

THIRD PARTY INSURANCE POLICY IMPLEMENTATION:
A CASE STUDY IN JIMMA TOWN

JIMMA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF BANKING AND FINANCE



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 SCIENCE IN BANKING AND FINANCE

BY: JEBESSA TAFESSE DEMISSIE

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2. MR. MESFIN TESFAYE (MSC)

JUNE, 2021

JIMMA, ETHIOPIA

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ABSTRACT

The economic and social damage due to motor vehicle is intensifying alarmingly. Among others, one of the measure took by the government of Ethiopia is the recent development of legislation “Vehicle Insurance Against Third Party Risks Proclamation”, with the aim of laying down a mechanism to ease economic loss as a result of road accident. The implementation of this regulation will affect the insurance industry. The law has been practiced for several years in most countries, but enforces significant impact on insurers’ performance. This paper tries to assess the implementation of compulsory third party motor insurance and analyze stakeholder’s level of awareness towards compulsory third party insurance. The study considers both primary and secondary data in order to examine implementation of the legislation in achieving its objective and analyze the attitude and perceptions of stakeholders, to conduct this analysis; SPSS version 20 software tool is used. The data are presented using tables. To address the research problem, both quantitative and qualitative research approaches were used. The research findings result indicate there is disagreement on vehicle insurance against third party risks policy in matching the objective of protecting the insured from insurers. Again, fairness of premium tariffs and uniform claim settlement were a challenge and awareness of parties involved in the process had wide gap. In general vehicle insurance against third party proclamation enforcement failed to address the intended result and lack of awareness had considerable impact on policy implementation. Thus, both the legislation advised to amend the policy to satisfy parties involved in the implementation process will address the problems.

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LIST OF ACRONYMS

CTP	Compulsory Third Party
VIATPRP	Vehicle Insurance against Third Party Risks Proclamation
CTPLI	Compulsory Third Party Liability Insurance
EIC	Ethiopian Insurance Corporation
FDRE	Federal Democratic Republic of Ethiopia
IFAA	Insurance Fund Administration Agency
NBE	National Bank of Ethiopia
WB	World Bank
WHO	World Health Organization
RTA	Road Traffic Accident
MTPL	Motor Third Party Liability
SPSS	Statistical Package for Social Science
HIC	Health Insurance Commission
LIC	Life Insurance Company

CHAPTER ONE

1. INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Motor vehicles made their first spluttering form at the turn of the 20th Century but during the first years there was no requirement or consideration for the requirement of insurance in any form. By the time of the primary warfare in 1914 the motor car had developed dramatically and its role was considerable during the conflict. As the results of the war, many of us were trained to drive the vehicles used in action implies a dramatic increase of interest within the automobile. By the tip of the primary War around 1918 people were coming back from the conflict with an interest to continue their driving experience. By the case of the poor standards of driving skills and tiny road discipline, accidents soon became a common sight on the roads of the Britain (Dereje, 2012).

The rising of economies has also an effect for dramatically increased newly registered vehicles, during the past three years (2012-2014) cars with a code registration code two was increased by 48% and the therefore the total number of every kind of vehicles registered has now surpassed the 400,000 mark. All this has its own social, economic and environmental effects-both negative and positive (Birhanu Mekonnen, 2014).

Thus, the contribution of car for transport services within a city and between cities is gigantic and now a day's transportation without the employment of motorcar is impossible, especially in developing countries where other means of transport not widely available.

However, all its advantage that save energy, money and time, they adversely affect the lives and properties of citizens unless managed well. In line with to 2009 report on road injury prevention jointly issued by the World Health Organization (WHO) and the World Bank (WB), "...road traffic injuries are a large public health and development problem, killing almost 1.2 million people a year and injuring or disabling between 20 million and 50 million more. If nothing is finished to reverse this trend the number will rise dramatically and estimated annual price is on course to triple by 2030. The toll is highest in developing world, particularly in rapidly motorizing countries"

The risk of road trauma and its economic consequences is many, particularly in developing society; poor households are at risk of road shock thanks to lack of fair and timely compensation systems.

During this regard motor insurance play significant role, since millions of people are killed and tens of millions injured on the roads each year (Aeron, 2002).

Consequently, these affaires have attracted the eye of the many countries to adopt Compulsory Third Party (CTP) motor insurance with the aim of laying down a mechanism to alleviate the issues associated with motor accidents (Zelege, 2004).

Therefore, the enactment of Proclamation No. 559/2008 after long time had passed the draft law on VIATPRP motor insurance has been considered as a landmark and a very important development in Ethiopia (Demiss, 2009). The enforcement of the Proclamation are going to be expected to reduce problem posed by motor accident. The Federal Democratic Republic of Ethiopia (FDRE) Insurance Fund Administration Agency (IFAA) is an executive government body established under Ministry of Transport with a responsibility to oversee the enforcement of mandatory third-party insurance every where the country, to ensure all motor vehicle accident victims can receive medical treatment without any precondition and to provide compensation to victims for the extent of damage (IFAA, 2010).

1.2 Statement of the Problem

The statistical profile reflects that in 2020, an estimated 1.35 million people were killed and 50 million injured in road-traffic crashes worldwide, costing the world community about US \$518 billion. Without appropriate action, RTAs and its resultant injuries are predicted to escalate dramatically as a global burden of disease by 2020, particularly in rapidly-motorizing countries. In the developing world, current trends in population growth, industrialization and urbanization are putting heavy pressure on the transport network in general and on road system in particular. In Africa including Ethiopia, many people die after car accident mainly due to lack of emergency medical service, especially in rural areas.

Road traffic accident related causalities are extremely high in Ethiopia. Male young adults and vulnerable road users are at increased risk of RTAs. There is urgent need for bringing road safety to the country's public health agenda. Pedestrian death in Ethiopia was common and high. Accordingly, about 74% of the Fatal, Serious and Slight injury accidents happened when pedestrian tried to cross streets. (Teferi Abegaz, 2018)

Hence, the Ethiopian parliament enacted the proclamation of third party insurance in 2008. Then after the Insurance Fund Office was established in 2010, as an executive body founded to oversee the implementation of third party insurance. Nowadays, compulsory third party insurance in Ethiopia has included both vehicles with temporary and permanent plates. This service is believed to assist the

country lower road traffic accidents and therefore the toll. The Office of Insurance Fund, undertaking various activities to form public take pleasure in this service. Thus, it ensures benefits of householders of vehicles, drivers, passengers and pedestrians (Sable, 2012).

Since January 1, 2009 the office for third party insurance fund was established and commenced its functions. However, as far as the researcher's knowledge is concerned there is no more conducted about its impacts except its implementation practice and people's perception of this third party contract. Motor risk is considering as high hazard risk. As a result insurance companies are taken various strategies to minimize motor insurance adverse effect and maximize their profitability. Some of the underwriting measures taken in this regards are charging the highest premium for motor insurance, restricting the share of motor class of business and diversify their portfolio-mix and in place stringent claim settlement strategy. The experience of other county shows, private insurers are shy away from writing motor class of business, Particularlyly CTP motor insurance to all commercial vehicle owners (Kumar, 2008).

The enforcement of CTP insurance in Ethiopian will increase the share of the unprofitable motor insurance sector has on the insurance industry and it is logical that the infant private insurers will be affected and the insurance industry will be in crisis because of low initial capital requirement for an insurance company establishment and absence of policyholders compensation fund that protect policyholders from insurance company that has been declared insolvent.

The introduction of CTP motor insurance in Ethiopia has come a long way with its advantage that protects third parties from possible injury and damages. The FDRE had embarked, "Vehicle Insurance Against Third Party Risks Proclamation 559/2008" in 2008 and revised in 2013. According to Proclamation No. 799/2013, the most purpose of this research is assessment of third party policy implementation within the case of Jimma town since the proclamation 559/2008 and 799/2013 issued and transformed in to implementation and also to recommends the possible ways in which overcome the challenges for VIATPRP that affect the wealth maximization of insurance companies.

The legislative framework and policy directives encourage vehicle safety inspections, strict compliance with and adherence to safety regulations by well trained and motivated staff, both in the regulatory and supply sides. However, lead agencies in many African countries lack legal power, institutional and human capacity and dedicated financial resource, to which Ethiopia is not an exception. The efforts being made in Ethiopia are hindered by significant lack of both capacity and standardization. Equally, activities are performed in a haphazard and piecemeal fashion, without any coordination. The

disparities between the existing law and actual implementation and practices is rated to be high by informants. (Road Safety Performance Review Ethiopia, December 2020, United Nation)

The study attempts to answer the subsequent basic questions:

1. Is there the awareness of car owners about the third party insurance policy proclamation in Jimma town?
2. What are the challenges that affect the profitability of insurance company from third party insurance policy implementation?
3. Is that the compensation for death and property damages are clear, fair and equally implemented for all similar cases when the accident occurred and through the compensation time?

1.3 Objective of the Study

1.3.1 General objectives

The overall aim of the study is to assess the third party contract policy implementation practice and anxious bodies' awareness and perceptions of the insurance policy in the case of Jimma town.

1.3.2 Specific objectives

- To examining the degree of effectiveness of third party policy proclamation in Jimma town.
- To identify the challenges that affects the implementation on profitability of Insurance companies.
- To spot the possible solutions to enhance the matter within in the implementation and to suggest ideas to enhance in what ways does the government policies affect insurance pricing in insurance companies.

1.4 Significance of the Study

This study has many considerable contributions, to help the concerned bodies to grasp this current situation of third party insurance implementation practices and challenges, to spot the extent of awareness about third party insurance for the insured, the insurer and therefore third party by viewing the gap within the policy during the implementation and policy makers and for other researchers who have interest in the area of study may use it as supplementary reference for his or her detail study.

Additionally, the research elaborates ways in how to fill the implementation practice gap of third party insurance to insurance companies in wealth maximization through effective premium collection.

1.5 Limitation of the Study

Despite, research purpose is clearly mentioned on the preamble of the questionnaire; respondents were reluctant to fill the research questionnaires. There was also significant delay to return the questionnaire on time; secondary data also not availability in the desired way and this is considered as limitation of the study. Thus, to minimize this shortcoming data was collected through self-administered formats and questionnaire method and survey conducted within a month period. In addition, 10% of the actual questionnaire were distributed to fill the unreturned questionnaires' and to minimize sampling error.

1.6. Scope of the Study

The scope of this study is limited on assessing the practice, challenge, and prospects of VIATPRP Insurance in Ethiopia in general. It also limited on evaluating the attitude of stakeholders, i.e. insured and insurer towards CTP motor insurance current practice. The geographical scope of the study is specifically limited to Jimma town. Thus, this study is delimited to the assessment of third party insurance policy implementation in Jimma town, Oromia Regional state.

1.7. Organization of the Paper

The research work is organized as follows. After the introductory chapter, it deals with discussion on the problem statement and research questions. the next section; chapter two presents theoretical foundations and empirical literature pertaining to the insurance industry in general and compulsory third party motor insurance in particular with particular focus on the needs and emergence of VIATPRP, practical experience of compulsory vehicle insurance by considering selected country experience and our country as well. Chapter three discusses the methodology used in this study, including the research type, design, and approach, data collection, sampling method, data analysis, structure of the questionnaire and justification for primary data source selection. The fourth chapter presents the research finding, interpretation, analysis and discussion. The last chapter deals with the summary of major findings, conclusion and recommendations.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

2.1 THEORETICAL FRAMEWORK

2.1.1 INSURANCE: AN OVERVIEW

Insurance policies originated in 17th century London coffee houses which became the place for sharing information on agreements of pooled risks between merchants, ultimately leading to the formation of Lloyds of London. The basic purpose of insurance is to protect against loss (IAG, 2011; Ryskamp, 2010). Insurance began in the European shipping industry as a way to protect both merchants and ship owners from loss. At the time, shipping by sea was the fastest way to transport goods, but it was also dangerous, and ships and their cargo were frequently lost. To protect themselves against these losses, merchants and ship owners contracted with insurers, who agreed to pay a specified amount of money to the merchant or ship owner in case the goods or ship were lost (Ryskamp, 2010). Insurance, in law and economics, is a form of risk management primarily used to hedge against the risk of a contingent loss. It is, on the other hand, the equitable transfer of the risk of a loss, from one entity to another, in exchange for a premium (Squido, 2013).

Insurance is an intricate economic and social device for the handling of risks to life and property. It is social in nature because it represents the various co-operations of various individuals for mutual benefits by combining together funds to reduce the consequence of similar risk. Simply put, insurance is the placing back of a person who has suffered a loss in the same position he was before loss occurred. It aims to eradicate the consequence of a loss by not allowing the insured to suffer the consequential loss (Timothy, 2011). Insurance is beneficial to individuals in many ways. Individuals, society and business benefit from scientifically calculated risk and distribution of financial loss. The premium collected by insurer is utilized for meeting their expenses and claims. The balance is invested in profitable industries. Thus, insurance speeds up industrialization. Hence, development of insurance is a symbol of development of industry, business and commerce, which, in turn, provides employment opportunities (SCERT, 2006). Therefore, insurance is essential for a viable economy. Businesses and individuals would be unable to take risks and protect their assets devoid of it. It allows, furthermore, the victims of accidental losses to recover financially and helps households manage their finances in the face of death and disability and its availability encourages individuals to acquire assets and invest for the future (UNEP, 2007). Insurance enables individuals and businesses to transfer the burden of risk.

Pooling premiums for similar risks, it pays the costs of valid claims arising from these policyholders. Insurers organize the pooling arrangement and provide additional capital backing in case claims exceed premiums (Haddrill, 2006). More specifically, the advantage of obtaining insurance is that it allows the pooling of risks and reduces the probability of one party bearing the entire cost of a loss (IAG, 2011).

According to CEA (2006), the insurance industry prop up economic growth and structural development through the subsequent channels: reduces the capital firms need to operate; fosters investment and innovation by creating an environment of greater certainty; contribute to the modernization of financial markets and facilitate firms' access to capital as institutional investors; promotes sensible risk-management measures through the price mechanism and other methods and contributes to responsible and sustainable economic development; fosters stable consumption throughout the consumer's life; and insurers are solid partners for the development of a workable supplementary system of social protection, in particular in the field of retirement and health provision.

According to the first major report on road injury prevention jointly issued by the World Health Organization (WHO) and the World Bank, road traffic injuries are a huge public health and development problem, killing almost 1.2 million people a year and injuring or disabling between 20 million and 50 million more. Both WHO and World Bank data show that, without appropriate action, these injuries will rise dramatically by 2009, particularly in rapidly motorizing countries. Over 90 percent of the world's fatalities on the roads occur in low-income and middle-income countries, which have only 48 percent of the world's registered vehicles.¹ Although data on the costs of traffic accidents are sparse, particularly for low- and middle-income countries, these injuries clearly have an enormous economic impact on individuals, families, communities, and nations, costing countries between 1 and 2 percent of their gross national product. In addition, there is the heavy and tragic burden on those directly affected, physically and psychologically, as well as on their families, friends, and communities. According to the WHO's 2004 *World Report on Road Traffic Injury Prevention*, health facilities and their often meager budgets are greatly overstretched in dealing with survivors of traffic accidents(Gönülal, 2010).

2.1.2 Compulsory Third Party Liability Insurance (CTPLI)

Motor insurance is generally measured non-life insurers' strongest class of business in terms of premium volume. In most markets, it is characterized by high competition and cyclical fluctuations in results. Non-life insurers' motor result is thus likely to have a particularly strong impact on the overall result. In most countries, MTPL insurance is compulsory in order to protect the public. World Bank studies in Africa, Central Asia, and Europe have shown that motor insurance premiums represent at least 30 percent of all non-life premium income. This phenomenon may be explained by the rapid rise of motor fleets. MTPL insurance has been introduced in the formerly centrally planned economies only in the past decade, but it is poorly understood. Motorists are inclined to view it as a form of tax that they are at liberty to evade, rather than as a protection against their personal liability—a concept that is not familiar to the general public (Gönülal, 2010).

Due to this, motor vehicle insurance has developed into an important form of contract arising out of or in connection with the use of motor vehicles including third party. Motor insurance policy may also be affected to provide cover against loss or damage to the third party arising from the use of a vehicle. The third party insurance which is the second type of auto insurance policy indemnifies the insured person, if he is held legally liable for injuries or damage done to any third party. The insured is the first party, the insurer is the second party and the person who is injured by the insured (first party) and claims damages against the insured is the third party (Falegan, 1991).

Pursuant to the promulgation of vehicle insurance against third party risks (VIATPR) proclamation No. 559/2008 any vehicle to be driven on Ethiopia roads should have a valid insurance coverage against third party risks. Hence, the VIATPR proclamation, for the first time, has made third party insurance compulsory in Ethiopia (The FDRE Negarit, 2008).

The new third-party vehicle insurance proclamation has a significant contribution towards ensuring benefits of all actors in the sector, according to Insurance Fund Office General Director, Yishak Abera, told Walta Information Centre the proclamation ensures benefits of owners of vehicles, drivers, passengers and pedestrians. He said the new policy annuls old one which only safeguarded the interest of owners of vehicles by leaving aside passengers and pedestrians. He said the new policy could help lower the high road-traffic accident death toll in Ethiopia. According to Yishak, some 260,000 vehicles have purchased the third party insurance from September–December, 2011 alone. He said the proclamation prohibits driving a vehicle without a valid vehicle insurance coverage against third party

risks. He said the office in partnership with federal and state traffic police is working to enforce the policy. He finally called upon vehicle owners, government and private institutions to purchase the insurance coverage against third party risks, (Walta Information Centre, 2011).

According to the WHO data published in April 2011, deaths resulting from road traffic accidents in Ethiopia reached 22,786 or 2.77% of the total deaths in the nation. The age adjusted death rate of Ethiopia is 37.83 per 100,000, #12 in the world. Road traffic accidents are becoming a major public safety and development obstacle. Pundits say the current situation necessitates high level of political dedication and immediate action.

In Ethiopia, car accident is an evident challenge. Every year, the country loses thousands of irreplaceable lives and millions of dollars property for car accidents. However, there are several campaigns in the country to create awareness and prevent accidents before they happen, since accidents are always unpredictable, it is important to find suitable remedies after they already occur (T/Birhan, 2012).

As a result, many lost their lives, property and suffered bodily injury with no reimbursement. Especially when some reckless drivers escapes after causing an accident, the victims might not get the suitable and timely medication for the injury they suffered. In some cases, for absence of immediate and appropriate medical treatment, victims would die. Even when the driver does stop and try to help the victims, since there was no insurance for it, it was not viable for most car owners to pay the appropriate compensation and medical fees. However, the new proclamation of Ethiopia No. 559/2008, which provides third party compulsory motor insurance is about to change all of this (T/Birhan, 2012).

Motor third party insurance is mandatory in most countries around the world, which is an expression of contemporary trends in securing compensation of victims of traffic accidents. For this reason the functioning of this product is relevant to many subjects: vehicle holders who pay premium, drivers covered, injuries and damaged parties seeking for compensation as well as the state which impose the obligation and decides about shape of system and its rules (Kwiecień & Poprawska, 2011). Likewise, motor third party liability insurance has been made compulsory in our country, Ethiopia since September, 2011. The policy plays the critical role in pooling the risks of homogeneous loss exposures hence minimizes the financial risks that might be happen if the driver or owner of the insured vehicle cause an accident on the third party regardless of the fault who ever commit (Getachew, 2014).

World Health Organization (WHO)'s report has indicated that 1.3 million people have lost their lives due to traffic accident in 2013 alone. Millions have also suffered various kinds of physical and psychological damages and traumas due to the traffic accident. In Ethiopia, as a year alone more than three thousand peoples lost their lives due to traffic accident. More than eleven thousand have also suffered physical injuries. The amount of damage to the economy has skyrocketed to half a billion birr (Ethiopian News Business Economy, 2015).

2.1.3 The Historical Development of Insurance in Ethiopia

The first modern insurance business was commenced in Ethiopia by the Bank of Abyssinia in 1905, during the reign of Menelik II as agent to foreign company. The type of business was fire and marine. In 1923 another Austrian become an agent for "Balosie" the fire insurance company. And also in 1950 the first Motor Insurance Policy was issued by the south British Insurance Company. By the year 1960s, one local company began to operating on both non-life and life insurance business. After 1974 all, the nationalized companies were amalgamated under proclamation No.68/1975 taking all assets and liabilities of the nationalized companies with a paid up capital of birr 11 million forming Ethiopian Insurance Corporation (National Bank of Ethiopia, 2007).

Motor vehicles made their first spluttering appearance at the turn of the 20th Century but during the first years there was no requirement or consideration for the need of insurance in any form. By the time of the First World War in 1914 the motor car had developed dramatically and its role was considerable during the conflict. As a result of the war, many people were trained to drive the vehicles used in action implies a dramatic increase of interest in the motor vehicle. By the end of the First World War (1918) people were returning from the conflict with an interest to continue their driving experience. By the case of the poor standards of driving skills and little road discipline, accidents soon became a common sight on the roads of the Britain (Dereje, 2012).

By 1930 the situation had escalated to such proportions that the government of the time introduced the first 'Road Traffic Act'. Based on this the type of third party insurance was being used on a public road (Dereje, 2012).

The same too for our country due to the occurrence of accidents caused by vehicles is escalating from time to time that making loss of lives, bodily injuries and damages to properties which are creating social problem. It is necessary to establish a system for facilitating the provisions of emergency medical

treatments to victims of vehicle accidents, and to require owners of vehicles to have third party insurance coverage against third party risks; the Federal Democratic Republic of Ethiopia proclaimed the “Vehicle Insurance against Third Party Risks Proclamation No.559/2008” (The FDRE, 2008).

2.1.3.1 The Practice of the Proclamation No.559/2008 Implementation

The proclamation has been implemented starting from January 1/2008 G.C. In the past, third party motor insurance was not compulsory in Ethiopia. Only limited vehicles had insurance for the injury, death and property damage they cause on a third party. Insurance remained exclusive discretion of the owners. Mostly, owners used to get insurance only for their property and do not damages on third party. This includes public transportation like taxi (T/Birhan, 2012).

Recently the new proclamation primarily aims to establish system for facilitating the provision of emergency medical treatment to victims of vehicle accidents and to require owners of vehicles to have third party insurance. Accordingly, any third party injured by any vehicle has insurance for life, injury and property damage. Even when some irresponsible drivers try to escape after causing an accident, the victims are guaranteed to get immediate medical treatment and compensation (T/Birhan, 2012).

The Insurance Fund Office, established with an objective of proper implementation of the proclamation announced that for 350,000 cars in Ethiopia, around 250,000 have entered a third party insurance for their vehicles.

The issue of third party insurance, through common and has been in practice since many decades ago in many other parts of the world such as Britain, India, etc.... it is a recent phenomenon in Ethiopia (Dereje, 2012).

It is liability insurance purchased by an insured (first party) from an insurer (the second party) for protection against the claims of another (third party). This is a very important service for countries like Ethiopia, with one of the highest rates of traffic accident and related fatalities in the world. In Africa, including Ethiopia, many people die after car accident mainly because of lack of emergency medical services, especially in rural areas (Dereje, 2012) and (Belete, 2012).

Promoted by the ever increased car accident in the country, the Ethiopian parliament enacted the proclamation of third party insurance in 2008, then after through it seems delayed, the insurance Fund office was established in 2010, as an executive body set up to the oversee the implementation of third party insurance (The FDRE, 2008).

Nowadays, compulsory third party insurance in Ethiopia has included both vehicles with temporary and permanent plates; this service is believed to help the country lower road traffic accident and the death toll. As of 2008, Ethiopia has 95 traffic accidents deaths per 10,000 vehicles, states the 2009 UN Economic Commission for Africa report.

The Office of Insurance Fund, since its establishment about two years ago, has been undertaking various activities to make public benefit from this service. It has already registered more than 300,000 vehicles and has collected about 34 million birr from premiums paid to companies are for any fatalities that might occur due to hit and run cases in first year its operation. Money collected from the vehicle owners is to be used, under the law to help of victims' undefined and emergency treatment of victims at the hospital (Dereje, 2012).

Supervision of compulsory third party insurance coverage on vehicles has been in effect since last January. Though there were widespread gauntlets among drivers in the first few weeks of its enforcement, now almost every vehicle has a sticker of compulsory third party insurance on its windshield.

As the executive body for the new scheme, the Insurance Fund Office is responsible for:

- ✓ Setting tariff rates.
- ✓ Providing windshield stickers.
- ✓ Providing certificates.
- ✓ Handling all emergency medical claims and
- ✓ Handling other third party risk claims for untraced or uninsured vehicles.

However, the Office has delegated the Ethiopian Insurance Corporation (EIC) to handle all of these, except the setting of tariff rates. This was due to the office being under formation. The Fund will be a permanent financial resource deposited in a special bank account at the National Bank of Ethiopia (NBE) Vehicle owners without the required certificate and windshield sticker will face punishment after December 10, 2011 G.C. (Dereje, 2012).

2.2 Empirical Reviews

As most of us understand that, unclear and ambiguous insurance practice proclamation acts can open unnecessary practices for insurance companies on the insured and third party. Regarding this, Insurer.com (2008), described that “You may feel vulnerable when filing an insurance claim, especially if you aren't familiar with the process. Fortunately, your state has specific regulations that protect you against unfair claims settlement practices, such as slow or deceptive claims handling.”

In USA according to (Insurer.com, 2008), every state has laws that prohibit unfair, discriminatory or deceptive insurance practices. So from this statement we can understand that unless there is a regulation that protects citizen against unfair claims settlement practices such as different indemnification for similar cases and very slow claims handling practices that is observed by Ethiopian insurance industry. From USA regulations it is observed clearly it defines what acceptable conduct is in the insurance industry and cover everything from sales practices to policy cancellation. The Unfair Claims Settlement Practices Acts of the USA apply mainly to claims for personal injury, property damage (home or car), medical bills and disability but they vary from state to state. In some states, the acts may not apply to surety, malpractice or workers compensation claims. Claims practices that are prohibited will be similar from state to state because they are based on a model act developed by the National Association of Insurance Commissioners.

Insurance companies must implement standards for promptly investigating and processing claims but this is not the practices observed by the insurers in Ethiopia. According to the USA practices an insurance company should complete its investigation of your claim within a reasonable amount of time. The model recommends that it be complete within 30 days after notification of your claim, unless the investigation cannot be reasonably completed within that amount of time. Otherwise, an unethical insurance company could endlessly stonewall you by saying it is still investigating your claim (Insurer.com, 2008).

In the study of the motor third-party liability insurance in Europe, Don McIsaac (2009), stated that compensation of victims when an accident is caused by a vehicle normally resident in another state, the NIB guarantees the settlement of any third-party claim in accordance with the provisions of its own law on compulsory insurance, whether or not the vehicle is insured. The EU directives have been written to ensure that the interests of injured parties are the top priority. For example, when there is uncertainty regarding whether a claim must be paid by an insurance company or by the national insurance bureau,

the directives require that the victim be compensated forthwith, leaving the insurance company and the NIB to sort out the liability between themselves. The victim must not be made to wait for resolution of that dispute. A victim may submit a claim for compensation directly to the driver's insurance company. To make this possible, each insurance company offering MTPL insurance in a member state of the EU must appoint a legal representative in every other state. For example, a British insurance company must name a legal representative in Germany, Latvia, Poland, and so forth, even though it does not issue policies in those countries. To continue the example, if a vehicle registered and insured in England is involved in an accident in Poland, a victim of that accident who is a resident of Poland has the right to file a claim, in Poland and in the Polish language, against the English insurance policy.

Don McIsaac (2009), described in his research of motor third-party liability insurance in Europe likes the practice of the Ethiopian insurance fund, ensure that they can always compensate accident victims; NIBs in all European countries have established guarantee funds. These funds regularly receive a portion of each premium paid for MTPL insurance in the country. The funds are placed in trust, to be used exclusively for the purpose of compensating accident victims. In some countries, the guarantee funds are independent. In others, they are managed by the NIB. The EU directives have specified rules governing the compensation of accident victims in cases involving unidentified drivers, unlicensed drivers, or stolen vehicles. In some countries, such as Turkey, the fund also stands ready to provide compensation for accident victims in the unusual event that the insurance company that would normally be expected to pay the compensation is found to be bankrupt and thus unable to meet claims.

Research on the motor third-party liability insurance in Europe Don McIsaac (2009), revealed that despite the fact that MTPL insurance is compulsory in virtually all countries, the presence of uninsured drivers is still a problem everywhere. This environment is slowly changing. In most countries, police forces assist in the attempt to ensure that all drivers possess valid insurance for their vehicles. However, police require access to information. In the United Kingdom, where an estimated one in 20 drivers is uninsured, the U.K. insurance industry has developed the Motor Insurance Database (MID). The MID records all vehicle identification numbers and the details of the motor insurance policies relating to those vehicles. The police can now access the MID either from the roadside, using hand-held computers, or from police stations, enabling them to check almost immediately whether or not a driver is insured.

Serap O. Gonulal (2009) emphasized that a key factor in tackling the growing burden of road traffic injuries is the creation of institutional capacity across a range of interlinking sectors, backed both by

strong political commitment and by adequate and sustainable resources. Industry shares responsibility for road safety by designing and selling vehicles and other products, by using road traffic systems to deliver its products, and by employing people who use roads to get to and from work. Recognizing this responsibility, industry has contributed to improving road safety. The insurance sector is also well placed to contribute.

A Aeron Thomas (2002) research on the role of the motor insurance in preventing and compensating road casualties case studies were selected information on the high-income case studies, local counterparts collected information on the motor insurance system, compensation procedures and prevention activities revealed that insurance compliance is a problem for many countries worldwide, In the few low-income countries reviewed it was found to vary widely from 10 to 80 per cent.

Another key concern is the belief that few victims, especially the poor, receive compensation in low-income countries (a recent survey of 84,000 Bangladeshi households found 1% of fatal/seriously injured to have received insurance compensation). All third policy insurance systems in the low-income case studies were fault based and compensation systems suffered problems with high legal costs, as in fact did many of those in the high-income countries.

2.2.1 The Current Status of Road Traffic Accident

Currently, road traffic accidents are becoming one of the major public safety and development obstacles; particularly the toll is highest in developing world. Over 90 percent of the world's fatalities on the roads occur in low-income and middle-income countries, which have only 48 percent of the world's registered vehicles (World Bank, 2009). Various studies have indicated that Ethiopia has one of the highest fatality rate per vehicle in the world. It is in excess of 100 fatalities per 10,000 vehicles. This should be compared with Kenya and the United Kingdom, where the figure is about 19 and 2 per 10,000 vehicles respectively. Among the major causes of road accident in Ethiopia, the main contributors are the inexperience of many drivers, ineffective policies, generally awkward road and vehicle condition, urban traffic congestion and imbalance traffic supply and demand. If things are going like this recent study indicate, road traffic accidents will soon became the fifth leading cause of death (Mengesha Amare, 2014).

Table 2.1. Motor vehicles accident in Ethiopia during in the year 2016-2018 GC

Year	Death	Serious injury	Slight injury	Property Damage	Cost Incurred/year in Millions
2015/16	3,847	6,886	7,071	17,977	4,900,322
2016/17	4,500	7,288	7,308	19,132	5,915,105
17/2018	5,118	7,754	7,775	20353	7,113,684
Total	13,465	21,928	22,154	57,462	17,929,111

Source: American International Journal of Sciences and Engineering Research; Vol. 2, No. 2; 2019 (Debela Deme)

In Ethiopia, at an average, 115,009 vehicle accidents register within three years. From this, 13,465 (11.70%) were body injury/death and 57,462(49.96%) accidents were property damage. This means, at an average, there were around 15,589.31birr per accident incurred. The rate victims and cost shows increased from year to year.

2.2.2 Compensation and Rehabilitation

2.2.2.1 Liability

It was pointed out that while insurance systems may share the same basic objective of compensating road traffic casualties for their losses, their delivery systems vary widely, A Aeron Thomas (2002), especially the case of Ethiopian vehicle insurance against third party risks proclamation puts the compensation for death and body injury not less than Br.5000.00 and not more than Br.40, 000.00 which makes it difficult for the victims.

2.2.2.2 Hit and Run Victims

A Aeron Thomas(2002) showed that the compensation for hit and run victims in all the case studies included in his research coverage for victims of hit and run / uninsured vehicles that is similar with the Ethiopian practices. In Ethiopia the levy amount is 10% of the basic premium and in 1999 Ghana's National Insurance Commission introduced a premium surcharge of cede 10,000 (\$1.4). Approximately 30 per cent was for victims of hit and run collisions and 70 per cent for the windscreen sticker program. Zimbabwe compensates victims of hit and run collisions from a fund financed by a levy on insurers.

There are countries in Africa, including Sierra Leone, which do not yet have a fund for hit and run victims (Thomas, 2002).

As in Zimbabwe, all insurance companies in Karnataka are required to contribute to the Salesian Fund which compensates hit and run victims. In Delhi, one third of the fatal road crashes in 2000 were hit and run incidents. Under the current Indian system, bereaved families must wait up to three months for police to close the case as ‘unsolved’ before compensation is paid (WHO, 2001).

The more common problem is that hit and run victims often receive less than that received by other injured motorists. In Swaziland, the compensation limit is actually lower for hit and run victims. In BC, residents are covered up to a maximum of \$200,000 for injury or property damage caused by a hit and run drivers, a lower limit than if they were hit by an insured driver.

The UK Motor Insurance Board (MIB) compensates for injury damages in a hit and run collision but if the vehicle involved is identified but lacks insurance, then the MIB will compensate for both injury and property damage. Italy operates a similar system (Thomas, 2002).

2.2.2.3 Compensation Benefits

Aeron Thomas (2002) showed that the compensation benefits limits were defined in some countries but this varied for death and injury cases like the cases of Ethiopia which states for death and body injury not less than Br.5000.00 and not more than Br.40, 000.00 that makes it difficult for the victims. In South Africa, there is unlimited liability, except for certain categories of passengers which are limited to claiming up to (R25, 000) against their own driver. In Ghana, doctors report relying on outdated workman’s compensation guidelines for their disability assessments. This is believed to be a problem in many LICs including Bangladesh, where compensation limits have not been updated since 1983. In HICs, the benefits are usually updated annually according to an index, such as the Consumer Price Index.

Some countries have compensation limits per collision. This is the case in Italy where the minimum cover for third party insurance for private cars is LIT 1.5 billion per collision, regardless of the number of victims or the collision severity. Sweden also operates under this system (Thomas, 2002).

According to Proclamation No. 799/2013, “no person shall drive or cause or permit any other person to drive a vehicle on a road unless he has a valid vehicle insurance coverage and a cover issued under CTP motor insurance in complies with the requirements of the Proclamation”. Insurers, both the state owned and private insurance company registered for carrying general insurance business are obliged to issue CTP insurance up on vehicle owners paid fixed annual premium tariff. During the first year of the

implementation about 279,446 out of the total estimated 397,868 vehicles in the country were insured against CTP insurance cover required by law (IFAA, 2013). IFAA is a government agency established by regulation of the Council of Ministers; with the authority to administer the fund to discharge the following fund objectives;

- ✓ First; it is used to handle the emergency medical costs for each and every victim of road traffic accident.
- ✓ Second, it is utilized for covering the costs incurred for helping victims of untraced motor vehicles or hit and run cases.
- ✓ Thirdly, it helps to cover the medical and other associated costs of victims of uninsured motor vehicles.

The source of fund for compensation of hit and run and uninsured driver is collected from additional amount levied on every CTP insurance premium tariff. The premium tariff was prepared and in use up on the study submitted by board of IFAA and approved by the Council of Ministers. The agency has a responsibility and in charge of to oversee the full enforcement of the proclamation (Proclamation No 799/2013).

2.2.2.4 CTP premium determination

Insurance premium should be ascertained to be fair, sufficient to cover claim cost and all other cost and commensurate profit margin of insurance companies. It should not be over burden to the general public. CTP premium determination underlining principles are not expected to generate high profit to insurers, since it is a social insurance.

Principles of Insurance Premium Determination

- ✓ Insurance premium is easily understand and can't be manipulate for insured own purpose.
- ✓ Insurance Premium must create suitable condition for changes that comes in the long run and create balanced condition in the short run.
- ✓ Insurance premium determination should promote reduction in accident level.

The premium determination is dependent on certain homogenous parameters and low of large number. In this regard for the purpose of CTP premium determination Vehicles are classified based on homogeneous factors like purpose of vehicle, such as private and commercial. The commercial vehicles also further classified based on body type and their generic usage, like taxi, car hire, goods caring (general cartage), construction/agricultural usage, own goods/passengers transport, public transport, learners and other sub factors, that includes, carrying capacity, engine capacity, ownership type, nature of goods caring (dry cargo/fuel cargo). (IFAA, 2012).

2.2.2.5 Insurance fund tariff determination

The amount of fund tariff to be collected shall be determined by the council of ministers based on the study undertaken by the agency as per article 23(2) of the new vehicle insurance against third party risks proclamation No 799/2013. The method of determining fund tariff was based on number of past road accident record and average court decision on each death/ injury compensation amount. Accordingly fund amount has been decided to collect 10% additional amount levied on every CTP insurance premium tariff (IFAA, 2010).

The objectives of insurance fund tariff collected from each insurance company according to Proclamation No 799/2013 are used for three purposes;

- ✓ First; it is used to handle the emergency medical costs for each and every victim of road traffic accident.
- ✓ Second, it is utilized for covering the costs incurred for helping victims of untraced motor vehicles or hit and run cases.
- ✓ Thirdly, it helps to cover the medical and other associated costs of victims of uninsured motor vehicles.

2.2.2.6 Claim Procedures

Aeron Thomas (2002) showed that in Sweden, claims are settled on a first party basis which is the same practice as the Ethiopian insurance claims settlement procedures, i.e. the driver's insurance company is responsible for compensating any injuries incurred by the driver of passengers in the car. If the other driver is found to be responsible, then the first insurance company is eligible for reimbursement from the negligent driver's insurance company. Very few road injury claim cases are believed to be heard in court.

2.2.2.7 Weaknesses

Research on the weaknesses of claim settlement (A Aeron Thomas, 2002) revealed that HIC and LIC case studies shared several of the same concerns, i.e. damage awards, settlement delays, excessive legal costs, etc. It should be stressed that the weaknesses identified have been based largely on the service provider's information. While victim rights groups have begun to function in some LICs, there were no such organizations operating in the LIC case study areas.

In general, respondents were unsatisfied with the damages offered, the medical examination process, lack of financial justice and the time involved in the civil proceedings. Road traffic victims in Switzerland reported the highest rate of satisfaction with insurance companies, but even there 60

percent were dissatisfied. UK victims reported considerable dissatisfaction with insurance companies. Overall, 86 percent of bereaved families and 90 percent of families with a member disabled from a crash expressed dissatisfaction with the UK insurance companies. The reasons such as delays and inadequate amounts are discussed.

2.2.2.8 Number of Claimants

In the study of number of claimants (A Aeron Thomas, 2002) recent survey of 84,000 households in Bangladesh found that only one per cent of bereaved families and those seriously injured had received any compensation from insurance. When the same study queried vehicle damage costs from transport operators, they were informed of the difficulties in getting insurance companies to accept a claim (Thomas, 2002).

The Karnataka case study highlighted the problem of lack of awareness of victims' rights and responsibilities. When Botswana's Road Accident Fund began publicizing the compensation rights of those killed and injured on the road, within one year, it had doubled the number of claims received (Botswana Road Accident Fund, 2001).

2.2.2.9 Settlement Delays and Costs

All five HIC case studies reported problems with settlement delays. Similarly, in South Africa, claim settlement is reported to take between 2.8 to 3.8 years after the crash, with claims being submitted on average 18 months after the collision. The Swedish Insurance Commission reported medical assessments to be a common cause of delay. New Zealand also expressed concern about the time lag for initial compensation payments and Victoria's recent performance targets had included reducing the time required for settlements and payments. The FEVR study estimated the average time taken to settle the claim of a road fatality at 2.6 years and even longer for claims involving the disabled.

2.2.2.10 Case Management and Rehabilitation

The FEVR report highlighted the dissatisfaction with the victims of the claims settlement process as well as with the claim amounts agreed. In the spring 1997 issue of ICBC' Recovery magazine, a private insurance adjuster argued that the lack of trust in the claim settlement process had led to "lengthy legal battles, clogging the court system and burdening both sides with excessive legal fees" (Vernon, 1997). While insurers in many HICs have been addressing rehabilitation needs for several years, this problem

has yet to be tackled in the LIC case studies and has only recently been considered in the UK. A seriously injured UK victim is estimated to only have a 14 per cent chance of returning to work, compared to 32 per cent in the US and 50 per cent in Sweden (Byrnes, 2001).

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1 Study Area and Design

3.1.1 Study Area

Jimma town is located in Oromia Regional state 356km away from Addis Ababa in the south-western region of Ethiopia. Its latitude and longitude is 7°40'N 36°50'E. It is situated in the south-western part of Oromia National Regional State. It is relatively bordered in the North by Mana Woreda, in the South by Dedo Woreda and south East Kersa Woreda, and in the West Seka Woreda. The town has the total surface area of 19,506.24km² at which all area is under land body having a total population of 207,573 since 2019 GC. (Wikipedia, the free encyclopedia)

About 34% of the surrounding area of Jimma town lies between the altitudinal ranges of 2000-2500m above sea level. The highest elevation of the zone is found in the central part of Omo Nada District with the most remarkable mountain peak called Maigudo mount with an elevation of 3344m while the lowest elevation of the zone is also found along Gibe river valley which is about 880m above sea level. Jimma Zone is one of the zones of Oromia Regional States which has large regional forest priority areas. There are broad leaved forests that abundantly found in Jimma Zone which include Abelti-Gibe(Sokoru), Belete(Shabe Sombo), Gera(Gera), Tiro-Botor, Becho(Tiro Afeta and Limu Kosa), Sigo-Geba(Sigo and Setema districts) and Babiya-Folla(Kersa and Tiro Afeta) forests. The widest regional forest in the zone is Sigo-Geba forest which covers 1168km² but the Abelti-Gibe forest covers the smallest area 146km². It is the known by rainy from other parts of the country. (Wikipedia, the free encyclopedia)

3.1.2 Study Design

Both qualitative and quantitative approaches were carried out to address the general and specific objectives of the study. According to Leedy and Ormrod (2005), combining these two approaches would have the advantages: Qualitative research helps to develop an instrument to be used in quantifying results, the use of both approaches increase the validity and reliability of the research findings as it is possible to confirm the results by means of triangulation which consists of different data sources and considering the two approaches it helps to capture various dimensions of a phenomenon.

3.2 Data Collection Technique

The data was collected through semi structured interviews schedule administered by data collectors who trained and supervised by a researcher. All relevant primary data specific to the study was attained mainly through questionnaire and interview. Besides, primary data such as a proclamation, directives, reports and manuals were collected and reviewed to evaluate the implementation of the policy. The secondary data such a proclamation of third party, name and number of members of public transport owners, the numbers of public transport associations, the number of insurance companies and the list of owners encountered traffic accidents or victims the amount collected and claimed were obtained from town traffic police office and the insurance company's financial statements respectively.

3.3 Sampling and Sample Size Determination

In Jimma town there are 11 insurance companies, 2 Traffic police offices and One Governmental office of Road and Transport office and More than 2000 vehicles. From the total insurance companies 6 companies were selected using simple random sampling technique and the study participants were selected using the formula (Yamane, 1967):

$$n = \frac{N}{1 + N * e^2}, n = \frac{2000}{1 + 2000 * 0.01} \approx 250$$

Using the correction formula, the final sample size was:

$$n = \frac{n}{1 + n/N}, n = \frac{250}{1 + 250/1000} \approx 90$$

Besides, for qualitative study, four associations operating in the town were participated on the study and from 33 policyholders encountered traffic accident 14 were interviewed through telephone.

3.4 Data Analysis Techniques

The method of data analysis applied for this study used was both quantitative and qualitative method. Quantitative method was used to view properly address the research questions and qualitative analysis method employed to analyze response on open ended questionnaire and semi-structure interview. The data collected through close ended questionnaires and assumed was analyzed with descriptive statistics. The data analysis description is presented using tables and chart as well as percentage. The data collected from secondary data was analyzed with Exploratory Research Method. The data analysis description is presented using tables and chart as well as percentage. An application or software named SPSS 20 was applied.

3.5 Ethical Consideration

This study was started after obtaining ethical clearance from Jimma University Business and Economics College ethical review committee. Support letter was obtained from Jimma University Business and Economics College, Department of Banking and Finance to the selected insurance companies. In addition, informed consent was obtained from respondents to confirm their willingness to participate in the study after explaining the objective of the study. The respondents were notified that they have the right to refuse or terminate at any point of the interview. The information provided by each respondent was kept confidential. Beneficence and respect to the respondents were maintained throughout the study.

CHAPTER FOUR

4. RESULT AND DISCUSSION

4.1 DESCRIPTIVE STATISTICS AND DISCUSSION

Descriptive statistics discusses the numerical data of variables with a frequency distribution, percentages and other statistical tools. In this study 90 vehicle owner, 6 insurance companies, 4 public transport associations and 14 RTA encountered accidents were considered. Structured interview were distributed to all respondents and all of the questionnaires were completed and returned except vehicle owners encountered traffic accidents which was interviewed using telephone. As a result, data collected from 90 respondents was used for the analysis and interpretation of this study. In addition, data obtained from insurance companies, associations of public transportation and vehicle owners encountered traffic accidents has been analyzed and interpreted to assess the implementation from different angles.

4.2 Demographic characteristics of respondents

Demographic characteristics of respondents such as educational level, marital status, respondents' age, occupation and work experience in the organization was emphasized in the study.

Table 4.2.1. Background information of respondents (sex and age)

Demographic Background	Socio-economic characteristics	Policyholder	
		Frequency	Percent
Sex	Male	86	95.5
	Female	4	4.5
Age	18-30	5	5.6
	31-50	80	89.8
	>51	5	5.6

Source: Own survey, 2021

Among the study participant's majority of the respondents were male, 86 (95.5%), while 4 (4.5) % of them were female (Table 4.2.1). Male respondents in this study are almost twenty-three times the number of females which shows dominance of males among vehicle owners in the study area.

As can be seen from the above table, the age of the respondents was categorized in to 3 groups and the data collected from the respondents is presented as follows. Respondents from 18-30 years of age were 5(5.6%) and respondents which are 31 to 50 age account 80(89.8%). The last age group in this study is above 51 years and they were 5.6% respondents. To sum up, respondents between 31 to 50 years of age

were greater in number than the other age groups, where as respondents less than 30 years of age and greater than 50 years were the least in number and they were found to be the young and old vehicle owners respectively in the public transportation sector from where respondents were selected for this study.

Table 4.2.2: Socio-demographic characteristics of respondents (marital status, level of education and work experience)

General Background	Socio-economic Characteristics	Policyholder	
		Frequency	Percent
Marital Status	Single	23	25.6
	Married	56	62.2
	Widowed	4	4.4
	Divorced	7	7.8
Level of Education	≤ 10 th Grade	17	18.9
	Diploma/10+3/Certificate	53	58.9
	Degree or Above	20	22.2
Religion	Muslims	40	44.4
	Orthodox Christians	28	31.1
	Protestants	12	13.3
	Other religions	10	11.2
Occupation	Traders	81	90
	Farmers	6	6.7
	NGO workers	3	3.3

Source: Own survey, 2021

From table 4.2.2 17(18.9%) of the study participants were ≤ 10th Grade, 53(58.9%) of the participants were Diploma/10+3/Certificate holder and 20(22.2%) of them were Degree holders or above. Thus, the level of education of the respondents was largely dominated by Diploma/10+3/Certificate holder whereas those who are ≤ 10th Grade were very least among respondents. Of the total the majority 23(25.6%), 56(62.2%), 4(4.4%), 7(7.8%) of the respondents were single, married, widowed and divorced respectively.

The result showed that, 40(44.4%) of the car owners were Muslim, whereas 28(31.1%), 12(13.3%), 10(11.2%) of the respondents were Orthodox Christians, Protestants, Other religions respectively. Regarding to the occupation, 81(90%), 6(6.7%) and 3(3.7%) of the respondents were traders, farmers and NGO workers.

4.3 Result and Discussion on responses

4.3.1 Results of Vehicle Owners' responses

Table 4.3.1.1 Vehicle Owners' response by frequency & percentage, Jimma town, 2021

Item	Respondents	Yes		No	
		Freq	%	Freq	%
Knowledge about the third party vehicle insurance coverage	90	86	95.6	4	4.5
Believing in the importance of third party vehicle insurance coverage	90	80	88.9	10	11.1
Believing in the importance of third party vehicle insurance coverage for victims	90	80	88.9	10	11.1
Strict follow up of Police commission on the third party insurance sticker	90	50	55.5	40	45.5

As shown from table 4.3.1.1, 95.6% of the respondents were aware of about third party vehicle insurance policy. But the answer given by the public transport associations and insurance companies for the same question was diametrically opposite to that says vehicle owners do not have Knowledge about the third party vehicle insurance coverage. This may be due to the vehicle owners and their associations did not hold meetings on the agenda. This revealed that there was gap between the vehicle owners and insurance companies that sell third party police cover for owners of vehicle. The public transport associations and the insurance companies asserted that the owners did not understand the purpose and objectives of third party insurance. Even some of the associations confirmed that after they purchased the cover from insurance companies for their members, the vehicle owners do not come and collect their police and third party sticker even after a year. The insurance companies believed that there was

no common understanding of the third party insurance coverage among the stakeholders. The companies do have reasons for their beliefs. For example, lack of adequate awareness among the general public about the coverage, lack of strong and sustainable supervision and support by insurance fund administration, lack of coordination among the stakeholders, lack of commitment by the stakeholders and lack of accountability and responsible body stated in the proclamation.

As can be inferred from the above table 4.3.1.1, 88.9% realized that third party vehicle insurance is important. Majority of the public transport owners, all of the public transport owners' associations, insurance companies and the vehicle owners encountered vehicle accident confirmed that they strongly believe in the importance of vehicle insurance against third party risks proclamation coverage.

As it is shown in the table 4.3.1.1 above, 88.9% of the participant in the study area confirmed that they have realized the importance of the third party vehicle insurance policy cover for victims of vehicle accident. This realization insures the objective of the proclamation. The proclamation's objectives such as decreasing loss of lives, bodily injuries and damages to properties caused by vehicle accidents.

As it is indicated in the table 4.3.1.1 above, from the participants in the study area 55.5% agreed that Jimma town police commission has been striving for the implementation of the proclamation. They do this by sudden check for the insurance sticker whether it has been fixed or not on the car. But the answer given by the public transport associations and insurance companies for the same question was contrary.

Table 4.3.1.2 Vehicle Owners' response by frequency & percentage, Jimma town, 2021

Item	Respondents	Yes		No	
		Freq	%	Freq	%
Knowledge about the third party insurance coverage for the death, bodily injury, damage to property and the expense of emergency medical treatment.	90	80	88.89	10	11.1
Knowledge about replacement of lost sticker	90	40	44.4	50	55.6

Knowledge about getting information of third party vehicle insurance policy from insurance companies	90	41	45.6	49	54.4
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According to table 4.3.1.2 above, 88.89% of the vehicle owners know that the third party insurance covers for the death, bodily injury, damage to the property and emergency medical treatment given by vehicle insurance against third party risks proclamation.

As can be seen from the table 4.3.1.2 above, only 44.4% of the respondents in the study area know that there was a possibility of getting lost sticker by replacement. Once they purchased the third party insurance policy and took sticker and by chance, they lost their sticker, they knew that they can get another sticker in substitution.

From the total respondents in the study area 54.4% responded that they did not get information of third party vehicle insurance policy from insurance companies. This attributed to the fact that the vehicle owners did not get formal meeting held by insurance companies on discussion of vehicle insurance against third party risks proclamation. The insurance companies did not try to disseminate information about third party insurance policy to the transport sectors, particularly to the public transport owners. This was confirmed by the owners themselves (Table 4.3.1.2).

Table 4.3.1.3 Vehicle Owners' accident encountered responses on implementation of policy, Jimma town, 2021

Item	Respondents	Excellent		Good		Fair		Below Expectation	
		Freq	%	Freq	%	Freq	%	Freq	%
Evaluation of the implementation of third party vehicle insurance policy by policy holder encountered accident	35	-	-	10	29	2	5	23	66

Among the respondents in the study area who encountered traffic accident were asked on the evaluation of the implementation of third party vehicle insurance policy by the insurer 66% of the respondents were dissatisfied(below their expectation) with the implementation of the law. This is because when the owner with their car caused accident, the insurance companies are very bureaucratic

to implement the proclamation by asking different formalities in order to do not to pay compensation. Even though the proclamation is important there is lack of proper implementation by insurance companies to the regulation of third party insurance policy.

Table 4.3.1.4 Vehicle Owners’ response by frequency & percentage, Jimma town, 2021

Item	Respondents	Yes		No	
		Freq	%	Freq	%
Clear and fair compensation by the insurance companies	90	5	5.6	85	94.4
Extent of liability in respect of the death one person not less than 5000 and exceeding 40,000 birr clear and equal implemented	90	5	5.6	85	94.4
Extent of liability in respect of property insurance not exceeding 100,000 birr	90	5	5.6	85	94.4
Knowledge about an individual encountered accident and entitled emergency medical treatment costing up to birr 2000.	90	40	44.4	50	55.6

The compensation to the victim’s of death, bodily injury or property damage was below expectation. The first thing the insurance companies were not filed with the personnel expertise that decide in branch level and more than that there was no clear & fixed amount especially in death accident to the victim legal owners because the vehicle insurance against third party risks proclamation declare the amount of compensation to death not less than 5,000 not exceeding 40,000.

Due to this unclear and not fixed law, the insurance companies bargain as they wish on the precious live of human being. Those victims legal owners that have strong barging power and capacity can get up to the maximum Br.40,000 by taking the case to the court but those victims’ legal owners who have no capacity and awareness to take the case to the court might get only the amount decided by the insurance companies.

Concerning the property damage, most of the times the insurance companies do not give compensation immediately because of the deciding body and the expert on this issue were at the head quarter in Addis Ababa but the accident was in Jimma town. The workers in the branch offices were non-experts. They frequently tell the insured to wait till the expert comes from Addis Ababa. This exposes the victim to additional expenses and wastage of time. Also the majority of the insurance companies agree with the unclear declaration of death compensation range not less than 5,000 not exceeding 40,000 to be amended in order to avoid ambiguity from legal point of view.

Majority of the study participants replied that there is far less than the expected and too much insufficient. Compensation of death liability for victims, for example, if the victim is young and house head of large family, so how can that large family with children can survive with the stated amount of compensation that ranges between 5000 up to 40,000 birr. Therefore, the participants agreed as it really insufficient.

Majority of the respondents reflected that the amount of compensation for property damage was not enough. The maximum 100,000 birr do not cover the damaged property cost because most of the time accidents were severe and required huge amount of money for maintenance. Moreover, there were different mechanisms used by the insurance companies not to pay the maximum amount 100, 000 birr and pull it down to lower the amount of compensation for property loss.

Among all respondents 44.4% know that an individual encountered accident entitled to get emergency medical treatment costing up to birr 2000. But there was lack of implementation of the policy by health facilities. This might be due to lack of coordination between stakeholders and in turn this affects victims who encountered accidents due to not being exposed to the proper treatment at the health care providing institutes.

4.3.2 Results of Associations of Public Transport responses

Table 4.3.2.1 Respondents of Association of public transport response by frequency & percentage, Jimma town, 2021

Item	Study Groups	Respondents	Yes		No	
			Freq	%	Freq	%
Knowledge about the third party vehicle insurance coverage	Association	12	4	33.33	8	66.67
	Employees					
Clarity and Common understanding among traffic police, hospitals, and courts about the implementation of third party	Association	12	3	25	9	75
	Employees					
Believing in Benefits for owners of vehicles, drivers, passengers and Pedestrians	Association	12	10	83.33	2	16.67
	Employees					
Close supervision on vehicles by Jimma town Policy office	Association	12	3	25	9	75
	Employees					
Support and follow up by Insurance Fund Administration Agency	Association	12	1	8.33	11	91.67
	Employees					

Among the respondents of insurance companies 66.67 % and associations of public transport 75% in the study area were responded vehicle owners do not have knowledge about third party insurance policy.

Among the respondents of insurance companies 75 % in the study area were indicated that there was no clarity and Common understanding among traffic police, hospitals, and courts about the implementation of third party insurance policy in Jimma town.

Among the respondents of insurance companies 83 % in the study area were reported that vehicle insurance against third party risks proclamation ensures benefits for owners of vehicles, drivers, passengers and Pedestrians.

Among the respondents of insurance companies 75 % in the study area were responded that there was no close supervision on vehicles by Jimma town Police office on follow up of vehicle insurance against third party risks proclamation implementation.

Among the respondents of insurance companies 91.67 % of them indicated that there were no support and follow up by Insurance Fund Administration Agency on the implementation of vehicle insurance against third party risks proclamation (VIATPRP).

4.3.3 Results of Insurance Company responses

Table 4.3.3.1 Respondents of insurance companies' response by frequency & percentage, Jimma town, 2021.

Item	Study Groups	Respondents	Yes		No	
			Freq	%	Freq	%
Is Premium tariff charge to vehicle insurance policy against third party risks is fair?	Insurance companies Employees	12	9	75	3	25
Extent of liability in respect of the death of one person not less than Birr 5,000 and not exceeding Birr 40,000 clear and equally implement?	Insurance companies Employees	12	12	100	-	-
Extent of liability in respect of the third party property insurance not exceeding Birr 100,000 enough?	Insurance companies Employees	12	12	100	-	-

As can be inferred from the above table 4.3.3.1, out of the respondents of insurance companies (75 %) of them reported that they have good tariff for their own premium tariff charge to vehicle insurance policy against third party risks.

All respondents in the study area noted that the extent of liability paid in respect of the death of one person which states that less than Birr 5,000 and not exceeding Birr 40,000 is clear and ambiguous to equally implement across the country.

As can be seen from the above table 4.3.3.1 above, all the respondents confirmed that the extent of liability paid to the third party property insurance not exceeding Birr 100,000 is enough for restoring the damage.

4.3.4 Results of Associations of public transport

Table 4.3.4.1 Respondents of associations of public transport response by frequency & percentage, Jimma town, 2021

Item	Study Groups	Respondents	Yes		No	
			Freq	%	Freq	%
Giving third party insurance cover for members' vehicle	Associations of Public Transport	4	4	100	-	-
Knowledge about third party insurance	Associations of Public Transport	4	4	100	-	-
Benefits for owners of vehicles, drivers, passengers and pedestrians	Associations of Public Transport	4	4	100	-	-
Believing in importance of third party insurance cover	Associations of Public Transport	4	4	100	-	-

As it is shown in the above table 4.3.4.1 above, all the respondents in the study reported that they give VIATPRP cover for their members' vehicle.

As it is indicated in the table 4.4.1 above, all the respondents in the study area reported that they did not think that their members have understanding about VIATPRP.

All respondents in the study area responded that the VIATPRP ensures benefits for owners of vehicles, drivers, passengers and pedestrians.

As can be concluded from the table 4.3.4.1 above, all the respondents in the study area revealed that they

believe in importance of third party insurance cover.

4.3.5 Results of accident encountered responses

Table 4.3.5.1 Respondents of accident encountered response by frequency & percentage, Jimma town, 2021

Item	Study Groups	Respondents	Yes		No	
			Freq	%	Freq	%
Extent of liability in respect of the death of one person not less than Birr 5,000 and not exceeding Birr 40,000 clear and equally implement	pedestrian/passengers	4	-	-	4	100
Extent of liability in respect of the third party property insurance not exceeding Birr 100,000 enough	pedestrian/passengers	4	-	-	4	100
Follow up of sticker by Jimma town police Office?	pedestrian/passengers	4	-	-	4	100

It is possible to infer from the above table 4.3.5.1 that all respondents in the study area reported that the extent of liability paid to the death of one person which states that not less than Birr 5,000 and not exceeding Birr 40,000 was not clear and not equally implemented across all victims in the town.

As it is given in the above table, 4.3.5.1 above, all respondents in the study area believed that the extent of liability paid to the third party property damaged that states not exceeding Birr 100,000 was not enough to compensate the lost property.

As can be seen from the table 4.3.5.1 above, all the respondents involved in the study indicated that they did not encounter control on their associations' vehicles which not fixed valid VIATPRP sticker by Jimma town police Office.

4.5 Results of Vehicle Owners Encountered Traffic Accident

Table 4.5.1 Respondents of owners encountered traffic accident response by frequency & percentage , Jimma town, 2021

Item	Study Groups	Respondents	Yes		No	
			Freq	%	Freq	%
Believing in importance of third party insurance cover	Vehicle Owners Encountered Traffic Accident	13	13	100	-	-
Benefits for owners of vehicles, drivers, passengers and Pedestrians	Vehicle Owners Encountered Traffic Accident	13	13	100	-	-
Follow up of sticker by Jimma town police Office?	Vehicle Owners Encountered Traffic Accident	13	4	30.77	9	69.23
Knowledge about the third party insurance coverage for the death, bodily injury, damage to property and the expense of emergency medical treatment	Vehicle Owners Encountered Traffic Accident	13	10	76.92	3	23.08
Knowledge about replacement of lost sticker	Vehicle Owners Encountered Traffic Accident	13	10	76.92	3	23.08

As it is indicated in the above table 4.3.5.1, all of the respondents that are 100% of them reported that they have realized the importance of third party vehicle insurance after they had encountered traffic accidents.

As can be seen from the above table 4.3.5.1 all the participants in the study (100%) realized the importance of the third party vehicle insurance policy cover for victims of vehicle accident .This realization insures that objective of the proclamation. The proclamation's objectives such as decreasing

loss of lives, bodily injuries and damages to properties caused by vehicle accidents.

As can be observed from the above table 4.3.5.1 69.23% of the respondents reported that Jimma town police commission did not strictly implement fixing the vehicle third party insurance sticker while only 30.77% indicated that the police commission implement it strictly.

According to table 4.3.5.1 76.92% of the vehicle owners who encountered traffic accident know that the death, bodily injury, damage to the property and emergency medical treatment cover were covered by vehicle insurance against third party risks stated in the proclamation whereas only 23.08% of them stated that they did not know what the vehicle insurance against third party risks and its benefits.

It is clearly indicated in the above table 4.3.5.1 that among the respondents 79.92% of them knew that they can get sticker lost in substitution of their vehicle insurance against third party risks. This means once they purchased the third party insurance policy and received their sticker and if they lost it by chance they knew that they can get another sticker in substitution. Only 23.08 reported that they did not know as they can get in substitution if they lose their sticker.

Table 4.5.2 Respondents of owners encountered traffic accident response by frequency & percentage, Jimma town, 2021

Item	Study Groups	Respondents	Yes		No	
			Freq	%	Freq	%
Knowledge about getting information of third party vehicle insurance policy from insurance companies	Vehicle Owners Encountered Traffic Accident	13	-	-	13	100
Extent of liability in respect of the death of one person not less than Birr 5,000 and not exceeding Birr 40,000 clear and equally implement	Vehicle Owners Encountered Traffic Accident	13	-	-	13	100
Extent of liability in respect of the third party property insurance not exceeding Birr 100,000 enough	Vehicle Owners Encountered Traffic Accident	13	-	-	13	100

Knowledge about an individual encountered accident and entitled emergency medical treatment costing up to birr 2000	Vehicle Owners Encountered Traffic Accident	13	13	100	-	-
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It is possible to conclude from the above table 4.3.5.2 that all the participants (100%) agreed that they didn't get any information about third party insurance policy from the insurance companies. This could be attributed to the vehicle owners who had encountered traffic accident did not hold meeting formally with insurance companies about vehicle insurance against third party risks proclamation. Therefore, we can infer from their opinion that the insurance companies did not make any effort to disseminate information about third party insurance policy to the transport sectors, particularly to the public transport owners as it was witnessed by the owners themselves.

The compensation to the victim's of death, bodily injury or property damage was below expectation. For one thing, the insurance companies did not have trained personnel that can decide at branch level. For the other, and more there was no clear & fixed amount paid to death accident to the victims' legal owners because the vehicle insurance against third party risks proclamation declare the amount of compensation to death not less than 5,000 not exceeding 40,000 which was open to different interpretation. Due to this ambiguous and not fixed law, the insurance companies bargain as they wish on the precious live of human being to pay the minimum premium in compensation. Those victims legal owners that have strong bargaining power and capacity can get up to the maximum Br.40,000 by taking the case to the court but those victims' legal owners who have no capacity to bargain and take the cases to the court can get only the amount decided by the insurance companies at their own discretion . However, the majority of the insurance companies agreed to the unclear declaration of death compensation range which stated in the proclamation as not less than 5,000 and not exceeding 40,000 to be amended in order to avoid ambiguity and facilitate equal implementations across the board. (Table 4.3.5.2).

As it is shown in the table 4.3.5.2 above all of the respondents stated that the extent of liability paid in respect of the third party property insurance not exceeding Birr 100,000 was not enough. Concerning the property damage most of the time, the insurance companies did not give compensation immediately because decision makers and experts on this issue were at the head quarter in Addis Ababa but the accident was in Jimma town. The workers in the branch offices were non-experts and they frequently tell the insured to wait till the expert comes from Addis Ababa. This exposed the victim to additional expenses and wastage of time.

As can be seen from the above table 4.5.2, almost all of the respondents (100%) reported that they know that an individual encountered accident entitled to get emergency medical treatment costing up to birr 2000. However, there was lack of implementation of the policy by health facilities. This might be due to lack of coordination between stakeholders and in turn this affects victims who encountered accidents.

4.6 Results from comparing the premium with claim

Table 4.6.1 Data collected to indicate premium collection and claim payments for RTA by amount percentage in Jimma town, 2021 from three insurance company branches on average for all case.

Fiscal Year	Premium		Claim Payment		Percentage	
	No	Amount	No of Accident	Amount Claimed	Loss Rate	Income Rate
2017/18	340	739,315	9	237,000	32.06	67.94
2018/19	415	805,282	4	160,000	19.87	80.13
2019/20	440	783,206	6	286,000	36.51	63.49
Total	1,195	2,327,803	19	863,000		

On the basis of the above result depicted in table 6.1 the total premium collected in the past three years by three insurance companies' branch is 2,327,803 birr from 1,1

r 32.06% only is at loss rate and 502,315 birr or 67.94% is at profit for the 2017/18. In the year 2018/19, 160,000 birr or 19.87% is at loss and 465,285 birr or 80.13% is profit. In the year 2019/20, 286,000 birr or 36.52% is at loss and 497,206 birr or 63.49% is profit. This confirms that the profit range is good for insurance companies, even costs not deducted, but for the beneficiaries or the insured it very low or not benefit them.

The changes in the costs of services rendered (premium), and the number of claims received are all factors that can cause an insurance company's net margin to change from year to year as well as lead to policy price changes

CHAPTER FIVE

5. CONCLUSIONS AND RECOMMENDATIONS

The central objective of this paper was to assess third party insurance policy implementation practice and challenges in Jimma town. Based on the results obtained from vehicle owners, public transport associations, insurance companies and vehicle owners encountered traffic accident in Jimma town, the following conclusions and recommendations were forwarded.

5.1 Conclusions

The results of this study revealed that there was a gap between vehicle owners and public transport associations & insurance companies on the basic issue of understanding the purpose and objectives of vehicle insurance against third party proclamation. According to the public transport associations and insurance companies' opinion the vehicle owners did not have adequate understanding about the purpose and objective of vehicle insurance against third party risks proclamation.

All of the vehicle owners, public transport association and the insurance companies agreed upon the importance of the vehicle insurance against third party risks proclamation for it benefits the vehicle owners, victims of vehicle accident, drivers and pedestrians when the vehicle accident occurs.

Even though the vehicle owners indicated that Jimma town traffic police control and enforce the implementation of vehicle insurance against third party risks proclamation through checking the third party insurance certificate and stickers; on the contrary, the public transport associations and insurance companies emphasized that there was a great problem in Jimma town in implementation of the proclamation because there was no proper control by the concerned body such as Jimma town traffic police.

Insurance companies did not try to fill the lack of awareness and understanding of the vehicle owners about vehicle insurance against third party risks proclamation.

The majority of vehicle owners and public transportation associations were not happy in the way insurance companies treat them when accident occurred and on how they tried to implement the proclamation.

Concerning the compensation to the victims of death, bodily injury and property damage, the vehicle owners were not happy about the way the insurance companies treat the victims of the accident and they have complaints about the proclamation on the compensation amount of death that states not less than 5,000 and not exceeding 40,000 birr as it was not clear to implement objectively and all Jimma town insurance branch office also did complaint about the ambiguous terms in the proclamation to implement fairly and equally to the victims. Moreover the owners stated that the amount of compensation to death and property damage was not sufficient to the family exposed to the car accidents both in live and property.

5.2 Recommendations

Based on the findings of the study and the conclusion made, the following recommendations were forwarded:

The insurance companies, public transport associations and Jimma town Traffic Polices should work in collaboration to create awareness about the vehicle insurance against third party risks proclamation for the benefits of the public at large through creating a forum for discussion and providing explanation about compensation covered by the proclamation. Moreover, it should organize general meetings to inform the community what the insurance covers and what the insurance did not cover to both the public associations, along with traffic police offices to schools in collaboration with town education bureau to create awareness among the community as all the participants in the study emphasized the importance of the proclamation to the society.

The benefit of the third party insurance policy proclamation is appreciated by all of the vehicle owners, public transport association and the insurance companies. So the government should continues working on this issues by taking best practices of those advanced countries in order to improve the benefits to the public at large.

Because vehicle insurance against third party risks proclamation was to help the victims of the accident who were our fellow citizens, the traffic polices should discharge its responsibility properly and consistently by checking third party insurance certificate and sticker from each vehicles moves on the road across the country for the benefit of the general public.

Above anybody insurance companies have the responsibility to create awareness about the vehicle insurance against third party risks through incorporating into their annual activity plan and budget in order to create awareness among all stakeholders and general public's.

Insurance companies should establish the way victims of traffic accident & policy holders get compensation in short period of time by decentralizing their claim management system & empowering their branch offices personnel how to handle different claim cases and they should contribute to the safety of the general public at large and try to get the trust of their policy holders and also play their positive role for the improvement of the third party insurance policy implementation in the town.

Government should amend the vehicle insurance against third party risks proclamation especially in areas of amount of compensation for death by stating fixed and clear amount that was easily understandable by all citizens. It should state clearly the duties and responsibility of the insurance companies and make a follow up about the proper implementation of the proclamation by different stakeholders such as transportation associations, traffic policy, courts, and ministry of health.

The Government should amend vehicle insurance against third party risks proclamation stated for property damage claimed up birr 100,000 is outdated. The property that damaged is not match with the market value to replace it. So the insured or policy holder is exposed to incur additional cost. The market inflation increased by more than double from the date of the proclamation is enacted.

5.3 Future Research Direction

This research was conducted on the assessment of third party insurance policy implementation practice and challenges in Jimma town public transport sector. However, it did not cover the issues related to the other category of transportation services. So, future researches should address the unexplored issues in this study.

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Appendices:

Jimma University College of Business & Economics Masters Programme Banking and Finance

Questionnaire

Dear Respondents

The purpose of this questionnaire is to collect data on “Third party Insurance policy implementation and its impacts on performance of Insurance Companies: in case of Jimma town” you are kindly requested to respond genuinely and cooperatively. I have no doubt that your response will be helpful for the research purpose. Finally I would like to assure you that the data you give are consumed only for this academic purpose.

Thank you in Advance!

Jebessa Tafesse: 0910052590

PART ONE

DEMOGRAPHIC CHARACTERISTICS OF THE RESPONDENTS

A. THE VEHICLE OWNERS (circle your choice)

Part I: Personal Background (Demographic Characteristics)

1. Gender of the respondent

Male	1	Female	2
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2. Age of the respondent

Under 20	1	above 50	3
20– 50	2		

3. Educational Background

Only Reading & Writing	1	Diploma	3
Up to grade 10 & Certificate	2	Bachelor Degree	4

4. Marital Status

Married	1	Widowed	3
Single	2	Devoiced	4

5. Religion

Orthodox Christian	1	Protestant	3
Muslim	2	Others	4

6. Occupation

Trader	1	Government Employee	3
Farmer	2	NGO	4

PART TWO

1. Do you know about the third party vehicle insurance policy coverage?
A. Yes---1 B. No---2
2. Do you believe in the importance of third party vehicle insurance policy cover for your vehicle?
A. yes---1 B. No---2
3. Do you believe in the importance of third party vehicle insurance policy cover for victims of vehicle accident?
A. yes---1 B. No---2

5. Have you ever encountered Jimma town police commission sudden and strict follow up on third party insurance sticker?
A. Yes---1 B. No----2

6. Do you know that the third party insurance covers for the death, bodily injury, damage to property and the expense of emergence medical treatment?
A. Yes----1 B. No----2
7. Do you know about the replacement of lost sticker?
A. Yes-----1 B. No-----2

8. Did you get information about third party vehicle insurance policy from any insurance company in Jimma town?
A. Yes----1 B. No-----2
9. Has your vehicle ever been injured?
A. Yes-----1 B. No-----2
10. If your answer for q. No. 9 is “yes” how do you evaluate the implementation of the third party vehicle insurance policy by the insurer?

A. Excellent-----1 B. Good-----2 C.Fair-----3 D. Below Expectation
11. How do you evaluate about third party vehicle insurance policy understanding by insurance companies?

12. Is the Compensation by insurance companies Clear and fair?
A. Yes----1 B. No-----2

13. If your answer for q. No. 10 is “No” what is/are the problems? _____

14. What are the factors that affect the implementation of third party insurance? (please list them)_____

15. Do you think the extent of liability in respect of the death of one person not less than Birr 5,000 and not exceeding Birr 40,000 clear and equally implement?

A. Yes---1 B. No---2 C. I don't know---3

16. If your answer to question 14 is "No" what is/are your recommendation?_____

17. If your answer to question 16 is "No" what is/are your recommendation?_____

18 . Do you know any person who has sustained injury caused by a vehicle accident shall be entitled to emergence medical treatment costing up to Birr 2,000.00?

A. Yes---1 B. No---2

19. Do you think the VIATPRP (vehicle insurance against third party risks proclamation) ensures benefits for owners of vehicles, drivers, passengers and Pedestrians?

A. Yes---1 B. No---2 C. I don't know---3

20. Do you think the extent of liability in respect of the third party property insurance not exceeding Birr 100,000 enough?

A. Yes---1 B. No---2 C. I don't know---3

Jimma University College of Business & Economics Masters Programme Banking and Finance

Questionnaire

Dear Respondent

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Thank you in advance!

Jebessa Tafesse: 0910052590

The Insurance Companies:

1. The Company’s Name _____

Part I: Personal Background (Demographic Characteristics)

1. Gender of the respondent Male 1 Female 2 6

2. Age of the respondent

Under 20 1 Above 50 3
20– 50 2

3. Educational Background

Diploma 1 Masters Degree & Above 3
Bachelor Degree 2

4. Marital Status

Married 1 Widowed 3
Single 2 Devoiced 4

5. Religion

Orthodox Christian 1 Protestant 3
Muslim 2 Others 4

6. Position in the Company

Manager 1 Accountant 2 Underwrite Officer 3

PART TWO

1. Do the owners of any vehicles in Jimma town have knowledge about third party insurance?
A. Yes---1 B. No---2 C. I don't know---3

2. Is there isolated (specific) department in your insurance companies that facilitated and making awareness about the implementation of vehicle insurance against third party risks proclamation?
A. Yes----1 B. No----2

3. Is there clarity and Common understanding among concerned bodies (traffic policy, hospitals, and courts) about the implementation of third party insurance in Jimma town?
A. Yes----1 B. No----2

4. If your answer to question 3 is "No" what do you think the reason(s)?_____

5. Is the third party vehicle insurance implementation effective?
A. Yes----1 B. No----2

6. What are the factors that affect the implementation of third party insurance policy? (Please list)._____

7. What do you recommend on the problem of implementing the third party Vehicle policy?_____

8. Do you think the VIATPRP (vehicle insurance against third party risks proclamation) ensures benefits for owners of vehicles, drivers, passengers and Pedestrians?
A. Yes---1 B. No---2 C. I don't know---3

9. Do you think the insured have enough understanding about the limit of compensation as the case may be?
A. Yes---- B. No----2 C. I don't know----3

12. Do you have any precondition to give third party insurance policy cover rather than owner Certificate?
A. Yes---1 B. No----2 C. I don't know---3

13. Do you have your own premium tariff charge to vehicle insurance policy against third party risks?
A. Yes---1 B. No---2 C. I don't know---3

14. Do you think the extent of liability in respect of the death of one person not less than Birr 5,000 and not exceeding Birr 40,000 clear and equally implement?
A. Yes---1 B. No---2 C. I don't know---3

15. If your answer to question 14 is "No" what is/are your recommendation? _____

16. Do you think the extent of liability in respect of the third party property insurance not exceeding Birr 100,000 enough?

A. Yes---1

B. No---2

C. I don't know--- 3

17. If your answer to question 16 is "No" what is/are your recommendation_____
