward to the insurer all correspondence from the claimants or their advocates. It is the insured responsibility to prove that they have suffered a loss, and the loss was caused by a peril, which is covered by the policy. The client must also prove the amount of loss, such proof being by way of purchase receipts, repair account or a valuation (OECD, 2004).

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

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

**Claim Review:** involves analysis of the claim and includes comparison of information in claim form with what was provided in the proposal form, interpretation of the policy in light of the claim, economic considerations such as decision on whether the claim is too small to warrant further investigations or the need to call for additional documentation. Alternatively, a large claim may justify further investigations or legal action. The insurer needs to check that the policy was in force at the time of loss, the insured 's details are as per proposal form, the peril insured against is covered by the policy, the insured has complied with the policy terms and conditions and that the loss claimed against does not fall under an exclusion.

Claims review is a crucial stage in the claims process; where likely conflicts arising from policy interpretation, economic considerations, market practice and legal requirements. A senior claims handler needs to be involved at this stage, in order to handle major issues accurately and promptly, including properly investigating the claim if need be.

The OECD guideline suggests that the insurer establishes a compliance programs for combating fraud, discourage fraudulent practices by making the policyholder/claimant/beneficiary aware of the consequences of submitting a false statement (which in particular could be liable to prosecution) and/or an incomplete statement (OECD, 2004).

**Response to Claimant:** the initial response is usually an acknowledgment, or a request for further information. Once the insurer is satisfied with information given, they either convey decision to pay, or decline to pay the claim. A third response may be offered to pay a lower amount than that claimed or enter into negotiations with the insured, without initially making any offer on amount. This is in a situation where liability is accepted, but insurer is not satisfied with amount claimed. Whether the insurer intends to decline a claim, or enter into negotiation, they must convey to the insured their reasons for the decision, to ensure the insured is satisfied with the decision and avoid the insured resorting to litigation.

**Claim Investigation:** in some cases, the insurer may not have full facts of the claim and is unable to make a decision on a claim. They may therefore require appointing an investigator, to carry out investigations and file a report to the insurer. This is mainly for motor and liability claims. Investigations are also necessary if a claim is suspected to be fraudulent. The nature of other claims requires an insurer to appoint a loss adjuster, to establish liability and quantum of the claim. This is especially for property claims, including Fire, Burglary, Domestic Package, All Risks, and Marine among others.

In the case of motor claims, a motor assessor assesses the extent of damage to the vehicle and establishes the cost of repairs. The assessor also advises whether to repair the vehicle or treat it as a constructive total loss and pay insured pre-accident value of the vehicle. Once investigations are completed, the insurer is expected to convey findings and next course of action to the insured. The investigator must exercise speed but also be efficient. The report should be comprehensive, covering all the salient features of the claim, while bringing out the issues in an orderly and clear manner (Wedge & Handley, 2003).

**Claim Settlement:** where liability is not in dispute and both insurer and insured are in agreement on quantum, settlement follows immediately. However, in situations where either liability or quantum is in dispute, the claim is delayed. OECD (2004) points out, after an agreement has been



reached between the insurer and the policyholder (claimant or beneficiary) on the amount of compensation, the payment should be completed within a reasonable amount of time. A quick claims settlement as well as high quality and punctual information provided to the policyholder (claimant or beneficiary) are key competition features for insurance companies. In case of any delay, the guideline recommends that the insurance company as soon as possible should advise in writing the policyholder (claimant or beneficiary) on the reasons for any delay and resolution (OECD, 2004).

When all activities associated with adjustment of the loss are completed and the amount of loss is determined and agreed upon, the insured is entitled to receive payment. There are cash payments, repair, replacement and reinstatement (OECD, 2004).

The insurer, in paying claims must balance the interest of the claimant and all other policyholders who have contributed to the fund. Although the claimant is entitled to be paid in accordance with the promise of the insurance contract, the fund should be protected against payment of unearned claims. There are certain prohibiting factors like Average and Excess/franchise/deductibles inherent in the practice of the insurance that makes it possible for clients not to receive their full payment (OECD, 2004).

Average is a condition in the policy which provides that where the amount of premium paid by the insured is only for a smaller proportion of the total value at risk, since that is what has been disclosed by the insured, any claims settlement under this policy will recognize this fact and the amount payable to the insured will be proportionately reduced.

Excess/Franchise/Deductibles are amounts of money (decided at inception of the policy) that are subtracted from each claim to be settled. It is immediately observed that should the total amount of the claim be less than the amount of the excess/franchise/deductibles the claim will not be paid (OECD, 2004).

Ex-gratia occurs when a client suffers a loss or incurs some liability for which the insurer cannot be held liable, under the policy. This client may be a valued client to the insurer and the insurer may want to identify with him during his misfortune. In such situations the practice of insurance allow for the payment “out of grace” (ex-gratia) of monies to the

insured. Therefore, this is a claim payment made by the insurer out of favor even though there is no legal obligation (Chiejina, 2004).

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

**Claim Recoveries:** although this process does not involve the policyholder, an insurer may require recovering all or part of their outlay. There are four sources of recovery; from a third party who was to blame for the accident, from a party insurer has subrogation rights against, from a reinsurer if reinsurance protection is in place or from sale of salvage (OECD, 2004).

#### **2.1.6. Effectiveness and Efficiency in Claims Handling**

Nowadays, customers give high priority to claims handling culture of the insurer and how fast the insurer pays when they face accident. The increased customers' knowledge about the service helps the industry for improvement to provide efficient service to compete each other.

Excellence in claims handling is being a competitive edge for an insurance company and it is a service that clients greatly value. Regarding claims process some step-by-step claims handling activities include: acknowledging and assigning the claim, identifying the policy, contacting the insured or the insured's representative, investigating and documenting the claim, determining the cause of loss and the loss amount, and concluding the claim (Brooks et al., 2005).

A good claim management holds: proactive in recognizing and paying legitimate claims; assessing accurately the reserve associated with each claim; reporting regularly; minimizing unnecessary costs; avoiding protracted legal disputation; dealing with claimants courteously; and

whatever possible, handling claims expeditiously (Yusuf and Dansu,2014). Then, to reduce the cost of claims and deliver on a value-added brand promise to customers, insurers must focus on enhancing efficiency and effectiveness in their claims function (Singh, 2012).

### **2.1.7. The Concept of Service Quality**

According to Brady and Cronin (2001), quality in goods sectors is commonly defined as the product's fitness for its intended use, which means how well the product meets the needs and the expectations of its customer. According to Hong and Goo(2004), service quality is more difficult for consumers to evaluate than product quality; this is due to a lack of tangible evidence associated with the service. Gronroos (1984) identified service quality as the evaluation process outcome, in which customers are involved and where a certain experience is always compared to the perceived service received.

Quality of services can be summarized as a phenomenon in the context of expectations and perceptions of customers regarding provided services (Santhiyavalli, 2011). Therefore, a same service can be perceived as high quality service by one customer, but it can be perceived as low quality service by another customer. In other words, the quality of service depends on the customer's perception. Therefore, instead of the quality of services, "perceived quality of service" is widely used in the literature. Perceived quality of service is the comparison of customer expectations before receiving and his real experience. This has been evaluated by direction and magnitude (size) of the difference between customer expectations and perceived performance (Zeithaml & Bitner, 2000). Quality of service definitions have been primarily focused on customer. However, what customer should not be regarded as sufficient at all times. In particular, unspoken needs and expectations of customers must be revealed and recognized (Santhiyavalli, 2011). Willingness to quality of service plays an important role in service industries such as insurance services, bank services, etc, because the quality of services is vital for the survival and profitability of the organization (Stafford et al., 1998).

### **2.1.8. SERVQUAL Model**

Service industry by nature has less control over factors that affect quality. Very few methods are considered to be effective measurement tools for services so far while a number of methods have been introduced and practiced for measuring the quality of physical goods. Tazreen

(2012) noted that evaluating the quality of service is one of the challenges for service providers because of the intangible and notably the inseparable and heterogeneous characteristic of service.

SERVQUAL model is one of the well-known models and used broadly for measuring the quality of services, introduced in 1985 by a group of American Marketing Gurus Parasuraman, Berry, and Zeithaml. The model used as a diagnostic technique for uncovering broad areas of an organization's service quality strengths and weaknesses (Rahmana et al., 2014).

According to Parasuraman, Zeithaml and Berry (1985), regardless of the type of service, consumers basically use the same criteria to assess quality. Service quality is a general opinion the client forms regarding its delivery, which is constituted by a series of successful or unsuccessful experiences. Managing gaps in service will help the company improve its quality. But gaps are not the only means clients use to judge a service. Further studies by A. Parasuraman et al. (1988) identified ten elements of service quality. These were tangibles, reliability, responsiveness, competence, courtesy, credibility, security, access, communications, and understanding. Later these ten elements compressed into five factors or service quality dimension. According to Lovelock & Wirtz (2007) these dimensions are;

### **I. Reliability:**

Is the company reliable in providing the service? Does it provide as promised? Reliability reflects a company's consistency and certainty in terms of performance. Reliability is the most important dimension for the consumer of services.

Reliability is the ability to carry out the promised service dependably and accurately or doing what you say you will do. Tatek (2018) states that a company's ability to deliver promises is the most vigorous factor in providing service quality.

### **II. Tangibility:**

How are the service provider's physical installations, equipment, people and communication material? Since there is no physical element to be assessed in services, clients often trust the tangible evidence that surrounds it when making their assessment (Lovelock, & Wirtz, 2007).

Tangibility dimension also includes the appearance of physical facilities, equipment, personnel and communication materials. According to Gupta & Sriavastava(2012) Service industries such as hotels and restaurants rely heavily on tangibles. Guests often judge the quality of the physical environment and tangible facilities.

### **III. Responsiveness**

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

### **IV. Empathy:**

This is the capacity a person has to experience another's feelings. Does the service company provide careful and personalized attention? These elements clearly have a highly subjective factor linked to the person who perceives the service. In reality, every type of service can have determining factors that are considered more important than others, which will depend on environment characteristics or type of activity. It is difficult to measure the quality of service operations because they have the characteristic intangibility (Lovelock, & Wirtz, 2007). Empathy is defined as the caring individualized attention the firm offers its customers. Gronroos (2000) states that Clients perceive the level of a company's empathy by the degree of personalized service offered.

### **V. Assurance:**

Are employees well-informed, educated, competent and trustworthy? This dimension encompasses the company's competence, courtesy and precision (Ibid). Assurance is well-defined as employees' knowledge, courtesy, the ability of the firm and its employees to inspire trust and confidence. The importance of this dimension increases in proportion to the risk (Gupta & Sriavastava, 2012).

## **2.2. Service Quality in Insurance Companies**

Insurance contract is a special kind of legal undertaking between two parties. Both of them, the insurer and the insured, expect reasonable benefits. The most important reason for purchasing insurance is the existence of risk in different form and magnitude which may or may not occur in the duration of an insurance contract. Thus, what is sold by insurance companies is just a promise that is to make the loss/; good if and when the risk insured materialized. As a result, customers can assess the quality and value of the insurance service after they bought the insurance policy after some time i.e., at the time of claim. Because of this, the claim settlement procedure appears to be the most critical incident of insurance, and distinguishes insurance from the majority of service, for which production and consumption occur simultaneously (Zeithaml et al. 1988, as cited in Tekol, 2017).

As the customer is the final to judge the quality of service being provided, service quality and the achievement of customer satisfaction should be the most fundamental or critical for the success even in the insurance business. The quality of services prior and during underwriting risks, as well as the adequacy and speed of claim statement leads to customer loyalty, persistency, and positive word of mouth communication in the insurance sector (Tekol, 2017).

Good insurance quality service delivery mechanism could improve customer's satisfaction, increased customer loyalty to the insurer and encouraged customers to return to the insurance company and recommend the service to others. The cumulative effect of this will be reflected on the bottom line i.e. profit. It therefore, appears that insurers who invest in customer's satisfaction may have superior chance of forming an effective and vibrant organization, with caring, committed and empowered people (Chartered Insurance Institute, Marketing, 2006, as cited in Tekol, 2017).

## **2.3.Review of Empirical Studies**

Many studies have been carried out in relation to service quality. This section is, therefore, reviews prior empirical studies conducted in Ethiopia and abroad in the area of service quality. A cross-sectional study conducted in Vietnam entitled “Assessing Customer Satisfaction and Service Quality” in a single insurance company which is found in six cities and the data was collected from four hundred customers of on the effect of service quality on customer satisfaction

on selected insurance companies and it showed that the five service quality dimensions have positive relationship with customer satisfaction. The findings of the study also indicated that responsiveness is the most important factor to have a positive and significant effect on customer satisfaction followed by reliability, assurance, empathy, and tangibles (Pham, 2014).

A cross-sectional study conducted in Oman entitled “Assessment of service quality in insurance industry in sultanate of Oman” and it evaluate customer’s expectation and perception of quality of service provided by Insurance companies in Oman. The study identified the phenomena related to assessment of service quality in insurance industry in sultanate of Oman based on SERVQUAL model using seven parameters- tangibility, reliability, responsiveness, assurance, empathy, price and technical quality. Data was collected from one hundred insurance policy holders in Muscat using questionnaire. Results indicated that there is a huge gap between customer’s expectation and perception in price, reliability and it is also revealed that there is a relationship between demographic factors and customer’s expectation and perception of service quality dimensions (Aslam et al., 2015).

A cross-sectional study conducted in Iran entitled “Investigation of Factors Affecting the Service Quality of Parsian Insurance Firm”: and the service quality within a system was studied from various aspects studied by SERVQUAL model. Quality of services is evaluated in terms of what customer expects of received services. The data was collected from four hundred fifty questionnaires. Results showed that 8 factors had the greatest impact on the service quality from the perspective of customers. These eight factors included appropriate facilities, the appearance of physical facilities, promise kept by firm, sympathy of firm, reliability, delivery of services ahead of promised time, accuracy in the maintenance of documentations of insured people by firm, and firm’s support of its employees. Accordingly, this study showed that service quality perceived by customers is very important for them and it has become as duty for firms in the field of providing high quality services in market (Ebrahimi et al.,2016).

Akalu (2015) carried out a study entitled “The Effect of Service Quality on Customer Satisfaction in Selected Insurance Companies in Addis Ababa”. It was conducted in three insurance companies which are found in the city and the data was collected from one hundred forty-one customers. The results of the study showed that the five service quality dimensions have positive relationship with customer satisfaction. The findings of the study also indicated that assurance is

the most important factor to have a positive and significant effect on customer satisfaction followed by reliability, responsiveness, empathy and tangibles.

Furthermore, Tekol (2017) has conducted a study to assess service quality using SERVQUAL model in the case of Ethiopian Insurance Corporation. It also sees how applicable the SERVQUAL model in the context of EIC using its dimensions to measure service quality, what are the expectation of customers from EIC respect to motor insurance service and which service quality dimensions bring satisfaction/dissatisfaction. The data was collected from two hundred forty motor insurance policy holders from two districts in Addis Ababa using questionnaire. Findings of the study indicate that EIC customers expect more than what they perceive and it suggests that EIC must strive hard to improve all the service quality dimensions for improve customer satisfaction.

Moreover, Shambachew (2015) assessed service quality, customers' satisfaction and loyalty in the case of Insurance companies in Adama, Ethiopia. The study examined the level of customer satisfaction through the application of two different customer satisfaction measurements namely; the SERVQUAL and overall customers' satisfaction models. Moreover, the study investigates the significance relationship between the overall customer's satisfaction and their loyalty. In order to address the aim of the research, both primary and secondary data were collected and employed. Three insurance companies were randomly selected. In order to make the sample sizable and to make the data collected reliable one hundred thirty-three comprehensive insurance policy holders were sampled proportionally as a final target group. The result from the SERVQUAL analysis reveals that reliability is the most critical dimension followed by responsiveness, assurance, empathy while tangibility is found to be less critical dimension of service quality and customer's satisfaction. Moreover, it is found that customers' satisfaction is significantly and positively related with customers' loyalty.

#### **2.4. Conceptual framework of the study**

To investigate the factors affecting motor insurance claim service quality of Ethiopian Insurance Corporation from the perspective of the company's customers, conceptual model proposed by Parasuraman et al (1988) is used that has 5 dimensions of quality tangibles, quality of reliability, quality of responsiveness, quality of assurance, and quality of empathy.



## **CHAPTER THREE**

### **Research Methodology**

#### **3.1. Research Approach and Design**

According to Kothari (2004), the research design is both the conceptual structure and the blue print for the collection, measurement and assessment of data in which the research is going to be carried out. The author states that Research methodology is a way to systematically solve the research problem and to show how the research was done scientifically. Descriptive study design is appropriate for the study to describe the existing situation of motor insurance claim service quality in line to the service quality dimensions. According to Thyer (2001), a descriptive study is one in which information is collected without changing the environment and it is used to obtain information concerning the current status of the phenomena to describe "what exists" with respect to variables or conditions in a situation.

Research approach constitute the plan and the procedure for research that span the steps from broad assumptions to detailed methods of data collection, analysis, and interpretation (Creswell, 2014). Creswell (2014) further suggests that a quantitative research approach is suitable for testing objective theories by examining the relationship among variables and qualitative research approach is suitable to describe, interpret, verify and evaluate a given phenomenon. Accordingly, in the study the researcher used both quantitative and qualitative research approach.

#### **3.2. Population and Sampling Technique**

##### **3.2.1. Target Population**

The study unit of this research was the single motor insurance client of Ethiopian Insurance Corporation. The total population for this study constitute the number of motor insurance clients holding comprehensive cover of EIC in the 6 districts in Addis Ababa is 20,917 (Customer's reports, 2021).

##### **3.2.2. Sampling Size and Sampling Technique**

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

of the population of the study used the probability sampling method which is used to gather primary data from sample motor insurance holder through self-administered questionnaires.

The number of motor insurance clients holding comprehensive cover of EIC in the 6 districts in Addis Ababa is 20,917 (Customer's reports, 2021). Yamane Taro (1967) provides a simplified formula to calculate sample size. This formula is used to obtain manageable sample size from such large population taking into account 95% confidence level. Hence, the sample size is computed using the following formula: -

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

Where, n =sample size

N = total population size

e = maximum tolerable sampling error=5%

Given: N = 20,917, e =5% or 0.05Source; solving formula using 95% of confidence, interval

$$n = \frac{N}{1+N(e)^2} = \frac{20917}{1+20917(0.05)^2} = \frac{20917}{53.29} = 392.51 \approx 393$$

To conduct the research a sample size of 393 motor insurance clients holding comprehensive cover in EIC in Addis Ababa were selected from the selected clients. To get manageable sample size the researcher used 95% of confidence interval formula and 0.05 or 5% of margin of error.

### **3.3. Data Sources and Data Collection Methods**

The researcher assesses motor insurance claim service quality in the case of Ethiopian Insurance Corporation. The researcher used primary and secondary data sources to obtain quantitative and qualitative data. Primary data collected using questionnaire from the customers of the company in 6 Districts in Addis Ababa by using structured questionnaire as a method of data collection.

Since the secondary data is also important as the primary data; the researcher collected essential data from secondary sources. Secondary data were gathered from relevant journal articles related to motor insurance claim, books written on insurance, similar researches conducted previously,

company's annual performance reports, claims and underwriting reports, claim manual and procedure, and other documents related with claim.

In this study, quantitative data were gathered through structured questionnaire. Service quality relate questions were designed using a five point Likert scale in which respondents are required to give their response in selecting either strongly disagree, disagree, neutral, agree, or strongly agree.

Likert scale is designed by Rensis Likert. It is very popular rating scale for measuring ordinal data in social science research. This scale includes Likert items that are simply-worded statements to which respondents can indicate their extent of agreement or disagreement on a five or seven-point scale ranging from "strongly disagree" to "strongly agree".

Moreover, qualitative data gathered via semi-structured interview with managers of the concerned work unit so as to understand and evaluate the measures taken by EIC to improve the satisfaction level of customers regarding motor insurance claim service delivery system.

### **3.4. Reliability and Validity of Data Collection Instruments**

Validity is the extent, to which data accurately reflects what they are meant to reflect, i.e., the instrument measures what is supposed to measure. In other words, the right questions being asked should help to obtain meaningful and usable responses on concepts under the study. Thus, the purpose of checking validity in the study is to seek relevant evidence that confirms the answers found with the measurement device which is the nature of the problem. In order to assure the validity of the questionnaire, pilot testing was done on 30 respondents.

The term 'Reliability' deals with the consistency of the measure. It refers to the ability of a measure to yield the same results on different occasions, or similar observations can be obtained by another observer. That is, if something is measured many times and the result is always the same, then we can say that our measurement instrument is reliable (Saunders et al., 2009).

Most researchers use Cronbach's alpha to test the instrument internal Reliability; its values vary from 0 (no correlation between scores) to 1 (perfect correlation between scores) and values less than 0.6 are considered as unsatisfactory and 0.70 to be an acceptable reliability coefficient (Mitchell, 1996).

The researcher conducted a reliability test on the five dimensions of service quality. And based on the data in the table 3.1 all of the five dimensions has a value greater than 0.60, and it is possible to conclude that all of the five dimensions of service quality under this study are reliable.

**Table 3.1 Reliability Test**

No	Item	Cronbach's alpha	No of item
1.	Tangibles	0.865	4
2.	Reliability	0.959	4
3.	Responsiveness	0.968	4
4.	Assurance	0.977	4
5.	Empathy	0.947	4

Source: researcher survey 2021

### **3.5. Method of Data Analysis**

Quantitative data gathered through structured questionnaire processed via Statistical Package for Social Sciences (SPSS) version 20 software were analyzed through descriptive statistics (frequency, percentage, standard deviation and mean analysis). Moreover, qualitative data gathered via interview as well as secondary data collected from different sources are analyzed through narrative analysis.

### **3.6. Ethical Considerations**

Any research that has no room for ethical considerations cannot be termed as valid. The researcher undertakes all the necessary measures to ensure that all ethical aspects of the research process are followed. In particular, the researcher made efforts to ensure that the respondents understand that their participation in the research process is on a voluntary basis, and that they can withdraw from the project at any time according to their wish. Furthermore, the researcher also took all measures possible to ensure that respondents' identities are kept anonymous. Moreover, all sources used in the study are duly acknowledged and properly cited.

## CHAPTER FOUR

### Data Presentation, Analysis and Discussion

This chapter consists of data presentation, analysis and interpretation processed through SPSS and analyzed via descriptive statistics (frequency, percentage, mean and standard deviation). It covers data on respondents' characteristics, data collected through questionnaire from the respondents and also it involves analysis of opinions gathered through interview.

#### 4.1. Response Rate

From the total of 393 questionnaires that were dispatched, 348 were returned, which make the response rate 88.5%. Moreover, the researcher held interviews with all of the directors of the six districts as proposed and the response rate was 100%.

#### 4.2. Personal information of Respondents

**Table 4.1 Demographic profile of the respondent**

Variable	Frequency	Percentage (%)
<b>1. Gender</b>		
Male	212	60.9
Female	136	39.1
<b>Total</b>	<b>348</b>	<b>100</b>
<b>2. Age</b>		
18-25	34	9.8
26-30	51	14.7
31-35	66	19.0
36-40	88	25.3
41-45	35	10.1
46-50	32	9.2
50+	42	12.1
<b>Total</b>	<b>348</b>	<b>100</b>
<b>3. Educational level</b>		
Grade 10 and below	4	1.1
High school completed	15	4.3
Diploma/TVT	81	23.3
Bachelor degree	161	46.3
MA/MSc and above	84	24.1
Other	3	9
<b>Total</b>	<b>348</b>	<b>100</b>
<b>4. Monthly income</b>		
5000-	4	1.1

5000-9999	52	14.9
10000-14999	77	22.1
15000-19999	76	21.8
20000+	139	39.9
<b>Total</b>	<b>348</b>	<b>100</b>
<b>5. Vehicle insurance type</b>		
Private motor insurance	186	53.4
Commercial motor insurance	162	46.6
<b>Total</b>	<b>348</b>	<b>100</b>

*Source: Survey Questionnaire 2021*

The demographic profile of the respondent that is presented in table 4.1 indicated that the majority 212 (60.9%) of the respondent are male with the remaining 136(39.1%) are female. In terms of age the majority of the respondents 88( 25.3%) fall in the age group of 36 – 40, 66(19%) of the respondents fall on the age group of 31– 35 , 51(14.7%) of the respondents fall on the age group of 26– 30, 42(12.1%) of the respondents fall on the age group of 50+, 35(10.1%) of the respondents fall on the age group of 41– 45, 34(9.8%) of the respondents fall on the age group of 18– 25 and 32( 9.2%) of the respondents fall on the age group of 46– 50. From this analysis the majority of the respondents are at middle age and they may give reliable responses for the questionnaire.

In terms of level of education the majority of survey respondents 161 (46.3%) have Degree, 84 (24.1%) of them have a MA/MSc, 81 (23.3%) respondents have a Diploma, 15(4.3%) have High school completed certificate, 4 (1.1) % of them have grade 10 and below certificate and 3 (0.9%) of them has other type of education level. This implies the majority of the respondents are educated and qualified and give proper justifications.

On the other hand, In terms of average monthly income the majority of survey respondents 139(39.9%) get above 20,000 average monthly income, 77(22.1%) of the respondents get 10000-14999 average monthly income, 76 (21.8%) of them get 15000-19999 average monthly income, 52(14.9%) of the respondents get 5000-9999 average monthly income and 4 (1.1%) of them get below 5000 average monthly income. In terms of vehicle insurance type the majority of survey respondents 186 (53.4 %) used private motor insurance and the remaining 162(46.6%) of respondents use commercial motor insurance.

### 4.3. General information about loyalty of respondents to EIC

#### 4.3.1. Duration of customer attachment with EIC

**Table 4.2.1 Duration of customer attachment with EIC**

Stayed years		Frequency	Percent
Valid	2-	69	19.8
	2-5	102	29.3
	5+	177	50.9
	Total	348	100.0

*Source: Survey Questionnaire 2021*

As we can see from the table 4.2.1, the majority of survey respondents 177 (50.9 %) stayed with the company as a customer more than five years, 102 (29.3 %) of respondents stayed with the company as a customer 2-5 years and 69 (19.8 %) of respondents stayed with the company as a customer below two years. From this analysis the majority of the respondents stayed with the company more than five years so they can tell about the motor claims service of EIC.

#### 4.3.2 Claim experience of Respondents

**Table 4.2.2 Respondents claim experience**

Claim experience		Frequency	Percent
Valid	Yes	236	67.8
	No	112	32.2
	Total	348	100.0

*Source: Survey Questionnaire 2021*

As we can see from the table 4.2.2, the majority of survey respondents 236 (67.8 %) have claim experience and the remaining 112 (32.2 %) respondents didn't have any claim experience. As most of the respondent had claims in connection to motor, they can witness the type of claims service EIC is offering.

### 4.3.3 Time of Vehicle to be repaired

**Table 4.2.3 Repair time duration**

Repairing time duration		Frequency	Percent
Valid	below one week	4	1.1
	between 2 and 4 weeks	24	6.9
	between 1 and 2 months	108	31.0
	between 2 and 4 months	55	15.8
	above 4 months	66	19.0
	Total	257	73.9
Missing	System	91	26.1
Total		348	100.0

*Source: Survey Questionnaire 2021*

As we can see from the table 4.2.3, the majority of survey respondents 108 (31.0 %) stated that it takes between 1 and 2 months to repair their vehicle, 66 (19.0 %) of respondents have said it takes above 4 months, 55 (15.8 %) of respondents have said it takes between 2 and 4 months, 24 (6.9 %) of respondents have said it takes between 2 and 4 weeks, 4 (1.1 %) of respondents have said it takes below 1 week to repair their vehicle and 91 (26.1 %) of respondents didn't have any claim experience. From this analysis repairing time duration takes from 1 month to over 4 months, this is not a good signal of quality service delivery.

### 4.3.4 Compensating as promised

**Table 4.2.4 Respondents about compensating as promised**

compensating as promised		Frequency	Percent
Valid	Never	54	15.5
	to some extent	100	28.7
	has accomplished as promised	95	27.3
	has accomplished beyond what i expected	8	2.3
	Total	257	73.9



Missing	System	91	26.1
Total		348	100.0

Source: Survey Questionnaire 2021

As we can see from the table 4.2.4, the majority of survey respondents 100 (28.7 %) have said the corporation pays as promised to pay at the time of purchasing insurance policy to some extent, 95 (27.3 %) of respondents have said the corporation accomplished as promised to pay at the time of purchasing insurance policy, 54 (15.5 %) of respondents have said the corporation never pays as promised to pay at the time of purchasing insurance policy, 8 (2.3 %) of respondents have said the corporation has accomplished as promised to pay at the time of purchasing insurance policy beyond their expectation and 91 (26.1 %) of respondents didn't have any claim experience. From this analysis at time of claims their promises are not kept to the optimum level as they expected.

#### **4.4. Descriptive analysis for service quality dimensions at EIC**

After the collection of the questionnaires from the respondents, the researcher explored the level of customers' perception towards service quality of the corporation in five areas: tangibility, reliability, responsiveness, assurance, and empathy. Each question in questionnaire was based on a 5-point weighted Likert scale (1=strongly disagree, 2= disagree, 3=neutral, 4=agree 5=strongly agree). To this end descriptive statistics mainly mean and standard deviation were used to analyze data.

The mean score measurement is used while interpreting the data. If the mean score is 1 to 2.33 it will be considered as low; if it is between 2.34 to 3.67 it will be considered moderate; and if the mean score is 3.68 to 5 it will be considered as high (Zaidatol et.al (2012).

##### **4.4.1 Descriptive statistics for Tangible dimension**

Tangibility deals with the appearance of physical facilities, equipment, and appearance of personnel, and communication materials.

**Table 4.3.1 descriptive statistics on Tangible Dimension**

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
The locations of branches/ districts are convenient to customers	348	1	5	3.82	1.170
The appearance of physical facilities of EIC is attractive and updated	348	1	5	2.94	1.491
EIC employees are well dressed and appear neat	348	1	5	3.79	1.030
EIC physical facilities appropriate to the type of service that delivers	348	1	5	3.16	1.507
Group(Mean & standard deviation)				13.71	5.19
Average (mean & standard deviation)				3.42	1.29

Source: Survey Questionnaire 2021

N.B: interpretation of mean scores (1-2.33) low, (2.34-3.67) moderate, (3.68-5) high (Zaidatol et al, 2012)

As shown in table 4.3.1, the aggregate mean and standard deviation for the tangibility dimension were 3.42, and 1.29, respectively. This implies level of service quality dimension of tangibility found at moderate level.

Item wise, when customer respondents were asked about the convenience of branches/ districts locations the mean value is 3.82 which is in high level service quality. When we see the answer of customer respondents in relation to physical appearance of EIC the mean value is 2.94 which are in moderate level service quality. When we see the answer of customer respondents in relation to employees were well dressed and appear neat the mean value is 3.79 which are in high level service quality. When we see the answer of customer respondents in relation to appropriateness of physical facilities to the type of service that delivers the mean value is 3.16 which are in moderate level service quality.

#### 4.4.2 Descriptive statistics for Reliability dimension

Reliability refers companies' consistency and certainty in terms of performance, with regarding of this issue.

**Table 4.3.2 Descriptive Statistics on reliability Dimension**

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
When EIC promises to do something at certain time, it keeps the promise	348	1	5	2.93	1.484
When you have a problem, EIC shows a sincere interest in solving it	348	1	5	3.09	1.461
The service provider gives accurate information to the customer	348	1	5	3.21	1.475
EIC keeps its documents and cases accurately	348	1	5	3.35	1.380
Group(Mean & standard deviation)				12.58	5.8
Average (mean & standard deviation)				3.145	1.45

Source: Survey Questionnaire 2021

N.B: interpretation of mean scores (1-2.33) low, (2.34-3.67) moderate, (3.68-5) high (Zaidatol et al, 2012)

As we can see from the table 4.3.2, the aggregate mean and standard deviation for the reliability dimension were 3.145, and 1.45, respectively. This implies level of service quality dimension of reliability found at moderate level.

Item wise, when customer respondents were asked about EIC keeping promise the mean value is 2.93 which are in the group of moderate level service quality. When we see the answer of customer respondents in relation to solving problem by EIC the mean value is 3.09 which are in group of moderate level service quality. When we see the answer of customer respondents in relation to providing accurate information to customer the mean value is 3.21 which are in moderate level service quality. When we see the answer of customer respondents in relation to

keeping documents and cases accurately the mean value is 3.35 which are in moderate level service quality.

#### 4.4.3 Descriptive statistics for Responsiveness dimension

Responsiveness is wiliness of employee to help customers and ability to provide them with prompt service.

**Table 4.3.3 Descriptive Statistics on responsiveness Dimension**

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
EIC employees provides quick service to customers	348	1	5	2.88	1.476
EIC employees are happy and willingness to serve customers	348	1	5	2.70	1.407
EIC employees make the information easily obtainable	348	1	5	2.73	1.421
EIC employees tell customers exactly when services will be provided	348	1	5	2.86	1.502
Group(Mean & standard deviation)				11.17	5.806
Average (mean & standard deviation)				2.79	1.45

Source: Survey Questionnaire 2021

N.B: interpretation of mean scores (1-2.33) low, (2.34-3.67) moderate, (3.68-5) high (Zaidatol et al, 2012)

As indicated in table 4.3.3, the aggregate mean and standard deviation for responsiveness dimensions were 2.79 and 1.45, respectively. This implies level of service quality dimension of responsiveness found at moderate level.

With regard to perception about getting quick service from the organization, the respondents have specified moderate level of service quality (the mean value of 2.86). When we see the answer of customer respondents in relation to EIC employee happiness and willing to serve customers the mean value is 2.70 which are in moderate level service quality. When we see the answer of customer respondents in relation to making information easily obtainable to customer the mean

value is 2.73 which are in moderate level service quality. When we see the answer of customer respondents in relation to telling customers exactly when service provided the mean value is 2.86 which is moderate level service quality.

#### 4.4.4 Descriptive statistics for Assurance dimension

This considers the knowledge and courtesy of employees as well as their ability to convey trust and confidence.

**Table 4.3.4 Descriptive Statistics on assurance Dimension**

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Customers feel safe in interaction with EIC employees	348	1	5	2.97	1.491
EIC employees are polite to customers	348	1	5	3.05	1.529
The behavior of employees in EIC builds confidence in customers	348	1		2.98	1.498
EIC employees have the required skill in providing services	348	1	5	3.12	1.467
Group(Mean & standard deviation)				12.12	5.985
Average (mean & standard deviation)				3.03	1.49

Source: Survey Questionnaire 2021

N.B: interpretation of mean scores (1-2.33) low, (2.34-3.67) moderate, (3.68-5) high (Zaidatol et al, 2012)

As we can see from the table 4.3.4, the aggregate mean and standard deviation for assurance dimension were 3.03 and 1.49, respectively. This implies level of service quality dimension of assurance found at moderate level.

Item wise, when customer respondents were asked about feeling safe in interaction with EIC employees the mean value is 2.97 which are in moderate level service quality. When we see the answer of customer respondents in relation to politeness of EIC employees to customers the mean value is 3.05 which are in moderate level service quality. When we see the answer of customer

respondents in relation to the behavior of EIC employees builds confidence the mean value is 2.98 which are in moderate level service quality. When we see the answer of customer respondents in relation to EIC employees having the required skill the mean value is 3.12 which is moderate level service quality.

#### 4.4.5 Descriptive statistics for Empathy dimension

Empathy Dimension is the provision of caring, individualized attention to customers.

**Table 4.3. 1 Descriptive Statistics on empathy Dimension**

VI. Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
EIC employees are aware of customer needs	348	1	5	3.05	1.485
EIC employees give individual attention to customers	348	1	5	3.01	1.509
The operating hours are convenient to customers	348	1	5	3.55	1.348
EIC and its employees have the customers best interest at heart	344	1	5	2.97	1.511
Group(Mean & standard deviation)				12.58	5.85
Average (mean & standard deviation)				3.14	1.46

*Source: Survey Questionnaire 2021*

N.B: interpretation of mean scores (1-2.33) low, (2.34-3.67) moderate, (3.68-5) high (Zaidatol et al, 2012)

As depicted in table 4.3.5., the aggregate mean and standard deviations for empathy dimension were 3.14, and 1.46, respectively. This implies level of service quality dimension of empathy found at moderate level.

Item wise, when customer respondents were asked about EIC employees are aware of customer needs the mean value is 3.05 which are in the group of moderate level service quality. When we

see the answer of customer respondents in relation to EIC employees give individual attention to customers the mean value is 3.01 which are in moderate level service quality. When we see the answer of customer respondents in relation to the convenience of EIC working hours the mean value is 3.55 which are in moderate level service quality. When we see the answer of customer respondents in relation to EIC and its employees having the customer best interest at heart the mean value is 2.97 which is moderate level service quality.

**Table 4.3. 2 Aggregate mean value for service quality and its dimensions**

<i>Service quality dimensions</i>	<i>Mean</i>	<i>Standard deviation</i>
<i>Tangibility</i>	3.42	1.29
<i>Reliability</i>	3.145	1.45
<i>Responsiveness</i>	2.79	1.45
<i>Assurance</i>	3.03	1.49
<i>Empathy</i>	3.14	1.46
<i>Aggregate mean for service quality</i>	3.105	<i>1.49</i>

Source: Survey Questionnaire 2021

#### **4.5 Interview analysis**

The researcher had conducted an interview with the six district directors regarding the services offered by EIC, its target customer. Information gained from the six district directors is analyzed qualitatively as follows.

##### **4.5.1 Major services offered by EIC**

According to the six district directors of EIC the major services offered by EIC are all risks, Aviation (cargo and Hull), Bankers blanket policy, burglary and house breaking, bonds, condominium, consequential loss, crop insurance, engineering, fidelity guarantee, fire and lightning, goods in transit, inland carriers liability, livestock, marine(cargo and hull), money, motor, personal/Group personal accident, plate glass, product liability, professional indemnity, public liability, workmen’s compensation. According to the information given by the district directors among the major services delivered by the company mostly used by customers and high delivered service is motor insurance service.

#### **4.5.2 Target customers of insurance company**

According to the information given by the district directors target customer is the person identified as most likely to purchase the product of the company. Most of the premium collected and uses major services offered by EIC the customers which are government or non-government organizations the target customers are government or non-government organizations.

#### **4.5.3 Measuring service quality delivered by the company**

According to the six district directors of EIC Service quality measured by getting feedback from customers using meetings by some interval checking whether the service delivers to customers without any complain and become first choice and reliable partner of customers.

#### **4.5.4 Motor insurance service quality**

According to the six district directors of EIC Motor insurance holds more than 50 percent of customers and it is widely used by customers so the company focuses on it to make the delivered service more qualified. There may be gaps but the company always checks those gaps and tries to make it better. And generally the EIC gives good service quality to its customers.

#### **4.5.5 Problematic areas affecting motor insurance claim service quality**

According to the six district directors of EIC the major problematic area the structure used in EIC and the company working on it to have structure suitable for the services delivered by EIC that will change the procedure followed to give a service improve decision making process, improve employee performance and enable the company to grow and expand and make applicable to customer in all locations and in general in modifies the company performance so motor insurance claim service quality will be improved.

#### **4.5.6 Managing customer compliant**

According to the response of the six district directors of EIC There is clear and directive procedure to manage customer compliant. As customers are the backbone of the company dissatisfied with the corporation service will going to switch to another insurance company and the corporation cannot operate without its customers so every employee in manager position or in principal customer care position are always ready to solve any kind of problems of customer



related to service delivered to them. And if it is beyond the limit of their position to solve it they guide as to go to next level of managerial position to solve their problems.

#### **4.5.7 Customers are happy by the delivered service**

According to the six district directors of EIC to check whether customers are happy or not they check their retention rate and the result is good so customers are happy. According to the directors answer EIC believes the service need change but still can make customers with EIC.

#### **4.5.8 Improvements made to make customers happy**

According to the directors of the six districts, EIC are service delivery institution, its deliver their services for customers. Providing service to customers is not only the strategy of the EIC, they must retain existing customers, attracting new customers and satisfying their needs. This takes place by applying the concept of service quality and customer satisfaction as a strategy. Therefore, service quality and customer satisfaction are important strategies for EIC.

#### **4.5.9 Improving level of motor insurance service quality**

According to six districts of directors' service as EIC is service providing company it applies different strategies in order to enhance their customer service delivery quality. The corporation gives different training programs for its employees on the areas of customer service delivery process, how to handle their problem during service encounter and also train them on product knowledge of the corporation. Customer service is the ability of knowledgeable, capable, and enthusiastic employees to deliver products and services to their internal and external customers in a manner that satisfies identified and unidentified needs and ultimately results in positive word-of-mouth publicity and return businesses. In general, the measures used by the company to improve the level of insurance service quality are applying customer handling system and training, motivating and rewarding employees. And in future EIC is developing new structure that will improve the level of motor insurance service quality.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATION

#### 5.1 Summary of Major findings

This study was conducted to assess the motor insurance claims quality in the case of Ethiopian Insurance Corporation. To achieve this, structured questionnaire was distributed to 395 sample respondents. Descriptive statistics (frequency, percentage, mean and standard deviation) was used to analyze quantitative data gathered through questionnaire. Moreover, narrative analysis was used to analyze qualitative data gathered via interview. The major findings of the study are summarized as follows:

- The mean value for the tangibles dimension of service quality was 3.42 (SD=1.29) and this indicates that the level of motor insurance claim service quality with regard to tangibility is moderate.
- The mean value for the reliability dimension of service quality was 3.145 (SD=1.45) and this indicates that the level of motor insurance claim service quality with regard to reliability is moderate.
- The mean value for the responsiveness dimension of service quality was 2.79 (SD=1.45) and this indicates that the level of motor insurance claim service quality with regard to responsiveness is moderate.
- The mean value of the assurance dimension on average result 3.03 (SD=1.49) and this indicates that the level of motor insurance claim service quality with regard to assurance is moderate.
- The mean value for the empathy dimension of service quality was 3.14 (SD=1.46) and this indicates that the level of motor insurance claim service quality with regard to empathy is moderate.
- By comparing the average scores of the respondents regarding the motor insurance claim service of Ethiopian Insurance Corporation, it can be concluded from the analysis that EIC needs to improve all the SERVQUAL dimensions to exceed what the customers expect.

- According to the believe of district directorate EIC delivers quality service to customers by repeatedly made different reform instruments at different times with the objective of shortening the length of service hours and to cut the service channel in the manner to satisfy the customer. Overall, they commented saying that EIC is working to satisfy customers as much as possible, but sometimes customers are not happy with the service due to several internal and external reasons. So in near future EIC is developing new structure that will improve the level of insurance service quality.

## **5.2 Conclusion**

The main purpose of this study was to assess motor insurance claim service quality using SERVQUAL model from EIC current business set ups. It also, see how applicable the SERVQUAL model in the context of EIC using its dimensions to measure service quality, what are the expectation customers from EIC respect to motor insurance claim service and which service quality dimensions brings satisfaction/dissatisfaction. Knowing how customers perceive service quality and being able to measure service quality will benefit management of service organizations including EIC. Measuring service quality helps management to provide reliable data that can be used to monitor, maintain and improve service quality. Findings show that EIC customers expect more than what they perceive.

## **5.3 Recommendation**

Based on the results of the analysis, the following recommendations are given which help EIC to improve its service delivery system and to increase the motor insurance claim service quality and so as to increase customer satisfaction and delight them.

1. To improve service quality aspects related with tangibility dimension

EIC should standardize office layout. This could be to the extent of rebranding of EIC which include relocating to a better building and locations and furnishing of office.

EIC must strive to acquire technological capacity that will enable them to provide a wide array of insurance service promptly and efficiently to their customers.

2. To improve service quality aspects related with reliability

Encourage employees to provide appropriate service to the customers by implementing different kinds of motivational schemes like selecting and rewarding staff of the month, the quarter, the year and etc.

Enforce the implementation of standard working process and procedures which helps to provide uniform service for the same task everywhere whoever is assigned. Although activities at EIC require the full willingness and engagement of employees at claim service encounters, enforcing the full implementation of these working processes and procedure will help to minimize the variation observed in providing the same type of service at different branches.

EIC should follow a feedback system to know the customers expectation for improving the level of claim service quality. Responses on service reliability should be continuously obtained from customers. This will help to decrease the number of customers which come to EIC for complains and this will intern help EIC to fully use their resources in all activities.

### 3. To improve service quality aspects related with responsiveness

Providing continuous on job and off job training to staffs which focus on general communication skill, customer handling skill and insurance skill will improve the service interacting between the company and customers at EIC.

Improve the compliant handling skill of employees at EIC. This will help to provide quick response to customers instead of escalating each and every compliant to other parts of the company by employees at EIC.

Implementing company wise compliant handling mechanism will help to provide prompt response to customers when compliant is registered. This could be achieved through designing and implementing standard compliant handling process and procedures.

### 4. To improve service quality aspects related with assurance

To increase employees' knowledge to answer customers' questions EIC should provide continues on job and off job training to staff which focus on building their communication skill, customer handling skill and insurance skill. This will helps to in still confidence to customer on the knowledge and ability of EIC employees.

5. To improve service quality aspects related with empathy

EIC should start to allot enough time to understand the specific needs of customers and give individual attention.

#### **5.4. Recommendation for further studies**

This study was designed based on a descriptive study prepared just to assess of Motor Insurance Claim Service Quality in EIC. Thus based on the result of this study, any interested group can conduct a study on customer satisfaction with analytical view and the Insurance Industry as a whole rather than a single company can be the area of future study.

#### **5.5. Limitation of the study**

The activities of the study have been affected by the following problems that the researcher faced while undertaking the study. This study has limitation with regard to lack of willingness by some respondents to participate in the study and respond back to the questionnaire. Moreover, this study is descriptive in nature and hence unable to explain the determinants of motor insurance service quality. Lack of researcher experience might also consider as limitation.

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## APPENDIX I: QUESTIONNAIRE

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

Dear participant,

My name is Mahlet Zewdu I am a student undertaking a Master of Business Administration at St. Mary's University, Department of Business Administration. To fulfill the completion of this program, I am carrying out a study in entitled "*Assessment of motor insurance claim service quality in Ethiopian Insurance Corporation.*" To this end, questionnaire is used to gather pertinent data from respondents. The survey is divided into three sections: Section one is about the general biography of survey respondents; section two is related to information about past profile of customer, and section three attempts to measure the perception of respondents towards motor insurance claim service quality at EIC. Therefore, I kindly request you to spare 15 minutes from your precious time to complete the questionnaire honestly. I assure you that all the responses will be treated confidentially and will only be used for this study. Participation is purely voluntary and no need to write your name.

Thank you in advance for your cooperation!

Mahlet Zewdu

## Questionnaire to be filled by Motor Insurance clients of EIC

### Part I: Personal information

1. What is your gender?
  - A. Male
  - B. Female
2. How old are you?
  - A. 18-25
  - B. 26-30
  - C. 31-35
  - D. 36-40
  - E. 41-45
  - F. 46-50
  - G. Above 50
3. What is your level of education?
  - A. Grade 10 and below
  - B. High school completed
  - C. Diploma/TVET
  - D. Bachelor degree
  - E. MA/ MSc and above
  - F. Other, if any \_\_\_\_\_

4. Could you please specify the average monthly income you earn in Ethiopian Birr?

A. Less than 5000 Birr

B. 5000 - 9,999 birr

C. 10,000-14,999 birr

D. 15,000-19,999 birr

E. 20,000 and above

5. What type of vehicle insurance do you use?

A. Private Motor Insurance

B. Commercial Motor Insurance

## Part II. General information about past customer profile

6. How long have you stayed with the Ethiopian Insurance Corporation as a motor insurance client?

A. Less than two years

B. 2-5 years

C. Above 5 years

7. Does your vehicle ever had an accident and have any claim experience?

A. Yes

B. No

8. If you answer for the above question is yes, how long does it takes for the vehicle to be repaired?

A. Below one week

B. Between 2 and 4 weeks

C. Between 1 and 2 months

D. Between 2 and 4 months

E. Above 4 month

9. Has the corporation pays as it promised to pay at the time of purchase of motor insurance policy?

A. Never

B. To some extent

C. Has accomplished as promised

D. Has accomplished beyond what I expected

### Part III: Perceptions towards motor insurance claim settlement service quality

Direction: This part of the survey attempts to measure your opinion about motor insurance claim service quality. Please rate the extent to which you perceive the motor insurance claim services offered by the Ethiopian insurance corporation (EIC) by ticking “√” the best choice among given alternatives.

Score Level - Strongly Agreed (SA) =5, Agreed (A)=4, Neutral (N)=3, Disagreed (D)=2, and Strongly disagreed (SD)=1

	<b>Statements or items</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>1.</b>	<b>Tangibles</b>					
1.	The locations of branches/ Districts are convenient to customers.					
2.	The appearance of physical facilities of EIC is attractive and updated.					
3.	EIC employees are well dressed and appear neat.					
4.	EIC’S physical facilities appropriate to the type of services that delivers.					
<b>2.</b>	<b>Reliability</b>					
5.	When EIC promises to do something at a certain time, it keeps the promise.					
6.	When you have a problem, EIC shows a sincere interest in solving it.					
7.	The service provider gives accurate information to the customer.					
8.	EIC keeps its documents and cases accurately.					
<b>3.</b>	<b>Responsiveness</b>					
9.	EIC employees provides quick service to customers					

10.	EIC employees are happy and willing to serve customers.					
11.	The employees make the information easily obtainable.					
12.	EIC employees tell customers exactly when services will be provided.					
<b>4.</b>	<b>Assurance</b>					
13.	Customers feel safe in interaction with EIC employees.					
14.	EIC employees are polite to customers.					
15.	The behavior of employees in EIC builds confidence in customers.					
16.	EIC employees have the required skill in providing services.					
<b>5.</b>	<b>Empathy</b>					
17.	EIC employees are aware of customer needs.					
18.	EIC employees give individual attention to customers.					
19.	The operating hours are convenient to customers.					
20.	EIC and its employees have the customers' best interest at heart.					

**Many thanks for your valued time!!!**

## **APPENDIX II: INTERVIEW QUESTION**

**ST. MARY'S UNIVERSITY**

**SCHOOL OF GRADUATE STUDIES**

**DEPARTMENT OF BUSINESS ADMINISTRATION**

### **Assessment of Motor Insurance Claim Service Quality: The Case of Ethiopian Insurance Corporation**

#### **Interview questions prepared for EIC district managers**

1. What are the major services offered by the insurance company?
2. Who are the target customers of the insurance company?
3. Do you measure the level of service quality offered by the insurance corporation? If yes, then how often do you measure service quality? What tools do you use to measure service quality?
4. How do you see the motor insurance claim service quality delivered by EIC to customers?
5. What are the main problems that affect the delivered motor insurance claim service quality and what has been done to improve them?
6. Do you have clear directive and procedure to manage customer complaint? If yes, please explain it.
7. Do you feel that customers are happy by the service delivered by the insurance company?
8. What improvement had been made by the corporation to make customer delighted and happy with your service?
9. What measures have been taken so far and planned to be taken in the future to improve the level of motor insurance service quality