

# ***CHALLENGES AND PROSPECTS OF PROPERTY INSURANCE***

*(The Case of Welkite Town)*

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

**By**

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**JIMMA UNIVERSITY**

**COLLEGE OF BUSINESS & ECONOMICS**

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**JUNE 5, 2017**

**JIMMA, ETHIOPIA**

# ***CHALLENGES AND PROSPECTS OF PROPERTY INSURANCE***

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**Under the supervision of  
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## **DECLARATION**

I hereby declare that this thesis entitled “Challenges and Prospects of Property Insurance”, (The Case of Welkite Town) has been Carried out by me under the guidance and supervision of Deresse Mersha Lakew (Ph.D) and W/ro Hymanot Alemayew (Msc)

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

Researcher’s Name

Date

Signature

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## **CERTIFICATE**

*This is to certify that the thesis entities “Challenges And Prospects Of Property Insurance”, (The Case of Welkite Town) Submitted to Jimma University for the award of the Degree of Master of Business Administration (MBA) and is a record of Valuable research work carried out by Mis. Sara Gudu, under our guidance and supervision.*

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

*Main Adviser’s Name*

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*Date*

*Signature*

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## **ABSTRACT**

*This study was about challenges and prospects of the property insurance, taking the case of Welikite town as the focus of the study. The study employed descriptive survey research design, because the main purpose of the researcher was 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. The study emphasized on challenges and prospects of property insurance from the aspects of both the insurers and the insured. Since the insurer organizations were very limited in the study area, the researcher had planned to draw samples from two groups, insurance companies' employees and the insurance service customers. Ethiopian Insurance corporation and National Insurance corporation staffs and their customers were the focus of this study. By using Non random sampling method, the researcher gathered the available data about challenges and prospects of property insurance from all the managements of the insurers and their employees. Since the population of the insurer companies was limited, purposeful sampling was found convenient to include all the personnel in the data climate. On the other hand, the clients that were currently receiving insurance service packages from the two insurers are totally 390. Therefore, this researcher preferred to employ purposive sampling method together with snowball method. Primary data was generally obtained from executives, personnel staffs and clients of the insurance companies through questionnaires and interviews. Most critical challenges were evident towards materializing property insurance especially in: carefully choosing smart and presentable personnel who will be faithfully interacting with the clients; in utilizing heavy informative advertisement to show how the service can be better implemented; in terms of maintaining good technology-job fit; towards manipulating better employee-job fit; in developing perceptions of superior quality service congruent with customers' expectations; and implementing data analytics for competitive advantages. Eventually, some feasible recommendations, such as: employees' empowerment, Focus on core competency areas of property insurance marketing, introduction of new products with skillful agents, delivering reliable insurance service with cost effective strategy, awareness of effectiveness and excellence in the insurance industry, and the need for updating with technology were suggested towards the end.*

**Key Words:** *insurer, insured; property; insurance and premium*

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## **Acronyms**

P and C = Property and Casualty

BOP = Business Owner's Policy

ERM = Enterprise Risk Management

ORSA = Own Risk and Solvency Assessment

SPSS = Statistical Package for Social Science

TEVET = Technical and Vocational Education and Training

Yrs = years

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

This research is about challenges and prospects of property insurance, taking the case of Welkite town, 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; (Al-Kishtaini, 1974). Campbel (1979) also 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.

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 damaged 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. According to Copins (2014), 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. It has its main purpose to protect the possible loss that can happen to a person upon the destruction of property.

In the course of guiding hundreds of policyholders through the insurance recovery process, the Claro Group (2014) has identified guiding principles that may not remove all of the headaches that inevitably accompany an insurance recovery, but which will help make the road to recovery smoother and set the policyholder on a course to an equitable outcome. Therefore, an effective and efficient guide is required to highlight some of the principles that will help policyholders successfully navigate a complex insurance claim process and recover from the financial loss arising from a catastrophe to the maximum extent allowable under their insurance policy.

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 two insurance companies located in Welkite Town.

(Bryde, 1998) also explains that 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, 1998 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.

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 was 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.

## **1.2 Statement of the Problem**

The rationale behind this study was 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 and to guard businesses and properties of the insured. 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 are few studies mentionable on the growth and development in the property insurance business in Ethiopia in general and in Welkite town in particular.

By far and large, Welkite town, despite the fact that it is well known for a bulk of private merchandize and for an enormously large economic activities, it is also popular route connecting different places in the south-western part of the region together with the capital, Addis Ababa, and flourishing in various investments, so property owners from a number of sub-districts and neighboring zones and even village-towns can also demand property insurance contract with insurers from available insurance sources in the town. In the study place, hence, there are only two insurance companies if efficiently and effectively managing property insurance business opportunity; they could get lots of customers than they might hold previously and the insured could also benefit their parts from the opportunity. Although there are a number of insurers countrywide, two are functioning in Welkite. These are Ethiopian Insurance Corporation, the older and government holding, and National Insurance Corporation, a private one.

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 (Eberlin, 2011; Maynard & Ranger 2012). More critically, in a world of rising natural catastrophe risks, such autonomous adaptations could have significant benefits for the property owner, the insurer and society.



Nowadays, 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 that may be entirely up to how each insurance company deals with them. They need to 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; and carriers look to up their game with technology enhancements. Then, this research attempted to diagnose if the insurance companies in Welkita Town behave under such a multitude nature of property insurance challenges accordingly and search for important measures that could remedy the property insurance challenges in the town.

Additionally, as from a wide reviews (Deloitte, 2013; Eberlin, 2011; Maynard & Ranger 2012), it is important to mention regulatory uncertainty that makes it difficult for carriers to plan ahead and determine operational priorities. Innovation may also 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. Discovering the macro- and micro-economic trends challenging insurers to shake up the status-quo and developing new systems and processes throughout their internal organizations and external distribution chains are important so that they may stay competitive in recent years and beyond.

On the other hand, 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. According to Willis (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." Sarich (2013) complains in that 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.

A number of studies were made on challenges and prospects of property insurance around the world (Singh, et al., 2011; Ross & Robertson, 2003; Maynard & Ranger, 2012). In Ethiopian insurance practice assessment of challenges and prospects of property insurance may not yet get an endear attention. 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 were 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.

The prior assumption concords 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. Similarly, the insured needs to stand collaboratively in order to develop the transaction of property insurance thereby to sufficiently benefit from such contractual arrangements. Hence, challenges and prospects of property insurance would be investigated from the characteristics of parties, the insurer and the insured.

This researcher assumed that regardless of the lower distribution of the insurance companies to handle property insurance over the study area, the existing property insurance business in Welkite Town has been facing a number of challenges now and then. To describe the problems, therefore, the research mainly focuses on Service Quality Gap Model. 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 (Sarich 2013). This information then assists the managers in identifying cost-effective ways of closing service quality gaps and of prioritizing which gaps to focus on - a critical decision given scarce resources. 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. 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 of property insurance scheme to get maximum benefit from property insurance both for the insurer and the insured. And the insured people, on the other hand, should understand the reason why property insurance scheme existed and well encouraged to exploit wide range of insurable risks in the business willingly.

Hence, in order to reach to a sound and meaningful conclusion, this researcher attempted to get answers for the following basic research questions.

### **1.3. Research Questions**

1. To what extent insurers in Welkite Town are effective in terms of materializing quality property insurance?
2. How far the insured behaviors in the town are considered positive to exploit wide range of insurable risks by the existing insurance laws?
3. What possible prospective situations exist so as to ensure growth and smooth functioning of property insurance in the target locality?
4. What are the major challenges the insurers face to intensify property insurance market in the target area?

## **1.4 Objectives of the Study**

### **1.4.1. General Objective**

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

### **1.4.2 Specific Objectives of the Study**

Specifically, the study is intended to:

1. To evaluate the extent insurers in Welkite Town have efficient and effective execution mechanisms materializing quality property insurance.
2. To assess how far the insured behaviors in the town are considered positive to exploit wide range of insurable risks by the existing insurance laws.
3. To assess the possible prospective situations exist so as to ensure smooth functioning and growth of property insurance in the Welkite.
4. To identify the major challenges insurers face to intensify property insurance business in the Welkite.

## **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 of Welkite Town.

The study is believed to provide closer insight on factors that challenges 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 to improve this 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 this 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 vise-versa.

## **1.6 Delimitation of the Study**

First of all, the study on its topic was particularly focusing upon property insurance commercial contract forms, subjected to special principles involved in their application. All insurance, types, principles, procedures, challenges and prospects were hardly 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 focused on property insurance, which protects all-risks or losses against fire, motor or vehicle, theft or burglary, and other property related forms and perils were to be entertained.

The research scope was also delimited to its location-- the case of Welkite Town-- and insurer companies, both government and private, currently functioning in the target area: Ethiopian Insurance Corporation and National Insurance Corporation. Data was obtained from these companies' managements, employees and their clients. To this end, this researcher mainly focused on Service Quality Gap. By using this model, the researcher assumed that it was become easier to understand the problems and prospects of property insurance in the target area.

### **1.7. Limitation of the study**

Limitation of the study has been the fact most of the respondents were not willing and reluctant to fill in and return the questionnaire as per the required time. Furthermore, the lack of similar research works on the issue investigated in the study area impeded the researcher from consulting more findings in the literature as well as in the discussion part. However, the insurance documents, commercial code of Ethiopia and used modern electronic (internet) to bring the study to its final stage.

### **1.8. Organization of the Paper**

This paper is organized in five chapters. The first chapter deals with the background of the study, statements of the problem, objective, significance and delimitation. While the whole of the second chapter deals with review of the related literature, definition of key terms and organizational operational work. Third chapter of the research include research methodology, the study area research design, sampling techniques, data sources, method of data analysis and data presentation. Fourth chapter of the research include data analysis based on the research question by using table and interpretation and summary. The fifth chapter also includes finding conclusion and recommendation.

# **CHAPTER TWO**

## **LITERATURE REVIEW**

### **2.1 Review of Related Literature**

#### **2.1.1 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.

### **2.1.2 Service Quality Gap Model**

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 (Sarich 2013).

This information then assists a manager in identifying cost-effective ways of closing service quality gaps and of prioritizing which gaps to focus on - a critical decision given scarce resources ( servqual and Model of Service Quality Gaps: A Framework for Determining and Prioritizing Critical Factors in Delivering Quality Services by Dr. Arash Shahin, 2006 Department of Management, University of Isfahan, Iran). 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. Many retailers take this into consideration by treating employees as "internal customers."

According to this philosophy, management must "sell" their internal customers on the company and its policies in order to induce front-line employees to deliver the desired levels of customer service. Standard personnel policies that can facilitate customer service and sell the "internal customers" include (a) employee screening and selection, (b) training, (c) setting suitable reporting relationships, (d) goals and reward systems, (e) internal communications, and (f) generally creating a "service" culture. The Gap Analysis Model goes a step beyond simply reexamining each of the standard personnel policies in light of the desired customer service. The model provides specific criteria concerning personnel and management policies that complete the linkage between customer expectations and perceived service delivery. In addition, the model provides a checklist of where breaks in the chain can occur; using this checklist can provide a useful audit of service quality.



### 2.1.3 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).

### **2.1.4 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. Organization and private individuals take of insurance to protect them against possible financial losses caused by a range of causes of damages in their property due 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 and outlet for their investment in insurance policies. Endowment policies, multipurpose policies, deferred annuities are certain better form 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.

At 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 getting to start businesses in the competent market.

### **2.1.5 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 Pan, 2008.

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 (Boop2003), 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, 2011 endorsements can also be added to 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 home as long as we have met the requirements of our home insurance policy.
- Extended replacement cost coverage insures our home for a specific value and usually adds a 20-25% extended limit if reconstruction costs run over.
- Inflation Guard increases the amount of home owner insurance to keep up with inflation so that we can maintain adequate coverage to replace our 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 our 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).

### **2.1.6 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. Hence, this research attempts to emphasize on all risk insurance scheme that indemnify all types of property insurance in the study area.

**Liability Insurance:-** Liability insurance is always needed. We can purchase liability insurance for the physical property as well as for our 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 is not covered under liability insurance policies. When a claim is made, 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:-** Flood insurance is only needed if we are in a designated flood zone, if our 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 we are worried that a catastrophic flood could destroy property (Eberlin, 2011). Eberlin, 2011 states; if our area endures a storm such as a hurricane and experiences flooding, our regular hazard and fire insurance policy will not cover our 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 our home, is not normally covered by a homeowners insurance policy. Without specific flood insurance, we 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).

Nowadays, since the climate change has been a considerable factor to cause an expected flood in an expected ways, and since terrorism is also a critical global factor to an expectedly cause property damage in any environment, then insurance clients should take into consideration and secure such unexpected risks against property through all risk insurance frameworks.

**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. Fire insurance, among others, is a local critical insurance issue that should be considered by both the insurers and the insured.

**Business Interruption Indemnity:** - (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).

### **2.1.7 Property and Insurance Industry Challenges**

From Deloitte's 2013 Property & Casualty Insurance Industry Outlook, 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 senior Property and Casualty (P & C) insurance executives are likely to confront in the year ahead. *Here under list of nine* Challenges and Opportunities for Property and Casualty Executives were extracted from Deloitte's source.

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. *Management Readiness:* a rising stock market, improved pricing conditions and pent up demand could prompt P & C insurers to intensify management efforts, potentially driving up deal volume and value. It is time for insurers to rebuild strategic internal management capabilities abandoned since the financial crisis, says Deloitte. Insurers should create

enriched management 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-2020, 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 carriers 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 carriers 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 2013) 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 issues that were considered towards the end of this review.

### **2.1.8 Enterprise Risk Management (ERM)**

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 carriers may have to fill gaps to demonstrate an acceptable framework (Eberlin, 2011). Eberlin, 2011 says, to realize the potential of integrated risk management, insurers should upgrade technology and skill sets across the enterprise. Carriers 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. Moreover, carriers should begin to embed predictive analytics within risk management to get a prospective view of the implications arising from various exposures, and prepare in advance against potential adversity.

On the other hand, Traynor, 2015, reports: "If, as the study suggests, insurers believe their core competence of turning financial risk into reliable income streams is being undermined by regulation, then we are at risk of a vicious circle developing in which individuals under invest for their future and are forced to rely on the government. In turn, governments who cannot afford to bear the burden attempt to meet the shortfall, pushing up their sovereign debt to unsustainable

levels. This then undermines proposed solvency regulation, which encourages insurers to hold government bonds as these are considered 'risk free'."

With the same taken, Monica Woodley, Managing Editor at the Economist Intelligence Unit, in *The Guardian (2015)*, said: "While market stability and consumer protection are important goals, regulators and policymakers should not lose sight of the vital role the insurance industry plays in helping households and companies to reduce risk and save for the future. Limiting the insurance industry's ability to transform risk will have serious ramifications for future generations, leaving consumers under-insured and without inadequate private savings and pensions." Regardless of whether a policyholder has a sophisticated risk management department, with experience recognizing risks, placing insurance coverage, and handling claims, or relies upon a team that wears several hats within the organization, the challenge of managing the financial impact of a large property damage and business interruption event, and the associated insurance recovery effort, is arduous and requires skills from across the organization, Monica added.

### **2.1.9 Some Points on the Fundamental Principles of Insurance in Ethiopia**

Fikadu et al., 2010 on their paper entitled by, "Some Points on the Fundamental Principles of Insurance in Ethiopia," in their brief discussion gave the readers the basic highlights on some of the insurance principles. Even though insurance is basically governed by the Insurance Policy signed among the signatory parties and the pertinent Insurance laws of the country, the basic Insurance principles of the country will also be considered as parts of an Insurance Policy.

Fikadu et al. say, according to the Ethiopian Commercial Code, a code governing Insurance policies, an Insurance policy is "a contract whereby a person called the insurer, undertakes against payment of one or more premium to pay to person, called the beneficiary, a sum of money where a specified risk materializes. Among the fundamental principles of insurance, *The Principles of Insurable Interest, Indemnity, Utmost Good Faith and Proximate Cause* are the fundamental ones. According to these local writers, the fundamental insurance principles were:

### ***1. The Principle of Utmost Good Faith***

A person who applies for insurance is usually given an application form containing questions about the nature of risk. If the applicant wants insurance on property, the form will call information as to the age, the use description and condition of the property, as well as its location and value or cost. An application for life insurance calls for such facts as to the age, occupation and habits of the applicant, any prior illness or accidents, and the health of the applicant's parents.

The insurer decides to accept or not to accept the application (offer) based on the information given. The insurer decides to accept or not to accept the application (offer) based on the information giving all necessary information to the insurer. The beneficiary (the insured) must give any information within his knowledge to the insurer. In other words, the beneficiary must disclose (reveal) all relevant facts about the thing or life to be insured. Relevant facts means, facts that may help the insurer to determine the amount of premium to be charged. The information given must be true.

Failure to disclose such facts is fraud. So there must be utmost good faith regarding insurance contract.

### ***2. The Principle of Insurable Interest***

According to the commercial code of Ethiopia, any interested person, in the preservation of an object may insure it. A person who buys insurance policy must have an insurable interest in the property or in the life insured. An insurable interest is the financial interest or financial stake that a person has in the property or in the life of another or his health. Any person who would suffer a direct financial loss if certain property were damaged or destroyed has an insurable interest in such property. Such a person need not be the owner but may be someone who has a security interest. In property insurance, there are some common classes of circumstances that give rise to insurable interest. They are ownership and other rights in property, contract rights, and potential legal liability to others. Every person has insurable interest in his or her own life. A person may have an insurable interest in the life of another, if their relationship is such that an economic benefit can be expected from the continued life of another. An agreement without insurable interest is invalid because a person who has nothing to lose and everything to gain might be

tempted to cause the destruction of the insured property or the death of the insured person so that the policy holder would be entitled to the proceeds of the insurance.

### ***3. The Principle of Indemnity***

In the commercial code of Ethiopia, it is stated that contract for the insurance of an object is a contract for compensation. The compensation shall not exceed the value of the object insured on the day of the occurrence. The principle of indemnity/compensation is based on the idea that insurance is a system for distributing loss. It is not a mechanism of generating profit. Therefore, in the event of causality, an insured be limited to reimbursement (indemnity) for loss actually suffered. You may not be compensated above the loss. The value of property may be assessed on the day the policy is bought and on the day loss occurs. But the human life cannot be expressed in terms of money.

Accordingly, the principle of indemnity does not apply to life insurance policy. The amount insured may be fixed freely and shall be due regardless of the damage suffered by the insured person.

### ***4. The Principle of Proximate Cause***

The doctrine of proximate cause is based on the principle of cause and effect, which states that having proved the effect and traced the cause, it is not necessary to go further. In other words the law doesn't concern itself with the cause of causes. The law provides the rule -“*cause proxima nonremota* spectator”. It means we should regard only the immediate cause not the remote or distant cause.

So the researcher can summarize the concept into the following details. The insured peril need not be the initial cause but it must be a direct result of the operation of an excepted peril (unless the policy wording specifically overrules this).

According to this insurance policy, damage as the direct result of an insured peril is covered even though the immediate peril causing that damage is not mentioned in the policy ( unless the policy specifically excludes the result); thus water or smoke damage after fire are covered. Property can be covered even though the named peril does not actually cause damage to the insured property, so long as the named peril does not operate and its results cause loss to the insure. For example, if the building next door to the insure catches fire and the only damage the insured suffers is by

water or smoke, his fire policy will operate (provided the original fire was not caused by a peril named as excluded in the insured's policy). Further damage to attempts to minimize a loss already taking place, is covered. Therefore, water damage from sprinklers or firemen's hose is covered.

### **2.1.10 Basic Categories of Insurance under Ethiopian Law**

Fikadu et al., 2009 on their paper entitled by, '*Basic Categories of Insurance under Ethiopian Law*' stated that under the Ethiopian commercial code, there are three types of insurances. They are insurance against damages, insurance of liability for damages and insurance of persons.

#### ***1. Insurance against Damages***

Some of the most serious financial risks that a person faces are those arising from possible loss of home from fire, injury and damages results from automobile accident and legal suit for wrong doing. The uncertainty of loss in such cases may be lessened by insurance.

Insurance against damages or property protects the insured against loss caused by direct physical damage to real and personal property. This category of insurance covers losses caused by accident or negligence that damages property; such as damage to one's automobile resulting from collision. Others involve injuries to third persons and arise from extra-contractual liability of insured person. The purpose of all property insurance against damages is indemnification for loss. This means that a person who experiences a loss recovers what he or she lost. What the insured gets as compensation /indemnity/ is not more than the actual value of the property at the time it was destroyed. If the loss is not total, the insured is compensated only to the extent of the loss. This is true even if the insured has policies with more than one company. Article 678 of the commercial code states that; "A contract for insurance of an object is a contract for compensation". Therefore compensation shall not exceed the value of the object insured on the day of the occurrence."

Insurance companies provide such indemnification of loss for almost any kind of property and against almost all risks. Sometimes, exclusions may be stated in the policy (contract of insurance). Exceptions like Losses due to war, invasions, insurrections, nuclear disaster and depreciation are common. In such cases the burden of proof is on the insurer.



## ***2. Insurance of persons***

When persons are insured, the insurance policy shall extend to risks arising out of death or life or risks arising out of injury to the person or illness. Where the term "insurance of persons" is used in the policy, it includes the risk of death, the risk of bodily injury or injury (Article 654 of commercial code.)

Contract for the insurance of persons shall not be considered as contract for compensation. That means what the insurer pays to the insured or to the beneficiary is not compensation. As a rule, compensation is always equal to loss, but you cannot express human value in terms of money. You cannot put monetary value to a human life. As a result the amount insured is freely fixed. As long as the insured affords it he can buy a policy for millions.

In property insurance, what one collects as a compensation is the value of the property on the day of contract and on the day of loss is not the same. Property usually depreciates. But human value does not depreciate. Therefore, the amount insured in insurances of persons is freely fixed and shall be paid regardless of the damages suffered by the insured persons. Life insurance may be insurance for the event of life or insurance for the event of death. Where the policy is for the event of life, the insurer agrees to pay a specified capital or life interest provided the insured person is alive at a date fixed in the policy.

The benefit is paid to the insured person himself because he is alive. Insurance for the event of life is also called endowment life insurance. Endowment life insurance is in force for a limited life. It provides for payment to the insured if living at the end of a specified time.

On the other hand, the insured who enters into an insurance for the event of death agrees to pay, on the death of the insured person, a specified capital or life interest to those having rights from the insured person or to the beneficiary named in the policy. If the policy is for the event of death the insurance benefit is paid to a specified beneficiary or to those having rights from the insured.

A person who buys the policy can name any person as beneficiary. There need not to be a blood relationship between the subscriber and the beneficiary. However, the spouse of the insured and the children of the insured are always considered to be the beneficiaries even if their names do not appear in the policy, Article 705 of the commercial code states "where no beneficiary has

been specified or he has revoked or is not alive, the capital to be paid by the insurer shall be paid to the estate of the subscriber”

Where no one has been specified as a beneficiary, the benefit is treated like any other property of the insured person. In such a case, all persons who have rights from the subscriber may get their share; it is safe to say the law of succession applies.

An insurance policy for the event of death may be made by a third party. However the insured person must agree to the insurance in writing. If the insured person is married, his wife or her husband must agree.

There is an interesting question in connection with life insurance policy, i.e. what if the beneficiary commits suicide? According to Art 699 of commercial code, “Notwithstanding any provision to the contrary an insurance policy for the event of death shall be of no effect where the insured person knowingly commits suicide. The insurer shall establish that suicide was committed knowingly.” The other issue is that if the beneficiary kills the insurer intentionally and if he is convicted (meaning found guilty), the beneficiary loses his benefit.

### ***3. Insurance of liability for damages***

Art 685 of the commercial code states “the insurer who insured a liability for damages shall not pay compensation until a claim is made against the insured person with a view to amicable or judicial settlement” Here if one person is insured against liability for damages, their party who claims to be injured by this person must appear to pay the insurance. Some employers may insure their employees against liability for damages they caused.

## **2.2 Review of Past Researches**

In order to acquire relevant information on the subject under investigation, the researcher reviewed to certain international and local researches. From international researches, McKnight (2012) focused on ‘*Challenges and Opportunities for Property Insurance Business in a Volatile Environment.*’ He focused on environmental dynamism, in the simplest of terms, pertains to change in a firm’s external environment. This research, though it seems similar in the topic (property insurance business), it differs in various aspects from the McKnight’s attempt. First, he studied property insurance business in terms of dynamism of the external environment. This

research differs from the past one because challenges and opportunities of property insurance are, here, viewed from Service Quality Gaps. Second, this research differs from the previous one in terms of geographical location and focus groups (the insurer and the insured).

On the other hand, the work of Teece, Pisano, & Shuen (1997) entitled by, “*Dynamic Capabilities and Strategic Management in the Property Insurance Industry Structures*” was referred. Teece et al. saw the effectiveness of property insurance from insurance managers’ behavioral and professional qualities. But for this research, HRM qualities is part of the whole; i.e., this research attempts to see the gaps not only from the management competence, but also the competitiveness of property insurance from the insurers and the insured behavior as well as other environmental factors.

In the Ethiopian context, this researcher observed the work of Reshid (2015), entitled by, “*Determinants of Insurance Companies Profitability in Ethiopia*”. In fact, the research resembles with (Reshid, 2015) in that both are focused on the local content of Ethiopia and emphasized on issue of insurance industry. But my research was different in that unlike Suheyli whose focus was directed to determinants of insurance companies profitability, in the setting of Addis Ababa, the researcher focus was directed to challenges and prospects of property insurance in Welkite area. The researcher attention also goes to the insurers and the insured to observe the service quality gap in terms of delivering property insurance.

Next, (Abebe, 2000) was reviewed by this researcher. (Abebe, 2000) investigation was focused on, “*Insurance Requirements and Practices of Ethiopia's Construction Sector.*” In fact, the two researches resembles in terms of origin, Ethiopia, and partially on the type of property insurance, Practices of Ethiopia's Construction Sector. (Abebe, 2000) investigated the principles of insurance and types of insurance policies in construction industry in general. He discussed the status of consultants and contractors in Ethiopian construction sector. Questionnaires were designed to preliminary assess whether relevant insurance policies are bought by contracting and consulting firms.

The researcher research differs from that of (Abebe,2000) in that he reviewed on principles, policies and types of insurance premiums in the construction sector. Unlike (Abebe, 2000) researcher investigation emphasizes not only on policy matters, rather, on quality gaps, behavioral traits of the insurers and the insured in terms of materializing property insurance in the specific context of Welkite.

# CHAPTER THREE

## RESEARCH DESIGN AND METHODOLOGY

### 3.1 Research Design

This research employed a descriptive survey research design because the main purpose of the researcher was 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 could be compared. Hence, it looks at individuals, groups, institutions, and resources in order to describe the entities and the events that constituted to the issue of property insurance.

On the other hand, quantitative research approaches and quantitative data uses the researcher supportive the quantitative data were used in the study. If the data were 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, was 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 was that it helps to discover in-depth idea and information by the help of semi-structured interview.

### 3.2 Population of the Study

The study emphasized on challenges and prospects of property insurance from the aspects of both the insurers and the insured. Since the insurer organizations were very limited in the study area, thus, the researcher planned to draw samples from two groups, insurance companies' employees and the insurance service customers. Therefore, all insurance companies located in Welkite Town, with their executives and their personnel staffs, were assumed to be the study population. On the other hand, all clients/ customers who were currently receiving one or more services from these insurance companies were included in the study. There were a sum total of

51 personnel staffs (insurers) who provide insurance services for 390 customers (insured) that are currently involved in the contracts.

**Table 3.1. Illustrates the available insurance companies and ownership type in Welkite**

No.	Insurance Company	Ownership Type	Population size	
			Personnel staff*	clients
1	Ethiopian Insurance corporation	Government	29	159
2	National Insurance corporation	Private	22	231
			51	390

Source: including Insurance Agents and Brokers

### 3.3 Samples and Sampling Techniques

The samples for this research were drawn from the employees and customers of the two insurance companies available in Welkite Town: *Ethiopian Insurance Corporation and National Insurance Corporation*. Among the subjects one was government owned while the other one was private owned.

Hence, this research relied on the respondents' consents that were to be obtained from companies' executives, employees (personnel staffs) and property insurance clients of the target companies in general. Hence, the researcher planned to gathered relevant data from all executive bodies of the available insurance companies. By using availability sampling method, the researcher gathered the available data about challenges and prospects of property insurance from all the managements of the insurers. Similarly, in order to gather relevant information on property insurance from personnel staffs of the two insurance companies, the researcher planned to employed purposive sampling method. Since the population of the insurer companies was limited, availability sampling was found convenient to include all the personnel in the data climate.

On the other hand, the clients that were currently receiving insurance service packages from the two insurers were totally 390. Therefore, the researcher planned to customer snowball (Network sampling method).

In addition, snowball method, was served to obtain informed customers who might better know and understand what the target companies usually do in terms of delivering property insurance service to their clients,. This way, by using snowball sampling, the researcher attempted to move from one informant to the other receiving one informant’s suggestion to whom the researcher tried to address his/her questionnaire to the other who might also inform best from experience about the issue of property insurance the target institutions render to and other clients around.

Snowball sampling may simply be defined as: A technique for finding research subjects. One subject gives the researcher the name of another subject, who in turn provides the name of a third, and so on (Vogt, 1999). According to him, trading an uneasy line between the dictates of replicable and representative research design and the more flowing and theoretically led sampling techniques, snowball sampling lies somewhat at the margins of research practice. However, the technique offers real benefits for studies which seek to access difficult to reach or hidden populations. These are often obscured from the view of social researchers and policy makers who are keen to obtain evidence of the experiences of some of the more marginal excluded groups.

Since the actual size of the population was relatively narrow and heterogeneous in their mixture, it was found important to increase the percentage of the sample size to be drawn to the data climate. Based on this notion, the researcher presumed to draw sample informants from the two insurers by 57% . Thus,  $390 \times 57\% = 223$  samples were assumed to serve the data purpose.

**Table 3.2. Shows the summary of sample size and sampling methods**

No	Name of the Insurance Company	Executive Bodies to be drawn		Personnel Staff to be drawn		Clients to be drawn by 40%	
		sample	Sampling method	sample	Sampling method	sample	Sampling method
1	Ethiopian Insurance corporation	2	Purposive	27	Purposive	92	+ Snowball
2	National Insurance corporation	2	Purposive	20	Purposive	131	+ Snowball
	Total	4		47		223	

The total number of samples assumed to be drawn from the existing insurance companies in the study area, executive (management) bodies = 4, personnel staff (service providers, including insurance agents and brokers) = 47, and Clients (including any type of insurance service receivers) = 223, therefore, data was assumed to be obtained through different tools and procedures from a total number of 274 respondents.

### **3.4. Data Gathering Tools and Procedures**

Primary data was generally obtained from executives, personnel staffs and clients of the existing insurance companies through questionnaires and interview. To collect the secondary sources of data, internet and different articles published in the journals and magazines were used according to their relevance in relation to property insurance.

#### **3.4.1 Questionnaire**

Primary data was collected from two sources. Independent questionnaires were used to collect data from sample personnel staffs and customers.

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 to collect quantitative data with ensured speed and accuracy to respond on. Structured questionnaire items, therefore, were 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 effectively exploiting the available opportunity undertaking property insurance their favorite concern. Structured questionnaires contained different parts help to obtain the necessary data that fully answer the research basic questions; and the questions were maintained using Likert scale for measuring attitudes, feelings and direct experiences of respondents in terms of a 5-point set of ordered categories: *strongly Disagree*, *Disagree*, *Neutral*, *Agree* and *Strongly Agree* response options, indicate the intensity of the respondents' particular judgments on the issue under investigation. Questionnaires were also served as a means to obtain data from the available employees, insurance agents and brokers who serve, sell and/or promote the companies insurance packages, and this was translated into Amharic Language beforehand it was distributed to the subjects.



Meanwhile, a pilot test was conducted using 10 personnel staff and 20 clients in order to calculate the reliability of the questionnaires before they were delivered to obtain the actual data. The reliability level for the two questionnaires, employing SPSS Version 20, was calculated using Cronbach Alpha and the results showed that the reliability level of each of the two questionnaires were nearer to 1(0.956 and 0.986 for employee and customer data respectively); i.e., greater reliability was undertaken over the pilot test, therefore, it was decided to use it further to gather data for the study.

### **3.4.2 Interview**

The other half was relied solely on semi-structured interview, which was 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 served to capture information from individual interviewees, insurance managements. Semi-structured interview also helped to include missing pieces of information in the questionnaire, relevant issues that were escaped from the researcher's sight, and more valuable information helped for triangulation in the data analysis stage. Generally the researcher uses interview method to support the quantitative data.

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

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

The researcher uses 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 (SD) of different variables were calculated using SPSS version 20.00 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 values were employed to calculate the central tendency of the summative Likert response data, SD was used for determining variances among each respondents views' deviation characteristics 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** was 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 was 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 using certain preliminary procedures such as: data reduction, data display, and verification. Data reduction was 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 was generally compiled in figures, the qualitative data analysis was presented in a descriptive fashion. Hence, data from different sources obtained by different formats were line by line in detail as the concept of investigation became clearly understood. Triangulation in this process offered benefit for cross-validation of findings across research components.

### **3.6 Ethical Considerations**

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

## **CHAPTER FOUR**

### **4. PRESENTATION, ANALYSIS AND INTERPRETATION OF THE DATA**

This chapter has two parts. The first part reports the characteristics of the respondents, which includes personal and professional characteristics and background information of participants. The second part presents analysis and interpretation of data on Challenges and prospects of property insurance taking the case of Welkite Town as the focus area of the study. The quantitative data were obtained from 47 employees who work in 2 companies, 1- private and 1 government insurance firms. Ethiopian Insurance Corporation and National insurance corporation companies were the participants. The customers who served the actual data were 216 in number, 151 customers were brought from the government insurance scheme while other 65 were from the private firm. From the actual data plan that was estimated (223customers) in the proposal stage, 7 (3%) of the customers' responses were either rejected for response error or incompleteness of the information, hence, the study was relied on 2216(97% ) of the questionnaire data.

#### **4.1. Analysis of Personal Background of the Respondents**

The importance of this part is to provide 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 sex, the qualification level and the time they spent in the insurance schemes. Almost all personal data were illustrated using table and pie-chart illustrations in the following few pages.

#### 4.1.1 Personal Background of the Insurance Employee

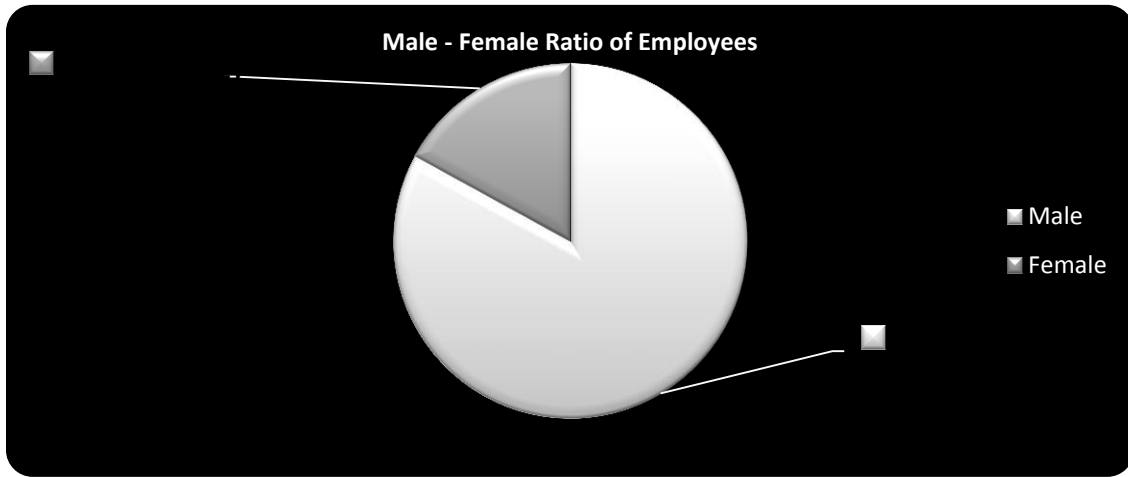


Figure 1: Male- female ratio of employees in the insurance firm(ratio 39:8 or 1:5)

As was mentioned in the earlier chapter, the number of samples which methodologically and statistically determined was 47 employees, for which 39 (83%) were male and 8 (17%) were female drawn from 2 insurers.

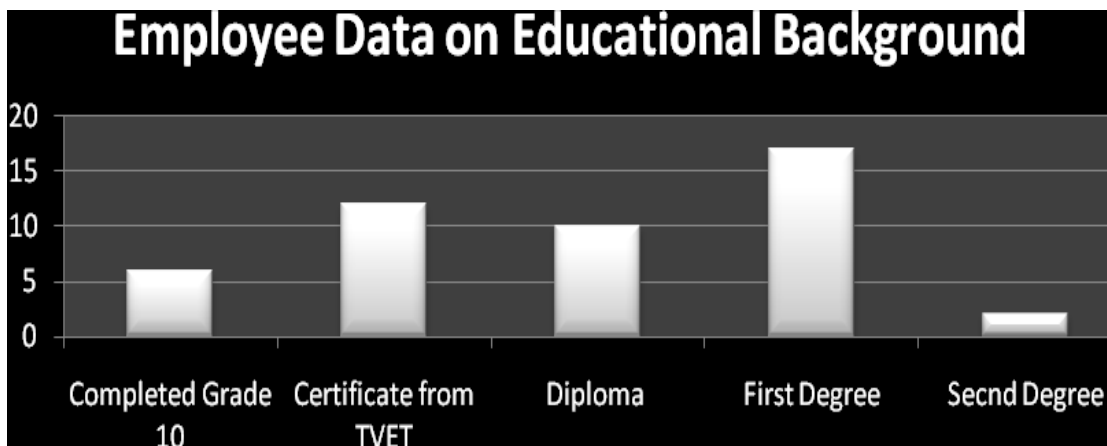
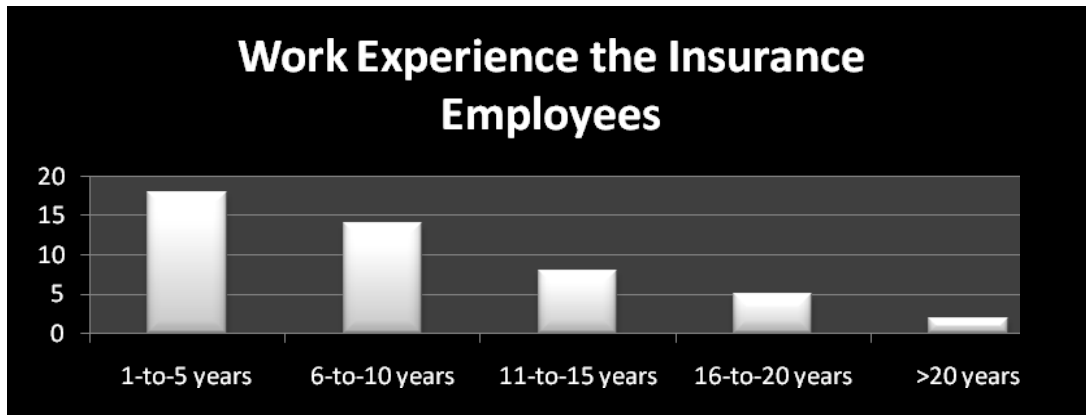


Figure 2: Qualification Levels of the Employees of the Insurance Companies

Regarding the employees' qualification, 17 (36.2%) were first degree holders while 12 (25.5%) were those held certificate from TVET, and 10 (21.3%) were qualified to diploma level. The remaining 6 (12.8 %) and 2 (4.3%) were employees who graduated only Grade 10 and second degree holders respectively. According to the above information of employee data on

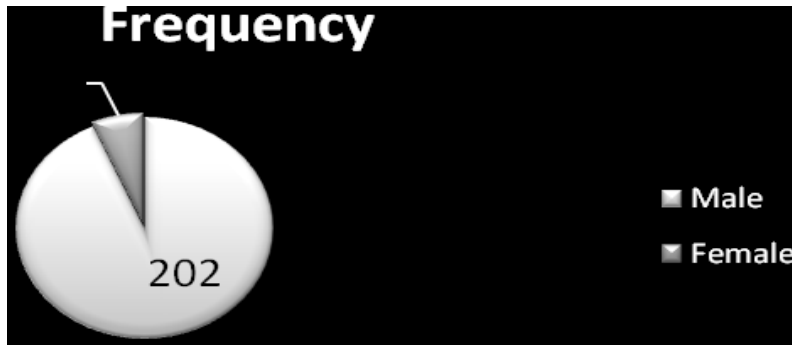
educational background, an enormously large group of job holders were qualified to their first degree and are assumed to be well qualified in their fields of specialization, so they are assumed to deliver quality service for the insured from the knowledge and skills they are believed to have gained from education and training. The data also reveals job dispersions among different types of employees that were required to perform simple tasks as well as activities that require conceptual and managerial roles in the organizational hierarchy.



*Figure 3: Work Experience of the Employees of the Insurance Companies*

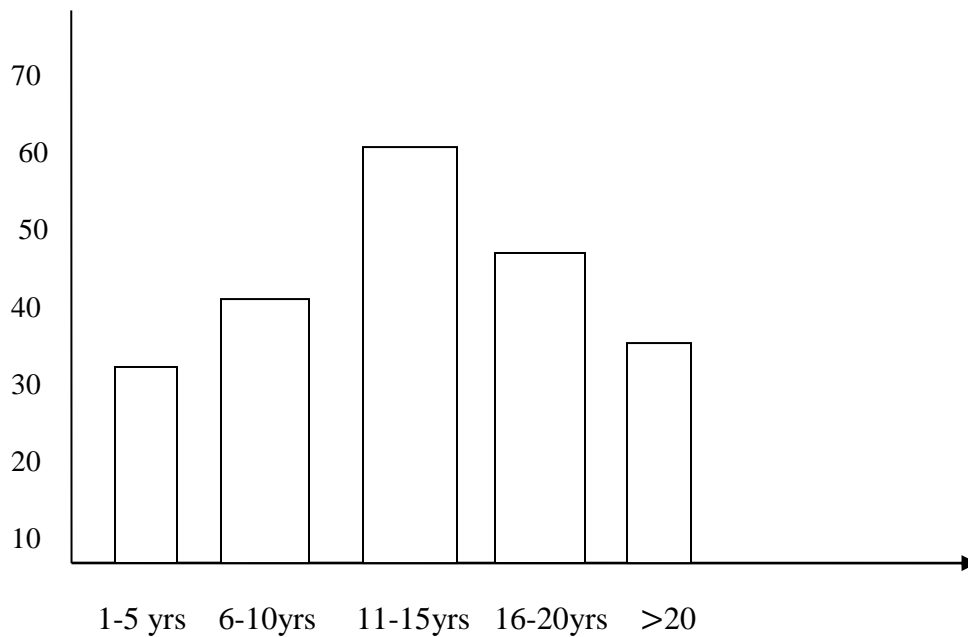
In terms of their work experience, 18 (38.3%) have total work experience between 1- 5 years, 14 (29.8%) have experienced between 6 to 10 years, 8 (17%) of them have work experience between 11 to 15 years, 5 (10.6%) have work experience between 16 to 20 years and the remaining 2 (4.3%) are well experienced 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. Hence, to view the human resource aspect of the insurance companies, qualification was more reliable factor than experience to deliver insurance arrangements, secure risk transferring mechanisms for insured ones, and undertake market expansions based on the existing insurance policy. The data was also evident in that the number of new entrants into the insurance job may be greater due the increasing number of first degree level qualified personnel while the insurance workers who remained in their positions were lower to above 10 years due to the incidence may be of high turnover, job transfer or work change.

#### 4.1.2 Personal Background of the Insurance Customers



*Figure 4: Insurance Customers' in terms of Gender*

According to the customer data obtained on gender distribution, 202 (93.5%) were male clients while the remaining few, 14 (6.5%) were female ones. From this the researcher estimated that, in one or the other case, almost males are dominant figures in involving into insurance contract agreements than females. This could also evident in that women participation in the insurance holdings was lower.



*Figure 5: Customers' Experience in the Insurance Premium Structure*

from the above graph customers experiences in the insurance premium structure the majority of the customers' years between 11-15 years for 61(28.2%) the second customer experience in the company between 16-20 years constituted 46(21.2%) and the third customers experience was 6-10 years by of the insures from this the researcher recognize that may reveal that people now a days less accustomed to by insurance packages for one or the other reason, and also the existing law effort of the insures to research of the public and sell insurance premium i.e lacked to effectively exploit the available market due to lack of public awareness or lack of public faith.

## **4.2. Analysis of Basic Data**

The analysis mainly focuses on four basic research components, namely: 1.To what extent insurers in Welkite Town are effective in terms of materializing quality property insurance? 2. How far the insured behaviors in the town are considered positive to exploit wide range of insurable risks by the existing insurance laws? 3. What possible prospective situations exist so as to ensure growth and smooth functioning of property insurance in the target locality? 4. What are the major challenges the insurers face to intensify property insurance market 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 three tables, table 4.1 , Table 4.2 and Table 4.3. show the employees views on the extent the insurers' mechanisms in the target area were effective to materializing insurance services.



The data on the effectiveness level of the insurers in materializing property insurance was obtained from two respondent groups- the employees and the customers. Table 4.1, 4.2 and 4.3, were maintained on the bases of varied level of employee-respondents' views, values "high", "satisfactory" and "low", they scored about the effectiveness level 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 4.1.2 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 common features on the bases of the obtained mean values with 3 table numbers, as 4.1, 4.2 and 4.3.

***Table 4.1: Employees' Response Data on the Effectiveness Level of the Insurers in Materializing Property Insurance services***

<b>Effectiveness Level of the Insurers in Materializing Property Insurance services</b>		Mean	S. D.
1	Managers in the service sector are under increasing pressure to demonstrate that their services are customer-focused.	4.19	.814
2	Managers in the insurance service sector are under pressure in order to enhance performance improvement in property insurance package being delivered.	4.10	.995
3	Customers' expectations versus management perceptions are the result of the lack of a marketing research orientation.	4.05	.973
4	Customers' expectations versus management perceptions are the result of inadequate upward communication.	3.94	.992

5	There is a discrepancy between what managers perceive that customers expect and the actual standards that they (the managers) set for service delivery.	3.82	.969
6	The insurance management is aware of customers' expectations but might not be willing or able to put systems in place that meet those expectations.	3.70	.808
7	There is a gap between organizational service specifications and actual levels of service delivery.	3.66	.767
8	A Service specification versus service delivery is the result of role ambiguity and conflict.	3.61	.662
9	A Service specification versus service delivery is the result of inappropriate supervisory control systems.	3.59	.780
10	A Service specification versus service delivery is the result of lack of teamwork.	3.57	.965
11	Insurance companies take a lengthy process to get payment after incidents (for instance, they take one or two years to pay their customers).	3.55	.820
<b>Mean average</b>		3.798	0.867

(Source: field data, Welkite Insurance Firms, 2017)

According to the first set of data showing some relatively common mean values on the effectiveness level of the insurers in materializing property insurance. All the indicators in table 4.1 were valued the negative effects of the insurance performance and relatively higher negative mean values were registered for eleven performance indicators.

First and for most, the response for the question, managers in the service sector are under increasing pressure to demonstrate that their services are customer-focused, was very high, mean = 4.19 with a corresponding S.D. = 0.814, which could show the moderate level of individuals' deviation characteristic from the respective mean. Similarly, managers in the insurance service sector were under pressure in order to enhance performance improvement in property insurance package being delivered. This was supported by mean = 4.1 with a corresponding S.D. = 0.995, which may also suggests a relatively increasing individual's response variation from the obtained mean score.

Next, customers' expectations versus management perceptions were the result of the lack of a marketing research orientation, the issue which revealed the lack of effectiveness of the insurers supported by the respondents, mean = 4.05 with a corresponding S.D. = 0.97. Customers' expectations versus management perceptions were the result of inadequate upward communication, was insurers lack of effectiveness supported by a mean = 3.94 with a corresponding greatest S.D. =0.992.

The other insurers' ineffectiveness was reported in case of discrepancy between what managers perceive that customers expect and the actual standards that they (the managers) set for service delivery, which was supported by a mean value 3.82 and a corresponding S.D. 0.969; followed by another insurance ineffectiveness on the insurance management retained awareness on customers' expectations lack of willingness or couldn't be able to put systems in place that meet those expectations, supported by a mean value 3.70 (S.D. 0.808), which could show the level of management dedication or readiness to realize insurance expectations.

On the other hand, there was a gap between organizational service specifications and actual levels of service delivery, the issue supported by a mean value 3.66 (S.D. 0.767); followed by another issue in that a Service specification versus service delivery was the result of role ambiguity and conflict, which was significant to a mean value 3.61 (S.D 0.661).

A Service specification versus service delivery was the result of inappropriate supervisory control systems, was another ineffectiveness of the insurers, supported by a mean value 3.59 (S.D. 0.780); followed by another ineffectiveness case, a service specification versus service delivery was the result of lack of teamwork, considered to a mean value 3.57 (S.D. 0.965). Finally comes the issue that the insurance companies took a lengthy process to get payment after incidents, supported with mean value 3.55 and a corresponding S.D. 0.820.

Generally, all the indicators mentioned in Table 4.1 were negative and measured the negative characteristics or the service quality gaps. The aggregate or overall mean average to this category was estimated to 3.798 with a corresponding average S.D. 0.867, which shows the level of the characteristic individual deviation to the aggregate mean was greater.

**Table 4.2: Employees' Response on the Effectiveness Level of the Insurers in Materializing Property Insurance services**

<b>Effectiveness Level of the Insurers in Materializing Property Insurance services</b>		Mean	S. D.
1	Organizational policies and standards for property insurance service levels are in place.	3.49	1.190
2	Suitable internal communications have contributed its part in creating a sound service culture.	3.44	1.195
3	Insurance management usually “sells” their internal customers on the company and its policies in order to induce front-line employees to deliver the desired levels of customer service.	3.38	1.265
4	In the company, the key to delivering high quality service is to continually monitor customer perceptions of service quality.	3.31	1.091
5	Standard personnel policies such as employee screening and selection are viewed as to facilitate customer service.	3.29	1.213
6	Goals and reward systems have contributed enormous part to improve property insurance marketing.	3.22	1.203
7	Training of insurance employees is viewed from the perspective of diversifying property insurance marketing effectively.	3.17	1.287
8	Setting suitable reporting relationships is the core principle to support the development of property insurance.	3.09	1.110
9	The insurer regularly collects information about customer needs.	3.02	1.123
<b>Mean average</b>		3.27	1.186

(Source: field data, Welkite Insurance Firms, 2017)

The second set of data on the effectiveness profile of the insurers in materializing property insurance, as observed in Table 4.2, nine of the indicators demonstrated in that the insurers were performed at a medium level (neither high nor low). As the obtained response values indicate, organizational policies and standards for property insurance service levels were in place, the issue supported by mean value 3.49 (S.D. 1.190); followed by other insurers performance profile on suitable internal communications that had contributed its part in creating a sound service culture, supported with a mean value 3.44 and a corresponding S.D. 1.195.

Next, insurance management usually sold their internal customers on the company and its policies in order to induce front-line employees to deliver the desired levels of customer service, was an issue of insurers' performance indicated with a mean value 3.38 and a corresponding S.D. 1.265; followed by another case, continually monitoring customer perceptions of service quality, supported with a mean value 3.31 and a corresponding S.D. 1.091.

Maintenance of standard personnel policies such as employee screening and selection was an effectiveness issue supported by a mean value 3.29 and a corresponding S.D. 1.213; followed by another effectiveness case, goals and reward systems that had contributed enormous part to improve property insurance marketing, which was supported with a mean value 3.22 and a corresponding S.D. 1.203.

According to the descending order of the obtained mean values, training of insurance employees was viewed from the perspective of diversifying property insurance marketing effectively, the case which received the insurers' attention with a mean value 3.17 and a corresponding S.D. 1.287. And setting suitable reporting relationships was the core principle to support the development of property insurance, the issue of effectiveness of the insurers supported with a mean value 3.09 and a corresponding S.D. 1.110. Finally, the data on the insurers' level of regularly collecting information about customer wants was an issue obtained less assertiveness (mean 3.02 and a corresponding S.D. 1.123) within the performance profile of the insurance companies.

Generally, as statistical measures to the performance indicators in Table 4.2 shows, the mean values rest between 3.49 for relatively higher level of respondents' agreements while 3.02 for relatively lower level of respondents' agreements. Meanwhile, the aggregate (overall) mean value to these indicators' category was calculated for 3.27 with a corresponding average S.D. 1.186. Throughout each mean values the corresponding S.Ds were above 1.00, which implied for each corresponding mean the individual characteristic deviation from each mean was very wide or beyond the normal. (The normality lies  $<0.5$  exactly.) As a result, the individual's response deviation from the aggregate mean was corresponding with very high (average S.D. 1.186).

The statistical measures for the indicators' category (Table 4.2) generally showed that the performance effectiveness of the insurers in terms of handling property insurance was not strong enough to bring competitiveness, market attraction and market expansion over the area under investigation.

The core and compulsory denominators to satisfy internal and external customers, expand insurance marketing, and maintain competitiveness in the insurance market, but for one or the other reason, received inadequate attention and implementation by the existing insurance firms in the study area.

**Table 4.3: Employees' Response on the Effectiveness Level of the Insurers in Materializing Property Insurance services**

<b>Effectiveness Level of the Insurers in Materializing Property Insurance services</b>		Mean	S. D.
1	Insurance claims handlers ensure the customer is treated fairly and that the customer receives excellent service in accordance with industry and company guidelines.	2.93	1.207
2	Insurers choose service providing employees very carefully; train them highly to make them knowledgeable regarding the service standards.	2.76	.868
3	The insurance management usually identifies causes of service quality shortfalls, and takes appropriate action to improve the quality of service.	2.76	1.001
4	The property insurance model provides a checklist of where breaks in the chain can occur.	2.64	.901
5	The insurer implements data analytics for competitive advantage.	2.51	.767
6	Executives' perceptions of superior quality service are congruent with customers' expectations.	2.42	1.088
7	A Service specification versus service delivery is the result of poor employee-job fit.	2.35	1.056
8	A Service specification versus service delivery is the result of good technology-job fit.	2.29	1.189
9	Insurers use heavy informative advertisement to show how the service can be better utilized.	2.05	.805

10	Insurer carefully chooses smart and presentable personnel who will be interacting with the clients.	1.95	.759
	Mean Average	2.48	0.96

(Source: field data, Welkite Insurance Firms, 2017)

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 towards table 4.3, above. This category was separated from its predecessors for one important characteristic reason in that the mean values obtained for these indicators' category were all 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 among1 the lists was showed for that insurance claims handlers ensured that the customers were treated fairly and they received excellent service in accordance with industry and company guidelines (mean = 2.93, with a corresponding S.D. = 1.207); followed by two equally significant indicators: insurers choose service providing employees very carefully; train them highly to make them knowledgeable regarding the service standards and the case the insurance management usually identifies causes of service quality shortfalls, and takes appropriate action to improve the quality of service each valued with mean = 2.76, and corresponding S.Ds. = 0.868 and 1.00, for the former and the later mean scores respectively.

The property insurance model provided a checklist of where breaks in the chain could occur (mean = 2.64, with a corresponding S.D. = 0.901) comes next in the order of importance of the values; followed by the case the insurer implemented data analytics for competitive advantage, observed mean = 2.51 with corresponding S.D. = 0.767; and executives' perceptions of superior quality service were congruent with customers' expectations correspond to observed mean = 2.42 with corresponding S.D. = 1.088; and the service specification versus service delivery was the result of poor employee-job fit, the case which supported with mean value 2.35 and a corresponding S.D. 1.056.

Next, the case of service specification versus service delivery was the result of good technology-job fit, was maintained with observed mean = 2.29 with corresponding S.D. = 1.189; followed by the case, the insures use heavy informative advertisement to show how the service could be better utilized, was supported with a mean value 2.05 (S.D. 0.805); and the least of all insurers' performance effectiveness was seen in the case of that of the insurers carefully chose smart and presentable personnel who could be interacting with the clients. The least important response was obtained from the employee respondents with a mean corresponding to this was 1.95 (S.D. 0.759).

The observed aggregate mean for the last indicators' category on effectiveness of insurers on materializing property insurance was below the hypothesized population mean or the expected mean score, and surfaced on lowered average mean value calculated for 2.48 and a corresponding average S.D. 0.96.

#### 4.2.2 The Extent the Insured Behaviors in the Study Area are Considered Positive to Exploit Wide Range of Insurable Risks

*Table 4.4: Customers' Response on their behaviors to effectively exploit insurable risks from insurers in the study are*

Indicators for Insurers' Effectiveness		Mean	S. D.
1	Lengthy (bureaucratic) process in getting payment for property insurance after any incident is the main reason of trustworthiness in Welkite.	4.49	1.319
2	Insurance companies in Welkite, nowadays, are not providing attracting offerings to their customers.	4.25	1.295
3	Marketing gap of property insurance is created when advertising, personal selling or public relations over-promise or misrepresent service levels.	4.19	1.256
4	The insurance companies are not delivering their information (regarding company and insurance policy) properly or evenly.	4.16	1.247
5	Insurance companies charges high service/processing cost from their customers.	4.04	1.143
Mean Average		4.23	1.252

(Source: field data, Welkite Insurance Firms, 2017)



Table 4.4, 4.5 and 4.6 contain the summarized data on customers' behaviors to effectively exploit insurable risks from insurers in the study area. The customers' response data were divided into three consecutive sections, here under, on the basis of characteristic homogeneity of the results (mean values). According to the descending order of the relevance of the variables, customers' responses were analyzed in the next few pages. In the first five performance indicators showing the level of customers' behaviors about to effectively exploit insurable risks from insurers in the study area, the customers trust on the insurers was adversely proportional to that of their expectations.

This could be evident from higher level mistrust obtained by relatively high mean values for some five customers' behaviors about to effectively exploit insurable risks from insurers in the study area; first, lengthy (bureaucratic) process in getting payment for property insurance after any incident, was the main factor of trustworthiness in Welkite, supported by the highest mean score, 4.49 with a corresponding S.D 1.319 in which the greatest individuals' deviation characteristic from the respective mean value was registered. Therefore, one of the critical challenges of the customers' behaviors about to effectively exploit insurable risks from insurers in the study area towards undertaking property insurance was lengthy (bureaucratic) process in getting payment.

Second, insurance companies in Welkite, nowadays, were not providing attracting offerings to their customers. This was evident from the higher level of customers' agreement obtained by respective mean score 4.25 (S.D. 1.295); followed by another significant customers' challenge on property insurance delivery seen on, marketing gap of property insurance was created when advertising, personal selling or public relations over-promise or misrepresent service levels. This was supported by a significant mean score, 4.19 (S.D. 1.256). Next, the insurance companies were not delivering their information (regarding company and insurance policy) properly or evenly. This was the insurance customers' significant challenge on customers' behaviors about to effectively exploit insurable risks from insurers in the study area supported by a mean score 4.16 and a corresponding S.D. 1.247. The last in the first indicators' domain was the insurers' effectiveness issue refers those insurance companies charges high service/processing cost from their customers. In fact, this was supported by a mean score 4.04 (S.D. 1.143).

Generally, all the customers' response on their behaviors about to effectively exploit insurable risks from insurers in the study area, Table 4.4 showed to a relative higher degree (mean values above 4.00) of the insurers' inconsistencies with their customers' expectations. On the other hand, all the S.Ds respective to each performance indicator was above 1.0, which means, throughout the customers' response, individual sample respondent's deviation characteristic was very wide from the respective mean score. The aggregate (overall) mean value to this indicator category was 4.23 with a corresponding average S.D. 1.252, which tells us the customers' attitude to a higher degree negatively correlated with that of the insurers' performance effectiveness level.

**Table 4.5: Customers' Response on their behaviors to effectively exploit insurable risks from insurers in the study area**

	<b>Indicators for Insurers' Effectiveness</b>	Mean	S. D.
1	Insurers usually delegate less talented sales people who could not convince effectively to purchase property insurance policy (lacks skilled man power).	3.94	1.298
2	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.	3.88	1.289
3	The claim management system within the insurers is often disgusting because of long bureaucratic chains.	3.81	1.344
4	Low income and purchasing power couldn't permit the people of Welkite to go for property insurance policy.	3.77	1.001
5	Public insurance companies increase the rate of payment to encourage more accounts.	3.71	.992
6	The insurance companies appoint sales people at a very lower cost, and these sales people cannot convince effectively to purchase insurance policy.	3.66	.898
7	Personnel and management policies have contributed to develop the complete linkage between customer expectations and perceived service delivery.	3.59	.888

8	Customers perceive that insurers are delivering low-quality service when a gap appears between promised levels of service and the service that is actually delivered.	3.56	.971
9	Lack of trustworthiness is one of the major problems of insurance business in Welkite.	3.54	.932
10	Insurance companies often demonstrate unethical competition.	3.51	.846
	Mean Average	3.7	1.046

(Source: field data, Welkite Insurance Firms, 2017)

The next customers' response table shows the customers' behaviors about to effectively exploit insurable risks from insurers in the study area with some common features estimated with nearly similar mean values, between 3.94 and 3.51, with the aggregate (average) mean score 3.7 and a corresponding S.D. 1.046, which still demonstrates that throughout the customers' response, individual sample respondent's deviation characteristic was very wide from the respective mean score.

Insurers usually delegate less talented sales people who could not convince effectively to purchase property insurance policy (lacks skilled man power), the insurers' performance satisfied the customers' expectations to a level valued with a mean score 3.94 (S.D. 1.143); followed by the next significant value obtained with a mean score 3.88 (S.D. 1.289) for that of the issue customers see 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 matters.

Next, the claim management system within the insurers was often disgusting because of long bureaucratic chains, a performance effectiveness indicator valued by the customers with a mean score 3.81 (S.D. 1.344). Low income and purchasing power couldn't permit the people of Welkite to go for property insurance policy, customers asserted with a mean value 3.77 (S.D. 1.001); followed by performance effectiveness issue in that public insurance companies increase the rate of payment to encourage more accounts, scored mean value, 3.71 (S.D. 0.992).

According to descending order of importance of the mean values, the case the insurance companies appoint sales people at a very lower cost, and these sales people could not convince effectively to purchase insurance policy was the insurers' performance defect gained customers' attention with a mean score 3.66 (S.D. 0.898); followed this, personnel and management policies contributed to develop the complete linkage between customer expectations and perceived service delivery, supported with a mean score 3.59 and a corresponding S.D. 0.888.

Customers perceived that insurers were delivering low-quality service when a gap appeared between promised levels of service and the service that was actually delivered, valued with a mean score 3.56 and a corresponding S.D. 0.971; lack of trustworthiness was one of the major problems of insurance business in Welkite, a case supported by the customers to a mean score 3.54 and a corresponding S.D. 0.932. Towards the end of Table 4.5, the researcher find the least important statistical value for that the insurance companies often demonstrated unethical competition, which was caught the customers' attention to a mean value scored 3.51 and a corresponding S.D. 0.846.

Generally, on customers' behaviors about to effectively exploit insurable risks from insurers in the study area, under Table 4.5, shows the mean value between 3.94 and 3.51 of the respondent agreements mean while, aggregate (over all) mean value of this indicators category was calculated for 3.7 with a corresponding average S.D 1.046 lies customer's response.

**Table 4.6: Customers’ Response on their behaviors about to effectively exploit insurable risks from insurers in the study area**

	<b>Indicators for Insurers’ Effectiveness</b>	Mean	S. D.
1	Customer expectations are influenced by the extent of past service experiences.	3.49	.819
2	There is very less variation among the property insurance offerings of different insurers.	3.45	.795
3	Poor service delivery is the result of poor external communication.	3.39	.856
4	Poor service delivery occurred as a result of inadequate propensity.	3.36	.747
5	There is a gap in understanding customers’ expectations by front-line service providers.	3.34	.703
6	Insurers use technology to keep in touch with their customers even after sales.	3.29	.898
7	Customer expectations are influenced by the extent of word of mouth recommendation.	3.22	.789
8	The insurance company permits the customers to follow demand based pricing.	3.11	.844
9	Executives’ perceptions of superior quality service are largely congruent with customers’ expectations.	2.96	.898
10	Insurers provide more customized services to the customers which in turn permit them to follow demand based pricing.	2.59	.818
11	Insurers use a combination of cost and competition system as gradually competition is popular.	2.16	.771
	Mean Average	3.12	0.813

*(Source: field data, Welkite Insurance Firms, 2017)*

On the other hand, the customers’ behaviors about to effectively exploit insurable property risks from the insurers in the study area were cognizant as lower and, therefore, required a lot of adjustment efforts of the companies. This was illustrated from 11 indicators’ category lists presented in Table 4.6, above.

First and for most, customer expectations were influenced by the extent of past service experiences, complained by the sample respondents to a mean score 3.49 (S.D. 0.819); followed by another customers' behavior depicted on that there was very less variation among the property insurance offerings of different insurers, which was supported by a mean value 3.45 (S.D. 0.795). Similarly, poor service delivery was the result of poor external communication, an issue supported by a mean score 3.39 (S.D. 0.856).

Next, poor service delivery occurred as a result of inadequate propensity was the case the sample customers supported with a mean 3.36 (S.D. 0.747); this is followed by another issue in that there was a gap in understanding customers' expectations by front-line service providers, supported to a mean score 3.34 and a corresponding S.D. 0.703.

According to the descending order of importance of the values, insurers use technology to keep in touch with their customers even after sales, supported to a mean value 3.28 and a corresponding S.D. 0.898; this is followed by the case customer expectations were influenced by the extent of word of mouth recommendation, supported to a mean score 3.22 and a corresponding S.D. 0.789. The next issue in this category list is that the insurance company permits the customers to follow demand based pricing, in which the respondents' view was adhered to a mean score 3.11 and a corresponding S.D. 0.844.

The customers' responses on their behaviors about to effectively exploit insurable risks from insurers in the study area were too much lower for the following 3 indicators: executives' perceptions of superior quality service were largely congruent with customers' expectations (mean score 2.96); insurers provide more customized services to the customers which in turn permit them to follow demand based pricing (mean score 2.59); and insurers use a combination of cost and competition based costing system as gradually competition based costing was popular (mean score 2.16).

Generally, the customers' perceptions and expectations about the insurers' performance to have effectively adhere themselves and efficiently exploit insurable risks from insurers in the study area was seen under expectation for a number of cases. The aggregate (overall) mean for the indicators' category (Table 4.6) was calculated for 3.12 with a corresponding average S.D.

0.813, which the later value indicates the higher deviation characteristics of individual sample respondents from the aggregate, overall, mean.

#### **4.2.3 Existing Prospective Situations help to Ensure Smooth Functioning and Growth of Property Insurance in the Study 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 risk. In its yardstick, Welkite is situated in peace and harmony of the civil society for longer; no political unrest has hampered the development of property insurance. The place is rather famous for producing huge share of domestic and marketable products for the capital Addis Ababa like beer and water products. Hence, many people in and around Welkite can establish various firms, real estates and own vehicles and other properties which can require an arrangement of risk transfer and distribution of contractual relationship securing their property.

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. Hence, in order to identify their possible prospects, the insurance companies needed to be versatile at many different things. Therefore, this part of the analysis was devoted to engender remarkable prospective situations harnessing the growth and expansion of property insurance in the target area. Table 4.7 and 4.8 provide the employees' response on the possible prospects for property insurance business concord with the social, economic and cultural perspectives of the society.

**Table 4.7: Response on Possible Prospects of Property Insurance Business**

	<b>Indicators of Possible Prospects (n=47-1)</b>	Mean	S. D.
1	The company is curious in that misleading sales tactics have been a long-lasting problem, damaging the reputation of insurance.	4.33	.730
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
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
4	The company attempts to undertake major responsibilities of the local legislators, government agencies, and supervisory departments to have contribution for market expansion.	3.71	1.146
5	The insurer has a plan to effectively intervene in catastrophe protection.	3.62	1.161
6	Technology is central to the industry's ability to develop new, more profitable operating models.	3.60	.872
7	The company is curious in that misleading sales tactics have been a long-lasting problem, damaging the reputation of insurance.	3.55	.981
8	The insurer adequately understands the buying habits and patterns of the available customers.	3.51	.804
	<b>Mean Average</b>	<b>3.66</b>	<b>0.904</b>

(Source: field data, Welkite Insurance Firms, 2017)

As was indicated in Table 4.7, above, some indicators show the higher degree of employees' agreements, first, the companies were curious in that misleading sales tactics had a long-lasting problem damaging the reputation of insurance (mean = 4.33; with a corresponding S.D. = 0.73). The curiosity of insurance firms against misleading sales tactics as being a long-lasting problem was a good trend corresponds with issues of future 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). 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). In fact, literacy status extremely hampers the acceptance of something new though it is beneficial. Suspiciousness 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 companies attempt to undertake major responsibilities of the local legislators, government agencies and supervisory departments will have a considerable contribution for market expansion (mean = 3.71; with a corresponding S.D. = 1.146); and the insurers’ plans to effectively intervene in catastrophe protection (mean = 3.62; with a corresponding S.D. = 1.161) will become the other credential parts to win the battle field of property insurance marketing.

Next, technology was central to the future industry’s ability to develop new, more profitable operating models, supported to a mean value 3.60 (S.D. 0.872); followed by a prospective case about the companies curiousness in that misleading sales tactics will have a long-lasting problem, damaging the reputation of insurance, supported to a mean value 3.55 (S.D. 0.981). The least value in the category list was the insurer adequate understanding the buying habits and patterns of the available customers, supported to a mean value 3.51 (S.D. 0.804). The aggregate mean to items in Table 4.7 was registered to be 3.66 with a corresponding average S.D. 0.904.

**Table 4.8: Response Data on Possible Prospects of Property Insurance Business**

	<b>Indicators of Possible Prospects</b>	<b>Mean</b>	<b>S. D.</b>
1	Insurance company often seeks out information on a potential user’s lifestyle, loyalty, and spending habits.	2.95	1.499
2	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
3	Job-specific trainings in the human resource development has helped the company to be effective in the competitive business environment	2.71	1.271
4	The insurer has a blueprint for promoting the development of a modern insurance industry.	2.67	1.390
5	The insurer has a plan to effectively involve in facilitating economic growth and efficiency of micro enterprises business.	2.62	1.322
6	The company’s commitment to corporate social responsibility is remarkable to bring change.	2.60	1.353
7	The organization’s financial stability is satisfying for the effectiveness of the insurance business.	2.57	1.287
8	Insurance company sees itself as innovative and creative to adhere company’s position in marketing tactic.	2.52	1.365
	Mean Average	2.69	1.31

*(Source: field data, Welkite Insurance Firms, 2017)*

The other half of the indicators on prospective situations, Table 4.8, does not show fertile grounds for property insurance market expansion. Employees’ expectations, in descending order of importance, lies with lowered mean values between 2.95 (for the higher value in the category list) and 2.52 (the least value in the category list) with aggregate (overall) mean 2.69 suggest areas of improvement to be harmonized with property insurance packages market expansion approaches.

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, prospective situations need to be clear and insurers require to avoid the pitfalls against the improvement and quality of property insurance business.

#### 4.2.4 Assessment on customers' challenges towards willingly undertaking property insurance

**Table 4.9 challenges of customers**

No	Indicators on Customers' Challenges	Rank
1	The discrepancy between customer expectations and employees' perceptions	8
2	not knowing what customers expect	3
3	The wrong service-quality standards	5
4	The service-performance gap	4
5	Base prices on what the market and the customer is willing to pay	1
6	The discrepancy between customer expectations and their perceptions of the service delivered	6
7	Communicative training must be provided to the sales people	7
8	Promises do not match delivery	2

(Source: field data, Welkite Insurance Firms, 2017)

The response in Table 4.9, above, shows that there were wide constraining situations challenged the behavior of the insured people in the local area to varied degree. Among others, based prices on what the market and the customer is willing to pay; insurers' promises do not match delivery, insurers' not knowing what customers expect were the three most critical property insurance challenges the customers ranked. The others are challenged to behavior of insured respectively.

### 4.3. Analysis of Interview Data

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.

According to the management's common consent of Ethiopian Insurance Corporation, potential capacity that the company has built up through the experience more than 40 years provided the company a home of better and reliable accessibility. This company, as to the management's information, has travelled a longer journey with its old customers delivering property insurance. It gives a pleasure to celebrate their 41<sup>st</sup> year precious silver anniversary in the road of insurance, the manager said.

According to this interviewee, Ethiopian Insurance Corporation is unique both in the human resource profile and profit this insurance has gained with long and reliable insurance service delivery. All other insurance firms have built their human resource with experienced and expertise people previously trained and experienced with Ethiopian Insurance Corporation. The management said, distinctive behaviors that made Ethiopian Insurance Corporation popular in the insurance business are the efficiency the firm has been showing at times of risk; 30% liability adds on the actual common contractual law; and the active engagement the company has usually acted in investment.

For National Insurance corporation, uniqueness is expressed in terms of efficiency and effectiveness on service delivery; bill reduction made in the first two years for a new contractual agreement; and the concept of all financial services under one roof contributed a lot in the efficiency and effectiveness of the service of property insurance.

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?

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 Ethiopian insurance 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.

From the point of view of National Insurance corporation interviewee, managing customer service 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.

Accordingly, 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. The National insurance corporation interviewee added, 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 the private insurance, 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, the insurers said they have been entering in a new market which may have an advantage since it becomes a green field project not constrained by legacy systems.

From Ethiopian Insurance Corporation management point of view, 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 disgusting 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.

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?

From the common consent of the two insurance managements, the obtained response to this was somehow negative. Business policies, marketing policy in particular, followed by insurance companies, in many cases, had been too old and outdated. For example, incidences are happened over property, delaying investigative towards undertaking the risk at hand and bureaucratic ties that usually intrude in the property insurance acquisition were some of the mismatches over customer's satisfaction during the past.

But in recent 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.

The companies' expense, as the private agent 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. The private insurer also 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.

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?

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, the management interviewee particularly from Ethiopian Insurance Corporation confirmed.

Except Ethiopian Insurance Corporation, the private insurance companies suffer from lack of skilled personnel and unfair competition. For all of the insurance managements, an unethical demand made by clients or customers was a serious problem, and insurance brokers who were only concerned with their own personal gain.

Ethiopian Insurance Corporation management 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.

National Insurance Corporation 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 reliable 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 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 experienced, which would have a negative impact on customer care.

This response is very important and still congruent with the personal data analyzed at the middle of this chapter on the experience of customers' expectations and satisfaction. 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 skills, talents and experience directly related to the subject matter, insurance in general and property insurance in particular. 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 the two management interviewees, there are few problems that arise with the experienced adjusters. In most cases, he 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, it should be better to be translated at the convenient language the local customers and the community commonly used.

#### **4.4. Summary**

After a detailed analysis of the study, the researcher could arrived at the following summary of findings point .These finding will help the researcher to give proper suggestion to the insurance company for better functioning.

The respondents background analysis by present and charts. The researcher uses sampling from insurance employee and customers. The sampling method uses two types for employee purposive and for customer uses snow ball (network) sampling method.

Main findings of the study are as follows. In connection to Basic Question No.1, findings suggested that indicators which showed less performance effectiveness (performance gaps) especially in areas such as: carefully choosing smart and presentable personnel who will be interacting with the clients; using heavy informative advertisement to show how the service can be better utilized; maintaining good technology-job fit; manipulating better employee-job fit; developing perceptions of superior quality service congruent with customers' expectations; implementing data analytics for competitive advantage; maintaining better property insurance

model that provides a checklist of where breaks in the chain can occur; identifying causes of service quality shortfalls, and takes appropriate action to improve the quality of service; choosing service providing employees very carefully as well as training them highly to make them knowledgeable regarding the service standards; and ensuring that the customers are treated fairly and that they receive excellent service in accordance with industry and company guidelines. ; management perception requires adjustment with customers' expectations through marketing research orientation; insurers inadequately maintained upward communication; mismatch customers' expectations with the actual standards that the insurers set for service delivery; lacked to develop awareness of customers' expectations and high delicateness to meet those expectations; inadequate desire to narrow down the gap between organizational service specifications and actual levels of service delivery; role ambiguity and conflict between service specification and service delivery; weakness to strengthen and empower appropriate supervisory control systems and team work; and bureaucratic ties and adherence to empathy towards the process of indemnity/compensation.

Next, in terms of the insured behaviors in the town are considered somewhat negative to exploit wide range of insurable risks by the existing insurance laws because of various customary reasons related to: Less talented sells persons delegated by the insurers; insurers could not manage to translate the standard policies into the customers' (local) languages; the disgusting nature of claim managements due to long bureaucratic chains; low income and purchasing power couldn't permit the local people to go for property insurance policy; increased rate of payment to encourage more accounts; appointing sales people at a very lower cost, and such sales people could not convince effectively to purchase insurance policy; and lack of trustworthiness and unethical competition were performance effectiveness issues required better effort and attention for customers retention. Better use of a combination of cost and competition based costing system as gradually competition based costing becomes popular; providing more customized services to the customers which in turn permit them to follow demand based pricing; executives' perceptions of superior quality service that should be largely congruent with customers' expectations; the insurers need to permit the customers to follow demand based pricing; and the use of technology to keep in touch with customers even after sales.

Meanwhile, towards insuring future prospective climate, the insurers' better commitments were heavily enquired in terms of: innovative and creative approach to adhere company's position in marketing tactic; increasing organizational financial stability satisfying the effectiveness of the insurance business; companies' commitments to corporate social responsibility remarkable to bring change; a strategic plan to effectively involve in facilitating economic growth and efficiency of micro enterprises business; a blueprint for promoting the development of a modern insurance industry; Job-specific trainings in the human resource development that help the companies to be effective in the competitive business environment; and information system on a potential user's lifestyle, loyalty, and spending habits.

Eventually, regarding the major challenges the insurers face to intensify property insurance market in the target area, findings showed that there were wide constraining situations challenged the behavior of the insured people in the local area to varied degree. Among others, base prices on what the market and the customer is willing to pay; insurers' promises do not match delivery; insurers' not knowing what customers expect were the three most critical property insurance challenges the customers ranked, but more.

# CHAPTER FIVE

## CONCLUSION AND RECOMMENDATIONS

### 5.1. Conclusion

Based on the analysis and major findings, this researcher arrived at the following conclusion points. The data showed that the performance effectiveness level of the insurers in Welkite was under expectations of the standards. Most of the indicators revealed the existing gaps and discrepancies that the firms required to improve their efficiency and effectiveness towards the spread of property insurance business, exploit better market resources and to the status of high competitiveness.

Most critical challenges were evident towards materializing property insurance especially in: carefully choosing smart and presentable personnel who will be interacting with the clients; in utilizing heavy informative advertisement to show how the service can be better implemented; in terms of maintaining good technology-job fit; towards manipulating better employee-job fit; in developing perceptions of superior quality service congruent with customers' expectations; and implementing data analytics for competitive advantages.

The insured behaviors in the town were considered with lowered lack of willingness to exploit wide range of insurable risks because of a number of constraining reasons mainly because of lack of better use of a combination of cost and competition based costing system as gradually competition based costing becomes popular; lack of providing more customized services to the customers which in turn permit them to follow demand based pricing; poor executives' perceptions of superior quality service that should be largely congruent with customers' expectations; and lack of the insurers commitment and readiness to permit the customers to follow demand based pricing; and the use of technology to keep in touch with customers even after sales.

The study found a number of customers' challenges to exploit wide range of insurable risks by the existing insurance laws due to maladjustment to base prices on what the market and the customer is willing to pay; inconsistency between insurers' promises and actual delivery; lack of knowledge of the insurers on what customers expect were the critical ones but more.

Finally, the study also found favorable and unfavorable prospective conditions maintained in the study area to expand property insurance market, effectively exploit the available resources and gain competitive advantages. The companies' curiosity in those misleading sales tactics have been a long-lasting problem, damaging the reputation of insurance, the fertile ground for the private insurance to establish their roots and browse the available property insurance market (if they consider fair service cost with the customers' willingness for pay) and the existence of more educated people who may likely to have better information about the quality of services provided by both public and private insurance companies.

### **Better service quality offer from the two companies**

According to the study both of them have service quality gap .But now in the town Ethiopia insurance corporation is better service provider than National insurance corporation. Because of the of following reasons.

- It has a good will.(it is the oldest)
- Employees have more experienced than National Insurance corporation
- Both of them have lengthy process to pay indemnity after incident but this insurance better than National insurance.
- The number of employs is more grater .(their service more active)
- To demonstrate customer focused.(provide different property insurance based on the society)

## **5.2 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 recommend the following few feasible property insurance improvement premises in this last section.

### ***1. Employees' empowerment***

It was recognized that majority of the employees were less experienced in the insurance business, but most of the employees have the required level of professional qualification. 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. Therefore, the insurance companies require to arranging in-service training opportunities for their internal customers (employees and brokers) on insurance basics, customer approaches, on issues ethical competition and on good company culture.

### ***2. Focus on core competency areas of property insurance marketing***

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.

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.

### ***3. Introduction of new products with skillful agents***

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 addressed 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.

### ***4. Delivering reliable insurance service with cost effective strategy***

Insurance companies advice 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.

## *5. Updating with technology*

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.



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# APPENDIX

## JIMMA UNIVERSITY

### COLLEGE OF BUSINESS AND ECONOMICS

### DEPARTMENT OF BUSINESS MANAGEMENT

#### Section A

#### Questionnaire to be filled by Insurance 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 Welkite Town. I honestly assure you that the obtainable data purely serves an 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) Gender\_\_\_\_\_

2) Your current qualification?

a) Completed Grade 10\_\_\_ b) Certificate\_\_\_ c) Diploma\_\_\_

d) First Degree\_\_\_ e) Second Degree\_\_\_

3) Your total work experience (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 and two, and you attempt all the parts.

**Rating scale: STRONGLY DISAGREE (SD) =I; DISAGREE (D)=II; NEUTRAL (N)=III; AGREE (A)=IV; and STRONGLY AGREE (SA)=V.**

**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 key to delivering high quality service is to continually monitor customer perceptions of service					
2	Managers in the service sector are under increasing pressure to demonstrate that their services are customer-focused.					
3	Managers in the insurance service sector are under pressure in order to enhance performance improvement in property insurance package being delivered.					
4	Insurance management usually "sells" their internal customers on the company and its policies in order to induce front-line employees to deliver the desired levels of customer service.					
5	Standard personnel policies such as employee screening and selection are viewed as to facilitate customer service.					
6	Organizational policies and standards for property insurance service levels are in place.					
7	Goals and reward systems have contributed enormous part to improve property insurance marketing.					
8	Training of insurance employees is viewed from the perspective of diversifying property insurance marketing effectively.					

9	Setting suitable reporting relationships is the core principle to support the development of property insurance.					
10	Suitable internal communications have contributed its part in creating a sound service culture.					
11	The insurer regularly collects information about customer needs.					
12	The property insurance model provides a checklist of where breaks in the chain can occur.					
13	The insurance management usually identifies causes of service quality shortfalls, and takes appropriate action to improve the quality of service.					
14	Executives' perceptions of superior quality service are congruent with customers' expectations.					
15	Customers' expectations versus management perceptions are the result of the lack of a marketing research orientation.					
16	The insurer implements data analytics for competitive advantage.					
17	Customers' expectations versus management perceptions are the result of inadequate upward communication.					
18	There is a discrepancy between what managers perceive that customers expect and the actual standards that they (the managers) set for service delivery.					
19	The insurance management is aware of customers' expectations but might not be willing or able to put systems in place that meet those expectations.					
20	There is a gap between organizational service specifications and actual levels of service delivery.					
21	A Service specification versus service delivery is the result of role ambiguity and conflict.					
22	A Service specification versus service delivery is the result of poor employee-job fit.					
23	A Service specification versus service delivery is the result of poor technology-job fit.					
24	A Service specification versus service delivery is the result of inappropriate supervisory control systems.					

25	A Service specification versus service delivery is the result of lack of teamwork.					
26	Insurance companies take a lengthy process to get payment after incidents (for instance, they take one or two years to pay their customers).					
27	Insurers use heavy informative advertisement to show how the service can be better utilized.					
28	Insurers choose service providing employees very carefully; train them highly to make them knowledgeable regarding the service standards.					
29	Insurer carefully chooses smart and presentable personnel who will be interacting with the clients.					
30	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 feasible situational perspective for property insurance.**

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 clients in the target market.					
4	My insurance company sees itself as innovative and creative to adhere company's position in marketing tactic.					
5	My insurance company often seeks out information on a potential user's lifestyle, loyalty, and spending habits.					

6	The company is curious in that misleading sales tactics have been a long-lasting problem, damaging the reputation of insurance.					
7	The company attempts to undertake major responsibilities of the local legislators, government agencies, supervisory departments to have contribution for market expansion.					
8	The insurance company's laws and regulation specifies that a determining factor in the establishment of new branches was					
9	The insurer has a blueprint for promoting the development of a modern insurance industry.					
10	The insurer has a plan to effectively intervene in catastrophe protection.					
11	The insurer has a plan to effectively involve in facilitating economic growth and efficiency of micro enterprises business.					
12	Technology is central to the industry's ability to develop new, more profitable operating models.					
13	The insurer adequately understands the buying habits and patterns of the available customers.					
14	The organization's financial stability is satisfying for the effectiveness of the insurance business.					
15	The company's commitment to corporate social responsibility is remarkable to bring change.					
16	Job-specific trainings in the human resource development has helped the company to be effective in the competitive business environment.					



## Appendix B

### Questionnaire to be filled by Insurance Customers

(To be translated into Amharic language before delivery)

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 Welkite 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) Gender \_\_\_\_\_

2) 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) \_\_\_\_\_

3) 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) =I; DISAGREE (D)=II; NEUTRAL (N)=III; AGREE (A)=IV; and STRONGLY AGREE (SA)=V.**

**PART THREE: Assessment on the Attitude of customers towards possible challenges and discrepancies the insurers face to intensify property insurance market.**

No	Indicators, Customers' Attitude On Efficiency and Effectiveness of Property Insurance Deliverance	SA	A	N	D	SD
1	Personnel and management policies have contributed to develop the complete linkage between customer expectations and perceived service delivery.					
2	Customers perceive that insurers are delivering low-quality service when a gap appears between promised levels of service and the service that is actually delivered.					
3	Marketing gap of property insurance is created when advertising, personal selling or public relations over-promise or misrepresent service levels.					
4	Poor service delivery is the result of poor external communication.					
5	Poor service delivery occurred as a result of inadequate propensity.					
6	Customer expectations are influenced by the extent of word of mouth recommendation.					
7	Customer expectations are influenced by the extent of past service experiences.					
8	There is a gap in understanding customers' expectations by front-line service providers.					
9	Lack of trustworthiness is one of the major problems of insurance business in Welkite.					
10	Lengthy (bureaucratic) process in getting payment for property insurance after any incident is the main reason of trustworthiness in Welkite.					

11	Low income and purchasing power couldn't permit the people of Welkite to go for property insurance policy.					
12	Insurance companies in Welkite, nowadays, are not <del>providing</del> attracting offerings to their customers.					
13	There is very less variation among the property insurance offerings of different insurers.					
14	The insurance companies are not delivering their information (regarding company and insurance policy) properly or evenly.					
15	Insurance companies charges high service/processing cost from their customers.					
16	The insurance companies appoint sales people at a very lower cost, and these sales people cannot convince effectively to purchase insurance policy.					
17	Public insurance companies increase the rate of payment to encourage more accounts.					
18	Insurers use a combination of cost and competition based costing system as gradually competition based costing will be popular.					
19	Insurers provide more customized services to the customers which in turn permit them to follow demand based pricing.					
20	Insurers use technology to keep in touch with their customers even after sales.					
21	Insurers usually delegate less talented sales people who could not convince effectively to purchase property insurance policy (lacks skilled man power).					
22	Insurance companies often demonstrate unethical competition.					
23	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.					

24	The claim management system within the insurers is often disgusting because of long bureaucratic chains.					
25	Executives' perceptions of superior quality service are largely congruent with customers' expectations.					
26	The insurance company permits the customers to follow demand based pricing.					
27	The concept of all financial services under one roof has contributed a lot in building up of property insurance.					

**PART FOUR: Assessment on customers' challenges towards willingly undertaking property insurance**

**Directions:** Rank the following challenges from 1-to-8 according to the curiosity of the challenges mean to your customary situation

No	Indicators on Customers' Customers' Challenges	Rank
1	The discrepancy between customer expectations and employees' perceptions	
2	not knowing what customers expect	
3	The wrong service-quality standards	
4	The service-performance gap	
5	Base prices on what the market and the customer is willing to pay	
6	The discrepancy between customer expectations and their perceptions of the service delivered	
7	Communicative training must be provided to the sales people	
8	Promises do not match delivery	

## 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 Welkite 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 be 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?