

ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES



THE IMPLEMENTATION OF COMPULSORY
MOTOR INSURANCE IN ETHIOPIA

By

Shimelis Tesfaye Demie

Addis Ababa, Ethiopia

May, 2015

ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES

THE IMPLEMENTATION OF COMPULSORY MOTOR INSURANCE
IN ETHIOPIA

By

Shimelis Tesfaye Demie

Advisor

Elias Birhanu (PhD)

A thesis submitted to the School of Graduate Studies of Addis Ababa University in Partial fulfillment of the requirements for the Degree of Master in Public Management and Policy (MPMP) in the Department of Public Administration and Development Management

Addis Ababa, Ethiopia

May, 2015

ACKNOWLEDGEMENT

Above all, my utmost gratitude goes to the Almighty God for his graciously provision of knowledge, wisdom and inspiration and he is always with me in all my day to day undertakings and giving me strength to complete this thesis.

My deepest and sincere appreciation also move to Elias Birhanu (PhD) for his understanding, invaluable, constructive and enduring comments, criticism and professional advice from time of inception to the completion of this thesis.

I am also grateful to thank Ato Yisak Abera, Director General of Ministry of Transport Insurance Fund Administration Agency and Ato Adil Abdurahman, Deputy Director Operation of Insurance Fund Administration Agency for their substantial support and provision with necessary materials and information.

Besides, I would like to express my special acknowledgement to my friends and relatives who have been providing me backup both in terms of material and moral support. Specifically, I would like to deeply thank my brother; Ato Endalkachew Tesfaye and others whose names are not listed here for their constructive suggestions, comments and professional criticism on the due course of the thesis preparation.

Last, but not least, I pass on my heartfelt thanks to my lovely wife (Betelehem Nigusse) and my sweet kid (Nolawi) for their kind and endless love, continuous support and encouragement as well. They have been always a source of strength and inspiration to complete my study.

TABLE OF CONTENTS

ACKNOWLEDGEMENT	iii
TABLE OF CONTENTS	iv
LIST OF TABLES	vii
LIST OF FIGURES	viii
ABSTRACT	ix
ABBREVIATIONS AND ACRONYMS	x
CHAPTER ONE	1
INTRODUCTION	1
1.1. Background of the Study.....	1
1.2. Statement of the Problem.....	3
1.3. Objectives of the Study.....	6
1.3.1. General objective.....	6
1.3.2. Specific objectives.....	6
1.4. Significance of the Study.....	7
1.5. Scope of the Study.....	7
1.6. Limitation of the Study.....	8
1.7. Organization of the Paper.....	8
CHAPTRE TWO	9
REVIEW OF RELATED LITRATURE	9
2.1. Theoretical Literature.....	9
2.1.1. Insurance Business: concepts and definitions.....	9
2.1.2. The concept of third party insurance.....	10
2.1.3. The rationale and historical development of insurance.....	10
2.1.4. Development of motor vehicle and associated risk.....	11
2.1.5. The rational and emergence of compulsory third party insurance.....	12
2.1.6. Why is government intervention necessary?.....	13
2.1.7. Classification of insurance - motor insurance.....	14
2.1.8. Liability in insurance.....	15

TABLE OF CONTENTS (*Cont....*)

2.1.9. The contribution of insurance – motor Insurance.....	16
2.1.10. Compulsory insurance pricing options	17
2.1.11. Underwriting in CTP insurance.....	19
2.1.12. Claims in CTP motor insurance- global perspectives.....	20
2.2. Empirical Literature	21
2.2.1. The current status of road traffic accident.....	21
2.2.2. Overview of insurance development: CTP motor insurance in Ethiopia.....	22
2.2.3. Modalities of issuing CTP motor insurance.....	26
2.2.4. COMESA yellow card scheme.....	27
2.2.5. The practice and challenges faced Kenya motor liability insurance.....	28
2.2.6. Third party pool system-India practice	29
CHAPTER THREE.....	32
PROBLEM STATEMENT AND RESEARCH QUESTIONS.....	32
3.1. Problem Statement	32
3.2. Research Questions	35
CHAPTER FOUR.....	36
RESEARCH METHODOLOGY.....	36
4.1. Research Type, Design and Approach	36
4.2. Data Collection.....	37
4.3. Sampling Method	38
4.4. Data Analysis	39
4.5. Structure of Research Questionnaire.....	39
4.6. Justification for Primary Data Source Selection	40
CHAPTER FIVE	42
DATA PRESENTATION, ANALYSIS AND DISCUSSION	42
5.1. Data Presentation and Interpretation	42
5.1.1. Respondent demographic characteristics	42
5.1.2. Insurers attitudes towards CTP insurance implementation.....	45
5.1.3. Insured awareness and attitude towards CTP implementation.....	47
5.2. Data Analysis and Discussion	50

TABLE OF CONTENTS (*Cont....*)

5.2.1. Implementation CTP in compliance with the relevant directives.....	50
5.2.2. Analysis of IFAA and insurer performance against CTP objective	55
5.2.3. Analysis of fairness of premium tariff	61
CHAPTER SIX.....	63
SUMMARY, CONCLUSION AND RECOMMENDATION.....	63
6.1. Summary of Major Findings	63
6.2. Conclusion.....	66
6.3. Recommendations	67
BIBLIOGRAPHY	69
APPENDICES.....	73
Appendix I.....	73
Appendix II.....	76
Appendix III	80
Appendix IV	83
ANNEXES	86
Annex I.....	86
Annex II.....	87
Annex III	88
Annex IV	89
Annex V	90

LIST OF TABLES

Table 2.1. Motor vehicles accident in Ethiopia during five years average (2003-2008)	22
Table 5.1. Summary of respondents background information (sex and age)	43
Table 5.2. Summary of socio-demographic characteristics of respondents	44
Table 5.3. Summary of policyholders knowledge, perception and attitude of CTP	48
Table 5.4. Summary of knowledge and understanding of CTP policyholders	49
Table 5.5. Summary of compensation to be covered by third party risk insurance	54
Table 5.6. Summary of fund contribution and claims compensation during 2005-2007	57
Table 5.7. Comparison of earned premium against incurred claims during 2005-2007	59
Table 5.8. Premium collected and claims incurred against vehicle category	62

LIST OF FIGURES

Figure 5.1. Summary of insurance officer's attitude towards CTP motor insurance	45
Figure 5.2. Summary of insurance officer's attitude towards CTP motor insurance	46
Figure 5.3. Comparison b/n average death compensation paid IFAA and Insurer	55
Figure 5.4. Comparison of compensation paid for death/injury and property damage	60

ABSTRACT

The economic and social damage due to motor vehicle is escalating 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 alleviate economic loss as a result of road accident. The implementation of this legislation will affect the insurance industry. In the literature, the law has been practiced for several decades in most countries, but imposes significant impact on insurers’ performance. There are two views about its implementation, the first one is compulsory insurance is a social insurance and the government control the entire activities; premium tariff, claim settlement process, policy terms and conditions and the whole enforcement activities in order to achieve its purpose. The other counter argues and advocates private insurer’s involvement in compulsory insurance implementation under minimum government control. Despite the law enforced recently in Ethiopia, this paper try to assess the implementation of CTP motor insurance and analyze stakeholder’s level of awareness towards CTP 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; insurance officers and CTP insurance policyholders. To address the research problem, both quantitative and qualitative research approaches were used. The research findings indicate CTP insurance has positive result to insurers and IFAA. However, fairness of premium tariffs and uniform claim settlement were a challenge and awareness of parties involved in the process had wide gap. IFAA performance to utilize the fund as planned also very low. In general CTP proclamation enforcement failed to address the intended result and lack of awareness had considerable impact on policy implementation. Thus, both the government and insurance association should actively participate in the awareness creation and cooperation between parties involved in the implementation process will address the problems.

ABBREVIATIONS AND ACRONYMS

CCE	Commercial Code of Ethiopia
CEA	European insurance and reinsurance federation
COMESA	Common Market for Eastern and Southern Africa
CTP	Compulsory Third Party
EBR	Ethiopia Business Review
ECA	Economic Commission for Africa
EIC	Ethiopia Insurance Corporation
EU	European Union
FDRE	Federal Democratic Republic of Ethiopia
GDP	Gross Domestic Product
GSR	Global Status Report
ICBE	Insurance Corporation of British Columbia
IEI	International Energy Insurance
IFAA	Insurance Fund Administration Agency
MACT	Motor Accident Claims Tribunals
MTPL	Motor Third Party Liability insurance
MV	Motor Vehicles
NBE	National Bank of Ethiopia
P & C	Premium and Claim
PSV	Public Service Vehicle
RTA	Road Traffic Act
SPSS	Statistical Package for the Social Science
UK	United Kingdom
UN	United Nation
UNCTAD	United Nation Conference on Trade & Development
USAID	United States Agency for International Development
WB	World Bank
WHO	World Health Organization
WTO	World Trade organization

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Insurance plays a vital role in economic development. The following are some of the contribution of insurance sector to economic growth and employment, reduces the capital firms need to operate, fosters investment and innovation by creating an environment of greater certainty, offering social protection alongside the state, facilitate firms' access to capital, promotes sensible risk management measures, fostering stable consumption throughout life and mobilizing savings (CEA, 2006). In this regard insurance is defined as a social device providing financial compensation for the effect of misfortune (Hansell, 1974).

The history of modern insurance refers to the development of modern business. Similarly, modern insurance service, which were introduced in Ethiopia as far back as 1905 following the establishment of the first bank, Bank of Abyssinia begin to transact fire and marine insurance as an agent of foreign insurance company (Hailu Zeleke, 2007).

Financial systems in many African countries are reflecting a county's political and economic history. In this regard the pre 1974 Ethiopian financial system was "market economy" and there were 13 private insurance companies. In 1975, following the government centrally planned economic system the financial institution and other means of private owner ship were decided to be "nationalized" and there was one government owned insurance company, i.e. Ethiopia Insurance Corporation (EIC).

The industry remained a state monopoly up until 1994 when the current regime adopted the "free market" economy and the government issued proclamation No.86/1994-licensing and supervision of insurance business which allowed Ethiopians and enterprises fully owned by Ethiopians to invest in and establish insurance companies (Zafu Eyessuswork, 2014). Since then, sixteen privately owned insurance companies have been established and operating in Ethiopian insurance market along with formerly government owned insurance company. Accordingly those insurance companies as at June 30, 2014 operate with an

invested capital of Birr 2 billion through 332 branch network all over the country, out of which 182 i.e. 55% were located in Addis Ababa (Annex I).

The insurance sector in Ethiopia is governed by Insurance Business Proclamation No. 746/2012. According to the Proclamation it is prohibited to transact insurance business, both general insurance and long term insurance in Ethiopia without obtaining an insurance business license from the National Bank of Ethiopia (NBE). The role of the insurance business proclamation legal framework is to ensure the reliability and stability of the insurance sector by placing effective administration, supervision and control of insurance business.

Transport plays a crucial role in facilitating socio-economic development. Accordingly, road transport plays the dominant role in freight and passengers transportation as compared with the other transportation sub sector (Temesgen Zeleke, 2004). As of 2001, 99.3% of the passengers were used road transport services and 87.6% of the total freight was carried by motor vehicles (Ministry of Infrastructure, 2001).

The rapid economic growth has also an effect for dramatically increased newly registered vehicles, during the past three years (2012-2014) cars with a code license plate two was increased by 48% and the total number of all kinds 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 motor vehicle for transportation within a city and between cities is immense and now a day's transportation without the use of motor vehicle is unthinkable, 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. According 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 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. If nothing is done to reverse this trend the number will rise dramatically and estimated annual death toll 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 vulnerable to road shock because of lack of fair and timely compensation systems. In 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 attention of many countries to adopt Compulsory Third Party (CTP) motor insurance with the aim of laying down a mechanism to alleviate the problems associated with motor accidents (Temesgen Zeleke, 2004).

Therefore, the enactment of Proclamation No. 559/2008 after long time had passed the draft law on CTP motor insurance has been considered as a landmark and an important development in Ethiopia (Teferra Demiss, 2009). The enforcement of the Proclamation will be expected to minimize 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 all over 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).

Thus, the study will aim to assess the implementation of compulsory motor insurance in Ethiopia in light of Vehicle Insurance Against Third Party Risk Proclamation which was enacted during the year 2008 and 2013 revised proclamation and subsequently issued insurance regulations and directives.

1.2. Statement of the Problem

Motor vehicle in Ethiopia is the largest cause for loss of life, bodily injury, damage and destruction to properties. It is almost certain to happen every day. As a result they leave the loss burden to every society. A 2009 United Nation Economic Commission for Africa report indicates, Ethiopia has 95 traffic car accident deaths per 10 thousand vehicles. Many, if not most, will come from poor households; particularly vulnerable to the risk of road shock. The economic costs attributed to road crashes are conservatively put this at close to 80 million US dollars per year (Economic Commission for Africa, 2011). In this

regard motor insurance plays an important role to alleviate the financial burden of the insured.

However, due to a low and uneven development of insurance in developing society few individuals and companies had got cover from insurance companies. The study carried out by IFAA in 2011 indicate, “out of the total 309,361 vehicles populated in Ethiopia only about 35% or 106,765 were insured voluntarily whereas the remaining 65% were dependent on their financial resources if liability arises”.

Even though, development of insurance in developing countries are low the risks accepted by many countries insurance industry were unevenly distributed and dominated by motor insurance. According to AXCO Global Statistics report, the contribution of motor insurance constitutes around 43 percent of the total Ethiopian non-life insurance premium underwritten between the years 2006 to 2010. Unfortunately, this class of insurance too often appears to be a loss making business both in high income and low income countries (Aeron, 2002). Ethiopia is no exception for this because there is high rate of traffic accidents and heavy losses associated with it. The available record shows, the Ethiopian insurance industry particularly motor class of business registered losses with average loss ratio of 86% during five years period (2006 – 2010), whereas industry standard set by NBE is a maximum of 70% for the particular risk (Annex II).

Hence, 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, Particularly 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,

“... Vehicles accidents are escalating from time to time that causes loss of life, bodily injuries and damages to properties and creating social problems. Thus, it is necessary to establish a system for facilitating the provision of emergency medical treatments to victims of vehicle accidents and to require owners of vehicles to have third party insurance coverage...”

The proclamation boldly mentioned that all vehicles on the road to have valid CTP insurance. The realization of the proclamation will be expected to achieve the following objective;

- To lower road traffic accident,
- Reduce death as a result of road traffic accident by providing emergency medical treatments and,
- To compensate road victims by insured vehicles and uninsured or unidentified hit and run vehicles.
- To provide cover for third party property damage by insured vehicles.

The value and significance of CTP insurance for victims is more than obvious. However, enforcement of CTP insurance will be challenging for insurers due to the regulated insurance premium tariff, product is not in-house developed like other insurance policies and all risks will be borne by insurer without selection. CTP motor insurance premium rate commonly determined by insurer association and/or by regulatory body or government based on past loss ratio or claim experience of the pool. In most countries statutory tariffs do not reflect claim costs because of upward trend of the various costs and necessarily involve an element of cross subsidy. There is conflicting interest between insurers and vehicle owner; insurers need to charge a higher premium to make profit whereas vehicle owner need reasonable rates and terms. This will be a challenge for policy makers’ and stakeholders.

As far as the researcher's knowledge is concerned, the studies done so far in this regard had emphasize on how to make CTP insurance profitable and the method to stabilize CTP insurance supply side constraints. These studies failed to address empirically the contribution of CTP insurance implementation to minimize road accident and provide fair and timely compensation to road victims. Thus, making a research in this area will be pertinent to address the policy implementation and awareness gaps. Therefore, the researcher makes critical review on the practice of CTP motor insurance in Ethiopia in general and Addis Ababa city in particular. The study also analyzes main stakeholders (CTP policyholders and insurers) perception and attitude to the implementation of the proclamation and suggests recommendation based on the study finding.

1.3. Objectives of the Study

1.3.1. General objective

The overall objective of the study is to analyze the implementation of “Vehicle Against CTP Risks Insurance and critically review achievement of the intended objectives.

1.3.2. Specific objectives

The study has the following specific objectives:

- To assess the prevalence of the perception gap and its impact on the prevailing of Ethiopian CTP insurance practice.
- To analyze the significance and influence of CTP insurance premium tariff in achieving the proclamation objectives
- To assess the limitations and the positive aspects of CTP insurance enforcement.
- To evaluate the implementation of CTP insurance in accordance with the directives issued.
- To assess the attitude of insurer and insured towards CTP vehicle insurance practice.
- To recommend possible solutions basis on the study result which is appropriate to fill the gap in achieving proclamation objectives?

1.4. Significance of the Study

The use of motor vehicle for economic continuum is undeniable. However, its viability is not far from adverse effect. Its issue is cross-sectoral nature and policy makers have the duty to make relevant policy and implement to address social problems. Therefore, conducting this study has the following actual and potential benefits to all interested parties;

- First, the identified problems or gaps and suggested corrective measures will help the policy implementers to design appropriate strategy in order to safeguard themselves from CTP challenges or drawbacks.
- Second, the findings of the study may attract the attention of concerned officials to see the problems in CTP implementations, awareness problems and capacity gaps in order to design appropriate method to address issues in an efficient and effective way.
- Third, policy recommendations of the study will serve as a benchmark to the policy makers so as to reconsider the existing CTP insurance proclamation.
- Finally, it has potential benefits to other stakeholders, such as new entrant to the market, researcher in the area, potential customer and societies in general and they can use for reference, education, business decision and awareness creation on the area.

1.5. Scope of the Study

There are different measures taken to minimize the adverse effects of motor vehicle. Among others; Vehicle Against Third Party Risks Proclamation, revised Proclamation of driver's training, testing, and licensing and revised vehicle annual inspection procedure are some of the measures. The scope of this study is limited on assessing the practice, challenge, and prospects of CTP Motor 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 Addis Ababa city only on account of the fact that out of 332 insurance companies branch offices, which are in operation throughout the country as at June 30, 2014 i.e. 55% are located in Addis Ababa and, in connection with this, it was found adequate to undertake the study by taking Addis Ababa as a study area.

1.6. 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 questioner 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 the data was collected through self-administered questioner method and survey conducted over one month period. In addition 10% of the actual questioner were distributed to fill the unreturned questionnaires' and to minimize sampling error.

1.7. Organization of the Paper

The research work is organized as follows. After the introductory chapter, 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 CTP insurance, practical experience of compulsory motor insurance by considering selected country experience and our country as well. Chapter three, deals with discussion on the problem statement and research questions. Chapter four in turn, 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 fifth chapter presents the research finding, interpretation, analysis and discussion. The last chapter deals with the summary of major findings, conclusion and recommendations.

CHAPTRE TWO

REVIEW OF RELATED LITRATURE

This chapter deals with the theoretical and empirical review of related literature. It deals with the theoretical aspect on the nature and definition of insurance, historical development of insurance, why government intervene through public policy with special emphasis on compulsory motor insurance, and the practice of insurance in general and compulsory third party motor insurance in particular with practical experience of two selected countries and our country practice as well. In this investigation, background information was gathered from a variety of sources identified by library; such as books, thesis, article, journal, proclamation, regulation and internet searches.

2.1. Theoretical Literature

2.1.1. Insurance Business: concepts and definitions

The concept of insurance is complicated by its many possible meanings and definitions, however, scholars and writers have given various definitions of insurance from different perspectives such as economic, social, legal, etc. This can easily be seen from the various definitions of insurance.

Insurance has been traditionally defined as a contract whereby a party called the ‘insurer’ undertakes, in return for a consideration known as the ‘premium’ to pay to the other party called the ‘insured or assured’ a sum of money or its equivalent on the happening of a, or one of various specified uncertain events (Irukwu, 1987)).

Insurance is an economic and social device for the handling of risks to life, property and liability. It is social in nature because it represents the co-operations of various individuals for mutual benefits by combining together funds to reduce the consequence of similar risk (Oluwadamilola, 2011).

Article 654(2) of the Commercial Code of Ethiopia (CCE) provides a legal definition as “an insurance policy is a contract where by a person called the insurer undertakes against

payment of one or more premiums to pay a person, called the beneficiary, a sum of money where a specified risk materializes” (CCE, 1960).

Therefore, from the above various expressions it can be inferred that, insurance is a contractual agreement whereby one party agrees to compensate another party in case of possible loss or losses and serve as a means of risk transfer. The current business world without financial institutions such as insurance companies is unsustainable because in one way, it is a normal practice that some economic units are in surplus while the others remain in deficit and in the other way risky businesses have not a capacity to retain all types of risk in current extremely uncertain environment. Due to this reason they use insurance as a mechanism of the spread of financial loss through the pooling of risks whereby the losses of the few are borne by the many (UNCTAD, 2007).

2.1.2. The concept of third party insurance

According to Black’s law dictionary compulsory insurance is the insurance that is compulsory and is required before you can operate a vehicle. Third party insurance is a policy under which the insurance company agrees to indemnify the insured person, if he is sued or held legally liable to a third party. The first party is a policy holder, i.e. either the owner of a vehicle or a lawful possessor authorized by the owner on behalf of the owner, the insurance company is the second party, and third parties are parties other than employee or members of the policy holder, such as the pedestrian who is knocked down by the insured in a motor accident (Irukwu, 1991).

2.1.3. The rationale and historical development of insurance

No one knows exactly when and how the insurance business begun, but it is believed that it dates back to early human society. The concept of insurance has been around Africa for a long time. Members of a community pooled together resources to create a “social insurance fund”. The “premiums” ranged from material to moral support or other payments in kind. From the fund, “drawings were made out” to support the few unfortunate members exposed to perils (Irukwu, 1987).

In this case, community based activities is considered as the origin of modern age insurances which grew as a huge commercial sector. The “roots” of modern day insurance principles and practice extend back over thousands of years. They have been developed, modified, codified and honed over many years, both in the light of experience and also to meet prevailing circumstances from time to time in different countries or regions of the world. Some countries have developed their own principles and practice of insurance independently, without “outside” influences. In other countries the principles and practice of insurance reflect past influences from other countries, although those might have subsequently been modified in the light of national needs or circumstances (Cambridge international college, 2007).

The early development in the history of insurance before some 3,000 years ago was marine insurance and it is considered to be the oldest known type of insurance. Its emergence was associated with people who were great seafaring traders, around the Mediterranean and found themselves unable to support trading and manufacturing activities due to involved risks of significantly increased size and/or frequency of losses. Then many other types of property insurance date back to the “*Industrial Revolution*” in Britain, with its growth of manufacturing enterprises using comparatively expensive buildings and machinery and employing mass-production techniques, particularly fire insurance appear in England after the “*Great Fire of London*” in 1666 AD, which destroyed a large number of buildings. Lately motor, engineering and aviation insurance were introduced (Abebe Dinku, 2000). Over the years insurance companies and underwriters have developed many types of policies to suit the insurance needs of the public.

2.1.4. Development of motor vehicle and associated risk

“Motor vehicle” as defined on Vehicle Insurance Against Third Party Risks Act 799/2013, is “any mechanical or electrical power propelled vehicle moving on roads.” Motor vehicles made their first spluttering appearance at the turn of the 20th century. At that time they were much slower and so cumbersome than the common horse and carriage. As a result, during the early years of motoring there seemed little need to consider the implications and requirements of insurance. By the time of the First World War, motor vehicle was developed and improved at an alarming rate with the change in technology and to comply with considerable interest for the motor car (Talk Once, 2010). In the process of building

an affluent society, car is changing from luxury consuming goods to ordinary merchandise, which causing frequently traffic accidents due to the poor standards of driving skills and little road discipline (Bao and Gu, 2014).

In 1920s' there were so many motor vehicles on the land that legislation was almost invisible. The emergence of motor vehicles and associated risk had an impact on society; accidents soon became a common sight on the roads (Talk Once, 2010).

2.1.5. The rational and emergence of compulsory third party insurance

Civil compensation for road traffic injuries has existed for several decades in most countries. It is as old as 100 years in the developed and industrialized world. Before the realization of compulsory motor insurance the driver or vehicle owner could pay any judgment for the damages to the other party depending on the countries' legal system. But this becomes more and more difficult to administer overtime, particularly when the owner of the vehicle or driver is incapable of providing compensation for injury or damage following an accident (Teferra Wondimu, 2009).

By 1930 The United Kingdome, government of the time was passed the first 'Road Traffic Act' (RTA). In basic form the RTA made it compulsory for vehicle owners and drivers to be insured for their liability of injury or death to third parties whilst their vehicle was being used on a public road. The intention of the act, inter alias, was to ensure that funds would be available to compensate the innocent victims of motor accidents. This was to be provided by means of insurance against legal liability to pay damages to injured persons (Ruhunuarachchi, 2012).

Motor Third Party Liability (MTPL) insurance has been introduced in the formerly centrally planned economies 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 due to a concept that is not familiar to the general public (Gönülal, 2010). Overtimes the issue of MTPL insurance had attracted the attention of many governments in many countries to adopt MTPL insurance policy and the law has been practice in many parts of the world (Temesgen Zeleke, 2004).

In most countries, MTPL insurance is compulsory in order to protect the public. It ensures that damage to third party health and property caused by an accident for which driver and/or owner of the car were responsible is covered (Aeron, 2002). It is public welfare insurance because the nature of compulsory insurance is to ensure that the social security function is guaranteed.

2.1.6. Why is government intervention necessary?

In a global economy characterized by rapid social and demographic change and by the emergence of new risks, cooperation between private insurance and public institutions is essential. This cooperation can bring benefits in many fields, for example, health of the working population, accident prevention, compensation for agricultural risks, international trade etc. In all these ways, the insurance sector fosters economic activity, promotes competitiveness, employment and sustainable long-term growth (CEA, 2006).

In the modern time, public administration is becoming more and more public oriented and in pursuit of responding to citizen's problems in achieving the desired results in every dimension of life. The changing role of new public administration (NPA) and the ultimate goals and objectives of the state is to take care of the needy as they are part and parcel of the society through different mechanisms, for instance, establishing social security programs. Hence, in the absence of such scheme; condition become more harsh for the poor. Therefore, any level of government, whether federal, state, or local, may be involved in a particular policy effort because social problems, and the public demand for action on them (Aklilu Wubet, 2007).

Public policies are an intentional course of actions of a government due to the issue claiming a wide range of economic, social and political sphere and regulating conflict with in societies; and extract money from society to carry on conflict (Dye, 2005). Obligatory motor liability insurance is as part of social insurance demand policy initiative to be carried out and therefore requires government intervention through regulatory mechanisms. As a result its implementation should require government involvement like enacting legislation concerning social security and clearing the way for its proper application in benefiting the society (Bridgwater, 1986 as cited in Abebe Mesfin, 2003).

Policy, rules and regulations relating to insurance business in different countries are changing over time; it is constantly adapting and evolving to meet changing circumstances and customer demands (Cambridge international college, 2007). Making a decision to enact a law is not the only action of the government but it is an ongoing process that stretches from the emergence of a problem to the final enactment of a policy to address that problem, or in other word from definitions of problems up to feedback analysis for further input. These steps are not distinct by itself rather it is a logical sequence of activities relate one after the other (Theodoulou *et al*, 1995).

Recent research, as surveyed by Naveed *et al.* (2011), shows that the efficiency of financial intermediation and transfer of risk can affect economic growth while at the same time institutional insolvencies can result in systemic crises which have unfavorable consequences for the economy as a whole. Hence, the important role that financial institutions such as insurance companies remain in financing and insuring economic activity and contribute to the stability of the financial system in particular and the stability of the economy of concerned country in general is part of immune and repair system of the economy. Nevertheless, in order to allow the insurance sector to play to the full its economic and social role, an optimal regulatory environment is required.

Modern insurance is comparatively new to most African and other third world countries. Every country now has a set or sets of statutory rules and regulations that control the business activities of insurers (Irukwu, 1987). Accordingly CTP motor insurance policy implementation is an action of one or more agencies assigned to carry it out along with the authority to spend money, hire personnel and obtain the other resource necessary. Before policy came to implementation, it is an intention.

2.1.7. Classification of insurance - motor insurance

Now a day's insurance is classified in different ways, based on risk point of view, business point of view and on the nature of insurance. Insurance from risk point of view is further classified as personal, property and liability insurance. In Ethiopia, until 1950, motor vehicle insurance cover was categorized along with general accident insurance. But now a day as the number, type and use of vehicles increased, motor insurance cover is treated as a separate class of business (IFAA, 2010). Accordingly motor insurance has two distinct

sections; one relating to its physical damage, which is categorized under property insurance and the other relating to injury or death and collision of third parties property which is part of liability insurance..

2.1.8. Liability in insurance

The term liability refers to the quality of state of being legally obligated or accountable; legal responsibility to another or to society enforceable by civil remedy or criminal punishment (Campbell, 1979). Basically the law governing liability legal system in most countries insurance adopted is two types, i.e. the fault insurance and no-fault insurance system. Each of them has their advantages and drawbacks. The fault insurance is always said to be a social symbol, a cultural mirror that reflects the morals of society. It focuses on the party at fault and widely adopted in most low-income countries. Nevertheless, its compensation systems were suffered problems with high legal costs and delays over the causes of accidents (Aeron, 2002).

The no-fault system on the other hand is an administrative remedy that is largely devoided of a moral content. From the latter perspective, the term is used to describe any type of insurance contract under which insured persons are indemnified for losses by their own insurance company, regardless of fault in the incident generating losses. The main goal of the no-fault insurance system is to offer faster settlement of damages and is more efficient as it avoids delays and lowering premiums costs by avoiding expensive litigation over the causes of accidents, while providing quick payments for injured victims regardless of how the accident happened or who was at fault (Macharia, 2009).

The law governing liability for motor accidents has been strict in Ethiopia, from which escape from liability is remote. The compensation or benefits, as provided in the scheme, are payable to victims irrespective of the drivers fault, the owner or driver is only relieved of such liability if he can prove that the vehicle in question has been stolen at the time of the event (CCE, 1960).

The assumption of countries initially developed compulsory MTPL insurance is to provide a financial protection system built to prevent any grievance that third parties could face, due to lack of solvency of first party who caused bodily injury or property damage

following any event related to a car accident (Gönülal, 2010). In this regard CTP insurance policy has intended to accomplish some specific objectives; under which the insurance company agrees to indemnify the insured person, if he is sued or held legally liable for injuries or damage done to a third party.

2.1.9. The contribution of insurance – motor Insurance

Motor insurance is generally measured non-life insurers' strongest class of business in terms of premium volume and promotion tool. Its result is thus likely to have a particularly strong impact on the overall result. In most markets, it is characterized by high competition and cyclical fluctuations in results. 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 (Annex III).

Thus, motor insurance has the potential to be a powerful tool in the promotion of personal responsibility, if communicated effectively. The link between the consequences of causing an accident and the economics of paying for those consequences will of itself gradually lead to improved driving. Many more developed economies work extensively with "bonus/malus" premium pricing, which has a dramatic effect on making the driver feel responsible for his or her own driving (Gönülal, 2010).

Gerondeau and Hoban (1994) as cited in Aeron (2002) Finland was the first country to incorporate a road safety levy in its insurance premiums, with the Ministry of Social Affairs having the authority to order the inclusion of a 'reasonable' amount in the insurance premium for road safety promotion for the benefit of society. It has exercised this right over the past half century, and a levy of only 1.1 per cent of the insurance premium has financed the operations of road safety.

The state insurance providers of British Columbia and Victoria invest in engineering and enforcement programs with high economic returns; British Columbia currently requires a 3:1 investment return in claim savings from its Road Improvement Program (Aeron, 2002). In some countries, the insurance industry shares responsibility for preventing road injuries, and organizations funded by the insurance industry make a valuable contribution to road safety. For example, Folksam in Sweden and the Insurance Institute for Highway

Safety in the United States provide objective information about the crash performance of new cars and other safety issues (Gönülal, 2010).

2.1.10. Compulsory insurance pricing options

“Premium” can be defined as the consideration paid by the insured to the insurer for the protection the insurer undertakes to give for the insured event. The amount of premium to be paid in a particular insurance contract will be dependent on the terms of the contract and its value which is usually computed based on the risk. The premium is computed at the individual risk level, and price variations dependent on certain parameters like type of vehicle-body type and purpose of vehicle- private, commercial, taxi, rental etc.

There are two options commonly adopt in CTP insurance premium setting for the particular risk, i.e. either computed at the individual level based on past loss ratio or claim experience of the pool or by insurer association in each respective country and/or by regulatory body or government. Accordingly the market will have uniform pricing system which is centrally set by government or different price that will be freely set by individual insurer in various countries. Each of them has exclusively or simultaneously exists with their own advantages and disadvantages. The detail of each pricing options is presented as follows.

- **The centrally priced option**

Most regulators have placed various restrictions on insurance policy coverage and rates, particularly for CTP insurance. Statutory tariffs are commonly imposed on compulsory insurance and strictly regulated by national legislation due to its sensitive nature. They prevent unsustainable price wars (Ernst & Young, 2011).

Unlike mature markets, prices are free and only subject to tough competition in most developing countries, compulsory MTPL premiums are statutory, and subject to government oversight, either directly or through some more complex governance process. In this case government is in charge of setting statutory in the form of setting of minimum and maximum or only maximum prices (Gönülal, 2010). In tariff pricing option, motor insurance premium rate was prepared in table format which will be applicable to all

insurance companies and open to the public. The premium is calculated according to the risk + office expenses + other charges (Oluwadamilola, 2011).

The rationale behind statutory prices is, generally, a combination of arguments; the primary public policy concern underlying this regulation relates to the willingness and ability of consumers to observe and monitor the financial health of their insurer, especially when insurance is made compulsory. Public policy in the MTPL insurance primarily seeks to overcome consumers' difficulties in observing and monitoring the financial health of their insurer, both before and during the lifetime of the insurance contract (Gönülal, 2010).

Different countries have pursued MTPL insurance tariff liberalization at different times and in different ways. Compulsory MTPL insurance in the European Union (EU) has been deregulated fairly recently (mainly over the period 1968–94). Only a few years ago, just the car and the cover had an influence on the rate, but already we are seeing additional factors such as “Bonus/Malus” and “Age of driver” becoming common place. This trend towards a more complicated structure looks set to continue (ibid). In most countries statutory tariffs do not reflect claims costs and necessarily involve an element of cross subsidy and sometimes inhibit innovative pricing. As a result, this is an area where knowledge of the distinctive features is important and the trained of future market evolution will be a move towards partial de-tariff of MTPL insurance premium rating and full risk based pricing typically correlates to market profitability and stability (Ernst & Young, 2011).

- **The free market priced option**

In most developed and mature markets, prices are free and only subject to tough competition. In general, insurance risks can be very volatile, and the cost of meeting claims is constantly under pressure from inflation and other upward trends as a result the premium rating are very sensitive issue in insurance market. Most insurance policies including MTPL are normally issued on a one-year renewable basis as a result in a competitive environment, an insurer can lose good business or gain bad business very quickly if its rates become out of line with the rest of the market. In this case, it is of vital importance for an insurer to keep rates under constant review and to amend them as necessary (Gönülal, 2010).

Competitive pricing will bring innovative product, new business idea, cheaper rates and variable discounts. However, the lower premiums forced insurer to be more selective to underwriting, and to accept only the better risks. It will also keep costs down and had economy administration and stricter claims procedures. This will have an impact on the general objectives of MTPL insurance (Talk Once, 2010).

In addition, many insurers have been suffering losses after charging inadequate premiums. Thus, competition is not the solution to every problem. In some areas, the introduction of competition does not lead naturally to market-driven benefits. The most obvious of these are situations in which the collective community stands to benefit from an investment in which the effects go beyond an individual insure (Gönülal, 2010).

This is the issue most country regulatory bodies are concerned and keep prices is under close scrutiny. Particularly in CTP motor insurance the government needs to adopt various strategies based on the actual case in order to maintain proper balance between “Non-tariff” and “tariff” pricing systems.

2.1.11. Underwriting in CTP insurance

Underwriting is the process of selection of risk based on information filled on the proposal form, and rating the risk and decides whether to accept the risk or not. If the risk accept it on what terms and conditions. For an insurance company to underwrite a risk; it must accept an offer from the insured person through the proposal form. The proposal form is a document that contains the nature and condition of the subject matter of insurance, the extent of the risk to be insured and the type of liability to be covered. In this regard, when an insurer issues a policy or makes an express acceptance of the proposal form, then a contract of insurance is said to be complete (Macharia, 2009). In CTP motor insurance the proposal form to be filled by the owner, driver, legal representative or anyone who has in need of the cover and have title certificate of a valid motor vehicle.

Underwriter is a person on behalf of insurer who accepts; rejects and sets terms and conditions on proposed insurance policy. Nevertheless, in CTP motor insurance there are cases the underwriter has no choice to select a risk and not make a decision whether to accept the risk or not rather they simply match the rate against the proposed risk category

and charge fixed amount from rating table in case of “tariff” pricing system. The discretion of underwriter in CTP motor insurance is relatively small because rate, policy terms and conditions are stipulated in advance, even the insurance policy period.

2.1.12. Claims in CTP motor insurance- global perspectives

The general levels of awareness in most developing country insurance markets are low at present. One of the reasons for this is, very few persons really take the trouble to read through insurance policies and only a small portion of the few actually understand the ‘rules of the game’ of their insurance policies in advance of a claim. The result is that when a claim arises and it is found that the particular loss is not covered by the terms and conditions of insurance contract, there is always the tendency to blame it all on the insurance company. But a lot of this unpleasantness is due to lack of understanding of the terms of insurance contracts generally (Oluwadamilola, 2011).

As to USAID (2006), developing countries are characterized by low culture of attitude towards insurance and low infrastructure and environment that frustrate the development and strengthening of awareness. Despite insured’s low understand for their insurance contracts, the conduct of insurance companies is a matter of fulfilling public interest. However, delays in payments of claims for whatever reason is not uncommon. In general claims management procedures are lengthy and not consumer friendly. Due to this reason most of the insurance company’s claims are not settle with a reasonable time and amount and are referred to court action. Generally speaking in their majority insurance cases going to courts are not raise issues of application of insurance principles, rather those are liability claims mainly relating to quantum (Teferra Demiss, 2009).

Fluctuations in the timing and amount of claims settlement on personal injury or death relative to expectations are hurdles facing the insurance industry. This makes, claim service is the root cause of compliance for many insurance companies. The award of damages for personal injuries should be fair but not perfect. Damages can then be awarded on a basis of either of the following modes of compensation which will be comprehensively covered in the main course of work; a quantitative monetary threshold which sets out a specific amount that must be set out to compensate an injured party or the

qualitative verbal threshold which states what categories of injuries should be compensated (Macharia, 2009).

Many insurers across Asia are simply not ready for the growth in claims that comes with premium growth. They need to understand the importance of the claims process, which is often the only opportunity for insurers to interact them directly with consumers, offering an untapped opportunity to differentiate on customer experience (Ernst & Young, 2011).

The future insurance market in developing society, particularly the liability part will face more challenge because the general public will becomes more affluent and knowledgeable of their rights. The tendency for fraudster claim will increase and courts award on motor vehicle accident compensation claims will continue to be excessive damage. Most Africa and Asia society may have trends to imitate those of Western market where the legal basis of many policies is similar to that in the UK notably. The UK market, for example, has experienced significant increases in liability claims since 2007, plunging most insurers' motor portfolios into losses (ibid).

Payment of claim in the eyes of the law is a performance of the contract on the part of the insurers, thus in light of the foregoing practical claims perspective, there is a need to harmony and improve the insurance industry service delivery, particularly in the reliability and responsiveness of insurers up to insured's and claimants expectation is a lesson drawn.

2.2. Empirical Literature

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 (WB, 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 five years average (2003-2008)

No.	Accidents	Average Number	Percent	Percent of Death
1	Death:			
	• Driver	149		8
	• Passenger	894		48
	• Pedestrian	819		44
	Sub Total	1862	10.85	100
2	Serious injury	2344	13.65	
3	Minor injury	2528	14.72	
4	Property damage	10,435	60.78	
	Total	17,169	100	

Source: IFAA, 2011

In Ethiopia, at an average, 17,169 vehicle accidents register annually. From this, 6,734 (39%) were body injury/death and 10,435 (61%) accidents were caused property loss. This means, at an average, there were around 1.1 victims per 10 accidents, of these deaths, 8% are drivers, 48% are passengers and 44% are pedestrians (IFO, 2011). In 2007/8 fiscal year, police reported 15,086 accidents which cause the losses of 2,161 lives and over ETB 82 million cost estimate of property damage. Up to 2005/6 traffic accidents and fatalities rate increased at 17% and 10% per year respectively.

2.2.2. Overview of insurance development: CTP motor insurance in Ethiopia

According to United Nation Conference on Trade & Development (UNCTAD) 2007, the insurance industry of Africa excluding South Africa has the lowest penetration in the world both for life and non life insurance due to:

- The late introduction of insurance to the continent,
- The low personal and disposable incomes of the populations,

- Monopolistic characteristics (closed markets) in many countries until the latter part of the 1990s,
- Legal and regulatory requirements do not updated in line with the pattern of economic development,
- Limited awareness of benefits of insurance by the general population, and
- Outdated products and services in a number of countries.

The Ethiopian insurance industry is among the lowest in the world and African countries in terms of the three parameters; Insurance premium market share, market penetration rate and insurance density (per capita insurance premium). Due to this reason, the contribution of insurance premium to the Gross Domestic Product (GDP) is insignificant. The Ethiopia's non-life insurance industry contributed only 0.4 % to the GDP and ranked at 115th during the year 2009 (AXCO Global Statistics, 2011). This will increase the level of risk in economic decision taken by individuals and firms and hampering industry competitiveness.

Scholars say motor vehicles are causing for frequent traffic injuries but neglected public health challenge. As a result the situation necessitates high level of political commitment and immediate action for effective and sustainable prevention. Accordingly the particular law to protect third parties from possible injury and damages had proclaimed. Even though, the Ethiopian insurance market already provides voluntary third party motor insurance, the enactment of CTP motor insurance is the turning point for the insurance industry. The legislation was actually first considered for issuance and a draft for it prepared as long ago as the emperor's time and a draft legislation prepared for it (Teferra Demiss, 2009).

The CTP motor insurance in Ethiopia insurance system came into effect on 11th September 2011. It has mandatory, unified national rate, a policy product of standard insurance terms and wide coverage to implement. Compulsory insurance follow the principle of "no-fault" and intended to accomplish the following objectives;

- To lower road traffic accident,
- To reduce death as a result of road traffic accident by providing emergency medical treatments,

- To compensate road victims by insured vehicles and uninsured or unidentified hit and run vehicles, and
- To provide cover for CTP property damage by insured vehicles.

The proclamation was revised after two years in service by Proclamation No. 799/2013, due to the identified proclamation implementation gap and problems issues not incorporated. Among others some of the changes in the proclamation are insurers' liability limit for emergency medical treatment and bodily injury that rise to birr 2,000.00 and 40,000.00 per person respectively.

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). The number of sticker issued by each insurer has attached under Annex IV.

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).

- **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 overburden 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). Vehicles classification schedule that has been used for premium determination along with fixed annual premium tariff was enclosed under Annex V (IFAA, 2012).

- **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 N^o 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 No799/2013 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.

2.2.3. Modalities of issuing CTP motor insurance

In most part of the world CTP motor insurance is issued on a yearly basis and renewable before the policy date of expire. The cover will be provided by private commercial company or state owned insurance company or both with the following exceptions; Victoria, New Zealand and South Africa. In Victoria, the insurance premium is collected in the mandatory licensing fee whereas in New Zealand, where personal injury insurance is provided by the state, both these sources are used with a NZ\$79 surcharge on the annual vehicle license sales and 2.3 cents per liter excise duty on petrol sales. In several South African countries, the third party injury insurance is collect through a levy on fuel and thus has been able to eliminate noncompliance. Insurance Corporation of British Columbia (ICBC) dominates the market and is also responsible for driver and vehicle licensing. Other countries can include Vehicle inspection and registration procedures a check for insurance cover (Aeron, 2002).

In Nigeria, the premium to buy a third party motor insurance is N5000 and International Energy Insurance (IEI) now sells a scratch card that vehicles owners can use to activate their licenses via their mobile phones while they print out at the nearest cyber cafe within the space of 24 hours and its renewable annually (International Energy Insurance)

In British police is not relying solely on the paper or electronic versions of the insurance policy as proof of insurance when stopping vehicles at the roadside. Rather, they use a download from the Motor Insurance Database to identify vehicles on the road without an insurance policy in force (UK, 2014).

2.2.4. COMESA yellow card scheme

The treatment of foreign registered vehicles, according to CTP insurance Proclamation No.799/2013, sub article 26 is provides that the driver of any foreign registered vehicle permitted to be driven on the roads of Ethiopia shall possess a valid certificate of insurance and insurance sticker or, where the insurance policy is not issued by a local insurance company, he shall produce a “yellow card” or an equivalent proof of insurance coverage provided that the limit of liability may not be less than the extent of liability provided under article 16 of the proclamation.

"Yellow card" means a certificate issued for the payment of compensation as per the protocol signed in relation to vehicle insurance against third party risks by member states of the Common Market for Eastern and Southern Africa (COMESA) as per article 2 (11) of the new vehicle insurance against third party risks Proclamation No. 799/2013.

It is a regional certificate of obligatory motor liability insurance across COMESA member countries. Yellow card is a guarantee for transnational vehicles to provide cover as per the law of visited country, where third party motor insurance is mandatory in such country. The insurance cover provided under "Yellow card" is relating to damage or loss on death, bodily injury and third party property by visiting motorist involved in accidents. The cover shall extended medical expenses to insured/driver and passenger. The limit of indemnity provided under “Yellow card” is not exceeding the maximum sealing, i.e.US\$10,000 and US\$30,000 for private and commercial vehicle respectively for any one accident any one event.

The objective of Yellow card scheme is to allow motor vehicles free movement between member’s countries and facilitate trade between those countries. The scheme is currently operational in Burundi, Democratic republic of Congo, Eritrea, Ethiopia, Kenya, Sudan, Malawi, Rwanda, Uganda, Tanzania Zambia and Zimbabwe. The Ethiopian Insurance Corporation was designated as a national bureau to engage in selling motor insurance policy giving protection to third parties and distribute yellow card to all licensed insurer.

The yellow card annual premium rates are range from birr 150 for motor cycles to birr 1,250.00 for fuel tanker or bus and the card also issued for a period other than a year starting from one week.

2.2.5. The practice and challenges faced Kenya motor liability insurance

Motor insurance in Kenya is governed by the Insurance Motor Vehicle Third Party Risks Act. Chapter 405, of the Kenya insurance Act provide compulsory insurance to protect the public for road traffic injuries arising from the use of motor vehicles and to forestall the effects of adverse selection on the insurers (Kenya Insurance law, 1946).

Following the act, all Kenya insurance companies started to underwrite Public Service Vehicles (PSV'S) besides other conventional insurance cover to ensure compliance by motor vehicle owners. These companies have however, faced enormous challenges in the underwriting of PSV insurance business and a situation that has from time to time threatened to destabilize the entire insurance industry. This has made insurers reluctant to underwrite this business as a result of high loss ratios. In due time, the Government introduced compulsory motor pool in 1985 which also failed and was abolished in 1989 (Macharia, 2009).

The insurance industry in Kenya was in a crisis particularly CTP motor insurance since the year 1989. It has been under close scrutiny with little or no action in all aspects. Among others; the main contributory factor has been the premium rate determination and monitoring, lack of integrated data and co-operation between the insurance industry, increased fraud and malpractice, this is perpetrated by a syndicate of fraudsters comprised of the traffic enforcement agencies, ambulance chasing lawyers, medical doctors, private investigators, insurance companies' staff, shareholders, claimants, law enforcement agencies and the Judiciary. This is due to lack of a structured benefits scheme for various injuries, the courts were awarding excessive damages on motor vehicle accident compensation claims and insurance company had unlimited liability on accident causing damages with a limited capital base (ibid).

For these and other reason Kenya insurance industries were faced wave of collapse and a crisis in the country, as there was no insurance provider for CTP motor insurance, particularly PSV "matatu", which is unregulated in nature. The collapse of insurance companies has diverse implications on innocent third parties, other insurers, policyholders, suppliers of goods and services and the industry at large. This continues to stir erosion of consumer confidence towards the insurance industry (idid).

The effects of an insurance company's collapse are now dealt with under the Policyholder's Compensation Fund established by Insurance Regulations of 2004. The fund contributions are 0.25% of the premium payable by the policy holder per insurance policy and a similar amount by the insurer. The Fund was established for the primary purpose of providing compensation to the individual policyholders up to a maximum of 100,000 Kenya shilling, provided that insurance company that has been declared insolvent and was operational in January 2005. Its' secondary purpose is that of increasing the confidence of the general public in the insurance sector (Makove, 2011).

Indeed, liability insurance in Kenya was compulsory, the method of calculating compensation in respect of the person injured was pain and suffering which is more subjective and main reason for victims invariably seeking legal redress. In that regard a structured compensation liability schedule has been adopted that laying value (compensation percentage of maximum value) on various injuries and respective category of injuries (degree of disablement) to be compensated to an injured party (Kenya Insurance law, 2013).

Therefore, Kenya motor third party liability insurance has the major challenges for insurance companies, owner of motor vehicles, innocent third party road victims and the policy makers' in general. The situation is more serious due to the unregulated operation PSV'S and inadequate premium rate determination and subjective method for personal injury claim compensation. This problem will be expected to improve with the implementation of Policyholder's Compensation Fund and structured compensation liability schedule. In addition the introduction of phased premium adjustments and establishing optimal regulatory system on PSV'S operation is an ending solution. These require maintaining proper balance between the interest of the public and the insurance company in general is the focus of the lesson.

2.2.6. Third party pool system-India practice

Third party motor insurance is the only insurance product in India mandated by law. Accordingly, the India motor third party policies have to comply with the requirements of The Motor Vehicles (MV) Act. The Act provides that no person shall use a motor vehicle

in public places without a policy of insurance complying with the requirements of the MV Act (India Motor Vehicles Act, 1988).

Before April, 2007 India Public owned insurance companies were the only provider of CTP insurance to all commercial vehicle and had historically suffered for heavy loss, i.e. for every Rs 100 that is collected by the insurers; Rs 200 is paid out as claims. The premium for the third party liability cover is subject to tariff control by the regulator however the claims are unlimited and cause for the created supply side constraints (Kothari, *et al*, 2013).

As per India Insurance Regulatory and Development Authority directive, Motor Third Party Pool has been setup by all general insurers on 1st April, 2007 to collectively service Commercial Vehicle Third Party Insurance business. The main objective behind this was to make available third party insurance to all commercial vehicle owners at reasonable rates and terms and to distribute the losses on this account to all market participants (Kumer, 2008).

The pool is administered by the national reinsurer, General Insurance Corporation (GIC) of India. Insurers underwriting on behalf of the pool are entitled to an administrative commission of 10 per cent of the premium and the GIC receives a fee of 2.5% of the entire amount for managing the pool. Motor Written Premium accounts for almost 40% of the total Non-life Written Premium. Commercial vehicles contribute almost 70% of the total motor third-party premiums (*ibid*).

The pool arrangement in India was resolved the issue of denying any third-party covers or selection on motor insurance. Because there was no incentive for companies to do selective underwriting as the risk was pooled by everyone. Underwriting of the pooled business is strictly in compliance with the procedures, rates, terms and conditions of cover as laid down by the Underwriting Committee of the Pool. The funds available with pool shall be invested by the Pool Administrator in accordance with the guidelines prescribed by Investment Committee (*ibid*).

However, the claims ratio for third-party motor insurance has been as high as 140 per cent. As a result GIC in India suggested to charge a higher premium on MTPL insurance policy

coverage while at the same time introduce a cap on third party bodily injury and death benefits to ensure that the pool was profitable or at least break-even. Accordingly, premium rate increase for commercial vehicle CTP liability in each of the last three years (2011-2013). The increase in premium rates has benefitted some private insurance companies. Because, the pool system focus was to grow the top line without consideration on the bottom line (Kothari, *et al*, 2013.)

In spite of the fact that the India CTP pool system was dismantled starting April 1, 2012 and replaced with a 'Declined Risk Pool' system. The main reasons for dismantling the India CTP pool system were increased pressure from the top private sector insurance companies as the allocation was favorable to some players, and the additional required provisions were threat for most Public and Private companies; need for fresh capital infusion (*ibid*).

The public sector insurers, however, want the pool to stay, as they would not be able to write all types of commercial vehicle third party policies without the pool arrangement (Kumer, 2008). The 'decline risk pool' had assumed important, as it freed the pricing model and gave insurers right to refuse or declined CTP insurance if they find it too risky on the bases of certain parameters like claim experience. The system could be short lived because GIC has put in a proposal to remove it (Saraswathy, 2014).

Therefore, from the above practical experience third party liability insurance has the major challenge for policy makers' and stakeholders. The primary cause for the inception of the pool system was premium tariff control by the regulator and the unlimited insurer liability on injury/death claim and cause for excessive loss and supply side constraints. The pool system, however resolve only the supply side constraints. The top private sector market participants did not make profitable with pool arrangement. Thus, Indian policy makers has the duty to resolve the two conflicting interest, i.e. vehicle owner need reasonable rates and terms where as insurers need to charge a higher premium to make the pool profitable and the issue still pending for waiting the decision of the regulator.

CHAPTER THREE

PROBLEM STATEMENT AND RESEARCH QUESTIONS

The previous chapter presented the theoretical foundation and literature review of insurance business in general and the practice and challenges of CTP insurance in particular. The first part of the previous chapter focused on the theoretical foundation. The second one dealt with the empirical part of the literature. This chapter focuses on synthesis of the various views discussed in the previous chapter and identifying the research problems. It also provides the research questions for the study based on the research problems, which are derived from the literature review.

3.1. Problem Statement

MTPL insurance provides financial protection to the public. It ensures that damage to third party health and property caused by road traffic accident is covered. The discretion of underwriter in MTPL insurance is relatively small because rate, policy terms and conditions are stipulated in advance. Generally, there are two contrasting views with regard to MTPL insurance pricing options. On the one hand, in most developed and mature markets premium rates are free and only subject to tough competition. This will bring innovative product, new business idea, cheaper rates, variable discounts, keep costs down and had economy administration and stringent claims procedures (Talk Once, 2010). Wang and Li (2011) argue that the implementation of a unified national rate is obviously unfair because of big difference between different areas. On the other hand, unlike mature markets, prices in most developing countries are subject to government oversight and strictly regulated by national legislation due to its sensitive nature. The purpose of statutory tariffs is to prevent unsustainable price wars and provide reasonable rates to vehicle owners (Ernst & Young, 2011).

These two contrasting views clearly indicate, premium rating is very sensitive issue in insurance market since insurance risks can be very volatile and the cost of meeting claims is constantly under pressure due to inflation and other upward trends. In this case, it is vital importance for policy makers and insurers to keep rates under constant review and to amend them as necessary (Gönülal, 2010). Failed to make corrective measure on time will cause insurers out of business. This will have an impact on the general objectives of MTPL insurance (Talk Once, 2010).

Public policy in the MTPL insurance primarily seeks to overcome consumers' difficulties in observing and monitoring the financial health of their insurer, both before and during the lifetime of the insurance contract (Gönülal, 2010). The Ethiopian MTPL insurance product is not developed by insurer. It is an imposition by the government and the premium tariff was prepared and in use up on the study by IFAA board. It was prepared in table format which will be applicable to all insurance companies.

In most countries the premium rating factors that commonly used are a car and the cover and our premium rating factors also. But many more developed economies work extensively with "Bonus/Malus" and "Age of driver" which has a dramatic effect on making the driver feel responsible for his or her own driving (Gönülal, 2010). Distance based pricing have an effect on motorist level of risk exposure. Reduced driving reduces the risk of crashes and insurance claims (Litman, 2012). In several South African countries, the third party injury insurance is collect through a levy on fuel and this has been able to eliminate vehicle owner evasion and convert insurance premium to a variable cost (Aeron, 2002). As a result, the trend of future market evolution will be a move towards partial de-tariff of MTPL insurance premium rating and more complicated structure that correlates market profitability and stability (Ernst & Young, 2011).

The general levels of awareness in most developing country insurance markets are low at present. As to USAID (2006), developing countries are characterized by low culture of attitude towards insurance and low infrastructure and environment that frustrate the development and strengthening of insurance awareness. Despite insured's low understand, the conduct of insurance companies is a matter of fulfilling public interest. However, claims management procedures are lengthy and not consumer friendly. Due to this reason most of the insurance company's claims were not settle with a reasonable time and amount and were referred to court action (Teferra Demiss, 2009). Thus instead of reduce pressure on the judicial system as it will encourage alternative dispute resolution, it causes additional burden on judicial environment

The award of damages for personal injuries should be fair but not perfect. However, the method of calculating compensation in respect of personal injury was pain and suffering which is more subjective and main reason for victims consistently seeking legal remedy.

This is due to lack of a structured benefits scheme for various injuries, which will be either a quantitative monetary threshold which sets out a specific amount to compensate an injured party or the qualitative verbal threshold which states what categories of injuries should be compensated (Macharia, 2009). Thus, the future insurance market in developing society, particularly the liability part will face more challenge because the general public will become more affluent and knowledgeable of their rights (Ernst & Young, 2011).

The experience of many insurers have been suffering losses after charging inadequate statutory premiums, problems in premium rate determination and monitoring, lack of integrated data and co-operation between the insurance industry, increased fraud and malpractice. Due to this fact, private insurers are shy away from writing CTP motor insurance to all commercial vehicles (Kumar, 2008). As a result in most countries the state plays a leading role and the sole provider of CTP insurance (Aeron, 2002). India Public owned insurance companies were the only provider of CTP insurance until 2007 (Kothari, *et al*, 2013).

Kenya Motor Vehicle Third Party Risks Act, forestall the effects of adverse selection on insurers. Accordingly, all Kenyan insurers were started to underwrite CTP insurance to any commercial vehicles. However, the insurance industries were faced wave of collapse and a crisis in the country. The effects of an insurance company's collapse were stir erosion of consumer confidence towards the insurance industry (Macharia, 2009).

Thus, unless the government designs appropriate regulatory framework that allow a variety of players to participate in the implementation process, compelling market participants alone is not an ending solution to resolve the conflicting interest and perception gaps between commercial objectives of policy implementers and CTP insurance social objectives. As a result achieving the intended proclamation objective will be challenging.

3.2. Research Questions

Based on the objectives of the study and the research problems provided in the previous sections, the study therefore, aims to examine the following research questions.

- To what extent is the CTP insurance implementation in line with the legislation and directives?
- Does CTP insurance premium tariff affect the financial health of insurance industry or otherwise?
- How the premium rate had an influence in reduction of road traffic accident level or otherwise?
- How stakeholders attitude affect the implementation of CTP motor insurance in achieve its objectives?
- What are the possible solutions to alleviate the problem in the implementation of CTP insurance?

CHAPTER FOUR

RESEARCH METHODOLOGY

As mentioned in the first chapter of this thesis, the main objective of the study was to assess the implementation of “Vehicle Against CTP Risks Insurance Proclamation No. 559/2008” and revised Proclamation No.799/2013 and relevant IFAA directives enforcement. In the previous chapter, the research problems were discussed and a set of research questions were outlined. This chapter provides the details of the research strategies adopted to address the research questions identified above. Specifically, this chapter covers; the research type, design and approach, sampling method, data collection, structure of the questionnaire, justification for case selection and data analysis techniques.

4.1. Research Type, Design and Approach

The study considered both exploratory and descriptive type of research to address the general and specific objectives of the study. The exploratory research was used to investigate and acquire general information on the implementation of CTP motor insurance in order to identify implementation gaps and develop methods to draw sound suggestions for tackling the challenges. The description, comparison, and interpretation of opinions, attitudes and awareness of stakeholders towards CTP motor insurance was explained with the help of descriptive research type. Moreover, the research type help to answer “what and how” kind of research questions.

The type of research design employed in the course of the study was survey type of design. The motive to use survey type of design was to acquire primary data about CTP motor insurance implementation directly from the study population, i.e. insurance companies, CTP motor insurance policyholders and IFAA.

To address the research questions adequately, both quantitative and qualitative research approaches were applied. According to Leedy and Ormrod (2005), combining these two approaches would have the following 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.
- Considering the two approaches help to capture various dimensions of a phenomenon.

According to Ary, *et al.* (2002), quantitative research approach deals with numerical data and statistical analyses to answer questions about relationships among measured variables, such as CTP premium rate fairness and CTP motor claims loss ratio, attitude of insurer and insured towards CTP motor insurance implementation. It could also be used to evaluate the effectiveness of CTP motor insurance enforcement to achieve the intended objectives which will be evaluated in quantitative terms. On the other hand, qualitative research is typically used to answer questions of complex phenomena on which data collected using semi structured interviews and open ended questioner.

4.2. Data Collection

The acquisition of all relevant primary data specific to the study was attained mainly from questionnaire and interview. The data from primary sources were made available through semi structured interview and pre-designed questionnaires; both open and close ended. According to Leedy and Ormrod (2005), primary data are “often the most valid, the most illuminating and the most truth-manifesting” data. Besides, secondary data such as proclamations, directives, and manuals reviewed and sample panel data were collected to evaluate the implementation of CTP in compliance with the directives.

The key-informants were insurance companies’ senior officers and IFAA higher officials. Data from the questioners were collected from a sample of two respondent groups, i.e. insurance companies’ operation staffs that comprise branch managers and officers and CTP motor insurance policyholders. The questioners have a mix of both open and close ended type, including rating scale questions. The data collection method for the questioner based survey from a sample of CTP policyholders is self-administered method. This approach has the following advantages:

- It is relatively simple and straight forward approach to investigate attitudes of the insured.
- It avoids or minimizes unanswered queries due to misunderstanding and
- It produces large amounts of data at relatively low cost in a short period of time.

The secondary data (panel data) was collected from IFAA on a sample base of five insurance companies quarterly CTP motor insurance fund amount, premium collected and claims incurred (claims paid and outstanding) for three years period (2005-2007).

4.3. Sampling Method

Key-informant respondents from IFAA higher officials and insurance company senior staffs were chosen through non-probability sampling approach; purposive or judgmental sampling method. This method allows the researcher to identify the right interviewee and collect relevant data for the study.

The target groups for the questionnaire-based survey were insurance companies' operation staffs and CTP motor insurance policyholders. The data from the two respondent categories was drawn from different sampling designs for different situations.

In this study, proportional random sampling technique was employed to identify respondents from insurance companies' operation staffs represented by their branch offices. During the preliminary survey, the average number of operation staffs was three in each branch office and thirteen insurance companies had in operation in Ethiopia during initial proclamation enforcement. These insurance companies operate through 125 branch offices with in Addis Ababa during proclamation inception and considered as a study population. As a result, 10% of the target population, i.e. 13 insurance companies branches were proportionally taken and hence, the sample size became about 38 ($125 \times 3 \times 10\%$). To minimize sampling error and to make the sample representative of the population, an additional 10% of the actual sample size was added and a total of 41 questioners were distributed.

Furthermore, the study incorporated sample CTP motor insurance policyholders for the purpose of triangulation and validation of data collected from insurance companies'

officers. The non-probability sampling technique - accidental sampling was employed to pick respondents of CTP policyholders from proportionally selected sample insurance companies' branch office counter. The maximum quota was 6 respondents from each sample branch office and the total sample size was about 75 from 13 branch offices, i.e. (125x10x6%).

The data was collected during the month of March, 2015 and it took four weeks to distribute the questionnaires and collect both the responses. Every week approximately three branch offices were managed to collect data from insurance officers and policyholders.

To address the research objectives and supplement the finding from primary source the researcher additionally used three years secondary panel data obtained from IFAA for a sample of five insurance companies. The five insurance companies were selected through non probability sampling - convenience method on the basis of higher number of CTP certificate issued during the month of March, 2012 and data availability, which account 65.3% of the total CTP insurance certificate issued, i.e. representative of the insurance industry.

4.4. Data Analysis

The data analysis method applied for this study comprises both quantitative and qualitative method. Quantitative method was used with a view to properly address the research questions and qualitative analysis method was employed to analyzed response on open ended questioner and semi-structure interview. The data collected through close ended questionnaires were analyzed with descriptive statistics. To conduct this analysis, SPSS version 16.0 software tool is used. The data are presented using tables and charts. The researcher also utilized various descriptive statistical techniques such as mean, percentage and frequency distribution tables.

4.5. Structure of Research Questionnaire

The questionnaires adopted in this study were divided into three sections:

Section I: General demographic information

This section describes the general statistics of the research population and presented for statistical reasoning. It consists of five questions to find out the demographic features of the respondents such as gender, age, marital status, level of education and work experience.

Section II: Attitude, knowledge and perception

This section of the questionnaire address issues to measure attitude, knowledge and perception of the insurance officers and policyholders towards CTP motor insurance implementation.

Section III: CTP implementation

This part of the questionnaire was designed to assess CTP insurance implementation gaps on each respondent category to evaluate the effectiveness of “Vehicle Against Third Party Risks Proclamation” enforcement.

4.6. Justification for Primary Data Source Selection

Assessment of CTP motor insurance implementation in Ethiopia based on the data collected from insurance offices and IFAA higher officials through questioner and interview are justifiable and rationale. This is because of the fact that the two respondent categories are the main stakeholders and have rich experience on the proclamation day to day implementation. In addition they are the real policy implementers and practitioners, which have great exposure to the legal and regulatory issues of the business activity and capable of providing professional feedback for proper policy implementation.

The other group of respondent is CTP insurance policyholders, which are the ultimate feedback providers for policy impact assessment and CTP enforcement meet the intended objectives achievement or otherwise.

The criteria and methods utilized for respondents’ selection and contact are as follows:

- Insurance company’s branch offices, which has been in operation to underwrite motor insurance since September 2011 are selected proportionally.

- Insurance officers directly involved in CTP motor policy underwriting and/or claims handling are randomly selected from proportionally chosen insurance companies' branch office.
- Anyone who buy CTP motor insurance policy and meet accidentally at proportionally selected insurance company's branch office counter during the month of March 2015.
- The reason why the researcher choose the month, March is due to the relatively less burden of the insurance officers and the convenience to collect data from the target groups.
- The prioritization of accidental technique over the other method is because of the potential benefits that it requires minimum effort and manpower, saves time and promotes access to the most convenient group of respondents at a time.

CHAPTER FIVE

DATA PRESENTATION, ANALYSIS AND DISCUSSION

Data response rate was the concern of the survey method. According to Babbie (2008), the overall response rate is a guide to the responsiveness of a sample of respondents. Similarly Biemer and Lyberg (2003) highlight that response rates are generally considered to be the most widely compared statistic for judging the quality of the survey.

This chapter exposes the results, analysis and discussion of the study. The study was carried out by taking a sample size of 75 CTP motor insurance policyholders from 13 insurance companies' branch offices and 41 operation staffs of the respective insurance branch offices. However, from the total sample size under study, only 68 respondents (91%) out of 75 and 38 respondents (93%) from 41 were returned the questioners and that gives a weighted average response rate of 92% and other 10 respondents (8%) did not submit the questioners or provide incomplete responses. Therefore, the entire results, analysis and discussion given in this paper were based on the actual completed questioners, i.e., 92% and this sample size could be considered adequate to draw conclusions on the population parameters.

5.1. Data Presentation and Interpretation

5.1.1. Respondent demographic characteristics

The first part of the questionnaire consists of the demographic characteristics of the participants. Though, many demographic characteristics of respondents could be there, this particular study were addressed in the first section of the questioner on gender, age, marital status, level of education and work experience of the respondents. The respondents' background information is categorized and summarized as follows.

The table 5.1 reveals, sex of respondents were considerable variation, larger number of the policyholder respondents were male - 40 (58.8%) whereas 28 (41.2%) were female. In the same manner, out of the total insurance officers, 25 (65.8%) of the respondents were male and the rest 13 (34.2%) were female. This indicates that the respondents in both categories

were dominated by male and male respondents of the insurance officers are almost twice that of female respondents.

Table 5.1. Background information of respondents (sex and age)

Demographic background	Socio-economic characteristics	Respondent response rate			
		Policyholder		Insurance officer	
		Frequency	Percent	Frequency	Percent
Sex	Male	40	58.8	25	65.8
	Female	28	41.2	13	34.2
	Total	68	100	38	100
Age	<25	12	17.6	7	18.4
	25-35	22	32.4	23	60.5
	36-45	16	23.5	4	10.5
	>45	18	26.5	4	10.5
	Total	68	100	38	100

Source: Own survey, 2015

Moreover, as can be observed from Table 5.1, it was evident that the age group ranging from 25 to 35 was the major respondents from both categories which accounted 32.4% and 60.5% of the policyholders and insurance officers respectively. On the other hand, the least respondents from insurance officers were age groups ranging from 36 to 45 and above 45, which accounted 10.5% for each respondent age group. In contrast, the age group below 25 which takes 17.6% was the least respondents in the policyholder's categories.

In general, male and female respondents from the two respondent categories with age group ranging from 25-35 accounted the largest proportion of 51.1% and 40.7% respectively.

Though, the above analysis provides some insight on the number of CTP motor insurance buyers and insurance officers in each age group and sex category, it does not tell whether age or sex has statistical association or relation with attitude towards CTP motor insurance policy.

Table 5.2: Socio-demographic characteristics of respondents (marital status, level of education and work experience)

General background	Socio-economic characteristics	Respondent response rate			
		Policyholder		Insurance officer	
		Frequency	Percent	Frequency	Percent
Marital status	Single	24	35.3	24	63.2
	Married	44	64.7	14	36.8
	Total	68	100	38	100
Level of education	Below high school	22	32.4	1	2.6
	High school degree	20	29.4	1	2.6
	10+3/ Diploma	10	14.7	13	34.2
	1 st Degree	14	20.6	22	57.9
	2 nd Degree/Above	2	2.9	1	2.6
	Total	68	100	38	100
Work experience	Less than 1 year	-	-	3	7.9
	Between 1-3 years	-	-	14	36.8
	Between 4-6 years	-	-	9	23.7
	More than 6 years	-	-	12	31.6
	Total	-	-	38	100

Source: Own survey, 2015

Respondents socio-demographic characteristics as shown in Table 5.2 with regard to marital status indicated that larger number of 44 (64.7%) of the policyholder respondents were married whereas 24 (35.3%) was single. On the contrary, 24 (63.2%) of the insurance officers respondents were single whereas 14 (36.8%) of them were married. This showed that the respondents in policyholder's category were dominated by married and respondents from insurance officers group were dominated by single and it was almost twice that of the married respondents.

In terms of educational background, as illustrated in Table 5.2, above 60% of the insurance officers were university graduates (first degree and above). Quite the reverse, about 32.4% of the respondents from policyholders were below high school, which were the major part of the respondents under the policyholder's category.

5.1.2. Insurers attitudes towards CTP insurance implementation

One of the objectives of this research was an assessment of insurer and policyholders' attitude towards CTP motor insurance implementation. The analysis was performed based on primary data collected through questioners from the two respondent categories. Thus, this section of the thesis provides research findings on assessment of insurance officer's attitude towards CTP motor insurance practice, which in turn influence CTP motor insurance service delivery.

According to figure 5.1 below, summary of respondent (insurance officer's) attitude towards CTP implementation.

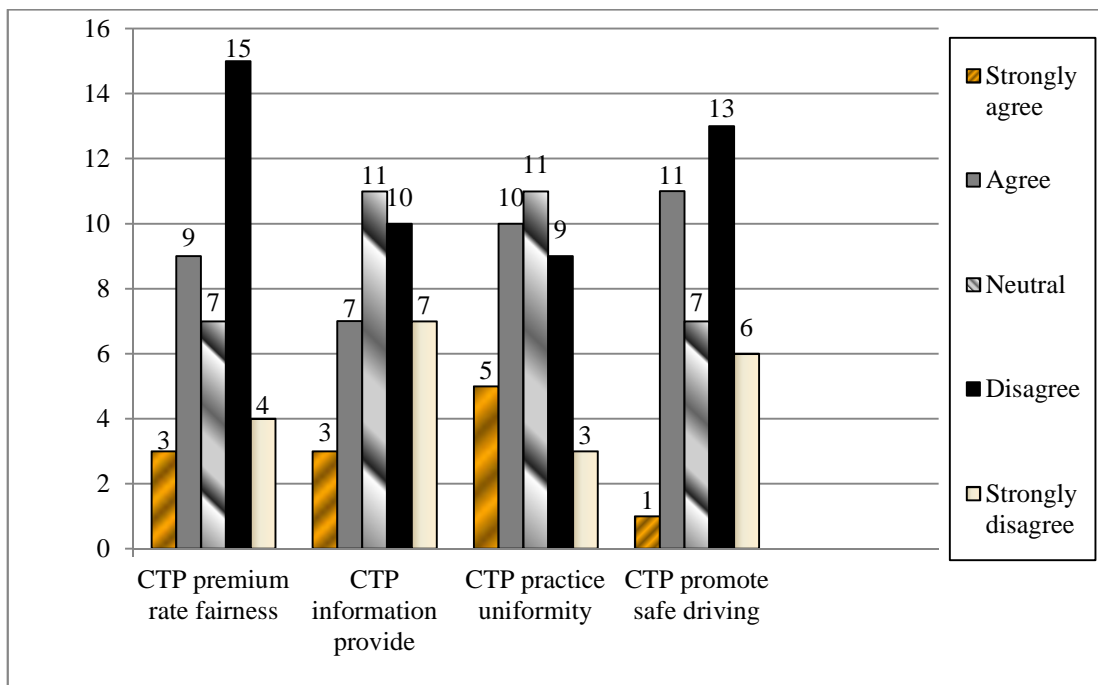


Figure 5.1: Summary of insurance officer's attitude towards CTP motor insurance implementation

Insurance officers were asked to rank the degree of agreement on a five scale measurement unit ranging from strongly agree to strongly disagree as shown in Figure 5.1. The result pointed out that large number of responses was disagreeing on premium rate fairness and CTP insurance promotes safety driving. On the other hand, average number of respondents was retained neutral position to all rating scale questions.

To further analyze insurance officer attitude with regard to CTP benefit, Service efficiency, IFAA capacity to control CTP enforcement and public awareness creation, five point interval scale questions were designed and their response were summarized and presented under figure 5.5.

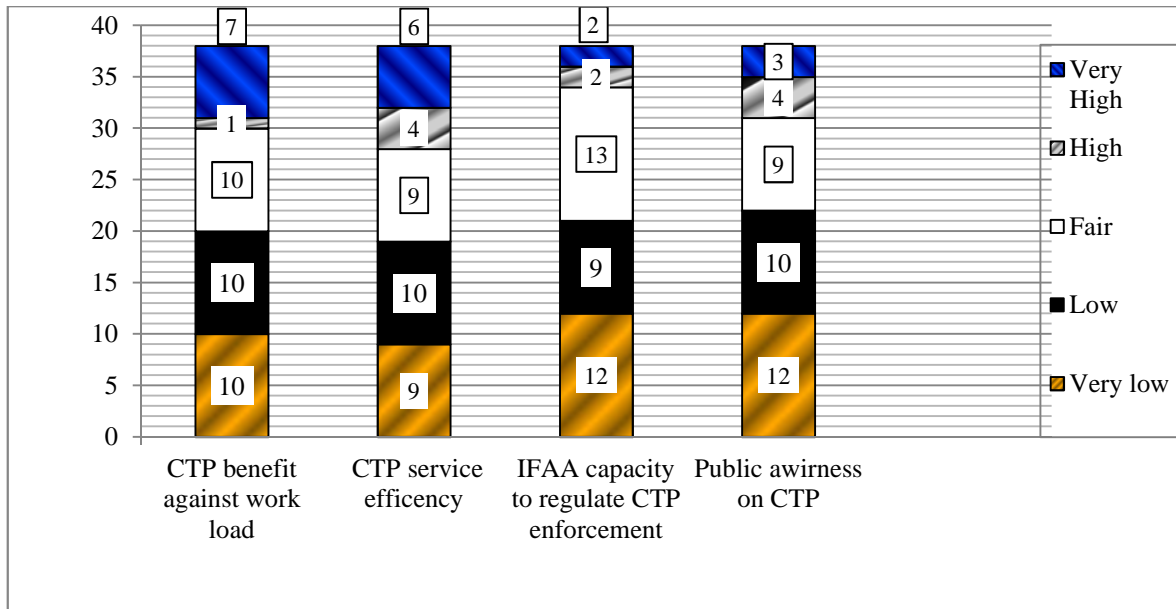


Figure 5.2: Summary of insurance officer’s attitude towards CTP insurance benefit against work load, service efficiency, IFAA capacity to regulate CTP enforcement, and insurer’s contribution on CTP insurance public awareness creation.

As shown in the above chart (Figure 5.2.), more than average respondent agreed under “very low”, “low” and “fair” responses to all interval scale questions. This implies 52.6% of respondent agreed CTP insurance has little benefit for insurer as compared with its work load. The effect of their attitude has an implication on insurer service efficiency and public awareness creation, which account 50% of the response agreed on low insurer service efficiency and 55.3% of the response agreed insurers were poor in awareness creation to CTP policyholders. IFAA capacity to regulate and control CTP enforcement is below average, which was 57.9% of the respondent support the statement.

The implications of respondent attitude towards CTP insurance implementation were interpreted based on the response given to the following research question:

- How did insurer respond towards CTP enforcement?
- In your opinion what possible outcome are achieved out of CTP insurance?

The response rate indicate above half of the respondent, 55.3% agree that insurance company deployed the available resource to underwrite large number of risk, 28.9% of the responses indicate CTP risks underwrite on selective bases and 15.8% of the respondent replied insurer limit their resource to discourage CTP policy underwriting. This implies that insurers have predisposed assumption about CTP motor insurance enforcement, which will be expected to increase the share of motor class of business. As a result since a single transaction is very low to get profit out of the business, “law of large number” must be applied to make CTP insurance profitable.

There are expected outcome from CTP proclamation implementation. According to the response, 23% agree CTP enforcement reduces road accident death due to emergency medical treatment in place and reduce number of road accident, whereas 71% of the respondent believes that CTP enforcement generate adequate premium and insurance fund to insurer and IFAA.

5.1.3. Insured awareness and attitude towards CTP implementation

As indicated on the table below (Table 5.3), respondent opinion towards CTP policy was distributed among all response types. However, the most response given was “significant” for the question, CTP policy benefit compared with premium paid, which account 38.2% of the response. This implies large number of the respondent agrees on CTP benefits higher than premium paid and equivalent number of respondents, i.e. 32.4% was agreed on CTP insurance provide sufficient protection to policyholders. On the other hand those respondents who meet accidents indicate there was “significant variation”, between refund claims amount and actual cost incurred to compensate the damage, which was significant percentage (31.2%). This shows 68.7% of the policyholders were made their contributed to compensate the damage, i.e. only 8.8% of the respondent was fully reimbursed by insurer. The reasons for self-contribution indicated, 5.5% of the respondent were due to cost of damage exceed insurer liability limit, 14.7% was due to insurer not willing to cover up to maximum limit and 11.8 % was due to insured non fulfilling insurer preconditions. Due to the fact that, 11.8% and 8.8% of the respondent were disagree and strongly disagree on CTP insurance provide sufficient protection to the policyholders respectively.

Table 5.3. Summary of policyholders' knowledge, Perception and attitude towards CTP motor insurance implementation

Item	Response rate	
	Frequency	Percent
1. Do you agree that CTP insurance provide sufficient protection		
A) Strongly Agree	18	26.5
B) Agree	22	32.4
C) Neutral	10	14.7
D) Disagree	8	11.8
E) Strongly disagree	6	8.8
2. Do you agree that CTP insurance promote safety driving?		
A) Strongly Agree	10	14.7
B) Agree	10	14.7
C) Neutral	14	20.6
D) Disagree	10	14.7
E) Strongly disagree	18	26.5
F) I have no idea	6	8.8
3. How is CTP insurance benefit as compared with the premium paid?		
A. Very Significant	16	23.5
B. Significant	26	38.2
C. Moderate	8	11.8
D. Less Significant	6	8.8
E. I have no idea	12	17.6
4. How do you rate fairness of claim compensation as compared with actual expense		
A) Fair	6	8.8
B) Small Variation	12	14.7
C) No variation	4	5.9
D) Significant variation	10	17.6
E) No claim ever	36	52.9

Source: Own Survey, 2015

In addition significant number of policyholders strongly disagrees on CTP insurance promote safety driving. The enforcement CTP insurance will increase number of road accident due to driver miss understanding CTP policy objectives and also large numbers of respondent, 17.6% have no idea about CTP benefit and the implication of this is policyholders might have negative reaction and try to evade from CTP insurance condition.

As shown on the table below (Table 5.4.), almost half of the respondents had motor comprehensive insurance policy before CTP insurance practiced. However, 17.6% of the policy owners were converted their full insurance coverage to CTP cover. This is one of insurer challenge as a result of CTP insurance enforcement. Significant number of response, 44.1% from of the policyholder are not renewed their CTP insurance cover before or on the expiry date. The time spent out of CTP insurance cover while the vehicle was on the road is 11.8 % for less than 30 days, 2.9% between 30 - 45 days, 11.8 % between 46 -60 days and 14.7 for over two month. The reason given for failed to renew the cover on time is, 14.7% of the respondent was due to vehicle not in use, 20.6% was not informed about renewal and 11.8% did not know about policy renewal.

Table 5.4. Knowledge and understanding of CTP policyholders

Item	Response options	Frequency	Percent
Have you ever been insured Motor insurance before CTP insurance came in to practice?	Yes	36	52.9
	No	32	47.1
Did the cover reduce to CTP?	Yes	12	17.6
	No	20	29.4
Did your CTP motor insurance cover renewed before the expired date?	Yes	38	55.9
	No	30	44.1
Have you ever meet an accident that causes damage on third party?	Yes	32	47.1
	No	36	52.9
Where CTP policy issued, did your insurer provide sufficient information on policy terms, and conditions	Yes	30	44.1
	No	38	55.9

Source: Own Survey, 2015

According to the table above (Table 5.4), 55.9 % of the respondent did not get sufficient information during CTP insurance policy purchase. They had poorly understood CTP insurance policy terms and conditions. Besides majority of the policyholders didn't read their policy terms and conditions, only 5.9% of the response get CTP insurance information from their policy document, 8.8% informed by law enforcing body, 23.5% from relatives, 26.5% from insurer and the largest respondent, 35.3% from media.

Out of the total respondents 47% are meet accident that causes damage on third parties. However, 5.9% of their claims were rejected due to late reporting, holding improper driving license and present incomplete claims document.

5.2. Data Analysis and Discussion

Relevant documents were reviewed; key informant interview and questioner were collected, secondary panel data considered to analyze implementation of CTP motor insurance in accordance with the directives issued for the enforcement of the Proclamation. The findings were summarized and presented as follows.

5.2.1. Implementation CTP in compliance with the relevant directives

As stated under the Proclamation No. 799/2013, article 3, sub article 1, no person shall drive or cause or permit any other person to drive a vehicle on the road unless he has a valid insurance coverage against third party risk. Article 13, sub article 1 of the proclamation also states that, the non-possession of an insurance sticker shall constitute a prima facie evidence that the vehicle has not been insured. In this case police shall have the power to detain such vehicles. There is a requirement that vehicle owner must produce insurance certificate during vehicle annual inspection "Bolo". In addition CTP policy renewal reminders communicate through public media and through telephone by the respective insurer. There is also traffic police random checking on the road. All these effort have positive contribution for CTP proclamation enforcement and substantial reduction on vehicle owner's noncompliance.

However, there are vehicles on the road driven without holding active CTP sticker, i.e. 44.1% of respondents from CTP policyholders indicate that CTP insurance cover did not renewed before the policy period expired. There is also significant time gap between CTP policy cover expiry date and new policy issued date. IFAA officers are confirm that

vehicle owners have evade proclamation condition and large number of vehicle owners had got CTP insurance cover after they were arrested by traffic police.

Some of the contributing factors for vehicle owners failed to full fill the requirement were Poor information exchange system between law enforcing members, seasonal random road checking and lack of policyholders understanding. As indicated on table 5.4 above, large number of CTP policyholders, i.e. 55.9% didn't get sufficient information about CTP insurance. As a result they renewed their policy anywhere when traffic police detained and those drivers didn't obey to the law mostly not penalizes. Insurance officer's responses indicate large number of lapsed policy and collecting certificate of insurance up on the policy expired were the two major challenge and managing this two cases were out of their control. IFAA has no any system to check and deal with such difficulties. This will encourage vehicle owners not to renew the policy and display expired insurance certificate whenever they asked by the police.

The other reasons that encourage noncompliance of CTP insurance requirement was scattered policy period due to difference policy issuing date. IFAA was trying to differentiate CTP insurance certificate every year. In practice CTP insurance was issued ever day on annual base up on insured request whereas the purpose of certificate color differentiation is to recognize vehicles on the road have active certificate of insurance and to easily identify number of certificate issued annually. But these two purposes did not meet as a result of different policy issuing date.

CTP policy renewal reminder was announcing through public media between September to December within a year and vehicle annual inspection also conducted all over the year. This shows policy renewal reminder announced by IFAA target only those vehicle owners their policy renewal date coincide within the identified season, i.e. 35.3% of policy holder get renewal reminder from media where as 20.6% of the policyholder did not get renewal reminder or not informed about their policy renewal date before one month of the policy expiry date.

There was also circumstance that insurer might overlook to remind policy renewal date to their CTP customer, since priority given for other insurance policy than CTP due to the predisposed assumption about CTP insurance has low benefit, 52.6% of officer reflect this

attitude. There was a tendency that promotes full motor insurance coverage only and set CTP quota or providing limited resource to discouraging CTP policy. As a result of this insurance officer deliberately failed to notify CTP cover renewal and 26.5% of the policyholder replied renewal not informed by their insurer. This indicates insurers have low participation in public awareness creation.

In addition almost 58.6% the respondent from insurer and 55.9% of insured confirm that information about CTP cover; terms, exclusions, benefits and obligations did not properly explained during policy purchase. Insurance senior officer provide their opinions in this regard; customers are not willing to wait until policy terms present and CTP service delivered in a hurry situation and nobody pay attention for CTP need. For this reason most motorists are inclined to view CTP insurance as a form of tax that they are at liberty to evade, rather than as a protection against their personal liability due to a concept that is not familiar to the general public.

The practice to issue CTP insurance cover for used imported cars was contradicted with IFAA directive No. 2/2004. According to the directive, “any insurer registered for general insurance business has obligation to issue CTP insurance for vehicle certified to drive on the road upon insured request”. But practically CTP policy cover was issued by insurer before vehicle inspection and registration activity carry out. Road transport authority also recommended issuing certificate of insurance for used vehicles before vehicle inspection.

The number of CTP Policy/Certificate that has been enforced and the number of vehicles available on the road at a particular time didn't properly indicate by IFAA data base. Consequently, controlling those vehicle owners who failed to meet CTP requirement was difficult. This is because absence of common data base used for information exchange between concerned parties. There is always a change in vehicle ownership but policyholders have no information to collect refund premium up on hand over certificate of insurance. There was no clear understanding between parties' in relation with insurance certificate for a sold vehicle either certificate of insurance transfer to the new owner or not. As a result the new vehicle owners also purchase additional CTP insurance cover. Thus, there was more than one insurance policy enforced for a single vehicle at a time.

The proclamation of CTP motor insurance restrict insurer to repudiate claim on the ground of condition precedent to the contract, whereas under article 17 sub article 1, “any accident caused by the insured vehicle shall give notice immediately or at the latest within 10 days”. In this case the current insurance practice restricts victims to get compensation from insurer on the ground of a claim reported out of the time limit. There were situations where insurer rejects a claim because of accident caused by a person holding improper driving license and incomplete claim documentation.

The responses collected from insurance officer showed 66.8% of the claims were required to notify directly by the policyholder or legal representative only. However, the proclamation provides option for any third party entitled to compensation may submit his claim directly to insurer. But there is significant gap in this respect. As a result 5.9% of the claims were decline by the insurer for this reason according to the response from policyholders. Those road victims not compensated by insurer also not entitled to get compensation from IFAA. Because they are neither accident caused by uninsured driver nor hit and run drivers. For this reason the mission of CTP enforcement provides sufficient protection to road victims was misuse.

The current as well as the previous proclamation provisions determine compensation amount limit for the particular loss. The basic differences between the two proclamations as shown on table 5.5 below, insurer liability limit in respect of emergency medical treatment and bodily injury rise to birr 2,000.00 and 40,000.00 per person respectively. According to Proclamation No. 799/2013, death compensation minimum and maximum limit were determined. The amount of compensation to be covered by the new CTP Proclamation as stated under article 16, death compensation amount not less than birr 5,000 and not exceeding birr 40,000 in respect of death of a person, and an amount not exceeding birr 40,000 in respect of bodily injury of one person, medical expense up to birr 2,000 per person and an amount not exceeding birr 100,000 in respect of damage to property.

Table 5.5. Summary of compensation to be covered by third party risk insurance

Vehicle accident benefit category	Liability category	Limit of liability			
		Voluntary third party		During CTP Proclamation No.	
		Private use vehicle	Commercial use vehicle	559/2008	799/2013
Death	Per person	30,000.00	30,000.00	40,000.00	Min. 5,000.00 Max. 40,000.00
	Per accident	150,000.00	200,000.00	Unlimited	Unlimited
Injury	Per person	30,000.00	30,000.00	15,000.00	40,000.00
	Per accident	150,000.00	150,000.00	Unlimited	Unlimited
Property	Per accident	75,000.00	100,000.00	100,000.00	100,000.00
	Per period	Unlimited	Unlimited	Unlimited	Unlimited
Medical expense (emergency)		500/Accident	1,000/Accident	1,000/Person	2,000/ Person

Source: IFAA and Proclamation No.799/2013.

The current liability limit is expected to increase insurer exposure to excessive loss per accident. Particularly severity of accident with respect to public transport, buses is the major justification for insurer that exposed to unlimited liability. The premium calculations with respect to passengers are seating capacity but in practice buses load up to its maximum capacity. Thus, a single accident will cause insurer for catastrophic loss, since the proclamation lift the aggregate limit due to a single accident. In addition both passengers and pedestrians are equally considered under the proclamation and both parties and entitled to get compensation. According to insurance officer response 42.1% of the replay indicates severity of accident was the major insurers challenge posed by CTP insurance.

In addition, insurer liability limit in respect of property damage due to one accident (event) not exceeding birr 100,000.00 not clear and the term accident or event requires judicial interpretation. But the current practice is property damage per accident not exceeding birr 100,000.00 means, within a single accident irrespective of the damage belongs to different ownership the insurance company only cover up to the stated amount. However, in this

particular circumstance ‘accident’ needs working definition and the method of dividing property damaged compensation belongs to different ownership was missing and full discretion given to insurance officers.

Some provisions of the law need subsequent legislations. For instance, according to article 16, sub article 4 of the Proclamation the extent of permanent bodily injury caused to a person by a vehicle accident may be determined by a “medical board”. However, there is no any provision for the establishment of this medical board and in practice only some government hospital are responsible to provide medical board certificate, which restricts victims to collect compensation timely.

There is also provision in which insured person and drivers with repetitive vehicle accidents shall took applicable measure based on the study carried out by the agency. However, the practice shows since then there is no measure taken in this respect and the data collected from respondent indicate 49.6% of insurance officer reply accident from repeated driver was the major challenge for insurer and the premium tariff didn’t consider drivers’ previous accident record and majority of the respondent agreed CTP insurance failed to promote safe driving rather create high moral hazard. Therefore, issuance of subsidiary legislation and directive is crucial for the full implementation of the law.

5.2.2. Analysis of IFAA and insurer performance against CTP objective

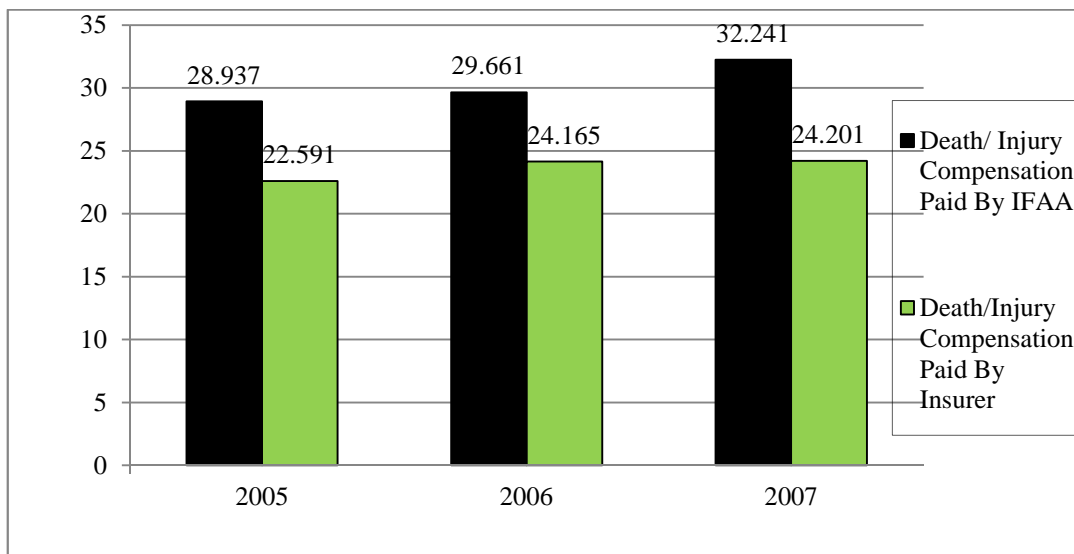


Figure 5.3. Comparison between average death compensation paid by IFAA and insurer during 2005-2007

As depicted on the figure 5.3 above, comparison between average death compensation paid by IFAA and Insurer, all the three years quarterly average death compensation paid by IFAA was higher than insurer and almost the difference was nearly 28%. IFAA three years average death compensation had substantial increase, i.e. the percentage change of average death compensation between 2005/06 and 2006/07 was 2.5% and 8.7% respectively, whereas insurer average death compensation percentage change between 2005/06 was 7% and during 2006/07 the net change was insignificant, below 1% .

The figure 5.3 shows, despite insurer liability limit revised, the method applied during claim settlement particularly for injury and death remain the same and amount of compensation determined based on insurer's decision. As stated on the proclamation, the practice followed in determining the compensation amount relied greatly on personal judgment, i.e. death between 5,000 - 40,000 and injury not exceeding 40,000 gives wide range of discretion to insurer. Consequently, due to the very purpose of insurer to make profit out of its insurance operation, CTP insurance too, the actual claim paid amount per person greatly varies between insurers and IFAA. Thus, fairness of claim compensation was dependent on insurers profit objectives and IFAA nonprofit objectives beside the methods and the procedure followed in determining the compensation amount.

IFAA has not administrative power to establish and make in use uniform insurance claim procedure and handling system. Besides, there is no claim request and settlement manual prepared by independent bodies that justify insurer and claimant right. Only the court decide the actual amount upon the victim appeal but the reparation to be granted for the victims of road traffic accident doesn't consider social and psychological pain and suffering. The court decides on compensation amount based on actual earning capacity of the injured, which failed to predict a young man future earning capacity.

- **IFAA performance against CTP objective**

Table 5.6. Summary of fund contribution and claims compensation during 2004-2007

No.	Year	Fund contribution	Death amount	Disability amount	Total claim paid	Loss ratio
1	2004	36,164,755	65,000	34,470	99,470	0.27%
2	2005	44,698,627	137,558	30,000	167,558	0.37%
3	2006	46,254,668	800,840	62,805	863,645	1.87%
4	2007	*26,488,510	*1,015,000	*178,402	*1,193,402	4.51%
	Total	153,606,560	2,018,398	305,677	2,324,075	1.51%

*Half year result

Source: IFAA, 2015

According to the information collected from IFAA as shown on the above table (Table 5.6) the total fund contributed amount and claims incurred has increasing during 2004 to 2007, which is percentage change on fund collected amount increased by 23.6% and 3.5% in the year 2005 and 2006 respectively, whereas the percentage change claims incurred is increased by 68.45% and 415.4% in the year 2005 and 2006 respectively. The fund collected amount during the year 2007 (Half year) compared with 2006 same period is increased by 14 %, whereas the percentage change claims incurred during same period is increased by 38.18%, which will be expected to increase until end of 2007. The claims incurred amount during 2004 was paid mainly (80.4%) by EIC on commission bases. This is due to the late establishment of the IFAA. The office of the insurance fund was established by the proclamation; however, practically the office begins its operation a year after the enactment of the law.

Loss ratio calculated from claims incurred against premium earned during 2004 to 2007, it has an increasing trend from 0.27% in 2004, 0.37% in 2005, 1.87% in 2006 and 4.51% in 2007 (Half year), which is on average 1.5%, that means for every 100 birr the fund collected only birr 1.5 goes as a claims expense. However, the objective of road accident fund is to minimize economic and social damage caused by road accident in a meaning full

manner, in case of accident caused by uninsured or untraced vehicle. But there is considerable variation between claims incurred and insurance fund collected amount and the purpose of the fund is not for capital accumulation. This indicates large portion of victims caused by uninsured and untraced/ hit and run victims were not compensated due to knowledge or understanding gap on stakeholders, mainly with law enforcement bodies, CTP policyholders and the society at large.

In addition the requirement must produce traffic policy report for compensating road victims of unidentified hit and run and uninsured drivers is also the challenge faced to meet the objective of CTP insurance. The agency centralized claims management system also one problem that restrict claim service availability, i.e. 61.5 % of the total reported claims were confined to Addis Ababa City and public awareness gap also increasing to the periphery.

The Table above indicates out of the total IFAA claims compensation amount 86.4% is constituting death and 13.4% is bodily injury disability compensation. This indicates majority of IFAA claims was death and no medical expense claim refund amount was reported during the period under study. IFAA officials had got problem to discover hit and run divers and take court action. Victims had got problems with traffic police to bring traffic report for this reason significant number of victims of hit and run left without compensation.

According to article 20 (1,a) of the proclamation, the fund shall have the objective to provide emergency medical treatment to a person who has sustain injury in case of accident caused by uninsured or untraced vehicle. The costs of emergency medical treatment provide due to vehicle accident shall be reimbursed by either insurance company or IFAA according to article 27, sub article 3 and 4 of the Proclamation. However, the data collected from the agency during the period under study indicate no refund medical expense amount reported and medical institutions provide emergency medical treatment for victims are difficult to reimburse their cost from either parties because the police does not send any document which prove whether the vehicle is insured or not and other details.

Despite, the proclamation under article 27 sub article 2 requires any medical institution shall have the duty to provide emergency medical treatment to any victims of road

accident costing up to birr 2,000, but many of medical institutions, both public and private were not established emergency medical treatment departments. Due to this reason it is difficult to get the service while victims demand it and vehicle owners or drivers continue to cover the cost of emergency medical service.

Nevertheless medical institutions failed to provide such service did not penalize and even if victims report to IFAA.

- **Analysis of insurer performance against CTP objective**

CTP motor insurance is a social insurance and insurer neither expects to collect higher profit margin from such insurance transaction nor incur huge loss. According to the secondary panel data collected from IFAA on a sample base of 5 insurance company gross written premium and claim incurred during two and half years operation (2005-2007, 1st and 2nd quarter), the following result showed.

As can be seen from the Table 5.7 below, earned premium during 2006 has less by 7% compared with 2005 and increased in 2007 by 10% compared with 2006, whereas incurred claims has increased by 55% and 24% in the year 2006 and 2007 compared with the preceding year respectively.

Table 5.7. Comparison of earned premium against incurred claims during 2005-2007 (1st and 2nd quarter)

No.	Year	Earned premium	Percentage change	Claim incurred	Percentage change	Loss ratio
1	2005	147,570,956	–	61,124,452	–	41%
2	2006	137,283,439	7	94,663,502	55	69%
3	2007	150,946,566	10	117,358,347	24	78%
Total		435,800,961	-	273,146,301		63%

Source: IFAA, 2015

Loss ratio explained by incurred claims over earned premiums and it has an increasing trend, i.e. 41%, 69% and 78% in 2005, 2006 and 2007 respectively, which on average means for every 100 birr insurer collected 63 birr going out as claims expense. This indicates that insurers have got positive return from CTP insurance than motor loss ratio

before CTP enforced, even though the return is at a declining rate. The progressive increase in CTP premium is also an indication for insurance company positive response to underwrite CTP insurance.

The rate of increase CTP premium and incurred claim is not proportional, which is incurred claims growth rate is higher than premium growth. One of the reasons is, all vehicle categories are not homogenous claim exposure and due to this fact the premium tariff has varied for each vehicle category depending on the claim exposure that each vehicle category has. High rate of claim exposure has dependent on various factors among others; distance/area covered by the vehicle, age or model of vehicle, age, sex and experience of drivers. However, these factors are not considered for CTP premium tariff in our case. Thus, the rate of increasing loss ratio (claim over premium) has dependent on other factors such as increasing public awareness, knowledge and understanding about CTP policy by the policyholder as well as the general public that will increase the claims cost over time. This is clearly demonstrated from percentage change on cost of claim during 2005 to 2007.

Summary of comparison between death/ injury and property damage compensation paid by insurance during three years are presented under the following figures.

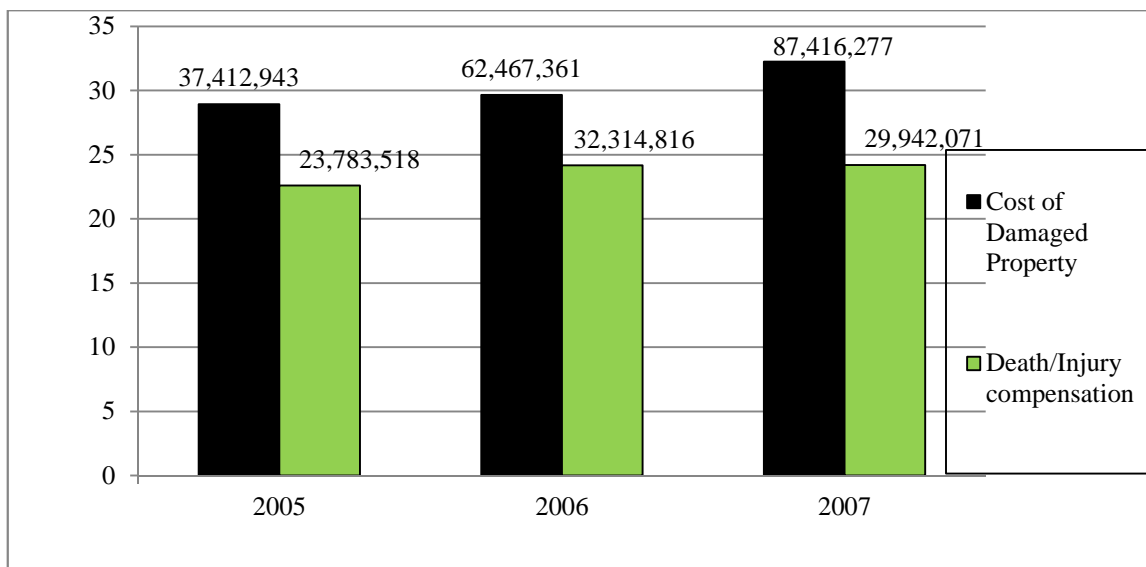


Figure 5.4. Comparison between compensation paid for death/injury and property damage during 2005-2007 (1st and 2nd quarter)

As briefly highlighted on the chart above (Figure 5.4), amount of property damaged is increasing every year on average by 25 million or 54% increase on previous year total, whereas death and injury compensation due to motor accident has increased by 36% between the year 2005 - 2006 and decreasing with a rate of 7% in 2007. This indicate amount of property damage constitute the highest claim cost of 67%. This is due to continuous price inflation on spare parts on one hand and the claim settlement procedure followed during property damage is more reliable and efficient than death and/or injury on the other hand.

5.2.3. Analysis of fairness of premium tariff

Determining profitability of CTP insurance policy based on “Vehicle Category” is one of the challenges for the study. This is because, the data (CTP premium and claim) submitted from insurance company were not in the appropriate format provided by IFAA. However, since the premium rates are on vehicle category, it has been justifiable and rational to make analysis and measure fairness of the premium tariff. Thus, analysis has been done based on five insurance companies three years (2005 -2007) quarter (Hamle-Thasis) premium collected and claims incurred record taken in to account in order to minimize data complexity and time constraint to sort the data in appropriate vehicle category.

Table 5.8 indicates the share of CTP premium and claims and the contribution of CTP loss ratio (incurred claim against premium ratio) in respect of each vehicles category. The analysis is essential to evaluate fairness of premium tariff and measure CTP insurance gross profit for each vehicle category in order to justify the premise, CTP insurance is a social insurance and insurer neither expected high profit nor incur huge losses. The assumption CTP profit analysis was based on gross profit/ loss of CTP insurance by considering pure operation result irrespective of management and administration expense.

As shown on the table (Table 5.8) below, the premium contribution is highest in general cartage vehicle usage of 19.6% followed by Private vehicle usage and general cargo-Isuzu vehicle accounted equal share 17.5% of the total premium collected and Motor Trade is the least 0.3%, in the same way general cartage vehicle usage was also registered the highest percentage on claims incurred for 20.14% and least with motor cycle and learner 0.1% each. This indicates General cartage vehicle is generating both the highest earned

premium and incurred claims. Thus, appropriate measure taken to minimize the loss for this particular vehicle category will have substantial reduction on claim.

Table 5.8. Premium collected and claims incurred against vehicle category during 2005-2007 (1st and 2nd quarter average)

No.	Vehicle category	Premium collected	Percent	Claims incurred	Percent	Loss ratio
1	Private Use vehicle	76,398,232	17.5	46,843,516	17.1	61.3%
2	Public Transport Mini bus code-3	35,748,389	8.2	43,223,034	15.8	120.9%
3	Dump truck	34,814,413	8	29,193,015	10.7	83.9%
4	General Cartage	85,436,495	19.6	55,035,299	20.14	64.4%
5	Fuel Tanker	9,414,192	2.2	5,245,878	1.9	47.6%
6	Car Hire	4,445,228	1	751,615	0.3	16.9%
7	Buses-Public transport	66,431,022	15.2	37,753,413	13.8	56.8%
8	Learner	1,817,197	0.4	251,832	0.1	13.9%
9	Construction Machineries/ Agricultural Vehicles	4,444,995	1	2,664,971	1	60%
10	General Cartage-Isuzu NPR, FSR, FVR	76,216,093	17.5	27,914,061	10.2	36.6%
11	Taxi	29,557,262	6.8	19,735,413	7.2	66.8%
12	Motor cycle	1,577,445	0.4	301,029	0.1	19.1%
13	Tri-Cycles	3,887,589	0.9	2,161,593	0.8	55.6%
14	Motor trade	1,120,643	0.3	480,552	0.2	42.9%
15	Others	4,472,893	1	1,710,056	0.6	38.2%
	Total	435,809,962	100	273,264,975	100	62.7%

Source: IFAA, 2015

The loss ratio during the period under review was highest for 120.9% particularly for Public Transport (code-3 minibus), Dump Truck 83.9%, Taxi 66.8% and General cartage vehicle 64.4%, which is above the average loss ratio of 62.7%. The lowest loss ratio has shown on Learner, Car hire and Motor cycle which accounted 13.9%, 16.9% and 19.1% respectively. This indicates insurers have generated substantial gross profit from 7 vehicle categories, incur higher loss on 2 vehicle categories and generate average gross profit from 6 out of 15 vehicle categories.

CHAPTER SIX

SUMMARY, CONCLUSION AND RECOMMENDATION

6.1. Summary of Major Findings

This chapter presents summary of major findings, conclusion of the study by discussing their implications, and providing suggestions for future research.

The number of response on premium rate fairness indicates 50% of the replies disagree on premium rate fairness. This implies CTP insurance benefit against workload is very low, which account 52.6% of officer response. However, insurer reaction to CTP implementation was, 55.3% of the response agree on insurance company provide available resource to accept large number of CTP insurance policies, where as 28.9% of the responses indicate CTP risks underwrite on selective bases and 15.8% of the respondent limit their resource to discourage CTP policy underwriting.

The response from insurance officers and policyholders indicates the attitude of stake holders has an impact on the success and it is also a challenge for the proclamation objectives achievement; some of the facts are service provided by insurer is low, 50% of officers agree on this, large number of CTP customer served with little staff, large number of claims were rejected by insurer, policy terms and benefit not properly explain to policyholder and significant amount variation between claims paid amount and insured loss amount. All these have negative effect to the enforcement of the proclamation.

The enforcement of CTP insurance is expected to reduce road traffic accident. However, the response from insurance officer and policyholder indicate, 50% and 41.2% respectively not agree on CTP insurance 'promote safe driving'. Insurance officer response indicate, 49.6% claim from repeated driver is the major challenge for insurer and the premium tariff didn't consider drivers' previous accident record.

Public awareness towards CTP policy terms and benefit has significant influence on proclamation enforcement. The figure 5.2 indicates low CTP knowledge on policy terms, benefit, renewal date and claim procedure has significant contribution to nonfulfillment of

vehicle owner. The response from policyholder is a sign of the presence of too much proclamation noncompliance. This is evident on renewal policy time gap, 11.8 % for less than 30 days, 2.9% between 30 - 45 days, 11.8 % between 46 -60 days and 14.7% for over two month. The other justification for policyholder low policy knowledge is failed to notify accident within the time limit and CTP certificate not returned up on policy expired to insurer.

Policyholder's level of education also affected their CTP policy knowledge and to react accordingly. As shown on table 5.2, 61.8% of the policyholder education level is below high school and only 5.9% of the response indicates CTP information had got from reading their policy document. This implies majority of policyholders didn't read and understand their policy terms and conditions.

The enforcement of the proclamation exposed all vehicle owners to interact with insurer. This will have great chance to insurer in presenting their business prospect. However, insurer participation on CTP awareness creation is little. The figure 5.1 revealed 44.7% of insurance officer disagree on CTP information present to policyholders during policy sold. In the same way 55.9% of policyholders didn't obtain sufficient information on policy terms, and conditions from their insurer. To complement the above statement, 17.6% of policyholder has no idea about CTP insurance policy benefit. These will develop negative perception towards policyholders and have a possibility to view CTP insurance as a form of tax that they are at liberty to evade.

The performance of IFAA, its structure and capacity had failed to promote uniform proclamation implementation across stakeholders. IFAA has no administrative power to intervene directly on insurer CTP practice. The response from insurance officers on consistency of CTP directive application revealed that, 31.58% of the replies disagree on CTP directive compliance by all stakeholders. Thus, effectively practice CTP directives by all concerned parties are in problem and IFAA also failed to trace such deviations and to make corrective measure.

There are irregularity on premium tariff application and reporting. Certificate of CTP insurance did not returned back to the insurer, policy issued for a period other than one year since the service demand it particularly for comprehensive motor fleet policy,

significant number of CTP policy not renewed, there are vehicles on the road driven without holding active CTP sticker, Victims did not get compensation as a result of claims repudiate by insurer and emergency medical treatment not provided in line with the proclamation.

The rate of increase cost of damaged property considerably great variation than death/ bodily injury claim compensation amount. This shows number of accident reported and compensated by insurer is mostly property damage than bodily injury and death.

There is wide variation between fund collected amount and total claims incurred, outstanding and compensation paid by IFAA. The fund collected amount didn't fully in use for the purpose stated on the proclamation. Only insignificant amount utilized to compensate victims of hit and run and uninsured driver. Thus, the fund tariff either unnecessary burden to policyholders or substantial number of road victims not compensated by IFAA due to awareness gap on the general public and law enforcement bodies. The agency centralized claims management system also the other potential area that restricts claim service delivery to the general public.

Insurer liability limit at present is exposed to excessive loss per accident. However, the procedure followed to calculate compensation amount is not stated under the proclamation, i.e. death not less than birr 5,000 and not exceeding birr 40,000 in respect of one person and bodily injury not exceeding birr 40,000. As a result insurers try to make profit out of personal loss. This is evident on figure 5.1, i.e. average death compensation paid by insurer is 28% less than IFAA and the average death paid amount is only 59% of the maximum limit. Thus, increasing liability limit of insurer only doesn't meet its purpose unless compensation amount rise accordingly.

The increasing trend of loss ratio both on insurance company and IFAA as shown on the table 5.6 and 5.7 is an indication for the increasing public awareness to exercise their right in respect of CTP insurance in one hand and increasing number of road traffic accident or severity of accidents on the other hand. As shown on table 5.7, insurers under this study have generated adequate CTP gross profit in a nutshell. But, considering vehicle category loss ratio there is wide range, from 121% to 13%. Thus, the premium rate in some vehicle category is too high and for some category is very low.

6.2. Conclusion

Making a decision to enact law is not the only objective of any government policy, but it is an ongoing process and requires the subsequent actions of implementing, enforcement and evaluation to make corrective measures. Any public policy to meet its objective public understanding on the importance and objective of that policy is the prerequisite for its success. However, CTP insurance policy level of understanding by stakeholders; policyholders, insurance officers, law enforcing bodies. For this reason vehicle owners underestimate the importance of CTP motor insurance and not willing to renewe their insurance cover unless they are detained by law enforcing bodies.

Insurance companies were not efficient in handling CTP claims according to the proclamation and compensation for death/injury decided arbitrary since they did not have compensation manual. There is wide variation between average death paid amount by insurers and IFAA. The fund collected amount was not used as planned and total claims incurred and paid by IFAA was insignificant compared with collected fund. IFAA did not have a well-organized controlling system that helps to identify and take corrective measures regularly. Thus, CTP insurance implementation according to the proclamation was challenging.

The premium tariff particularly CTP insurance should be fair and sufficient to cover all cost. It should also promote in road accident reduction and not a burden to the general public. To this effect premium rating should be computed on individual risk level and those drivers who have repetitive accident will pay accordingly, if not the situation encourage driver's moral hazard and has an effect for the increasing road accident, which is against the objective of the proclamation.

Claims settlement should not be arbitrary because victims might not get fair and timely compensation. Insurers have strict claims procedure and apply to minimize their claim cost whenever they reject claims. However, this issue will affect road victims and restrict from getting compensation without any precondition according to the proclamation. Thus, this situation necessitated the need to establish independent claims handling committee or to design claims manual and apply uniformly for this particular situation.

6.3. Recommendations

The following are some of the possible solutions to alleviate the problems in the area of CTP insurance implementation.

- There is a need to reassess premium tariff determination factors and consider drivers accident record and geographical distance based pricing that correlates risk exposure of drivers and insurance premium, which contribute premium rate for accident reduction.
- Subsidiary legislation required to the full proclamation enforcement should come in to implementation for the realization of the CTP insurance goal, which will help to minimize social and economic damage in a meaning full way. That include; provision on drivers with repetitive vehicle accidents, establishment of medical board, issuance of CTP certificate for a period less than a year and power and responsibility of traffic police to provide report for accident caused by hit and run and uninsured driver.
- There is a need to amend the scope of IFAA establishment purpose and fill the capacity gap in order to regulate deviations of participants from proclamation implementation. The reorganization of IFAA establishment objectives are with special focus of coordinating road safety activities and CTP insurance implementation based on the study, which promote in realizing the vision, minimize road accident and reduce economic burden to the society in a meaning full way.
- The requirement to hand over insurance certificate is not manageable due to a number of policyholder not return back to their insurer. Thus, instead of hand over all insurance certificate issued up on the policy expired information exchange system - data base should be designed and in use. This will help the agency to control noncompliance vehicle owner or drivers and implement the penalty up on detained by the police.
- As any public policy, public understanding of CTP motor insurance plays significant role during policy implementation and contribute for the achievement of the intended goals. Thus, IFAA, law enforcing bodies, media and insurance association should be active participant to raise public awareness on CTP scheme, benefit and obligation.

- Fairness of claims compensation is highly dependent on the method of determining compensation amount and the procedure followed. The method and procedure followed in order to decide compensation amount should not be arbitrary. Thus, a well-organized claim settlement schedule on bodily injury that put down compensation percentage of maximum value on various degree of disablement for the respective category of injuries should be adopted based on the study conducted.
- The study that will be conducted for amendment of premium rating, establishing claims compensation schedule and measures taken on drivers who have repetitive accident require organized data. The availability of data on road traffic accident, driver's accident record, amount of compensation paid for each accident and the total number of vehicles in use, etc. and its quality has an influence on the study result. Thus, there is a need to collaborative all concerned party to establish and maintain data base for effectively implements the directives and make amendment as needed is the study recommendation.

BIBLIOGRAPHY

- Abebe Denku, 2000. Insurance Requirements and Practices of Ethiopia's Construction Sector. Department of Civil Engineering Addis Ababa University. Journal of EAEA, Vol. 17, 2000, pp 26-42.
- Abebe Mesfin, 2003. Development of social security: Practices, Problems and Prospects of Pension Plan in Ethiopia. [Online] available at: <http://www.chilot.me> [Accessed on 15th March 2015].
- Aeron A., 2002. The Role of Motor Insurance Industry in Preventing and Compensating Road Casualties. Department for International Development, United Kingdom.
- Aklilu Wubet, 2007. Public Policy and the Banking system in Ethiopia post 1991. A thesis submitted to faculty of Business and Economics, Addis Ababa University.
- Ary D., Jacobs L.C., and Razavieh A., (2002). Introduction to research in education. Belmont, CA: Wadsworth/Thomson Learning.
- AXCO Global Statistics, 2011. Ethiopia Non Life Premium & Claim Report.
- Babbie E. 2008. The Basics of Social Research. 4th.ed. USA: Thomson Wadsworth.
- Bao L. and Gu Z., 2014. A study on the deficit of third party liability compulsory insurance of motor vehicle. Shanghai University of Engineering Science, China [Online] available at: <http://dx.doi.org/10.5430/afr.v3n1p116> [Accessed on 10th June 2015].
- Biemer P.P. and Lyberg, L. E., 2003. Introduction to Survey Quality. New York: John Wiley & Sons.
- Birhanu Mekonnen, 2014. Too many cars spoil the roads. Ethiopia Business Review 3rd year, November 16 – December 15, 2014. No.21, pp 37-39.
- Cambridge international college, 2007. Insurance principle and practice: study guide module. United Kingdom.
- Campbell, 1979. Black's Law Dictionary, 6th ed. St. Paul Minn. West Publishing Co.
- CEA, 2006. The Contribution of the Insurance Sector to Economic Growth and Employment in the EU, Brussels.
- COMESA Yellow card scheme, [Online] available at: <http://www.comesaint> (Accessed on 15th March, 2015).
- Commercial Code of Ethiopia, 1960. Commercial Code of the Empire of Ethiopia, Proclamation No. 166 of 1960, Negarit Gazeta, No.3, 5th May, 1960.

- Dye T., 2005. Understanding Public Policy. 11th edition. New Jersey: Pearson Education Inc.
- Economic Commission for Africa, 2011. Africa plans to cut road crashes in a decade. Addis Ababa, Ethiopia. Retrieved on September 4, 2014, from New Business Ethiopia.com.
- Ernst & Young, 2011. Motor insurance: Asia's growth engine. EYGM Limited, UK. [Online] available at: <http://www.pdfdrive.net/motor-insurance-home-ey-united-states-e1185530.htm>. [Accessed on 4th September 2014].
- Gönülal S., 2010. Motor Third Party Liability Insurance. Primer Series on Insurance Issue. World Bank, Washington. [Online] available at: <http://www.worldbank.org/nbfi>. Accessed at 4th September 2014.
- Hailu Zeleke, 2007. Insurance in Ethiopia: Historical Development, Present Status and Future Challenges. Addis Ababa, Master Printing Press.
- Hansell D.S., 1974. Elements of Insurance, Macdonald & Evans.
- India insurance law, 1988. The motor vehicle act of India. [Online] available at: <http://www.indiakandoon.org>. [Accessed on 4th September, 2014]
- Insurance Fund Office, 2010. Third party motor accident insurance premium and insurance fund tariff. The Federal Democratic Republic of Ethiopia Ministry of Transport Insurance Fund Office. Addis Ababa, Ethiopia
- Insurance Fund Office, 2011. Emergency medical treatment to all road accident victims. Wastina Annual Bulletin, Volume 1, NO. 1. Addis Ababa, Ethiopia.
- Insurance Fund Office, 2012. The Federal Democratic Republic of Ethiopia Ministry of Transport Insurance Fund Office regulation number 2/2004 E.C. Addis Ababa, Ethiopia.
- Insurance Fund Office, 2013. Wastina-Insurance Fund Office Annual Bulletin. Addis Ababa, Ethiopia. Master Printing Press pp 42-45.
- International Energy Insurance. Third Party Auto Insurance, Nigeria, [Online] available at: www.nairaland.com/811030/third-party-auto-insurance-nigeria. [Accessed on 4th September, 2014]
- Irukwo J.O., 1987. Insurance Law in Africa: Cases, Statutes and Principles, Witherby & Co Ltd, London.
- Irukwo J.O., 1991. Accident and Motor Insurance in West Africa: Law and Practice Heinemann, Ibadan.

- Kenya insurance law, 2013. Motor vehicle third party risk insurance amendment act 2013. Nairobi, Kenya. [Online] available at: www.kenyalaw.org/k/fileadmin/pdf/downloads/AmendmentActs/2013/insurance-motorvehile.third-party-risks-Amendment-Act2013.pdf [Accessed on 4th September, 2014].
- Kothari H., Iyer B., and Shilwant S., 2013. Third Party Motor Insurance: Reserving challenges for actuaries post dismantling of motor pool. A presentation at Indian Fellowship Seminar June 13, 2013. [Online] available at: [http://actuaries.india.org/ifs/19thifs/PRESENTATION/third-party-motor insurance](http://actuaries.india.org/ifs/19thifs/PRESENTATION/third-party-motor%20insurance) [Accessed on 4th September, 2014].
- Kumar J., 2008. Challenges and opportunities for India Motor Third Party Insurance Pool. Shriram Group Companies, Jaipur. Bimaquest Vol. VIII Issue II, July 2008 pp46-58.
- Leedy P.D. and Ormrod J.E., 2005. Practical Resech: Planning and design. 8th Ed. Pearson Merrill Prentice Hall.
- Litman T., 2012. Distance-based vehicle insurance as A TDM strategy. Victoria Transport Policy Institute. [Online] available at: www.vtpi.org/dbvi.pdf. Accessed on 4th September, 2014.
- Macharia R.W., 2009. The Motor Insurance Industry in Kenya: Adopting the No Fault Insurance System. [Online] available at SSRN: <http://ssrn.com/abstract=1507642>. Accessed on 4th September, 2014.
- Makove M., 2011. The role of policy holder protection in relation to motor third party liability in Kenya. A World Bank/IFC Global Insurance Conference, Washington D.C. [Online] available at: worldbank.org/financial-sector/resource/sessions-e-sammy-makove.pdf. Accessed at 4th September 2014.
- Mengesha Amare, 2014. Why death by will. The Ethiopian Herald Sunday edition, 30 November 2014, Ethiopian press agency. pp 12.
- Ministry of Infrastructure, 2001. Annual Report, Addis Ababa, Ethiopia.
- National Bank of Ethiopia, 2010 Annual Report, Addis Ababa, Ethiopia.
- Naveed A., Zulfqar A. and Ahmad U., 2011. Determinants of Performance: A Case of Life Insurance Sector of Pakistan, International Research Journal of Finance and Economics, Euroj ournals Publishing, Inc. [online] available at: <http://www.eurojournals.com/finance.htm>. Accessed on 4th September, 2014
- Oluwadamilola I., 2011. Analysis of Basic Principles of Insurance in Nigeria. An essay submitted to faculty of law University of Ilorin, Nigeria.

- Ruhunuarachchi E., 2012. History of Motor Insurance Accessed at 2, February 2015.
- Saraswathy M., 2014. Motor Insurance: declined risk pool could be on its way out. Business Standard. January 11, 2014. Mumbai.
- Talk Once, 2010. The History of Motor Insurance. [Online] available at: [www.talkonce.co.uk/the *history of motor insurance*](http://www.talkonce.co.uk/the_history_of_motor_insurance). Accessed on 4th September, 2014.
- Teferra Demiss, 2009. Principle Governing the Contract of Insurance. Society of Insurance Professional. Addis Ababa, SIP Vision Journal, Vol. 6 No. 1, pp 9-13.
- Teferra Wondimu, 2009. The Law Governing Obligatory Motor Liability. Society of Insurance Professional. Addis Ababa, SIP Vision Journal, Vol. 6 No.1, pp 29-34.
- Temesgen Zeleke, 2004. Motor Risk and the Current Status of Motor insurance in Ethiopia. Birritu No.90 August-October, pp 19-38.
- The Federal Democratic Republic of Ethiopia: Insurance Business Proclamation No. 746/2012, Addis Ababa 22nd August, 2013.
- The Federal Democratic Republic of Ethiopia: Vehicle Insurance Against Third Party Risks Proclamation No. 559/2008, 14th year No.7 Addis Ababa 9th January, 2008.
- The Federal Democratic Republic of Ethiopia: Vehicle Insurance Against Third Party Risks Proclamation No. 799/2013, 19th year No.53. Addis Ababa 23rd July, 2013.
- Theodoulou S. et al., 1995. Public Policy the essential readings. New Jersey: Prentice hallenglewood cliffs.
- UK, 2014. The Road Traffic Act 1988 and Motor Vehicles Driving Licenses (Amendment) Regulations 2014. The Stationery Office Limited. [Online] available at: <http://eur-lex.europa.eu>. Accessed on 4th September, 2014.
- UNCTAD, 2007. Trade and development aspects of insurance services and regulatory frameworks. New York and Geneva: UNCTAD. (UNCTAD/DITC/TNCD/2007/4).
- United Nation Economic Commission for Africa, 2009. Case study: Road Safety in Ethiopia
- USAID, 2006. Assessment on how Strengthening the Insurance Industry in Developing Countries Contributes to Economic Growth. Washington, DC: USAID.
- Wang W. and Li Y., 2011. “Loss puzzle of compulsory traffic insurance”, International Finance, 2011(9): pp.119-120.
- Zafu Eyesuswork, 2014. Tapping in to the Insurance Industry’s Potential, Decidedly a Success Story! The United Insurance Co. 20th Year Anniversary Special Edition. Central Printing Press. Addis Ababa November, 2014.

APPENDICES
Appendix I
ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES
DEPARTMENT OF PUBLIC ADMINISTRATION AND
DEVELOPMENT MANAGEMENT
(PUBLIC MANAGEMENT AND POLICY)

Questionnaire: To be filled by compulsory third party insurance policyholder

Dear respondents,

The purpose of this questionnaire is to collect primary data on **‘The Implementation of Compulsory Motor Insurance in Ethiopia’** for partial fulfillment of master’s degree in Public Management and Policy (MPMP) study. The information you provided will be used purely for academic purpose and shall be kept strictly confidential.

General direction

The questionnaire consists two sections. The first section is general information questions. The second section contains questions that intended to measure knowledge, attitude, perception and expectation of insurance policyholders on the enforcement of compulsory third party motor insurance.

You are kindly requested to encircle on your choices and provide short and clear answer to the open-ended questions where necessary.

Thank you very much for your cooperation in advance, if you have any doubt that you want to be clarified please don’t hesitate to contact me through the following address;

Mobile: **0911-30-09-72/011-655-40-72**

Email: bestsheme@gmail.com

Section I: General information questions

1. Gender: A. Male B. Female
2. Age: A. Less than 25 year B. 25 - 35 years C. 36 - 45 year D. Above 45
3. Marital Status: A. Single B. Married
4. Level of Education: A. Didn't complete High School B. High School Degree
C. Some College Diploma D. College degree E. Post graduate degree

Section II: Questions intends to measure knowledge, attitude, perception and expectation on the implementation of third party compulsory motor insurance.

1. Have you ever been insured before third party motor insurance compulsory?
A. Yes B. No
- 1.1) If you had Motor Comprehensive insurance, did you reduce the cover to third party?
A. Yes B. No
2. How did you get information about compulsory third party insurance?
(Multiple answers is possible)
A. From insurer B. From Media/Publications C. From relatives
D. From policy document E. From regulatory bodies
3. What problems did you meet during third party motor insurance purchase?
(Multiple answers is possible)
A. Increase the premium tariff and served oppressively
B. Large number of customers served with little staff
C. Insurer reluctant to issue third party cover or anti selection among risks
D. None of the above E. Other (specify) _____.
4. Were CTP insurance policy issued, did your insurer properly explain the policy terms, benefit, and any applicable exclusion? A. Yes B. No
- 4.1) How is CTP insurance benefit as compare with the premium paid?
A. Very significant B. significant C. Moderate D. Less significant
E. I have no idea
5. Do you agree that third party compulsory motor insurance promote safety driving?
A. Strongly agree B. Agree C. Neutral D. Disagree
E. Strongly disagree F. I have no idea
6. Do you agree that third party compulsory insurance provide sufficient protection?

- A. Strongly agree B. Agree C. Neutral D. Disagree
 E. Strongly disagree F. I have no idea

7. Did your motor vehicle insurance policy renewed before the expiry date?

- A. Yes B. No

7.1) If not what was your reason for lately renewed?

- A. Vehicle not in use B. Not informed about renewal
 C. Not informed by law enforcement body D. I did not

7. 2) If your vehicle was in use, for how many days left without insurance cover?

- A. Less than 30 days B. 31-45 days C. 45-60 days D. Above 60 days

8. Have you ever meet accidents that cause damage on third parties?

- A. Yes B. No

8.1) If yes, how did you compensate the damage incurred on third parties?

(Multiple answers is possible)

- A. From insurance company B. Self-finance C. Both
 D. Other (Specify) _____

8.2) If you contribute, what was the reason for self-contribution on the damage?

(Multiple answers is possible)

- A. Damages exceed insurance limit B. Failed to meet insurance condition
 C. Insurers not compensate up to the limit D. Risk not covered by insurance

9. Has your claim ever been rejected? If yes what was the reason given by insurance

(Multiple answers is possible)

- A. Late reporting B. Improper driving license C. Policy period lapsed
 D. Incomplete documentation E. Other (Specify) _____.

10. How do you rate fairness of claim compensation as compared with actual expense?

- A. Fair B. Small variance C. No variance D. Significant variance

11. What third party insurance policy conditions which you think should be amended or totally changed in your opinion? **(Multiple answers is possible)**

- A. Insurance Policy valid for not less than one year
 B. Insurance certificate hand over upon termination or expiry of insurance policy
 C. Notice on accident to insurer immediately or at the latest within 10 days
 D. No premium discount for vehicles spent over a years without an accident
 E. None of the above

Thank you.

Appendix II
ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES
DEPARTMENT OF PUBLIC ADMINISTRATION AND
DEVELOPMENT MANAGEMENT
(PUBLIC MANAGEMENT AND POLICY)

Questionnaire: To be filled by insurance officers

Dear respondents,

The purpose of this questionnaire is to collect primary data on **‘The Implementation of Compulsory Motor Insurance in Ethiopia’** for partial fulfillment of master’s degree in Public Management and Policy (MPMP) study. The information you provided will be used purely for academic purpose and shall be kept strictly confidential.

General direction

The questionnaire consists two sections. The first section is general information questions. The second section contains questions that intended to measure knowledge, attitude, perception and expectation of insurance operation officer’s on the enforcement of compulsory third party motor insurance.

You are kindly requested to encircle on your choices and provide short and clear answer to the open-ended questions where necessary.

Thank you very much for your cooperation in advance, if you have any doubt that you want to be clarified please don’t hesitate to contact me through the following address;

Mobile: **0911-30-09-72/011-655-40-72**

Email: bestsheme@gmail.com

Section I: General information questions

1. Gender: A. Male B. Female
2. Age: A. Less than 25 year B. 25 - 35 years C. 36 - 45 years D. Above 45
3. Marital Status: A. Single B. Married
4. Level of Education: A. Didn't complete High School B. High School Degree
C. Some College Diploma D. College degree E. Post graduate degree
5. How long have you been working in motor policy underwriting and/or claims handling?
A. Less than 1 years B. 1 - 3 years C. 4 - 6 years D. more than 6 years

Section II: Questions intends to measure knowledge, attitude, perception and expectation of insurance officer's.

A. Questions related to the Practice of Compulsory Third Party (CTP) insurance.

1. How did insurance companies respond to CTP insurance practice?
 - A. Deployed the available resource to accept large number of risks
 - B. Being selective in CTP underwriting
 - C. Limit their resource to discourage CTP insured
 - D. Other (specify)_____
2. In your opinion, what possible outcomes are achieved out of CTP insurance practice?
(Multiple answers is possible)
 - A. Decrease number of death/ serious injury as a result of emergency medical treatment in place.
 - B. Allocate adequate fund to compensate victims of hit-and-run and uninsured vehicle.
 - C. Collect more premium to make insurance companies profitable
 - D. Reduce the number of road traffic accident
 - E. Other (specify)_____.
3. Do you agree that the premium tariff for each vehicle categories is fair and sufficient?
 - A. Strongly agree B. Agree C. Neutral D. Disagree E. strongly disagree
4. Who is entitled to acquire CTP insurance and notify claims as a result of damage causing on third parties? **(Multiple answers is possible)**
 - A. Owner/ legal representative B. Driver of a vehicle C. Anybody D. All

5. Rate the degree of agreement at five point scale where 1= Very low & 5=very high.

Do you believe that CTP policyholders have adequate knowledge in terms of;

- A. Policy terms, conditions and exclusions?
 - B. Policy renewal and date?
 - C. Policy benefit and obligation?
 - D. Claims Procedure?
6. Does your company give training in relation with CTP insurance application?
- A. Yes
 - B. No
7. Rate insurer service efficiency in relation with CTP insurance at five point scale where 1= Very low and 5=very high.
8. Do you agree that CTP insurance 'Policy Terms, Conditions and Exclusions' are properly explained during CTP policy issuing?
- A. Strongly agree
 - B. Agree
 - C. Neutral
 - D. Disagree
 - E. Strongly disagree
9. Do you agree that CTP insurance Proclamation, directive and policy are implementing uniformly across insurance branches?
- A. Strongly agree
 - B. Agree
 - C. Neutral
 - D. Disagree
 - E. Strongly disagree
10. Do you agree that third party compulsory motor insurance promote safe driving?
- A. Strongly agree
 - B. Agree
 - C. Neutral
 - D. Disagree
 - E. Strongly disagree

B. Questions related to Challenge of Compulsory Third Party (CTP) insurance.

1. What are the challenges that pose by CTP insurance coverage on insurance companies?

(Multiple answers is possible)

- A. Frequency of accident from repeated customer
 - B. Severity of accident and unlimited liability
 - C. Large number of lapsed policy
 - D. Insured preference shift from comprehensive to CTP cover
 - E. None of the above
2. Rate CTP insurance benefit compared with its work load on insurer_____
- Answer at five point scale where 1= Very low and 5=very high.

3. How did you deal the challenges that were posing by CTP insurance?
 - A. Propose solution to IFAA through management based on available data
 - B. Impose Claims loading , cancel or decline the policy cover
 - C. Let it be to issue the policy coverage even if they produce repeated claim
 - D. Selection of risks among various risks
 - E. Other (specify)_____.
4. What “Vehicle Insurance against Third Party Risks Proclamation” policy conditions which you think should be amended or totally changed in your opinion?
(Multiple answers is possible)
 - A. The premium tariff lack clarity and have loopholes
 - B. Policy issued not less than one year
 - C. Collect insurance certificate with sticker upon policy expired
 - D. Insurers prohibit to reject liability on ground of policy condition
 - E. Other (specify) _____.

B. Questions related to Prospects of Compulsory Third Party (CTP) insurance.

1. What gaps are observed in relation to CTP insurance implementation? Please, answer ‘A’ if there is a gap and ‘B’ if there is no gap.
 - A. Premium rates didn’t contribute for road traffic accident reduction
 - B. Low Service efficiency of insurance companies
 - C. Vehicle owners evade the requirement of CTP insurance
 - D. Claim compensation on death/injury based on subjective factors
 - E. Other (specify)_____
2. What should be done to narrow such gaps? _____

 _____.

Thank you.

Appendix III
ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES
DEPARTMENT OF PUBLIC ADMINISTRATION AND
DEVELOPMENT MANAGEMENT
(PUBLIC MANAGEMENT AND POLICY)

Interview Guide Questionnaire for Insurance Fund Administration Agency (IFAA)

Dear respondents,

The purpose of this interview guide questions is to collect primary data on ‘**The Implementation of Compulsory Motor Insurance in Ethiopia**’ for partial fulfillment of master’s degree in Public Management and Policy (MPMP) study. The information you provided will be used purely for academic purpose and shall be kept strictly confidential.

General direction

The interview questions consists two sections. The first section is general background information of the interviewee. The second section contains questions that related to the implementation of compulsory motor insurance in Ethiopia context.

Thank you very much for your understanding and cooperation in advance.

Section I

Background of the Interviewee

1. Name _____
2. Educational status _____
3. Position, if any _____
4. Work experience _____

Section II

A. Interview Questions Related to the enforcement of Compulsory Third Party Motor Insurance

1. Can you tell me the agency (IFAA) organization structure, vision, mission and establishment objective and if there was a change what was the reason?
2. Do you think that the agency institutional capacity i.e. manpower and its structure promote service delivery efficiency across insurance industry and road victims?
3. How do you control insurance companies' noncompliance on premium tariff, fulfillment of Proclamation condition, and fair compensation to road victims?
4. Which vehicle categories are more susceptible to evade from CTP motor insurance and what controlling mechanism did you introduce or propose?
5. There is CTP principle and practice gap such as "road". It means any highway, urban or rural street, parking or terminal, bridge or any other passage used by a vehicle. However, any accidents beyond highway do not investigate by traffic police. How to handle such gaps?
6. Is there any of the existing "Vehicle Insurance Against Third Party Risks Proclamation" conditions which you think should be amended or totally changed in your opinion?

B. Interview Questions Related to Challenge of Compulsory Third Party Motor Insurance

1. What challenges are posing on insurance companies, IFAA and victims of hit-and-run during CTP motor insurance enforcement?
2. What are the challenges of CTP motor insurance in relation with IFAA capacity, in terms of material, system and manpower?
3. The number of vehicles owned by individuals is increasing dramatically. So do you think that CTP enforcement and evasion controlling system effective so far?
4. Did insurer full fill their obligation while submitting fund contribution collected amount and periodic report
5. What will be done to raise public awareness towards CTP motor insurance practice?

C. Interview Questions Related to the Prospects of Compulsory Third Party Motor Insurance

1. What alternative method did you suggest to contribute CTP motor insurance on road safety and safe driving which helps to reduce death toll and road traffic accident?
6. What will be done to provide emergency medical treatment in all medical centers without any pre conditions according to the Proclamation?
7. Does the agency have a plan to implement structured liability limit schedule in order to provide fair compensation to road victims?
8. Is there any understanding gap across new driving license users? Insurers where rejected a number of claim for this reason. What is your comment in this regard?
9. Are there any other comments you would like to make?

Thank you very much.

Appendix IV
ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES
DEPARTMENT OF PUBLIC ADMINISTRATION AND
DEVELOPMENT MANAGEMENT
(PUBLIC MANAGEMENT AND POLICY)

Interview Guide Questionnaire to be filled by Insurance Senior Staffs

Dear respondents,

The purpose of this interview guide questions is to collect primary data on **‘The Implementation of Compulsory Motor Insurance in Ethiopia’** for partial fulfillment of master’s degree in Public Management and Policy (MPMP) study. The information you provided will be used purely for academic purpose and shall be kept strictly confidential.

General direction

The interview questions consists two sections. The first section is general background information of the interviewee. The second section contains questions that related to the enforcement of compulsory third party motor insurance in Ethiopia context.

Thank you very much for your understanding and cooperation in advance.

Section I

Background of the Interviewee

1. Name _____
2. Educational status _____
3. Position, if any _____
4. Work experience _____

Section II

A. Interview Questions Related to the Practice of Compulsory Third Party Motor Insurance

1. What is insurer expectation and response towards CTP motor insurance practice?
2. What opportunities insurers have got following CTP motor insurance enforced?
3. Is there any moral hazard created due to CTP motor insurance enforced which has been exposed insurer for extra cost beyond insurer actual liability?
4. The option to proceed to court if third party victims did not satisfied with the offer of insurance company is open, but most of the time the offer basis on individual subjective judgment. What is your position and suggestion to minimize under or overestimate offer?
5. Who is entitled to purchase CTP motor insurance and fill claim notification during accident?
6. Is there any of the existing “Vehicle Insurance Against Third Party Risks Proclamation” conditions which you think should be amended or totally changed in your opinion?

B. Section III: Interview Questions Related to Challenge of Compulsory Third Party Motor Insurance

1. What are the challenges posed by CTP motor insurance on insurance industry?
2. Do you think that is there a shift to customers’ preference after third party motor insurance enforced, from comprehensive to CTP motor insurance cover?
3. How do you rate the majority of third party claims going to court and how court would understand and apply such regulations?
4. Did insurer have challenge with victims while providing compensation based on CTP motor insurance liability limit?
5. Do you think that insurance association has the capacity to influence concerned authorities to amend the premium tariff and other issues related to CTP Proclamation?
6. What capacity or system related challenges have faces insurance companies to provide a well-organized statistics related to CTP motor insurance?

C. Section IV: Interview Questions Related to the Prospects of Compulsory Third Party Motor Insurance

1. What is your recommendation in relation with CTP motor insurance to minimize road traffic accident caused by negligent drivers?
2. Do you think that unlimited insurance liability will expose insurer for catastrophic loss?
3. If your answer for Q # 2 is yes, how can insurer influence to reverse this proclamation condition?
4. What alternative method do you suggest to facilitate fair and timely compensation for road victims by insurer and IFAA?
5. According to CTP motor insurance emergency medical expense is insurer liability and frequently settled to claimant. However, there is also additional emergency medical treatment fund set aside. Please explain the fund objective and its application?
6. According to the Proclamation claimants have the right to submit a claim but insurer needs claim notification filled by insured. How do you compromise these issues?
7. Are there anything that you would like to comment on measures to be taken in order to meet CTP Proclamation objective?

Thank you very much.

ANNEXES

Annex I

Branches Network, Establishments Year and Capital of Insurance Companies

As at September 30, 2013

(Branch in Number and Capital in Millions of Birr)

No.	Insurance company	Branch			Capital	Establishment year
		Quarter I (2013/14)			Quarter I (2013/14)	
		AA	Reg.	Total		
1	Ethiopian Insurance Corporation	18	44	62	434.4	1975
2	Awash Insurance Company	21	12	33	182.9	1994
3	Africa Insurance Company	8	7	15	134.9	1994
4	National Insurance Company of Ethiopia	9	12	21	72.6	1994
5	United Insurance Company	18	10	28	203.1	1996
6	Global Insurance Company	6	5	11	67.1	1997
7	Nile Insurance Company	14	14	28	182.0	1995
8	Nyala Insurance Corporation	12	9	21	206.3	1995
9	Nib Insurance Company	17	8	25	207.3	2002
10	Lion Insurance Company	14	6	20	83.4	2007
11	Ethio-Life Insurance Company	6	1	7	20.3	2008
12	Oromia Insurance Company	14	11	25	119.2	2009
13	Abay Insurance Company S.C	7	7	14	48.5	2010
14	Birhan Insurance Company S.C	6	1	7	22.4	2011
15	Tsehay Insurance Company	6	2	8	24.3	2012
16	Lucy Insurance Company	2	1	3	16.8	2012
17	Bunna Insurance S.C	4	0	4	8.6	2013
	Total	182	150	332	2,034.1	

Source: National Bank of Ethiopia Quarter Report 2013/14

Reg = Stands for Region

A.A = Stands for Addis Ababa

Annex II

The Performance of Ethiopian Insurance Industry (ETB “million)

Year	Gross premium	Motor gross premium	Motor gross claims paid	Loss ratios (%)
2006	797	350	253	72
2007	972	449	398	89
2008	1,189	508	432	85
2009	1,379	582	522	90
2010	1,825	771	728	95
TOTAL	6,162	2,660	2333	-
Motor contribution (%)		43%	Average	86.2

Source: AXCO Global Statistics / Industry Associations and Regulatory Bodies

Annex III

Written Premiums in Select Countries

Market Ranking 2009 by Written Premiums

Legend: [Y] Prior Year [P] Preliminary [F] Forecast [A] Audited

Currency: USD millions unless otherwise noted

Market Sector: Motor and Total Non-life

Status	Country	Motor premiums	Total non-life premiums	Ratio of motor to non-life premiums
[A]	Afghanistan	14.93	134.38	11
[A]	Albania	50.28	70.74	71
[A]	Algeria	482.95	976.72	49
2008 [Y]	Bahrain	145.41	302.83	48
[A]	Bulgaria	741.37	1010.8	73
2008 [Y]	China	24527.34	42097.28	58
[A]	Croatia	743.16	1148.11	65
[A]	Egypt, Arab Rep.	282.54	781.73	36
2008 [Y]	Iran, Islamic Rep.	2478.36	3384.46	73
2008 [Y]	Iraq	9.81	19.61	50
[P]	Israel	2074.76	3278.21	63
[A]	Jordan	211.31	349.51	60
[A]	Kazakhstan	140.91	619.44	23
[A]	Kenya	179.04	416.4	43
2008 [Y]	Kuwait	199.03	501.12	40
2008 [Y]	Lebanon	164.5	719.94	23
[A]	Libya	67.78	261.33	26
[A]	Montenegro	52.42	66.82	78
[P]	Morocco	817.63	1432.48	57
[A]	Oman	262.75	513.54	51
2008 [Y]	Qatar	137.43	668.54	21
[P]	Romania	1835.32	2289.91	80
[A]	Russia	7430.01	14127.8	53
[A]	Saudi Arabia	814.67	1684	48
[A]	Serbia	382.02	598.41	64
2007 [Y]	Sudan	136.15	225.89	60
2008 [Y]	Syria	169.2	250.71	67
[P]	Tunisia	349.25	546.17	64
[P]	Turkey	3099.38	5412.02	57
2008 [Y]	Yemen, Rep. of	21.87	65.37	33

Source: <http://www.worldbank.org/nbfi>

Annex IV

Number of Certificates Distributed by Insurance Companies

As at March 12, 2012

No.	Name of insurance company	Type of policies		
		New	Renewal	Sum
1	Ethiopian Insurance Corporation	23,217	46,540	69,757
2	Awash Insurance Company	29,884	14,748	44,632
3	Nib Insurance Company	17,799	14,471	32,270
4	United Insurance Company	11,209	7,655	18,864
5	Nile Insurance Company	7,076	9,578	16,654
6	Africa Insurance Company			23,729
7	Oromia Insurance Company	10,310	7,593	17,903
8	National Insurance Company of Ethiopia	17,055	1,240	18,295
9	Lion Insurance Company	7,521	4,649	12,170
10	Global Insurance Company	5,918	2,040	7,958
11	Nyala Insurance Corporation	3,241	8,551	11,792
12	Birhan Insurance Company S.C	2,406	164	2,570
13	Abay Insurance Company S.C	2,203	849	3,052
	Total	137,839	118,078	279,646

Source: Insurance Fund Office report on number of insured vehicles by type of policy, 2012.

Annex V

Motor third party premium tariff

Vehicle usage	Engine capacity (CC)	Driver	Premium in ETB	
I. Motor private			Individual Ownership	Organization Ownership
1. Private use vehicle	<=1600	Any driver	404	505
	1601 - 2000	Any driver	465	545
	2001 - 3000	Any driver	505	586
	3001 - 4000	Any driver	545	626
	> 4000	Any driver	586	667
2. Motor cycles		Insured only	Any driver	
	<=200	150	173	
	>200	173	188	
II. Motor commercial	Body Type	Driver	Loading Capacity/ No. of seats	Premium in ETB
1. Own goods	Mini bus	Any driver		909
	Pick up	Any driver		572
	Truck	Any driver	15 - 34	1409
	Truck	Any driver	35 - 70	1620
	Truck	Any driver	71 - 120	1761
	Truck	Any driver	121 - 150	1902
	Truck	Any driver	151 -200	2043
	Truck	Any driver	201 - 300	2184
	Truck	Any driver	301 - 400	2325
	Truck	Any driver	> 400	2466
	Truck trailer	Any driver		200
	Semi-trailer	Any driver		400
	Tanker	Any driver	<=10000	1426
	Tanker	Any driver	10001 - 14000	1640
	Tanker	Any driver	14001 - 20000	1783
	Tanker	Any driver	20001 - 25000	1925
	Tanker	Any driver	25001 - 30000	2068
	Tanker	Any driver	30001 - 35000	2210
	Tanker	Any driver	35001 - 40000	2353
	Tanker	Any driver	> 40000	2496
	Tanker trailer			300
	Tanker semi-trailer			600

2. General cartage		Body Type	Driver	Loading Capacity/ No. of seats	Premium in ETB
		Pick up	Any driver		764
		Truck	Any driver	15 - 34	2008
		Truck	Any driver	35 - 70	2309
		Truck	Any driver	71 - 120	2510
		Truck	Any driver	121 - 150	2711
		Truck	Any driver	151 - 200	2912
		Truck	Any driver	201 -300	3112
		Truck	Any driver	301 - 400	3313
		Truck	Any driver	> 400	3514
		Truck trailer			300
		Semi-trailer			600
		Dump truck	Any driver		1675
3. Car hire		Body Type	Driver	Loading Capacity/ No. of seats	Premium in ETB
		Automobile	Chauffer Driven		685
		Automobile	Self-Driven		754
		Station wagon	Chauffer Driven		788
		Station wagon	Self-Driven		867
		Mini bus	Chauffer Driven		856
		Mini bus	Self-Driven		943
		Bus	Chauffer Driven	13 - 29	1156
		Bus	Self-Driven	13 - 29	1237
		Bus	Chauffer Driven	>=30	1241
		Pick up	Chauffer Driven		993
		Truck	Chauffer Driven	15 - 34	993
		Truck	Chauffer Driven	35 - 70	1341
		Truck	Chauffer Driven	> 70	1440
		Tanker	Chauffer Driven	<=10000	993
		Tanker	Chauffer Driven	10001 - 14000	1341
		Tanker	Chauffer Driven	> 14000	1440
		Truck trailer	Chauffer Driven		200
		Tanker trailer	Chauffer Driven		200

4. Fuel tanker - General Cartage	Body Type	Driver	Loading Capacity/ No. of seats	Premium in ETB
	Fuel tanker	Any driver	<_ 10000	1464
	Fuel tanker	Any driver	10001 - 14000	1684
	Fuel tanker	Any driver	14001 - 20000	1830
	Fuel tanker	Any driver	20001 - 25000	2269
	Fuel tanker	Any driver	25001 - 30000	2562
	Fuel tanker	Any driver	30001 - 35000	2855
	Fuel tanker	Any driver	35001 - 40000	3148
	Fuel tanker	Any driver	> 40000	3440
	Tanker trailer	Any driver		400
	Tanker semi-trailer	Any driver		800
5. Buses-own passengers				
	Bus	Any driver	13 - 29	1465
	Bus	Any driver	30 - 44	1685
	Bus	Any driver	>=45	2081
6. Buses-public transport				
	Mini bus	Any driver		1324
	Bus	Any driver	13 - 29	2134
	Bus	Any driver	30 - 44	2454
	Bus	Any driver	>=45	2668
7. Learners				
7.1 Learners - private vehicles				
	Automobile	Any driver		661
	Station wagon	Any driver		760
7.2 Learners - commercial vehicles				
	Mini bus	Any driver		826
	Bus	Any driver	13 - 29	1115
	Bus	Any driver	>=30	1198
	Pick up	Any driver		958
	Truck	Any driver	15 - 34	958
	Truck	Any driver	35 - 70	1293
	Truck	Any driver	> 70	1389
	Truck trailer	Any driver		200
	Tanker	Any driver	<=10000	958
	Tanker	Any driver	10001 - 14000	1293
	Tanker	Any driver	> 14000	1389

	Tanker trailer	Any driver		200
8. General cartage	Body Type	Driver	Loading Capacity/ No. of seats	Premium in ETB
	Isuzu NPR, Isuzu FSR, Isuzu FVR	Any driver		4016
9. Construction Machineries		Any driver		557
10. Agricultural vehicles /Horticulture/ Livestock/ Others		Any driver		557
11. Taxis				
	Automobile	Any driver	<= 5	563
	Mini bus	Any driver	13 - 29	1191
12. Motor cycles & Tri cycles	Engine capacity (CC)			
	<= 200	Insured only		173
	> 200	Insured only		188
	<= 200	Any driver		188
	> 200	Any driver		203
13. Motor trade				
	Named driver/ Trade plate	Named Driver		526
	Each additional driver/Trade plate			263

Passenger' legal liability ETB 20.00 per seat for private usage vehicle and ETB 40.00 per seat for commercial vehicle usage

Additional 10% of the premium shall be collected and payable to IFAA