GOING THE EXTRA MILE

The challenge of providing insurance cover for loss of use of motor vehicle in a developing economy.

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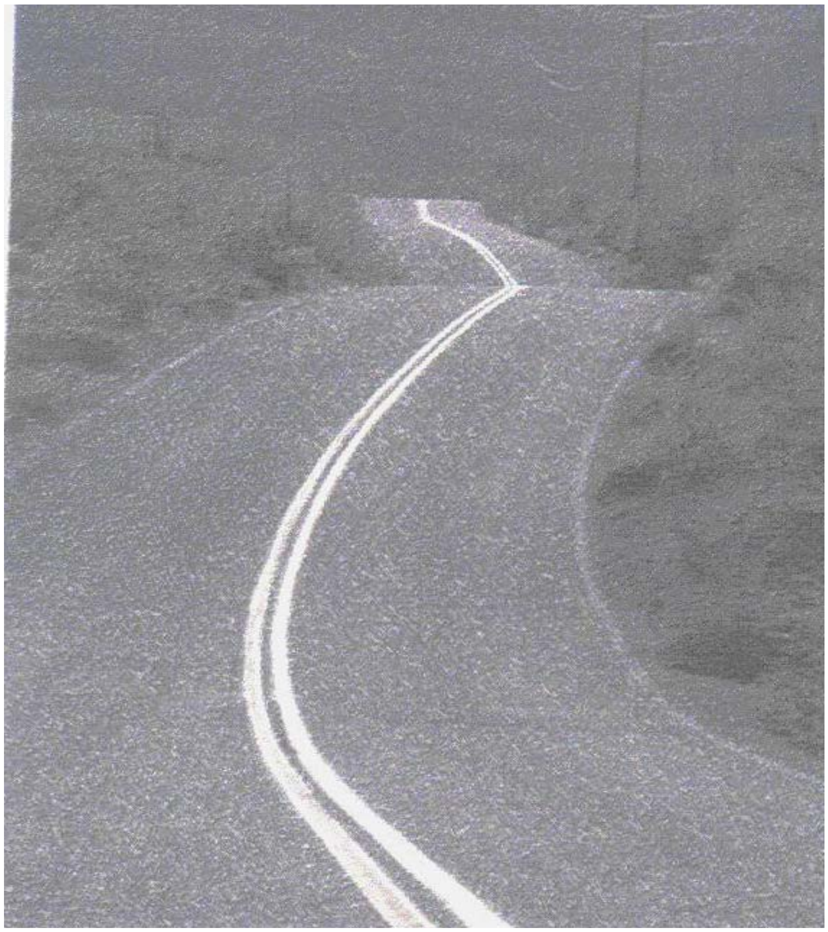

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CONTENTS

Introduction

This dissertation examines the challenges involved in providing insurance cover for loss of use of motor vehicle in developing countries – Ghana as a test case.

The idea of using value-added benefits as a competitive tool in the Ghanaian motor insurance market occurred to me in 1996 when I was studying for the Private Motor Insurance (610) paper. The opportunity to experiment the idea came in June 2000 when I was the Area Manager for an indigenous insurance company at Tema, the country's leading industrial and Port City.

I have elected to base my paper on this experiment in order to document not only the interesting perspectives that emerged during the design stage, but also, the revealing lessons which were encountered during the Operation and Claims Management stage.

The structure of this dissertation is in three (3) Parts: The first part embraces chapters one (1) and two (2).

Chapter one (1) focuses on the historical, regulatory and competitive environment in which the motor insurance business is transacted in Ghana, and seeks to establish the general context in which our study is undertaken.

Chapter two (2) dwells on the product (i.e. Loss of Use Cover) and the way it is offered in the more Advanced Economies. It also seeks to portray the product in the original and most desirable form in which it can be offered.

The second part, which deals with the design and operation of a prototype of the Loss of Use Cover in Ghana, coincides with chapter three (3).

The third part captures some useful suggestions on how to improve upon the conditions necessary for the successful offering of Loss of Use cover in Developing Economies. This part is represented by chapter four (4).

Since each chapter has its own conclusion that encapsulates the vital lessons encountered and also sets the stage for the following chapter, the final concluding part of the text only takes a broad sweep at the various issues that have been adequately addressed in the previous sections.

It is my hope that this effort to chronicle our experience in offering Loss of Use Insurance cover in a Developing Economy will make a significant contribution to the body of knowledge in global Insurance research and practice.

Chapter One (1)

Background to the motor insurance business in Ghana

The motor insurance business accounts for 45% of the premium income of Ghana's insurance industry.[1] Since certain level of motor insurance cover is compulsory, it is the most popular and, regrettably, the most controversial of all insurance services provided by the country's insurance sector.

The background to the motor insurance business dates back to Ghana's colonial past. Prior to country's independence in 1957, the motor insurance sector was largely dominated by British insurance companies who introduced strict and professional underwriting standards.

Following the withdrawal of the Colonial Insurers 45 years ago and with little or no official supervision of the local market insurers at the time, the entire industry struggled to successfully market their products. In the process public confidence in motor insurance in particular, was severely affected by opportunistic companies that entered the market with a strategy of low premiums and poor, or non-existent claims service. [2]

Several Government enquiries into the insurance industry in the 1980's led to the establishment of the National Insurance Commission (NIC) in 1990 / 91. The NIC was empowered to protect Policyholders' and Third Parties' rights under insurance contracts and to ensure that insurance companies were financially sound and conducted their business in a professional manner.[3]
Since its creation more than a decade ago the NIC has taken a number of bold initiatives that have significantly restored public confidence in the insurance industry, particularly in the motor vehicle insurance sector.

Among some of the industry purging measures taken by the NIC are:

- ♦ The elimination of unlicensed operators from the market:
- ♦ The engagement of consultants and the insurance industry's technical committee on motor. Its duty is to introduce minimum premium tariffs to govern the pricing of motor insurance products:
- ♦ The introduction of the 'sticker programme' which was designed to:
- - expose vehicle owners who failed to insure their vehicles:
- - encourage effective record keeping by some insurance companies:
- - promote the institution of a National Databank on the motor business that would enable proper determination of premium rates, profitability, claims ratios, etc. [4]

Despite these commendable achievements and their overall positive effects on the Ghanaian insurance industry, fierce premium undercutting among Ghanaian motor insurers, is threatening to undermine the gains of the past decade and revert the industry to its previous sorry state.

For instance, a report by two experts ***Peter W. Batch*** and ***Marc R. Guppy,*** who undertook a consultancy work on motor insurance in Ghana established that many motor insurers were using several unorthodox discounts to adjust the tariff in order to secure business.

This is how they expressed it:

> From the review conducted, it appears that Special Discounts (aside the normal No Claims Discount and Fleet Discount) are being applied at the whim of the Underwriter and are frequently used to procure business by adjusting the overall rate.
>
> This is how the tariff can be compromised and this option, combined with the overwhelming hunger by most insurers for market share, could lead to troubled times

ahead.[5]

In the concluding segment of their report, the two renowned consultants observed that ‘the future of motor underwriting will be very positive for those insurers with superior management, underwriting philosophy, service standards and staff selection and training’. [6]

It was in the light of this admonition that the Metropolitan Insurance Company Limited took a bold step to depart from rate undercutting and resorted to expanding and deepening its product base as a means of gaining market share.

The opportunity came in June 2000 to put its resolve to test by Designing and Providing Loss of Use cover for the top management staff of a multinational company operating in Ghana.

The learning experience from this experiment is the basis of this Dissertation.

Chapter Two (2)
Appraisal of loss of use cover in developed economies

Introduction

Under a standard comprehensive motor insurance policy, cover for loss suffered by a policyholder as a result of his inability to use his vehicle following an accident, is specifically excluded. The remedy for this loss only exists where the accident arises from the negligence of another driver, in which case the innocent victim can claim his loss of use from the tortfeasor's insurers.

Therefore, providing loss of use cover for an own damage claimant under a comprehensive policy is just a courtesy measure to extend the scope of cover to include consequential loss, which is excluded under the own damage section of the policy. In most cases this additional benefit is offered at extra cost.

How it operates

In most developed economies, the Loss of Use cover promises to provide the policyholder with an alternative vehicle during the period when his car is undergoing repairs, as a result of an accident. Alternatively, the policyholder may be entitled to an amount not exceeding a pre-determined figure if an alternative vehicle is not provided.

In situations where the insurer chooses to provide the policyholder with a replacement car, this service is done through one of the following ways:

- ♦ The vehicle is supplied by the insurer's Approved or recommended garages. The cost may be borne by the nominated garage in return for a guaranteed volume of business or passed on to the insurer as part of the repair charges for the damaged vehicle.
- ♦ The insurer may engage the services of a car rental company to provide the vehicle for an agreed duration or until repairs are completed, whichever is earlier.[1]

Underwriting and Risk Management Considerations

Loss of Use claims can be very troublesome to handle in even the Developed Economies where the challenge of meeting tight deadlines is strictly adhered to.

To reduce the painful consequences that may arise from offering this cover, insurers usually adopt the following risk Management and Underwriting techniques:

- ♦ The Loss of Use extension is seldom offered automatically under a motor policy. Cover is only granted selectively and at a fairly high premium.
- ♦ Imposing a maximum duration within which a replacement vehicle can be made available to the policyholder. A cut off period of 14 days is quite common and the import of this measure is to shield the insurer from the financial loss that may arise from unexpected delay in repairing an accidented vehicle. [2]
- ♦ Imposing a **time excess** of, say two days, within which most minor claims could be fixed and the policyholder is not allowed the use of a replacement car.[3]
- ♦ Exempting loss of use claims from windscreen or glass only claims; and
- ♦ Restricting replacement vehicles to those with small engine sizes or cubic capacity. Engine capacity of 1600cc is quite common, and this ensures that vehicle rental charges are kept reasonably low.

Conclusion
Notwithstanding the press-button facilities that exist in Advanced Economies, which in turn reflect on the prompt and professional manner in which claims are handled and other auxiliary services provided, insurers in general have approached the issue of Loss of Use cover with great circumspection.

In the UK for instance, it is reported that there are over 40,000 legal cases involving Credit Hire and Insurance Companies pending settlement. These have arisen largely from Third Party claims for Loss of Use of motor vehicle. [4]

Whichever way this 'business' of Loss of Use is perceived by the insurance industry and the insuring public, there is ample evidence from the experience of the Developed Economies to show that if this extension of cover is not handled with care, it can reflect poorly on the public image of the entire insurance industry.

This reality is even more onerous in Developing Economies where several wheels have to be invented if the cover is to be provided successfully.

Charter Three (3)
Designing and operating a prototype in Ghana

Introduction
The Ghanaian insurance industry had its first opportunity to take a shot at Loss of Use insurance in June 2000, when VALCO, a major multinational company which operates in the country put its motor insurance portfolio on open tender.

Metropolitan Insurance Company, a local Insurer won the tender. In this section, the insights gained by our underwriting the risk are documented.

The searchlight is on the **Lose of Use** component of the cover granted.

Profiling the Client
Located at Tema on the coast of Ghana in West Africa, the Volta Aluminium Company Limited (VALCO) is a primary aluminium smelter owned by the Kaiser Aluminium Corporation. The plant has a rated capacity of 200,000 tons of aluminium per year. Electric power is provided by the Volta River Authority's Akosombo hydroelectric dam which is about 120km away from the city. Most of Valco's metal production is shipped to Europe, roughly 10% is supplied to Ghanaian Customers. [1]

About 99.3% of Valco's workforce is Ghanaian. The local workforce is largely composed of skilled professionals in various fields, who have over the years been drilled in the abiding safety standards required to keep occupational accidents to the minimum in such a high risk industry.

To ensure smooth and uninterrupted flow of work processes, VALCO devotes substantial resources to keeping its workforce well motivated. One of these areas is the provision of a large pool of well serviced vehicles to its top management staff. The rationale, among others, is to facilitate commuting of staff between their residences and place of work, and more significantly, to prevent the staff from relying on the undependable public transport system.

However, in the Year 2000 VALCO reached a turning point where it took the difficult decision of divesting itself of several non-core areas of its operations.

It was on the basis of this decision that the Top Management was weaned off its dependence on company vehicles and were provided with auto loans to acquire and operate their own vehicles.

Metropolitan Insurance Company became involved in the negotiations for providing insurance cover for this category of VALCO staff in June 2000.

(A) The Design and Operation
As indicated earlier, the focus of this section is on the considerations that went into priming the position on the ***Loss of Use*** cover that was granted under the Comprehensive Motor Insurance Scheme offered to VALCO.

The relevant issues are now tackled.

(1) Defining the Insured Event

VALCO's Request

For the prospective client, the Loss of Use cover was required to cover the following instances:

- Where the insured vehicle is unavailable as a result of it undergoing routine servicing or maintenance
- Where the insured vehicle is broken down as a result of mechanical or electrical faults or any cause, other than an accident.
- When the insured vehicle is undergoing repairs following an accident.

Again the motivation for this request is clearly to ensure smooth transition from VALCO's previous policy of always providing a replacement vehicle when a staff's allocated vehicle is not operational, to the new arrangement where auto loans were to be provided for staff and all downstream responsibilities for operating the vehicles, are also consequently transferred to them.

Underwriting and Risk Management

To deal with this problem, Metropolitan Insurance separated the three (3) point request into two (2) broad categories, with the first two falling into one group. The following technical considerations were then applied:

- Since the first two items are specific exclusions under the Own Damage Section of a Comprehensive Motor policy, it was technically untenable to endorse a cover on these excluded causes of loss.

  However desirable the first two requests may be, it is undoubtedly an unwise Underwriting practice to stretch an Insurer's contractual liability to a domain that looks more like the function of a Credit Hire Industry than an Insurance function.

  This point must be stressed further by referring to the empirical reality that even if sufficient premiums are to be charged for the temptation to hinge Loss of Use cover on the first two causes, it is a demonstrable fact that high premiums do not present enduring solutions to poor Underwriting practices. This is especially true in Developing Economies where poor maintenance culture and relative underdevelopment of the car rental sector are bound to make such undertaking an expensive venture for the Insurer.

- The second, and professionally more realistic option, was to restrict the Insuring Event to Loss of Use arising from accidental damage to the insured vehicle which necessarily demands repairs.

  Thankfully, VALCO accepted our counter offer to restrict the Insuring Event on this second option.

(2) Determining The Limit of Indemnity

Valco's Request

Here, VALCO needed an arrangement that would provide Loss of Use cover for the entire **period** when the insured vehicle is unavailable, and for whatever **amount** that it would cost to offer a replacement vehicle.

Again, the import of this request was to guarantee uninterrupted mobility for the company's cream staff who were to be covered.

Underwriting and Risk Management Considerations

To deal with this problem, the Underwriters had to place in perspective some very pertinent issues. Two of these are:

- The availability of first class loss assessing and vehicle repair facilities that would not only ensure cost-effective repairs, but most importantly, speedy disposal of assignments and thereby cutting down on the Loss of Use claims.

- The availability of reasonably priced car rental facilities that can be used during the repair period of the insured vehicle.

  Infact, it is in this, and other less critical areas that the real challenge of providing Loss of Use cover in a developing economy lies. Due to the centrality of the above issues to the question of Loss of Use, we will revisit them in greater detail in subsequent chapters, as we trail our novel experiment.

  In short, service standards in the two sectors fall significantly behind what pertains in advanced economies and therefore, cannot be relied upon by an insurer to support indeterminate liability in terms of money and time. Adaptations will have to be made to the Insurer's monetary and temporal obligations, at least for now, if the cover is to be granted.

  The question of Limit of indemnity was handled as follows:

- The unit of account for the Loss of Use cover will be denominated in **Monetary** rather than **Time** benefits.

- For any loss situation, a monetary limit will be set on the amount payable for Loss of Use. This limit was agreed as 10% of the insured value of the vehicle.

(3) Determining The Mode Of Indemnity
– Replacement Vehicle or Monetary Reimbursement?

VALCO's Position

Since the public transport system in Ghana, as in most Developing economies is both unreliable and chaotic, VALCO, understandably, needed an arrangement that would deliver a self-drive replacement vehicle should an admissible claim render the insured vehicle mechanically unusable.

Underwriting and Risk Management Considerations

As mentioned in the last section, the ability of an insurer to honour its obligation of providing a replacement vehicle is a direct function of the availability and cost of car rental facilities in the economy in which it operates.

The car rental industry in Ghana is fairly developed, but its slant of operation and focus is more geared towards the Hospitality and Tour sectors. This is especially revealing when one considers the industry's price structure which is decidedly high and quoted in a foreign currency, usually the US Dollar.

Comparing the prevailing premium rates in the motor insurance sector to the price structure of the car rental industry, it is obvious that the motor insurance fund cannot support any regular and large-scale patronage of the services of the latter.

Metropolitan Insurance however, had limited options if it was to avoid the temptation of engaging in activities which are quite removed from its core business of insurance by venturing to establish a vehicle pool from which claimants can be supplied with replacement vehicles. At the same time one has to take cognizance of the reality that the true benefit of the Loss of Use cover can only be felt and appreciated if the option of providing policyholders with a replacement car is preserved under the claim settlement agreement.

Eventually it was agreed between the negotiating parties that the option of replacement car and monetary reimbursement should both exist as a means of providing indemnity under the policy, and must operate along the following lines:

- In situations where claimants make their own alternative transport arrangements other than engaging the services of a car rental company, the Insurer's liability would be restricted to the reimbursement of actual expenditure incurred by the claimant.

- While claimants have the option of using the services of car rental companies, this option must only be exercised with the consent of the insurer.

  The essence of this last point is three fold. First it gives the insurer the opportunity to attempt rate negotiation with the car rental company. Secondly, the insurer can monitor the usage level of the facility so as to notify the claimant when the limit of indemnity is exceeded. Thirdly, involvement of the Insurer would allow for sufficient pressure to be mounted on the repairer to complete and deliver the work on time.

(4) The Rating Process

In chapter one, mention was made of the fact that the Ghanaian motor insurance market is governed by a price tariff.

The motor tariff comprises the rating guidelines set down by the National Insurance Commission (NIC) which all motor insurers must follow. Various discounts can be made to the tariff rates depending upon the level of No Claims Discount Entitlements, for Fleet Policies and where there are 'special' circumstances.

Thus, under the broad heading of rates the only choice left to the Insurer is to find suitable rates for the unconventional components of cover, such as Protected No Claims Discount, Buying of policy Excess and Loss of Use.

The issue of price is very significant in the purchasing decision of most prospective clients. The challenge to Metropolitan Insurance therefore, was to elect rates that would guarantee the availability of funds to meet expected claims, whiles ensuring that the final premium figure is at least affordable to the determined buyer.

A step by step process of how the final premium figure was distilled is shown overleaf.

Value Added Comprehensive Motor Insurance Premium Quotation

(A) Basis of Quotation

- Value of Vehicle for Insurance purpose: GH ¢………………
- Loss of Use cover (Up to a Limit of 10% of Insured Value)
- No excess applicable
- Protected No claims Discount
- 50% No Claims Discount
- 10% Special Discount

(b) The Computation

Basic Premium (BP): GH¢ ……………… x 7% = …………………
(Note: 7% is dictated by tariff)

Less

10% Special Discount (BP x10%) ……………………….
50% No Claims Discount (BP x50%) ……………………….

Add
Loss of Use cover (BP x 10%) ……………………….
Protected NCD (BP x 5%) ……………………….
Cost of Buying Excess (BP x 10%) ……………………….

Net Annual Premium: ………………..

(5) Other Considerations

(a) Windscreen and Glass Claims

In contravention to conventional practice, Loss of Use claims were to be admissible following windscreen or glass claims, provided the insured vehicle was unavailable for use for more than 24 – hours during the period of re-fixing the broken glass or windscreen.

(b) Counting Time for Loss of Use claims

It was mutually agreed between the insuring parties that time for Loss of Use claims will begin to run as soon as the Insurer is officially notified of an accident, which in effect renders the insured vehicle mechanically unusable.

Cost accumulation will however, commence from the date the insured actually begins to incur cost to arrange alternative vehicle or, with the consent of the Insurer, goes for a hire car.

(c) Time Excess

Here again, our experiment contravened conventional practice by electing to pick up all Loss of Use claims without imposing a minimum period within which such claims will not be absorbed.

(B) The Claims and Learning Experience

The VALCO deal was eventually closed in October 2000 and their top management, numbering 41, were covered under the Special Motor Insurance Scheme.

In this section, the claims experience of the portfolio for the first eighteen (18) months is reviewed, together with the underlying reasons for the patterns that can be discerned.

Table 1: Premium / Claims Paid

Period of Insurance	Annual Premium	Earned Premium	Claims Paid	O/S Claims	Claims Ratio
	¢	¢	¢	¢	¢
13/10/00 – 12/10/01	94,000,000	94,000,000	5,990,000	NIL	6.4%
13/10/01 – 12/04/02	168,000,000	84,000,000	24,000,000	NIL	28.6%

Table 2: Breakdown of Claims Made

Claim No	No of Days Vehicle Spent In Garage	Own Damage Claim Amount	Loss of Use Claim Amount	Per Incident Limit For Loss of Use Claim
		¢	¢	¢
1	7	2,600,000.00	390,000.00	12,800,000.00
2	10	1,800,000.00	1,200,000.00	12,100,000.00
3	45	12,000,000.00	11,700,000.00	18,500,000.00

Table 3: Cause of Accident / Nature of Damage Sustained

Claim No	Make of Vehicle	Cause Accident	Nature of Damage Sustained	No of Days In The Garage
1.	Toyota Corona	Hit by falling stone particles from another vehicle	- windscreen shattered	7
2.	Toyota Corolla	Hit from behind by another vehicle in a traffic build-up	- Right rear lamp broken - Back bumper dented	10
3.	BMW 320i	Close impact Collision with a wild Animal in a remote District	- Dented Bumper - Damage to various plastic fittings under the car - Damage to radiator, fan shroud, etc.	45

(a) Frequency and Severity of Claims

As shown in Table 1, the claims experience of the portfolio for the first 18 months is good. Even more revealing is the cause of accident and nature of damage sustained as captured in Table 3, which shows that often times, the policyholders are not responsible for the accidents, and also that, the consequent own damages are very minor in nature.

The reason for this pattern is that employees of VALCO are always subjected to routine training in Accident Prevention Measures that span the employees' entire working life with the organisation. The primary motivation for this action is to reduce occupational accidents in the predominantly risky industry of aluminum smelting.

The incidental benefit is the exceptional skill and professionalism exhibited by the staff in defensive driving and their general proactive attitude towards personal safety.

The Underwriter has so far benefited greatly from the resultant low frequency and severity of claims made.

(b) Analysis of Loss of Use Claims

Table 2, shows that the ratio of Loss of Use claims to Total Claims
made per incident ranges from 15% - 39%. Loss of Use claims are a function of two variables which are briefly considered below.

(i) 'Ground Time' of Accidented Vehicle

Loss of Use claims are directly related to the number of days the insured vehicle is 'grounded' following an accident.

A closer look at Table 3 and a comparison between items entered under the last two headings shows a disturbing reality of life in most Developing Economies. For instance, the number of days taken to fix a damaged vehicle can turn out to be completely unrelated to the severity of damage sustained by the accidented vehicle.

The blame for this paradox lies with the **Repair Garages** involved. Claim Nº 3, for example, involved a brand new BMW 320i saloon car. This car was sold by an Agent Dealer for the BMW brand and the owner was constrained by warranty agreement to send the car to the same garage for accidental repairs within a defined period.

The BMW Agent Dealer in Ghana is well equipped with the very latest technology for repair processes and yet a minor damage as indicated took 45 days to fix!

The reason for this contradiction is that most Agent Dealers in Developing Economies are more interested in selling vehicles than fixing accidented or faulty ones. This motivation has largely influenced their investment patterns which allow for the importation large numbers of the latest brands of vehicles, without the commensurate investment in stocking adequate parts for repairs or replacement.

Most of these Agent Dealers order parts only on request by their clients. To facilitate speedy delivery the parts have to be couriered if possible, at additional cost to the client.

Due to the importance of repair garages to the whole venture of granting Loss of Use cover, we shall return to them shortly in the final chapter.

(ii) Use of Car Rental Services

If this option is fully utilised, it has a significant effect on the Loss of Use claim amount.
Consider claim Nº 1, for instance. The claimant relied solely on **Commercial Taxis** for the seven (7) days that his vehicle was in the garage. The Loss of Use claim accounted for only 15% of the Total Claim amount.

The claimant in claim Nº 2 engaged the services of a Car Hiring company for three (3) out of the ten (10) days of Loss of Use claim, and that accounted for 85% of the Loss of Use amount.

Finally, the claimant in Claim Nº 3 rented a car for the entire 45 days of 'ground' time, at a daily rate of US $35.00. The cost implication of this decision is indeed very revealing.

We have mentioned earlier the compelling need for preserving a claimant's right to engage the services of Car Hiring companies when the occasion demands. This desirable decision however is an expensive one, at least to the Insurer.

Conclusion

The learning experience of Metropolitan Insurance Company over the first 18 Months of granting Loss of Use cover to a select group, has been an interesting one.

Apart from the Underwriting and Risk Management measures taken to ensure smooth operation of the scheme, the Claims Handling experience has brought into focus the equally important role of other service providers such as car rental companies, repair garages, towing companies and motor vehicle surveyors.

If a loss of use insurance cover is to operate successfully on a larger scale in a developing economy, the above named providers will have to be properly aligned to operate in partnership with insurance companies.

The following section investigates avenues for building working relationship between insurance companies and other stakeholders in providing excellent services to claimants and cutting back on Loss of Use claims.

Chapter Four (4)
Networking with other Service Providers

Speedy settlement of claims is not only a potent tool for business retention in the Motor Insurance business but also a critical means of saving cost, if Loss of Use cover is involved.

In this section, four main players whose activities impact on Motor Insurance Underwriters are singled out for closer study with a view to exploring avenues for the latter to forge a closer working relationship with the relevant players.

(a) Automobile Repairers

In most developing economies vehicle repair garages appear to be from quite different ends of the spectrum.

Agency garages are those aligned with a particular model vehicle and are owned by the Agents / dealers such as BMW, M/Benz, Volvo, Toyota, etc. They are well equipped with the very latest technology available for the repair process.

Although the Agency garages are very expensive, their presentation is immaculate and pressure is exerted on Agency type vehicles (particularly the threat of warranty voiding) to have their damaged vehicles repaired at these repair shops.
The second group of repairers, that is suburban repair shops, operate from poorly managed workshops but demonstrate qualitative handiwork which parallels the established agency workshops mentioned earlier. Interestingly, most of them are owned by either ex or current Agency repair staff.

In Ghana, most insurance companies have found this second group very convenient to deal with as they exhibit substantial flexibility in responding to the demands of their clients. This is in addition to the fact that they deliver technically high standard repairs.

In order to cultivate a more rewarding working relationship with this group, Insurers may have to consider investing in some aspects of their operations. Areas worthy of mention are information technology, financing the purchase and stocking of essential spares and parts and staff training. This is to enhance their presentation and also to enable them to respond much more effectively to jobs that must be given emergency attention.

As the service level of this group of repairers improves, vehicle owners will grow to accept their work delivery as a perfect alternative to the Agency garages. Insurers will consequently benefit from the overall reduction in repair time, immaculate presentation and quality job delivery.

(b) The Towing Companies

Towing cost up to a certain percentage of the repair bill is normally granted under a standard comprehensive motor policy.

In most Developing Economies however, gaining direct and easy access to the services of well-organised towing companies is often difficult. This challenge assumes even more difficult posture if the accident occurs in remote areas, far removed from the operating zones of the towing companies, which are usually located in the big cities.

Delays in claims settlement attributable to delayed towage may be eliminated if an Insurer chooses to charge additional premium on all comprehensively insured vehicles, so as to grant a higher limit for towage cost than is generally offered under such polices.

The Insurer may then strike a standing arrangement with a well-represented Towage Company to undertake towing assignments irrespective of the time, place and cause of breakdown to nominated workshops. The entire cost of towage will be borne by the Insurer, provided it conforms with the agreed formula for computing towing cost.

The insurer may then include contact information of the Towing Company on certificate jackets, stickers, leaflets, etc for the policyholder which can easily be referred to when towage services are required.

This measure if successful, will greatly expedite and enhance the overall claims administration process and eliminate Loss of Use claims which may arise from delayed towage.

(c) Car Rental Companies

The public or mass transportation system in most developing economies is unreliable and therefore unattractive to a large segment of white-collar workers who are accustomed to traveling in their own vehicles.

Thus, for Loss of Use cover to be provided on any large and sustained basis, the services of car rental companies are indispensable. But accessing their services at the normal cost offerings is also as high as to be untenable.

Insurers may get around this problem by striking a deal with a well run car rental company for the provision of smaller and not too popular vehicle models / makes, at substantially reduced cost.

This idea is most likely to be attractive to the car rental company if volumes are expected.

(d) Loss Assessors

A Loss Assessor is appointed by an insurer to ensure that repairers quote fair and reasonable prices to repair vehicles in the most cost effective and professional manner.

A competent Assessor who is a skilled negotiator and knowledgeable in various repair methods and technology is vital to an Insurer particularly as their comprehensive cover increases.

Aside these advantages, the Insurer may derive multiple benefits from dealing with an assessor who is also very conversant with the second-hand spares and parts dealers' markets. The assessor's links may become invaluable where the Insurer needs to secure home-used parts to fix a damaged vehicle.

By forging a closer alliance with Loss Assessors, the Insurer's claims handling philosophy can be brought to bear upon their work and thus reducing to the minimum, all unnecessary delays and their consequent impact on Loss of Use claims.

Conclusion

We have in this paper traversed the challenging path of undertaking what appeared to have been an easy and straightforward task at the onset – Providing Loss of Use insurance cover in an emerging economy.

By working through the various stages of Design, Risk Management, Operation and Claims Handling, the old adage that the devil is in the details has been confirmed.

The paper also exposes the various pitfalls which may afflict any attempt to transplant specialised personal insurance products or services into Developing Economies without proper appreciation of the socio-economic and other general development issues that impinge on the practice of insurance in these economies.

As our bold experience has taught us, it is prudent for any company seeking to expand its market share through innovation and new product development to first experiment with a sample space of select customers. The process should be interactive and as much as possible, build into the design of the new product realistic expectations of the select group.

We have also discovered that Loss of Use insurance can only be meaningful if excellent and reliable services from other sectors as car rental companies, towing companies and repair garages can be guaranteed. In an advanced economy this coordination can easily be taken for granted, whereas in a developing one, conscious and painstaking effort has to be made to create it. That is the only way motor insurers can harness resources from these service providers to satisfy their clients.

Complications however, are not the only way of life for the Insurance Practitioner in a developing economy. When bold initiatives are taken, new wheels are invented and old ones are modified to enhance service delivery and move a whole industry forward, the Insurance Practioner feels overwhelmingly gratified that humanity has again triumphed over adversity.

Providing Insurance cover for Loss of Use of Motor vehicle in an emerging economy is indeed not a problem. It is a challenge.

TAKE UP THAT CHALLENGE AND GO THE EXTRA MILE!

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Limitations of this Study

This Dissertation, like many other works, is not without limitations. Some of these limitations are:

- The study derives from the experience of just one company, with a limited geographical presence, but dominant influence.

- The sample space of this study, as reflected in the number of people covered is, indeed, small. There are over a million private car owners in Ghana and the research could have been more meaningful if a greater percentage of this vehicle – owner population were captured.

- The age profile, profession and general mobility of the group covered shows a decidedly conservative pattern from what pertains in the larger public. A study that will encompass people of wider age group and varied professions, may portray a more accurate picture of the claims experience than is captured here.

- Finally, the period of study relates to only 18 months. Motor claims experience and patterns are better gauged over a longer period than afforded under this study.

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I must mention however, that any shortfall in this work is exclusively mine.