

CHALLENGES AND PROSPECTS OF PROPERTY

***INSURANCE: A study on selected six insurance companies in Jimma
Town***

***A Thesis submitted to School of Graduate Studies of Jimma University in Partial
Fulfillment of the Requirements for the Award of the Degree of Masters of
Business Administration (MBA)***

By

GETACHEW YIBELTAL



JIMMA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

MBA PROGRAM

May 29, 2015

JIMMA ETHIOPIA

**Challenges and Prospects of Property Insurance: A Study on
Selected Six Insurance Companies in Jimma Town.**

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And

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Declaration

I hereby declare that this thesis entitled *Challenges and Prospects of Property Insurance A Study Selected on Six Insurance Companies in Jimma Town*. Has been carried out by me under the guidance and supervision of Nebiyat Nigussie (MPA, PhD Candidate) andTadele Mengesha(MBA)

The thesis is original and has not been submitted for the award of any degree or diploma to any university or institutions.

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CERTIFICATE

This is to certify that the thèse entitled Challenges and Prospects of Property Insurance A Study Selected on Six Insurance Companies in Jimma Town submitted to Jimma University for the award of the degree of Master of Business Administration (MBA) and is a record of bonafide research work carried out by Mr. Getachew Yibeltal Abebaw under our guidance and supervision.

Therefore, we hereby declare that no part of this thesis has been submitted to any other university or institution for the award of any degree or diploma.

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Abstract

This study investigates challenges and prospects of the property insurance in Jimma Town. Employing descriptive survey research design, quantitative and qualitative research approaches of the study, by using census sampling to select 7 insurance managers from 6 insurance firms; purposive sampling method in order to draw 21 representative sample personnel staffs and applying snowball method with purposive to determine 64 customer samples from the insurance Companies, relevant data were gathered. The instruments used for data collection were employee-questionnaire, customer- questionnaire and management interview. Findings showed that the extent of effectiveness of insurers in Jimma Town in terms of materializing property insurance was leveled only to a "satisfactory" value; findings suggest in that the human resource, the customers' aspects were full of challenges as far as the organizational capacity, competition and motivational factors are concerned. Prospect wise, the next few years will be much critical for all the insurance companies, if the insurers are critically poised for higher growth. While the insurers will be endeavoring to protect their market share, the new entrants will be vigorously aiming to further improve their market standing. Each company in the industry will have to focus on harnessing its strengths and improving its competitive position. Towards the end, some contextual and relevant remedial points were recommended as to improve the challenges of property insurance business and to strengthen the companies' scope on prospective dimensions.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

This research is about challenges and prospects of property insurance, taking the case of Jimma town the focus of the study. Hence, insurance is simply an arrangement of risk transferring and distribution mechanism. It exists in a contractual relationship where by one party, for consideration, agrees to compensate another for loss caused by designated contingencies. In the insurance contract, the first party is called the insurer; the second, the insured; the contract, the insurance policy; the consideration, the premium; the contingency in question, the hazard or peril (Al-Kishtaini, 1974).

The Black's Law Dictionary defines insurance generally as: it is an agreement by which one party for a consideration promises to pay money or its equivalent or to do an act valuable to the other party upon destruction, loss, or injury of something in which other party has an interest (Campbel, 1979).

In the Commercial Code of Ethiopia, insurance contract is also defined in Art. 654 (1) as: "An insurance policy is a contract whereby a person, called insurer, undertake against payment of one or more premiums to pay to a person, called the beneficiary, a sum of money where a specified risk materializes." Hence, the local article uses insurance policy instead of insurance contract, which is the written instrument containing the terms and stipulation of the contract. And further elaborates in the following sub articles that the insurance policy shall extend in sub (2), against damages to the risks affecting property or arising out of the civil liability of insured, and in sub (3), where persons are insured, against risks arising out of death or life or to risks arising out of injury to the person or illness.

The article 654 (1), therefore, provides the execution of the contract, upon materialization of the specified risk in sum of money. Nevertheless, there are other widely used forms of making the damage good, in which the insurer may act on value to the insured such as replacement or

reinstatement of the lost object to the former position. The insurance scheme is, therefore, one of the most usual means of provision of security and reducing loss against the risks which otherwise restrict trade or affect other human interests.

It is a loss distributing and equalizing mechanism with the aim of making protection against the danger of a risk upon human life or property, by transferring risks of individual entities to a risk averse entity called the insurer (Bobie, 2011). Here, one can recognize that the insurance policy triggers interest and attention on loss distribution and equalization mechanisms, protection against a danger or a risk on life or property and risk transference by certain agreements maintained between the insurer and the insured.

Property insurance is one of the main and wider classes of insurance and a peculiar form of indemnity insurance. Property insurance refers to insurance that covers the owner or another person with an interest in a property. Property insurance is one of the main and wider classes of insurance and peculiar form of indemnity insurance. It has its main purpose to protect the possible loss that can happen to a person upon the destruction of property (Copins, 2014).

Property insurance being the main and typical form of indemnity insurance, all undertakings made in relation to it from inception to compensation pertain to support and go in line with the principle of indemnity (Bryde, 1998). Thus, it is only based on indemnity, compensation being equal to loss that any other undertaking to extend the coverage more than indemnity is normally out with the doctrine. Hence, this research, based on its objectives considering the challenges and prospects of property insurance, attempts to investigate situational factors that can and would hamper the effectiveness of this business within the organizational framework of six insurance companies located in Jimma Town.

Bryde (1998) also explains Commercial property insurance as it can be a major expense for businesses that use equipment worth millions or billions of dollars, such as railroads and manufacturers. This insurance essentially provides the same kind of protection as property insurance for consumers. However, businesses can usually deduct the cost of commercial property insurance premiums as expenses. According to Bryde, property insurance is one form of

contract between the parties, is governed by the ordinary contract law, and as a special contract whereby one undertakes another against loss, damage, or liability arising from an unknown or contingent event to be acted upon.

In any insurance scheme, an adjustment clause in a contract specifies how the amount of a claim, particularly a claim against an insurance company, will be determined for the purposes of a settlement, giving consideration to objections made by the debater or insurance company, as well as the allegations of the claimant in support of his claim. For example, in fire insurance, an adjustment clause provides that in the event of loss or damage at any location mentioned in the policy, the amount of insurance in force at that location shall be prorated to the burned and unburned portions of the property.

Hence, property insurance generally works with the theories and principles of insurance law, where the principle of indemnity and the corollary concepts are more pertinent to it than other types of insurance. Indemnity is its sole and legitimate concern that the value of the insured's interest lost or damaged is the limit of recovery under the contract.

There is a wide range of perils because of which property may be lost or damaged. The same is true of the types of insurance policies that there can be as many as the different risk forms. In this regard, there are so many insurance policies which may be issued to guarantee risk of loss feared to appear against a certain property. To mention few among the many would be: fire, motor, theft and burglary, plate glass, engineering, money, rent or consequential loss, bond, livestock, aviation insurance policies and many others developed each time when a certain insurable risk is detected. Instead of considering the case of fire or motor or any other type of property insurance, this research focuses at all-risks insurance challenges and prospects in the target study area since the researcher's objective is to overview on the general trend of property insurance in detail.

All-risks insurance, as the type of insurance for which this thesis is going to provide a reasonable weight, it refers to "a type of insurance policy which covers every loss that may happen; which protects loss against whole risks and perils except those specially enumerated in the policy as exclusions" (Steel, 1989:14). According to this source, all risk policy is said to be the best way to avoid any unknown gap of risk in effecting an insurance cover; and for this researcher it

provides access to investigate property insurance problem and prospects to a comprehensive research spectrum over the target area. Property insurance, in this context, then, refers to an insurance that is used to cover any type of commercial and private property.

In the past, many Ethiopians live under extreme poverty level and want to avoid insurance policy. Nowadays, a number of potential policy holders in the country is growing with the growth of the population as well as with the new economic trend. There is somewhat positive relationship between the growing population and the number of public vehicle. As we already know, all public vehicles must have an insurance policy. So the growing population, as well as, private businesses and investments need to take enormous part for the premium of property insurance.

The country, with all its regions, is experiencing an investment trend. With the growth of investment opportunities, more investors, including Diasporas, are believed to be willing to take insurance policy safeguarding their property from any danger. This research focuses to study challenges and prospects of property insurance from the insurers context of Jimma because there is an age old business transaction trend in the town and insurance related problems has not yet been researched in depth.

Historically, Jimma is situated in peace and harmony of the civil society for longer; therefore, no political unrest may hamper the development of property insurance. The place is rather famous for exporting a huge share of coffee-export to global market. Hence, many people in and around the town establish coffee processing plants, which can require an arrangement of risk transfer and distribution of contractual relationship securing their property.

By far and large, the town is also known as a route connecting different places in the southwestern part of the region so that property owners from a number of sub-districts (such as: Agaro, Manna, Limmu, Deddo, Sekoru and Seka) and neighboring zones can also demand property insurance contract with insurers from available insurers in the town. In the target place there are a number of insurance companies if efficiently and effectively manage property insurance business opportunity, they can get lots of customers than they might hold currently.

1.2 Research Rationale

The rationale behind this study is that insurance is a very significant risk handling mechanism and it contributes a key part of financial infrastructure of a given country. It not only indemnifies the policyholders at the occurrence of an insured event but also plays a pivotal role in saving and investment. Therefore, a sound environment of insurance business is indispensable for any country like Ethiopia, where the rate of saving and investing are very scanty. To guarantee a sound field of insurance business, the problems retarding the growth of insurance business should be identified and solved. In recent time there is no mentionable study on the growth and development in the property insurance business in Ethiopia in general and in Jimma in particular.

1.3 Statement of the Problem

Insurance is a topic that is often overlooked by real estate investors and landlords, even though it is a vital part of every successful property investing career in the event of a partial property loss, a total property loss, or even a liability law suit. If one is not properly insured, he could find himself financially devastated, his real estate investing career in jeopardy, or worse (Eberlin, 2011). Property insurance, then, insures one's business/property against loss or damage to the location of the business and to its contents. It will also insure against loss or damage to contents under one's control. Maynard & Ranger (2012) suggests that in a world of rising natural catastrophe risks, such autonomous adaptations could have significant benefits for the property owner, the insurer and society.

In around the world, while the economic recovery remains far from robust, there has been enough growth in areas that impact the property and casualty (P&C) insurance sector to keep premium growth on the rise. As a result of slow but steady gains in private employment, rebounding housing and auto sales, and growth in the energy sector in a number of states, the industry is well-positioned for sustained growth in the year ahead.

To adapt and thrive in a slow-growth economy, carriers can leverage new opportunities emerging in the short term and set the stage for longer-range gains, in part by improving their technology and talent base as well as their marketing and distribution capabilities. Following

are 10 issues (as to Deloitte, 2013), senior P&C insurance executives are likely to confront in the year ahead:(1) Optimizing opportunities in growth Sectors; (2) M&A readiness; (3) Alternative investments; (4) Distribution Options; (5) Innovation; (6) Technology demands; (7) Recruitment and retention; (8) Global warming; (9) Regulatory Reform; and (10) Enterprise Risk Management (ERM) each of which would be discussed in the review part.

Insurance firms face obstacles that may be outside of their control, but that doesn't mean they don't have the ability to shape their own destinies. There are opportunities or threats may be entirely up to how each insurance company deals with them. They need to prepare for a more dynamic M&A market; carriers looking for new ways to reach prospects; regulatory uncertainty leaves many insurers in a holding pattern; transforming finance to become business partners; carriers look to upgrade systems and talent; and carriers look to up their game with technology enhancements. Then, this research attempts to diagnose if the insurance companies in Jimma Town behave under such a multitude nature of property insurance challenges accordingly and search for important measures that can remedy the property insurance challenges in the town.

Delloitte, (2013) asserted that more life and annuity carriers are expected to break out of their historical operating molds over the next couple of years. The goal will be to make more efficient use of capital as well as expand the overall market pie by reaching out to underserved consumer segments in innovative ways.

Additionally, it is important to mention regulatory uncertainty that makes it difficult for carriers to plan ahead and determine operational priorities. Innovation may ultimately be the key to keep insurers growing regardless of shifting economic and insurance market conditions, as they devise ways to thwart ongoing and emerging competitive threats as well as capitalize on new opportunities. Discover the macro- and microeconomic trends challenging insurers to shake up the status quo and develop new systems and processes throughout their internal organizations and external distribution chains so they may stay competitive in 2014 and beyond.

Insurance firms face obstacles that may be outside of their control in the coming year, but that doesn't mean they don't have the ability to shape their own destinies. Consider the following potential game-changing developments for 2016 and beyond. Whether these are opportunities or threats may be entirely up to how each insurance company deals with them.

According to Willis, J. (2012: 13); “Individual experiences will vary depending on industry, geography and loss history, but overall we anticipate a marketplace that continues to offer opportunities for buyers.” He added; “With weather and other catastrophic losses remaining below average for another year, and capital hungry for a somewhat predictable return, we see the forces of supply and demand working as expected.”

In Ethiopian insurance practice assessment of challenges and prospects of property insurance may not yet get an endear attention; the same is true to the case of Jimma. So it seems difficult to identify the gap that could be particularly be filled by this researcher. The existing documents endorse the realities in that some resources are prepared by faculties reviewed for instructional demands while other few, usually made by insurers, in which value assessed is less than the true value of the object, and yet, the issue and the problem lack comprehensibility to view facts and figures from all of the sub-sector-perspectives including the government and private sectors.

Sarich (2013) believes in that insurance companies must address their slow-to-change mindset in three major areas: people, sales channels and technology. He says, most insurance companies operate using old mainframe systems. Towards attracting new agency talent, Sarich adds that many insurance agency owners are retiring and their children don’t want to take over their agencies. According to him, retaining skilled specialists is vital. This will be a challenge in 2013 as the job prospects improve with the economy. In the past, insurance companies promoted their star specialists to managerial roles as a reward. However, they discovered these people are great at what they do and felt “bogged down” in administrative duties. So they left. This year the industry has to find a more meaningful way to reward their specialists. This year, Sarich says, insurers must match their channel focus to the preference of their customers. Today, insurance customers don’t want to buy insurance the way the insurance companies want to sell it to them.

Prospect wise, there is a big opportunity lies ahead for insurance companies to rely on. For example, as an important part of the multi-level of social security system, property insurance has taken a positive role through the cooperation with the government agencies and communities in the social security field in China. The pilot implementation of Catastrophe Insurance respectively in Shenzhen, Guangdong Province and Chuxiong, Yunnan Province served as a milestone, which

reflects the Chinese government's efforts in establishing catastrophe insurance program (Segalla & Flascher (2014).

Micro-enterprises are also flourishing everywhere nowadays; thus, are required micro-insurance opportunity as these can be a great prospective area for the property insurance opportunity to develop and benefit people organized under micro enterprises. Micro-insurance can be provided to individual personnel or to small business owners against little insurance premiums and with easy terms and conditions. When they will afford to minimize their risks at a lower price, they will take that opportunity and become to get used to it. This type of property insurance can cover a huge portion of the society who can be prospective target market for this business.

The prior assumption concurs with a leading argument; for insurance companies have responsibility to make effective property insurance business, materializing property insurance; adequately overcome challenges and search for prospective situations to indemnify property insurance market. There has also been a clear assumption in that as far as insurance firms are the one that could stand for transaction (indemnity) that involves the insured assuming a guaranteed and known relatively small loss in the form of payment to the insurer in exchange for the insurer's promise to compensate the insured in the case of a financial (personal) loss; they should deliver adequate and reliable and sustaining property insurance services to the neediest.

This researcher assumes that property insurance business in Jimma Town has been facing lots of problems now and then. To describe the problems, therefore, the research mainly focuses on Service Quality Gap Model. By using this model, it will become easier to understand the problems of property insurance in the target area. The researcher strongly argues in that insurers should employ their potentials in order to strategically maximize clients, with quality service to be rendered to all risks to property insurance scheme to get maximum benefit from property insurance.

Hence, in order to reach to a sound and meaningful conclusions, this researcher attempts to get answers for the following basic research questions:

Basic Research Questions:

1. To what extent insurers in Jimma Town are effective in terms of materializing property insurance?
2. What are the major challenges the insurers face to intensify property insurance market in the target area?
3. What possible prospective situations exist so as to ensure smooth functioning and growth of property insurance in the target area?

1.4 Objectives of the Study

The study has main and specific objectives.

1.4.1 Main Objective of the Study

The main objective of the proposed study is to identify the challenges and prospects of property insurance in Jimma Town.

1.4.2 Specific Objectives of the Study

Specifically, the study intends to:

1. Evaluate the extent insurers in Jimma Town have efficient and effective execution mechanisms materializing property insurance; i.e. to know about the best and/or the least practices of property insurance in the town under investigation.
2. Identify the major challenges insurers face to intensify property insurance business in the target area.
3. Assess the possible prospective situations exist so as to ensure smooth functioning and growth of property insurance in the target area.

1.5 Significance of the Study

Property insurance is one of the main and wider classes of insurance. Hence, this paper, based on its objectives, attempts to consider the existing challenges and prospects of property insurance in the specific context to Jimma Town.

The study is believed to provide closer insight on factors of challenges on the nature and elements of property insurance, with brief analysis with the transaction of property insurance contracts. In this concern, the study helps to provide important concepts for decision makers, insurance companies and other responsible bodies for their preliminary considerations about to improve the business.

Insurance companies are going to have to deal with the issue of sells channels by using new prospects, trends and newly available social development mechanisms. To that extent, the study also has significance in that its discussions and findings in the area of prospects provide the insurers to exploit wide range of insurable risks and newly demanding needs, taking the common laws on property insurance, elements and principles of property insurance as their reference frame.

Not the least, the study serves as a springboard for those who may get interest to carry out similar assessments in challenges and prospects of property insurance in different areas, or on other insurance scheme in the target place or vis-a-vis.

1.6 Delimitation of the Study

First of all, the study on its topic is particularly focusing upon property insurance mercantile/commercial contract forms, subjected to special principles involved in their application. All insurance, types, principles, procedures, challenges and prospects would hardly been undertaken in this research study. Conventionally, insurance contracts may be classified depending on the nature of the event or the risk addressed to be covered, the nature of the risk affected-- the subject matter of the contract and the nature of the insurance. Among the common classification of insurance contracts, personal, property, and liability, the research focuses on property insurance, which protects loss against fire, motor or vehicle, theft or burglary, and other property related forms and perils is to be entertained.

The research scope is delimited to its location-- the case of Jimma Town-- and insurer companies, both government and private, currently functioning in the target area. Data would also be obtained from these companies, and their clients. To this end, this researcher mainly focuses on

Service Quality Gap Model. By using this model, the researcher assumes that it will become easier to understand the problems and prospects of property insurance in the target area.

1.7 Operational Definition of Some Important Terms

Service Quality Gap Model: a framework for determining and prioritizing critical factors in delivering quality services (Dr. Arash Shahin, Department of Management, University of Isfahan, Iran).

Insurer: an insurance company, property insurance service deliverer to available customers. An insurer, or insurance carrier, is a company selling the insurance.

Insured: also policyholder, is the person or entity buying the insurance policy. The insured receives a contract, called the insurance policy, which details the conditions and circumstances under which the insured will be financially compensated.

Premium: the amount of money to be charged for a certain amount of insurance coverage.

Risk management: the practice of appraising and controlling risk, has evolved as a discrete field of study and practice.

Transaction: (indemnity) involves the insured assuming a guaranteed and known relatively small loss in the form of payment to the insurer in exchange for the insurer's promise to compensate, the insured in the case of a financial (personal) loss.

Certified Insurance Counselor (CIC): is an insurance agent professional certification designation. The CIC program is for agency owners, producers, agents, brokers, and agency and company.

CHAPTER TWO

LITERATURE REVIEW.

2.1 What is Insurance

Insurance in its basic form is defined as “ A contract between two parties whereby one party called insurer undertakes in exchange for a fixed sum called premiums, to pay the other party called insured a fixed amount of money on the happening of a certain event" (Kotler, 2003:3). In simple terms, it is a contract between the person who buys insurance and an insurance company who sold the Policy. By entering into contract the insurance company agrees to pay the Policy holder or his family members a predetermined sum of money in case of any unfortunate event for a predetermined fixed sum payable which is in normal term called Insurance Premiums.

Insurance is basically a protection against a financial loss which can arise on the happening of an unexpected event. Insurance companies collect premiums to provide for this protection. By paying a very small sum of money a person can safeguard himself and his family financially from an unfortunate event (Steel, 1989). For Example if a person buys a Life Insurance Policy by paying a premium to the insurance company , the family members of insured person receive a fixed compensation in case of any unfortunate event like death.

The insurance scheme is one of the most usual means of provision of security and reducing loss against the risks which otherwise restrict trade or effect other human interests. It is a loss distributing and equalizing mechanism with the aim of making protection against the danger of a risk against the danger of a risk upon human life or property, by transferring risks of individual entities to a risk averter entity called insurer.

For the purpose of this review, insurance is defined in line with Churchill (2006) as an insurance that (i) operates by risk-pooling (ii) is financed through regular premiums and is (iii) tailored to the people who would otherwise not be able to take out insurance. Other ways through which individuals or the public sector can insure against risks, such as precautionary savings, access to credit or through public safety nets are therefore not treated in detail in this research. However, this leads already to one key omission in the existing literature: generally, the benefits of insurance are not compared to alternative mechanisms that may provide

insurance- like benefits, possibly in a more cost-effective way, such as savings, consumer or emergency credit, and public safety nets.

2.2 How Insurance Works

The concept behind insurance is that a group of people exposed to similar risk come together and make contributions towards formation of a pool of funds. In case a person actually suffers a loss on account of such risk, he is compensated out of the same pool of funds. Contribution to the pool is made by a group of people sharing common risks and collected by the insurance companies in the form of premiums (Bobie, 2011). This means insurance protects those unfortunates who suffer heavy financial impact of anticipated misfortunes by distributing the loss among many who are exposed to the risk of similar misfortunes.

Insurance is based upon the following principles:

- a) **Principles of co-operation:** In insurance the loss is shared by a group of people who are willing to co-operate.
- b) **Principles of probability:** The loss in the shape of premium can be distributed only on the basis of theory of probability. The probability tells what the chances of losses are and what will be the amount of losses (Boop, 2003).
- c) **Pooling of losses:** A risk pool is one of the forms of risk management mostly practiced by insurance companies. Under this system, insurance companies come together to form a pool, which can provide protection to insurance companies against catastrophic risks such as floods, earthquakes etc.
- d) **Accidental losses:** The transaction involves the insured assuming a guaranteed and known relatively small loss in the form of payment to the insurer in exchange for the insurer's promise to compensate (indemnify) the insured in the case of a financial (personal) loss. The insured receives a contract, called the insurance policy, which details the conditions and circumstances under which the insured will be financially compensated.
- e) **Risk transfer:** Risk management strategy in which an insurable risk is shifted to another party (the insurer) by means of an insurance policy.
- f) **Indemnification:** A sum of money paid in compensation for loss or injury. To make compensation to for incurred hurt, loss, or damage; to secure against hurt, loss, or damage. Something (such as money) given or received as payment or reparation (as for a service or loss or injury).

2.3 The Importance of Insurance

Uninsured risk leaves poor households vulnerable to serious or even catastrophic losses from negative shocks. It also forces them to undertake costly strategies to manage their incomes and assets in the face of risk, lowering mean incomes earned. Welfare costs due to shocks and foregone profitable opportunities have been found to be substantial, contributing to persistent poverty (Morduch, 1990; Dercon, 2004; Rosenzweig & Binswanger, 1993; Elbers et al., 2007, Pan, 2008). Insurance, therefore, has the potential to reduce these welfare costs. By offering a payout when an insured loss occurs, it avoids other costly ways of coping with the shock leaving future income earning opportunities intact.

Furthermore, the security linked to being insured can be expected to allow the avoidance of costly risk-management strategies with positive impacts on poverty reduction. Organizations and private individuals take out insurance to protect them against possible financial losses caused by a range of causes of damages in their property due to unexpected factors. This means that should the worst happen and these losses occur, they will receive financial compensation from their insurance company (Rosenzweig & Binswanger, 1993). Therefore, insurance provides companies with financial protection in the event of loss that could influence their operations.

Individuals unwilling or unable to handle their own funds have been pleased to find an outlet for their investment in insurance policies. Endowment policies, multipurpose policies, deferred annuities are certain better forms of investment. An individual from his own capacity cannot invest regularly with enough of security and profitability (Morduch, 1990). Many of the existing literatures reviewed above clearly indicate that the insurance companies in different parts of the world have not yet stood on a solid footing. In this sense, many reasons are there for the backwardness and underdevelopment of property insurance, too.

According to Rosenzweig & Binswanger (1993); the insurance sector can play an important role in the growth of the economy of the country as it can accelerate the development process. The sector in many countries is much stronger with policy supports as it can ensure a sustainable development of the economy.

The industry in our country lacks attention of the policy makers and the previous governments neglected the sector, but the present government under its reform and investment constructive policy has given better attention to the insurance sector than ever.

In fact, the government strongly seems encourage the development of the private sector including the expansion of private companies. As being the growth of insurance companies are one of the privileged sector to grow throughout the country, nevertheless, there are several growth and sustainability problems in the insurance sector. If private insurance companies come forward for re-insuring property insurance using different working strategies, then it would be possible to ease the existing challenges in their institutional processes.

In present property insurance is too much important to the business and individual sector. Most of the companies provide more or less same services. For this reason, the competition is increasing day by day between the insurers. On the other hand, some new insurance companies are going to start businesses in the competent market.

2.4 Property Insurance

Life insurance and **non-life insurance** are the two aspects of insurance scheme. Life insurance (or commonly final expense insurance or life assurance, especially in the Commonwealth) is a contract between an insured (insurance policy holder) and an insurer or assurer, where the insurer promises to pay a designated beneficiary a sum of money (the "benefits") in exchange for a premium, upon the death of the insured person. Depending on the contract, other events such as terminal illness or critical illness can also trigger payment. The policy holder typically pays a premium, either regularly or as one lump sum. Other expenses (such as funeral expenses) can also be included in the benefits.

Life policies are legal contracts and the terms of the contract describe the limitations of the insured events. Specific exclusions are often written into the contract to limit the liability of the insurer; common examples are claims relating to suicide, fraud, war, riot, and civil commotion.

Life-based contracts tend to fall into two major categories:

- Protection policies – designed to provide a benefit, typically a lump sum payment, in the event of specified event. A common form of a protection policy design is term insurance.
- Investment policies – where the main objective is to facilitate the growth of capital by regular or single premiums. Common forms (in the U.S.) are whole life, universal life, and variable life policies.

Non- life insurance, on the other hand, is a broad category, including on both people and things. Insurance companies and company-owned agencies typically specialize in one or the other, though individual brokers and brokerages have the option of dealing in multiple types of coverage. For example, a large brokerage might contain people specializing in life and disability, group and health plans, auto and homeowner's insurance, or liability coverage for professionals. Smaller brokerages are more likely to specialize in one or two lines of business. If your own broker doesn't sell everything you need, you can probably score a referral to another broker who's got what you want.

Property insurance is one of the main and wider classes of insurance and a peculiar form of indemnity insurance. It has its main purpose to protect the possible losses that can happen to a person upon the destruction of property. It is only based on indemnity, compensation being equal to loss, that any other undertaking to extend the coverage more than indemnity is normally out with the doctrine (Pan, 2008).

Property insurance insures your business against loss or damage to the location of the business and to its contents. It will also insure against loss or damage to contents under your control. Finally, if your business rents or leases a location or travels to other physical locations, then your business will be required by the property owner to carry property insurance by the terms of the lease or contract (Boop, 2003).

According to Boop, for most small businesses, a broad form property insurance policy is included in a packaged policy known as the “business owners’ policy” and will be the best coverage for the premium dollar. Some businesses, however, either because of specific risks or unusually high risk, may not be eligible for such a package. In that case, several specific peril policies may need to be priced and examined.

There are also Additional Property Coverage home owners insurance policies may provide such as the removal of debris along with damaged trees and shrubs, fire-department service charges, property removal, theft or illegal use of credit or transfer cards, collapse of buildings, and glass breakage if caused by a covered perils (Bobie, 2011). According to Bobie, endorsements can also be added to your home owner insurance policy at an additional cost to provide extra protection.

Examples of endorsements include:

- Guaranteed replacement cost coverage will pay the cost to rebuild your home as long as you have met the requirements of your home insurance policy.
- Extended replacement cost coverage insures your home for a specific value and usually adds a 20-25% extended limit if reconstruction costs run over.
- Inflation Guard increases the amount of your home owner insurance to keep up with inflation so that you can maintain adequate coverage to replace your home in the event of a loss.
- Scheduled personal property protects articles such as jewelry, furs, stamps, coins, guns, computers, antiques, and other items that often exceed normal policy limits in your regular home owners insurance policy. It often provides coverage that is broader than the coverage in the home insurance policy. There normally is not a deductible for this coverage. Increased limits on money and securities provide additional coverage for money, bank notes, securities, and deeds (Bobie, 2011).

2.5 Types of Property Insurance

There is a wide range of perils because of which property may be lost or damaged. The same is true of the types of insurance that there can be as many as the different risk forms. In this regard, there are so many insurance policies which may be issued to guarantee risk of losses feared to appear against a certain property.

All risk insurance is referred to as a type of insurance policy which covers every loss that may happen; which protects loss against all risks and perils except those especially enumerated in the policy as exclusions (Steel, 1989). According to this source, all risks policy is said to be the best way to avoid any unknown gap of risk in effecting an insurance cover. This wider form of cover is developed on the realization that uncertainty of loss cannot be restated to only certain specified risks, such as fire or theft.

Liability Insurance:- Liability insurance is always needed. You can purchase liability insurance for the physical property as well as for your actual business (Berry, 2001). Liability insurance is a part of the general insurance system of risk financing to protect the purchaser (the "insured") from the risks of liabilities imposed by lawsuits and similar claims. It protects the insured in the event he or she is sued for claims that come within the coverage of the insurance policy. Originally, individuals or companies that faced a common *peril*, formed a group and created a self-help fund out of which to pay compensation should any member incur loss (in other words, a mutual insurance arrangement). The modern system relies on dedicated carriers, usually for-profit, to offer protection against specified perils in consideration of a premium. Liability insurance is designed to offer specific protection against third party insurance claims, i.e., payment is not typically made to the insured, but rather to someone suffering loss who is not a party to the insurance contract. In general, damage caused intentionally as well as contractual liability are not covered under liability insurance policies. When a claim is made,^[1] the insurance carrier has the duty (and right) to defend the insured. The legal costs of a defense normally do not affect policy limits unless the policy expressly states otherwise; this default rule is useful because defense costs tend to soar when cases go to trial.

Flood Insurance for the Physical Property:- Flood insurance is only needed if you are in a designated flood zone, if your property is located in an area that is not designated as an official flood zone but may still have the propensity to flood or if you are worried that a catastrophic flood could destroy your property (Eberlin, 2011). Eberlin states; if your area endures a storm such as a hurricane and experiences flooding, your regular hazard and fire insurance policy will not cover your loss. Many homeowners and property investors have unfortunately learned this hard way when external factors, such as hurricanes, have caused flooding inside their property. Flooding caused by external water, i.e. not from a burst pipe or a leak in your home, is not normally covered by a homeowners insurance policy. Without specific flood insurance, you could be out of luck in receiving insurance money to help cover the loss (Berry, 2001).

Terrorism Insurance:- is insurance purchased by property owners to cover their potential losses and liabilities that might occur due to terrorist activities. It is considered to be a difficult product for insurance companies, as the odds of terrorist attacks are very difficult to predict and the potential liability enormous. For example, the [September 11, 2001 attacks](#) in America resulted in an estimated \$31.7 billion loss. This combination of uncertainty and potentially huge losses makes the setting of premiums a difficult

matter. Most insurance companies therefore exclude terrorism from coverage in [casualty](#) and [property insurance](#), or else require endorsements to provide coverage. Terrorism insurance is only needed if you are worried that an act of terror could cause damage to your property (Thompson, 2011).

Fire Insurance:- Fire insurance has been defined as a contract of property insurance by which the underwriter, in consideration of premium, undertakes to indemnify the insured against causes in his property by means of accidental fire happening (Berry, 2001). It is an Insurance scheme that is used to cover damage to a property caused by fire. Fire insurance is a specialized form of insurance beyond property insurance, and is designed to cover the cost of replacement, reconstruction or repair beyond what is covered by the property insurance policy.

Policies cover damage to the building itself, and may also cover damage to nearby structures, personal property and expenses associated with not being able to live in or use the property if it is damaged. A fire at a business can devastate a business. The structure may be damaged beyond repair. Business revenues are disrupted as the business cannot remain open. As Thompson, (2011) said, in the United States in 2006 there were 1.6 million fires reported resulting in \$11.3 billion in direct property loss. It is a risk that must be insured against. He further adds that most property insurance policies and business owner policies cover fire losses. Most business property insurance policies are broad form policies. These policies list a number of perils that are covered by the policy and exclude perils that are not covered.

However, fire insurance can be purchased as a specific peril policy or the coverage increased by a specific endorsement. It is important for the business owner to understand what is not covered under a traditional broad form policy and ways to increase coverage. It is important to review what appropriate considerations when reducing premiums are and what are not effective ways to save premiums (Thompson, 2011).

Business Interruption Insurance:- (also known as business income insurance) is a type of [insurance](#) that covers the loss of income that a business suffers after a [disaster](#). The income loss covered may be due to disaster-related closing of the business facility or due to the rebuilding process after a disaster.

It differs from [property insurance](#) in that a property insurance policy only covers the physical damage to the business, while the additional coverage allotted by the business interruption policy covers the profits that would have been earned. This extra policy provision is applicable to all types of businesses, as it is designed to put a business in the same financial position it would have been in if no loss had occurred (Berry, 2001).

This type of coverage is not sold as a stand-alone policy, but can be added onto the business' property insurance policy or comprehensive package policy such as a business owner's policy (BOP). Since business interruption is included as part of the business' primary policy, it only pays out if the cause of the loss is covered by the overarching policy (Thompson, 2011).

Fire insurance does not cover "downtime" for your business nor does it cover temporary relocation. Your business needs business interruption insurance to insure against the loss of revenue accompanying a fire and any potential relocation costs. Business interruption is a separate policy and should be considered if your business will be destroyed by being closed (Bobie, 2011).

Certain Property Needs Separate Coverage. Cash, valuable papers, certain types of inventory, some electronics, jewelry, and other items will require separate coverage or will be excluded from coverage. These are generally items that are impossible for the insurer to confirm and are prone to fraud (Bobie, 2011).

Coverage to Rebuild According to Current Building Code: Many businesses work in buildings or structures that are older than current building codes. In some cases, the structures are "grandfathered" in and do not have to comply with current modern standards. When a fire occurs the new construction must meet those standards. To the extent the insurer holds that such new standards are an improvement on the past structure, there is no coverage. If you have a historic building or do business in a rapidly changing area, you will want to make sure you have coverage to rebuild according to current building codes. This is often a separate endorsement or rider to the policy (Boop, 2003).

2.6 Property Insurance And Industry Challenges

Deloitte, (2013), in his Property and Casualty Insurance Industry Outlook source suggests nine challenges and opportunities that insurance executives are likely to confront in the year ahead:

1. **Optimizing Opportunities in growth sectors:** while premium rates and overall volume are both on track to rise this year, organic growth will not necessarily be quick- or high enough- to satisfy shareholders looking for greater return on equity in a competitive capital market. To take growth to the next level, insurers might have to test new product lines, explore additional target markets and consider expanding their distribution channels to reach a wider base of prospects, while also contemplating opportunities for mergers and acquisitions. Careers that can switch gears to expand in or enter faster growing states, countries, and industry niches will likely have an easier time improving both their top-lines and their profitability.
2. **M&A Readiness:** a rising stock market, improved pricing conditions and pent up demand could prompt P & C insurers to intensify M & A efforts, potentially driving up deal volume and value. It is time for insurers to rebuild strategic internal M & A capabilities abandoned since the financial crisis, says Deloitte. Insurers should create enriched M & A playbooks, rigorous targeting and screening strategies and readiness studies to position themselves for when deal activity accelerates and targets are identified. They then should be prepared to effectively integrate acquisitions once they are executed, which can often be a bigger challenge than finding or completing a deal in the first place.
3. **Alternative Investments:** the effect of falling investment yields, along with the Federal Reserve's plans to try to hold interest rates at low level through mid-2015, could impede the industry's ability to generate a return on equity that satisfies stakeholders while providing competitive product rates. To boost investment yields, insurers may need to revisit their strategic asset allocation, including consideration of potential increases in alternative assets to generate higher returns and diversify their investment portfolios so they have a better chance of generating their targeted return on equity, says Deloitte.
4. **Distribution Options:** focus groups convened on behalf of Deloitte Center for Financial Services found that small business consumers were open to buying commercial insurance directly from carriers over the Web without an agent or broker to help them shop for

coverage, but only with certain conditions. Those situations include price discounts, more clearly written prices and an option for higher-grade service. Agents certainly will remain the dominant distribution option for higher-grade service, but even those careers not interested in selling small-business directly need to take into account how they can improve the value-added they offer to fortify their business model against those who would try to take their market share. There are lessons that can be learned from direct sellers that can help careers enhance the customer experience regardless of how they distribute insurance today. In fact, many insurers are exploring alternative channels to capture greater market share.

5. **Innovation:** Deloitte says, insurers are likely to experiment with product design, led by the pioneers in pay-as-you-go telemetric. Some will invest in predictive modeling capabilities to create new lines of business and products that cover emerging risks. Mobile and on-line capabilities can enrich services, taking a customer across the insurance cycle for real-time sales, monitoring and service. Innovation can also help insurers target growth opportunities from emerging risks, such as the uncertainties of a globalized supply chain, Cyber exposures, political unrest and in emerging markets where insurance penetration is poised to increase multifold. Careers should begin to benefit from advanced analytics, as they transform existing processes and technology to achieve a 360-degree view of each customer.
6. **Technology Demands:** according to Deloitte, (2013) using advanced analytics for core underwriting policy administration and claims management functions might require significant IT system consideration. Insurance will likely expand their digital footprint with new technologies, such as content analysis and digital identity, to address changing customer preferences. How effectively insurers integrate technology and improve business processes to enhance customer experience is likely to determine the industry's long-term winners.
7. **Recruitment and Retention:** as to Deloitte (2013); many careers also losing experienced personnel to retirement. Meanwhile, highly skilled individuals are needed for advanced data analytics and predictive modeling, as well as for complying with new regulatory and financial reporting requirements. To fill the personnel gap, insurers should consider taking steps to better understand the background and skill sets required of those

in specialized positions. They should also expand their available talent pool by diving deeper into the knowledge base, behavior and personal attributes required to make their skilled players successful.

8. **Enterprise Risk Management:** Deloitte, (2013) refers that the basic elements of ERM are in place within many P & C insurance companies. However, with new requirements on the horizon for ORSA (Own Risk and Solvency Assessment), many careers may have to fill gaps to demonstrate an acceptable framework. To realize the potential of integrated risk management, insurers should upgrade technology and skill sets across the enterprise. Careers should also recognize this holistic risk management approach as a strategic priority and embrace its principles to more effectively avoid catastrophic exposures, contain costs and establish competitive advantages.

9. Regulatory Reform

Quick intervention on the question of hurricane deductibles following “Super storm” Sandy embodied a new aggressiveness by state regulators that may hamper insurers’ ability to properly manage risk. In addition, the Federal Insurance Office is mandated to study the effects of auto insurance availability and affordability on low-income and underserved communities. Meanwhile, in response to complaints from consumer groups, California has banned the use of predictors in setting auto rates.

“P&C insurers should prepare for continued aggressive consumer protection measures,” says Howard Mills, director and chief advisor to the insurance industry group at Deloitte. “But there are win-wins on the horizon for innovative companies. New collision avoidance technologies in cars, for example, may reduce accidents and leave consumers and regulators calling for rate reductions. Innovative insurers thinking about how to deal with new or improved product sets can open the way for increased customer satisfaction and market growth,” he adds.

In the Ethiopian context, the most important challenges such as: public awareness; shortage of skilled man power; price cutting; lack of professional ethics; and unfavorable insurance policies could perturb the effective functioning of the insurance business. Many of such issues are considered towards the end of this review.

2.7 Transforming for growth

The last few years have been particularly difficult for those occupying C-Suite positions, as more fundamental issues are threatening not only short-term results on their balance sheets, but challenging the long-term viability of their operating models as well.

More life and annuity carriers are expected to break out of their historical operating molds over the next couple of years. The goal will be to make more efficient use of capital as well as expand the overall market pie by reaching out to underserved consumer segments in innovative ways.

Additionally, ongoing political gridlock in Washington could undermine an already unsteady economic recovery. Not to mention regulatory uncertainty that makes it difficult for carriers to plan ahead and determine operational priorities. Innovation may ultimately be the key to keep insurers growing regardless of shifting economic and insurance market conditions, as they devise ways to thwart ongoing and emerging competitive threats as well as capitalize on new opportunities. Discover the macro- and microeconomic trends challenging insurers to shake up the status quo and develop new systems and processes throughout their internal organizations and external distribution chains so they may stay competitive in 2014 and beyond.

Insurance firms face obstacles that may be outside of their control in the coming year, but that doesn't mean they don't have the ability to shape their own destinies. Consider the following potential game-changing developments for 2016 and beyond. Whether these are opportunities or threats may be entirely up to how each insurance company deals with them.

- Prepare for a more dynamic market
- Carriers looking for new ways to reach prospects
- Regulatory uncertainty leaves many insurers in a holding pattern
- Transforming finance to become business partners
- Carriers look to upgrade systems and talent
- Carriers look to up their game with tech enhancements.

2.8 Steps to Overcome Problems of Insurance Business

As an important determination of insurance company choice, Layton (2002) suggests that firms must invest in building their reputation/reliability which will help to reduce the outflow of the clients to other firms. To enhance, Layton says, a positive reputation of the insurance company, they can follow the strategies stated below:

- Do a lot of personal selling of services to the clients and encourage existing customers to tell good about your services to the potential customers.
- Carefully choose personnel who interact with the customers.
- Train personnel to interact well with the clients.
- Positive and societal marketing activities to build and project specific company image.
- Design facilities to achieve specific marketing or image objectives of the organization.
- Establish formal system for controlling quality of insurance services.
- Provide specific effort to encourage customers to tell others about your services.

From the political and social behavior of the people it can be said that demand for these services will be higher in near future. Even staying more with an insurance company is also dominated by many special services. Insurance companies, especially public one must think about more value added services (Luk & Layton, 2002). In designing new and improved value added services the insurance providers can follow the strategies mentioned below:

- Regularly collect information about customer needs;
- Perform marketing activities based on knowledge about customers;
- Ensure that the firm's activities enhance customer satisfaction;
- Do marketing survey to design customer oriented and customer focused services;
- When a customer is dissatisfied, redo services.
- Base prices on what it costs to your operations and services (cost accounting system);

- Base prices on what competitors charges (requires industry analysis);
- Base prices on what the market and the customer are willing to pay sales people are not convincing rather irritating to many people.
-

2.8.1 Competitive Pressures

According to Paul, (2009), the need to operate economically and efficiently, comply with new and existing regulations and standards, meet competitive pressures, and take advantage of opportunities to grow are all exerting considerable pressure on insurers. Companies that effectively address these issues will have a competitive advantage over their peers; companies that do not are likely to struggle – perhaps even to survive. Top Insurance Industry Issues in 2014 describes in detail the challenges insurers are facing and how they can more effectively manage their operations, manage risk, and grow. Issues include: modernizing finance, actuarial, and risk management functions; the regulatory environment; strategy, including the future of life insurance, improving the customer experience and data analytics, and the deals environment; effectively managing policy administration systems transformations; and taxation.

According to Kotler (2003); competition, being an important market force needs to be tracked, analyzed and preempted. Market leader always have a system to help them preempt any competitive moves. For this, it is not just important to know competitor by name, but also critical to understand it s major strength and weaknesses. Competitor’s strength may be its marketing systems, aggressive sales force, and its relationship with major external environmental variables like government & financial institute or a financial resources base. For the effective competitive analysis only strength & weaknesses are not sufficient we need to consider other key factors like market share of the company and 7p s of service marketing i.e. Product, Price, Place, Promotion, Process, Physical evidence, People.

Consumers and businesses are becoming much more reliant upon online management of their bank accounts as the number of homes and businesses enjoying fast access to the Internet have soared. Over 90 million U.S. homes and businesses have broadband, while 180 million Americans have smart phones and other mobile devices with Internet access.

2.8.2 Professionalism at Every Level of Management

Lack of awareness is one challenge towards the effectiveness of the insurance business which might be connected to skilled man power and can be resulted in inability to efficiently and effectively translate the standard policy into local situations.

Asia Insurance Review (2014) cited that the Department of Insurance is going to be replaced by an Independent Regulatory Authority yet the same will not be fruitful until the authority is equipped with technocrats at the policy level and adequate human resources at the operation level to take control over the sector. The new regulatory body should discover some mechanism to eradicate underhand commission to reduce the high procurement cost in general insurance business. Professionalism at every level of management is very crucial for overall development in the sector. For efficient and prompt decision making, management should be given sufficient delegation of power. The board should only involve in strategic and policy aspects of the company without looking into the day to day operation.

All the insurance companies should have a sound HR policy that will attract the qualified people to choose the profession as a 'career' not a mere job. HR development program should be a part and parcel of regular business operation for the enhancement of skills and development of professionalism. A good number of companies are still struggling for their survival, thus huge cost of IT infrastructure is an additional burden for them. However, awareness should be built for effective use of IT infrastructure in MIS that ultimately will bring positive results in future. Last but not the least; it is not the responsibility of the regulatory body alone to make revolutionary change, rather the respective board, the management team and above all the insured should come forward to bring the sector to the global standard. The sooner it happens; the better is for the stakeholders in particular and the country in general.

2.8.3 The Need for Certified Insurance Counselor (CIC)

Certified Insurance Counselor (CIC) is an insurance agent professional certification designation. The CIC program is for agency owners, producers, agents, brokers, and agency and company. To be eligible to attend CIC institutes and obtain the CIC designation, an individual must: be a

licensed agent, broker, adjuster, or solicitor, or have at least two years of full-time experience in the insurance industry or as risk management practitioner, or have served as a full-time insurance faculty member at an accredited college or university (National Alliance for Insurance Education & Research, 2007). Additional premium provision means, in the context of finite risk insurance, a provision of an insurance contract that requires or strongly encourages the insured to pay the insurer some calculable amount as a result of losses paid or incurred under that insurance or reinsurance contract, excluding provisions for additional premium due to changes in exposure or policy audit.

2.8.4 Finance Effectiveness

According to Coopers, (2014), CFOs face a complex, constantly changing business environment in which growth strategies need to be supported by a flexible organization that delivers transparent, efficient, forward-looking insight, manages risk and compliance, effectively leverages capital, and maximizes liquidity. With a low interest rate environment, continued pressure on insurance margins, greater demands on reporting (e.g. Insurance Contracts and ERM), and management's need for more timely, forward looking financial information, the finance function has to more with less.

Team must have extensive experience with insurance and financial services financial management and operations. We help our clients develop high performing, cost-effective finance functions with streamlined and standardized processes that focus on adding insight to the business while delivering effective controls and increased efficiency.

2.8.5 Risk and Capital Management

Coopers (2014) asserted that because they actively seek and retain risk, insurers have always emphasized effective risk and capital management. As ERM matures, several professional bodies and industry groups are publishing their views on ERM best practices and recommending new courses of action for insurers. The US ORSA is perhaps the most publicized of these, but there are other ERM initiatives with implications for insurers from the Federal Reserve, NAIC and IAIS (Internal Association of Insurance Supervisors). However, while regulatory intervention is often the driver of change, some of the most successful ERM cultures have developed in response to internal events or errors, such as volatile earnings, over-reliance on models, poor value decisions and so on in order to improve risk culture, governance and quantification.

Whether pressure comes from internal or external sources, insurers have become subject to ever-increasing scrutiny from clients, investors, rating agencies, auditors and business partners on their ERM practices. The level of initial comfort that insurers can provide stakeholders on their risk management capabilities has a distinct impact on the scope, depth and timing of risk-focused analysis and examination procedures.

At the forefront of insurance, ERM advises insurers on assessing, monitoring, and managing risks from all sources. Our multi-disciplinary team provides comprehensive services in all key risk areas, including actuarial, financial, operational, and regulatory and compliance, as well as across all key risk management framework components, including strategy, governance and organization, measurement and analytics, reporting, and systems and data infrastructure (Coopers, 2014).

2.8.6 Covenant of Good Faith and Fair Dealing

Insurance companies owe a duty of good faith and fair dealing for the persons they insure. This duty is often referred to as the implied covenant of good faith and fair dealing which automatically exists by operation of law in every insurance contract. If an insurance company violates that covenant, the insured person (or policyholder) may sue the company on a tort claim in addition to standard breach of contract claim. The contract-tort distinction is significant because as a matter of public policy, punitive or exemplary damages are unavailable for contract claims, but are available for tort claims. In addition, consequential damages for breach of contract are traditionally subject to certain constraints not applicable for tort actions (Paul, 2009). The result is that a plaintiff in an insurance bad faith case may be able to recover an amount larger than the original face value of the policy, if the insurance company's conduct was particularly egregious.

A loss reserving or outstanding claims reserve refers to the calculation of the required reserves for tranche general insurance business. Typically, the claims reserves represent the money which should be held by the insurer so as to meet all future claims arising from policies currently in force and policies written in the past (Paul, 2009).

While the economic recovery remains far from robust, there has been enough growth in areas that impact the property and casualty insurance sector to keep premium growth on the rise. As a result

of slow but steady gains in private employment, rebounding housing and auto sales, and growth in the energy sector in a number of states, the industry is well-positioned for sustained growth in the year ahead. To adapt in a slow-growth economy, careers can leverage new opportunities emerging in the short-term and set the stage for longer-range gains, in part by improving their technology and talent base as well as their marketing and distribution capabilities (Deloitte, 2013).

2.8.7 Organization's Values, Mission and Vision

Paolo-Arao (2011) suggests that competency modeling should be built taking into consideration organization's values, mission and vision. The contents of a competency model must be aligned with these factors and organization's long term strategy. The author suggests that an effective competency model must both contain behavioral and functional competencies. Functional competencies are job-specific competencies i.e. finance competencies, HR competencies, sales competencies, engineering competencies, etc. Traditional competency models commonly dwells on behavioral aspects and not focusing more on functional competencies. Validity and reliability of a competency model increases if functional competencies are included.

The importance of functional competencies must not be taken for granted. Functional competencies have immense distinguishing power. It will separate jobs from one another instantly. Behavioral and functional competencies are sub-divided into 3 components namely: Core competencies, technical competencies and leadership competencies. Core competencies are the baseline competencies for all individuals regardless of function or level. All individuals within the organization must be imbued with these competencies. Technical competencies are job-specific competencies and essential to perform a particular job. Lastly, leadership competencies are for positions that lead or provide guidance to others. It is recommended that all individuals must have their own set of leadership competencies. This promotes leadership from within. Job competencies, if done properly, can be integrated across HR functions such as recruitment and selection, training and development, talent management, performance management and compensation and benefits (Paolo-Arao, 2011).

Core competencies are those capabilities that are critical to a business achieving competitive advantage. The starting point for analyzing core competencies is recognizing that competition between businesses is as much a race for competence mastery as it is for market position and

market power. Senior management cannot focus on all activities of a business and the competencies required undertaking them. So the goal is for management to focus attention on competencies that really affect competitive advantage (Riley, 2012).

Core Competencies are not seen as being fixed. Core Competencies should change in response to changes in the company's environment. They are flexible and evolve over time. As a business evolves and adapts to new circumstances and opportunities, so its Core Competencies will have to adapt and change (Prahalad, & Hamel,1990). These areas of expertise may be in any area but are most likely to develop in the critical, central areas of the company where the most value is added to its products or services

According to Prahalad, & Hamel (2008), core competencies are the skills that enable a business to deliver a fundamental customer benefit - in other words: what is it that causes customers to choose one product over another? To identify core competencies in a particular market, ask questions such as "why is the customer willing to pay more or less for one product or service than another?" "What is a customer actually paying for? On the other hand, a core competence should be "competitively unique": In many industries, most skills can be considered a prerequisite for participation and do not provide any significant competitor differentiation. To qualify as "core", a competence should be something that other competitors wish they had within their own business.

A competence which is central to the business's operations but which is not exceptional in some way should not be considered as a core competence, as it will not differentiate the business from any other similar businesses. For example, a process which uses common computer components and is staffed by people with only basic training cannot be regarded as a core competence. Such a process is highly unlikely to generate a differentiated advantage over rival businesses. However it is possible to develop such a process into a core competence with suitable investment in equipment and training. It follows from the concept of Core Competencies that resources that are standardized or easily available will not enable a business to achieve a competitive advantage over rivals (Prahalad, & Hamel,1990).

2.9 Institutional Advertising

It is designed to create a proper attitude towards the sellers to build company image or goodwill rather than to sell specific product or service. Its purpose is to create a frame of mind and to implant feeling favorable to the advertisers company. Its assignment is to make friends for the institution or organization. It is sub-divided into three categories: patronage, public, relations and public service institutional advertising.

- i) In patronage institutional advertising the manufacturer tells his prospects and customer about himself his policies and lives personnel. This appeals to the patronage motivation of buyers. If successful, he convinces buyers that his operation entitles him to the money spent by them.
- ii) Public relations institutional advertising is used to create a favorable image of the firm among employees, stock-holders or the general public.
- iii) Public service institutional advertising wages public support.

As to Riley (2012), the long term objectives of advertising are broad and general, and concern the contribution advertising should make to the achievement of overall company objectives. Most companies regard advertising's main objective as that of proving support to personal selling and other forms of promotion. But advertising is a highly versatile communications tools and may therefore be used for achieving various short and long term objectives. Among these objectives are the following:

1. To do the entire selling job (as in mail order marketing).
2. To introduce a new product (by building brand awareness among potential buyers).
3. To force middle men to handle the product (pull strategy).
4. To build brand preference by making it more difficult for middleman to sell substitutes).
5. To remind users to buy the product (retentive strategy).
6. To publicize some change in marketing strategy (e.g., a price change, a new model or an improvement in the product).
7. To provide rationalization (i.e. socially acceptable excuses).
8. To combat or neutralize competitors advertising.
9. To improve the moral of dealers and/or sales people (by showing that the company is doing its share of promotion).

10. To acquaint buyers and prospects with the new uses of the product (to extend the PLC) (Riley, (2012).

2.9.1 Developing Campaign Programs

The advertising campaigns are prepared by the advertising agencies, which work on behalf of their clients who manufacture product or service enterprises, which have services to sell. The word campaign is used because advertising agencies approach their task with ... one frequently hears words like target audience logistics, zero in and tactics and strategy etc (Honour, 1988).

According to the above source, technology has gained utmost importance in the social -economic advancement of mankind by introducing new product, process and tools for improving the quality of day a life . The face of technological, which increased during the last century since the industrial revolution, has become really fast in the second half of the twentieth Century.

According to the above source, since development led to many inventions, but one of the greatest contribution and the advantages of having the reliable collection of data for decision making prompt as to turn the IT for help and it can be highly stated that computers have become the second industrial revolution. Many calculations that were previously beyond contemplation have now become possible. .Computers have helped automation of many industrial and business systems. Computer databases ,can stores data in different form from simple lines of text to complex data structures that include pictures, sounds or video images. Data management involves creating, modifying, deleting, and adding data to generate reports. The software that allows performing these functions is known as a Database Management System (DBMS). Thus the DBMS is a collection of data and program that help you to retrieve this data and perform operations on it.

2.10 Insurance Forecast and the Big Challenges

Fortner (2012) stated that insurance is a heavily regulated industry. Every state has a department that regulates and monitors every insurer operating within the state's borders. In addition to approving rates, the state's insurance department is involved in all insurance matters on behalf of private citizens and businesses. It also issues operating licenses to insurers and

agents, based on their ability to meet the state's requirements for conduct and knowledge about insurance issues.

If you have financed your home with a mortgage, your mortgage company will require you to get homeowners coverage in order to protect their investment in your home. If you have paid off your mortgage or paid cash for your home, no one will force you to buy homeowners insurance. However, it is not advised to go without homeowners insurance and risk losing what you have invested in your home(Fortner, 2012).

Fires can make value determination very complicated for obvious reasons. The most helpful thing you can do both for yourself and your claim adjuster is to inventory what you own now, before a loss has even occurred. Make a list of all the items in your home and include things like their brand, model info, age and original cost, if you know it. You can also take pictures or video the rooms in your home to show your belongings. Keep a copy of the documentation in a safe, or at a different location, such as your workplace or a family member's home (Fortner, 2012).

A standard homeowner's policy includes coverage for jewelry and other precious items such as watches and furs. However, the insurer will not pay more than an amount specified in the policy. You should schedule your diamond ring by purchasing a Scheduled Personal Property Endorsement, in which the ring will be scheduled at the professionally appraised limit (Fortner, 2012). With the increase in litigation in the U.S. in the past few years, everyone should evaluate how much they have to lose in assets should they be found liable for damages in court. To offset this risk, an umbrella policy that offers millions of dollars in coverage can be purchased for a few hundred dollars a year. With the rising cost of medical and auto repair expenses, a major accident can often exhaust the policy limits on a typical policy if there are serious injuries involved. In this case, your umbrella policy would kick in and provide additional coverage (Fortner, 2012).

Muker (2013) investigated some of the insurance's industry's 2013 challenges:

- **Bad data.** Insurance companies want to use predictive analysis to determine things like when a theft might take place or even be able to price their products properly. But Pierce says this is only possible if they have good data. He asks insurance executives about the IQ of their data. "Then I will tell if it has intelligence or not," he jokes. Much of the dirty

data happens when analysts find a mistake. They only correct it in the back-end reports, not in the original data. Then the companies use the original, incorrect data for analytics.

- **No documentation.** Pierce of NIIT says the old mainframe systems rarely have any documentation. “All the knowledge is in the IT specialists’ heads,” he observes. As the “silver tsunami” surges and these seniors retire, no one will know how to fix the system. The best answer: move to 2013 technology like cloud. Add to this list new pressures insurers will face in 2013 includes:
 1. **Investment income:** According to Mukker (2013) in the past most insurance companies lived off their investment income, which was routinely eight percent or more. So, if they took in \$1 in premium, they could pay out \$1 in claims and still operate and profit from the investment income. With those days long gone-returns are between one and two percent, Pierce adds- today insurance companies “have to focus on effectiveness and efficiency. This had led to a drive to improve processes and reduce costs.
 2. **Growth:** Mukker says, growth has been a challenge for insurance companies in 2013, especially in mature economies like North America, Europe, Australia, New Zealand and Japan.
 3. **Economic uncertainty.** Mukker argues in that a huge challenge for 2013 is the uncertain investment market, coupled with struggling domestic and global economies. She says the insurance companies have faced a double whammy in the past. A drop in bond yield put upward pressure on insurance rates. This hurt their competitive advantage in attracting low-risk clients (see no. 4). At the same time, decreased economic activity led to fewer high-premium policy sales. This year he says insurance companies will have to figure out how to remain profitable by doing a better job of dealing with the changing economy.
 4. **Pool optimization:** Optimizing the pool has always been a central challenge for insurance companies. Pools become unbalanced if the competition lures away the low-risk customers with more competitive premium rates. Insurers will have to do a better job of identifying low-risk customers and retaining them to keep their pools balanced, according to Mukker (2013).
 5. **Billing system integration:** the above source also identified that particularly in the property and casualty area; need to integrate their various systems for greater efficiency.

6. **Changing competition:** The pressures will increase because of vertical integration, according to Mukker. Reinsurers are moving into insurance, in addition, bankers are acquiring agencies, says Mukker. And then there are new entrants.
7. **Regulatory changes.** A 2012 IBM study of C-suite insurance executives cited in Mukker (2013); found they will have to increase their investment on legal and compliance issues that year. There are many reasons why. Mukker points out a particular new challenge for European carriers. In the UK automobile insurers could charge women a higher premium than men. A new law prohibits them from gender discrimination in pricing. “This new law is creating a huge impact,” he observes. And it’s a big opportunity for service providers.
8. **Operating globally.** Marar of IBM cited in Mukker; the governance, risk and compliance challenges become more pronounced when the company operates globally.
9. **Time-to-market pressures.** Marar cited in Mukker adds; profitability requires insurance companies have the ability to launch new products with short time spans. She cited that speed-to-market is especially crucial when insurers are entering new markets. Outsourcing is an answer here. Therefore, providers can deal with short launch dates because we can leverage everything we already own.
10. **Limited resources:** How do you meet these challenges without the necessary capital, Muker argues.

One of the biggest challenges of the property insurance is industry’s vaunted conservatism, which makes it an industry traditionally slow to adopt change. These days, experts all believe technology will play an increasing role in the distribution of insurance products. That’s why it is imperative for insurers to keep their technology environments updated to retain their end users, Mukker (2013) says. Technology, therefore, will be central to the industry’s ability to respond to these challenges and develop new, more profitable operating models, Mukker observes. Because the insurance industry typically is conservative and risk adverse, this mindset means it adopts technology changes slower than other industries, Mukker says. Insurers must recognize the need to eliminate inefficient business processing functions, improve the quality of service and become both fast and easy to conduct business with. They also need outsourcing, because they need partners to help them innovate and transform their operations. This, of course, also reduces cost.

This researcher, therefore, provides a considerable room to identify and summarize all challenges and property insurance Forecasts in the subsequent report.

2.11 Unethical Practices in Insurance

Ethics is the key to success as it renders stability to any organization in business. It is notable that ethical firms play important role even in the industry. Insurance industry is suffering from an ethical dilemma. It is a risk sharing technique, oriented to social pattern for covering the risks of the customer. However, privation in the sector has covered the heights of capital market. LPG Model led it to money-making business and ground for agents and brokers by realizing their potentials. Forces of market also allure customers to cover their risk against the hazards of nature available through insurance market. Need of insurance has diversified with time in other areas like tax benefits, money endowment etc. New aspirations of customers are towards capitalization of insurance against the social pattern.

Agent and broker play an important role in the marketing of the insurance plans and policies. Today, more than 70% of business is carrying through insurance agents by their personal contact and relationship with the customer (Singh, 2011). Mostly, business of insurance is depending at the efforts of agents. Insurance agents are four pillars of insurance company (Agarwal, 2012). Life insurance agent is the foundation stone of the glorious building of Life Insurance Corporation of India (Kothari et. all, 2010). The life insurance agent is to act, keeping in view the interest of the policy-holder and the insurance company (Singh et al., 2009). The insurance agent is in a position of trust. On his assurance, the policyholders entrust their small savings to an insurer (Balachandran, 2007). An agent has the right to get remuneration in lieu of his functions, to get commission on the insurance business secured by him and the amount of premium due on renewal of existing insurance policies as per prescribed rules (Kothari et al, 2010).

Insurance intermediaries like insurance agent and broker provide incorrect information on the transaction cost leading to information asymmetric in the hand of customer (Traub, 1994). A broker's strategy is often sales-driven and focused on insurance solutions instead of customer orientation. Therefore, brokers are unable to offer services originating from companies' needs

(Maas, 2006). Direct marketing as per the National Association of Insurance Commissioners (NAIC) regulations provide for bringing more transparency to buyers, it also saves buyers against the misleading of agents like the case of Metropolitan Life Insurance Co. In the case, it was found that agents were selling whole life policies as retirement plans due to high rate of commission (Shah 2008). Things go wrong in insurance when the agent becomes concerned with the commission that he will earn from the policy, rather than the benefits to the prospect (Balachandran, 2007). Business policy, marketing policy in particular, followed by insurance companies are too old and outdated. The companies' expense little on the research and development of the insurance sector.

Previous studies (Dubinsky & Yammarino, 1985; Kurland, 1996; Cupach & Carson, 2002; Bellizzi & Hasty, 2003) found that supervisor influence, role ambiguity and sales target have an effect on unethical intention. Also previous studies (Cheng, Lam, & Hsu, 2004; Hanson, Jensen & Solgaard, 2004) found that attitude, perceived behavioral intention, subjective norm and moral obligation mediates the relationship on behavioral intention. Situational factors such as size of commission, level of monitoring or supervision, organizational structure and culture also have been found to influence ethical behavior (Ross & Robertson, 2003). The current study therefore wishes to answer the questions as to what are the factors that cause an insurance agent to perform unethically.

The findings show down selling and twisting as the two biggest problems industry wide. Within agency, down selling and false information were the biggest perceived problems facing the agency. Successful agent tends to be involved in down selling, lowball pricing and providing false information.

2.12 Policy Matters in the Insurance Transactions

In insurance, the insurance policy is a contract (generally a standard form contract) between the insurer and the insured, known as the policyholder, which determines the claims which the insurer is legally required to pay. In exchange for an initial payment, known as the premium, the insurer promises to pay for loss caused by perils covered under the policy language. Insurance contracts are designed to meet specific needs and thus have many features not found in many

other types of contracts. Since insurance policies are standard forms, they feature boilerplate language which is similar across a wide variety of different types of insurance policies.

The insurance policy is generally an integrated contract, meaning that it includes all forms associated with the agreement between the insured and insurer (Boardman, 2006) In some cases, however, supplementary writings such as letters sent after the final agreement can make the insurance policy a non-integrated contract (Schwarzc, 2011). One insurance textbook states that generally "courts consider all prior negotiations or agreements ... every contractual term in the policy at the time of delivery, as well as those written afterwards as policy riders and endorsements ... with both parties' consent, are part of written policy" (Porter, 2007). The textbook also states that the policy must refer to all papers which are part of the policy, Porter asserted. According to him, Oral agreements are subject to the patrol evidence rule, and may not be considered part of the policy if the contract appears to be whole. Advertising materials and circulars are typically not part of a policy. Oral contracts pending the issuance of a written policy can occur.

- Insurance contracts are generally considered contracts of adhesion because the insurer draws up the contract and the insured has little or no ability to make material changes to it. This is interpreted to mean that the insurer bears the burden if there is any ambiguity in any terms of the contract. Insurance policies are sold without the policyholder even seeing a copy of the contract (Rahdert, 1998). According to Rahdert, in 1970 Robert Keeton suggested that many courts were actually applying 'reasonable expectations' rather than interpreting ambiguities, which he called the 'reasonable expectations doctrine'. This doctrine has been controversial, with some courts adopting it and others explicitly rejecting it.^[3] In several jurisdictions, including California, Wyoming, and Pennsylvania, the insured is bound by clear and conspicuous terms in the contract even if the evidence suggests that the insured did not read or understand them (Rahdert, 1998).
- Insurance contracts are aleatory in that the amounts exchanged by the insured and insurer are unequal and depend upon uncertain future events. In contrast, ordinary non-insurance contracts are commutative in that the amounts (or values) exchanged are usually intended

by the parties to be roughly equal. This distinction is particularly important in the context of exotic products like finite risk insurance which contain "commutation" provisions.

- Insurance contracts are unilateral, meaning that only the insurer makes legally enforceable promises in the contract. The insured is not required to pay the premiums, but the insurer is required to pay the benefits under the contract if the insured has paid the premiums and met certain other basic provisions.
- Insurance contracts are governed by the principle of utmost good faith which requires both parties of the insurance contract to deal in good faith and in particular it imparts on the insured a duty to disclose all material facts which relate to the risk to be covered. This contrasts with the legal doctrine that covers most other types of contracts, caveat emptor (let the buyer beware). In the United States, the insured can sue an insurer in tort for acting in bad faith.

Independent Insurance Agents and Brokers represent multiple insurance companies. Competitive advantage is that companies can constantly research and compare programs from multiple insurance companies, finding the right combination of price, coverage and service that is right for the insured. Best of all, they represent the insurance companies clients have come to know by name through their years of providing coverage – the difference is: now you have Standard Insurance Agency on your side to help identify your needs, maximize your coverage and save you money on your insurance premiums.

Captive Agents sell you only the insurance coverage provided by the company they work for. They cannot shop around to find the rate that's best you, but instead sell you what works best for them. While the insurance companies and their offerings are not necessarily bad, their not necessarily what's best for you. Does this sound like the scenario that is best for you.

2.13 Understanding Insurance Policies and Claims

Insurance is one of the financial products bought regularly that most people do not understand. Whether it's health, life, homeowner's, or auto insurance, most people buy a policy and file it away without fully reading it. This is one of the major reasons why so many people

feel screwed over by insurance companies when it comes time to make a claim, they don't understand what they bought. Of course another part of it is that insurance companies write policy contracts to protect themselves from taking on too much exposure to risk (Kurland, 1996).

In a unilateral contract, only one party to the contract makes a promise. The insurance carrier offers to pay claims in exchange for a premium from the policyholder. The policyholder is not required to pay a premium to the insurance company, but if the policyholder does pay the premium, the insurance company IS required to pay claims based on the terms of the contract (Leonard, et al., 2004).

This shifts the burden of proof to the insurance company. They must prove or disprove that they are required to pay a claim if there is a discrepancy, because they are contractually obligated to fulfill a promise to pay claims. This is very important to remember when filing a claim, and I will get into the significance of burden of proof when I write an article about the claims process.

A contract of adhesion is a contract between two parties that does not allow for negotiation. It is a "take it or leave it" contract that often favors the party that wrote the contract. There is no power to negotiate, because one party often has an unequal bargaining position. This is the single biggest reason why so many conflicts arise between insurance companies and their policyholders. The policyholder feels that the insurance company should fulfill their promise to pay claims at all times as long as they are paying a premium, but the contract they signed was a standard form that often benefits the insurance company (Cupach & associates, 2002).

The standard form is written to protect the insurance company from too much exposure to risk. This is done in such a way to allow the insurance company to turn a profit, even when they pay claims on a daily basis. Hence, insurance companies should adequately brief and needs to translate insurance policy and terms to the local and vernacular languages of the insurance holders and stakeholders in order to avoid ambiguity and conflict and to enhance market opportunity through transparency of insurance terms.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This chapter presents key methodological issues that have followed to conduct the research. Among the areas covered includes: the nature of research design, the population of the study, the sampling techniques and sample size, data collection tools and procedures and method of data analysis are entertained.

3.1 Research Design

This research employs a descriptive survey research design because the main purpose of the researcher is to describe and examine what the sample respondents think and feel about the existing challenges and prospects against the effective execution of property insurance in the target area. Good description provokes the 'why' questions of explanatory research. Surveys gather data at a particular point in time with the intension of describing the nature of the existing conditions, or identifying standards against which the existing conditions can be compared. Hence, it looks at individuals, groups, institutions, goals, processes, supports and resources in order to describe the entities and the events that constitute to the issue of property insurance.

Both quantitative and qualitative research approaches are used in the study. Since the data is obtained from an enormously large population, it could be difficult and often unmanageable to reach and gather research data from the entire population at a time. Quantitative method, therefore, is convenient to rely on precision of obtainable data in a cost effective way, balancing reasonable composition of different respondent groups. On the other hand, the reason behind using qualitative method is that it helps to discover in-depth idea and information by the help of semi-structured interview. It also serves as a strategy that could help the researcher to add relevant pieces of information which may be missed by the mere dependency of the former, quantitative, method; and help to maintain relevant information which might be undermined by

the researcher. Cross-checking the reliability of data with triangulation is the major significance of combining these methods in the research process.

3.2 Population of the Study

- All insurance companies located in Jimma Town, with their executives, line-managers and their personnel staffs.
- All clients/ customers who are active policy holders of property insurance in these insurance companies.

No.	Insurance Company	Ownership Type
1	Ethiopian Insurance Corporation	Government
2	Africa Insurance Company	Private
3	Awash Insurance Company	Private
4	Oromia Insurance Company	Private
5	Nib Insurance	Private
6	Nile Insurance	Private
7	Africa insurance Company	Private
8	Lion Insurance Company	Private
9	Nice Insurance Company	Private
10	Nyala Insurance Company	Private

Figure 1: table illustrates the available insurance companies and ownership type in Jimma

3.3 Samples and Sampling Techniques

The samples for this research have drawn from the employees and customers of 6- insurance companies located in Jimma Town: Ethiopian Insurance Corporation, Africa Insurance, Awash Insurance, Oromia Insurance, Nib Insurance, and Nile Insurance. Among the subjects one is government owning while the remaining five are private owned. Therefore, the study much relies on property insurance challenges and prospects of private insurance businesses and government companies.

The research relies on the respondents' consents that could be obtained from executives, employees (personnel staffs) and property insurance active policy holders of the target

companies in general. Hence, this researcher planned to gather relevant data from all executive bodies of the available insurance companies. By using Census method, the researcher has gathered the available data about challenges and prospects of property insurance from all the managements of the insurers. In order to gather relevant information from personnel staffs of the insurance companies and their clients on property insurance, the researcher preferred to employ Purposive Sampling method. Purposive sampling method is assumed to be sound in order to draw sample personnel staffs from each companies who may know better about the issue under investigation, and clients who may be served from the service of property insurance. In addition to purposive sampling that had been used to determine the samples of insurance employees, another snowball method serve to obtain informed customers who may better know and understand what the target companies do in terms of delivering property insurance service to their clients,. By using snowball sampling, the researcher moved from one informant to the other receiving one informant’s suggestion to whom the researcher may try address his questionnaire, who may inform his/her best from his or her experience about the issue of property insurance the target institutions may render to him/her and other clients around him/her.

No	Name of the Insurance Company	Executive Bodies to be drawn		Personnel Staff to be drawn		Clients to be drawn	
		sample	Sampling method	sample	Sampling method	sample	Sampling method
1	Ethiopian Insurance corporation	2	Census	6	Purposive	14*	Purposive + Snowball
2	Africa Insurance	1	Census	3	Purposive	10	Purposive + Snowball
3	Awash Insurance	1	Census	3	Purposive	10	Purposive + Snowball
4	oromis Insurance	1	Census	3	Purposive	10	Purposive + Snowball
5	Nib Insurance	1	Census	3	Purposive	10	Purposive + Snowball
6	Nile Insurance	1	Census	3	Purposive	10	Purposive + Snowball
	Total	7		21		64	

Figure 2: table shows the summary of sample size and sampling methods

- Since Ethiopian Insurance Corporation is the oldest in the business, a relative sampling weight is purposefully provided to its executive body, personnel staff and clients, who would respond on different data instruments.
- The total number of samples to be drawn from the insurance companies are assumed to be 92, (i.e., 7+21+64).

3.4 Data Gathering Tools and Procedures

To prepare the thesis, both primary and secondary sources of data had been used. Primary data is generally obtained from executives, personnel staffs and clients of the insurance companies through questionnaire and interviews. To collect the secondary sources of data, insurance companies documents, internet and different articles published in the journals and magazines are used according to their relevance in relation to property insurance. Secondary sources are assumed to be:

- Policy manuals on property insurance;
- Insurance companies' journals and newsletters (if any);
- Reference books on insurance;
- Annual report on property insurance; and
- Journal articles.

3.4.1 Questionnaire

Primary data is collected by multiple means. Questionnaire is used to collect data from sample personnel staffs and customers, the latter are purposefully chosen on their background knowledge and experience they might have about the activities of the insurers. They might be either policyholders or non-policyholders.

As from numerous scholars point of view, questionnaires are extremely flexible tools, allow the respondents to fill it out at their own convenience. A questionnaire is an appropriate means of collecting quantitative data with ensured speed and accuracy to respond on. Structured questionnaire items would be used to collect data about the legitimate role of insurance companies, their effectiveness, challenges and prospects in terms of benefiting the available

clients in the target area and the benefit they might gain exploiting the available opportunity undertaking property insurance their favorite concern. Structured questionnaires has contain different parts help to obtain the necessary data that fully answer the research basic questions; and the questions are to be maintained using Likert scale for measuring attitudes of respondents in terms of a 5-point set of ordered categories: strongly Disagree, Disagree, Medium, Agree and Strongly Agree response options, indicate the intensity of the respondents' particular judgments on the issue under investigation.

3.4.2 Interview

The other half has been relied solely on semi-structured interview, which is maintained with determined executive managements of the insurance companies. It, according to increasing evidence, permits greater depth of response which is not possible through any other means. The stronger quality of semi-structured interview is that participants are usually encouraged to discuss any other issue relevant to the study and also help capturing the respondents' perceptions in their own words. Hence, a semi-structured interview serves to capture information from individual interviewees, insurance managements. Semi-structured interview also helps to include missing pieces of data in the questionnaire, relevant issues that have been escaped from the researcher's sight, and more valuable information helped for triangulation in the data analysis stage.

3.5 Method of Data Analysis

Selecting appropriate data analysis method is central point in any research process. Data that had been be collected through quantitative and qualitative instruments are organized according to the relationship they have in answering the proposed research questions. Regarding the quantitative data, responses are going to be categorized and tallied before presentation, analysis and interpretation of the data is made. Descriptive statistical procedure is utilized to summarize statistical variables in tables and calculate standardized values, which help the score transformation placed variables on common scale for easier visual comparisons. A set of statistical tools, percentage, mean and standard deviation are employed to analyze the data.

The researcher used percentage to analyze and summarize the identification/ personal information of the respondents, and to compare some part of the basic data. The mean and the standard deviation of different variables are calculated using SPSS version 16.00 to identify and show significant differences among the responses in the basic data with separate statistical summary tables for measuring the values within different indicator categories. While mean is employed to calculate the central tendency of the summative Likert response data, standard deviation is used for determining variances among respondents' views throughout the summative Likert response data, i.e., to analyze variability of each respondent's opinion in his/her response.

For simplicity of analysis and interpretation, the researcher used 3.0 as expected mean value; thus, insurance companies effectiveness level in insuring customers' and their own benefit in terms of property insurance with obtainable mean value of: 0.05-1.49 is considered as very low; 1.50-2.49, as low; 2.50-3.49, as satisfactory; 3.50-4.49, as high; and 4.50-5.00, as very high effectiveness practice respectively. The frame of reference for this analysis was borrowed from Albaum (1997).

In addition to this, a narrative analysis is used to examine the legal framework governing the relationship of insurance companies and activities, challenges and prospects within the framework of property insurance. The qualitative data, obtained with the means of interview and document review are analyzed using certain preliminary procedures such as: data reduction, data display, and verification. Data reduction is made to scrutinize about the relevant information from irrelevant amongst the crude nature of the data; data display, to make precision of research related information for the audience; and verification, to materialize the relationship of the qualitative data properly answering the research questions.

Unlike the quantitative data, in which data collection is generally compiled in figures, the qualitative data analysis is presented in a descriptive fashion. Hence, data from different sources obtained by different formats have been reviewed line by line in detail as the concept of investigation becomes clearly understood.

3.6 Ethical Considerations

In conducting this research study, emphasis is given to every important ethical issue. First, before entering into the actual data collection procedure, a formal letter is received from the University. Then, the letter is submitted to the officials of insurance companies (as listed in *Figure 1*, above, and good rapport created at the same time. Similar procedure is to be followed while the researcher moves from client to client within the insurance companies. In addition, people are participated with their full consents. Every effort have been made to keep participants anonymous, and confidentiality is kept throughout the data procedure. Meanwhile, every source that is used in the study is acknowledged in proper manner.

CHAPTER FOUR

RESULTS, ANALYSIS AND INTERPRETATION OF THE DATA

This chapter has two parts. The first part presents the characteristics of the respondents, which includes personal and professional characteristics. The second part deals with Challenges and prospects of property insurance of the study area.

4.1 Analysis of Personal Information

The importance of this part is to provide few basic background information about the sample respondents with the assumption that these might have some kind of relationship in some way with the basic issue under investigation. Certain characteristics of employee respondents were classified, analyzed and interpreted in terms of their qualification and work experience, where as customers' personal information was classified and analyzed in terms of occupation, marital status, income level, the type of insurance service they gain from the insurers, and for how long they have been enjoyed the services of the insurance companies. Almost all personal data were illustrated using table and pie-chart illustrations in the following two pages.

As was mentioned in the earlier chapter, the number of samples which determined was 21 employees and 64 customers drawn from 6 insurance companies. Hence, the analysis was relied on the employees' and the customers' responses as presumed in the drafting stage.

Figure 1: Pie-Chart Illustrating the Qualification Levels of the Employees of the Insurance Companies

Regarding the employees' qualification, 17 (81%) were first degree holders while the remaining 4 (19 %) were diploma holders. In terms of their work experience, 10 (47.6%) have total work experience for 1- 5 years, 5 (23.8%) have experienced for 6 to 10 years, 3 (14.3%) of the them have experience from 11 to 15 years, and 2 (9.5%) have experienced for 16 to 20years and the remaining 1 (4.8%) has experienced for greater than 20 years. From the work experience profile, it is recognizable that majority of the employees have less experienced in the insurance scheme, but most of the employees have the required level of professional qualification.

Figure 2: Graph Shows the Work Experience of the Employees of the Insurance Companies

Customer respondents in terms of their occupation, 48 (75%) were merchants and 16 (25%) were others. In their marital status, 18 (28%), single; 30 (46.9%), married; 10 (15.6%), widow; and the remaining 6 (9.4%), divorced. From this we could understand majority of insurance customers in the target area are married ones.

Regarding their income level, 30 (46.9%) earn > 5000; 20 (31.3%) earn between 3001 – 5000; 10 (15.6%) earn between 2001 – 3000; 4 (6.3%) earn between 1001—2000; and null to earn from 500 – 1000 Eth. Birr per month. From this we could deduce that insurance customers who are willing to get insurance contracts are first those who earn > 5000 and second those who earn between 3001 – 5000. The following table, table 1, summarizes the customers' personal information.

Table 1: Summary of Customers' Personal Information

Occupation	N	%	Marital Status	N	%	Income level	
						N	%
Merchants	48	75	Single	18	28	<500	- --
Others	16	25	Married	30	46.	500--1000	- --
			Divorced	6	9.4	1001-2000	4 6.3
Total	64	10	Widowe	10	15.	2001--3000	1 15.
			Total	64	100	3001--5000	2 31.
						>5000	3 46.
						Total	6 100

In terms of the type of insurance service the customers gain from the insurers, vehicle insurance holders were, 32 (50%); followed by property insurance policy owners were , 20 (31.3%). Other insurance agreements such as: all-risk and health were hold by two equally important lower groups, 4 (6.3%) each. The two least important groups were life and pension insurance holders, 2 (3.1%) each. From this we could recognize that the exceeding number of insurance customers is dedicated for vehicle insurance, which is followed by property insurance. This could be clearly seen from the following Insurance Premium Structure.

Figure 3: Pie-Chart Shows the Insurance Premium Structure of the Insurance Companies

4.2 Analysis of Basic Data

Basic information relates directly to the core of the research problem, all contained Likert Items. The purpose of using Likert scale is because of its convenience to detect the intensity of feelings and attitudes that the respondents have about the problem under investigation. Since challenges and prospects of property insurance basis on the personal views, feelings and attitudes of the employees and customers of the insurance companies, the respondent may like or dislike the situation and may hold this attitude with a varying degree of strength or intensity - interpreted as confidence, certainty, or conviction. Scholars such as Berger & Alwin (1996) propose that conviction is a subjective component of an attitude which gauges the extent to which the attitude is 'owned' or firmly held and reflects the functions the attitude serves.

When a Likert scale is used to measure attitude, its usual or standard format consists of a series of statements to which a respondent is to indicate a degree of agreement or disagreement using the following options: strongly agree, agree, neither agree nor disagree, disagree, strongly disagree. As such, the scale purports to measure direction (by 'agree/disagree') and intensity (by 'strongly' or not) of attitude. Then, our concern in this paper is to know the extent to which respondents' attitude is firmly held towards the existing challenges and prospects of the property insurance the insurers held.

The analysis mainly focuses on three basic research components, namely: (1) to what extent insurers in Jimma Town are effective in terms of materializing property insurance?(2) What are the major challenges the insurers face to intensify property insurance market in the target area? And (3) what possible prospective situations exist so as to ensure smooth functioning and growth of property insurance in the target area.

4.2.1 The Extent Insurers Mechanisms are Effective Materializing Property Insurance

The many factors impacting the insurance operating model are interdependent and have overlapping impacts and implications. According to past researches on insurance effectiveness, managers in the service sector are under increasing pressure to demonstrate that their services are customer-focused and that continuous performance improvement is being delivered. Given the financial and resource constraints under which service organizations must manage it is essential that customer expectations are properly understood and measured and that, from the customers' perspective, any gaps in service quality are identified. What makes managing customer service different, as a marketing problem, from managing the standard elements of the marketing mix (product, price, promotions, and place) is that customer service is typically delivered by front-line employees. Personnel policies, thus, have immediate marketing implications. The following two tables, table 2 and Table 3, show the employees and the customers' views on the extent the insurers' mechanisms in the target area were effective to materializing insurance services. For simplicity of analysis and interpretation, note that the whole analyses were made on the hypothesized population mean (expected mean) equals to 3; and the sample (observed) mean values: 0.05--1.49 was considered as '*very low*'; 1.50--2.49 as '*low*', 2.50--3.49 as '*satisfactory*'; 3.50--4.49, '*high*'; and 4.50--5.00, '*very high*', in that order according to the meanings held by each of the indicator used to measure the effectiveness of the property insurance practices respectively. The frame of reference for this analysis was borrowed from Albaum (1997).

The data on the effectiveness level of the insurers in materializing property insurance was obtained from two respondent groups- the employees and the customers. Tables: 2A, 2B, and 2C were maintained on the bases of varied level of employee-respondents' views, values '*high*', '*satisfactory*' and '*low*', they scored about the effectiveness level for 19 indicators related to

Basic Question No.1. Since the employees' response data seemed bulky, the researcher attempted to divide the presentation into three tables based on the relatedness of the obtained values and common characteristic feature held or demonstrated by individual table. Next to these, Table 3 distinctly demonstrates the views by the customers on the effectiveness level of the insurers in materializing property insurance, presented at various levels of agreement emanated from their varied attitude about the subject under investigation. Since the customers' response data was precise, it was summarized to a table.

To categorize the variables according to same feature of the obtained data in the consecutive tables, the researcher described response familiarity with A, B, and C after the table numbers, as 2A, 2B and so on; and yet, kept the consecutiveness of numerals on tables presenting related items (indicators) under the same sub-headings. These effects are commonly illustrated in processing the whole data.

Table 2.1: Employees' Response Data on the Effectiveness Level of the Insurers in Materializing Property Insurance services

Effectiveness Level of the Insurers in Materializing Property Insurance services (n= 21-1)		Mean	S. D.	Var.
1	The concept of all financial services under one roof has contributed a lot in building up of property insurance.	4.19	.814	.662
2	The insurance company permits the customers to follow demand based pricing.	4.10	.995	.990
3	The insurer basis prices on what competitors charge.	4.05	.973	.948
4	Insurer is usually trying to sell more products to its existing customers or find new customers who are similar to the niches it already serve.	3.57	1.165	1.357
Mean average		3.98	0.99	

N.B.= Based on One-sample t-test, all variables are significant at $p < 0.05$.

The first set of data on the effectiveness level of the insurers in materializing property insurance, in table 2.1, a few indicators demonstrate that the insurers were found at a dependable level, higher effectiveness potential they perform their business. This could be suggestive from 4 performance indicators: The concept of all financial services under one roof has contributed a lot in building up of property insurance (mean = 4.19/ the highest of all; with a corresponding S.D. = 0.81, which could show

the moderate level of individuals' deviation characteristic from the respective mean, and a Variance = 0.66). Next in the indicators list was the employees view on that the insurance company permits the customers to follow demand based pricing (mean = 4.1 with a corresponding S.D. = 99, and a Variance = 99, too). Which suggest a relatively increasing individual's response variation from the obtained mean score. The insurer basis prices on what competitors charge (mean = 4.05 with a corresponding S.D. = 0.97, and a Variance = 0.94); and the last in the list was that Insurer is usually trying to sell more products to its existing customers or find new customers who are similar to the niches it already serve (mean = 3.57 with a corresponding greatest S.D. =1.165, and a Variance = 1.357). Among the S.D. values in Table 2.1, the employees' response deviation was highest for the last item in the list i.e., > 1.0.

The mean average to indicators of "high" effectiveness of the insurers in materializing property insurance was limited to average mean = 3.98 and a corresponding average S.D. = 0.99 (nearest to 1) which refers the existence of relatively higher individuals' response variation from the average mean score.

Generally, the obtained values are indicative in that:

- The concept of all financial services under one roof has contributed a lot in building up of property insurance;
- Permitting the customers to follow demand based pricing;
- Bench-marking prices on what competitors charge; and
- Trying to sell more products to the insurers' existing customers or finding new customers who were similar to the niches they already serve,

were not as such perturbing challenges of the insurance companies in effectively undertaking property insurance business in the target area. But as far as the concept of competitive advantage is concerned, the insurance companies need to elevate the above mentioned effectiveness experiences to a "very high" level exactly.

Table 2.2: Employees' Response Data on the Effectiveness Level of the Insurers in Materializing Property Insurance services

5	The insurer uses heavy informative advertisement to show how the property insurance service can be better utilized.	3.33	1.390	1.933
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6	Employees provide the customers all the information needed.	3.14	1.195	1.429
7	The insurer establishes formal system for controlling quality of property insurance services.	3.00	1.265	1.600
8	The insurer trains personnel to make them knowledgeable deliver of the insurance service to the customers.	2.76	1.091	1.190
9	Communicating with policyholders, insurance claims handlers also liaise with external experts such as loss adjusters and lawyers.	2.71	1.23	1.514
10	The insurer basis prices on what the market and the customer is willing to pay.	2.62	1.203	1.448
11	The insurer implements data analytics for competitive advantage.	2.57	1.287	1.657
12	Insurance employees are expert in insurance products.	2.57	.870	.757
13	Technology is central to the industry's ability to develop new, more profitable operating models.	2.52	1.123	1.262
Mean average		2.80	1.18	

The second set of data on the effectiveness level of the insurers in materializing property insurance, in table 2.2, nine of the indicators demonstrating that the insurers were found at a medium level, neither high nor low, to depend on the statistical values. The category of the indicators in this list can be divided into two important parts. The first category contains variable having obtained mean scores greater than hypothesized population mean or the expected mean score (3.0) while the second category contains variables having obtained mean scores lower than the hypothesized population mean or expected mean score. The obtained mean scores generally suggest that the indicators listed in descending order, 5-13, were performed by the insurers to a 'satisfactory' level only.

This could be clearly viewed from indicators such as: The insurer uses heavy informative advertisement to show how the property insurance service can be better utilized (mean = 3.3, with a corresponding S.D. = 1.39, and a Variance = 1.93) followed by Employees provide the customers all the information needed (mean = 3.14, with a corresponding S.D. = 1.19, and a Variance = 1.42). The next importance lies in that The insurer establishes formal system for controlling quality of property insurance services with mean = 3.0, a corresponding S.D. = 1.26, and a Variance = 1.60). Up to here the obtained mean scores lie above the expected mean score ($x = 3.0$).

The other values, which their mean scores lied below hypothesized population mean or the expected mean score, were indicators such as: The insurer trains personnel to make them

knowledgeable deliver of the insurance service to the customers (mean = 2.76, with a corresponding S.D. = 1.09, and a Variance = 1.19) followed by Communicating with policyholders, insurance claims handlers also liaise with external experts such as loss adjusters and lawyers (mean = 2.7, with a corresponding S.D. = 1.23, and a Variance = 1.5) and the insurer basis prices on what the market and the customer is willing to pay (mean = 2.62, with a corresponding S.D. = 1.20, and a Variance = 1.45). The next two equally important indicators in the list were: The insurer implements data analytics for competitive advantage and Insurance employees are expert in insurance products, contained mean scores = 2.57 each, with a corresponding S.D. = 1.28 and 0.87 and a Variance = 1.65 and 0.75 for the former and the later indicators respectively. The last in the list was the variable that says, technology is central to the industry's ability to develop new, more profitable operating models (mean = 2.52, with a corresponding S.D. = 1.12, and a Variance = 1.26).

The mean average and the corresponding average S. D. (2.8 and 1.18 respectively) reveal that the effectiveness level of the insurers in materializing property insurance in terms of these set of indicators was statistically only 'satisfactory'. But from the increasing number of variables which were lied below 3.0 (hypothesized population mean or the expected mean score) one can assume the predicament, unpleasant situation, of the insurers in materializing property insurance. The predicament reveals the pitfall in the act of taking care or managing property insurance in the target area. The above table was also characterized by S.D. values and Variances, in most lines, got greater than 1.0. This propensity tells us for majority of the variables, the respondents' views were persistently and highly deviated from their corresponding obtained mean scores.

To sum up the characteristics of the variables in Table 2B, indicators such as:

- The insurer uses heavy informative advertisement to show how the property insurance service can be better utilized;
- Employees provide the customers all the information needed; and
- The insurer establishes formal system for controlling quality of property insurance services,

were variables/ indicators with relatively better obtained mean values, which were either above or equals to the hypothesized population mean or the expected mean score. Other variables such as:

- The insurer trains personnel to make them knowledgeable deliver of the insurance service to the customers;
- Communicating with policyholders, insurance claims handlers also liaise with external experts such as loss adjusters and lawyers;
- The insurer basis prices on what the market and the customer is willing to pay;
- The insurer implements data analytics for competitive advantage;
- Insurance employees are expert in insurance products;
- Technology is central to the industry’s ability to develop new, more profitable operating models,

were observed with propensity of the variables below the hypothesized population mean or the expected mean score. The later set of results are generally suggestive toward the required careful and thorough efforts the insurance companies proliferate and amalgamate with property insurance scheme so as to harness the property insurance business and increase their efficacy.

Table 2.3: Employees’ Response Data on the Effectiveness Level of the Insurers in Materializing Property Insurance services

14	Insurer carefully chooses smart and presentable personnel who will be interacting with the clients.	2.43	1.207	1.457
15	In the still-challenging investment environment, the insurer attempts to invest in enterprise risk management tools that assess evolving liabilities, capital structures and business plans.	2.29	1.056	1.114
16	Insurance claims handlers ensure that insurance claims are handled efficiently and that payment for valid claims is made to their policyholders.	2.29	1.189	1.414
17	The insurer regularly collects information about customer needs.	2.05	.805	.648
18	The insurer increases insurance penetration of the consumer sector as a growth factor.	1.95	.740	.548
19	Insurance claims handlers ensure the customer is treated fairly and that the customer receives excellent service in accordance with industry and company guidelines.	1.95	.759	.576
	Mean Average	2.16	0.96	
	Overall/Aggregate Mean	2.98	1.12	

The third and the last set of employees’ response data on the effectiveness level of the insurers in materializing property insurance was the data observed in table 2.3. This category was separated

from its predecessors for one important characteristic of the data commonly observed from list number 14 through 19. That is they all contained variables commonly characterized by their obtained mean scores below hypothesized population mean (expected mean), and yet this category reveals variables all were characterized by 'low' effectiveness of the insurers in materializing property insurance in the target area.

The most important indicator among the lists was showed for that Insurer carefully chooses smart and presentable personnel who will be interacting with the clients (mean = 2.43, with a corresponding S.D. = 1.2, and a Variance = 1.45); followed by two equally significant indicators saying; In the still-challenging investment environment, the insurer attempts to invest in enterprise risk management tools that assess evolving liabilities, capital structures and business plans and Insurance claims handlers ensure that insurance claims are handled efficiently and that payment for valid claims is made to their policyholders with mean = 2.29 for each, and corresponding S.Ds. = 1.05 and 1.18, and Variances = 1.11 and 1.41 for the former and the later mean scores respectively.

The insurer regularly collects information about customer needs (mean = 2.05, with a corresponding S.D. = 0.81, and a Variance = 0.65) comes next in the order of importance of the values; followed by the last two and the least equally significant variables; The insurer increases insurance penetration of the consumer sector as a growth factor, and Insurance claims handlers ensure the customer is treated fairly and that the customer receives excellent service in accordance with industry and company guidelines observed mean = 1.95 for each, with corresponding S.Ds. = 0.74 and 0.76, and Variances = 0.55 and 0.58 for the former and the later mean scores respectively.

The last set of indicators in Table 2.3 is showing the status-quo of the insurance firms. It particularly envisages the absence of robustness of organizational efforts, lack of abreast and perpetual passion to enhance property insurance business.

The aggregate or overall mean score on the effectiveness level of the insurers in materializing property insurance (Table 2.1, 2.2 and 2.3) was 2.98 with a corresponding average S.D. = 1.12. The observed aggregate mean for the indicators' category was bellow the hypothesized

population mean or the expected mean score, and surfaces only to a ‘satisfactory’ which recognizes us the facile efforts and lack of meticulous attention of the insurers to escalate property insurance business in the target area.

Table 3: Customers’ Response on Insurers’ Level of Effectiveness

	Indicators for Insurers’ Effectiveness	Mean	S. D.	Var.
1	There is rust b/n insurer and customers for all property insurance requirement	3.49	1.319	1.741
2	Think that the insurance company offers competitive insurance products on property basiss insurance company offers competitive insurance product on property basis	3.25	1.295	1.677
3	There is trust to the insurance company for all your financial needs	3.19	1.256	1.577
4	There is trust the design of facilities made by your insurer to achieve specific marketing	3.16	1.247	1.555
5	There is sufficient expertise of the insurers employees in property insurance product	2.94	1.343	1.802
6	The employees of the insurer can advise on property insurance	2.84	1.298	1.684
7	Our insurer effectively deploys modern insurance services products to meet changing consumer needs insurance gent gives you all information needed	2.78	1.289	1.660
8	Do you think that your insurance agent gives you all the information needed?	2.75	1.344	1.806
9	Does the insurer keep technological environment updated to retain the end users?	2.71	1.371	1.880
10	Do you think that your insurance agent is expert in insurance services/products?	2.41	1.132	1.281
	Overall Mean	2.96	1.29	

Table 3 contains the summarized data on customers' views about on the effectiveness level of the insurers in materializing property insurance. According to the descending order of the relevance of the variables, customers' responses are analyzed in the next few lines. First, for the question forwarded to see if the customers trust their insurer for all their property insurance requirements, the respondents viewed their level of agreement to a "satisfactory" option. This could be observed from the mean score = 3.49, with a corresponding S.D. = 1.32 and a Variance = 1.74. The increased values in the S.D. and the Variance could reveal the deviation characteristic of individuals' views from sample (observed) mean value.

Next, for the question forwarded to know if the customers think that the insurance company offers competitive insurance products on property basis, the data revealed the respondents level of agreement limited to mean score = 3.25, with a corresponding S.D. = 1.29 and a Variance = 1.68. Here, too, the increased values in the S.D. and the Variance could reveal the deviation characteristic of individuals' views from sample (observed) mean value.

For the question, Do you trust the insurance company for all your financial needs, the respondents' view was aggregated with mean score = 3.19, with a corresponding S.D. = 1.26 and a Variance = 1.58; followed by the result for the question saying; Would you trust the design of facilities made by your insurer to achieve specific marketing, with mean = 3.16, with a corresponding S.D. = 1.24 and a Variance = 1.55. The sample (observed) mean values, up to here, indispensable for the propensity of the variables showed above the hypothesized population mean or the expected mean score.

Beside this, the following response analysis corresponds to fewness of the consent of the customers to engender or feel as the situation indicated by the variables to exist and the sample (observed) mean values were generally lied bellow the hypothesized population mean or the expected mean score. This was evident from the response values obtained for the question says; Do you think that insurer employees have sufficient expertise in property insurance products; (mean = 2.94, with a corresponding S.D. = 1.34 and a Variance = 1.8); followed by lowered confidence as to think that employees of the insurer could advise on property insurance products (mean = 2.84, with a corresponding S.D. = 1.29 and a Variance = 1.68).

The next considerable value in the list was observed for the question says; Does your insurer effectively deploys modern insurance services/products to meet changing consumer needs (mean = 2.78, with a corresponding S.D. = 1.29 and a Variance = 1.66); followed by the response value obtained for the question saying; Do you think that your insurance agent gives you all the information needed (mean = 2.75, with a corresponding S.D. = 1.34 and a Variance = 1.80).

The last in the lists were the values observed from two customers' questions saying; does the insurer keep technological environment updated to retain the end users; and do you think that your insurance agent is expert in insurance services/products. For these questions the respondents' views were observed with mean = 2.71 & 2.41, corresponding S.Ds. = 1.37 & 1.13, and Variances = 1.88 & 1.28 for the former and the later indicators respectively.

The aggregate/ overall mean was 2.96 and a corresponding S.D., 1.29, which seems almost concordant with that of the preceding, employees' aggregate mean value (2.98 and S.D. = 1.12).

To sum up the analysis part on Basic Question Number 1, among others:

- Insurance claims handlers hardly ensure that the customers are treated fairly and that the customers receive excellent service in accordance with industry and company guidelines;
- The insurer were little to do to increase insurance penetration of the consumer sector as a growth factor;
- Insurance claims handlers indispensable effort was marginal to ensure that insurance claims are handled efficiently and that payment for valid claims is made to their policyholders;
- In the still-challenging investment environment, the insurers were doing at the precarious of the supra-system (an environment in which the system operates); and they lacked meticulous attention to invest in enterprise risk management tools that assess evolving liabilities, capital structures and business plans; and
- Insurers were poor to carefully choose smart and presentable personnel who will be interacting with the clients.

More explicitly, the customers' experiences on the effectiveness level of the insurers in materializing property insurance revealed the realities of the insurance firms mainly of that:

- Insurance agent lacked expertise in insurance services/products;
- The insurers lacked to keep technological environment updated to retain the end users;
- Insurance agents hardly gave the customers all the information needed;
- Insurers were at precarious to effectively deploy modern insurance services/products to meet changing consumer needs;
- Employees of the insurer couldn't grapple their part as to advise on property insurance products;
- Lack of sufficient employees experience and expertise to make indispensable efforts in delivering property insurance products,

were the most perturbing problems according to the order of importance listed above.

4.2.2 Major Challenges the Insurers Face to Intensify Property Insurance Business in the Target Area

In the previous analysis sub-section, the researcher attempted to analyze and find out the most important aspects where the insurance companies were at precarious to render effective services in materializing property insurance and to satisfy the insured (customers). In this section, the analysis gave much of emphases on major challenges the insurers face to intensify property insurance business in the target area.

Property insurance insures one's business/property against loss or damage to the location of the business and to its contents. To take growth to the next level, insurers might have to test new product lines, explore additional target markets and consider expanding their distribution channels to reach a wider base of prospects, while also contemplating opportunities for mergers and acquisitions. There are lessons that can be learned from direct sellers that can help careers enhance the customer experience regardless of how they distribute insurance today. In fact, many insurers are exploring alternative channels to capture greater market share. Innovation can also help insures target growth opportunities from emerging risks. According to Delloitte, (2013) using advanced analytics for core underwriting policy administration and claims management functions might require significant IT system consideration. Meanwhile, highly skilled individuals are needed for advanced data analytics and predictive modeling, as well as for

complying with new regulatory and financial reporting requirements. With the help of facets of data maintained by tables 3 and 4, this researcher attempted to analyze and interpret the employees and the customers' views about the major challenges that may have caused haphazard on the effective deliverance of property insurance business in the target area.

Table 4.1: Employees' Response on Internal Organizational Capacity, Competition & Motivational Factors

Internal Organizational Capacity, Competition & Motivational Factors (n = 21-1)		Mean	S. D.	Var.
1	There exists an effective feedback, focusing on what the employee is doing well and what needs improvement.	4.00	1.000	1.000
2	There is supportive goal-oriented relationship with immediate supervisor in the company.	3.90	.944	.890
3	The management team is providing the communication necessary to align each employee's actions with the organization's overall business goals.	3.81	.981	.962
4	Employees are most engaged as they are accountable to measure the outcomes of their performance.	3.76	1.044	1.090
Mean Average		3.87	0.99	

In Table 4.1, a few indicators in relation to internal organizational capacity, competition and motivational factors were observed for generally "high" aggregate mean scores (between 3.76 and 4.0). The first and the best insurance organizations' internal capacity and strength was observed in the existence of effective feedback, focusing on what the employee is doing well and what needs improvement (mean = 4.0, with a corresponding S.D. = 1.0, and a Variance = 1.0).

Next, in the order of importance list was the existence of supportive goal-oriented relationship with immediate supervisor in the company (mean =3.9, with a corresponding S.D. =0.94, and a Variance = 0.89); followed by the versatility of insurance management team in providing the communication necessary to align each employee's actions with the organization's overall

business goals (mean = 3.8, with a corresponding S.D. = 0.98, and a Variance = 0.96); and lastly comes Employees are most engaged as they are accountable to measure the outcomes of their performance (mean = 3.76, with a corresponding S.D. = 1.04 , and a Variance = 1.09).

Compared to the overall mean score, 3.87, and the corresponding S.D., 0.99; except a recognizable degree of individuals’ deviation characteristic from the average mean, the overall result pronounces the status-quo as concordant as possible. Since all the above references show relative preponderance or salient nature of internal organizational capacity, and still, employees were satisfied with such maze of activities, then, the indicators maintained in table 4A, above could never be considered as major challenges of the insurers.

Table 4.2: Employees’ Response on Internal Organizational Capacity, Competition & Motivational Factors

5	There are shared values and guiding principles that enhance collaborative efforts.	3.40	1.392	1.937
6	The insurance company works to maintain a reliable networking with partners, for example, brokers,	2.95	1.203	1.448
7	Job-specific trainings in the human resource development has helped the company to be effective in the competitive business environment.	2.76	1.261	1.590
8	The organization’s financial stability is satisfying for the effectiveness of the insurance business.	2.76	1.261	1.590
9	There are effective managers at all levels who are committed to measuring employee performance and holding employees accountable.	2.67	1.238	1.533
	Mean Average	2.91	1.27	

The table indicated by 4.2 show contained certain indicators charged with “satisfactory” response values, with observed mean ranges from 2.67 through 3.40. The most significant result among the category lists was registered for the carved shared values and guiding principles that enhance collaborative efforts (mean = 3.40, with a corresponding S.D. = 1.39, and a Variance = 1.93). Mean while, the highest S.D. and Variance were observed with this variable. Among the list of indicators, the existence of shared values and guiding principles was the only sample (observed) value which could lie above the hypothesized population mean or the expected mean score (3.0).

Other indicators such as: the insurance company works to maintain a reliable networking with partners, for example, brokers, (mean = 2.95, with a corresponding S.D. =1.20, and a Variance = 1.44); followed by two indicators: Job-specific trainings in the human resource development has helped the company to be effective in the competitive business environment, and the organization's financial stability is satisfying for the effectiveness of the insurance business were observed having equal mode (mean = 2.76, with corresponding S.Ds. = 1.26 , and Variances = 1.59 each). The least result in the category list was observed for the existence of effective managers at all levels who are committed to measuring employee performance and holding employees accountable (mean = 2.67 , with a corresponding S.D. = 1.23, and a Variance = 1.53).

The mean average was calculated for 2.91 and a corresponding average S.D., 1.27. Among others large S.D. value throughout the individual list and in the average S.D. was a typical feature of Table 4B, which reveal the perpetual deviation of individuals' responses from the adjacent mean values and from overall mean score.

Generally, from this part of the data we could generate some relevant points related to challenges in organizational capacity, competition and motivational factors veritable and indispensable to answer Basic Question Number 2. These were:

- Lack of effective managers at all levels who are committed to measuring employee performance and holding employees accountable;
- Inappropriate financial feasibility and stability, satisfying the effectiveness of the insurance business;
- Poor job-specific training trends in the human resource development little to do to help the companies to be effective in the competitive business environment;
- Less reliable networking with partners, for example, brokers,

from highest to lowest order respectively challenging the insurance firms to maintain robustness of the insurance business.

Table 4.3: Employees’ Response on Internal Organizational Capacity, Competition & Motivational Factors

10	Variety of work is adequate to satisfy customers.	2.48	1.167	1.362
11	The insurer adequately understands the buying habits and patterns of the available customers.	2.38	1.071	1.148
12	The company’s commitment to corporate social responsibility is remarkable to bring change.	2.38	1.117	1.248
13	The company is dedicated to demonstrate an overall corporate culture.	2.38	1.024	1.048
14	In this insurance company the work itself satisfies me.	2.14	1.062	1.129
15	Recognition and reward system is available, frequent, and recognizes actions that are truly worthy to attain success.	2.10	1.044	1.090
16	Management’s recognition of employee job performance triggers motivation with in the staff members.	1.90	.768	.590
17	The insurance company demonstrates autonomy and independence to achieve organizational success.	1.71	.717	.514
18	Opportunities at the work place are conducive for me to use my skills and abilities.	1.67	.730	.533
	Mean Average	2.13	0.97	
	Overall Mean	2.97	1.08	

The vast list in the employees’ response data in relation to internal organizational capacity, competition and motivational factors were observed for generally ‘low’ aggregate mean scores (labeled between 2.48 and 1.67). Variety of work adequate to satisfy customers (mean = 2.48, with a corresponding S.D. = 1.16, and a Variance =1.36); followed by tri-modal mean (3-

indicators having similar mean scores. These were insurer adequate understanding about the buying habits and patterns of the available customers; the company's commitment to corporate social responsibility remarkable to bring change, and the companies dedication to demonstrate an overall corporate culture (observed modest mean scores = 1.90 , with corresponding relatively differing S.Ds. (1.07, 1.11 and 1.02) and differing Variances (1.14, 1.24 and 1.04) for the former the middle and the later indicators respectively.

In this insurance company the work itself satisfies me (mean =2.14, with a corresponding S.D. =1.06, and a Variance = 1.12) was the next less significant value in the values list; which was followed by Recognition and reward system available, frequent, and recognizes actions that are truly worthy to attain success (mean = 2.10, with a corresponding S.D. = 1.04, and a Variance = 1.09).Later, Management's recognition of employee job performance triggering motivation within the staff members (mean =1.9, with a corresponding S.D. = 0.76, and a Variance =0.59) which was followed by the companies' ability to demonstrate autonomy and independence to achieve organizational success (mean =1.7, corresponding to S.D. =0.71, and a Variance = 0.54); and lastly comes Opportunities at the work place conducive to use skills and abilities (mean =1.67 , with a corresponding S.D. = 0.73 , and a Variance = 0.53).

The average mean for the category lists was 2.13, which reveals the low qualities of the insurers' experiences connected to indicators observed in last table, while the average S.D = 0.97 was <1 and > 0.5 to inform the relatively moderate deviational characteristic behavior of individual respondents against the average mean score. But the overall/ aggregate mean was relatively better than the average mean, and still tells the values contained by 4A, 4B and 4C were below the hypothesized population mean or the expected mean score (3.0); and the adjacent grand S.D. was > 1.0.

From this part of the data we could generate more relevant points related to challenges in organizational capacity, competition and motivational factors. These were:

- Opportunities at the work place less conducive for the employees to use their skills and abilities;
- The insurance companies hardly demonstrate autonomy and independence to achieve organizational success;

- Lack of management’s recognition of employee job performance little triggering motivation within the staff members;
- Recognition and reward system unavailable, infrequent, and unrecognizing actions that are truly worthy to attain success;
- Low satisfaction of the employees by the work of the insurance companies;
- Little dedication showed by the companies to demonstrate an overall corporate culture;
- Lowered level of the companies’ commitment to corporate social responsibility to bring remarkable change;
- Inadequate understanding of the insurers about the buying habits and patterns of the available customers; and
- Inadequate variety of works to satisfy the customers from high to low in that order of challenges respectively.

Table 5.1: Response Data on Customers’ Complaints over Property Insurance

Indicators for Customers’ complaints over property insurance				
(n=64-1)		Mean	S. D.	Var.
1	I see many of the insurers could not manage to translate the standard policies into the customers’ (local) languages, due this fact; customers are unable to well interpret policy matters.	4.50	.508	.258
2	The claim management system within the insurers is often disgusting because of long bureaucratic chains.	4.42	.502	.252
3	Insurers usually charge high service-processing cost from their customers.	4.41	.560	.314
4	Insurance companies often demonstrate unethical competition.	4.38	.554	.306
5	Insurers usually delegate less talented sales people who could not convince effectively to purchase property insurance policy (lacks skilled man power).	4.34	.545	.297
6	There is very less variation among the offerings of different insurance companies.	4.28	.634	.402
7	If any customer comes to them to solve some problems, they do not solve those problems efficiently.	4.25	.672	.452
8	Low income and purchasing power doesn’t permit the people of the target area to go for an insurance policy.	4.16	.767	.588

9	The insurance companies in the target area are not delivering adequate information (regarding company and property insurance policy) properly.	4.06	.840	.706
10	There is a discrepancy between customer expectations and their perceptions of the service delivered.	3.97	1.031	1.064
11	Management of the insurance scheme is aware of customers' expectations but could not be willing or able to put systems in place that meet those expectations.	3.84	1.139	1.297
12	Organizational policies and standards for service levels are in place.	3.72	1.054	1.112
13	Lack of trustworthiness is one of the major problems of property insurance business in the target area.	3.59	1.214	1.475
14	There is a visible gap between the organizational service specifications and actual levels of service delivery.	3.50	1.344	1.806
Overall Mean		4.10	0.81	

From the above customers' response data, we can recognize a number of customers' level of satisfaction about the most important challenges and their satisfaction. Among others, the customers "very high" dissatisfaction was cognizant in translating policies into customers' local language. This was evident from the question says; I see many of the insurers could not manage to translate the standard policies into the customers' (local) languages, due this fact; customers are unable to well interpret policy matters (mean =4.5, with a corresponding S.D. = 0.508, and a Variance = 2.08). It was the most important item ever scored by such a "very high" response manner.

The second area of customers' dissatisfaction were connected to The claim management system within the insurers is often disgusting because of long bureaucratic chains (mean =4.42, with a corresponding S.D. = 0.502, and a Variance =0.252); followed by Insurers usually charge high service-processing cost from their customers (mean =4.41, with a corresponding S.D. = 0.56, and a Variance =0.314).

Insurance companies often demonstrate unethical competition was given the next recognition (mean =4.38, with a corresponding S.D. =0.554, and a Variance =0.306), which was followed by Insurers usually delegate less talented sales people who could not convince effectively to purchase property insurance policy (lacks skilled man power) (mean = 4.34, with a corresponding S.D. =0.545, and a Variance =0.297).

The customers generally viewed from "very high" to "high" for 14 indicators which were assumed to be the challenges generally in the insurance trends and specifically about to trust on property insurance scheme. Their responses lie, mean scores between 4.50, the highest and 3.50,

the lowest values. The overall mean score was 4.10 with a corresponding average S.D. valued to 0.81. when one moves from the top to the bottom on the list in Table 5A, the values of the adjacent S.D. increased at the bottom of the table.

Generally, insurers had “very high” and “high” challenges to render customers with good property insurance services in that:

a) A Very high challenge:

- Many of the insurers could not manage to translate the standard policies into the customers’ (local) languages, due this fact; customers are unable to well interpret policy matters;

b) High challenges:

- The claim management system within the insurers is often disgusting because of long bureaucratic chains;
- Insurers usually charge high service-processing cost from their customers;
- Insurance companies often demonstrate unethical competition;
- Insurers usually delegate less talented sales people who could not convince effectively to purchase property insurance policy (lacks skilled man power);
- There is very less variation among the offerings of different insurance companies;
- If any customer comes to them to solve some problems, they do not solve those problems efficiently;
- Low income and purchasing power doesn’t permit the people of the target area to go for an insurance policy;
- The insurance companies in the target area are not delivering adequate information (regarding company and property insurance policy) properly;
- There is a discrepancy between customer expectations and their perceptions of the service delivered;
- Management of the insurance scheme is aware of customers’ expectations but could not be willing or able to put systems in place that meet those expectations;
- Lack of trustworthiness is one of the major problems of property insurance business in the target area; and

- There is a visible gap between the organizational service specifications and actual levels of service delivery.

Table 5.2: Response Data on Customers’ Complaints over Property Insurance

15	Property Insurance companies in the target area are not providing attractive offerings to the customers.	3.47	1.295	1.676
16	Executives’ perceptions of superior quality service are largely congruent with customers’ expectations.	2.44	1.268	1.609
17	The differences in the understanding of customer expectations arise between managers and service providers.	2.28	1.198	1.434
	Mean Average	2.73	1.25	
	Overall Mean	3.42	1.03	

Table 5.2 illustrates the insurers’ challenges in delivering property insurance services optionally to a “moderate”/ medium and at “low” levels. The first two were medium level challenges while the last one was, of lower level challenge. These according to the chronological list in Table 5.2 were:

c) Moderate challenge:

- Property Insurance companies in the target area are not providing attractive offerings to the customers; and

d) Lower level challenges:

- Executives’ perceptions of superior quality service are largely congruent with customers’ expectations; and
- The differences in the understanding of customer expectations arise between managers and serviceproviders.

The overall mean for the customers’ response in Table 5.1 & 2 were calculated 3.42 and a corresponding average S.D. was 1.03 which shows an average high degree of individuals’ response deviation characteristic from the grand-mean was demonstrated in the customers’ response data.

Generally, there exist a great deal of insurance haphazard that had caused problems towards the salient and self-satisfied yardstick of the property insurance service in the target area.

4.2.3 Existing Prospective Situations help to Ensure Smooth Functioning and Growth of Property Insurance in the Target Area

The country, with all its regions, is experiencing an investment trend. With the growth of investment opportunities, more investors, including Diasporas, are believed to be willing to take insurance policy safeguarding their property from any danger. In its yardstick, Jimma is situated in peace and harmony of the civil society for longer; no political unrest might hamper the development of property insurance. The place is rather famous for exporting a huge share of coffee-export to global market. Hence, many people in and around the town establish coffee processing plants, which can require an arrangement of risk transfer and distribution of contractual relationship securing their property.

In the target place there are a number of insurance companies if efficiently and effectively manage property insurance business opportunity, they can get lots of customers than they might hold currently. Sarich (2013) believes in that insurance companies must address their slow-to-change mindset in three major areas: people, sales channels and technology. According to him, most insurance companies operate using old mainframe systems. Prospect wise, there is a big opportunity lies ahead for insurance companies to rely on.

In order to identify their possible prospects, the insurance companies needed to be versatile at many different things. Therefore, the last part of the analysis was devoted to engender remarkable prospective situations harnessing the growth and expansion of property insurance in the target area. Table 6A and 6B provide the employees' response on the possible prospects for property insurance business concord with the social, economic and cultural perspectives of the society.

Table 6.1: Response Data on Possible Prospects of Property Insurance Business

	Indicators of Possible Prospects (n=21-1)	Mean	S. D.	Var.
1	The company is curious in that misleading sales tactics have been a long-lasting problem, damaging the reputation of insurance.	4.33	.730	.533
2	The inclination of property insurance clients to select private insurance companies suggests, implicitly, that the quality of service is better at the private firms even though their (private insurance companies) service cost is somewhat higher.	4.24	.831	.690
3	There are more educated people who are likely to have better information about the quality of services provided by both public and private insurance companies.	4.05	.921	.848
4	The company attempts to undertake major responsibilities of the local legislators, government agencies, supervisory departments to have contribution for market expansion.	3.71	1.146	1.314
5	The insurer has a plan to effectively intervene in catastrophe protection.	3.62	1.161	1.348
	Mean Average	3.99	0.96	

Some indicators show the higher degree of employees' agreements, first, the companies were curious in that misleading sales tactics have been a long-lasting problem, damaging the reputation of insurance (mean = 4.33; with a corresponding S.D. = 0.73; and a Variance = 0.53). The curiosity of insurance firms against misleading sales tactics as being a long- lasting problem was a good trend- commensuration with meticulous issues of prospects.

The second prospective situation lies on, the inclination of property insurance clients to select private insurance companies, which implicitly suggests that the quality of service could be better at the private firms even though their (private insurance companies) service cost is somewhat higher (mean = 4.24; with a corresponding S.D. = 0.83; and a Variance = 0.69). Since private insurance businesses are tacit to have frontal and friendliest services and benefits to the wide customers, except their service cost, they can and would deliver full-time and full-size insurance service to clients.

Next, there are more educated people who are likely to have better information about the quality of services provided by both public and private insurance companies (mean = 4.05; with a corresponding S.D. = 0.92; and a Variance = 0.848). In fact, literacy status extremely hampers the acceptance of something new though it is beneficial. Suspiciousness, denial and rejection are constructs illuminating with positive prospective. Hence, the existence of more educated people

to “high” degree was a credential issue leveraging with possible prospective situation indemnifying property insurance business.

The company attempts to undertake major responsibilities of the local legislators, government agencies, supervisory departments to have contribution for market expansion (mean = 3.71; with a corresponding S.D. = 1.146; and a Variance = 1.314), and the insurer has a plan to effectively intervene in catastrophe protection (mean = 3.62; with a corresponding S.D. = 1.161; and a Variance = 1.348) became the last values in the list with exceptionally increasing S.Ds. and Variances within the last two indicators. This could show the individuals’ deviation characteristics were relatively higher for these two, compared with the adjacent mean scores.

Generally, in regard to prospective situations harnessing the growth and expansion of property insurance is potentially remarkable with:

- The companies curiosity in that misleading sales tactics have been a long-lasting problem, damaging the reputation of insurance;
- The inclination of property insurance clients to select private insurance companies implicitly suggests that the quality of service is better at the private firms even though their (private insurance companies) service cost is somewhat higher; and
- There are more educated people who are likely to have better information about the quality of services provided by both public and private insurance companies.

Table 6.2: Response Data on Possible Prospects of Property Insurance Business

6	My insurance company often seeks out information on a potential user's lifestyle, loyalty, and spending habits.	2.95	1.499	2.248
7	The insurance company's laws and regulation specifies that a determining factor in the establishment of new branches was premium volume rather than profitability.	2.86	1.195	1.429
8	My insurance company offers a number of property insurance services/ products based on the attitudes, beliefs and emotions of their target market.	2.71	1.271	1.614
9	The insurer has a blueprint for promoting the development of a modern insurance industry.	2.67	1.390	1.933
10	The insurer has a plan to effectively involve in facilitating economic growth and efficiency of micro enterprises business.	2.62	1.322	1.748
11	The insurance company works to enable insured's to truly appreciate the value of the policy, thereby leading the industry as a whole to be well recognized and accepted by the general public.	2.60	1.353	1.832

12	The high levels of public's dissatisfaction result mainly from such factor as poor service in claim settlements has been eliminated from the core functional area.	2.57	1.287	1.657
13	Behavioristic factors are widely supported to construct a promotional campaign that could appeal to the target area in order to diversify property insurance market.	2.52	1.365	1.862
14	My insurance company sees itself as innovative and creative to adhere company's position in marketing tactic.	2.38	1.117	1.248
	Mean Average	2.65	1.31	
	Overall Mean	3.32	1.14	

The above table, Table 6.2, show employees' thoughts interwoven with lowered missions and values of the insurance companies that would hamper future prospects. First, my insurance company often seeks out information on a potential user's lifestyle, loyalty, and spending habits (mean = 2.95; with a corresponding S.D. = 1.499; and a Variance = 2.248), followed by another fairly low attitude of the employees' showed in that the insurance company's laws and regulation specifies that a determining factor in the establishment of new branches was premium volume rather than profitability (mean = 2.86; with a corresponding S.D. = 1.195; and a Variance = 1.429).

Next in the list was the response for the insurance companies to offer a number of property insurance services/ products based on the attitudes, beliefs and emotions of their target market (mean = 2.71; with a corresponding S.D. = 1.271; and a Variance = 1.614), and The insurer has a blueprint for promoting the development of a modern insurance industry (mean = 2.67; with a corresponding S.D. = 1.39; and a Variance = 1.933).

Following to these was the employees' response in that the insurer has a plan to effectively involve in facilitating economic growth and efficiency of micro enterprises business (mean = 2.62; with a corresponding S.D. = 1.322; and a Variance = 1.748) and the insurance company works to enable insured's to truly appreciate the value of the policy, thereby leading the industry as a whole to be well recognized and accepted by the general public (mean = 2.6; with a corresponding S.D. = 1.352; and a Variance = 1.832).

The three indicators which got employees' least recognitions were: The high levels of public dissatisfaction result mainly from such factor as poor service in claim settlements has been

eliminated from the core functional area (mean = 2.57; with a corresponding S.D. = 1.287; and a Variance = 1.657); Behavioral factors are widely supported to construct a promotional campaign that could appeal to the target area in order to diversify property insurance market (mean = 2.52; with a corresponding S.D. = 1.365; and a Variance = 1.862); and My insurance company sees itself as innovative and creative to adhere company's position in marketing tactic (mean = 2.65; with a corresponding S.D. = 1.117; and a Variance = 1.248) from higher to lower in that order of sequence.

In the above response data, one could recognize that there exist significant increases in the S.Ds. and Variances throughout the table data. This characterizes the response deviation characteristics of individuals from the corresponding mean scores. The mean average for the last data was calculated for 2.65 with a corresponding average S.D., 1.31, while the aggregate/ overall mean score for prospective situations harnessing the growth and expansion of property insurance was 3.32 and corresponding grand average S.D., 1.14 exactly.

In fact, the value of the respondents' views could be generalized as was "satisfactory" leveraging possible prospective situations with the property insurance business in the area, but as far as competitive advantage is the heart of insurance business success, predicaments need to be clear and insurers require to avoid the pitfalls against the improvement and quality of property insurance business.

According to Maynard & Ranger (2012), once the companies have bought a satisfactory policy it's essential that they cover remains up-to-date and adequate. As customer's tastes and preferences are changing, the market scenario is also changing from time to time. Today's market scenario is very different from that of the market scenario before 1990. There have been many factors responsible for the changing market scenario. It is the changing tastes and preference of customer which has brought in a change in the market. Income level of the people has changed; life styles and social class of people have completely changed now than that of olden days. There has been a shift in the market demand in today's world.

Technology is one of the major factors which is responsible for this paradigm shift in the market. New generation people are no more dependent on that market and far off departmental stores.

Today we can see a new era in market with the opening up of many departmental stores, hyper market, shopper's stop, malls, branded retail outlets and specialty stores. In today's world shopping is not any more tiresome work rather it's a pleasant outing phenomenon now. Therefore, property insurers require coping up with the changing world in order to overcome challenges and extract better property insurance market opportunities at their convenience.

Figure 4: Overall Mean and Average S.D.-Based Summary Graph for Quantitative Data

4.2.4 Analysis of Interview Data

Q1) According to majority of the management's common consent, the concept of all financial services under one roof contributed a lot in the efficiency and effectiveness of the service of property insurance. This consent was strictly parallel with the quantitative data analyzed in the previous sub chapter, under heading 4.2.1. Among others, the Ethiopian Insurance Corporation provides more than 30 types of non life insurance policies. Non life insurance policies are used to cover property and liability risks. The Corporation revises its policies regularly and produces new policies based on the country's current economic development and the demand of customers. For instance, currently it has prepared new insurance policies like Floriculture, Condominium, Tea and coffee, Weather Indexed Crop Insurance, Warehouse Operators Liability Insurance.

The major property and liability insurance services given by the Corporation 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 and the like. It has lots of lessons to be learned by companies found in the private sector for managing standards and marketing mix.

Managing customer service for a number of management interviewees was rather different because customers always focus on price and quality of the service, so from marketing mix, price and product or service have significant role in customer service though place and promotion play their own role.

The trend in marketing toward building relationships with customers is continuing to grow, and marketers have become increasingly interested in retaining customers over the long run. Not surprisingly, many practical models of customer retention have explored satisfaction as a key determinant in customers' decisions to keep or drop.

Q2)In fact, many insurers are exploring alternative channels to capture greater market share, catering to the needs and preferences of different segments while cutting frictional costs. As a result, more carriers may be challenged to effectively manage multiple platforms and resolve channel conflict while maintaining the customer experience.

In fact, the government insurance and many of the private insurance companies, according to the interviewees, have made attempts to update themselves to stand straight with the competitive environment. This effort has been made in order to have more customers. In regard to this, many of the insurers try to diversify property insurance policy according to the risk that will be expected to materialize. On the growth front, some insurers, for instance: the government (EIC), Africa and Nile Insurances have been entering in a new market which may have an advantage since it becomes a green field project not constrained by legacy systems.

In exchange for an initial payment, known as the premium, insurers promise to pay for loss caused by perils covered under the policy language. Insurance contracts were designed to meet specific needs and thus have many features not found in many other types of contracts. Since insurance policies are standard forms, they feature 'boilerplate' language which is similar across a wide variety of different types of insurance policies. Customers gather information about each insurance industry's price (premium) and quality of claims service. Having such information, they prefer the least price and good claims handling.

Some interviewees asserted that they propose that though robust current models of customer retention that focus on the influence of customer satisfaction on the decision could be enhanced by incorporating the effects of the customer's future considerations as well. Specifically, they advance the society that when deciding whether to continue a product or service relationship, consumers not only consider current and past evaluations of the firm's performance (e.g. overall satisfaction, service quality, perceived quality) but also in corporate future considerations regarding the service.

Q3) From many of the management common consent, the obtained response to this was positive. Business policies, marketing policy in particular, followed by insurance companies, in many cases, had been too old and outdated. But during the past few years, after the initial phase of privatization, the new entrants have been busy developing new products, setting up the network, enrolling agents, forming alliances with companies, banks and other intermediaries for distribution of products, establishing systems for delivery of products, instituting risk management systems to facilitate underwriting and the like. In the current ongoing phase, the companies are expected to consolidate their operations and further enhance their market share with the infrastructure that has already been created, some insurance managers confirmed.

The companies' expense, as few private agents alluded, was little on the research and development of the insurance sector. Technology was, and will be, central to the industry's ability to respond to their challenges and develop new, more profitable operating models. Some management interviewees consented in that as far as company's success is regarded, the technical aspect of the insurance business should sufficiently aggregate with technology. But the companies' efforts were only limited with unsophisticated, simplest computer system;

building business networks with the help of electronic appliances had been good tools to enhance advertisement, market promotion, and for effective and efficient client communication.

Q4) Both private and public insurance companies are regulated under strict supervision of National Bank of Ethiopia. Sales targets hardly congruent to amount of rewards they receive and this had subsequent impact on motivation and behavior. In some situations, some clients notice that lack of skilled man-power, less concern in translating the standard policies into clients' language, unethical competition among insurers, and to some extent, malpractices, are prime reason of not being preferred by the local clients, few managers confirmed.

Except Ethiopian Insurance Corporation, to the consent of other management interviewees, majority of the private insurance companies suffer from lack of skilled man power and unfair competition. For all of the insurance managements, an unethical demand made by clients or customers was a serious problem, and mid-level managers who were only concerned with their own personal gain.

One manager said that the relationship between ethical behavior and customer orientation of insurance sales agents shown there were significant relationship between agent's performance and compensation to unethical behavior. Attitude towards committing the unethical behavior mediates the relationship between role ambiguities on intention to commit the unethical behavior. According to this management, they draft an appropriate demand letter. The demand letter incorporates elements of liability and damages with case citations, witness statements, police reports, medical evaluations, photographs, etc. provide documentary support for each element of damages, particularly for loss of consortium, loss of enjoyment of life, pain and suffering and other non-economic damages, as well as in cases of wrongful death.

Another management explained about unethical behavior saying that individuals learn behavior from significant others with which they interact. He believes insurance agency theory should effectively address the issues of moral hazards and adverse selection and the straight commission compensation system where there is only one principal and one agent help resolves the issues of moral hazards and adverse selection. All these had adverse psychological and behavioral consequences such as decreased job satisfaction, stress and motivation of individual agents.

The truth in relation to skilled-man power in all insurance firms was evident in that though majority of the insurance employees were qualified to their first degree level, in practice, the attribution of their qualification was little to do to provide reliant and satisfying work output, one interviewee from the private sector asserted. He said, young and inexperienced adjusters couldn't evaluate the case properly from a settlement perspective and will often offer you little or nothing. Once the insurance carrier is put on, one must notice that a claim will be made against its insured, an adjuster is assigned to the case. The particular adjuster will depend on a variety of factors, including the size, nature, complexity, and in some cases, the location of the claim. As a general rule, he continued, the more complex and potentially dangerous the case is, the more experienced and potentially hardened the adjuster. Most of them do not have authority to settle beyond a certain limit and must go to a supervisor. The problem was that majority of the insurance claim adjusters in the target area were little or totally inexperienced, which would have a negative impact on customer care.

This response is very important and still congruent with the personal data analyzed at the beginning of this chapter about the work experience profile of the insurance employees. Except at Ethiopian Insurance Corporation, it was recognized that majority of the employees had less experienced in the insurance business, but most of the employees have the required level of professional qualification. Still, the human resource aspect of the insurance companies is an area of strong complaint due the fact that, except majority's general qualification stretched to business and economics-related fields, they lack specific knowledge, talent, experience and expertise directly related to the subject matter, insurance. This was a compelling factor to effectively and efficiently deliver property insurance arrangements, secure risk transferring mechanisms for insured ones, and undertake market expansions based on the existing insurance policy.

On the other hand, according to the common consent of some management interviewees, there are few problems that arise with the experienced adjusters. In most cases, he or she would know every trick in the book and would conclude that you were trying to pull off every one of those tricks. Additionally, some of these adjusters liked to play lawyer and thought that they could analyze the case with all of its legal ramifications, complexities and uncertainties.

Next, lack of awareness was one challenge towards the effectiveness of the insurance business which [was connected to skilled man power] resulted in inability to effectively translate the standard policy into local situations. In this case, policy documents were required to be understood by the end-users; thus, had it been better to be translated at the convenient language the local customers and the community commonly used.

Generally, the existing property insurance trend in the area was viewed with considerably high challenges or inconveniencies. Managing customer service,exploring alternative channels to capture greater market share, old marketing policy, setting up new business networks, little attention on research and development aspect, in industry's ability to respond to technological transformation, lack of skilled man-power and unfair competition, unethical behavior and lack of awareness plus in inability to effectively translate the standard policy into local situations were significant complaints existed in the insurance companies in the area. The problems were severe in the private business schemes than the government ones.

CHAPTER FIVE

FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Findings

This survey is assumed to be the one that substantiates problems and prospects of property insurance in Jimma Town. The purpose of the study, thus, comprised a number of research core components: identifying the extent insurers in Jimma Town were effective in terms of materializing property insurance; analyzing the major challenges the insurers faced to intensify property insurance market in the target area; and assessing possible prospective situations existed so as to ensure smooth functioning and growth of property insurance in the target area.

There have been a clear assumption in that as far as insurance firms are the one that could stand for transaction (indemnity), they should deliver adequate and reliable and sustaining property insurance services to the neediest. In order to carry out the survey, a standard framework of assessment was proposed in light with 3-basic questions. These were:

- 1 To what extent insurers in Jimma Town are effective in terms of materializing property insurance?
- 2 What are the major challenges the insurers face to intensify property insurance market in the target area?
- 3 What possible prospective situations exist so as to ensure smooth functioning and growth of property insurance in the target area?

Mean while, descriptive survey method, with questionnaires and interview tools were employed to investigate the problem. Samples covered 21- government and private insurance employees; seven insurance managements and 64- insurance customers, who were sampled from 6 insurance

firms, one, from government and five, from private sector. Convincing evidence was provided the basic questions in correspondence with the objectives and method employed in the research.

Main findings of the study are as follows. In connection to Basic Question No.1, findings suggested that indicators such as: the insurers' attitude in training personnel to make them knowledgeable for effective deliverance of the insurance service to the customers; Communicating with policyholders, insurance claims handlers attaching with external experts such as loss adjusters and lawyers; basing prices on what the market and the customers are willing to pay; implementing data analytics for competitive advantage; insurance employees status of expertise in insurance products; and centrality of technology to the industry's ability to develop new, more profitable operating models, were observed with the more the propensity of the variables below the hypothesized population mean or the expected mean score. These results are generally suggestive toward the required careful and thorough efforts the insurance companies amalgamate with property insurance scheme so as to harness the property insurance business and increase their efficacy.

Statistically, the most perturbing challenging aspects of the insurance business were related to human resource challenges. The insufficient dedications (and unethical behavior) in materializing property insurance revealed the realities of the insurance firms mainly in areas that: insurance agent lacked expertise in insurance services/products; lacked to keep updated to retain the end users; they were at precarious to effectively deploy modern insurance services/products to meet changing consumer needs; employees of the insurer couldn't grapple their part as to advise on property insurance products; and lack of sufficient employees experience and expertise to make indispensable efforts in delivering property insurance products.

The problem lied on that majority of the insurance claim adjustors in the target area were little or totally inexperienced. This was a compelling factor to effectively and efficiently deliver property insurance arrangements, secure risk transferring mechanisms for insured ones, and undertake market expansions based on the existing insurance policy.

There were few problems that arisen with the experienced adjusters too. In most cases, he or she knew every trick in the book and would conclude that they were trying to pull off every one of those tricks. Additionally, some of these adjusters liked to play lawyer and thought that they

could analyze the case with all of its legal ramifications, complexities and uncertainties. An adjuster like this must be handled differently from the young adjuster. For example, young adjusters need to be educated on the merits of the claim.

Generally, to minimize such risk, a good demand letter, backed up by sufficient medicals, and an effective straightforward position in settlement negotiations, except lengthened the time of indemnification to the customer point, could help the problem with adjuster. One must always demonstrate to the adjuster that there is a sound reason the case should be settled from the carrier's perspective. To that end, Morse, (2010) puts that "by having good documentation for the file, the adjuster can justify to his or her supervisor why he or she has spent money."

In relation to Basic Question No.2, findings suggest in that: the **employees'** aspect of the data showed more relevant points related to challenges in organizational capacity, competition and motivational factors. These were: opportunities at the work place less conducive for the employees to use their skills and abilities; the insurance companies' hardly demonstrated autonomy and independence to achieve organizational success; lack of management's recognition of employee job performance little triggering motivation within the staff members; recognition and reward system unavailable, infrequent, and unrecognizing actions that were truly worthy to attain success; low satisfaction of the employees by the work of the insurance companies; little dedication showed by the companies to demonstrate an overall corporate culture; lowered level of the companies' commitment to corporate social responsibility to bring remarkable change; inadequate understanding of the insurers about the buying habits and patterns of the available customers; and inadequate variety of works to satisfy the customers from high to low in that order of challenges respectively.

On the other hand, a great deal of **customers'** suggestions showed that the nature of challenges were divided in to "very high" and "high" level challenges. Many of the insurers could not manage to translate the standard policies into the customers' (local) languages, due this fact; customers were unable to well interpret policy, and a matter is of very high challenge. As triangulated with interview data, lack of awareness was significant challenge against the effectiveness of the insurance business which [was connected to skilled man power] resulted in

inability to effectively translate the standard policy into local situations. In this case, policy documents had required to be understood by the end-users.

Variables for high challenges were vivid particularly for factors such as: the claim management system within the insurers was often disgusting because of long bureaucratic chains; insurers usually charged high service-processing cost from their customers; insurance companies often demonstrated unethical competition; Insurers usually delegated less talented sales people who could not convince effectively to purchase property insurance policy; very less variation existing among the offerings of different insurance companies; low income and purchasing power that didn't permit the people of the target area to go for an insurance policy; lack of effective deliverance of insurance information; existing discrepancy between customer expectations and their perceptions of the service delivered; and lack of trustworthiness were major problems more of customers' complaints as visible gaps between the organizational service specifications and actual levels of service delivery. More of the insurance challenges were categorized into 'high' challenges.

On the growth front, some insurers, for instance: the government (EIC), Africa and Nile Insurances have been entering in a new market which may have an advantage since it becomes a green field project not constrained by legacy systems. According to Paul, (2009), the need to operate economically and efficiently, comply with new and existing regulations and standards, meet competitive pressures, and take advantage of opportunities to grow are all exerting considerable pressure on insurers. Companies that effectively address these issues will have a competitive advantage over their peers; companies that do not are likely to struggle – perhaps even to survive.

In regard to diversification of future prospective situations, Basic Q. No.3, situations for the insurers were fertile in few yardsticks. Companies' curiosity against misleading sales tactics as being a long-lasting problem; the inclination of property insurance clients to select private insurance companies, which implicitly suggests that the quality of service could be better at the private firms even though their (private insurance companies) service cost is somewhat higher; and the favorable situation related to the existence of more educated people who are likely to

have better information about the quality of services provided by both public and private insurance companies were the green field for the companies out- reach.

Other situations require companies' adjustments. These seemed that insurance companies must see themselves as innovative and creative to adhere company's position in marketing tactic; supporting behavioral factors to construct a promotional campaign that could appeal to the target area in order to diversify property insurance market; considering and eliminating the high levels of public's dissatisfaction resulting mainly from such factor as poor service in claim settlements; having to work to enable insured's to truly appreciate the value of the policy, thereby leading the industry as a whole to be well recognized and accepted by the general public; planning strategically to effectively involve in facilitating economic growth and efficiency of micro enterprises business were to mention the needed leading efforts, but more.

5.2 Conclusion

The extent of effective insurers in Jimma Town in terms of materializing property insurance was leveled only to a "satisfactory" value (grand mean 2.98, for employees' data and 2.96, for the customer respectively. As far as the hypothesized population mean (expected mean), 3.0 is the reference point, the two variables were below the average mean value. Yet the insurance business highly requests to be in a highly competitive climate to satisfy the customers and gain success on the insurance business.

Realistic targets need to be set for each financial year and company plans for any introduction of new products. This needs to be projected in the performance schedule. Enabling them to have a better strategic planning approach in achieving the performances is, therefore, mandatory. Training program on improving agents' skills needs to be well structured to meet the current market requirement instead to confine to product training. Human skill, communication skill and interaction skill needed to be included. Certain legal issues need to be address and agents need to have training in order to be competent. Especially the industry is propagating insurance agents to be financial advisors and consultants. Supervisors and managers also need to upgrade their supervisory skills and intellectual development so as their ability to provide support and guidance could booster the agents as well as the team performances.

Insurance challenges were connected to the employees' in terms of internal organizational capacity, competition and motivational factors, while the insurance challenges of the customers' were connected to dissatisfaction mainly because of long bureaucratic chains, high service-processing cost, and unethical competition. Lack of trust can be resulted from the most important reasons such as: lacked skilled-man power, unethical behavior demonstrated by insurance agents and brokers; and delegation of less talented sales people who could not convince effectively to purchase property insurance policy. Customer-oriented problems significantly sought as of high area of complaints (overall mean =3.42) as compared to the nature and characteristics of employees' challenges (overall mean = 2.97).

It was recognized that majority of the employees had less experienced in the insurance business, but most of the employees have the required level of professional qualification. Still, the human resource aspect of the insurance companies was an area of strong complaint. The fact that majority's general qualification stretched to business and economics-related qualities, the adverse effect observed in lack of specific customer orientation and deficiency in knowledge, experience and expertise directly related to the subject matter, insurance. [This could be a researchable scope by itself in the future].

Professionalism at every level of management had, thus, been very crucial problem for overall development in the insurance sub-sector. For efficient and prompt decision making, management should be given sufficient delegation of power. All the insurance companies should have a sound HR policy that will attract the qualified people to choose the profession as a 'career' not a mere job.

Things go wrong in insurance when the agent becomes concerned with the commission that he will earn from the policy, rather than the benefits to the prospect (Balachandran, 2007). Insurance ethics is the key to success as it renders stability to any organization in business. Agent and broker play an important role in the marketing of the insurance plans and policies. Mostly, business of insurance is depending at the efforts of agents. The insurance agent must maintain instead of customer orientation. Therefore, brokers are unable to offer services originating from companies' needs.

The IT landscape were seldom undergone a major transformation to make the industry more profitable. Mobile and online capabilities couldn't enrich services, taking a customer across the insurance cycle for real-time sales, monitoring and service. "Once insurers have a truly global technology infrastructure, they can expand operations and service offerings to customers in emerging markets. These days, experts all believe technology will play an increasing role in the distribution of insurance products. That's why it is imperative for insurers to keep their technology environments updated to retain their end users" (Mukker, 2013).

In fact, technology will provide the foundation for new data-driven underwriting models and pool optimization. That's because it supports the aggregation and storage of vast amounts of data the service provider can combine with actuarial models to calculate risks and may be even predict events. Cloud-based analytics could lead to a more proactive and less reactionary approach to underwriting (Mukker, 2013).

Competition is always there. As far as future prospects of insurance business is concerned, Kotler (2003) says; competition, being an important market force needs to be tracked, analyzed and preempted. Market leader always have a system to help them preempt any competitive moves. For this, it is not just important to know competitor by name, but also critical to understand its major strength and weaknesses. Competitor's strength may be its marketing systems, aggressive sales force, and its relationship with major external environmental variables like government & financial institute or a financial resources base.

Thus, the next few years will be much critical for all the insurance companies, if the insurers are critically poised for higher growth. While the insurers will be endeavoring to protect their market share, the new entrants will be vigorously aiming to further improve their market standing. Each company in the industry will have to focus on harnessing its strengths and improving its competitive position.

5.3 Recommendations

Recognizing the critical role property insurance can and will play as key partners in the economic and social sectors; on the accounts of summary of findings and conclusions summarized above; and on the building blocks of literary grounds, this researcher wants to

emphasize on the following few feasible property insurance improvement premises in this last section.

- Competency modeling should be built taking into consideration organization's values, mission and vision. The contents of a competency model must be aligned with these factors and organization's long term strategy (Paolo-Arao, 2011). Core competencies, those capabilities that are critical to the insurance business achieving competitive advantage, are strongly required. Competitive advantage is that companies can constantly research and compare programs from multiple insurance companies, finding the right combination of price, coverage and service that is right for the insured.
- Insurance companies should provide their customers an efficient and reliable insurance service and engage in creative periphery and in investment landscape by deploying the right mix of expertise, the state of the art technology and cost effective strategy. In doing so, they could contribute to the sustainable development of the national economy and play a vital role in the industry.
- Insurance Corporations should be:
 - **Customer Focused:** they must seek first to understand the needs and expectations of their customers and they should deliver on them;
 - **Development Partner:** they have to be partner in the Government's development program;
 - **Pro-Active:** they should provide professional advice to their customers on loss prevention and control.
 - **Excellent:** they must be aware of their performance and should constantly strive to deliver better than the last time in everything they do. Being creative in customers' service and property insurance item innovation, and not the least, importing technology help the advancement of insurance trend.
 - **Transparency and Accountability:** they have to take positive responsibility for the planning, successful execution and delivery of their services. They have to avoid unethical behavior and unethical competitions and deserve customers' interest as effectively and efficiently as possible.

- **Team Work:** they must help each other to do better and together they have to support one another to keep the promise they made to their customers; and
- **Professional quality and ethics:** insurers have to have value playing a pivotal professional role aimed at meeting ethical standards in the insurance industry as a whole. HR development program should be a part and parcel of regular business operation for the enhancement of skills and development of professionalism. A good number of companies are still struggling for their survival. Insurance companies should owe a duty of good faith and fair dealing for the persons they insure. This duty is often referred to as the implied covenant of good faith and fair dealing which automatically exists by operation of law in every insurance contract.

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Appendices

Section A

Questionnaire to be Filled by Employees

Dear employee,

This questionnaire comes to you in order to gather relevant data about the challenges and prospects of property insurance scheme pertinent to the trend of Jimma Town. I honestly assure you that obtainable data purely serves academic research purpose. I hope, your genuine information to the questionnaire below will help this researcher to arrive at a sound and meaningful conclusion over the problem under investigation.

Thank you in advance!

I Personal Information

(No need to write your name)

1) Age?_____ 2) Gender_____

3) Your current qualification?

a) Completed Grade 10___ b) Certificate___ c) Diploma___

d) First Degree___ e) Second Degree___

4) Your total work experience (in yrs)?

a) 1—5___ b) 6---10___ c) 11---15___ d) 16---20___ e) >20___

5) Your current job discription_____

6) Work experience in the current job position (in yrs)?

- a) 1—5____ b) 6---10____ c) 11---15____ d) 16---20____ e) >20____

II SPECIFIC INFORMATION

Directions: The survey scale on the next four pages uses a 5-point scale, ranging from “*strongly disagree*” to “*strongly agree*.” Think about your company as you read each of the statements below. Then tick (✓) under the number that best describes how much you agree with that statement. If you have no knowledge to make an accurate selection, mark (✓) under N, which means, NEUTRAL or ‘no basis to judge’. Remember, this questionnaire contains part one, two and three, and you attempt all the parts.

Rating scale: STRONGLY DISAGREE (SD) =1; DISAGREE (D)=2; NEUTRAL (N)=3; AGREE (A)=4; and STRONGLY AGREE (SA)=5.

Part One: Assessment on the level of efficiency and effectiveness of insurers’ mechanisms materializing property insurance.

No	Indicators of Effective Property Insurance Deliverance	SA	A	N	D	SD
1	The insurer trains personnel to make them knowledgeable deliver of the insurance service to the customers.					
2	The insurance company permits the customers to follow demand based pricing.					
3	The concept of all financial services under one roof has contributed a lot in building up of property insurance.					
4	Insurance employees are expert in insurance products.					
5	Employees provide the customers all the information needed.					
6	Technology is central to the industry’s ability to develop new, more profitable operating models.					
7	Insurer is usually trying to sell more products to its existing customers or find new customers who are similar to the niches it already serve.					
8	Insurer carefully chooses smart and presentable personnel who will be interacting with the clients.					
9	Insurance claims handlers ensure that insurance claims are handled efficiently and that payment for valid claims is made to their policyholders.					

10	Communicating with policyholders, insurance claims handlers also liaise with external experts such as loss adjusters and lawyers.					
11	The insurer regularly collects information about customer needs.					
12	The insurer basis prices on what competitors charge.					
13	The insurer basis prices on what the market and the customer is willing to pay.					
14	The insurer establishes formal system for controlling quality of property insurance services.					
15	The insurer uses heavy informative advertisement to show how the property insurance service can be better utilized.					
16	The insurer implements data analytics for competitive advantage.					
17	In the still-challenging investment environment, the insurer attempts to invest in enterprise risk management tools that assess evolving liabilities, capital structures and business plans.					
18	The insurer increases insurance penetration of the consumer sector as a growth factor.					
19	Insurance claims handlers ensure the customer is treated fairly and that the customer receives excellent service in accordance with industry and company guidelines.					

Part TWO: Assessment on internal organizational capacity, competition and motivation of employees.

No	Employee Engagement Conditions	SA	A	N	D	SD
1	In this insurance company the work itself satisfies me.					
2	Opportunities at the work place are conducive for me to use my skills and abilities.					
3	There is supportive goal-oriented relationship with immediate supervisor in the company.					
4	The insurance company demonstrates autonomy and independence to achieve organizational success.					
5	Variety of work is adequate to satisfy customers.					

6	The organization's financial stability is satisfying for the effectiveness of the insurance business.					
7	The company is dedicated to demonstrate an overall corporate culture.					
8	Management's recognition of employee job performance triggers motivation with in the staff members.					
9	Job-specific trainings in the human resource development has helped the company to be effective in the competitive business environment.					
10	The insurance company works to maintain a reliable networking with partners, for example, brokers,					
11	The company's commitment to corporate social responsibility is remarkable to bring change.					
12	Employees are most engaged as they are accountable to measure the outcomes of their performance.					
13	There are effective managers at all levels who are committed to measuring employee performance and holding employees accountable.					
14	The management team is providing the communication necessary to align each employee's actions with the organization's overall business goals.					
15	Recognition and reward system is available, frequent, and recognizes actions that are truly worthy to attain success.					
16	The insurer adequately understands the buying habits and patterns of the available customers.					
17	There exists an effective feedback, focusing on what the employee is doing well and what needs improvement.					
18	There are shared values and guiding principles that enhance collaborative efforts.					

Part Three: Assessment on feasible situational prospectives for property insurance.

No	Indicators of Possible Prospects	SA	A	N	D	SD
1	There are more educated people who are likely to have better information about the quality of services provided by both public and private insurance companies.					
2	The inclination of property insurance clients to select private insurance companies suggests, implicitly, that the quality of service is better at the private firms even though their (private insurance companies) service cost is somewhat higher.					
3	My insurance company offers a number of property insurance services/ products based on the attitudes, beliefs and emotions of their target market.					
4	My insurance company sees itself as innovative and creative to adhere company's position in marketing tactic.					
5	Behavioristic factors are widely supported to construct a promotional campaign that could appeal to the target area in order to diversify property insurance market.					
6	My insurance company often seek out information on a potential user's lifestyle, loyalty, and spending habits.					
7	The high levels of public's dissatisfaction result mainly from such factor as poor service in claim settlements has been eliminated from the core functional area.					
8	The company is curious in that misleading sales tactics have been a long-lasting problem, damaging the reputation of insurance.					
9	The company attempts to undertake major responsibilities of the local legislators, government agencies, supervisory departments to have contribution for market expansion.					
10	The insurance company's laws and regulation specifies that a determining factor in the establishment of new branches was premium volume rather than profitability.					
11	The insurer has a blueprint for promoting the development of a modern insurance industry.					
12	The insurer has a plan to effectively intervene in catastrophe protection.					
13	The insurer has a plan to effectively involve in facilitating economic growth and efficiency of micro enterprises business.					

14	The insurance company works to enable insured's to truly appreciate the value of the policy, thereby leading the industry as a whole to be well recognized and accepted by the general public.					
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Section B

Questionnaire to be Filled by Customers

(To be translated into Amharic/Oromiffa Languages for ease of communication.)

Dear Customer,

This questionnaire comes to you in order to gather relevant data about the challenges and prospects of property insurance scheme pertinent to the trend of Jimma Town. I honestly assure you that obtainable data purely serves academic research purpose. I hope, your genuine information to the questionnaire below will help this researcher to arrive at a sound and meaningful conclusion over the problem under investigation.

Thank you in advance!

Personal Information

(No need to write your name)

1) Age? _____ 2) Gender _____

3) Occupation: _____

4) Marrital Status: a) Single _____ b) Married _____ c) Divorced _____ d) Widowed/ee/ _____

5) Income Level (Eth. Birr /per month): a) <500 _____ b) 501---1000 _____

c) 1001---2000 _____ d) 2001--- 3000 _____

e) 3001--- 5000 _____ f) >5000 _____

6) The type of insurance service you gain from the insurer?

- a) I use Vehicle Insurance _____
- b) I use Life Insurance _____
- c) I use Health Insurance _____
- d) I use property Insurance _____
- e) I use Pension Insurance _____
- f) I use All-risks insurance _____
- g) Other (please specify) _____

7) For how long have you been enjoyed the services of this insurance company?

- a) 1---5 yrs _____
- b) 6---10 yrs _____
- c) 11---15 yrs _____
- d) 16---20 yrs _____
- e) >20 _____

Rating scale: STRONGLY DISAGREE (SD) =1; DISAGREE (D)=2; NEUTRAL (N)=3; AGREE (A)=4; and STRONGLY AGREE (SA)=5.

Part One: Assessment on the Attitude of customers Vs the level of efficiency and effectiveness of insurers' mechanisms materializing property insurance.

No	Indicators, Customers' Attitude On Efficiency and Effectiveness of Property Insurance Deliverance	SA	A	N	D	SD
1	Do you think that your insurance agent is expert in insurance services/products?					
2	Do you think that your insurance agent gives you all the information needed?					
3	Would you trust the design of facilities made by your insurer to achieve specific marketing?					
4	Do you think that the insurance company offers competitive insurance products on property basis?					
5	Do you trust your insurer for all your property insurance requirements?					
6	Do you think that employees of the insurer can advise on property insurance products?					
7	Do you think that insurer employees have sufficient expertise in property insurance products?					
8	Do you trust the insurance company for all your financial needs?					
9	Does your insurer effectively deploys modern insurance services/products to meet changing consumer needs?					
10	Does the insurer keeps technological environment updated to retain the end users?					

Part two: Assessment on possible challenges/ gaps/ discrepancies the insurers face to intensify property insurance market.

No	Customers' complaints over property insurance	SA	A	N	D	SD
1	Organizational policies and standards for service levels are in place.					
2	There is a visible gap between the organizational service specifications and actual levels of service delivery.					
3	Executives' perceptions of superior quality service are largely congruent with customers' expectations.					
4	Management of the insurance scheme is aware of customers' expectations but could not be willing or able to put systems in place that meet those expectations.					
5	There is a discrepancy between customer expectations and their perceptions of the service delivered.					
6	The differences in the understanding of customer expectations arise between managers and service providers.					
7	Lack of trustworthiness is one of the major problems of property insurance business in the target area.					
8	Low income and purchasing power doesn't permit the people of the target area to go for an insurance policy.					
9	Property Insurance companies in the target area are not providing attractive offerings to the customers.					
10	There is very less variation among the offerings of different insurance companies.					
11	The insurance companies in the target area are not delivering adequate information (regarding company and property insurance policy) properly.					
12	If any customer comes to them to solve some problems, they do not solve those problems efficiently.					
13	Insurers usually charge high service-processing cost from their customers.					
14	Insurers usually delegate less talented sales people who could not convince effectively to purchase property insurance policy (lacks skilled man power).					
15	Insurance companies often demonstrate unethical competition.					

16	I see many of the insurers could not manage to translate the standard policies into the customers' (local) languages, due this fact; customers are unable to well interpret policy matters.					
17	The claim management system within the insurers is often disgusting because of long bureaucratic chains.					

Section C

Insurance Management Interview

Dear interviewee,

I want to conduct this interview with you in order to gather relevant data about the challenges and prospects of property insurance scheme pertinent to the trend of Jimma Town. I know, more than others, you are well informed person on the existing challenges and property insurance schemes. I honestly assure you that any part of recorded interview data only utilized for academic research purpose. I hope, your genuine information to the questionnaire below will help this researcher to arrive at a sound and meaningful conclusion over the problem under investigation. And, I thank you in advance for sharing me your valuable information and precious time.

1. From your experience and expertise in managing property insurance service, what makes managing customer service different? From managing the standard elements of the marketing mix (product, price, promotions, and place) is that customer service is typically delivered by front-line employees. _____

2. Nowadays, insurance companies are flourishing in the private sector. Each company in the industry should focus on harnessing its strengths and improving its competitive position. How do you perceive customers' will in buying property insurance? _____

3. Successful insurers will be those that simplify their organizations and business models to create more efficient operations that can cope with emerging growth opportunities. Do you think your firm is successful in terms of simplifying property insurance and diversifying market? if yes, how? If no, why? _____

4. Insurers must keep pace with evolving regulations, which are becoming more stringent, affecting everything from capital requirements, to commission rates and customer care. What are your company's challenges to keep pace with evolving regulations? _____
