ASSESSMENT OF THE LEVEL OF AWARENESS AND PERCEPTION OF MOTOR THIRD PARTY INSURANCE IN KAMPALA, UGANDA

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Abstract

The study sought to establish the level of awareness about Motor Third Party Insurance amongst motorists in Uganda and how it affected their claims. A quantitative and cross-sectional survey was adopted and data was collected using a self-administered questionnaire. Findings from the study indicate that most motorists are not aware of the procedures of motor third party insurance and very few of them seek for compensation from insurance companies. This could be because of the perception among some individuals that insurance is a form of tax and a luxury. Reasons which were given for low claim rates were; the general lack of insurance knowledge amongst the populace and the cumbersome procedures for seeking compensation. With regards to perception towards insurance, the study confirmed that there was a general negative perception towards motor third party insurance. It is recommended that education on insurance be increased, government's supervision of insurance operations be strengthened, and that insurance companies improve their client orientation about the use of motor third party insurance so as to redeem the negative perceptions that majority of the motorists have towards this type of insurance.

Keywords: Motor third-party insurance (MTPI), Awareness, Perception, Insurance, Claims.

บทคัดย่อ

งานวิจัยนี้ได้ทำการศึกษาระดับของความตระหนักถึงการประกันภัยรถยนต์สำหรับบุคคลที่สามในประเทศยูกันดาและผลกระทบต่อการเรียกร้องสินไหมทดแทน โดยใช้การวิจัยเชิงปริมาณแบบตัดขวางและรวบรวมข้อมูลด้วยวิธีการสำรวจโดยใช้แบบสอบถามที่ผู้ตอบตอบแบบสอบถามด้วยตนเองเป็นเครื่องมือ ผลที่ได้พบว่าผู้ขับขี่ส่วนใหญ่ไม่ได้ตระหนักถึงการประกันภัยรถยนต์สำหรับบุคคลที่สามและมีเพียงส่วนน้อยที่ได้ทำการเรียกร้องสินไหมทดแทนจากบริษัทประกันภัย เนื่องจากมองว่าการประกันภัยเป็นภาษีรูปแบบหนึ่ง เหตุผลที่มีอัตราการเรียกร้อยสินไหมทดแทนต่ำเนื่องจากประชาชนขาดความรู้ด้านการประกันภัยและกระบวนการในการเรียกร้องสินไหมทดแทนมีความยุ่งยาก นอกจากนี้ผลการวิจัยยังยืนยันได้ว่าประชาชนมีมุมมองเชิงลบต่อการประกันภัยรถยนต์สำหรับบุคคลที่สาม ดังนั้นจึงมีข้อเสนอแนะให้เพิ่มระดับความรู้ความเข้าใจเกี่ยวกับการประกันภัย การควบคุมกระบวนการประกันภัยให้แข็งแกร่งขึ้นโดยรัฐบาล รวมถึงบริษัทประกันภัยควรปรับปรุงให้มุ่งเน้นการให้บริการลูกค้าเป็นสำคัญสำหรับการประกันภัยรถยนต์สำหรับบุคคลที่สามเพื่อลดมุมมองเชิงลบของประชาชนที่มีต่อการประกันภัยรถยนต์สำหรับบุคคลที่สาม

INTRODUCTION

Motor insurance is probably the most important type of insurance sold in developing countries and the first class of insurance with which the general public has an acquaintance. In most countries, motor third-party insurance (MTPI) is compulsory in order to protect the public. World Bank studies in Africa, Central Asia, and Europe have shown that motor insurance premiums represent at least 30 percent of all non-life premium income. This phenomenon may be explained by the rapid rise of motor fleets. MTPI has been introduced in the formerly centrally planned economies only in the past decade, and it is poorly understood (Serap, 2009) Motorists are inclined to view it as a form of tax that they are at liberty to evade, rather than as a protection against their personal liability, a concept that is not familiar to the general public (Serap, 2009).

However Ssempijja (2012) noted that members of the public took advantage of the royal way media's fourth banking, finance and insurance expo under which members of the public expressed their discontentment about the trend of events through which they (people) were served by the financial sector; the insurance subsector took a lion's share of the raised complaints, with matters largely rotating around the motor third party insurance policy. Speaker after speaker from an audience of about 800 people, at least 90% of them from the informal sector, talked ill of how insurance companies had fleeced public through evading claim compensation under the policy in question (Ssempijja, 2012).

World Bank studies have shown that motor accidents causing deaths and injuries occur in developing countries adding up to eight times the rate in industrial countries. 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. Data are collected by such groups for example the Finnish Insurers' Fund, the Turkish data collection system, both of which investigate every fatal crash occurring nationally, carry out safety studies, and provide information to the public which is not the case for Uganda.

Motor insurance therefore has the potential of becoming a powerful tool in the promotion of personal responsibility if communicated effectively, as this could improve on the knowledge and change the pessimistic perceptions that Ugandan motorists have towards motor third-party insurance (MTPI)

OVERVIEW OF THE INSURANCE INDUSTRY IN UGANDA

The insurance industry plays a very critical role in the economy of Uganda by militating against the risks associated with every aspect of life from personal health to business (Lutwama, 2014). Modern insurance was introduced in Uganda during the colonial era. The first locally owned insurance company, the East Africa General Insurance Company Ltd (EAGEN) was incorporated in 1946, followed by National Insurance Corporation (NIC) in 1964. The industry remained unregulated until 1978 when the Insurance Decree was passed. The decree was not very effective in addressing the insurance challenges at the time. In April 1996, the Insurance Statute was enacted. The Statute among others established the Uganda Insurance Commission

(UIC) as an independent body mandated with ensuring effective administration, supervision, regulation and control of the insurance business in Uganda.
Before 1996, anyone could start an insurance business as long as the company had a board of directors (Nsubuga, 2002). In response to this situation, the government promulgated the Uganda Insurance Statute of (1996) and the Insurance Regulations of (2002). To regulate the market and protect consumers, the 1996 statute created the Insurance Commission which controlled and oversaw the entire industry. The statute required insurers to join the Uganda Insurance Association (UIA) and adhere to its code of conduct. In so doing, the statute gave certain powers to the association to issue and revoke licenses.

Currently the main law governing insurance business in Uganda is the Insurance Act, (Cap 213) laws of Uganda, 2000 as amended by the insurance amendment Act, 13, 2011 and the regulations made there under. This Act renamed the Uganda Insurance Commission as the Insurance Regulatory Authority of Uganda which is the main body governing insurance activities in Uganda. Its main objective is to ensure effective administration, supervision, regulation and control of insurance businesses in Uganda. The establishment of the Insurance Regulatory Authority of Uganda was a result of government's adoption of the liberalization and privatization policies which ended its role of directly engaging in the provision of goods and services and taking on the role of supervisor or regulator.

Customers in this industry expect a lot from their insurers or service providers. They expect; prompt delivery of competent and efficient services paramount among which is payment of claims, knowledgeable and serviceable frontline staff that are ever prepared to give information on request and reliable feedback among others (Amartey, 2007). Understanding customer expectations is an important and essential element in service delivery. According to Zeithaml et al, (2003) customer expectation is basically a belief about the service delivery. Customer satisfaction is an overall attitude towards a product or an organization that provides services or customer's reaction towards the difference between customer's expectation and what is received concerning the satisfaction of needs, desires or goal (Hansemark and Albinson, 2004).

Good customer value can be achieved only when service quality, product quality and the value-based prices exceed the customer satisfaction. If one of these is neglected then customer satisfaction will suffer a tremendous setback. Even if price and the product are good but the service is bad, the entire image of the company product will be bad and the customer will certainly not be happy (McNeil and Crotts, 2005). According to Hoyer and Maclnnis (2001) customers that are not satisfied may decide to stop patronizing a business to purchase insurance products and services, they may complain to a third party or the business organization and they may also give negative word of mouth (Boadu, 2014), this is evidenced by the high numbers of customer complaints lodged to the Insurance Regulatory Authority for example the aggregate net incurred claims in both life and non-life was estimated at about Ushs 85.4 billion in 2013 compared to Ushs 78 billion in 2012. (Insurance regulatory authority report, 2013).

Customer dissatisfaction usually comes about as a result of poor business management and business practices Broadbridge and Marshall (1995). Therefore insurance companies should do something in order to improve on the quality of services they offer to their clients especially under third party insurance because that is where most complaints come from.

Today the insurance sector has continued to post significant growth over the years; during 2013, gross insurance premium written rose to Ushs 463 billion from Ushs 352.2 billion in 2012, representing a phenomenal 31% growth in the industry. Health membership

organizations' contributed Ushs 56 billion; Non-life insurance premium totaled Ushs 351.4 billion up from Ushs 313 billion registering an increase of 12.3%. Life premium on the other hand totaled Ushs 55.40 billion against Ushs 39.26 billion in 2012, posting a 41.1% increase in the volume of business. (Insurance regulatory authority report, 2013).

However Lutwama (2014), notes that the Ugandan insurance sector is one of the least developed in the region that the total asset base of the insurance industry in Uganda only accounts for less than 1% of the gross domestic product compared to 3.2% in Kenya and 12% in South Africa. Considering a population estimate of 34 million, the insurance premium per capita was US$ 3 compared to over US$ 1000 for South Africa and US$ 30 for Kenya. Oluka (2016) also asserts that insurance penetration rates in Uganda are the lowest in the East African region estimated at 0.85% compared to Kenya's 3.7%, Rwanda's 2% and Tanzania's 1%.

Much as the state of the insurance industry may look appalling when compared to other markets, it only points to the untapped potential in this industry. However Lutwama (2014) further notes that unlocking this growth potential would require massive capital investment to address the various challenges currently constraining the growth of this industry. He further notes some of the challenges that face the insurance industry in Uganda like negative perceptions about insurance and the low levels of awareness about insurance policies are challenges that would take some time to address because they require a paradigm shift among Ugandans.

In the same perspective, the (insurance regulatory authority report, 2013), indicated that insurance penetration continued to be far below the desired benchmark; the contribution of total insurance premiums to GDP, which measures insurance penetration, in real terms, was 0.85% as against 15.4% in South Africa and 3.4% in Kenya. The Table below shows the gross premium income, growth rate and insurance penetration in Uganda from 2009 to 2013.

Table 1: Gross Premium Income and Insurance Penetration

Year	Premium Income (Ushs)	Growth Rate (%)	Insurance Penetration (%)
2009	202,054,031	20.81	0.59
2010	239,983,035	18.77	0.65
2011	296,830,675	23.69	0.65
2012	352,231,429	18.66	0.66
2013	461,262,909	31	0.85

Source: Insurance Regulatory Authority of Uganda Annual Reports for 2009 -2013
*2013 industry performance includes health membership organizations figures

Technically, promotion of public awareness about insurance activities in Uganda has not been emphasized. The only link to the promotion of insurance, interpreted in the broadest sense, is the requirement that all vehicles have third party liability insurance which is intended to protect the public from careless drivers and thus might, theoretically at least, generate confidence in the market, which would be promotional.

Public experience with mandatory third party liability insurance, however, has had the opposite effect since historically valid claims were rarely paid (depending on the insurance company), resulting in generally poor public confidence in insurance. Although this situation has

improved, much of the market still remembers the past performance (Tumuhaise, 2012) the above background serves as a great motivation for this study.

Statement of the Problem.

The Motor vehicle Insurance Third Party Risks Act of (1989) established a compulsory insurance policy; the motor vehicle third party insurance policy in a bid to curtail careless driving/riding and to also help in the settlement of liability in event of minor motor accidents. However according to Serap (2009) the policy is poorly understood because motorists view it as a form of tax rather than as a form of protection against their personal liability. In the same perspective, the access insurance initiative report (2008) indicates that most Ugandans especially those in the low income tier have limited knowledge of insurance. Tumuhaise (2012) attributes most of the insurance woes to lack of public sensitization, arguing that some people don't even understand how the policy is supposed to help them or what qualifies them for compensation. Sebiyam (2005) further posits that most drivers regard having insurance only as a means to pass through the checkpoints with the minimum of fuss by the police. It is therefore upon this background that the study seeks to establish the perceptions of motorists' to the compulsory motor third party insurance policy in Uganda.

General objective

To establish the perception of motorists towards motor third party insurance (MTPI) policy in Uganda.

Specific objectives

i. To establish the level of awareness about motor third party insurance amongst motorists in Uganda.
ii. To find out the motorists' perception of motor third party insurance in Uganda
iii. To assess the impact of awareness and perception of motor third party insurance on claims status of motorists in Uganda.

Research Questions

i. What is the level of awareness about motor third party insurance amongst motorists in Uganda?
ii. What is the motorists' perception towards motor third party insurance in Uganda?
iii. What is the impact of awareness and perception of motor third party insurance on claims status of motorists in Uganda?

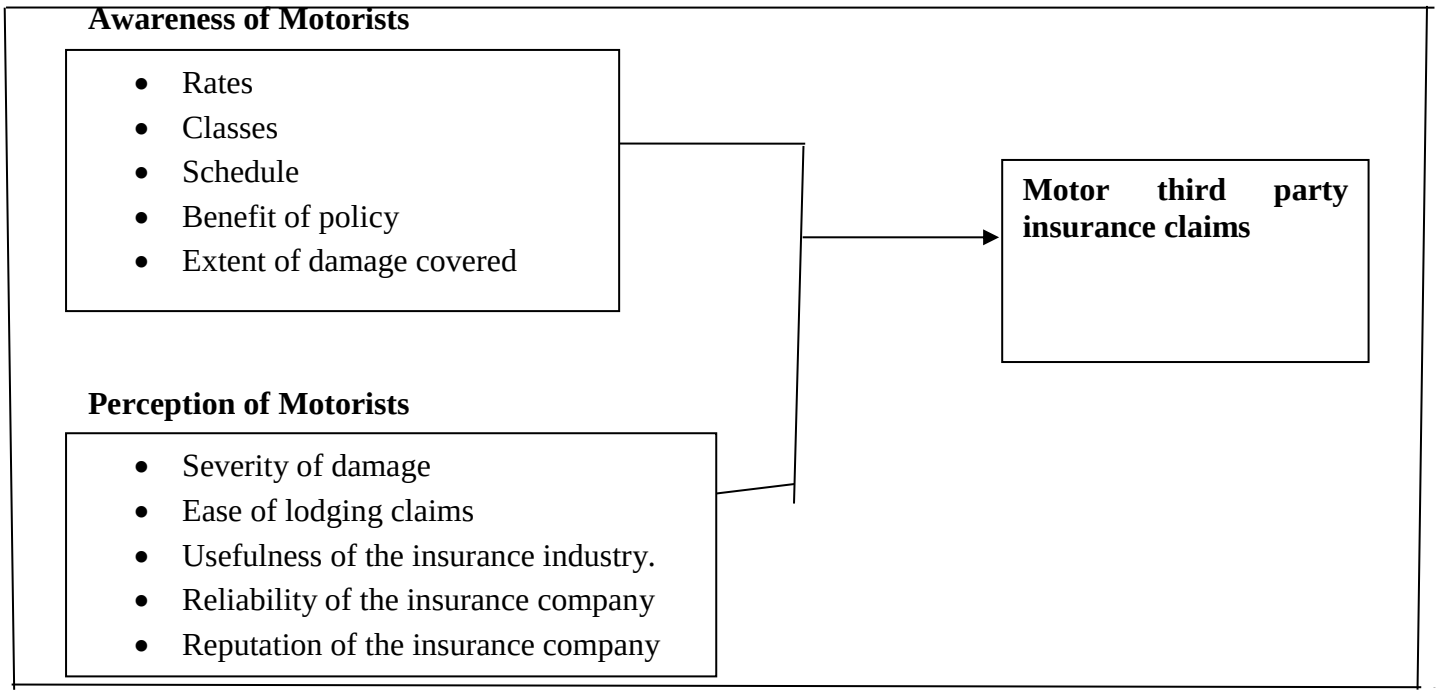
Significance of the study

The findings would assist Uganda's insurance companies to better diagnose the needs and expectations of their customers through developing MTPI awareness hubs in order to enable them achieve the highest level of their clients' expectations.

The study will find out the impact of awareness and perception of motor third party insurance on claims status of motorists in Uganda. This will contribute to the scarce literature about the general perception of motor third party insurance policy in Uganda.

The findings would assist Uganda's insurance companies to better diagnose the needs and expectations of their customers.

Figure 1: Conceptual framework



Source: developed by the researcher

Motorists Awareness and Motor third party insurance claims

Sebiyam (2005) indicated that most of Uganda's drivers regarded having insurance only as a means to pass through the checkpoints with the minimum of fuss by the police. This generally indicates a low level of awareness about the purpose of motor third party insurance which affects their claiming ability. Therefore there is need for motorists to understand what MTPI insurance is all about in order to appreciate its benefits especially when a claim is made. Hence it is anticipated that the motorists' awareness of MTPI (in terms of rates, classes, benefit of policy and extent of damage covered has a significant influence on their MTPI claim status.

Perception of Motorists towards motor third party insurance claims

Public experience with mandatory motor third party insurance has had negative perception since historically valid claims were rarely paid resulting in generally poor public confidence in insurance. Although this situation has improved, much of the market still remembers the past experience. This is further emphasized by (Sebiyam, 2005) who indicated that drivers who had undertaken motor vehicle insurance found it difficult to make claims whenever there was an accident without resorting to hiring a lawyer. Therefore this made majority of clients who were rightfully entitled to admissible claims to get fed up in the process and stopped pursuing the claims. It is therefore presumed that motorist's perception of MTPI affects their claim status.

LITERATURE REVIEW

Definitions of concepts

Insurance

Is a mechanism whereby the risk of financial loss is transferred from an individual, company, organization or other entity to an insurance company (Insurance Regulatory Authority, 2010). Insurance can also be defined as the pooling of risks by individuals, where part of the payment of the many is used to pay to the few who suffer losses (Sebiyam, 2005; Rejda, 1992; Gart and David, 1990; Troxel and Comick, 1983). Anderson and Brown (2005) stated that under a formal insurance arrangement, each insurance policy purchaser (policyholder) still implicitly pools his risk with all other policyholders. Insurance itself may not exactly prevent risks but it helps in covering loss and compensating the insured.

Emergencies of all types are by nature, rather unpredictable. Given these, they have the tendency to render their victims vulnerable, given their concomitant financial shocks. In instances where these persons are not prepared financially particularly for the emergencies, they suffer double agony. The poor generally, but particularly those in developing countries, are ordinarily vulnerable to emergencies and disasters. Cushioning individuals, families and communities against the financial burden of catastrophes and periods of incapacity and old age, is what insurance schemes seek to do. Insurance is therefore a risk-sharing arrangement (Leppert et al, 2012).

From this definition of insurance, motor vehicle insurance can be defined as the transfer of risks occasioned by motor vehicle accidents to insurers, who agree to indemnify the motorists, their passenger or other third parties for such losses and to provide other pecuniary benefits on the occurrence of motor vehicle accidents, or to render services connected with the risk. The insured thus, does not receive any tangible product in exchange for the premium paid, rather he is given an intangible product in the form of promise if the event described in the policy occurs (Okehi, 2005). Insurance is designed to meet the financial wellbeing of an individual, company or other entity in the case of unpredicted losses. Some forms of insurance are compulsory while others are optional (Hoyoake and Weipers, 1999).

In Uganda, there is still a misconception that insurance services are a luxury for the rich (Sebiyam, 2005). From the above definition, therefore there is need for people to understand what insurance is all about in order to appreciate its benefits.

Motor insurance

A policy purchased by vehicle owners to mitigate costs associated with getting into an auto accident (Insurance Regulatory Authority, 2010). Instead of paying out of pocket for auto accidents, people pay annual premiums to an auto insurance company. In many jurisdictions it is compulsory to have vehicle insurance before using or keeping a motor vehicle on public roads. Motor insurance is compulsory by law, meaning that if the person wants to buy vehicle, they must have motor insurance first before using that vehicle on public roads. Most jurisdictions relate insurance to both the car and the driver; however the degree of each varies greatly from country to country.

Forms of motor insurance cover

From the third party risks Act of (1989) there are three forms of motor insurance cover:
Third Party; Third party is the minimum legal level of insurance. The first two parties are the insurance company and the driver. Third party insurance covers one's liabilities in respect of injuries to others like passengers and other persons outside the car and damage to other peoples' properties.

Third Party, Fire and Theft. This covers the aforementioned third party risks plus theft, and damage to one's vehicle caused by attempted theft and fire.
Comprehensive insurance cover (first party). This covers third party, fire and theft risks plus accidental damage to one's vehicle, malicious damage to one's vehicle, personal accident and medical expenses up to a certain limit.

The primary use of motor insurance is to provide financial protection against physical damage or bodily injury resulting from traffic collisions and against liability that could have risen from the specific terms of vehicle insurance. In this study, motor insurance is a type of insurance purchased for cars, trucks, motorcycles and other road vehicles. For purposes of this study, we are going to focus on motor vehicle third party insurance.

Motor third party insurance (MTPI)

Is a type of insurance that provides compensation to third parties who suffer death or bodily injury caused by or arising out of the use of a vehicle on the road. It was set up by an Act of Parliament (Motor Vehicle Insurance Third Party Risks Act 1989 (Ch 214)), revised in 2000. The Act requires that in the event of an accident, the vehicle or motorcycle involved (first party), the occupants of the vehicle (second party) and the other vehicle, person or property involved (third party) be compensated by the insurance company. The main purpose of this policy is to provide an affordable social protection to the public road users. The motor vehicle owner is protected against potentially catastrophic effects of an adverse judgment, whereas the victim is assured of quick compensation.

However Ssempijja (2012) indicated that most of the motorists that had talked to business vision in different exclusive interviews claimed to have either fallen victims of non-compensation themselves or heard of a similar case happening to other people for example Mohammad Sherief, a cross-border trailer driver confirmed that claim compensation under third party insurance policy was increasingly becoming a nightmare more in Uganda than any other East African country. Tumuhaise (2012) also noted that prior to the enactment of the motor third party insurance policy, innocent third parties or members of the public were unduly exposed to uninsured risks and were therefore left to suffer as there was no form of compensation or relief accessible to them. Therefore it is important for the public to understand what MTPI is all about since all vehicles to be used on public roads must have valid third party insurance apart from vehicles owned by Government of Uganda.

Third Party

Tumuhaise (2012) defined third parties as all road users including pedestrians, cyclists, vehicle occupants and passengers in other vehicles excluding the vehicle owner, his/her immediate family members and employees while the Insurance Regulatory Authority of Uganda (2010) defined a third party as anyone else who is involved in a loss event, which may or may not result in a claim. For example, in motor insurance a third party may be another vehicle owner, property owner, or persons such as passengers or pedestrians. The definition provided by Tumuhaise (2012) has been used for this study.

Perception

Perception is the process by which people select, organize and interpret information to form a meaningful picture of the world (Chaffe, 1997). Therefore some people normally assume that what they perceive is what is actually taking place, only to find out that their perceptions of the same event differs from the perceptions of others. For the purpose of this research, perceptions refer to the way in which things are seen, understood to be like, and interpreted as (Crowther, 1998).

Awareness

The tripartite theory of knowledge defines knowledge as justified true belief. Crowther (1998) defines it **as** awareness or familiarity; person's range of information, understanding of subject; information; and sum of what is known. While Lankshear et al: (1997) defined knowledge as any set of ideas and practices accepted by a social group or people as being real and meaningful for them. Philosophers typically divide knowledge into three categories: personal, procedural, and propositional. Personal knowledge or knowledge by acquaintance is a type of knowledge that people are claiming to have when they say things. Procedural knowledge is a type of knowledge based on skills while propositional knowledge is a type of knowledge based on facts.

Kadunabi (2012) noted that in Uganda even those who are insured don't know the procedures to follow in case of a mishap that needs compensation. He further observed that there was need for customer awareness for them to know what they are entitled to and how to secure it. In the same perspective, (Zake, 2012) also agreed that the insurance industry in Uganda had not done enough in educating the public about insurance.

Therefore knowledge is thus the awareness and understanding of facts, truths or information gained in the form of experience or learning hence the need to carry out awareness about insurance services in Uganda in order to reduce on the misperception about insurance services held by majority of the people in Uganda.

What is the level of awareness about motor third party insurance amongst motorists in Uganda?

Motor insurance is probably the most important type of insurance sold in developing countries and the first class of insurance with which the general public has an acquaintance. In most countries, motor third-party insurance (MTPI) is compulsory in order to protect the public. World Bank studies in Africa, Central Asia, and Europe have shown that motor insurance premiums represent at least 30 percent of all non-life premium income. This phenomenon may be explained by the rapid rise of motor fleets. MTPI has been introduced in the formerly centrally planned economies only in the past decade, and it is poorly understood (Serap, 2009) Motorists are inclined to view it as a form of tax that they are at liberty to evade, rather than as a protection against their personal liability, a concept that is not familiar to the general public (Serap, 2009).

Motor insurance therefore has the potential of becoming a powerful tool in the promotion of personal responsibility if communicated effectively, as this could improve on the awareness and change the pessimistic perceptions that Ugandan motorists have towards motor third-party insurance (MTPI)

What is the motorists' perception towards motor third party insurance in Uganda?

Ssempijja (2012) noted that members of the public took advantage of the royal way media's fourth banking, finance and insurance expo under which members of the public expressed their discontentment about the trend of events through which they (people) were served by the financial sector; the insurance subsector took a lion's share of the raised complaints, with matters largely rotating around the motor third party insurance policy. Speaker after speaker from an audience of about 800 people, at least 90% of them from the informal sector, talked ill of how insurance companies had fleeced public through evading claim compensation under the policy in question (Ssempijja, 2012).

World Bank studies have shown that motor accidents causing deaths and injuries occur in developing countries adding up to eight times the rate in industrial countries. 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. Data are collected by such groups for example the Finnish Insurers' Fund, the Turkish data collection system, both of which investigate every fatal crash occurring nationally, carry out safety studies, and provide information to the public which is not the case for Uganda.

What is the impact of awareness and perception of motor third party insurance on claims status of motorists in Uganda?

In Uganda, MTPI policy is poorly understood and motorists view it as a form of tax rather than as a protection against their personal liability (Serap, 2009). Public experience with mandatory motor third party liability insurance has had negative effects since historically valid claims were rarely paid resulting in generally poor public confidence in MTPI. "It is very common to hear people remarking that insurance companies are quicker in receiving premiums but slower when it comes to claims payment"; insurance companies have always been blamed for late delivery of services. It is common place to hear people complaining of undue delay in responding to customers' requests" (Boadu, 2014).

Although this situation has improved, much of the market still remembers the past performance. Sebiyam (2005) further stated that drivers who had undertaken motor vehicle insurance found it difficult to make claims whenever there was an accident without resorting to hiring a lawyer. While majority of clients who were rightfully entitled to admissible claims got fed up in the process and stopped pursuing the claims. Therefore it is presumed that awareness and perception of motor third party insurance has an impact on claims status of motorists in Uganda.

Review of related empirical studies

A few studies have been conducted in the field of motor insurance in certain countries although none of such study has been conducted in Uganda. Knowledge gaps have been identified from the following reviewed studies.

Level of awareness about motor third party insurance amongst motorists

Tumuhaise (2012) attributes most of the insurance woes to lack of public sensitization; "some people don't even understand how the policy is supposed to help them or what qualifies them for compensation. In the same perspective, the access insurance initiative report (2008) also indicates that Ugandans especially low income Ugandans have limited knowledge of motor third party insurance.

Ackah and Owusu (2012) revealed that many people have heard of the word insurance. They revealed that the determinants of awareness are age, gender and educational status of respondents. Age is a statistically significant variable and positively predicts insurance literacy and attitude towards insurance. Older individuals are generally more knowledgeable in insurance. Higher literacy scores coincide with respondents being male and enjoying a better education.

Gine et al. (2008) stated that there is lack of awareness of the existence of insurance products, and a poor understanding of the concept of insurance. They add that a number of factors have contributed to the low awareness of insurance and these include household wealth, credit constraints, risk aversion, trust, and endorsement from social networks, hyperbolic preferences, and particular marketing methods.

Therefore it is presumed that there is a low level of awareness about the importance of MTPI amongst motorists

Perception of motor third party and motor third party insurance claims

In Uganda, MTPI policy is poorly understood and motorists view it as a form of tax rather than as a protection against their personal liability (Serap, 2009). Public experience with mandatory motor third party liability insurance has had negative effects since historically valid claims were rarely paid resulting in generally poor public confidence in MTPI. "It is very common to hear people remarking that insurance companies are quicker in receiving premiums but slower when it comes to claims payment"; insurance companies have always been blamed for late delivery of services. It is common place to hear people complaining of undue delay in responding to customers' requests" (Boadu, 2014)

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The reluctance by some insurers to pay clients claims had eroded public confidence and tainted the insurance sectors image (Oluka, 2016). Oluka adds that most people especially boda boda riders who are the biggest victims of road accidents do not claim compensation because they do not know their entitlement.

An investigation into the reasons for the high claim rejection rates by Seth (2008) identifies it as false statements made, failure to disclose relevant facts, claims not falling within the items insured under the policy, failure of the insured to comply with the terms of the agreement, fraud, inordinate and unreasonable delay for the reporting of the incident, no consequential

losses covered under policies and false statements made when applying for insurance. Since the repudiating a claim is subject to legal implications involving cost the insurers should be cautious in denying liability under a policy.

Kishan (2006) says the real credibility and trustworthiness of a general insurance company is put to test when a claim actually arises. In other words an insurance company's reputation is evaluated by its ability to fulfill its promise of being there when the customer needs them the most. Moreover, an insurance company also has an arduous task to ensure an equitable and rational claims settlement. A sound claims settlement mechanism plays an intrinsic role in ensuring consumer centric insurance solutions. This therefore means that if a company has an efficient claim management system then its reputation will be improved and thus increase on the claim rate.

Giesbert et al (2011) concluded that insurance is considered a risky venture by their respondents, based on their finding that risk-averse households and households which considered themselves to have increased/higher risk were less likely to participate in the life insurance scheme. Giesbert et al. (2011) also found that adverse selection, and a life-cycle effect affected uptake of the insurance they studied.

A study by Alma and Rajeev (2004) aimed at investigating the effect of automobile insurance and accident liability laws on traffic fatalities in 50 U.S states using an instrumental variables approach. Findings indicated that there was evidence that automobile insurance had moral hazard costs that led to an increase in traffic fatalities. This study did not look at peoples' perception towards the compulsory automobile insurance which would have been useful in determining its effect on traffic fatalities.

The Australian Quantum Market Survey Research Report (2014) aimed at empowering consumers to make better, more informed decisions by demystifying insurance its findings indicated that a high proportion of those with third-party only insurance were either unsure or perceived that they were definitely uncovered for majority of the incidents. While 59% acknowledged that they didn't understand all the details in their policy documents. However this study was carried out in Australian context not Ugandan context hence the motivation to carry out a similar study in Uganda since there is insufficient research about perception of motorists towards third party insurance in Uganda which could be useful in assessing the level of clients' knowledge about motor-third party insurance. Results will enable insurance companies improve on knowledge dissemination style to their clients.

Folake and Kunle (2010) carried out a study in Nigeria whose aim was to find out peoples' perception of motorcycle insurance while comparing the perceptions of insurance companies' staff with that of their customers (the motorcyclists) and also finding out the major causes of motorcycle accidents in Nigeria. Questionnaire was used for sampling, The Kolmogorov Smirnov test was used to test the hypothesis. Their findings indicated a general negative perception of insurance services by the motorcyclist and a large disparity in the responses of the motorcyclists and the insurance companies' staff.

Although the above study attempted at finding out peoples' perception of motorcycle insurance while comparing the perceptions of insurance companies' staff with that of their customers (the motorcyclists), it only focused on motorcyclists and left out motor vehicle motorists which could have been useful in assessing the clients' level of awareness and perception of motor third party liability insurance.

Lili and Zhengyu (2014) carried out a study of the deficit of the third party liability compulsory insurance of motor vehicle in China; Data was analyzed using comparative analysis, this study analyzed the reasons why third party liability compulsory insurance of motor vehicle practicality came up with huge losses and then provided some policy implications to improve the third party liability compulsory insurance of motor vehicle. The study concluded by giving some reasonable suggestions on how to make the compulsory motor vehicle liability insurance Act better.

Although the above study concluded by giving some reasonable suggestions on how to make the compulsory motor vehicle liability insurance Act better, it did not address the perception of Chinese motorists towards the compulsory motor third-party liability insurance which is a great motivation for this study.

From the literature it can be seen that a number of researchers have tried to find out the awareness levels of insurance and their perception towards insurance. It can therefore be seen that there is low level of insurance and negative perception about MTPI and this has greatly affected the claim rate.

RESEARCH METHODOLOGY

Research Design

The study employed a cross sectional research design. Descriptive statistics was used to establish the awareness levels and perception towards MTPI by motorists. Analysis of variance (ANOVA) and chi square was also used to establish relationships between variables.

Target Population

The study targeted motorists in the suburbs of Kampala district. The categories included; public service vehicles; taxi drivers and bus drivers, private car drivers. Kampala district was considered appropriate because most insurance companies are located there.

Sample size and Sampling Design

The study employed multistage sampling approach. The population was divided into two groups namely; public and private car drivers. In order to ensure that all classes of motorists are considered stratified sampling was used. However when it came to the respondents in the different strata, convenient sampling was used and respondents were selected depending on availability and willingness of the driver to participate in the study. This was because of the mobile nature of the respondents. According to the Uganda Revenue Authority (URA) the number of vehicles in Uganda today is estimated at 635,656. Given this population size, the appropriate sample size according to Krejcie and Morgan (1970) will be 382 respondents.

Data Collection Methods

A structured questionnaire was used to collect primary data from the respondents. The questionnaires were largely self-administered by the respondents but in the event that the sampled motorist was not able to fill it out, the enumerator would read the questions to the motorist in a language they understand.

Validity and Reliability

For purposes of language clarity, relevance and comprehensiveness of content, the researcher sought guidance from various research experts to correct any errors in the questionnaire. Then, the final questionnaire were pre- tested on selected respondents in order to check for validity of the data collection tool. Cronbach Alpha Coefficient was used to test for reliability and all the variables scored values about 0.7

Data Analysis

The study employed the descriptive statistics to establish the extent of awareness and perception of MTPI by the respondents. Analysis of variance and chi-square tests were also used to test for association between variables about MTPI.

Limitations of the study

The major limitation of the study related to the high mobility of the persons in the population which affected the response rate. There was also lack of an appropriate sampling frame for the segment of the population due to lack of appropriate data concerning motorists in Kampala. However the above challenge was addressed by conveniently sampling motorists depending on their willingness to provide data and answering the questionnaires.

INTERPRETATION AND DISCUSSION OF FINDINGS

Chi-square and Analysis of variance (ANOVA) was used in determining the relationships and significance of the variables and results from this study were used to reach the conclusions.

Level of awareness about motor third party insurance amongst motorists in Uganda?

The table below reveals the results concerning the level of awareness of both the private and public motorists on the different aspects of MTPI insurance and whether the level of awareness of these aspects differs across the two categories of motorists.
Concerning knowing the purpose for MTPI insurance, 80% of the private motorists stated that they knew the purpose of MTPI insurance and 50% of the public car motorists knew the purpose of MTPI. This meant that more private car motorists knew the purpose of MTPI compared to the public car motorists. This could probably explain why motorists, most especially the public ones did not ever attempt to place a claim when they got an accident that involved a third party.

When asked whether they have ever got an accident that involved a third party it was revealed that 48.4% of private motorists had ever been involved in an accident compared to the 50.0% of public drivers. This indicates that more public car drivers got accidents that involved a third party compared to the private car drivers.

On the aspect of placing a claim when they got an accident, 50% of the private motorists stated that they have ever attempted to place a claim when they got an accident that involved a third party while only 38.9% among the public motorists claimed to have done so. This meant that the percentage of claims under third party was more amongst private motorists compared to public motorists.

Concerning knowing who a third party is, 86.7% among the private said they knew who a third party was and 85.7% of the public driver knew who a third party was. These percentage indicate that more public motorists did not know who a third party is compared to the private motorists. When asked about whether they knew about the claim settlement procedures, findings show that 57.1% of the private drivers knew the claim procedures compared to 53.3% of the public drivers. These results indicate that more public motorists did not know the claim settlement procedures under third party compared to the private motorists.

Of these issues about which either categories had knowledge, they were two where the percentages of the different categories differed significantly and these included; the awareness of the purpose for MTPI insurance ($\chi^2 = 17.589, \mathrm{P} < .001$) and the number of times one was supposed to pay for MTPI insurance ($\chi^2 = 12.216, \mathrm{P} < .001$). You note that more private motorists knew about the purpose for MTPI insurance and more public motorists knew about the number of times one was supposed to pay for MTPI insurance.

Table 3: Level of awareness about motor third party insurance amongst motorists in Uganda (both private and public motorists).

Variable	**Category**	**Private**	**Public**	**Chi**	**Sig.**
Do you know the purpose for MTPL insurance?	Yes	80.0%	50.0%	17.589	0.000
	No	20.0%	50.0%		
Have you ever got an accident that involved a third?	Yes	48.4%	50.0%	0.04	0.842
	No	51.6%	50.0%		
Do you know the different classes of MTPI insurance?	Yes	43.3%	42.9%	0.003	0.955
	No	56.7%	57.1%		
Did you ever attempt to place a claim when you got an accident that involved a third?	Yes	50.0%	38.9%	1.003	0.317
	No	50.0%	61.1%		
Do you know who the third party is?	Yes	86.7%	85.7%	0.026	0.871
	No	13.3%	14.3%		
Were you indemnified when you placed a motor third party insurance claim?	Yes	35.5%	12.5%	9.462	0.002
	No	64.5%	87.5%		
Do you know the claim settlement procedures?	Yes	57.1%	53.3%	0.199	0.656
	No	42.9%	46.7%		
Do you know how many times you are supposed to pay for MTPI insurance?	Yes	56.7%	85.7%	12.216	0.000
	No	43.3%	14.3%		
Do you know your MTPI insurance benefits?	Yes	60.0%	50.0%	1.555	0.212
	No	40.0%	50.0%		
Are you aware of the extent of damage covered under the MTPI insurance?	Yes	50.0%	48.3%	0.045	0.832
	No	50.0%	51.7%		

Conclusion

From the findings above it has been seen that there is less awareness about MTPI and this explains why there are few claims by the victims. Most of the respondents did not know the claim settlement procedures meaning once affected they didn't know where to go. Respondents were even not aware of the different classes of MTPI. Most of the motorists were not aware of their entitlements in case of accidents. This therefore shows that there is less awareness about motor third party insurance.

Motorists' perception towards motor third party insurance in Uganda

Table 4 summarizes the motorists' perception towards MTPI. The results showed that motorists of the different categories perceived MTPI differently, for instance; private motorists thought that MTPI insurance was a form of tax that had to be paid by all motorists and that insurance services were a luxury and meant for the rich.

When asked on whether MTPI insurance was meant for severe accidents only majority of the respondents agreed with this statement (Mean = 2.10) meaning that for minor accidents insurance is not necessary.
Majority of the respondents thought that in event of an accident it was not easy to lodge claims for indemnification under MTPI insurance and thus were not certain about the idea that; in event of an accident it would be easy to lodge claims for indemnification under MTPI insurance. This explains why majority of the victims did not claim their compensation.
Majority of the respondents had a perception that insurance companies were not professional in their business dealings and this could be attributed to the delays in processing of their claims.
Further still, the two categories differed in their perception about certain aspects of MTPI, and these included; 1. MTPI insurance being a form of tax that had to be paid by all motorists (F Statistic = 39.77, P<.01), 2. MTPI insurance being meant for severe accidents only (F Statistic = 4.23, P<.05) and 3. Insurance companies being professional in their business dealings (F Statistic = 4.10, P<.05).

Table 4: Shows a summary about the motorists' perception about MTPI

	Category	**N**	**Mean**	**SD**	**F Statistic**	**Sig.**
MTPL insurance is a form of tax that has to be paid by all motorists	Private	186	1.81	1.15	39.77	0.00
	Public	48	2.00	1.24		
MTPL insurance is meant for severe accidents only	Private	186	2.10	1.23	4.23	0.04
	Public	48	2.50	1.13		
In event of an accident it is easy to lodge claims for indemnification under MTPL insurance	Private	186	4.03	1.23	0.25	0.61
	Public	48	4.13	0.61		
Insurance companies are professional in their business dealings	Private	186	3.71	1.12	4.10	0.04
	Public	48	4.38	0.49		
Generally insurance services are a luxury and meant for the rich	Private	186	2.58	1.44	0.58	0.45
	Public	48	2.75	1.10		

Conclusion

From the findings above it can be seen that there is a poor perception about insurance and especially motor third party insurance. Other than it being compulsory, motorists take insurance to be a luxury which is suitable for the rich. Others believe that insurance is only helpful in case of server accidents and that it is hard to lodge claims for indemnification.

Impact of awareness and perception of motor third party insurance policy on motor third party insurance claims

Table 5 helps to inform whether the MTPI claims status of the motorists depended on their level of awareness. Results indicated that the MTPI claims status of the motorists depended on their level of awareness of the claim settlement procedures $(\chi^2 = 27.435, \mathrm{P} < .001)$, knowledge of MTPI insurance benefits $(\chi^2 = 27.435, \mathrm{P} < .001)$ and their awareness of the extent of damage covered under the MTPI insurance $(\chi^2 = 50.794, \mathrm{P} < .001)$. However awareness of the number of times one was supposed to pay for MTPI insurance did not influence their MTPI claims status $(\chi^2 = 2.564, \mathrm{P} > .05)$.

Table 5: Showing the relationship between the awareness variables and motor third party insurance claims.

Awareness Variables	**Pearson Chi Square**	**P Value**
Do you know the claim settlement procedures?	27.435	0.000
Do you know how many times you are supposed to pay for MTPI insurance?	2.564	0.076
Do you know your MTPI insurance benefits?	27.435	0.000
Are you aware of the extent of damage covered under the MTPI insurance?	50.794	0.000

Table 6: Showing the relationship between motorists' perception towards MTPI insurance and motor third party insurance claims.

	F Statistic	**Sig.**
MTPL insurance is a form of tax that has to be paid by all motorists	2.704	.102
MTPL insurance is meant for severe accidents only	31.675	.000
In event of an accident it is easy to lodge claims for indemnification under MTPL insurance	24.503	.000
Insurance companies are professional in their business dealings	11.759	.001
Insurance services are a luxury and meant for the rich	2.250	.136

The relationship between the perception towards MTPI insurance amongst motorists and motor third party insurance claims was determined by results in table 5. The results showed that the MTPI claims depended on the motorists' perception of whether MTPI was meant for severe accidents only or not (F Statistic = 31.675, P<.01), how easy it is to lodge claims for indemnification under MTPI insurance in event of an accident (F Statistic = 24.503, P<.01)

and about whether insurance companies were professional in their business dealings (F Statistic = 11.759, P<.01).

Overall Conclusion

This study revealed that majority of Ugandans generally were aware of third party insurance, since it is compulsory however there was a general feeling that beyond awareness, Ugandans generally did not know about the operations of the third party insurance scheme nor understand how it operated. There was a negative perception towards motor third party insurance as majority of the respondents thought that insurance was for the rich, only helpful in case of fatal accidents and they knew it as a form of tax. This was because of the challenges they faced while claiming for indemnification. This meant that insurance regulatory authorities in Uganda needed to advise the affected stakeholders where to seek redress in case insurance companies refused to compensate the affected victims even after them handing in the requested documents. Therefore the study recommended that the compulsory insurance policies stipulated by the insurance act be properly sold in the society and well publicized so that the concerned stakeholders get to know its major purpose.

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