A Study on Customer's Preference for Personal Vehicle Insurance Provided by Different Insurance Companies in Bengaluru

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ABSTRACT

The primary purpose of vehicle insurance is to cover the vehicle against damage, personal injury, and third-party liability. In addition to this, some insurance companies also provide value-added services such as roadside assistance and other services in return of the amount called as premium which attracts a large number of customers. However, our study shows that vehicle owners give maximum importance to the cost of insurance in terms of the annual premium. Primary data has been collected through questionnaire and analysed to ascertain about the factors responsible for taking out vehicle insurance, choice between private and public sector insurance companies, preferred insurance companies among the major players in the field, factors that play a role in the customers' choice of a particular insurance company, customers' opinion about the affordability of the premium to be paid, customers' satisfaction with their chosen company, whether customers consider fast and efficient service as a deciding factor, and whether the brand value of the company plays a role in the customers' choice.

Keywords: Vehicle Insurance, Customer satisfaction, Insurance premium, Service quality.

1. INTRODUCTION :

Insurance is a means of protection from financial loss. The insurance sector is one of the most important sectors for the economic growth of the country. It facilitates economic transactions by transferring the risk to the third party. A large proportion of contribution in the insurance sector comes from vehicle insurance. This study focuses on the importance of vehicle insurance and helps us to understand the important factors which are considered by the customers before choosing their specific insurance company for personal vehicles, in the city of Bengaluru in India.

The insurance sector is one of the most important sectors for the economic growth of the country. Its importance was also mentioned and acknowledged at the United Nations Conference on Trade and Development (UNCTAD)which is the focal point of the United Nations for all matters related to insurance and development. The importance of insurance can be recognized by the fact that the insurance programme has been an integral part of UNCTAD's mandate since the establishment of the organization in 1964 [1]. As humans and their possessions are always prone to risk because of uncertainties, these uncertainties cause financial loss to them. Insurance offers protection from financial loss. It is a subpart of risk management used to hedge against risk.

In this paper, we collect and analyze the opinions of the customers, who avail the services of vehicle insurance companies in the North Bengaluru area, via a questionnaire which ascertains the customers' opinion about the factors responsible for taking out vehicle insurance, choice between private and public sector insurance companies, preferred insurance companies among the major players in the field, factors that play a role in the

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customers' choice of a particular insurance company, customers' opinion about the affordability of the premium to be paid, customers' satisfaction with their chosen company, whether customers consider fast and efficient service as a deciding factor, and whether brand value of the company plays a role in the customers' choice.

2. LITERATURE REVIEW :

Nowadays, many people prefer to have insurance to overcome the future uncertainties and some of which have been made compulsory under the law There are different types of insurances such as life insurance, health insurance, vehicle insurance, and others. Post liberalization, vehicle insurance has become very important from both social and economic point of view and this have been researched by various researchers across various countries. Kelly et al. [2] have focused on how regulation influences availability and profitability of auto insurance in the context of Canadian vehicle insurance. It was concluded that premium rate reduction orders, product reforms and the prices impact the premium. This research also studied impact of regulatory acts on the auto insurance sector. Dhar [3] has studied the performance of the insurance sector in India and found that the health sector and automobile insurance sectors are the key players of general insurance. Research conducted by Dutta and Mitra [4] has analyzed the factors affecting vehicle insurance in India. Sabiyam [5] has found that customers in Ghana who are likely to get the compensation amount eventually get fed-up of the delays in the process and leave it in the middle. The insurance companies try to get the maximum premium from the customers and give them a lower amount at the time of claims. Siddique et al. [6] have evaluated the disclosure policies in the financial statements of the insurance companies in Bangladesh. It showed a positive relationship between the disclosure and profitability and performance of the insurance sector. Gessese [7] conducted a study to examine the effect of motor insurance claims management process on customer satisfaction at Ethiopian Insurance Company. The research identified several elements of the motor insurance claim management process. LeVan and Le Thi [8] and Kor-Udom [9] analyze factors that affect the purchase of voluntary insurance by customers andby insurance brokers' preference of insurance companies. The paper by Meeboonsalang and Chaveesuk [10] presents an integrated model of customer loyalty in automobile insurance in Thailand. In Kahanen et al. [11], data mining technology is applied to determine insurance rates. Fraud in automobile insurance claims is becoming a matter of great concern for insurance companies all over the world. The studies on this aspect by Subudhi and Panigrahi [12, 13] provide different ways of detecting frauds in the Indian context. There is a body of literature that focusses on improving insurance rates via different approaches [14, 15]. Devlin [16] examines different automobile insurance regimes in the Canadian context. A similar study was done by Grace et al. [17] for the US automobile insurance market and by Peng at al. [18] for Taiwan. Discounts in automobile insurance is a lucrative way of attracting customers and the paper by Chan et al. [19] addresses the issues involved in deciding upon discounts offered to customers. Green fuel initiatives are becoming important in the automobile sector and the paper by Huang and Wang [20] examines the effect of such vehicles on the insurance market in Taiwan. The exact premium to be charged to customers is an important issue and the paper by Robinette and Wachtel [21] presents a case study on the effect on the overall revenue from the automobile insurance when the value of the insured amount is raised.

Insurance companies pay attention to have a good relationship with the customer and provide them a certain level of quality of service. The present paper focuses on the importance of vehicle insurance and customer preference for vehicle insurance between the public sector and private sector companies. Customers have a wide range of insurance companies to choose from. It can be either public sector or private sector. The customer has to choose between them which they do so by keeping in mind the premium paid by them, services received by them, and the satisfaction worth in terms of premium paid by them.

3. RESEARCH DESIGN :

3.1 Statement of the Problem

Vehicle insurance is mandatory for the customers and it has been also made compulsory by the law. Every owner must have the vehicle insurance be it two-wheeler or four-wheeler. Thus, there arises the need for a

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third party and its liability towards the damage of vehicle under the law. Therefore, vehicle insurance is important for the owners as it minimizes their risks and transfers the risk to the third party. Vehicle insurance can be done through various insurance companies, the private sector, public sector insurance companies, or banks. The customers have a wide variety of options to choose from. There is a competition among the companies and the customers have to choose between them. The choice of selection is based on the prices decided by the companies and customer satisfaction. The insurance companies claim to render a high quality of services to the customers. However, the actual scenario is different. There is a gap between the public sector insurance companies and private sector insurance companies with respect to the insurance premium charged by them, which affects the services provided by them, thus affecting customer satisfaction.

3.2 Objectives

The objectives of the study are as follows:

1. To study about insurance companies providing vehicle insurance in Bengaluru.
2. To identify the factors considered by customers for opting for a vehicle insurance.
3. To understand important factors that affect customers preference in selecting an insurance company.

3.3 Hypothesis

Null hypothesis: There is no significant relationship between the customer preference for an insurance company and the premiums paid.

Alternative hypothesis: There is a significant relationship between the customer preference for an insurance company and the premiums paid.

3.4 Scope and Limitations of the Study

The present study focuses on vehicle insurance by the vehicle owners and is conducted in North Bengaluru. It includes the various insurance companies preferred by customers. The limitations of the study are the following:

1. The study is only conducted in North Bengaluru.
2. Primary data collection method has been used in the form of questionnaire and the study has been conducted within a short span of time.
3. The study is only restricted to vehicle insurance.

3.5 Methodology and Data Collection

Type of Study: Descriptive Research

Sampling Plan: (a) Sampling Unit: Customers who own a vehicle and have a vehicle insurance from their respective companies. (b) Sampling Techniques: Convenience (Non-probability) sampling methods are used. (c) Sample Size: 100.

Primary Research Data: The primary data was collected from selected customers who own a vehicle and have taken a vehicle insurance using Simple Random sampling techniques, with the help of questionnaires. The questionnaire was based on Likert five-point scale. Total questionnaires were circulated to customers, out of which responses were received. The present study is mainly based on the survey conducted and questionnaires are based on Likert and semantic scales.

Secondary Research Data: The secondary data is collected from various sources like existing research papers, journals, and databases. It covers the conceptual part of the study and the main source of the secondary data is the official website of the insurance companies, research papers, article, etc.

4. DATA ANALYSIS :

In the following, we present the data collected in both tabular and graphical form and make inferences from them.

4.1 Factors Considered by Customers

Fig. 1 presents the factors considered by customers in deciding the reason for opting for insurance.

Interpretation: It can be observed that 29% respondents opt for vehicle insurance as it pays for damages, 21% as they think it reduces the potential liability for them, 17% of respondents think it shares the risk between them and the insurer, 8% of respondents have done their vehicle insurance for value added services, 25%

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respondents have opted for the vehicle insurance as it is made compulsory by the government.

Inference: It can be concluded that majority of respondents go for vehicle insurance as it pays for the damages which can occur in the future.

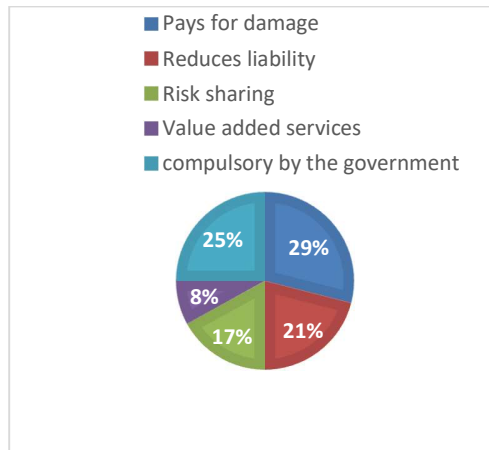| Factors	Percentage
Pays for damage	29%
Reduces liability	21%
Risk sharing	17%
Value added services	8%
Compulsory by the government	25%
Total	100%

Fig. 1: Factors considered by customers

4.2 Preferred Sector by Customers

Fig. 2 present the customers' preference for public or private sector.

Interpretation: From the data, 63% respondents prefer to go for private sector and 37% respondents prefer public sector.

Inference: From the data, it can be inferred that majority of the respondents prefer private sector for vehicle insurance.

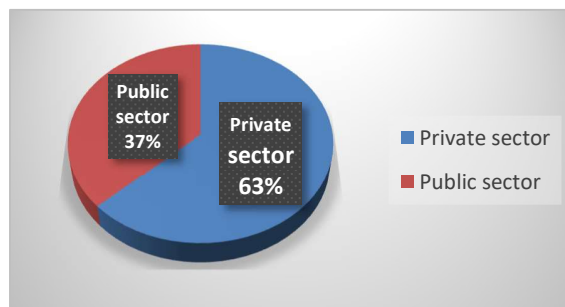| Sector	Percentage
Public sector	37%
Private sector	63%
Total	100%

Fig. 2: Preferred sector by customers

4.3 Companies Preferred by Customers

Fig. 3 gives the data about the companies preferred by customers. In the Table 3, many customers ticked more than one company, since they switch companies year to year, and hence the total number is more than 100 which was the sample size.

Interpretation: From the data, it is observed that 34 respondents prefer ICICI Lombard, 25 respondents prefer HDFC ERGO, 20 respondents prefer TATA AIG, 23 respondents prefer The New India Assurance company, 16 respondents prefer The Oriental Insurance Company, 20 respondents prefer Bajaj Alliance and 32 respondents prefer the other companies for their vehicles.

Inference: From the data, it is analysed that majority of respondents prefer ICICI Lombard for their vehicle

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insurance and HDFC ERGO.

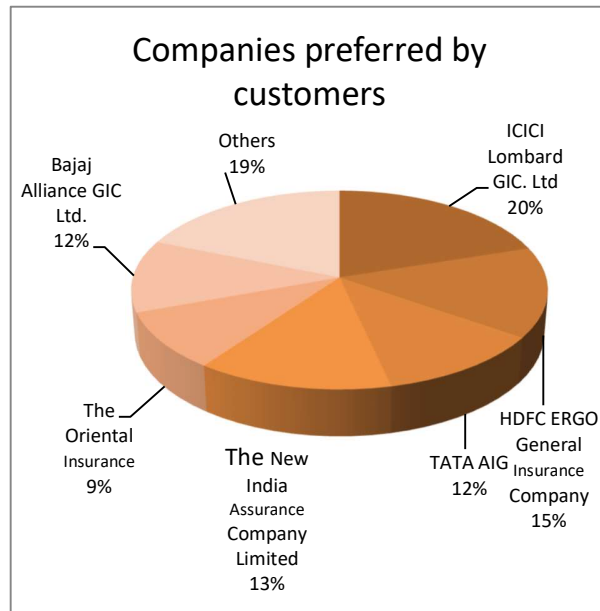| Companies	Frequency	Percentage
ICICI Lombard GIC. Ltd	34	20%
HDFC ERGO General Insurance Company	25	15%
TATA AIG	20	12%
The New India Assurance Company Limited	23	13%
The Oriental Insurance Co.	16	9%
Bajaj Alliance GIC Ltd.	20	12%
Others	32	19%
Total	170	100%

Fig. 3: Companies preferred by customers

4.4 Factors Considered by Customers for Choosing the Insurance Company
Fig. 4 gives the data about the reason that a customer prefers his/her chosen company.
Interpretation: It can be seen that 22% of respondents choose their preferred insurance because of easy access, 23% respondents choose because of prompt service, 30% respondents because of insurance coverage, and 25% respondents choose the respective insurance company because of the affordability of the premium rates.
Inference: It can be inferred that majority of the respondents go with their respective chosen companies because of the insurance coverage given by them as per their policy.

Factors	Percentage
Easy Access	22%
Prompt service	23%
Insurance coverage	30%
Affordable premium	25%

Fig. 4: Factors considered by customers for choosing the insurance company

4.5 Feeling of Customers about the Amount of Premium
Fig. 5 presents the data pertaining to the customers' opinion on the amount of premium paid for the insurance.
Interpretation: It can be concluded that 36% of the respondents are neutral with the premium rates paid by them, that is, they are neither expensive nor inexpensive, 26% respondents agree, 5% respondents strongly

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agree, 22% respondents disagree and 5% strongly disagree.

Inference: It can be concluded that majority of the respondents are neutral with the premium rates paid by them and they feel that it is neither expensive nor inexpensive with respect to the services availed by them. 26% respondents feel that the more premium they pay, the better services they will be offered.

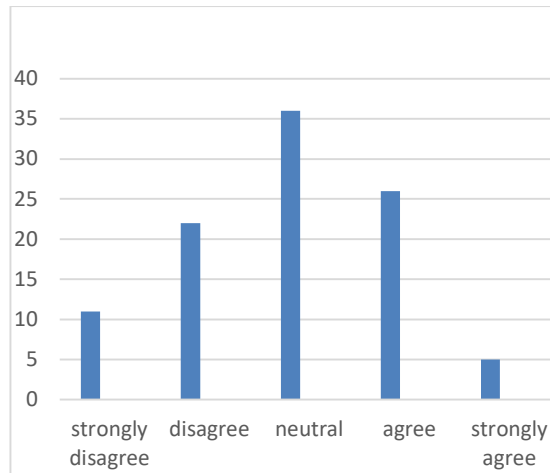| Opinion	Percentage
Strongly disagree	11%
Disagree	22%
Neutral	36%
Agree	26%
Strongly agree	5%
Total	100%

Fig 5: Customers feel that premium paid is expensive

4.6 Customers' Satisfaction with the Existing Insurance Company

Fig. 6 collates the data on how satisfied the customers are with their present insurance provider.

Interpretation: It can be observed that 38% respondents are satisfied with their existing insurance company, 16% respondents are highly satisfied, 28% respondents are neutral to it, 16% respondents are dissatisfied with their current insurance company and 2% respondents are highly dissatisfied.

Inference: It can be inferred that majority of the respondents are satisfied with their existing insurance company.

Opinion	Percentage
Highly satisfied	13%
Satisfied	38%
Neutral	28%
Unsatisfied	16%
Highly Unsatisfied	2%
Total	100%

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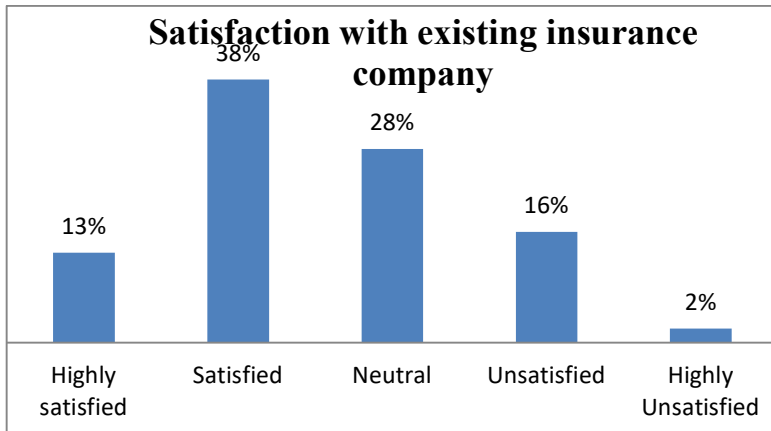
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Fig. 6: Satisfaction with the existing insurance company

4.7 Customers' Opinion on Fast and Efficient Service

Fig. 7 gives the data on how the customers feel about the service of their insurance company being fast and efficient.

Interpretation: It can be seen that 45 respondents agree that their insurance company provided fast and efficient services, 27 respondents strongly agree, 17 respondents are neutral, 8 disagree and 3 strongly disagree with the efficiency and the speed of their insurance of the company.

Inference: It can be inferred that that majority of the respondents consider their choosen insurance company fast and efficient and are satisfied.

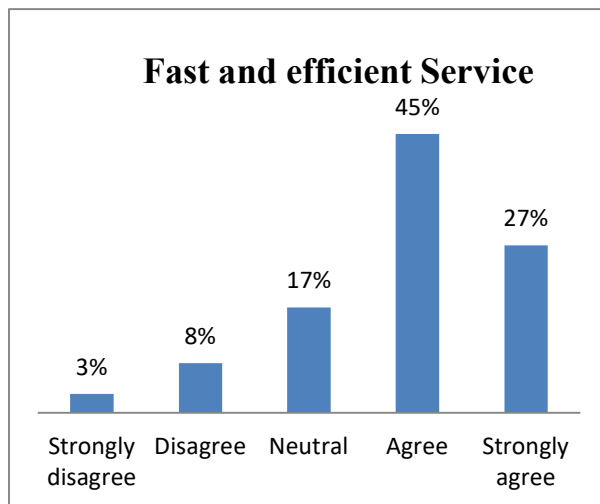| Opinions	Percentage
Strongly disagree	3%
Disagree	8%
Neutral	17%
Agree	45%
Strongly agree	27%
Total	100%

Fig. 7: Fast and efficient services considered before choosing the insurance company

4.8 Effect of Brand on Customers' Choice

Fig. 8 presents data on the effect of the brand of the insurance company on the choice of customers.

Interpretation: From the above chart, it can be observed that 58 respondents have a strong affinity towards the brand of their insurance company, 28 respondents agree, 10 respondents are neutral to it, 3 respondents disagree and 1 respondent strongly disagree.

Inference: From the above chart, it can be analysed that majority of the respondents prefer their vehicle to be insured by the branded and reputed companies. For them, the brand of the company matters.

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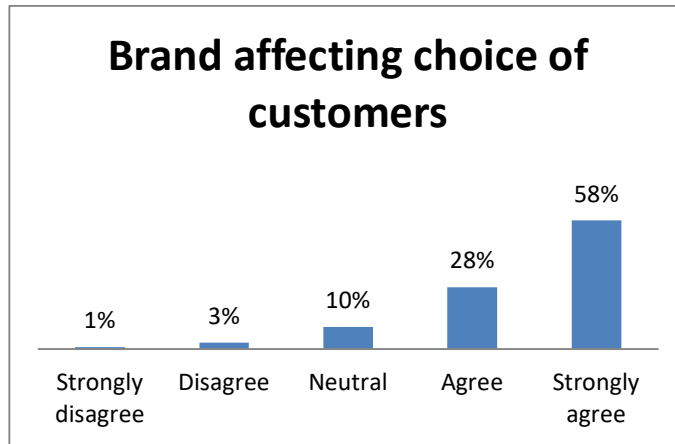| Opinions	Percentage
Strongly disagree	1%
Disagree	3%
Neutral	10%
Agree	28%
Strongly agree	58%
Total	100%

Fig. 8: Brand affecting choice of the customers

4.9 Hypothesis Testing on Importance of Premium Amount

It is widely believed that Indian customers give a great deal of importance to the amount of money paid as premium. In the following, we carry out a hypothesis testing to analyze the relationship between customers' preference for a company and the premium paid.

Null hypothesis: There is no significant relationship between the customer preference for an insurance company and the premiums paid.

Alternative hypothesis: There is significant relationship between the customer preference for an insurance company and the premiums paid.

Table 1: Result of Hypothesis Testing via Chi-Square Test

	Value	df	Asymptotic Significance(2-sided)
Pearson Ch-Square	35.738[a]	20	0.017
Likelihood Ratio	40.670	20	0.004
Linear-by-Linear Association	0.023	1	0.880
Number of Valid Cases	100		
[a]22 cells (73.3%) have expected count less than 5. The minimum expected count is 0.06			

Interpretation: From Table 1, we can observe that chi-square (0.017) which signifies that there is a significant relation between the customer preference for an insurance company and the premiums paid. Here, the significance value is 0.017 which is less than 0.05, therefore we reject the null hypothesis and accept the alternative hypothesis, i.e., there is a significant relation between the customer preference for an insurance company and the premiums paid.

Inference: It is clearly observed that premium paid by the customer affects the choice of the companies chosen by them. Premium played a very vital in selecting an insurance company. The amount of premium also affects the extra value-added services which varies from company to company and their policies.

5. FINDINGS :

The following are the broad findings of this study.

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1. Majority of respondents go for vehicle insurance as it pays for the damages which can occurred in the future.
2. Majority of the respondents prefer private sector for vehicle insurance because of the services provided by them.
3. Majority of respondents prefer ICICI Lombard for their vehicle insurance.
4. Majority of the of the respondents go with their respective chosen companies because of the insurance coverage given by them as per their policy.
5. Majority of the respondents are neutral with the premium rates paid by them and they feel that it is neither expensive nor inexpensive with respect to the services availed by them.
6. Majority of the respondents have bought the insurance policy from the insurance company.
7. Majority of the respondents have chosen their insurance company because of the fast and efficient services provided by them.
8. Majority of the respondents feel that the premiums paid by them are worth the service availed which includes prompt service and value-added services.
9. Majority of the respondents prefer their vehicle to be insured by the branded and reputed companies. For them, the brand of the company matters.
10. Majority of the respondents feel that the coverage amount received if any damage occurs is worth the premium paid by them.
11. Majority of the respondents get no claim bonus from their insurance company.
12. Majority of the respondents do not get the roadside assistance by their insurance companies in case of their accidental breakdown on the way. This depends on the policy taken by them.
13. It is clearly observed that most of the people are likely to refer their insurance company to their family and friends.
14. It is also found that there is a significant relationship between the customer preference for an insurance company and the premiums paid which mean the amount of premium affects the choice of the insurance company.

6. CONCLUSIONS AND SUGGESTIONS :

The vehicle insurance companies have a potential market with high returns which depends on the relationship between the service providers and the customers. The study reported in this paper will help in analyzing the customer behavior patterns and thus effective services and strategies can be formulated by the insurance company to promote their business. The digital era has made it possible for companies to devise new tools and services which are available on a 24/7 basis, this attracting more potential customers and improve customer experience and satisfaction level.

The following suggestions, made based on the above study, can help insurance company to better market their products and services.

1. Insurance companies can extend customer support through mobile apps with more user friendly and updated features.
2. Insurance companies can provide more services at a discounted rate to loyal customers to retain them and can offer them referral points whenever they refer it to their family and friends.
3. Public sector insurance companies should try to provide more efficient services.
4. Private insurance companies can cut down the premium rates up to some extent or can provide more services with that premium amount.
5. They can also provide additional benefits to multi-vehicle families engaging with the same insurance provider.
6. Insurance companies can offer roadside assistance to the customers with minimal rate so they take can use this service too in case of any emergency while they are travelling at an unfamiliar place.
7. The insurance companies should do the verification process in case of damage by less consumption of time so that the customer can get the compensation amount on time.

8. They should also take feedback from the customers time to time to know how satisfied they are with their current services offered and how can they improve.

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