

# **Customer Relationship in Motor Insurance Industrial Sector in Kerala**

**Thesis**

Submitted to the University of Calicut  
for the award of the degree of  
**Doctor of Philosophy in Commerce**

**Divya M.**

Under the Supervision of

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## **Declaration**

I hereby declare that the thesis entitled **Customer Relationship in Motor Insurance Industrial Sector in Kerala** done under the guidance and supervision of Dr. B. Vijayachandran Pillai, is a record of bonafide research work done by me and no part of the thesis has been presented for the award of any degree, diploma, fellowship, or other similar title or recognition of any University/Institution before.

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## List of Abbreviations

AARS	Average Adjusted R-Squared
APC	Average Path Coefficient
ARAI	Automobile Research Association of India
ARS	Average R-Squared
AVE	Average Variance Extracted
AVIF	Average block VIF
BAGIC	Bajaj Allianz General Insurance Company Ltd
CFA	Confirmatory Factor Analysis
CRM	Customer Relationship Management
CV	Commercial Vehicle
ECSI	European Customer Satisfaction Index
EFA	Exploratory Factor Analysis
FDI	Foreign Direct Investment
GDPI	Gross Domestic Premium Income
GIBNA	General Insurance Business Nationalisation Act
GIC	General Insurance Corporation
ICAI	Institute of Chartered Accountants of India
ICICILGIC	ICICI Lombard General Insurance Company Ltd
IDV	Insured Declared Value
IRDA	Insurance Regulatory and Development Authority
KMO	Kaiser-Meyer-Olkin



KMV	Key Moderating Variables
LISREL	Linear Structural Relationship
MACT	Motor Accident Claim Tribunal
MC	Motor Car
NCB	No Claim Bonus
NIA	New India Assurance Company Ltd
NIC	National Insurance Company Ltd
NLBCDR	Nonlinear Bivariate Causality Direction Ratio
OD	Own Damage
PCA	Principal Component Analysis
PLS	Partial Least Squares
RQ	Relationship Quality
RSCR	R-Squared Contribution Ratio
RTA	Road Transport Authority
RTI	Right To Information
SD	Standard Deviation
SEM	Structural Equation Modeling
SPR	Sympson's Paradox Ratio
SSR	Statistical Suppression Ratio
TAC	Tariff Advisory Committee
TP	Third Party
TW	Two Wheeler
USP	Unique Selling Proposition
WWW	World Wide Web

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# **Chapter 1**

## **Introduction**

### **1.1 Preamble**

Globally, general insurance is an important branch of insurance. In India also, the situation is not different. It gives protection against the mishaps arising from home, car, health, etc. Unlike the life insurance, it gives the peace of mind to the insured by indemnifying the risk. In India, among the various general insurance products offered, motor insurance is the prevalent and fastest growing general insurance portfolio. It offers exhilarating opportunity for growth. Over the years, motor insurance industry can make strapping and unfailing revenue gains. Though the motor insurance appears to be the simplest one, the experience of this portfolio in Indian market is found to be highly satisfactory, as it is the only general insurance portfolio which gives year round liquidity.

In India, the number of vehicles on the road is increasing at an alarming rate. In the developing countries like India, the number of accidents also increasing due to various reasons like poor system of traffic control, vehicle population, poor conditions of Indian roads, etc. The outcome of these accidents could be injuries, fatalities, disabilities, hospitalization with rigorous socioeconomic costs across the country. In such circumstances, the importance of motor insurance emerged. There are mainly two categories of motor insurance. One is to give protection to third parties involved in the accident. It has been named as Motor Third Party Liability Insurance, which is compulsory in India. The other one is Own Damage Policy Coverage for protecting the vehicles, which is voluntary in nature as it is the

discretion of the owner of the vehicle to decide whether he needs protection against the vehicle or not.

The Indian market has some regulatory forces for controlling the motor insurance business. In the earlier periods, it was dominated by a few local players. But now, a number of players have been emerging in the market with the partnership of foreign players. They have penetrated in the market with innovative product offerings, newfangled business models, competitive prices, greater operational efficiency, well-built capital positions and having international experiences. Managing the motor insurance business is a very difficult task, but with the appropriate strategies and operations, the companies can bring more rewards.

Like any other business, customers are the key persons in motor insurance. Currently, the insurance companies are moving from a product centric approach to customer centric approach. But in the industry, tuning insurance policies as per the preference of the customer is not possible. The reason is that the insurance industry is strongly governed by the regulatory bodies. Here, the companies can win over by providing with a good quantity of customer relationship. The company also gives more emphasis on retaining their existing customers by molding a healthy relationship with them. Hence the success of the company depends upon how well it treats the customers. Along with that there is a need for providing quality services to them. Thus, by building up a proper relationship and offering quality services, the insurance companies can delight the customers and which create a loyalty among the customers towards the company.

In motor insurance business, claim settlement is an important event for the insured during his relationship with the insurance company. A quick and timely claim settlement by the company has been recognized as a device to enhance the performance in terms of customer satisfaction and loyalty. Claims have been considered as a supportive thing for an insured, as it gives monetary compensation in the event of loss. The insurance company tries to bring the insured in almost nearby financial position through the claim settlement process. It is the main objective behind the functioning of the motor insurance companies. Thus, if a company cannot

handle the claim service effectively, it will deteriorate and which ultimately affects the sales and marketing of its insurance products.

Fierce competition in the general insurance industry, especially in the motor insurance field began in India after liberalization. The public sector companies are facing an awful competitive situation from the private sectors. Due to the entry of private sectors, it is forced to change the vision of the public sector undertaking by way of a customer oriented and technology oriented way. At the same time, the private sectors needed to prove their competency to gain an edge over the public sectors. These technological advancements in both the public and private sector will eventually benefit the customer by the greater speed of policy issuing procedures, claim settlement procedures, etc.

## **1.2 Significance of the Study**

In the present scenario of the motor insurance industry, it is inevitable to build a good relationship with the customers. The deregulation of the general insurance sector rise in competition as the number of private sector general insurance companies has been increasing at a shocking rate. This will bring the concept of customer relationship for attracting, retaining and building long-term relationship with them. Building good relationship quality, satisfying the customers and thereby building a loyal customer are the important strategies of any business sector. In the case of the general insurance industry, apart from the above-mentioned activities, proper and fair settlement of claims also constitutes an important practice.

Just as buying motor vehicle, it is highly necessary to take a motor insurance plan. In India, with the rapid increase in the number of accidents and theft tendency, the need for motor insurance emerged. A motor insurance policy protects the vehicle owner from the financial burden caused due to accidents, damages and other perils. Most of the companies provide the cashless facility also, which will be a great help for a customer at the time of accidents. In Kerala, over the last decades, there is a tremendous growth in the motor insurance industry. The number of branches of both

public and private sector general insurance companies has been increased in Kerala since the last few years.

Today, building customer relationship in the motor insurance industry creates a high level of confidence and trust among the customers. The liberalization, privatization and globalization have swept up the public sector monopoly in the general insurance industry. Insurance Regulatory and Development Authority (IRDA) act as an apex body for regulating the insurance industry. The entry of private sector increases the need for customer relationship in the motor insurance business to lead a healthy competition. Through the present study, the researcher made an attempt to study the applicability of customer relationship in motor insurance in the context of Kerala. It is hoped that the outcome of the investigation will be useful to insurance companies, policymakers and other stakeholders.

### **1.3 The Research Problem**

Motor insurance constitutes around 30 per cent of the total gross premium in India. In Kerala too, it is the largest segment of general insurance business. As insurance is push product rather than a pull product, it is a big challenge for every motor insurance company to make a fruitful relationship with the customers. Apart from acquiring customers, their proper retention is also important. The competition in the field of insurance has increased due to the deregulation of the financial sector. The Foreign Direct Investment (FDI) cap increased from 26 per cent to 49 per cent. Hence, the private sector companies bring into light a number of innovations in the form of products as well as services. It will emerge the need for the implementation of customer relationship in the motor insurance business.

Customers are crucial for the success of every business because they represent the fundamental source of revenue. Therefore, developing proper customer relationship is a main strategical movement of the insurance companies. The delighted customers may bring more and more customers to the business by way of word of mouth communications and referrals. At the same time the poor customer

relationships may affect the business adversely. At this juncture, it is quite relevant to examine the dimensions of customer relationships like relationship quality, customer satisfaction and customer loyalty in the motor insurance business in Kerala. Fastest and hassle free claim settlement also needed for the success of general insurance companies. Hence, the work attempts to conduct a comparative study on customer relationship with the public and private sector general insurance companies in the area of motor insurance in Kerala.

From the available literature, it is found that no systematic and scientific study had been conducted so far in this particular area. Therefore, the investigator proposes to fill the gap through the present study.

Thus, the present research work investigates into the following major issues.

1. What is the level of relationship quality perceived by the claimants of the motor insurance business?
2. To what extent the customers are satisfied with the services of motor insurance companies?
3. What is the level of customer loyalty, perceived by the claimants of the motor insurance business?
4. Whether the claim settlement is effective or not in public and private sector motor insurance business?
5. Do the relationship quality and customer satisfaction influence the customer loyalty in the motor insurance business?

#### **1.4 Scope of the Study**

The scope of the present study is limited to a comparative investigation on the customer relationship with the public and private sector general insurance companies in Kerala with special reference to the motor insurance business. Two public sector

companies, namely New India Assurance Company Ltd, National Insurance Company Ltd and two private sector companies, namely ICICI Lombard General Insurance Company Ltd, Bajaj Allianz General Insurance Company Ltd have been taken for the detailed study.

The scope of the study is confined to the customers who experienced the claim settlement from the Own Damage (OD) policies of these selected companies. Three types of vehicle owners, i.e. Two wheelers, Motor cars and Commercial vehicles have been selected and analysed for the purpose of the study.

The study focused on relationship quality, customer satisfaction and customer loyalty of motor insurance policy holders towards the insurance companies and tries to analyze the effectiveness of claim settlement followed by the general insurance companies in the State of Kerala.

## **1.5 Objectives of the Study**

The main objective of the present research work is to conduct a comparative investigation on the customer relationship between the public and private sector motor insurance industry in the State of Kerala. In order to accomplish this main objective, the following specific objectives have been set forth.

1. To examine the dimensions of the relationship quality of motor insurance companies.
2. To assess the level of satisfaction of claimants on the services of motor insurance companies.
3. To assess the dimensions of loyalty of the claimants in the motor insurance business.
4. To examine the perceived effectiveness of the claim settlement in motor insurance companies and
5. To analyze the influence of relationship quality and customer satisfaction on customer loyalty in the motor insurance business.

## **1.6 Hypotheses**

In line with the objectives stated above, the following hypotheses have been formulated and tested by employing the appropriate statistical tools.

### **Objective 1:**

1. H0. There is no significant difference between public and private sector claimants with regard to the perception towards the dimensions of relationship quality.
2. H0. There is no significant association between switching intention and the level of relationship quality in the public sector.
3. H0. There is no significant association between switching intention and the level of relationship quality in the private sector.
4. H0. There is no significant difference in the perception towards the dimensions of relationship quality among the owners of two wheeler, motor car and commercial vehicles in the public sector.
5. H0. There is no significant difference in the perception towards the dimensions of relationship quality among the owners of two wheeler, motor car and commercial vehicles in the private sector.

## **Objective 2:**

1. H0. There is no significant difference between public and private sector claimants with regard to the perception towards the factors of customer satisfaction.
2. H0. There is no significant association between switching intention and the level of customer satisfaction in the public sector.
3. H0. There is no significant association between switching intention and the level of customer satisfaction in the private sector.
4. H0. There is no significant difference in the perception towards the factors of customer satisfaction among the owners of two wheeler, motor car and commercial vehicles in the public sector.
5. H0. There is no significant difference in the perception towards the factors of customer satisfaction among the owners of two wheeler, motor car and commercial vehicles in the private sector.

## **Objective 3:**

1. H0. There is no significant difference between public and private sector claimants with regard to the perception towards the dimensions of customer loyalty.
2. H0. There is no significant association between switching intention and the level of customer loyalty in the public sector.
3. H0. There is no significant association between switching intention and the level of customer loyalty in the private sector.
4. H0. There is no significant difference in the perception towards the dimensions of customer loyalty among the owners of two wheeler, motor car and commercial vehicles in the public sector.
5. H0. There is no significant difference in the perception towards the dimensions of customer loyalty among the owners of two wheeler, motor car and commercial vehicles in the private sector.



#### **Objective 4:**

1. H0. There is no significant difference between public and private sector claimants with regard to the effectiveness of claim settlement.
2. H0. There is no significant association between switching intention and level of claim settlement effectiveness in the public sector.
3. H0. There is no significant association between switching intention and level of claim settlement effectiveness in the private sector.
4. H0. There is no significant difference in the effectiveness of claim settlement among the owners of two wheeler, motor car and commercial vehicles in the public sector.
5. H0. There is no significant difference in the effectiveness of claim settlement among the owners of two wheeler, motor car and commercial vehicles in the private sector.

#### **Objective 5:**

1. H0. There is no significant relationship between relationship quality and customer loyalty.
2. H0. There is no significant relationship between customer satisfaction and customer loyalty.
3. H0. There is no significant relationship between relationship quality and claim settlement effectiveness.
4. H0. There is no significant relationship between customer satisfaction and claim settlement effectiveness.
5. H0. There is no significant relationship between claim settlement and customer loyalty.

## **1.7 Operational Definition of Terms and Concepts**

The important terms and concepts used in the study are briefly explained below.

### **1. Customer Relationship**

Customer relationship is a set of relations between business organization and customer. It was created by preserving a proper relationship quality mechanism like effective communication, customer oriented activities, building trust, commitment elements and a suitable satisfaction system, which may ultimately lead to a loyal or dependable customer in the business.

### **2. Relationship Quality**

Relationship quality represents the extent of quality assured by the insurer to the insured through relationship building.

### **3. Customer Satisfaction**

Customer satisfaction is the reaction of the insured that derives from the fulfillment of his needs and wants.

### **4. Customer Loyalty**

Customer loyalty is both an attitudinal and behavioral tendency to favor one company over all others or repurchase the service again in the same company. The loyalty may arise due to many reasons like convenience, comfort, satisfaction, familiarity, etc.

## **5. Motor Vehicle**

A Motor vehicle is a mechanically driven vehicle, which is used on the roads. The power of the driving force is derived either from an internal or an external source.

## **6. Two Wheeler**

Two wheelers are those categories of a motor vehicle which are either a two-wheeled means of transportation with or without sidecar or three-wheeled vehicle for which the engine capacity not exceeding 350 cubic capacity.

## **7. Motor Car**

Motor cars are those categories of a motor vehicle used exclusively for social, domestic, pleasure and for business or professional purposes. It also covers the three-wheelers which are used for private purposes but it excludes the goods carrying vehicles.

## **8. Commercial Vehicle**

Commercial vehicles are those categories of vehicles which include both goods carrying vehicles and passenger carrying vehicles. It covers the three wheeled motorized vehicles too.

## **9. Own Damage (OD) Policy**

The own damage policy means the voluntary policy taken by the vehicle owner for insuring against the damages of the vehicle.

## **10. Claim Settlement**

Claim settlement is one of the important functions of a general insurance company, in which the insurer pays out the claim amount in the occurrence of a specific event of the insured.

## **11. Claimants**

Claimants are those persons who have experienced the claim settlement of own damage policy at least once.

## **12. Switching Intention**

Switching intention is the desire of the insured to switch or stay in the present company in the future period.

## **13. Agent**

Agent is a person who acts as an intermediary between the insurer and insured in the general insurance business in Kerala.

## **14. Motor Vehicle Dealer**

The term means any person or institution who is engaged in the business of selling motor insurance policies on behalf of the general insurance companies in Kerala.

## **1.8 Methodology and Database**

The methodology followed in the present research work is briefly explained in the following pages.

### **1.8.1 Method of Research**

The research work is both descriptive and analytical nature. It is descriptive because it is a fact finding investigation and focuses on particular facets or dimensions of the problem by gathering descriptive information. Since the study uses the statistical methods for analyzing the quantitative data, it can be described as an analytical study also.

### **1.8.2 Sources of Data**

Both the secondary and primary data have been collected and used for the research work.

#### **A Secondary Data**

The secondary data needed for the study has been collected from the following sources:

- IRDA Annual Report
- Annual Report of General Insurance companies in Kerala
- IRDA Website
- Policyholder website
- Websites of General Insurance companies in India
- Handbook on Indian Insurance Statistics
- Research Dissertations and Theses
- Brochures of General Insurance companies in India
- Insurance magazines

- Research Journals
- Periodicals
- Study Reports
- Research Publications
- Books related to the study area and
- Other websites

## **B Primary Data**

Primary data have been collected from the customers who experienced the claim settlement in the motor insurance business of both the public and private sector general insurance companies in Kerala.

### **1.8.3 Sample Design**

The sample design of the present research work is described in detail as follows:

#### **A Population**

The population of the study comprises of the claimants of own damage policies of all public and private sector general insurance companies in Kerala. Currently, there are 4 public sector and 18 private sector general insurance companies are functioning in the field of motor insurance business in Kerala.

#### **B Selection of Sample Motor Insurance Companies**

The sample frame of the study consists of the total claimants of own damage policies in the motor insurance business of four selected general insurance companies in the public and private sectors in Kerala. The researcher selected two companies from public and private sectors respectively, based on the criteria of largest net claim incurred by motor insurance during the period 2013-14. The net motor insurance claim incurred and the percentage of shares of each company are shown in the table 1.1.

**Table 1.1****Net Motor Insurance Claim incurred by the General Insurance Companies in India (2013-14)**

Sl No	General Insurance Company	Net motor claim incurred (₹ in lakhs)	Percentage Share
1	New India Assurance Company Ltd	398,286.00	35.71
2	National Insurance Company Ltd	292,574.00	26.24
3	United India Insurance Company Ltd	238,918.00	21.42
4	Oriental Insurance Company Ltd	185,417.00	16.63
	<b>Public Sector</b>	<b>1,115,195.00</b>	<b>100.00</b>
5	Bajaj Allianz General Insurance Company Ltd	178,150.00	14.43
6	Bharti AXA General Insurance Company Ltd	68,570.00	5.55
7	Cholamandalam General Insurance Company Ltd	93,136.00	7.55
8	Future Generali General Insurance Company Ltd	48,346.00	3.92
9	HDFC Ergo General Insurance Company Ltd	69,111.00	5.60
10	ICICI Lombard General Insurance Company Ltd	180,051.00	14.59
11	IFFCO Tokio General Insurance Company Ltd	112,713.00	9.13
12	L&T General Insurance Company Ltd	9,515.00	0.77
13	Liberty Videocon General Insurance Company Ltd	3,814.00	0.31
14	Magma HDI General Insurance Company Ltd	19,092.00	1.55
15	Raheja QBE General Insurance Company Ltd	143.00	0.01
16	Reliance General Insurance Company Ltd	114,829.00	9.30
17	Royal Sundaram General Insurance Company Ltd	85,192.00	6.90
18	SBI General Insurance Company Ltd	30,567.00	2.48
19	Shri Ram General Insurance Company Ltd	127,711.00	10.35
20	TATA AIG General Insurance Company Ltd	74,646.00	6.05
21	Universal Sombo General Insurance Company Ltd	18,821.00	1.52
	<b>Private Sector</b>		<b>100.00</b>

Source: IRDA Annual Report 2013-14

From the table 1.1, it is found that among the public sector companies, New India Assurance Company Ltd and National Insurance Company Ltd occupied the first and second rank in terms of motor insurance claims incurred. Similarly, in the private sector, ICICI Lombard General Insurance Company Ltd and Bajaj Allianz General Insurance Company Ltd shared the first and second rank in this respect. Therefore, these four companies have been selected as samples for the detailed study.

**Table 1.2**

**List of Selected General Insurance Companies**

<b>Sector</b>	<b>General Insurance Company</b>
Public	New India Assurance Company Ltd
	National Insurance Company Ltd
Private	ICICI Lombard General Insurance Co .Ltd
	Bajaj Allianz General Insurance Co. Ltd

The motor insurance claimants, who enjoyed the benefit of settlement claim during the period of 2013-14, from these four companies are taken as the sampling frame. For a comparative investigation, the selected claimants are stratified into three groups namely the owners of

1. Two wheeler
2. Motor car and
3. Commercial vehicle.

The sampling frame of the study is presented in the table 1.3.



**Table 1.3**

**Sample Frame**

Name of the Company	Strata Wise population			Total
	TW	MC	CV	
New India Assurance Company Ltd	36,970	44,328	13,447	94,745
National Insurance Company Ltd	10,755	12,895	3,913	27,563
ICICI Lombard General Insurance Company Ltd	1,320	18,381	1,419	21,120
Bajaj Allianz General Insurance Company Ltd	48	6,363	502	6,913
<b>Total</b>	<b>49,093</b>	<b>81,967</b>	<b>19,281</b>	<b>1,50,341</b>

(TW –Two Wheeler, MC-Motor Car, CW-Commercial Vehicle)

*Note: The strata-wise number of claimants from National Insurance Company Ltd is not available. So, the total population from this company is divided in the same proportion used in the other Public sector Company, New India Assurance Company Ltd.*

**C Sampling Technique**

The sample claimants/customers were selected on the basis of Proportionate Stratified Random Sampling method. The sample claimants of each company are divided into three strata, owners of two wheeler, motor car and commercial vehicle.

## D Sample Size Determination

The sample claimants are selected based on the US National Education Association Statistical Table and formula by Krejcie and Morgan (1976).

The formula is

$$S = \frac{x^2 NP (1 - P)}{d^2 (N - 1) + x^2 P (1 - P)}$$

$S$  = Required Sample Size.

$x^2$  = The table value of chi-square for 1 degree of freedom at the desired Confidence level (.10 = 2.71 .05 = 3.84 .01 = 6.64 .001 = 10.83)

$N$  = The population size.

$P$  = The population proportion (assumed to be .50 since this would provide the maximum sample size).

$d$  = The degree of accuracy expressed as a proportion (.05).

The sample size of the present study is as calculated as follows:

$$\begin{aligned}
 S &= \frac{3.84 \times 150341 \times (0.5) (1-0.5)}{(0.05^2) (150341-1) + 3.84(0.5) (1-0.5)} \\
 &= \frac{144327.36}{376.81} = \underline{\underline{383}}
 \end{aligned}$$

When proportionately dividing the sample size 383 into 4, the share of private companies is very few. Therefore, in order to ensure a large representation, a total of 600 respondents were selected.

The sample size for each category of the four selected sample companies is shown in table 1.4.

**Table 1.4**

**Selection of Sample Claimants**

<b>Strata</b>	<b>Public Sector</b>		<b>Private Sector</b>		<b>Total</b>
	<b>NIA</b>	<b>NIC</b>	<b>BAGIC</b>	<b>ICICILGIC</b>	
Two Wheeler	148	42	5	5	<b>200</b>
Motor Car	175	50	20	72	<b>317</b>
Commercial Vehicle	55	18	5	5	<b>83</b>
<b>Total</b>	<b>378</b>	<b>110</b>	<b>30</b>	<b>82</b>	<b>600</b>

A Proportionate number of owners of two wheeler, motor car and commercial vehicle are selected from each four selected general insurance companies in Kerala. Accordingly, 378 claimants from New India Assurance Company Ltd and 110 from National Insurance Company Ltd are selected from the public sector. Similarly, 30 claimants from Bajaj Allianz General Insurance Company Ltd and 82 from ICICI Lombard General Insurance Company Ltd are selected from the private sector.

Thus altogether, 4 insurance companies and 600 customers consisting of 488 from the public sector and 112 from the private sector were selected for the detailed study.

#### **1.8.4 Tools/Instruments for Data Collection**

A structured questionnaire was used as the instrument for the collection of primary data. The questionnaire starts with demographic details of customers, followed by questions relating to relationship quality, customer satisfaction, customer loyalty and at last, questions relating to the effectiveness of claim settlement (Appendix).

#### **1.8.5 Method of Analysis Followed and Variables Used**

The current study aims to study the influence of relationship quality and customer satisfaction towards customer loyalty in the motor insurance industry. It also covers the effectiveness of claim settlement. To fulfill these objectives the following variables are used:

- a) Relationship Quality
- b) Customer Satisfaction
- c) Customer Loyalty
- d) Perceived Effectiveness of Claim Settlement.

The study makes a comparison between public and private sector with respect to the above-mentioned variables. Likewise, the association between switching intention and level of relationship quality, customer satisfaction, customer loyalty and effectiveness of claim settlement is also tested in both public and private sectors separately. The study also tries to make the vehicle ownership-wise comparison among the owners of two wheelers, motor car and commercial vehicle with respect to the above-mentioned variables. This comparison is also done in public and private sector separately.

The scaling technique was used to convert the qualitative data into quantitative one. Scaling is a method which changes attributes (a series of qualitative facts) into variables (a quantitative series). It is a procedure for assignment of numbers

or symbols to subjective abstract concepts. Hence, the researcher used a five-point Likert's scale on the measuring instrument.

The variables used in the study are explained briefly as follows:

## **A Relationship Quality**

The researcher developed a scale for measuring the relationship quality in the motor insurance context. It was designed by reviewing various studies related to relationship quality and by discussing with the supervisor and managers in this field. A total of 20 variables is identified. All the statements are positively worded, starting from 1 (Strongly Disagree) to 5 (Strongly Agree).

After conducting an Exploratory Factor Analysis (EFA) and Confirmatory Factory Analysis (CFA), four dimensions of relationship quality are identified. They are briefly explained below:

### **1. Trust**

Trust is a confidence that a salesperson can be relied upon to behave in such a manner that the long term interest of the customer will be served (Crosby, Evans, & Cowles, 1990). It arises from the belief of the customer that his insurer will make the reliable promises.

### **2. Commitment**

Commitment is a belief of an exchange partner that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it, that is, the committed party believes that the relationship is worth working on to ensure that it endures indefinitely (Morgan & Hunt, 1994).

### **3. Communication**

Communication refers to the ability to provide timely and trustworthy information. It is the process of keeping in touch with the valued customer, providing timely and trustworthy information on service and service changes and communicating proactively if a delivery problem occurs (Ndubisi, 2007).

#### 4. Customer Orientation

Customer orientation is an important dimension of relationship quality. It is the ability of the service provider to assist the customer whenever a need arises and giving more importance for satisfying the customers rather than profit maximization.

The following are the sub variables used for measuring each dimension of relationship quality.

**Table 1.5**  
**Variables of Relationship Quality**

SI No	Dependent Variables	Independent Variables	
1	Trust	1	Gives all the required information
		2	Pointed out the best choice
		3	Feel confident
		4	Reliable promises
		5	Feels that always trust the company
2	Commitment	1	Gives sincere commitment
		2	Deserves recommendation
		3	Feel happy to be its customer
		4	Relationship with the company is very essential for the fulfillment of requirements
		5	Tries to understand specific needs of customers
3	Communication	1	Actively responding to enquiries
		2	Timely informs new offers
		3	Properly informs before the policy become dues
		4	Gives correct information
		5	Timely informs new Govt. regulations
		6	Never feels communication problems
4	Customer Orientation	1	Follow the motto 'Customer is the King'
		2	Gives importance to satisfaction rather than profit
		3	Openly discusses the problems
		4	Tries to solve the problems at the office level itself

## **B Customer Satisfaction**

In the present study for fulfilling the objective of measuring the customer satisfaction, the researcher developed a scale which consists of 24 variables. They are framed in five-point Likert scale, all worded positively. After conducting the EFA, these variables are split into seven groups. But the CFA result shows that only six variables have adequate loadings. The variables used for measuring the customer satisfaction is explained in brief, which is shown below:

### **1. Tangibles**

Tangible element of customer satisfaction means the customer's perception towards the visible aspects of service, which is employed by the businesses to improve the external customer satisfaction. Physical facilities, communication materials, etc. are the variables formed to constitute the tangible element of customer satisfaction.

### **2. Competence**

This factor of customer satisfaction means the skill, expertise or capability that an organization or its members possess of the relevance to the management and development of the organization (O'Driscoll, Carson, & Gilmore, 2000).

### **3. Responsiveness**

The responsiveness factor of customer satisfaction is meant for the extent to which the business and its employees are providing prompt service and their willingness to help customers.

### **4. Technology**

Technology is one of the determinants of customer satisfaction. It means the technologically developed ways and means of communication between the insurer and the insured.

### **5. Timeliness**

Timeliness is another factor of customer satisfaction. It is meant for giving the service to the customers in a timely manner at their convenience.

### **6. Intermediary Services**

Intermediary services are those services which are provided by the intermediaries to the consumers in the insurance business. Intermediaries are those persons who act as a link between insured and insurer, which facilitate the marketing

of insurance and provide the services to the consumers on behalf of the insurance companies.

The table 1.6 shows the statements used for measuring each variable of customer satisfaction.

**Table 1.6**  
**Variables of Customer Satisfaction**

SI No	Dependent Variables	Independent Variables	
1	Tangibles	1	Accessible Location of the branch
		2	Office appearance
		3	Availability of manuals, documents, etc.
		4	Accessible to the cashless network garages
2	Competence	1	Renewal reminder mechanism
		2	Premium amount charged by the company
3	Responsiveness	1	Responses of the frontline staff regarding enquiries
		2	Keen interest of officials in renewal of policy
4	Technology	1	Toll free number facility
		2	Live chat facility
5	Timeliness	1	Operating Hours of the company
		2	24×7 service
6	Intermediary Services	1	Accessibility to Agents/Motor Vehicle Dealers
		2	Individualized attention
		3	Advisory services
		4	Agent/motor vehicle dealer's attitude in guiding the claim settlement
		5	Premium payment facility
		6	Disclosure of all information about the policy
		7	Knowledge of Agents/Motor Vehicle Dealers about the policy/plan
		8	Response of Agents/Motor Vehicle Dealers regarding queries/doubts
		9	Reminder about renewal date of policy
		10	Provision of information about my insurance company's services



## **C Customer Loyalty**

Customer Loyalty is an important dependent variable in the study. The influence of the other two variables towards this customer loyalty is measured in this study. Likert measurement scale was used for measuring this construct. CFA result shows equal loadings for these two variables. The variables used for measuring the customer loyalty are explained below in brief:

### **1. Behavioral Loyalty**

Behavioral loyalty means the repeated purchase behavior which does not specify the reasons behind it. A customer is regarded as a loyal one if he repeatedly buys from the company and continues to do over a period of time. It will concentrate solely on increasing the frequency of revisits by the customers as well as the amount of repurchase made by them (Rai, 2013).

### **2. Attitudinal Loyalty**

Attitudinal dimension presents loyalty as a state of mind. It defines loyalty as a favorable and preferential attitude towards a product or a company. In this kind of loyalty, the customer is ready to purchase a particular product, even if it is charging a premium price over the competing products. Here emphasis on willingness or preference rather than actual buying behavior (Rai, 2013).

Variables and their sub-variables used for measuring the customer loyalty are shown in the table 1.7.

**Table 1.7**  
**Variables of Customer Loyalty**

SI No	Dependent Variables	Independent Variables	
1	Behavioural Loyalty	1	Renew the policy in this insurance company itself
		2	Approach only this insurance company whenever there is a need for new policy
		3	There is no chance of switching into another insurance company
		4	Approach exclusively this insurance company regarding any other insurance related matter
2	Attitudinal Loyalty	1	This insurance company is the first choice among the same type of companies
		2	Ready to tolerate the premium amount of the policy
		3	Believe this company as the favorite insurance company
		4	Say positive things about the services offered by the insurance company
		5	Recommend this insurance company to other people
		6	Wish to make word of mouth recommendation about this insurance company

### **D Effectiveness of Claim Settlement**

Claim settlement is an important activity when a motor insurer is concerned. Settlement of claims in an effective manner is the core objective of every insurance

company. Then only it can satisfy the customers. There is a common standardized benchmark for the measurement of effectiveness. But there are individual benchmarks in each company which may differ from one to another. Here the researcher made an attempt to measure the effectiveness of claim settlement by using 10 statements, for which the reliability and validity were checked. The statements are as follows:

**Table 1.8**

**Variables of Claim Settlement Effectiveness**

<b>SI No</b>	<b>Variables</b>
1	Less Procedural formalities
2	Clear indication regarding the procedures
3	Up to date information on each stage of claim settlement
4	Transparency in the claim settlement follow up
5	Timely appointment of surveyors and loss assessors
6	Approachable to any branch of the company for claim settlement
7	Timely submission of the report by the Surveyor
8	Satisfaction in the claim amount
9	Reasonable time in settling the claims
10	Timely responses to inquiries regarding claim status

**1.8.6 Conceptual Model**

The conceptual model used in the study using the above mentioned variables are as follows:

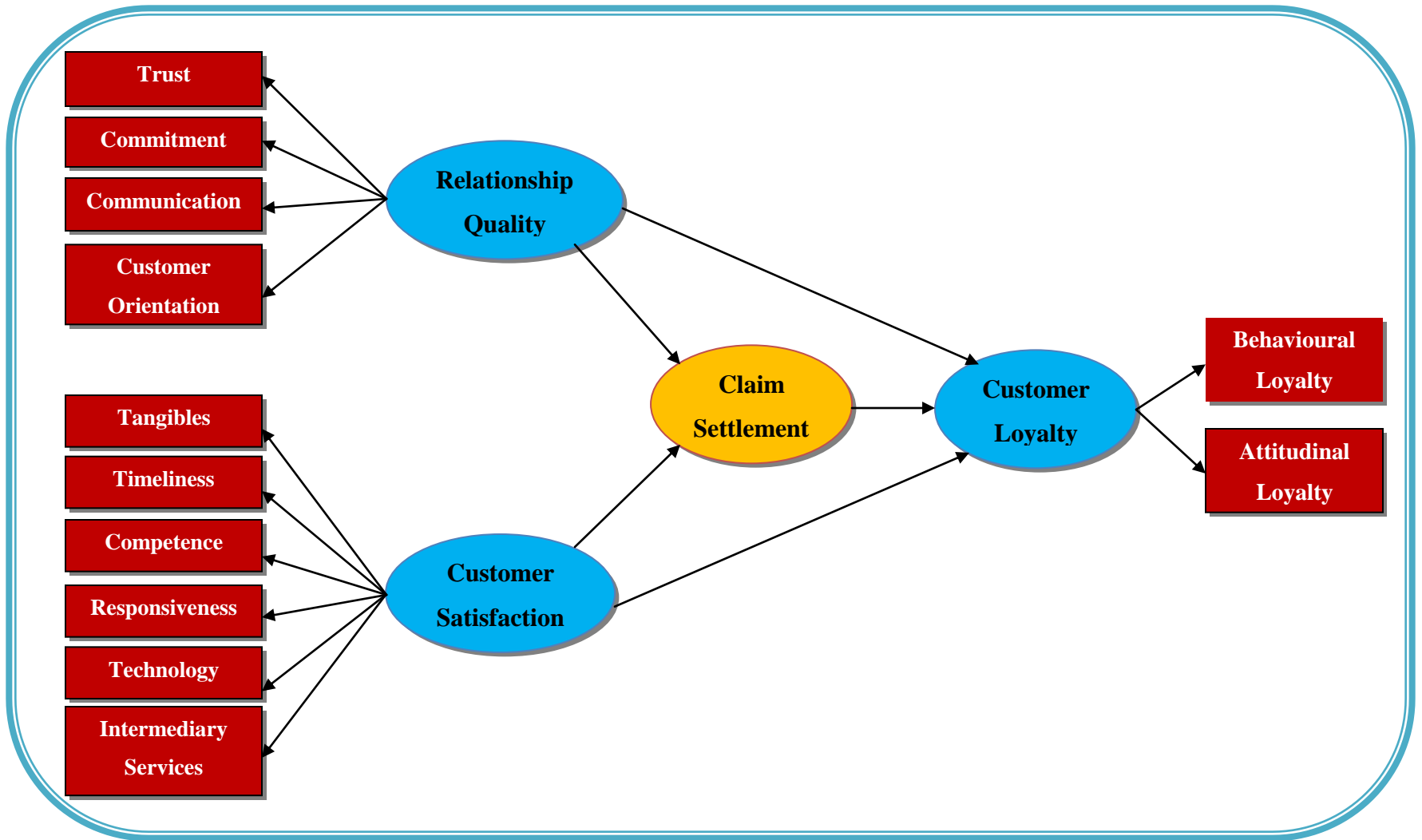


Fig. 1.1 Conceptual Model

### **1.8.7 Pilot study and Pre-test**

For finalization of the scale, the pre testing was done among 100 respondents, 60 from the public sector and 40 from the private sector. The questionnaire was also cross-checked by the experts in the field like academicians, CRM experts, General insurance company managers, surveyors and their suggestions are incorporated within it. After a pilot study, suitable modifications were incorporated into the questionnaire and thereafter the work of data collection was started. The work of data collection has started during January 2015 and completed in November 2015 covering a period of 11 months.

### **1.8.8 Reliability and Validity Testing**

For the scale evaluation, reliability and validity testing are generally applied.

#### **A Reliability Testing**

Reliability testing is very essential for the validation of the scale. A measure is said to be reliable when it elicits the same response from the same person when the measuring instrument is administered to that person successively in similar or almost similar circumstances (Bajpai, 2011). In this study, the reliability of the measurement scales was tested by using Cronbach' Alpha Reliability Coefficient.

The measured variables and their respective alpha values are presented in a table 1.9 shown below:

**Table 1.9**  
**Reliability Statistics**

Serial No:	Variables	Number of Items	Alpha Value
<b>Relationship Quality</b>			
1	Trust	5	0.956
2	Commitment	5	0.903
3	Communication	6	0.896
4	Customer Orientation	4	0.933
		<b>20</b>	
<b>Customer Satisfaction</b>			
1	Tangibles	4	0.956
2	Competence	2	0.855
3	Responsiveness	2	0.905
4	Technology	2	0.798
5	Timeliness	2	0.954
6	Intermediary services	10	0.959
		<b>22</b>	
<b>Customer Loyalty</b>			
1	Behavioural Loyalty	4	0.814
2	Attitudinal loyalty	6	0.929
		<b>10</b>	
<b>Claim settlement Effectiveness</b>		<b>10</b>	0.931

The table 1.9 shows that all the values of Cronbach alpha is above the standard value 0.7. Hence, it is proved that the measurement scales have the internal consistency and scale is reliable.

## **B Validity Testing**

The validity of a measurement scale means the ability of the measurement scale to measure what it is supposed to measure (Bajpai, 2011). In this study, two approaches of validity are tested. They are:

### **1. Content Validity**

The researcher inquired about the expert's opinion regarding the validity of the instrument. Henceforth, the researcher showed the questionnaire to the supervisor, senior professors, statistician, Insurance managers, CRM experts and the senior colleagues in the field of research and ensures that all the questions are relevant and suitable for fulfilling the research objectives. The researcher also made an attempt to confirm that the instrument contained all the important items.

### **2. Construct Validity**

Construct validity occurs when the measurement of construct correlates with the theoretical measurement. To achieve construct validity, both convergent and discriminant validity must be there. Both of this validity is checked during data analysis through Confirmatory Factor Analysis.

Convergent validity is established when one measurement scale correlates with other measurement scale in the same construct. In the present study, there is convergent validity for all the measurement scales because the factor loadings associated with the loadings are greater than 0.5 and the p values associated with loadings are lower than 0.001.

Discriminant validity is ensured when the measurement scale is sufficiently different from other items of different constructs. It is said that there is discriminant validity for the measurement scale, when the square root of the Average Variance Extracted (AVE) for each latent variable is higher than any of the correlations between the latent variable under consideration and any of the other latent variables in the

measurement model (Fornell & Larcker, 1981). In present research, all the constructs fulfill the condition, thus ensures discriminant validity.

### 1.8.9 Data Cleaning

Before starting the analysis, it is inevitable to check the quality of the data. Thus it enables for generalisation of results.

Data cleaning was done by removing the missing data and removing outliers. Outliers must be removed otherwise it significantly change the shape of nonlinear as well as linear relationships. Among the total of 600 data collected, 26 filled questionnaires are deleted because of missing figures. Similarly, 42 data are forced to remove as it represents outliers. Thus the balances of 532 data are used for the final analysis. Out of these 532 data, 448 and 84 represent the public and private sector general insurance companies respectively. The final sample respondents taken for the analysis is shown in the table 1.10.

**Table 1.10**  
**Final Sample Size**

<b>Strata</b>	<b>Public Sector</b>		<b>Private Sector</b>		<b>Total</b>
	<b>NIA</b>	<b>NIC</b>	<b>BAGIC</b>	<b>ICICILGIC</b>	
Two Wheeler	136	37	5	5	<b>183</b>
Motor Car	163	46	11	53	<b>273</b>
Commercial Vehicle	50	16	5	5	<b>76</b>
<b>Total</b>	<b>349</b>	<b>99</b>	<b>21</b>	<b>63</b>	<b>532</b>



### **1.8.10 Normality Testing**

The normality of data is needed to test for applying probability statistical tests in the study. It was tested by using One sample K.S Test and found that the result showed a non normal data, as the p values are less than 0.05. Hence it is very important to test the Skewness and Kurtosis to see whether the deviation is problematic.

Skewness and Kurtosis values should be in the range of  $\pm 2.58$  and  $\pm 1.96$ . (Hair, Black, Babin, Anderson, & Tatham, 2006). Here, none of the values are above this limit and hence univariate normality can be generally assumed. Hence the researcher can do the parametric test assuming a normal distribution.

### **1.8.11 Randomness Testing**

The Run test is used to test the randomness of data. The result shows that for all the variables, the p values are above 0.05. Therefore the randomness of the data is assumed.

### **1.8.12 Data Independence**

Data independence is assumed by most statistical procedures, including multiple regression, logistic regression and other general linear models. Durbin Watson coefficient can be used for testing the data independence. For achieving the data independence, the Durbin Watson statistic should be in between 1.5 and 2.5. In the present study, data fulfill the conditions; hence the data independence is assumed (Garson, 2012).

### **1.8.13 Tools Employed for the Analysis of Data**

The tools used for the analysis are briefly discussed below.

#### **1. Mean, Percentage and Standard Deviation**

The mean or average is a measure for representing the entire data by one value. It is a measure of central tendency that attempts to describe a set of data by identifying the central position within that set of data. Percentages are used for comparing information of two different samples. Standard deviation is used for measuring the deviation of values from the mean score.

#### **2. One-Sample t Test**

One-Sample t test is a statistical procedure used to examine the mean difference between the sample and the known value of the population mean. In One-Sample t test, the mean value is compared against a “test value”, which is a known or hypothesised value of the mean of the population.

#### **3. Independent sample t Test**

The Independent Sample t test is a statistical test for comparing the means of two independent groups in order to determine whether there is any significant difference between these groups.

#### **4. One Way ANOVA**

The One-way ANOVA stands for One-way Analysis of Variance (ANOVA). It is used to determine whether there is any significant difference among the means of three or more independent groups.

#### **5. Scheffe Post Hoc Test for Multiple Comparisons**

Post hoc tests are designed for situations in which the researcher has already obtained a significant difference among three or more independent groups using

ANOVA and to know the exact difference between these groups. Scheffe test is one of the most popular, conservative and flexible methods of post hoc test.

## **6. Quartile Deviation**

Quartile deviation is a slightly better measure of absolute dispersion. While dividing the data into four equal parts, the first quartile is the data point at the 25<sup>th</sup> percentile, second different point is the second quartile, which is same as median and third such part is third quartile, the data point at the 75<sup>th</sup> percentile.

## **7. Factor Analysis**

Factor analysis attempts to identify the underlying variables, or factors, that explain the pattern of correlation within a set of observed variables. It is useful for placing variables into meaningful categories. It is also used for identifying the most contributing dimensions.

## **8. Structural Equation Modeling (SEM)**

Structural Equation Modeling (SEM) is a methodology for testing a network of the relationship between variables. It tests the hypothesised patterns of directional and non directional relationships among a set of observed and unobserved variables (MacCallum & Austin, 2000).

SEM consists of two key elements:

a. Measurement model, which is a confirmatory factor model. It measures the link between the data and the latent variables.

b. Structural model, which is a path model or factor model, which measures the covariance matrix between latent factors.

The analysis of the quantitative data has been done with the help of statistical software called SPSS 17 and the research model was prepared using the Warp PLS 4 software.

## **1.9 Limitations of the Study**

The present study suffers from the following limitations:

1. All the information provided by the policyholders is from their memory and recall method. Therefore, the data are subject to recall errors. Similarly, the study is based on subjective perception of the respondents, hence it is not totally free from response errors.
2. Only the individual customers are considered for the work and excluded the institutional customers.
3. The strata-wise number of claimants from National Insurance Company is not available. So, the total population from this company is divided in the same proportion used in the other Public sector company, i.e., New India Assurance Company.
4. The study is limited to only the areas of relationship quality, customer satisfaction, customer loyalty and claim settlement.

## **1.10 Chapter Scheme**

The report of the study has been presented in seven chapters as shown below:

### **Chapter 1: Introduction**

The first chapter deals with the introduction, research problem, significance and scope of the study, objectives of the study, hypothesis, operations definition of terms and concepts, methodology and database, conceptual model, limitations of the study and the chapterisation of the study.

### **Chapter 2: Review of Literature**

Chapter two covers the review of the previous literature relating to the customer relationship, relationship quality, customer satisfaction, customer loyalty and

general insurance with special emphasis on motor insurance. This chapter identifies the research gap through these literature reviews.

### **Chapter 3: Customer Relationship in Motor Insurance Industry in India:**

#### **A Theoretical Framework**

The third chapter makes a theoretical overview of the concepts of relationship quality, customer satisfaction, customer loyalty and the general insurance industry. The chapter is divided into four sections. Section A deals with customer relationship, section B covers the general insurance and motor insurance industry, section C deals with the relationship marketing practices of the motor insurance companies in India and the last section D deals with the profile of the selected general insurance companies in Kerala.

#### **Chapter 4: Relationship Quality**

Chapter four gives a detailed analysis of relationship quality among the claimants of public and private sector motor insurance industry in Kerala. It also covers the demographic profile of the respondents.

#### **Chapter 5: Customer Satisfaction and Loyalty**

This chapter demonstrates the comprehensive analysis of the concepts of customer satisfaction and customer loyalty in general insurance industrial sector in Kerala.

#### **Chapter 6: Claim Settlement and Research Model Analysis**

This chapter gives a detailed analysis of the effectiveness of claim settlement. It also covers the analysis of the influence of relationship quality and customer satisfaction on customer loyalty.

#### **Chapter 7: Findings, Conclusions and Implications**

The last chapter presents the summary of the whole study, findings, conclusions and the implications. It also provides the scope for further studies.

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## **Chapter 2**

### **Review of Literature**

The core of the current research work is an investigation on the customer relationship in the motor insurance industry in Kerala. The study aims to examine the influence of relationship quality and customer satisfaction on customer loyalty in the motor insurance industry. Similarly, the study covers the mediating role of claim settlement effectiveness between these constructs. The researcher has made an attempt to review the relevant studies related to the present research work conducted so far in order to identify the research gap.

From the literature review, it is found that there are separate studies on relationship quality, customer satisfaction and customer loyalty in various service sectors. Some studies show the relationship between these constructs in various areas. Similarly a number of studies are done in the area of general insurance and a few studies are there regarding motor insurance and claim settlement at national and international level.

For the purpose of presentation of past studies, the relevant studies are classified into the following five sections. They are

- A. Studies on Customer Relationship
- B. Studies on Relationship Quality
- C. Studies on Customer Satisfaction
- D. Studies on Customer Loyalty
- E. Studies on General Insurance

Brief reviews of the literature coming under the above stated heads are presented in an alphabetical order in the following pages.

## **2.1 Studies on Customer Relationship**

**Agariya & Singh (2012)** conducted a study for developing and validating CRM scale for the Indian insurance sector. Through a healthy or forceful scale development methodology, they find out a five factor CRM scale comprising of

- a. Claim payment security
- b. Product knowledge
- c. Personalization
- d. Transparency in product selling &
- e. Service quality

These scales will serve as a strategic tool for effective and efficient CRM implementation process. And also it will be used as a tool for finding out the opportunities and also areas with restricted access. This study uses the SPSS for doing exploratory factor analysis and AMOS for doing confirmatory factor analysis.

**Jadhav (2011)** conducted a study of CRM practices of service organizations like banking, hospitality, life insurance and telecommunication in Maharashtra state. A survey was conducted among 5000 respondents covering all the four selected service organizations. The study highlighted that the banking sector is more responsive to CRM in terms of investments made in technology, organisational structure and dimensions rating of CRM programs. But with regard to the customer centricity, insurance sector is the leading service sector.

**Joseph (2011)** tries to develop and validate customer relationship management orientation of branch level managers of commercial banks in Kerala and



customer relationship strength. He conducted the study using judgement sampling method by collecting responses from 221 managers and 406 customers of banks. The study proves that customer relationship strength and its components are positively correlated with the customer loyalty. Hence the researcher suggested for building an outlook in the banking industry to satisfy the customers and for building personal bonding with them.

**Kasturi (2006)** in his article examined the performance management system in insurance companies. The work focused on the principles of performance management in service organizations. This article covers over all aspects of performance management starting from strategy formulation and ends on evaluation of performance. He explained in this article theoretically the key success factors for performance management in insurance companies, which cover financial and nonfinancial factors. Among this financial measure, profit performance and investment performance are included which should be understood in terms of financial ratios. Non financial measures include both internal and external factors such as speed in processing proposals, timely reminders, dealing with drop outs, employee morale, customer satisfaction, market share, etc. some of them reflect short term performance and others long term. The author suggested maintaining a balance between them in order to achieve success.

**Matis & Ilies (2014)** in their article ‘customer relationship management in the insurance industry’ tries to find out the challenges of implementing CRM in the insurance industry. They conducted the study focused on the Romanian insurance market and by using secondary sales service data. According to them the main issue for implementing CRM in the insurance market is that there is only fewer after sales services. So investing in additional services does not justify the cost of implementation of CRM. Similarly, sales force in life insurance is more interested in new acquisition of customers rather than the retention. They claimed that there is a need of high levels of human intervention in CRM, and then only the actual purpose of it should be fulfilled. And the insurers should be focused on the customer relation

center, sales force transformation, sales automation and monitoring of social networks.

**Singh (2013)** conducted a study regarding customer relationship management in public and private sector general insurance industry. He also made an attempt to measure the impact of relationship marketing strategies and the promotional tools adopted by the company to attract the customers. A sample of 400 customers and 100 employees are selected using the non probability sampling method. According to him, in order to keep the market share in a long run, the business must provide customer centric orientation, making technological advancements, advertising and other promotional activities.

**V P (2008)** has done a comparative study of CRM practices of public and private sector insurance companies. The census method was applied in the work. Data were collected from the CRM administrators and CRM experts, which consists of 152 responses from public sector and 58 from the private sector. Based on the study, she made different suggestive measures for public and private sectors with regard to the various CRM practices like CRM goals, principle, technology, customer satisfaction, customer communication, customer base, value proposition and CRM benefits.

## **2.2 Studies on Relationship Quality**

Recent studies outlined by **Al-alak (2014)** suggest that higher client and employees relational orientation results in higher relationship quality and also it results in relationship continuity in the Malaysian banking sector. The main purpose of the study is to examine the marketing actions affecting relationship quality and the consequences influenced by it between the Malaysian commercial bank employees and their customers. The data were collected by using a self administered questionnaire from ten largest commercial banks, of which 6 from Malaysia and 4 from foreign countries. A sample of 1240 responses was collected and analysed using exploratory and confirmatory factor analysis, correlation analysis and linear structural relationship. His major finding was that mutual disclosure has no

significant relationship with relationship quality. It means that customers do not have a feel that having close relationship will have a positive impact on relationship quality. So, it is an advice that a thorough research must be carried out on the use of relationship marketing prior to its implementation, which will save our money and resources.

**Bergeron, Joy & Fallu (2008)** found that surprise has an important role in relationship marketing for achieving competitive advantage in the financial service sector. The survey was conducted among the 778 sample clients of 10 financial institutions in Canada. They try to identify the antecedents and consequences of surprise in the financial sector. Accordingly, their findings show that customer orientation in the major factor that has an impact on client experience of surprise, followed by familiarity with the client, expertise and sense of humor. So, they suggested that in order to make the clients pleasant, financial advisors have these capabilities. Managers must consider this fact before taking these advisors into the job, because these advisors are the front end persons who have direct contact with the customers in the financial service sector. Similarly, they found the consequences of surprise are satisfaction, trust, word of mouth and purchase intention.

**Bojei & Alwie (2010)** contends that relationship quality influenced customer loyalty in credence service types like medical/dental services, car repairs and education and experience service types like hotel, petrol station, cinema and banking services. Two sets of questionnaires were constructed and distributed among the two service types customers. A total of 302 samples was collected. In this study, they used the dimensions of relationship quality as interpersonal factors consisting of closeness, communication, communication quality, special care and firm factors consisting of commitment, trust and satisfaction. They showed the findings that among these dimensions, 'commitment' is the most important dimension followed by closeness, special care, trust, communication and satisfaction. Communication quality is the weak dimension of relationship quality. So, they suggest to give due importance for both interpersonal factors and firm factors in order to develop good relationship quality.

**Cater & Cater (2010)** in their article proposes a conceptual model of the antecedents and consequences of customer commitment in business to business relationships. The antecedents of customer commitment related to product quality and relationship quality. Among this relationship quality shows two dimensions, i.e., social dimension (cooperation and trust) and technical dimension (knowledge transfers and adaptation). They identified the consequences of commitment are behavioral and attitudinal loyalty. The main component of the study commitment is explained through affective commitment, positive calculative commitment, negative calculative commitment and normative commitment. The findings show that social dimension of relationship quality has greater influence on affective and normative commitment rather than technical dimension. Similarly, customer loyalty depends more on emotional than rational motivation.

Recent studies outlined by **Crosby, Evans & Cowles (1990)** suggest that relationship quality serves as an indicator of future sales opportunities. By conducting the study in the context of agent-policyholder relationship in life insurance, they built a model of relationship quality which explains the antecedents and consequences of sales relationships in service selling. A sample of 151 responses was collected from U.S households who hold among the age group of 25 and 44. The result of the model proves that relationship selling behaviors like interaction intensity, mutual disclosure and cooperative intention have a direct influence on the quality of customer-sales person relationships. Among the sales person's attributes, expertise have a moderately strong effect on relationship quality, where as similarity had no influence. But these two attributes plays an important role in the sales effectiveness. While considering the customer expectation of future interaction, relationship quality had a limited effect, whereas sales effectiveness have no influence.

**Francois & Goolen** suggest that there needed more dimensions, apart from the dimensions of SERVQUAL for measuring relationship quality. By conducting a study among service suppliers who specializes in renting out of industrial equipment for use on building sites , they find out three major dimensions like satisfaction,

loyalty (includes commitment) & trust and seven evaluative dimensions of relationship quality such as attention, service or product customization, product quality, responsiveness, reliability, administration and information efficiency.

As established by **Gregoire & Fisher (2006)**, “Relationship Quality (RQ) has a negative effect on a desire for retaliation when the customers infer that a firm did not have a control over service failures.” This means that when the firm has less controllability towards the service failures, high RQ customers experiences a lesser desire for reaction than a low RQ customer. But if the firm has controllability, high and low RQ customers seem to experience a similar desire for retaliation regardless of the quality of the relationship. They conducted a field study based on respondents’ retrospective experiences. This study conceptualizes RQ as a high order construct consisting of trust, commitment, satisfaction and identification. A Structural Equation Model approach using Partial Least Squares was employed in this research. They also find out the effect of retaliation desire that negative word of mouth, complaining to a third party and patronage reduction.

**Hennig-Thurau & Klee (1997)** in their work developed a conceptual model which postulates a relationship between satisfaction and customer retention. They explained through the model the relationship quality as a moderating construct which serves as a non-linear predictor variable between customer satisfaction and customer retention. They introduced relationship quality as three –dimensional variable that incorporates the customer’s product or service related quality perception, trust and commitment. They claimed that this conceptual model of satisfaction-retention link can be used as a theoretical basis for the development of appropriate measurement designs.

**Hennig-Thurau, Gwinner & Gremler (2002)** examined the role of relational benefits and relationship quality towards the relationship marketing outcomes in service firms. The survey was conducted among 336 respondents from three types of service firms. They developed a model which shows the variables like social benefits, special treatment benefits & confidence benefits for relational benefits construct and satisfaction & commitment for measuring relationship quality

towards relationship marketing outcomes like customer loyalty and word of mouth communication. The study result implies that service companies should create and communicate marketing offering that satisfy customer needs and serves as the foundation for strong relationship commitment. Satisfaction and commitment shows as the mediators in between relational benefits and relationship marketing outcomes. There is an insignificant relationship between confidence benefits and commitment. Similarly, special treatment benefits show an indirect influence on customer loyalty and it shows a modest indirect impact on word of mouth communication through commitment.

The studies outlined by **Hibbard, Brunel, Dant & Iacobucci (2001)** concluded that stronger business relationships are associated with better performance, but it would be weakened over time. Thus, the age of the relationship alone had a largely insignificant association with dealer performance. For the present study, they chose relationship marketing variables of trust, commitment, communication, shared values and mutual dependence. The study was conducted among the manufactures' informants of *Fortune 500* consumer durables and their dealer network. The dealer's perception of strength of relationship with manufactures among the five dimensions is collected from 699 dealers. And dealer's contribution to manufacturer's profit and growth, dealer's competence, compliance and customer satisfaction with dealer was collected from 629 manufacturer's informants. The collected data were analysed using simple and multiple linear regressions. Through this study, they suggested that managers need to identify the fact that relationship marketing yield diminishing returns over time and they identify the true cost of building relationship so as to judge whether diminishing returns justify the effort.

**Ibrahim et al (2015)** in their article shows the relationship between customer relationship quality and customer loyalty among the Sudanese bank customers.. This is a cross sectional study in which non probability sampling method as used for selecting the samples. Accordingly 238 responses were collected. The results of the study reveal that among the relationship quality components, trust, commitment and conflict handling shows a significant relationship with attitudinal loyalty, whereas

communication element has no relationship with it. Similarly, towards the behavioral loyalty, communication and conflict handling element shows a significant positive relationship. Through this survey, they give an advice to the managers who want to increase the behavioral loyalty would concentrate more on communication and conflict handling and who would like to improve the attitudinal loyalty should concentrate on trust, commitment and conflict handling. This will result in better competitive advantage of the banking business.

**Izogo (2015)** claimed whether relationship quality is measured as a composite or disaggregate construct. He finds out the answer by conducting a survey among the bank customers in Nigeria. By applying the purposive sampling method, he selected 332 samples of respondents for the study. His finding is that disaggregated measure of relationship quality is better than composite construct in order to measure its effect on marketing outcome of customer loyalty. He chose trust and satisfaction as the components of relationship quality. According to him the antecedents of relationship quality are customer orientation, expertise and information sharing. And he also found out that satisfaction component of relationship quality is a better predictor of customer loyalty than trust. But the trust has an indirect effect in predicting the loyalty by avoiding the switching behaviors of customers in the banking industry.

**Johnson & Grayson (2005)** in their work concentrate on the antecedents and consequences of cognitive and affective trust in the financial service sector. The study also tries to establish the relationship between trust and sales effectiveness. They conducted the survey among 349 customers of a firm of financial advisors in the U.K. They found that cognitive and affective dimensions of trust are different but have some common antecedents. Service provider's expertise and product performance will lead to cognitive trust whereas similarity leads to affective trust. Firm's reputation and satisfaction with previous interaction are the antecedents for both the affective and cognitive trust. Similarly cognitive trust has the consequences of sales effectiveness and anticipation of future interaction. But they found that there

is no relationship between sales effectiveness and affective trust in the financial service sector.

**Keating et al (2012)** state the mediating role of relationship quality in between the service quality and customer loyalty in an online context. The survey was done online from internet banking customers of Australia. A sample of 451 respondents was collected and analyzed using partial least squares (PLS) and the smart PLS program. They used dimensions like physical aspect, customization, problem solving and policy component of the online service device for measuring service quality. Likewise, trust and commitment dimension of relationship quality and behavioral intentions scale for measuring customer loyalty. Their findings show that unlike the offline setting, there is a partial modeling relationship of relationship quality between service quality and customer loyalty. The study also examines the direction and power of interrelationship between service quality, relationship quality and customer loyalty in online services. According to them, if the firm wants to create customer loyalty from online customers, it should provide high quality services than creating a relationship with them.

**Kim and Cha (2002)** reviewed the antecedents and consequences of relationship quality on the hotel industry. They concentrate the study on Korean hotel guests who stayed in 12 five star hotels in Seoul. A sample of 198 hotel guests is taken for the study, which was analysed using exploratory and confirmatory factor analysis, correlation analysis and linear structural relationship (LISREL). According to them, high level of customer orientation, employees relational orientation and service providers' attributes like expertise, experience and appearance will lead to high relationship quality. But the mutual disclosure element did not demonstrate a significant relationship with relationship quality in the hotel industry. They choose the variables trust and satisfaction for measuring relationship quality construct. And the consequences of relationship quality are share of purchases, relationship continuity and positive word of mouth. Their major finding was that the highest level of share of purchases will more likely to cause high relationship quality, which will actually result in positive word of mouth.



**Lages et al (2005)** developed a new measurement scale viz RELQUAL scale to assess the degree of relationship quality in export market ventures. According to them relationship quality in export settings was the relationships developed beyond national boundaries. The RELQUAL consists of four dimensions. They are;

- (i) Amount of information sharing in relationship
- (ii) Communication quality of the relationship
- (iii) Long term relationship orientation
- (iv) Satisfaction with the relationship

The study was conducted in UK among 111 randomly chosen exporters. The scale shows the strong support of reliability as well as convergent, discriminant and nomological validity. They also found that there is a positive significant relationship between relationship quality and export performances among the British exporters.

**Lin & Chung (2013)** address the effect of relationship marketing on e-loyalty mediated by relationship quality among online consumers using different types of products. Three types of relationship bonds like financial bonds, social bonds and structural bonds are affected to e-loyalty through the mediating effect of relationship quality. The dimensions of relationship quality used in this study are satisfaction, trust and commitment. The survey was conducted among 493 online customers in Taiwan. They are divided into three categories based on the product features, like consumers who consume search products, experience products and credence product.

Their findings show that financial, social and structural bonds have positive impacts on relationship quality and e-loyalty. But three types of relationship bonds have influence on three categories of products. That is, financial bonds for search products, social bonds for experience and credence products and structural bonds for credence goods/services. So, it is found that e-tailers should adopt different bonding strategies according to different product types. The study proves that whatever relationship bonding strategies are adopted, e-tailors must give due consideration for relationship quality in order to build loyalty among online customers.

**Meng & Elliott (2008)** in their work applies a measurement model for quantifying the predictors of relationship quality in luxury restaurants in America. This model was originally tested with Korean customers. A sample of 404 respondents was collected and LISREL was used for analysis for the study. It was found that ‘customer orientation’ appears to be the strongest predictor of relationship quality followed by ‘food quality’, ‘relationship benefits’, and ‘physical environment’. ‘Communication’ and ‘price fairness’ are the weakest predictors of relationship quality.

**Moorman, Deshpande & Zaltman (1993)** build up a theory about the factors affecting user trust in marketing researchers. They argue that both belief and behavioral intention components must be present for trust to exist. They conducted the study through a survey among 779 users of marketing research, consisting of marketing managers, marketing researchers within the firm and non marketing managers. The study result shows that trust may be more a function of interpersonal factors than of individual factors.

**Morgan & Hunt (1994)** developed the commitment-trust theory of relationship marketing. The theory explains that commitment and trust are the mediating variables between antecedents and outcomes of relationship marketing. They compared this model of Key Moderating Variable (KMV) model of trust and commitment of relationship marketing with a rival that does not allow a relationship commitment and trust to function as mediating variable. Accordingly the theory proves that relationship commitment and trust are the key mediating variables that contribute to relationship marketing success. The survey was conducted among independent automobile tire retailers.

**Motamedifar et al (2013)** contends that there is a significant positive relationship between relationship quality and customer loyalty in Rasht’s Refah stores. In this study, they identified through the reviews the variables like Trust, commitment, communication and conflict handling under the construct Relationship quality. In case of customer loyalty, it is used as a composite construct combining behavioral loyalty and attitudinal loyalty. For this study, 270 customers of the store

were taken for the study and the data were collected using a standardized questionnaire analyzed the correlation between the two construct using Pearson correlation coefficient.

**Ndubisi (2007)** maintains through the study the relationship between four underpinnings of relationship marketing and customer loyalty in the Malaysian banking sector. Data were collected from 220 customers of 15 banks in Malaysia. The samples are selected using systematic quota random sampling method by selecting every second customer to enter the bank on each day of the survey. The components used in the study are trust, commitment, communication and conflict handling. They all are related to each other. Multiple regression analysis was used in this study for predicting the relationship between relationship marketing and customer loyalty.

**Ndubisi (2007)** in his article tries to examine the impact of relationship marketing underpinnings like trust, commitment, communication and conflict handling towards relationship quality in the Malaysian banking sector. The study reports that among the underpinnings of relationship marketing, trust and conflict handling has a significant relationship with relationship quality, a marginal relationship between commitment and relationship quality and a weak relationship between communication and relationship quality. So, in order to build high relationship quality with customers, the banking industry must give due importance for creating trusting behavior, cordial conflict resolution.

**Ozen (2015)** asserts that in order to create a repurchase intention among the online shopping customers, the shopping sites must take necessary steps to build service quality and relationship quality. He conducted the study by taking 250 sample online shopping customers, who used the sites at least one or two times from the most famous online shopping sites in Turkey. For the present study, he used the variables like efficiency and system availability, privacy and fulfillment for measuring online service quality. Likewise, trust, commitment and satisfaction for measuring online relationship quality. Confirmatory factor analysis and structural equation modeling were used for analyzing the impact of these two construct

towards repurchase intention. And it is found that there is a strong positive effect of service quality and relationship quality towards repurchase intention. Through this study, he finds out that quick delivery process, sending the right items ordered, keeping the products displayed in stock and well organized websites are important for online customers.

Reviewing four important theories of inter organizational relationship performance, **Palmatier, Dant & Grewal (2007)** tries to integrate the perspectives into a single model of interfirm relationship performance consistent with a Resource Based View of an exchange. The theories they reviewed as follows:-

- 1) Commitment –Trust theory
- 2) Dependence perspective
- 3) Transaction cost economics
- 4) Relational norms

They used four years of longitudinal data from 396 inter organizational exchanges. Accordingly, they suggested through the study that in order to create better performance, managers must try to increase the efficacy or effectiveness of relationship and thereby creates value.

**Palmatier R W, Dant, Grewal & Evans (2006)** identified the factors influencing the effectiveness of relationship marketing. They found that expertise and communication are the most effective relationship building strategies across all essentials of relationships. They suggested that all relationship marketing efforts may be a waste if the organizations do not try to solve the conflicts with the customers in a fruitful manner. According to them objective performance outcome is mostly influenced by relationship quality and least by commitment. But at the same time commitment has a greatest impact on customer loyalty. Their major finding from the study is that customer relationships have a stronger effect on exchange outcomes when they target on the individual person than selling firm.

By reviewing the earlier studies of Relationship Quality, **Panneerselvam (2013)** identified the requirement of developing a measurement scale for

Relationship quality in the retail industry from Asian perspective. Based on previous studies, they suggested that trust, satisfaction and commitment can be preferably well thought-out as the dimension of relationship quality in developing a RELQUAL scale in the retail industry.

**Siddiqui, Jain, David, Sharma & Parashar (2011)** in their article state that satisfaction and relationship quality played a very important role in retaining the customers in the banking industry in Indore region. They find out that there is a positive impact of customer relationship quality and customer satisfaction towards customer retention in the banking sector. In conducting the study, they selected 100 random samples of customers in both public and private sector banks in Indore. Regression analysis was used for analyzing the results.

**Sirdeshmukh, Singh & Sabol (2002)** develops a model incorporating two distinct facets of consumer trust, namely Front Line Employees and Management Policies and Practices. They included multiple dimensions of trust in the study. They are operational competence, operational benevolence and problem solving orientation. They also try to understand the mediator role of value in trust –loyalty relationship. They conducted the survey by selecting 264 customers from the retail clothing service area and 113 customers from business airline travels. The findings show that the role of front line employees is more serious in retailing context, while in the airline environment, management policies and practices shows an important role.

**Smith (1998)** has made an attempt to address the effect of similarity on relationship management behaviors and relationship quality, based on similarity-attraction theory. In this study similarity attribute of life stages, sex, work attitudes and personality were measured with single item using 4 point scale “very similar to very dissimilar”. Similarly, relationship quality and aspect of relationship management were measured with multiple 7 point Likert type scale. Relationship investment, Open communication and Relationalism variables are used for measuring relationship management and trust/ satisfaction and commitment are used for relationship quality. The study shows that relationship management facets of relationship investment, open communication and to a lesser extent relationalism

were found to be important predictors of commitment, whereas relationship investment and open communication were found to be important predictors of trust/satisfaction. Their major finding is that similarity was generally found to have an indirect effect on relationship quality through relationship management.

Reviewing the study of **Tser-Yieth, Chie-Bein, Hsin-Yuan, Wen ping & Yu-Ting (2007)** suggests that relationship development activities and relationship needs significantly influence the predicted relationship quality and expected relationship quality. Similarly predicted relationship quality and desired relationship quality of expected relationship quality will influence the real perceived relationship quality directly to the customers in Taiwan insurance industry. The study proves that the gap between expected relationship and perceived relationship are significant predictors of satisfaction. So, in order to increase the customer satisfaction level in the insurance the industry, the insurer must try to reduce the gap between desires, adequate, predicted and perceived relationship. They must identify the factors which create the gap in relationship quality for the betterment of the industry.

**Uлага & Eggert (2006)** in their article 'Relationship value and relationship quality' ties to investigate the link between relationship value, relationship quality and behavioral intentions in B2B relationships. In this study, they used two stage research design consisting and depth interviews, which were conducted among purchase managers in US manufacturing companies and mail surveys from 400 purchasing professionals. Their major finding is that relationship value should be included as a key constituent when modeling business relationships. Here relationship quality is considered as a higher order construct composed of trust, commitment and satisfaction. According to the study, relationship value has a strong impact on satisfaction, whereas the direct weak impact on trust and commitment. Similarly, satisfaction and commitment have a direct impact on behavioral intentions like expansion and propensity to leave. Commitment also impact the behavioral intention, whereas trust does not directly impact it. So, relationship value has a favorable impact towards relationship quality which in turn reduces the propensity to leave.

**Wijenayaka, Perera & Sanjeeqa (2015)** conducted a study in insurance industry to assess the CRM strategies and its relation with customer loyalty. The study result that there is a significant relation between trustworthiness, commitment, two way communication and conflict handling with CRM in the insurance industry. The study also proves the positive relationship between CRM strategies and Customer loyalty. So, if the insurance industry shows more positive relationship with customers, it will definitely create loyal customers. A sample of 100 policyholders from Sri Lanka insurance industry is selected the study and it is analyzed using Spearman rank correlation and multiple regression.

**Wong & Sohal (2002)** states the role of trust and commitment in the retail industry and their impact on relationship quality. They collected the data from 1261 shoppers at eight different outlets of a large chain departmental store in Victoria, Australia and the collected data was analysed using Structural Equation Modeling. In this study relationship quality is measures using a single item scale. And the level of relationship quality, trust and commitment are measured from two angles, sales person and store, from the customers' perspective. Accordingly, they find out that interpersonal relationship rather than individual to firm relationship are essential in achieving a high level of relationship quality. That is salesperson trust is a significant predictor of overall relationship quality and it has an indirect effect on store trust. For the establishment of higher level of relationship quality in a customer-sales person retail relationship, it is very important that a customer has a high level of trust in the salesperson and feels committed to the salesperson. They suggested that managers should try to retain the salesperson in the business, in order to build trust, commitment and relationship quality.

**Yu** examined the relationship of relationship marketing types, service quality and relationship quality on customer loyalty. The present study was done among the customers of the client service center of life insurance industry in Taiwan. His major findings was that life insurers can strengthen the client's trust, satisfaction and commitment (variables of relationship quality) by improving interaction quality, physical environment and offering additional services. That is service quality is

positively related to relationship quality. Similarly, by utilizing relationship marketing strategies (Financial, social and structural bonds), the service center can enhance the relationship quality as well as service quality. And by making good relationship with customers and adopting better relationship marketing strategies, life insurance industry can result in a high level of customer loyalty which is composed of behavioral loyalty and word of mouth.

**Zhang,Fang, Wei, Ramsey, McCole & Chen (2011)** through their work shows a model of B2C e commerce customer repurchase intention from a relationship angle. They have done the work among the students and staffs at the University located in Northern Ireland. According to them, the major factors influencing the relationship quality in online context are website usability, vendor expertise and vender reputation. The factor which is adversely affecting the relationship quality is customers' distrust in vendor behavior. Through their study, they also find out that relationship quality and website usability are the main factors which are influencing the customer's repurchase intention. The result, they obtained by doing the confirmatory factor analysis and structural equation modeling by using SmartPLS.

### **2.3 Studies on Customer Satisfaction**

The study conducted by **Anderson, Fornell & Rust (1997)** proves the importance of trade off between customer satisfaction and productivity. According to their study, there is a positive association between the changes in customer satisfaction and changes in productivity for goods, whereas it is negative in case of service industries. As there will be a remarkable growth in service industries in the future, the firm must strike a proper balance between efficiency and effectiveness in their business.



In an article of **Borah (2012)**, he tries to analyse the service quality perceptions of 50 customers of private sector life insurance companies in Jorhat. He used non probabilistic judgement-cum-convenience sampling method for selection of sample respondents. They found that tangibility, accessibility an understanding factors have the maximum impact on customer satisfaction. Accordingly, he suggested to the insurance companies to provide prompt service, keep timely promises and also shows sincere interest in solving the customers' problem to satisfy them.

**Bowen & Chen (2001)** contend that the relationship between customer satisfaction and customer loyalty was found non linear in the hotel industry. The study was conducted among 564 respondents in the hotel industry in Bosten. They used an internal benchmark mechanism for representing the loyal customers. They suggested that the main focus was given by the hotel management for the personalized service. Similarly, proper training is given to the employees to recognize the customer and take care of them and thereby built them as a loyal one.

Recent studies outlined by **Cronin, Brady & Hunt (2000)** mentioned about the effect of service quality, value and customer satisfaction towards the behavioral intention of consumers in service environment. The study proves a direct effect of these constructs on behavioral intention. It also demonstrates the indirect effect of service quality and value towards the impact on behavioral intention.

Reviewing the result of the research study of **Crosby and Stephens (1987)** concludes that even though relationship marketing adds value to the service package, it is not an alternate for having a strong, up to date core service in life insurance business. They studied customer satisfaction as a, multidimensional construct, which is conceptualized as a precondition for relationship building. It is attributed with three dimensions like satisfactory interaction with personnel, satisfaction with core services and satisfaction with the organization.

**Duodu & Amankwah (2011)** in their master's thesis examined the determinants of satisfaction and its effect on behavioral intentions of insurance

customers in Ghana. They surveyed 1051 insurance policyholders and in which SEM approach was applied to analyse and tests the relationships. It is found out from the survey that reliability and responsiveness variables have significant impact on customer satisfaction, whereas technical quality, price and image quality haven't significant effect. Likewise, the customer satisfaction has positive significant impact on behavioral intentions like likelihood to recommend, switching intention and repurchase intention in the insurance industry.

**Gautam (2011)** made an attempt to compare and analyse the service quality perceptions of customers in the public and private sector life insurance companies. LIC from the public sector and ICICI Prudential Life insurance from the private sector is taken for as sample companies. The study was conducted among 210 policyholders in Hyderabad city of Andrapradesh. The service quality dimensions like tangibles, empathy, assurance, reliability and responsiveness are taken for comparison in the study. The study statistically proves that service quality perceptions of public sector respondents are more than that private sector. With regards to the dimensions, except for the tangible dimension, the perceptions towards all other dimensions are more in public sector.

The study of **Gronholdt, Martensen & Kristensen (2000)** focused on measuring the relationship between customer satisfaction and customer loyalty among different industries. The European Customer Satisfaction Index is used in the study as a measuring instrument. The customers of thirty major companies with eight specific industries in Denmark were taken as samples of the study. They are four telecommunication industries, retail banks, supermarkets, soft drink industry and fast food restaurants. The end result of the study shows that there is a significant positive effect for the customer satisfaction towards customer loyalty in all the selected industries. Another finding is that the companies which are very price sensitive have a much larger customer loyalty than expected from their customer satisfaction. At the same time, the companies which are brand sensitive have high customer satisfaction, but they do not have a corresponding high loyalty.

**Johri (2009)** has pointed out the ways for building customer satisfaction in general insurance industry. According to him, customer satisfaction is the result of building relationship of confidence and trust with utmost commitment, internal accountability and a sense of care of the customer. The insurer must provide '6C' to insured, i.e. communication, cooperation, cheerfulness, credibility, challenge and continuity to make him a happy customer. He also opined the ways to face competition by managing services through tangibilisation, empathy and reinstatement of one's presence and performance by overcoming inconsistencies in customer service management.

**Khan (2012)** found from his study that customer satisfaction has a significant impact on customer loyalty and customer retention has an insignificant effect. He conducted the survey among 83 customers of telecom industry in Pakistan. Convenience sampling method was used for the survey. He used linear regression analysis for measuring the influence of the customer satisfaction and customer retention towards customer loyalty. His major implication to the telecom industry was to maintain a proper relationship with the customers in order to compete in the field.

**Mathur & Tripathi (2014)** examined the key factors influencing the customer's choice of insurance company. The study was conducted among 120 respondents in Ajmer city. They identified 29 factors from literature and personal interview. Their findings show that the most important factors influencing the company selection are computerization and online transactions, connectivity with the bank, speed and efficiency in transactions, clear communication, etc. By using factor analysis, they grouped 29 factors into 9 key factors. They are proximity, company services and infrastructure, convenience, security/privacy, technology, responsiveness, reputation, image and ownership. The study also proves that there is no relation between gender & education on factors influencing the company selection.

**Mohajerani (2013)** did a study relating to the determinants and consequences of the customer satisfaction in the hotel industry in Iran. The study

was conducted among 285 customers of different hotels of three star, four star, whom are selected using proportional simple random ample method. Both Confirmatory Factor Analysis and Structural Equation Modeling was used to analyse the relationship between the variables like perceived quality, image, perceived value, customer expectation and customer satisfaction. Similarly the influence of customer satisfaction towards customer loyalty and complaining behavior was also studied. The results of the study show that there was a positive relationship between perceived value and image, perceived value and perceived quality and perceived quality and image, and by improving one among them, the other one also will be higher. The study proves that customer satisfaction has a high impact on customer loyalty, whereas an insignificant impact on complaining behavior.

**Mohsan, Nawaz, Khan, Shaukat & Aslam (2011)** carried out a study to analyse the impact of customer satisfaction on customer loyalty and switching intention. The study was conducted among the banking customers in Pakistan. A sample of 120 respondents is collected and analysed. The outcome of the study exposed that there is a positive relationship between customer satisfaction and customer loyalty. At the same time, the relationship between customer satisfaction and switching intention is found to be negative. It means that the customers who are highly satisfied do not wish to switch from the company and vice versa.

**Sadeghi & Farokhian (2011)** did a survey work to measure the customer satisfaction of insurance services. It was studied from the view of point of insurer. They collected data from 350 insurers in Iran. The study result shows that the most important success factors influencing customer satisfaction is related to safety, relationship, customer understanding, responsiveness and validity of insurance companies.

**Sheth (1992)** made a paper presentation regarding the normative model of retention of customers. He found out ten elements which are considered for retaining the customers in a business. They are corporate culture, responsiveness, competence & professionalism, quality obsession, value migration, mass customization, proactive innovation, front line information systems, market based organization and

customer based compensation. According to him, the main hindrance in retaining customer satisfaction is structural in nature, whereas principal focus is in the direction of creating psychological comfort with customers.

**Siddiqui & Sharma (2010)** carried out a study to analyse the customer satisfaction with service quality in life insurance services. They used qualitative content analysis of focus group discussions and depth interviews to identify the service quality dimensions and conclusive cross sectional descriptive research method to study the service quality composition. The sample respondents in the study were 868 insured having at least one life insurance product in the past three years. The statistical tools used are EFA, CFA and Structural Equation Modeling. The service quality dimensions identified are assurance, personalized financial planning, competence, tangibles, corporate image and technology. The study findings show that by improving the service quality, the insurance industry can increase the satisfaction with agents, functional services and company, which will ultimately, develops the overall customer satisfaction.

**Stafford, Stafford & Wells (1998)** tries to identify the most significant determinants of perceived service quality and feelings of satisfaction in the auto casualty claim process, based on the SERVQUAL scale. The sample of respondents consists of customers involved in filing auto insurance claims with four prominent insurance providers in the southwestern state. The result of the show that service quality and satisfaction are considered as two different concepts and the reliability variable emerged as the most critical determinant of both overall service quality and feelings of satisfaction. Hence they suggest that insurers should concentrate on providing superior level of reliability.

**Swain & Sahoo (2012)** in their article tries to analyse the factors influencing the customer satisfaction in life insurance sector. The study shows that timely service, easy mode of payment, provision of up to date information regarding new products by employees and easy payment through a wide area network by the agent are the major factors in response to the satisfaction. They suggested the insurance

companies give due consideration of these factors to sustain in the competitive market.

**Vazifehdust & Farokhian (2013)** conducted a study to identify the most important factors affecting the customer satisfaction in the insurance industry from the customer's point of view and the most influential indicators of success of an insurance industry from the insurance company's point of view. They adopted descriptive method of research and collected 140 and 350 data from customers and insurers respectively. The findings of the study show that accessibility, customer response time and trust are the most important factors of customer satisfaction. Likewise, effective dealings with the customers, ability of insurance agents to convey accurate information and establishing long term relationship with the customers are the most persuading factors of success in an insurance industry.

**Vikkraman & Duraikannan (2015)** focused a study relating to the linkage between customer relationship management and its consequences in the life insurance industry. Around 187 sample responses are collected and tested. The study used the variables like reciprocal, trust, shared understanding, customization, disclosure and cooperative concern for measuring customer relationship management. Structural Equation Modeling was used for measuring the relationship between CRM and customer loyalty through the mediating role of customer satisfaction. The findings of the study show indirect effect of CRM towards customer loyalty is higher than the direct effect. It indicates the significant mediator role of customer satisfaction in between CRM and customer loyalty in the life insurance industry.

#### **2.4 Studies on Customer Loyalty**

**Akin (2012)** made a discussion that whether loyal customers are conscious or not. He collected the samples relevant for the study by adopting the snowball sampling method. Both face to face survey from university students and online administration survey of individuals with different socio demographic characteristics were selected. In this article he studied five dimensions like rand, environment,

health, value and price. Similarly three dimensions of loyalty namely attitudinal, affective and conative loyalty are also studied. The study result shows that a very weak relation was shown between loyalty dimension and consciousness dimension. He adopted cluster analysis and divided the sample into four clusters like conscious loyal, conscious disloyal, unconscious loyal and unconscious disloyal groups. So his finding shows that loyalty is not a conscious behavior or attitude always and it is differ from person to person.

**Blut, Evanschitzky, Vogel & Ahlert (2007)** in their article tried to study the influence of moderating variable ‘switching barriers’ in the development of different stages of loyalty chain. They used social benefits, attractiveness of alternatives and switching costs as the switching barriers in the four stage loyalty model. They accomplished the study among 589 customers of a representative retailer in German DIY market. A multi group structural equation modeling was used for testing the hypotheses. The findings of the study show that the higher the perceived social benefits, a cognitively loyal customer will become an affective loyal one. The attractiveness of alternatives will make the affective loyalty into conative loyalty, but the study failed to prove the influence of this variable in between the affective and cognitive loyalty. Similarly switching cost has an important role to convert a cognitive loyalty into an action loyalty.

**Chang, Chuang, Chuang & Lin (2015)** in their article tried to analyze the relationship between quality and customer loyalty in the Taiwan automobile industry. A sample of 282 respondents was selected for the study using judgement sampling method. Both product quality and service quality are taken to find its effect on customer loyalty. Structural Equation Modeling was used for the analysis. The results of the study show that neither product quality nor service quality have a direct effect on customer loyalty, but have an indirect effect by enhancing the customer satisfaction. Thus, they suggest for better work in order to promote product and service quality, as the key to achieving greater satisfaction, which builds stronger customer loyalty.

As established by **Chen & Wang (2009)**, ‘switching barriers do have a moderating effect and a crucial role in winning the customer loyalty’. They

conducted the study in life insurance service context. In their study, they prove the significant relationship between core services and customer satisfaction, relationship quality and customer satisfaction and customer satisfaction and customer loyalty. Their study also shows that as and when the switching barriers increased, the positive relationship between the variables diminishes. Thus, it was recommended to the management to strengthen the switching barriers in order to encourage customers to stay with them.

**Damtew & Pagidimarri (2013)** made an attempt to measure the role of trust in building customer loyalty in insurance sector in Ethiopia. Single cross-sectional descriptive research method was used. The method of sampling used was stratified random sampling and surveyed 285 customers as samples using a structured questionnaire. The study finding shows that there is a direct and positive relationship between trust and customer loyalty, where trust is measured in two angles like customer trust on employees and customer trust in an insurance company. The tools used for analysis are Pearson correlation and regression.

**Dick & Basu (1994)** mention the concept of customer loyalty as the strength of the relationship between relative attitude and repeat patronage. The antecedents of relative attitude are identified as cognitive, affective and conative loyalty. This relative attitude will bring in motivational, perceptual and behavioral consequences. In the conceptual framework, they brought into these facts by keeping social norms and situational factors as moderators of the relationship between relative attitude and repeat purchase.

**Dickinson** proposes a theoretical model of customer loyalty by way of a multi attribute approach. The model explains the antecedents of customer loyalty which is divided into three categories like supply side variables, evaluation variables and demand side variables. Total customer experience is used as the supply side variables in the model. It is comprised of care, character and communication (affective based) and convenience, choice, cultivation, customization and contact interactivity (cognitive based) variables. In this model customer loyalty is considered as a dual dimensional construct comprised of cognitive and affective loyalty. The third category demand side variables encompass competitive alternative



attractiveness, price fairness, loyalty proneness and product involvement. They conducted the study in a B2B context among 2500 respondents in mobile, computer repair services. The model is tested by using structural equation modeling. They opined that managers in any area can use this full-bodied model to optimize loyalty.

**Gremler & Brown (1996)** developed a model of service loyalty and tried to identify the factors affecting loyalty in service organizations. The main aim of this study is to identify the role of these factors in determining the loyalty among service customers. They considered loyalty as a multidimensional construct consists of behavioral, attitudinal and cognitive dimension. The study was conducted in a qualitative manner by depth interviewing twenty one customers and twenty employees from service organizations in first and second phase respectively. From the study they identified, three antecedents of service loyalty such as satisfaction, switching cost and interpersonal bond and their role in determining loyalty among the service customers. The findings of the study show that customer satisfaction, six types of switching cost (habit/inertia , set up cost, search costs, learning cost, contractual cost and continuity cost) and five interpersonal bonds (familiarity, care, friendship, rapport and trust) have significant influence on building service loyalty.

**Jones (2003)** proves about the two dimensionality of service loyalty construct in marketing. The survey was conducted among 300 adult consumers of a variety of services. He measures service loyalty using nine different service loyalty related outcomes like repurchase intention, switching intention, exclusive purchasing intention, strength of preference, advocacy, altruism, willingness to pay more, exclusive consideration and identification. Principal component analysis, confirmatory factor analysis, cron bach alpha and Fornell and Larker's (1981) internal consistency measure are used for determining the unidimensionality and reliability of variables. He conducted three separate CFA by taking service loyalty as a one dimensional construct, two dimensional construct and three dimensional construct. The finding of the study show that two dimensional model of service loyalty, which consists of behavioral and attitudinal/cognitive loyalty provides the best option in marketing. The study also highlights that service loyalty is similar to loyalty in interpersonal relationships.

**Juan & Yan (2007)** in their article identified the factors influencing customer loyalty in intermittent service industry is customer satisfaction, service quality and customer perceived value. In their study, customer loyalty is composed of three causally related dimensions like cognitive loyalty, affective loyalty and behavioral loyalty. Survey method was conducted using a structured questionnaire and 393 sample responses are collected using convenience and quota sampling method. Their findings prove that among the factors influencing customer loyalty, the real determinant is customer satisfaction in that it exercises direct and significant impacts on both affective and behavioral loyalty.

**Mihaela (2013)** has made an attempt to assess the overall customer satisfaction and trust determines the bi dimensional customer loyalty in banking sector. Through the research work he suggested that bank managers should understand the importance of relationship marketing concepts like satisfaction and trust in order to build loyalty among the customers. The respondents in this study are the financial officers from various companies of Romania. They applied convenience and snow ball sampling method for data collection and 78 samples are collected and used for analysis. The hypothetical relationship in the conceptual model was tested by SEM using AMOS 20 software which shows acceptable fit indices.

As established by **Praba Devi (2008)** customer loyalty is the main focus of an insurance industry. She conducted the study to identify the factors of customer loyalty and the interrelationship among these factors by taking a sample of 200 policyholders using purposive sampling method. Tools like factor analysis, ANOVA, correlation and multiple regression were used for the analysis of data. Fifteen variables considered in the study, were clustered under three factors, viz, customer satisfaction, meeting customer needs and customer confidence using factor analysis. Among the three factors the most important factor is customer satisfaction followed by meeting the customer needs and customer confidence. The study shows that customer satisfaction, meeting customer needs and customer confidence are positive and significantly correlated. Regression analysis reveals that these three

factors contribute significantly to the loyalty of the customers in the insurance industry. Therefore, she suggested that it is essential for the insurance companies to capitalize on their existing customers rather than searching for new customers.

Reviewing the literatures of customer loyalty, **Rai & Srivastava (2012)** point out the significance of customer loyalty in the modern business field and also found out the antecedents and outcomes of customer loyalty. The study shows that service quality, customer satisfaction, trust, commitment, switching cost, corporate image, service delivery, emotion and communication are the important antecedents of customer loyalty. Similarly, based on the literature support behavioral, attitudinal and cognitive loyalties are found to be the outcome of customer loyalty.

**Rai and Srivastava (2013)** in their article focused on the widely applicable antecedents of customer loyalty in the Indian life insurance industry. They bring out seven variables, viz service quality, customer satisfaction, trust, commitment, corporate image, switching cost and communication, which are responsible for the formation of customer loyalty. The finding of the study shows that among the seven variables, service quality and commitment are the main predictors of customer loyalty in the life insurance industry. The study also done a comparison between public and private sector companies towards the customer loyalty status and it is found that customers of the public sector are more loyal than private sector customers because of its security and stability towards the society.

**Saaty (2012)** found that customer loyalty and customer retention were very much relevant for the success of a business. He conducted the study among the current employees working with insurance companies in Saudi Arabia, covering three different categories like salesman, marketing executives and other executives. He tries to make an investigation regarding the type of insurance policies purchased by the people in Saudi and the result of the study shows that most of the people purchased compulsory lines of insurance like motor insurance and health insurance. The study also makes an effort to identify the values offered by companies to enhance loyalty and retention. Among the values, most companies provide special

offers, discounts and incentives to existing customers, but the least provided value is the awareness and education programme. It is a very relevant thing as an insurance company is concerned. So, according to him, the companies should give more focus on this area. And he finds out through the survey that insurance companies in Saudi Arabia are lacking in providing customer service measures. Thus he suggested giving more concentration on customer service practices in order to enhance loyalty and retention level.

**Shahrokh, Oveisi & Timasi (2013)** in their article assert that customer loyalty positively influenced online repurchase intention. The study also proves the significant effect of online relationship quality towards customer loyalty. Among the antecedents of relationship quality, perceived vendor reputation has more influence than perceived expertise in order fulfillment. So, they suggest that vendor in e-commerce necessitate to broaden methods to enhance reputation through the use of communication tools to increase the level of website reputation. They also found out that website usability has no influence on building relationship quality. They conducted the study among the students at Allameh Tababtaba'i University who had online shopping experience. The samples (201) were selected by applying stratified proportionate sampling method. In this study, they used Confirmatory factor analysis and Structural equation modeling analysis for measuring the relationship between the constructs.

**Sudhahar, Israel, Britto & Selvam (2006)** in their article applied Confirmatory Factor Analysis (CFA) for testing the reliability of service loyalty scale. They demonstrated the SERVLOYAL scale with 7 dimensions like behavioral, attitudinal, cognitive, conative, affective trust and commitment. CFA is applied in the study with a view to make conformation of these seven dimensions. AMOS 5.0 software was used for the study for testing. A sample of 175 customers is selected for the study from different public, private and foreign banks. CFA result shows that all the 28 statements for measuring service loyalty fulfills the required condition, i.e. the factor loadings for all items are greater than 0.40 and coefficient alpha value for 7 variables are above 0.70, which shows high consistency and reliability. So, overall the SERVLOYAL scale possesses sound reliability.

## 2.5 Studies on General Insurance

As per the survey of **ACCENTURE's global insurance (2014)**, to make customers loyal there must be a speedy claim settlement and process transparency apart from the satisfaction with claim settlement. The survey was conducted among 4015 auto insurance and 3860 home insurance policyholders from USA, Canada, UK, Finland, Norway, Sweden, Netherlands, Italy, Denmark, Turkey, Germany, Spain and Brazil. The survey result also shows that in order to deliver an average claim satisfaction, there must be a differentiated claim experience by delivering services and financial discipline also.

**Agarwal(2008)** in his article highlighted that repudiation of claims by the insured cannot always be maintained before the courts and consumer forums, for lack of adequate evidences to support their decision. Repudiation in the context of insurance means that rejection of claims when the policyholder fails to comply with any of the conditions precedent to contract, subsequent to contract and precedent to liability. He also states that when the decision is taken by the insurer for repudiation of claims, proper communication is needed towards claimant to clarify the reasons for repudiation.

**Alex & George (2012)** have brought to light the growth and progress of the general insurance industry in India. The study was conducted by using secondary data based on the variables like claim incurred, commission, expenses of management, reserve for unexpired risk, underwriting profit/loss, gross investment income, profit before tax, TDS, provision for tax and net profits. Percentages, averages and compound annual growth rate are used for analysis. They also tried to evaluate the performance of major players in the insurance industry by taking solvency margin and insurance penetration density in the last 9 years. The finding of the study shows that the performance of the public sector is much better than the private sector. They also pointed that there is a satisfactory growth rate for private sector companies, which leads to promotion of stiff competition in the market and which result in overall growth of the Indian insurance market.

The work done by **Banga (2011)** shows that the policyholders choose the public sector general insurance companies for obtaining convenience and safety of financial products. But the private sector customers choose the same for getting efficient and speedy service, better customer value, longer working hours and innovative services.

As established by **Barua (2011)** customer satisfaction in the insurance business is not at all possible without prompt claim settlement. He states that managing customer dissonance is a major challenge behind any insurance company, which occurs due to delay or negative behavior by the staff of the company during claim settlement. The delay in appoint of the surveyors and receipt of the survey report are some of the reasons for the hindrance of prompt claim settlement. He through this article suggested the ways to speed up the claim settlement by means of maintaining a master data repository, proper communication, reducing cycle time, reducing costs by way of automated mail/voice update on claim status and by using the right level of staffing.

**Bharadi (2012)** studied the powers and functions of IRDA and the impact of IRDA on growth of life and non life insurers in India. He also examines the impact of IRDA on insurance penetration, density, policies issued and claim settlements. The study shows that in most of the developed countries, both life and non life insurance penetration is well developed, whereas in most of Asian countries the development of non life insurance penetration is not significantly developed. IRDA is looking at making insurance policies more investor friendly by introducing tax exemptions on insurance policies. The increase in the number of insurers both in life and non life, growth in insurance penetration and density, increase in no. of policies issued and increase in speed of claim settlement and in many more aspects IRDA is playing a prominent role in the insurance sector.

**Chaudhary (2012)** in his article examined about the awareness and satisfaction levels of customers towards the insurance industry of Panipat city. He suggested that amount bonus given at maturity should be increased, tax benefits should increase, the claim should be settled well in time, automated machines should

be installed to direct payment of premium, easy and small plans should be launched to grab weaker sections, micro insurance awareness must be given at every level by business correspondents and insurance must be sold without terms and conditions in order to encourage insurance and to provide satisfaction to policyholders.

**Dara & Dhanraj** conducted a study to evaluate the motor insurance policies of ICICI Lombard general insurance company and also tries to identify the problems and prospects of motor insurance in India. They conducted the study based on secondary data by selecting both own damage and third party damage claims during the period 2007-08 to 2013-14. Their findings show that the claim rates are declining steadily in case of motor insurance during the period. According to them, the main problems of motor insurance in India are claim rejection for non disclosure, problems at renewal, undervaluation, choosing the deductibles, under insurance coverage difficulties with No-claim bonus, insufficient documents and lack of police report. Similarly the prospects of motor insurance are generation of employment opportunities in service sector and entry of companies into the rural market.

**Jawahar Babu (2010)** states that managing third party claim in motor insurance is found to be very difficult for insurers. The general insurance company serves as a trustee to the premium received from one end of client and justifiably compensating the third party at the other end without affecting the social welfare principle. At the same time they have to run the business at a competing, profitable and cost effective way. Through this study, he made a suggestion to make suitable amendments in Motor Vehicle Act at least on major areas like unlimited liability, pay and recovery clause, etc., without affecting the social welfare motto. Similarly, it is recommended to take concrete steps by IRDA to protect the public sector companies from third party claim problems.

**Johnson & Garwood (1957)** in their study tried to analyse the claim records of motor insurance companies. They selected 725 policies which were renewed in October, November, December 1954 and January 1955. They tried to measure the accident proneness i.e., the proportion of drivers who are likely to be accident repeaters or more exactly who are likely to make repeated numbers of claims. In

these two ways of accident proneness have been used. They are a classification of policies according to early experience and comparison with their subsequent experience and classification of policies according to age at inception and policy duration. They also studied the variation of claim rates with age and duration of the policy and secular trends in claim rate. The analysis of 725 policies renewed between October 1954 and January 1955 inclusive shows that there has been an average claim rate per policy of about one sixth per annum.

**Kavitha, Latha & Jamuna (2012)** in their article focus on the attitude of customers towards general insurance companies in Erode district. They selected 750 respondents to find out the influencing factors of policyholders. By using simple percentage analysis, they analysed the perception of respondents towards 25 factors. The result shows that majority of respondents satisfied towards development officers helping attitude towards claim settlement.

**Kumar (2010)** in his work stated said that in the post reform period, the comparative profitability analysis of the public and private sectors reveals that public sector general insurance companies have exhibited higher underwriting losses than the private sector companies. But the higher investment incomes of the public sector have compensated their higher underwriting losses which resulted in to their higher profitability than the private sector general insurance companies. The liberalization process and the competitive environment acted as a catalyst in the general insurance sector and inculcated efficiency in most of he public insurers and made them more efficient as compared to their private competitors. But the private players are reducing the gap very fast by providing better service quality to their customers. He said that it is the peak time for the public insurers to completely reorganize their business model and service quality to survive in the market.

**Modi (2011)** in her thesis reports on the financial efficiency, profitability, financial strength and operational efficiencies of public sector general insurance companies during the period 2001-02 to 2007-08. She also made an attempt to suggest appropriate strategy for increasing the profitability in general insurance business. Findings show that profitability has improved in the year 2005-06 , 2006-



07 due to the enhancement of return on investment. The study suggested the insurance companies give due focus on development of insurance business in rural areas by bringing innovative and customer friendly plans. She also recommended to give proper training to agents and for installing an internal audit system to make transparent transactions.

**OECD Insurance Committee (2004)** provides an international guidance on claim management. In their guidelines, they suggested certain procedures for the effective claim management. They are timely claim reporting, receipt of claims by the company, maintenance of claim files and procedures, fraud detection and prevention methods, claim assessment, timely claim processing, complaints and dispute settlements and supervision of claim related services and market practices.

**P R (2012)** made a comparative investigation of public and private sector general insurance companies in Kerala. One of the major findings of the study shows that customers have seen to prefer the private sector because of its vibrant and customer oriented approach. Delay in the claim settlement is the main problem faced by the public sector respondents. Hence the researcher suggested to the management of public sector companies to provide proper training to staff in claim department. Similarly for avoiding the incorrect settlement of claims, it was advisable to increasing the number of talented surveyors and loss assessors.

**Rana (2012)** in his article made an attempt for an analytical study of motor vehicle accidents in India. According to him, the majority of accidents occur either due to driver's error or due to the negligence of the safety norms. Driver fatigue and drunken driving are some other reasons of mishaps. In India, motor vehicle population has grown at a compound annual growth rate of 10% during 2000-2009, fueled by a rising tide of motorization.

As established by **Rao and Pandey (2013)** the factor influencing claims in general insurance industry are premium, commissions, operating expenses, solvency and investments. They tried to investigate claim behavior of general insurers to minimize operating losses and ensure operational excellence. The study also

evaluates the relationship of these factors over the sectors and segments by running a multiple regression. It shows that solvency factor is significantly related to claims. An empirical result of the study proves that there exists an association between public and private and segments of insurance namely fire, marine and miscellaneous. The study recommends that insurance players should not treat claim settlement strategies in isolation of segments. There exists sufficient evidence of an association between type of sectors and segments of insurance. Thus, while formulating a new policy for different segments of insurance there should be a coordination expected from public and private sector companies in distribution of claims.

**Rao (2012)** found that the retail products act as a key for the future success of non life insurance companies, whether it is in India or abroad. He opined that retail products of the insurer are marketed effectively through the agents at the grass root level. According to him, one of the important benefits of these retail marketing is that it can penetrate into untapped areas also and thereby it can give the insurance companies a concrete and unshakeable foundation for doing business.

**Sanyal (2012)** in his article made an attempt to bring the essence of getting the sum insured right under the material damage and business interruption policies. Many organizations suffer financially for not having adequate sum insured, even though the perils chosen were right. A key component of the financial management of any corporate would be to ensure that the assets are protected adequately in the event of any accident which can threaten the existence of the organization. The article brings certain key suggestions which can guide a corporate to get their values at risk reasonably accurately.

**Satheesh Kumar (2006)** in his article 'Management of insurance claims' discusses the magnitude and time required to settle the claims and the level of complaints about the National Insurance company in the Karimnagar branch of Anthrapradesh. The study was based on secondary data, i.e., the records of branch which includes the final account register, intimation register, claim settlement register and premium register. The study covers motor insurance, fire insurance, insurance on engineering area, rural nontraditional business policies, medical benefit

insurance, burglary, baggage, etc. His major findings show that motor insurance is the leading business in that area followed by rural nontraditional business. And the average time taken for settlement of claims is 26 to 34 days. Hence he suggested reducing this period to 20-25 days and also making simplify the procedures in order to increase the business. The study also finds out that above 72% of complaints are accepted and settled by the company. According to him a thorough inspection and verification of incidents should be needed in order to avoid improper complaints.

**Selvakumar (2011)** in his thesis analysed the attitude of policyholders towards administration, claim settlement in public sector general insurance companies in Madurai region. Convenience sampling method was used for the study and selected a sample of 300 policyholders from four public sector general insurance companies. Based on the findings of the study, he made suggestions to the public sector companies like merging of all the four public sector general insurance companies under one umbrella and bearing the service tax levied by the Govt. of India by the public sector companies in order to attract more number of customers into the business.

**Sethu (2012)** stated that some of the companies, especially banks and financial institutions, have a large body of clients in their line of business. Such clients are better prospects for insurance. IRDA (corporate agent's license) regulation, 2002 introduced by IRDA is the solution for the insurers to tap large number of retail business through these agents. Banks have a large client base with a large network of outlets which include both individuals and corporate bodies. Unless the insurers understand the synergies of the two similar businesses which the banks undertake and execute, insurers cannot tap retail business.

**Sethu (2011)** in his article discussed about motor third party liability insurance and the need for the general insurance third party pool. The prime duty of the pool to ensure that the claims are strictly processed without the intervention of insurers or other outside agencies, mainly to detect fraudulent claims and to pay only genuine claims. This not only can bring down the claim ratio, but also saves crores of money which are paid as interest due to delay in disposal of cases. Frauds are

generally penetrated by outside agencies. Similarly, internal frauds are committed within the insurance industry. It is therefore necessary for general insurance third party pool to undertake such control measures to detect such frauds and eliminate fraudsters which is possible if separately administered and controlled by GIC TP pool. This will allow GIC pool to work independently without the intervention of outsiders, which includes the employees of insurers. But unfortunately GIC TP pool is yet to implement these measures and settlement of the claims.

**Singh & Garg (2011)** make an attempt to examine the satisfaction and problems of sales agents who are selling general insurance products like car, home and health insurance. They also compared the public and private sector general insurance companies in terms of satisfaction and problems. They selected 100 respondents each from public and private sector in Union territory of Chandigarh and the state of Punjab using non probability convenience sampling method. Their findings show that level of satisfaction of sales agents in private sector companies is more as compared to the public sector. Hence, they made a suggestion for the public sector to develop a proper reward system, implement a product wise and customer wise system of sales targets, improve the communication system, implement efficient grievance handling system and also should try to launch attractive promotional schemes. The study also proves that in case of problems faced by sales agents, there is no difference between public and private sector.

**Singh & Kumar (2009)** in their published research article try to understand the emerging trends in growth and performance of general insurance companies in India and also made a comparison between public and private sectors with regard to financial performance. The study was done based on secondary data, which is collected from annual reports of insurance companies, annual reports and journals and website. Two public sector, namely New India Insurance company Ltd & Oriental insurance company Ltd and three private sectors such as ICICI Lombard, Bajaj Allianz and IFFCO TOKIO are taken for the study. The study found that private sector general insurance companies show better efficiency in terms of expenses of management ratio, combined ratio, underwriting result ratio and they are

increasing their market share year by year. But in terms of net earnings, return on net worth ratio, the performance of the public sector is better. Their study proves that entry of private sector creates a competitive atmosphere in the Indian insurance industry.

**Sood & Singh (2013)** in their article discussed a theoretical skeleton on ever changing competitive dynamics of the Indian general insurance industry. The article tries to depict the general insurance industry approach during the period of LPG and detariffing. The study also speaks to the challenges faced by GIC like changing the needs of customers, information technology, product innovations, wide distribution network, customer education and awareness programmes, electronic clearing service, call center and SMS services, etc.

**Sridhar & Srinivas (2012)** found that there is a significant role for both the public and private sector insurance companies in the growth of the insurance sector in India. They opined that even though the number of public sector companies is less than the private sector, public sector dominating the industry due to the trust element of people towards this sector. They suggested that in order to survive in this competitive market, each and every company tries to make differentiation through product innovation, servicing, distribution mechanism and innovative claim management practices.

**Tajudeen & Adebowale (2013)** tried to find out the role of the claim manger in the claim handling procedures in the insurance industry in Nigeria. They adopted a simple random sampling method for selecting 112 insurance staff from the claim department in Lagoes. They found from the survey that there is a significant relationship between claim operation and effective claim management. They identified the fraud detection programmes like establishment of compliance programs for combating fraud, awareness of the consequence of submitting a false statement by insured, adequate training for claim department on fraud indicators and effective communication line where claims susceptible to fraudulent are reported. They suggested from the survey to make the head of the claim department as a part

of top management team, providing proper training to staff in claim department and direct involvement of claim function by top executive management.

**Thomas (2002)** conducted a study to identify how the motor insurance industry could assist in reducing the burden of road trauma in low income countries. He tries to provide an overview of motor insurance industry's effort in promoting road safety and ameliorating the consequences of road collisions. Here the research methodology used was documenting the local situations in ten case studies and collecting readily available data on other countries, especially those which were indicative of good practice. The study shows that insurance companies are showing good support in some countries for promoting road safety and supporting interventions and research. This support needs to be scaled up to other countries and road safety stakeholders need to engage insurance organizations in planning safety improvements, particularly as they provide a strong link between transport and health.

**Thomas (2012)** in his article stressed the need for a successful claim management system. He found that high customer satisfaction, sufficient premium income growth, low incurred claim ratio and profitable underwriting are the most important factors affecting it. According to him, for a good and forceful claim management process, the whole system of claim settlement should be broken into subclasses and a fixed turnaround time should be fixed for each subclass. Similarly, the insurer should be concerned about the provision of optimal solution by obeying the principle of utmost good faith. He also suggests that there should be a standardisation in turnaround time of how, when of various stages of claim settlement and there must be a proper communication regarding these standardization by way of brochures, pamphlets or through various intermediaries.

**Unachukwu, Afolabi, Alabi (2015)** have highlighted that prompt claim settlement has more influence on customer satisfaction than loyalty. They conducted the survey among 45 respondents, i.e. 5 selected insurance company staff, 4 insurance brokers, 15 sales agents and 21 public. They are selected using purposive

sampling method and linear regression analysis was used in the study for analyzing the collected data. They proved through the survey that a prompt claim settlement with insurance companies is acting as a tool to enhance customer satisfaction and loyalty. They also make a suggestion to discharge the responsibility by making sure that all genuine claims are settled and only fraud claims are repudiated.

## **2.6 Identification of Research Gap**

From the foregoing survey of literature on related area, it is found that different studies have been carried out by several researchers and institutions in the area of customer relationship and general insurance at a national and international level. But no studies have been conducted on the influence of relationship quality and customer satisfaction towards customer loyalty in public and private sector motor insurance companies in Kerala. Similarly, there had been no studies on the mediating effect of claim settlement effectiveness between relationship quality and customer loyalty & customer satisfaction and customer loyalty. In this scenario, the researcher has made a novel attempt to fill the gap.

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## **Chapter 3**

# **Customer Relationship in Motor Insurance -A Theoretical Framework**

The present research work makes an attempt to investigate the role of customer relationship in the motor insurance industrial sector in Kerala. The current chapter aims to formulate a theoretical framework regarding customer relationship with motor insurance, which covers the relationship quality, customer satisfaction and customer loyalty. It also covers the general insurance industry with main focus on motor insurance.

Therefore, this chapter is fabricated by dividing into four sections. They are customer relationship, motor insurance, relationship marketing practices of the motor insurance companies in India and the profile of selected general insurance companies in Kerala.

## **Section A**

### **3.1 Customer Relationship**

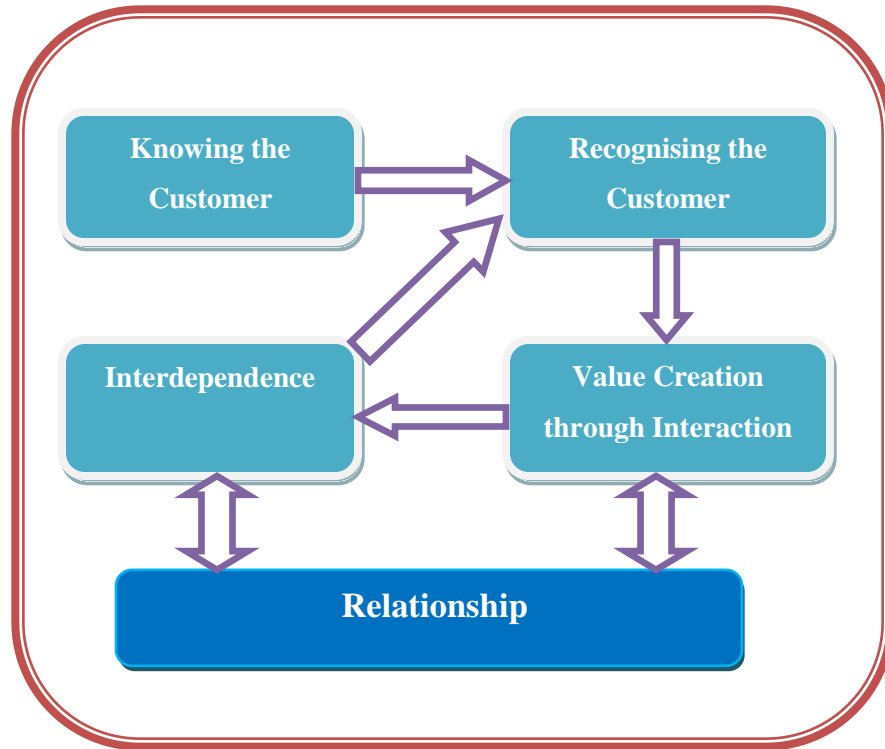
The relationship is an important concept used by current business all over the world. It is meant for a series of interactions that take place between two parties over a period of time. Numerous kinds of interactions take place between customers and sellers like before the transactions, during the transactions and after sales transactions. Therefore, it is important for every business to maintain a good relationship with its customers. Similarly, customers are more likely to maintain good relationship with the business that best serve the needs. For this, an organization should maintain effective communication with its customers, understand their needs, and provide customized products and services to them. Apart from this, they should answer customer queries on time and take feedback on products/services on a regular basis.

The customer relationship is an important component of every business organization. Today, in the age of competition, building good relationship with customers is a crucial task. Good customer relationship is built through providing good customer services. So, customer services have an important role in building relationship.

#### **3.1.1 Customer Relationship Framework**

Customer relationship framework is a harmonized approach which consists of the following interrelated steps (Makkar & Harinder, 2012):

1. Knowing the customer
2. Recognising customer
3. Create value through interacion
4. Interdependence
5. Relationship



**Fig. 3.1: Customer Relationship Framework**

**1. Knowing the customer**

As a business organization is concerned, it is very important for every business for knowing the customer for creating a good relationship with them. Identifying their needs, aspirations, and expectations and take action accordingly is very important for customer care.

**2. Recognizing the customer**

An organization must recognize the customer at every interaction, as each interaction with the customer is an extension of previous interactions. If the organization keeps a system of single database and store all the information available within this database, it is an easy process to recognize them.

**3. Value Creation through interaction**

A business can create value by treating each individual customer as a unique person. Ease of communication adds enormous value to customer relations.

#### **4. Interdependence**

A successful interaction adds to the satisfaction level of customer. Through this they make communication continuously with the business. This kind of interdependence is very much needed for building relationship.

#### **5. Relationship**

By way of creating interdependence between customer and organization, it can create a high-quality relationship between them. Relationships are essential for building loyalty and which in turn results in profitability of the organization.

### **3.1.2 Evolution of Customer Relationship**

In the earlier periods, the producer interacts with the customers on one to one basis. But today, with the developing technology, there are a number of channels such as telephone, email and live chat for creating relationships (Bhasin, 2012). The evolution of the relationship is briefly explained below:

- **Pre industrial age**

In this age of relationship, the producers try to create relationship with the customers on one to one basis. They make an attempt to understand the needs of customers and service accordingly.

- **Industrial age**

This is the age of making relationship between producers and customers based on cost advantages. That is here the producers are more concerned about reducing per unit cost by producing in large volume.

- **Service economy age**

In this stage, producers create relationship with the customers by combining the products with intangible benefits to satisfy the needs and wants of consumers.

- **Knowledge economy age**

Knowledge economy age refers to the period when the relationship between producers and consumers were based on mutual collaboration of knowledge (Bhasin, 2012).

### **3.1.3 Theories of Relationship**

Relationship is a subject of individual's personal feelings. The concept of relationship was explained by way of several theories by a number of social psychologists (Bhasin, 2012). They are as follows:

- **Social Exchange Theory**

The social Exchange theory was developed by Thibant and Kelley in 1959. According to this theory , the business organization tries to build a relationship with those customers who provide maximum profit and less cost to their business. Similarly, the customer wishes to enter into relationship with the sellers which yield a profit to them.

- **Social Penetration Theory**

The social penetration theory was developed by Altman and Taylor, 1973. As per this theory, through a gradual process of self disclosure, a relationship is developed between the seller and customer.

- **Attraction Theory**

Aronson in 1980 developed this theory. The theory says that, an individual enters into a relationship with another individual who attracts him/her. There are four main factors like physical appearance, proximity, reinforcement and similarity, which attracted one person to another.

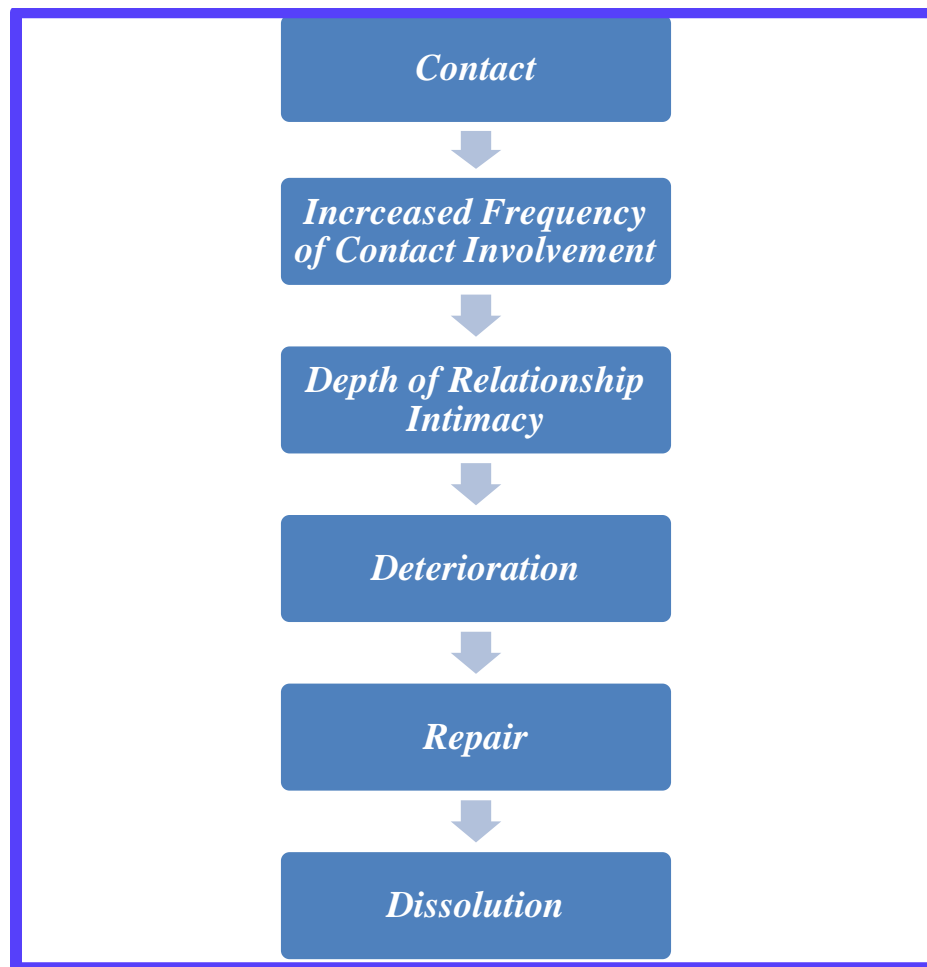
- **Equity Theory**

Equity theory was propounded by Messick and Cock in 1983. The theory proves that one customer enters into a relationship if receives the worth of money that he has spent, i.e. the rewards are equals costs.



### 3.1.4 Stages of Relationship

The relationship between the company and customers was developed through a number of stages. The behavioral scientists commonly use a six stage model of relationship which consists of contact, involvement, intimacy, deterioration, repair and dissolution (Rai, 2013).



**Fig. 3.2: The Six Stage Model of Relationship**

The six model relationship helps in understanding the stages at which cross selling and up selling should be attempted. Hence, developing close, cooperative relationship with the customers is more important in the current era of this competition of demanding customers than it has ever been before (Rai, 2013).

### 3.1.5 Customer Relationship Building Strategies

An organisations's strategy towards developing and maintaining sustainable relationships differs from one organization to another, depending upon the factors like nature of business, size, market share, geographical concentration, etc. The strategies that are practiced by the customer driven organizations are given as follows (Mohamed & Sagadevan, 2002):

- \* Customer oriented people within the organisation
- \* Logical sequence of activities from the need identification and fulfillment.
- \* Value added products
- \* Responsive and learning the nature of the organization
- \* Setting satisfactory service standards
- \* Concentration on competitors
- \* Customer analysis
- \* Cost analysis
- \* Concentration on paying ability of customers
- \* Knowledge on purchase behavior pattern
- \* Differentiation in prices and quality standards
- \* Focus on reducing dissatisfaction
- \* Attention to changing requirements of customers
- \* Concentration on performance
- \* Training to supply chain employees
- \* Empowerment to service providers
- \* Incentivising service providers
- \* Augmenting intangible benefits
- \* Visit to the point of usage of the product
- \* Develop partnership with customers
- \* Organizing customer clubs

- \* Effective customer communication system
- \* Customer complaint monitoring cell
- \* Identifying with social events and concern for societal problems
- \* Relationship based pricing schemes
- \* Developing customer satisfaction index
- \* Focus on preventive actions
- \* Concentration on customer satisfaction research
- \* Focus on focus groups
- \* Drawing the attention of competitors' customers
- \* Developing total care programmes, etc.

### **3.1.6 Development of Relationship As A Marketing Tool**

The development of marketing as a field of study and practice is undergoing reconceptualisation in its orientation from transactions to relationships (Kotler, 1990). Relationship marketing has the aim of building mutually satisfying long term relationships with key parties—customers, suppliers, distributors, and other marketing partners— in order to earn and retain their business (Kotler & Keller, 2005).

The revolution of IT and telecom industry in India made the accessibility of products and services to customers has significantly increased. There is a paradigm shift in marketing techniques due to the dispersion of mobiles and accessibility of internet throughout India. It breaks the geographical boundaries and the organizations, which earlier focused on building USPs with specialized products or price offerings, are feeling the heat as their strategic advantage is lost very quickly. Now a days the customers can compare products and prices from many manufacturers and make more informed decisions. An effective and strong relationship with customers is way to the success of any organization. Today, there is a shift from traditional marketing to relationship marketing further emphasizing

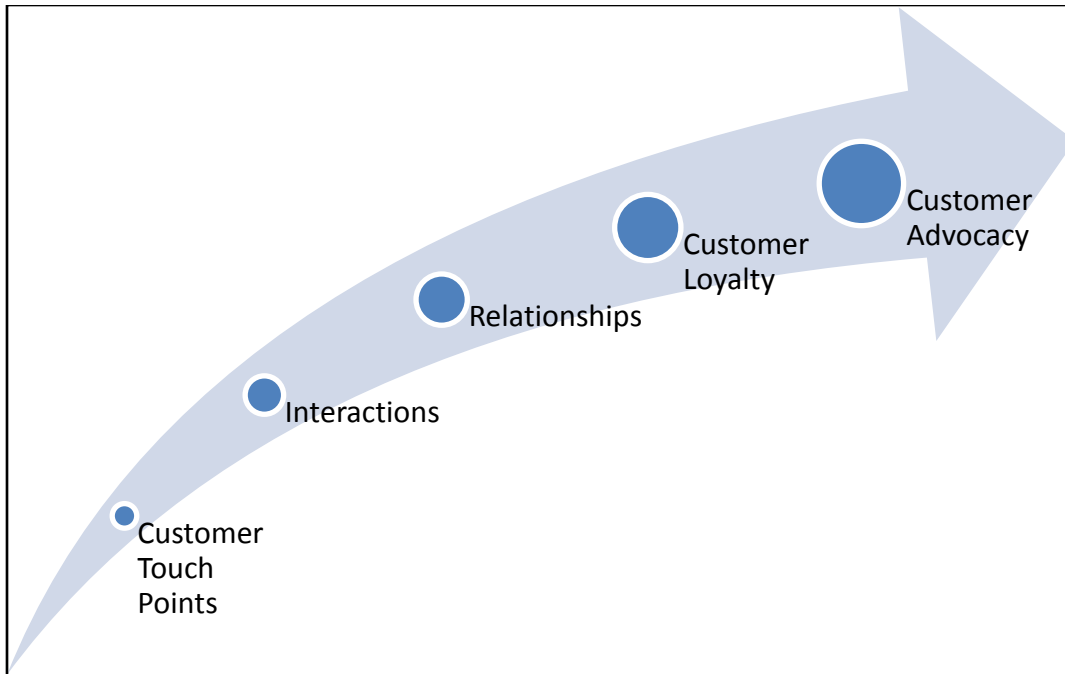
the importance of strong direct connect with the customer (Makkar & Harinder, 2012).

The traditional marketing mix approach emphasized the importance of the four fundamental Ps of marketing. Marketers attracted the customers with innovations in the product, by creating a brand image by promoting the same, offering efficient sales and distribution network and offering an attractive price for the product (Makkar & Harinder, 2012).



**Fig. 3.3: Traditional Marketing Mix Approach**

The traditional marketing approach focuses mainly on the four marketing mixes. But relationship marketing focuses on the customers. Here, the emphasis on keeping the customers happy and satisfied resulting in an expanded customer base (Makkar & Harinder, 2012).



**Fig. 3.4: Relationship Marketing Approach**

The table 3.1 shows the difference between traditional marketing and relationship marketing

**Table 3.1**

**Distinction between Traditional Marketing and Relationship Marketing**

<b>Basis</b>	<b>Traditional Marketing</b>	<b>Relationship Marketing</b>
Focus	One off exchanges Brand management	Ongoing exchanges Customer management
Time Dimension	Short term focus	Long term focus
Primary communication	Mass communication	Personal communication
Customer feedback mechanism	Isolated market research	Ongoing dialogue
Market size	Mass markets / market segments	Markets of one
Criterion for success	Market share	Mind share
Critical metrics	Profitability of transaction Brand equity	Lifetime value of customer Customer equity

Source: (Rai, 2013)

### **3.1.7 Customer Relationship –Theoretical Framework**

Over a period of time, the organizations, which has to create new innovative delight features continuously, are taken for granted and may be perceived as performance attributes by the customer. Hence, delighting the customers with constant effort is a challenging task. After creating customer delight, he/she start using the product or service regularly and becomes highly loyal towards it. Successful relationship marketing activity is very much relevant for an organization due to this concern.

Customer relationship can be defined as “a set of relations between business organization and customer, by preserving a proper relationship quality mechanism like effective communication, customer oriented activities, building trust and commitment elements and a suitable satisfaction system, which should ultimately lead to a loyal or dependable customer in the business.”

#### **A Relationship Quality**

Relationship quality is the degree of appropriateness of the relationship to fulfill the needs of the customer associated with that relationship (Hennig-Thurau & Klee, 2007). It is an evaluation of how strength the relationship between a supplier and a buyer. It is very important to create a loyal customer and thereby building goodwill for the business. It is important for the retention of customers. It is a reservoir of goodwill.

Crosby et al. (1990) define relationship quality from the customer’s perspective as being achieved through the salesperson’s ability to reduce perceived uncertainty leading to an environment where the customer is able to rely on the salesperson’s integrity and has confidence in the salesperson’s future performance because the level of past performance has been consistently satisfactory.

Relationship quality is a meta construct consisting of several components reflecting the overall nature of relationships between companies and consumers

(Hennig-Thurau, Gwinner, & Gremler, 2002). It is perceived as a tool from which customer loyalty can be secured and as a result, the attainment of higher competitiveness and enhanced customer satisfaction can be achieved (Ahmed Doma, 2013). If the business can prove that there is high relationship quality, which means that customer is very much positively concerned in the seller's trustworthy activity and he has self-assurance that the business can satisfactorily performs in the future also.

- **Dimensions of Relationship Quality**

A number of studies are done in the area of relationship quality. Various researchers use different dimensions of relationship quality. The important dimensions of relationship quality are as follows:-

**Table 3.2**

**Dimensions of Relationship Quality**

<b>Sl no</b>	<b>Dimensions</b>	<b>Meaning</b>	<b>Authors</b>
1	Trust	Trust can be defined as a willingness to rely on an exchange partners in whom one has confidence (Moorman, Deshpande, & Zaltman, 1993). It is the belief that a partner's word or promise is reliable and a party will fulfill his/her obligations in the relationship (Schurr, 1985)	Crosby, evans & Cowles(1990) Ndubisi (2007) Bojei & Alwie (2010) Gregoire & Fisher (2006) Hennig-Thurau & Klee (2007) Izogo (2015) Smith (1998) Ozen (2015) Tser-Yieth, chie-bein, Hsin-yuan, Wen ping & Yu-Ting (2007)

2	Commitment	<p>Commitment can be defined as an enduring desire to maintain a valued relationship (Moorman, Deshpande, &amp; Zaltman, 1993). The term valued relationship emphasized the belief that commitment exists only when the relationship is considered important. This implies a high level of obligation to make a relationship succeed and to make it mutually satisfying and beneficial (Morgan, 1994).</p>	<p>Ndubisi (2007)  Bojei &amp; Alwie (2010)  Gregoire &amp; Fisher (2006)  Hennig-Thurau &amp; Klee (2007)  Tser-Yieth, chie-bein, Hsin-yuan, Wen ping &amp; Yu-Ting (2007)  Smith (1998)  Ozen (2015)</p>
3	Communication	<p>Communication refers to the ability to provide timely and trustworthy information. Both content and style in communication are important in building quality relationship with customers (Ndubisi, 2007).</p>	<p>Ndubisi (2007)  Bojei &amp; Alwie (2010)  Gregoire &amp; Fisher (2006)</p>
4	Conflict Handling	<p>Conflict handling is the extent to which another party is expected to behave cooperatively in part reflects the rules of problem/conflict resolution (Crosby, Evans, &amp;</p>	<p>Ndubisi (2007)</p>



		Cowles, 1990).	
5	Satisfaction	Satisfaction is the emotional state that occurs in response to an evaluation of interaction experiences in relation to alternatives (Westbrook, 1981)	Gregoire & Fisher (2006) Tser-Yieth,chie-bein,Hsin-yuan,Wen ping & Yu-Ting (2007) Crosby, evans & Cowles(1990) Bojei & Alwie (2010) Smith (1998) Yu Ozen (2015) Izogo (2015) Lages,Lages & Lages (2015)
6	Closeness	Closeness means getting close to the customer and trying to understand their needs and wants. The customer tries to build close relationship with the service employee to ensure the success of this relationship and continuity of service rendered (Bojei & Alwie, 2010).	Bojei & Alwie (2010)
7	Communication quality	Communication quality means the quality of information which includes accuracy, credibility adequacy and completeness of information shared by	Bojei & Alwie (2010) Lages,Lages & Lages (2015)

		both parties (Bojei & Alwie, 2010).	
8	Special care	Special care is one of the dimensions of relationship quality. In a business, the service employee needs to show that they care about their customers especially their loyal customers and provide high quality services. These friendly and special treatments of loyal customer contribute to good relationship quality (Bojei & Alwie, 2010).	Bojei & Alwie (2010)
9	Customer orientation	Customer orientation means employee's ability to assist the customer in realizing their needs (Saxe & Weitz, 1982). It is the process of demonstrating good understanding of customers needs and delivering superior value (Wray, Palmer, & Bejou, 1994)	Kim & Cha (2002) Izogo (2015)
10	Expertise	A customer's perception of a salesperson's expertise reflects the identification of relevant competencies associated with the goods or service transaction most	Izogo (2015)

		often exhibited in the form of information provided by the salesperson (Crosby, Evans, & Cowles, 1990).	
11	Information sharing	Information sharing means the formal and informal sharing of meaningful information between exchange partners in a timely and empathetic manner (Wong, Hung, & Chow, 2007).	Izogo (2015) Lages,Lages & Lages (2015)
12	Long term orientation	Long-term orientation may be defined as the perception of mutual dependence of outcomes in such a way that joint relationship outcomes are expected to profit from the relationship in the long run (Ganesan, 1994).	Lages,Lages & Lages (2015)
13	Identification	Identification is defined as the extent to which the customer uses his or her relationship with a service firm to satisfy important self-definitional needs such as identity and similarity (Bhattacharya, 1995)	Gregoire & Fisher (2006)

## **B Customer Satisfaction**

Better serving and satisfying the customers is an important tool for building relationship with the customers. Customer satisfaction means the pleasure or gratification for the fulfillment of the desire of the customer. It arises from the accomplishment of needs and wants. The satisfaction is calculated on what is received against what was expected.

Customer satisfaction has become one of the important goal of the organization because if customers are satisfied, then an exponential revenue stream will follow and profitability will increase. Customer satisfaction can bring back customers to the organization for repeat purchase. It is a dynamic concept, because over a period of time, customers increase their baseline of satisfaction and expect that the firms will learn, experience and deliver higher products and service standards to them (Panda, 2007).

There are a number of definitions for the concept of customer satisfaction by a number of authors/ researchers.

Various theorists attempted to clarify the concept of satisfaction. Some of them are as follows:

- Day(1980) said that “while everyone knows what satisfaction means, it clearly does not mean the same thing to everyone”.
- Westbrook and Oliver (1991) defined satisfaction as “a post choice evaluative judgement concerning a specific selection”.

Thus, customer satisfaction is a buyer’s emotional or cognitive response post-subjective assessment and comparison of pre purchase expectations and actual performance subsequent to the consumption of the product or service, for the time being evaluated the costs incurred and benefits obtained in a specific purchase event or overtime in the course of transacting with an organization. These benefits can be categorized as emotional and functional benefits, while the costs accrued are in terms of time costs, money costs, energy costs and psychic costs (Rai, 2013).

- **Dimensions of customer satisfaction**

Customer satisfaction is dependent on a large number of factors. Brodeur Berry between 1990 and 1998 defined 10 quality values and 17 quality characteristics which influence satisfaction behavior. These quality values and sub-characteristics are as follows:-

**Table 3.3**

**Berry's Quality Values and Sub-characteristics**

<b>Quality values</b>	<b>Sub-characteristics</b>
Quality	<ul style="list-style-type: none"> <li>• Best practices and high quality reputation of suppliers.</li> <li>• Worker's familiarity with organizational system</li> <li>• Error free processing</li> </ul>
Value	
Efficiency	
Timeliness	<ul style="list-style-type: none"> <li>• On time delivery</li> <li>• Using efficient, coordinated and fast paced delivery systems that take limited time according to customers.</li> <li>• The customer wants product or service delivery to take no less than all the time required. It is based on the nature or function of the process, not some arbitrary number dictated by management.</li> </ul>
Access	
Self management	<ul style="list-style-type: none"> <li>• Professional appearance</li> <li>• Consistently positive interactions with no negativity or personal agendas.</li> <li>• Courtesy, friendliness, attentiveness and enthusiasm.</li> </ul>
Environment	<ul style="list-style-type: none"> <li>• Carry customer comfort in mind , make them feel welcome, be clean, safe and well organized.</li> <li>• Quality performance at the front line and throughout</li> </ul>

	<p>all levels of delivery.</p> <ul style="list-style-type: none"> <li>• Supplier's internal support for employees and systems. The customer expects current methodologies.</li> <li>• The worker at every level of product and service delivery must have the resources required to perform at optimum level.</li> </ul>
Teamwork	
Commitment	<ul style="list-style-type: none"> <li>• Form a relationship with a key person, which can be trusted and relied upon</li> <li>• A supplier that provides all information and constant solicitation of customer need.</li> <li>• The customer wants to know up front about terms, conditions and anticipated or actual disappointments.</li> <li>• The supplier to take immediate responsibility and corrective action when the outcome is not achieved.</li> </ul>
Innovation	

Source: (Rai, 2013)

Berry expanded these quality values further in 2002 and classified them as the 10 domains of satisfaction. They are Quality, Value, Timeliness, Efficiency, Ease of access, Environment, Interdepartmental teamwork, Front line service behaviors, Commitment to the customer and Innovation (Rai, 2013).

According to Crosby & Stephens (1987), satisfaction is a multidimensional construct which has been attributed with three dimensions namely;

- (i) Satisfactory interaction with personnel,
- (ii) Satisfaction with core services and
- (iii) Satisfaction with the organization.

The service literature distinguishes between the quality produced as the customer interacts with the contact resources of the organization (intermediaries), what the customer actually gets as the result of interaction (core elements) and the

image of the company (Gronroos, 1986; Lehtinen 1985). The three satisfaction components are believed to have a higher order relationship with Parasuraman et al (1985) 10 dimensions of service satisfaction (Gronroos, 1986). They are as follows:

**Table 3.4**

**Parasuraman et al Determinants of Service Quality**

<b>Sl no</b>	<b>Determinants</b>	<b>Description</b>
1	Reliability	Reliability involves consistency of performance and dependability. It means that the firm performs the service right the first time and it honors its promises.
2	Responsiveness	It concerns the willingness or readiness of employees to provide service. It involves timeliness of service.
3	Competence	Possession of the required skills and knowledge to perform the service.
4	Access	Approachability and ease of contact
5	Courtesy	It involves politeness, respect, consideration and friendliness of contact personnel.
6	Communication	It means keeping customers informed in language they can understand and listening to them. It means that company may adjust its language for different consumers-increasing the level of sophistication with a well educated customer and speaking simply and plainly with a novice.
7	Credibility	It involves trustworthiness, believability , honesty. It involves having the customers best interest at heart.
8	Security	Freedom from danger, risk or doubt.
9	Tangibles	Physical evidence of service like physical facilities, appearance , tools and equipments used to provide the service, etc.
10	Understanding/ Knowing the customer	It involves making the effort to understand the customer's needs.

The ultimate satisfaction anticipated by a customer from a company has mainly four components (Mohamed & Sagadevan, 2002). They are:

- Product Satisfaction
- Peripheral satisfaction
- Ambience satisfaction
- Psychic satisfaction

In product satisfaction, the customer expects to satisfy from the tangible core benefits. At the same time, for peripheral satisfaction, it is meant for the satisfaction towards the additional value to the core benefits. For ambience satisfaction, it is expected the satisfaction from both the tangible and intangible factors. The tangible factors like office appearance, competitive pricing, etc. and intangible factors like courtesy extended by the sales person, the rapport generated and so on. The satisfaction extended in tune with the individuality of the customer is called the psychic satisfaction.

- **Customer Satisfaction Models**

The various customer satisfaction models are listed as follows (Rai, 2013):

- 1. The Expectations Disconfirmation Model**

This is the most dominated model of customer satisfaction. Here, the customer compares the pre consumption expectation with the pre consumption experiences of the product or service, and forming an attitude of satisfaction or dissatisfaction.

- 2. The Perceived Performance Model**

Here, the expectation has an insignificant role. The model holds the situations where product or service performance is so sound that the customer's expectations are shadowed by the consumer's post consumption reaction of the product or service.



### **3. Norms Model**

In this model a standard is used for measuring the performance, where the perceived performance is compared with the standard performance.

### **4. Multiple Process Model**

The multiple process model uses more than one standard of comparison to estimate the satisfaction towards the product/service.

### **5. Attribution Model**

This model holds that the customers use three kinds of factor to determine the attributions' effect like causality, stability and controllability.

### **6. Affective Model**

This model moves beyond rational process. The emotion, liking and mood are the factors which have influence over the satisfaction and dissatisfaction emerging out of the consumption experiences.

### **7. Equity Model**

This is the model which is meant for giving emphasis on fair treatment in the consumption process. Oliver (1997) breaks the equity down further into three types and they are procedural fairness, interactional fairness and distributional fairness.

Thus, satisfaction is a psychological concept which measures the customer's perception of the services of the company. The positive perception of the customers has a significant role because, it will increase the loyalty, assisting in customer retention and afterward improving business performance. Thus, enhanced customer satisfaction is of great help to sustain the competitive business field.

## **C. Customer Loyalty**

Customer loyalty is a step at the forefront of satisfaction and relationship quality. Building customer loyalty is the essential stage of relationship formation. In a highly competitive and challenging business environment, organizations are really blessed if they are fortunate to have loyal customers in their customer record. There are a number of advantages for getting a backup of loyal customers to the organization. In short having loyal customers will serve as a sustainable competitive

edge to the organization concerned in the present day context. Therefore, organizations should keep 'Building Customer Loyalty' as their prime agenda (Mohamed & Sagadevan, 2002).

Customer loyalty can be understood as the customer's predisposition to prefer a particular product or service over its substitutes available in the market place. It is the sum of feelings or attitudes that would persuade a customer to consider the repurchase of a particular product, service or brand or revisit a particular company, shop or website (Rai, 2013). Raising the competition has resulted in markets covered by a number of marketers with similar services, so that the customers have more options. In the current market scenario, the switching cost is very low, which should tempt the customers for switching from their current company. Thus, it shows that, whenever, there is loyal customers, there is a rare chance for switching from the company.

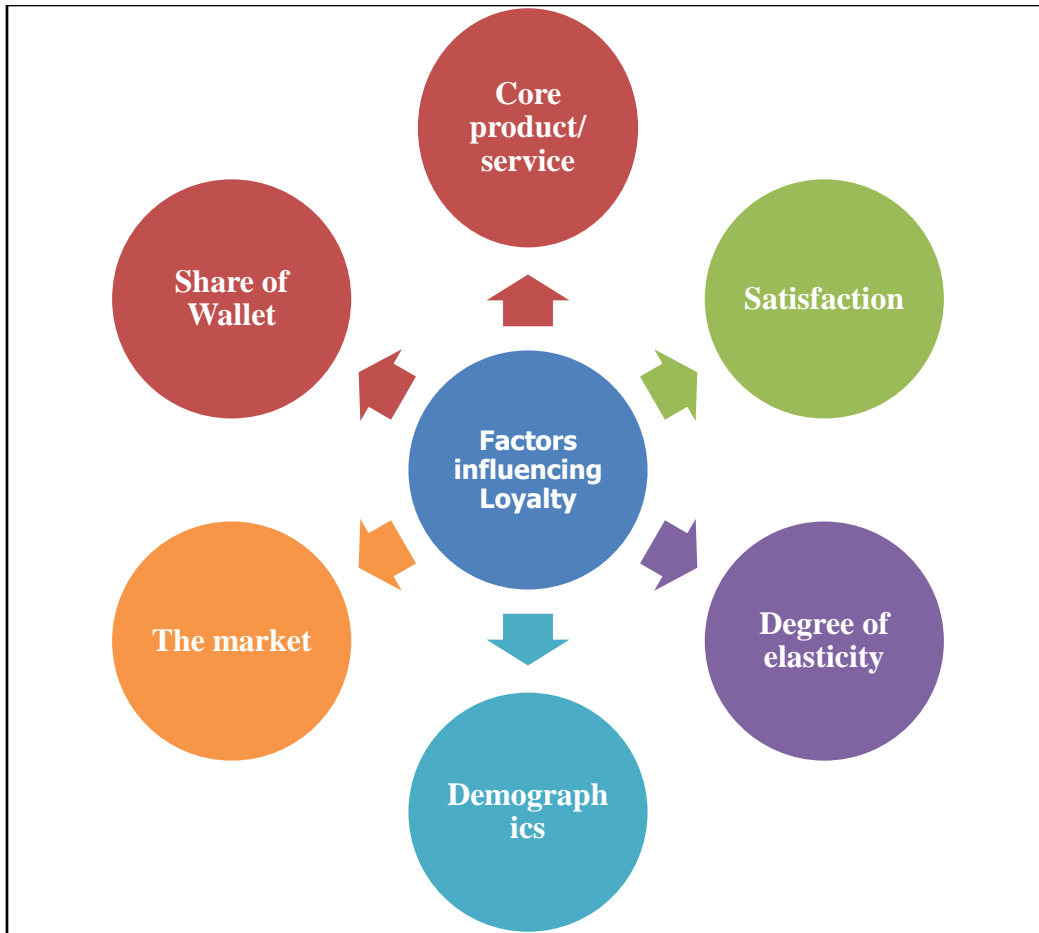
Bendapudi and Berry (1997) claimed that customers choose to stay in a relationship with a service provider for two motives.

- They have to 'stay' in the relationship (constraint based), or
- They 'want' to stay in the relationship

The constraint based relationship signifies the financial interest such as switching cost, whereas the dedication based relationship finds its basis in the psychological perspective (i.e., trust and commitment).

- **Factors affecting Customer loyalty**

The cost of achieving customer loyalty is greatly counterbalanced by the advantages it brings along with it such as greater level of customer satisfaction, increased revenues, favourable word of mouth publicity, reduced switching behavior and better competitive edge (Rai, 2013). According to Reichheld (1996), the factors affecting the customer loyalty are divided into six. They are as follows:



**Fig. 3.5: Factors Influencing Customer Loyalty**

- **Dimensions of Customer Loyalty**

Customer loyalty lies at the heart of marketing science. Although loyalty research has a long tradition dating back to almost a hundred years (Copeland, 1923), customer loyalty is still a very contemporary research topic.

**I One Dimensional Loyalty**

There are multiple approaches for customer loyalty. Theories of behavioural loyalty were dominating until 1970 considering loyalty as the share of total purchases, buying frequency or buying pattern or buying probability (Cunningham, 1956; Farely 1964; Harary & Lipstein, 1962; Mc Connell, 1968; Sheth, 1968;

Tucker,1964; Wernerfelt, 1991). These approaches were looked at brand loyalty in terms of outcomes (repeat purchase behavior) rather than reasons.

## **II Two Dimensional Loyalty**

One of the first researchers that used a two dimensional definition of loyalty was Day(1969), who opines that brand loyalty should be evaluated on the basis of attitudinal as well as behavioral criteria.

### **a) Behavioural Loyalty**

Behavioural loyalty is the degree to which a participant purchases a service or a program repeatedly (Park & Kim 2000; Day 1969) and is revealed through the purchase and usage behavior (Mascaren, Kesavan and Bernaechi 2006)

Oliver (1997) suggested that behavioural dimension refers to the favorable buying behavior in terms of repeat purchase over time, indicating a preference towards a brand or service. The behavioral aspect of loyalty banks upon the actual actions of a customer irrespective of the attitudes or preferences that drive those actions.

### **b) Attitudinal Loyalty**

The attitude based approach, defines customer loyalty as an attitude (Coperland, 1923, Fournier & Yao, 1997). Attitudinal loyalty refers to attaching psychologically to a selected company or brand and is often expressed as an ongoing long term relationship to a brand. The psychological factor of loyalty (mostly attitudinal and emotional) is usually considered and emphasized by contemporary researchers (Jacoby & Kyner, 1973; Oliver,1999).

Attitudinal loyalty means that a customer is ready to buy a particular product/service even if it is charging a premium price in comparison to other competitive products. It differs from a behavioural dimension in its emphasis on the willingness and preference rather than the actual buying behavior.

### **III Three dimensional loyalty**

According to Worthington et al (2009) argue that all human behavior is a combination of cognitive, emotional and/or behavioral responses. In tri-dimensional approach, brand loyalty is therefore a combination of a consumer's thoughts and feelings about a brand that are then expressed as an action (Worthington, Russel-Bennett & Hartel, 2009). This way they divide attitudinal loyalty into a simple two component structure of cognitive loyalty and emotional or affective loyalty that can be used to develop an understanding of brand loyalty as a whole. Thus, loyalty can be divided into the following:

1. Attitudinal loyalty
2. Behavioral loyalty
3. Cognitive loyalty

#### **Cognitive loyalty**

Worthington et al (2009) describes a cognitive commitment to a brand as the decision to stay with a brand based on the examination of switching costs and evaluation of brands' attributes. Oliver (1999) defines cognitive loyalty as the loyalty based on information such as price and features.

Cognitive loyalty basically refers to the customer's belief in the superiority of a particular brand to others. The cognitive measures of loyalty include securing a place on top of the mind, being the first choice of the customer, lower sensitivity towards prices, special consideration among the options available and recognition.

### **IV Four phases of loyalty**

Oliver (1999) categorized customer loyalty into four phases and indicated that customer loyalty is formal in a progressive manner in the order of cognitive loyalty, affective loyalty, conative loyalty and action (behavioral) loyalty. This developing sequence of consumer behavior implies that attitudinal loyalty leads to behavioral loyalty. He claims a person initially becomes loyal in a cognitive way,

then in an affective manner, third in a conative manner and last in a behavioral manner.

### **1. Cognitive loyalty**

Cognitive loyalty means a loyalty based on brand image. If the use of the brand in question is a routine and doesn't stimulate satisfaction, the intensity of consumer's loyalty is no more than just performance. If the consumer gets satisfaction from using the brand, it becomes a part of the consumers' experience and begins to take an emotional or affective meaning (Oliver, 1999).

### **2. Affective Loyalty**

An attachment or attitude towards the brand has developed based on increasingly satisfying experiences with the brand. The consumer's commitment to this phase is described as emotional loyalty and is planted in the consumer's mind as a combination of cognition and affect. While cognition can directly be influenced by new information, the affect cannot be changed as easily. However, this kind of loyalty is still vulnerable to switching (Oliver, 1999).

### **3. Conative loyalty**

According to Oliver (1999), the next gradual loyalty phase, is the conative stage of behavior intention. This stage is developed by frequent events of positive emotions towards the brand. Conation is defined as a commitment or a plan to repurchase a specific brand. In accordance with this description, conative loyalty might at first been seen as a loyalty state that contain the deeply held commitment to buy the brand.

### **4. Action Loyalty**

At this stage of loyalty the desire and intention in the previous loyalty state have converted into strong eagerness to act. Oliver (1999) proposes that in this state the consumer is prepared to overcome possible obstacles that might prevent him or her from using the product or service in order to attain the preferred brand. In this

phase action is perceived as a necessary result of readiness to act and overcoming of obstacles.

To summarise, cognitive loyalty focus on the brand's perceived characteristics, affective loyalty is directed toward the brand's likeability, conative loyalty is experienced when the consumer has an intention to rebuy the brand and action loyalty is a deep commitment to the action of repurchasing(Oliver ,1999).

## **V Multi Dimensional loyalty**

Dahlgren (2011) suggests that loyalty could be defined as a multi-dimensional concept. Especially, loyalty in service markets ought to be discussed as a concept with many dimensions as any consumer may show different degrees of loyalty to a service provider. Customers may be highly loyal on one dimension, while at the same time show low loyalty on another dimension.

Based on the literature review, Sudhahar et al (2006) developed a SERVLOYAL scale to measure loyalty through seven dimensions. They are Behavioral Loyalty, Attitudinal Loyalty, cognitive Loyalty, Affective Loyalty, Conative Loyalty, trust and commitment.

## **Section B**

### **3.2 Motor Insurance**

Insurance services are the backbone of the Indian service industry. Protecting the owner from financial losses which he suffers due to the risks is the main objective behind the insurance. Thus, it was formed as a corresponding item of the risk, i.e., security. Insurance is a financial arrangement which spreads the financial losses of a few members among the many by building up a fund over a period of time. Accordingly, it can spread the financial losses rather than reducing and altering the probability of the risk.

Motor insurance is one of the branches of general insurance business. General insurance is a category of insurance which covers all forms of insurance other than life. Common forms of general insurance are motor, fire, home, marine, health, travel, accident, etc. The period of general insurance policies is either for a given period of time or for the duration of a particular economic activity. General insurance helps the policyholders to protect them as well as their valuables like home, car, etc. from the financial hazards like fire, flood, earthquake, theft, car accidents, travel disaster, etc.

### **3.2.1 General Insurance - Historical background**

In India, insurance has a profound history. From the ancient period onwards, the actual significance of insurance is the pooling of resources that could be taken aback in times of disasters, such as flame, flood, famine, and so on,. India passes through three phases of insurance business. The history of general insurance can be traced back to the early civilization in worldwide. Due to the progress of civilization, there is occurrence of losses which bring the concept of pooling and sharing losses. Marine insurance is the oldest type of insurance originated in England, as early as in the 12<sup>th</sup> century.

Prior to 1968, it was totally private owned under the Insurance Act 1938, which was formed during British India. During that period, there were no control or regulations on insurance business. It was open to the private sector, firms and companies. The large sum of public money was enjoyed by the companies without contributing anything return to the public. During that period shareholders face so many problems like insecurity, unstandardized tariffs, unhealthy and fraudulent claim practices.

In India, The Triton Insurance Company Ltd, launched in Calcutta (1850 AD) was the first general insurance company which holds the British major share.



However Indian Mercantile Insurance Company Ltd was the first general insurance company by Indian promoters which began its operation in Bombay in 1906-07 (ICAI, 2008).

Before nationalization, there were 107 insurance companies of which 63 were domestic companies and 44 foreign companies transacted general insurance business in India. In 1971, the government by an ordinance nationalized the general insurance business under the General Insurance Nationalization Act, 1972 to ensure organized and healthy growth of insurance business. During this period, the general insurance business is transacted by General Insurance Corporation of India, through its four subsidiaries (Gulati, 2007). They are as follows:

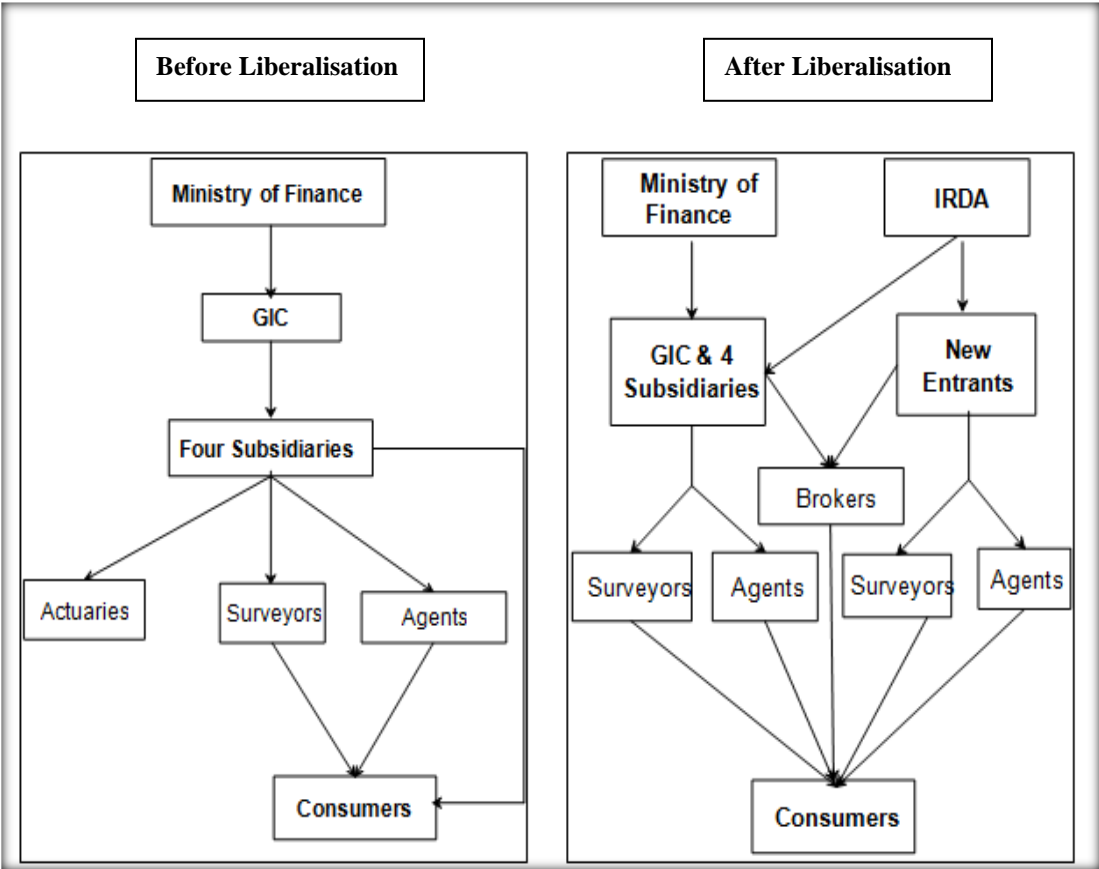
1. National Insurance company Ltd (Kolkata)
2. New India Assurance Company Ltd (Mumbai)
3. Oriental Insurance Company Ltd (Delhi)
4. United India Insurance Company Ltd (Chennai)

Later on in 2002, with the passing of Insurance Amendment Bill (2002), all the four public sector companies were delinked from GIC and are functioning as independent companies since then (ICAI, 2008).

During nationalization there came controls and regulations under the Controller of Insurance by ordinance in 1968. This was brought with an aim to provide social control on the insurance business. So, in that period there formed a Tariff Advisory Committee to frame standard policies and the terms and conditions. Similarly, in order to regulate the claim management, Government decided to appoint Surveyors or Loss assessors, who should be a competent and neutral person for disbursing claims. But in this period also, there arose so many problems like corruption, fake claims, dummy agents created by insurance staffs. And there was no transparency in the appointment of surveyors as their power also was vested with insurance companies. During that period there was no effort from the part of insurer to develop business by educating consumers and inspiring public for insurance realization.

Third phase begins in 1999, in which insurance business was freed from controller, but a regulatory authority was set up to regulate the insurance business. Government appointed “Malhotra Committee” to study the reforms in the insurance business. As per the committee report, Insurance Regulatory and Development Authority (IRDA) was constituted as an autonomous body with an objective to regulate and develop insurance industry. The regulations include minimum capital requirement to start an insurance company, limit of investment in Indian partner of the foreign company, maintenance of solvency margins, investment guidelines and regulating limit of expenses under different heads. (Bhatia, 2013).

The structure of the general insurance industry before and after liberalization are shown in the diagram 3.6.



**Fig. 3.6: Structure of General Insurance Industry - Before and After Liberalisation**

### **3.2.2 Principles of General Insurance**

General insurance is a classification of insurance, which make available financial relief and protection to the suffered insured of the nation. It is important to protect one's property, which one might have acquired from one's hard earned revenue. Losses created to catastrophes such as tsunami, earthquakes, cyclones, etc. has left many homeless and bankrupt. Such losses can be shocking, but insured could help diminish them (Garg).

The basic principles governing general insurance are as follows:

#### **1. Principle of Utmost Good faith**

Utmost good faith can be defined as "A positive duty to voluntarily disclose, accurately and fully, all facts material to the risk being proposed, whether requested or not". This principle implies that in a contract of insurance, the concerned contracting parties must rely on each other's honesty. Both insured and insurer must follow this principle. That is, the insurer must disclose all the features and terms and conditions of the policy before negotiation. Similarly insured must disclose all material facts to the insurer. For eg: in case of motor insurance, insured must disclose the information like the type of vehicle, the purpose of its use, its age, model, cubic capacity, etc.

#### **2. Principle of Insurable Interest**

Insurable interest, simply means 'right to insure'. The policyholder must have a pecuniary or monetary interest in the property which he has insured. The legal right to insure arising out of the financial relationship recognized under the law between insured and the subject matter of insurance. The fact is that it is not the property or the potential liability is insured, but it is the pecuniary interest of the insured in that property/liability which is insured.

### **3. Principle of Indemnity**

Indemnity may be referred to as a mechanism by which insurers provide financial compensation in an attempt to place the insured in the same pecuniary position after the loss as enjoyed just before it. Normally principle of indemnity applies to property and liability insurance contracts, not to life insurance. In this principle, the insurer is promised to restore the insured in the same financial position that existed prior to the occurrence of loss. That means the insured does not earn any undue benefit from the loss.

### **4. Principle of Subrogation**

Subrogation may be defined by Law as “The transfer of legal rights of the insured to recover, to the insurer. The principle of subrogation brings into play when a third party is responsible for the loss. In accordance with this principle, the insurance company acquires the right of the insured to sue the third party to compensate for his negligence and loss inflicted upon when it indemnifies the customer for the losses suffered by him.

### **5. Principle of Contribution**

Contribution may be defined as “The right of insurers who have paid a loss to recover a proportionate amount from other insurers who are also liable for the same loss. This principle enables the total claim to be shared in a fair way. That is the amount of total compensation or indemnity provided to the insured by all the insurers should not exceed the amount of loss.

### **6. Principle of Proximate Cause**

There are three types of perils related to claim under an insurance policy. They are insured perils, excluded perils and uninsured perils. As per this principle,

insurers are liable to pay only the claim which is related to insured perils and not those losses which are caused by excepted/excluded or uninsured perils.

### **3.2.3 Functions of General Insurance Business**

The important activities of a general insurance business are explained below:

- a) Procuring the insurance applications called proposals from the prospective buyers for granting the insurance cover.
- b) Scrutinizing the applications or proposals, arranging for inspections of the object of insurance, if needed and taking the decision to grant of the cover as well as the rate premium charged.
- c) Issuing the policy document in evidence of the contract of insurance, setting out the terms and conditions of the contract, exclusions and warranties decided upon at the time of underwriting.
- d) Processing and paying the claims that may arise after arranging for surveys and assessments by duly competent professionals.
- e) Other supporting activities like investments of funds, maintenance of accounts, management of personnel, processing of data, compliance with laws and regulations of the country (P R, 2012).

### **3.2.4 Regulations of General Insurance Business in India**

Globally, the general insurance business is one of the most highly regulated one for building equity and efficiency. In India, it has a well defined regulatory and legislative framework. The law of general insurance in India is unique and comprehensive as it operates within the limitations of all other governing legislations. The transactions of general insurance in India are governed by the following regulations and legislations.

#### **1. The Insurance Act, 1938**

The Insurance Act passed in 1938, which brought into force from 1<sup>st</sup> July, 1939. This Act concerns to the GIC and its four subsidiaries. Later, this Act was

amended several times in the years 1950, 1968, 1988 and 1999. This Act specifies the restrictions and limitations applicable as specified by the Central Government under powers conferred by section 35 of the General Insurance Business (Nationalisation) Act (ICAI, 2008). The latest amendment being made in 1999 by the IRDA Act and thereafter all the tasks prescribed to be done by the Insurance Act like issuing of licenses to companies and agents, Registration of companies, monitoring the affairs of insurers, issuing directives, issuing norms for compliances, etc. are performed by the IRDA Act (P R, 2012).

## **2. General Insurance Business (Nationalisation ) Act, 1972 (GIBNA)**

General Insurance Business(nationalization) Act was passed in the year 1972 and came into force on 1<sup>st</sup> January, 1973. Under this Act there were no private insurers in the country, as it came into force to set up the General Insurance Corporation of India and its four subsidiaries for the transactions of general insurance business in India (P R, 2012). This Act also came to an end by passing of the IRDA Act, 1999.

## **3. Malhotra Committee Report**

Shri R N Malhotra, ex-governor of the Reserve Bank of India, recommended for the creation of a more efficient and competitive financial system in tune with global trends. It recommended the amendments to regulate the insurance sector to adjust with the economic policies of privatization (ICAI, 2008).

## **4. IRDA Act, 1999**

The Insurance Regulatory and Development Authority Act was passed in the year 1999 with the intention of ending the monopoly of public sector general insurance companies and for investing the power of control of the insurance sector in the Insurance Regulatory authority.. The main objectives of this Act are to protect the interest of policyholders of insurance policies and regulate the insurance industry in India. The regulatory framework of this Act mainly focuses on three main areas:

- Protection of interest of policyholders
- Ensure financial soundness of the insurance industry
- Pave the way to help a healthy growth of the insurance market where both the government and the private players play simultaneously (ICAI, 2008).

## **5. General Insurance Council**

The section 64C of the Insurance Act, 1938, recommended the establishment of the independent life insurance council and general insurance council. Later, IRDA Act revised the two councils, in which each council is headed by a member of IRDA, which play a significant role in the establishment of industry standards. The mission of the general insurance council was to provide leadership on issues having a bearing on the industry's collective strength and image and to shape and influence the decisions made by the government, regulator and other public authorities, within the country, in order to benefit the industry collectively (ICAI, 2008).

## **6. Insurance Ombudsman**

The institution of Insurance Ombudsman was created by a Government of India Notification dated 11<sup>th</sup> November 1998 with the purpose of quick disposal of the grievances of the policyholders and to mitigate their problems involved in redressal of those grievances. This institution is of great importance and relevance for the protection of interests of policyholders and also in building confidence in the system. The ombudsman will consider the following nature of complaints:

- a) Any partial or total repudiation of claims by an insurer
- b) Any dispute in regard to premium paid or payable in terms of the policy
- c) Any dispute on the legal construction of the policies so far as such disputes relate to claim
- d) Non-issue of any insurance document to customers after receipt of premium (P R, 2012).

## **7. Detariffication of General Insurance sector in India**

Detariffication has been the most awaited reform in the general insurance industry ever since the Malhotraa committee recommended gradual removal of tariffs in the non life insurance sector. The detariffing exercise has two phases. The first phase started on 1<sup>st</sup> January, 2007 when IRDA allowed companies to charge their own premium for all the classes of business except motor third party liability insurance , which had been under a tariff till then. The second phase was started from 1<sup>st</sup> January, 2009 as the General Insurance companies have given more freedom to design their own products. The reforms have changed the whole scenario of the insurance industry. Its character has changed altogether in the wake of the transition from a controlled to a competition driven market. Several new players have entered into the insurance business with joint partnership with foreign insurers. It generated a cut throat competition in the field and ultimately resulted into better customer service. There is high quality in the insurance products and services, wide choice of products to the customers and the companies can enter into untapped areas. Hence, the reform process started in India has helped the insurance sector to grow at a quick and orderly manner for the benefit of a common man (Kumar, 2011).

### **3.2.5 Milestones in Indian General Insurance Industry**

The table 3.5 shows the important milestones in the general insurance industry in India.



**Table 3.5**

**Milestones in Indian General Insurance Industry**

<b>Year</b>	<b>Developments</b>
1907	The Indian Mercantile insurance Ltd set up the first company to transact all classes of general insurance business.
1957	The General insurance council, a wing of the insurance association of India, frames a code of conduct for ensuring a fair conduct and sound business practices
1968	The Insurance Act amended to regulate investments and set minimum solvency margins and the Tariff Advisory Committee set up
1972	The general insurance business in India nationalized through the General Insurance Business (Nationalisation) Act, 1972 with effect from 1 <sup>st</sup> January, 1973. 107 insurers amalgamated and grouped into four companies- New India Assurance Company Ltd, National Insurance Company Ltd, Oriental Insurance Company Ltd and United India Insurance Company Ltd. GIC incorporated as a company
1999	Insurance Regulatory and Development Authority was set up
2000	Entry of private companies into the field of general insurance business.

*Source:* (Banga, 2011)

**Changes in the Regulatory Environment after Liberalisation**

The regulatory environment has a vital role as like other macro economic and domestic growth drivers in the growth and profitability in the general insurance industry also. The table 3.6 shows the key regulatory changes and its impact in the Indian general insurance industry after liberalization (Sharma, Doshi, Venugopal, Marathe, Shanker, & S.R, 2013).

**Table 3.6****Key Regulatory Changes and its Impact in Indian General Insurance Industry**

<b>Year</b>	<b>Key Regulatory Changes</b>	<b>Impact</b>
1999	IRDA bill cleared	Liberalisation of the sector and formation of an independent regulator called IRDA.
2001	IRDA issues Third Part Administrator Regulations (TPA)	TPA Entry specifically focuses on servicing health insurance business
	26% FDI limit allowed the Foreign players to enter the market	Foreign players bring capital and strong technical expertise.
2002	IRDA insurance brokers and corporate agent regulation	Enables insurance distribution through corporate intermediaries
2006	Permission for stand alone health insurance players	Entry of stand alone health insurance players
2007	Introduction of motor third party insurance pool	Allow the equitable distribution of commercial vehicle third party losses.
	Price detariffication	Enables the companies to make changes in the premium rates.
2011	Guidelines for merger, acquisition	Facilitate consolidated, inorganic transactions in the industry.
2012	Increase in the third party premium rates	Improvement in overall profitability of the commercial vehicle segment.

**3.2.6 Current Indian General Insurance market**

At present, general insurance industry was under the control of IRDA. It is a statutory body entrusted with the responsibility for regulation of operation of insurance companies for their orderly growth and development. The main aim of IRDA is to protect the interest of policyholders. GIC's position is changed into the re-insurer in the country.

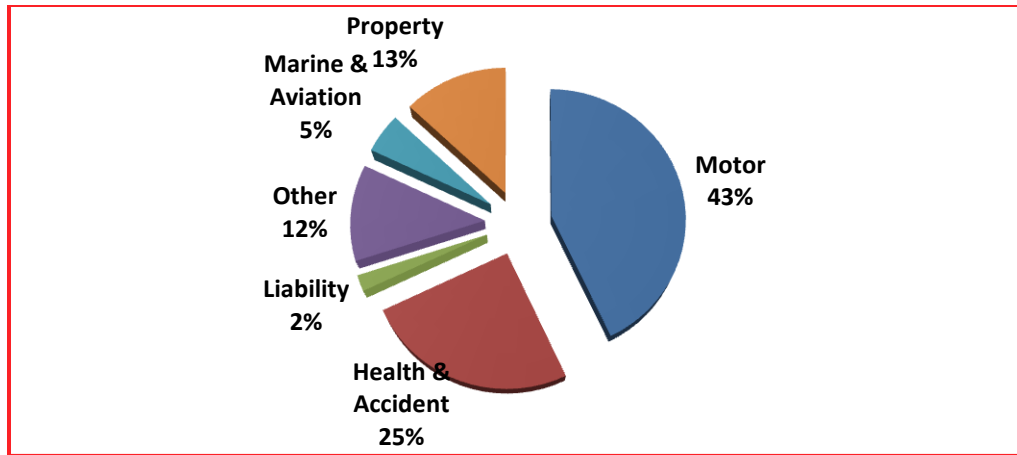
**Table 3.7****List of General Insurance Companies in India**

<b>Sl No</b>	<b>Name of the Insurer</b>	<b>Foreign Partner</b>	<b>Year of Origin</b>
<b>Public Sector</b>			
1.	National Insurance Company Ltd.	---	1906-07
2.	The New India Assurance Company Ltd.	---	1919-20
3.	United India Insurance Company Ltd.	---	1919-20
4.	The Oriental Insurance Company Ltd.	---	1947-48
<b>Private Sector</b>			
5.	Reliance General Insurance Company Ltd.	---	2000-01
6.	Royal Sundaram Alliance Insurance Company Ltd.	Royal & Sun Alliance Insurance Plc, UK	2000-01
7.	TATA AIG General Insurance Company Ltd.	Chartis Memsa Holdings Inc. USA	2000-01
8.	IFFCO Tokio General Insurance Company Ltd.	Tokio Marine Asia Pte. Ltd. Japan	2000-01
9.	Bajaj Allianz General Insurance Company Ltd	. Allianz, SE Germany	2001-02
10.	ICICI Lombard General Insurance Company Ltd.	FAL Corporation, Canada	2001-02
11.	HDFC ERGO General Insurance Company Ltd.	ERGO International AG, Germany	2002-03
12.	Cholamandalam MS General Insurance Company Ltd.	Mitsui Sumitomo, Japan	2002-03
13.	Future Generali India Insurance Company Ltd.	Participatie Maatschapij Graafsschap Holland NV, Netherlands (“Generali”)	2007-08
14.	Universal Sompo General Insurance Company Ltd.	Sompo, Japan. Insurance Inc.	2007-08
15.	Shriram General Insurance Company Ltd.	---	2008-09
16.	Bharti AXA General Insurance Company Ltd.	M/s. Societe Beaujon, France	2008-09
17.	Raheja QBE General Insurance Company Ltd.	QBE Holdings (AAP) Pty.Ltd.	2008-09

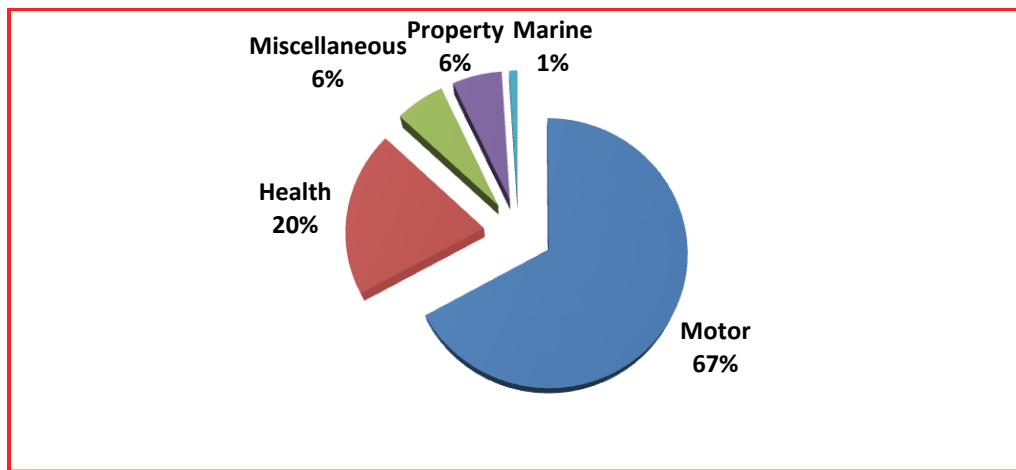
		Australia	
18.	SBI General Insurance Company Ltd.	IAG International Pty Ltd. Australia	2009-10
19.	L & T General Insurance Company Ltd.	---	2010-11
20.	Liberty Videocon General Insurance Company Ltd.	Liberty City State Holdings Pte Ltd.	2012-13
21.	Magma HDI General Insurance Company Ltd.	HDI-Gerling Industrie Versicherung AG, Germany	2012-13
22.	Kotak Mahindra General Insurance Company Ltd	---	2015-16
<b>Specialised Insurers-Public Sector</b>			
23.	Export Credit Guarantee Corporation of India Ltd.	---	1957-58
24.	Agriculture Insurance Company of India Ltd.	---	2003-04
<b>Standalone Health – Private Sector</b>			
25.	Star Health & Allied Insurance Company Ltd.	Individual Promoters and Oman Insurance PSC, UAE & Alpha TC Holdings Pte Ltd.	2006-07
26.	Apollo Munich Health Insurance Company Ltd	Munich Health Holding AG, Germany	2007-08
27.	Max BUPA Health Insurance Company Ltd.	BUPA Singapore Holdings Pte Ltd.	2009-10
28.	Religare Health Insurance Company Ltd	---	2012-13
29.	Cigna TTK Health Insurance Company Ltd.	Cigna Holdings Overseas Inc. USA	2013-14

### **Segment in Non life Insurance Industry**

In India, the non life insurance industry is divided into different segments based on the nature of business. The most important among them are Motor insurance, Property insurance, Marine & Aviation insurance, Liability insurance, Health and accident insurance, etc. The share of each segment of non life insurance industry in India and Kerala during the period 2013-14 is shown in the diagram 3.7 and 3.8.



**Fig. 3.7: Segment-wise Non Life Insurance in India (2013-14)**

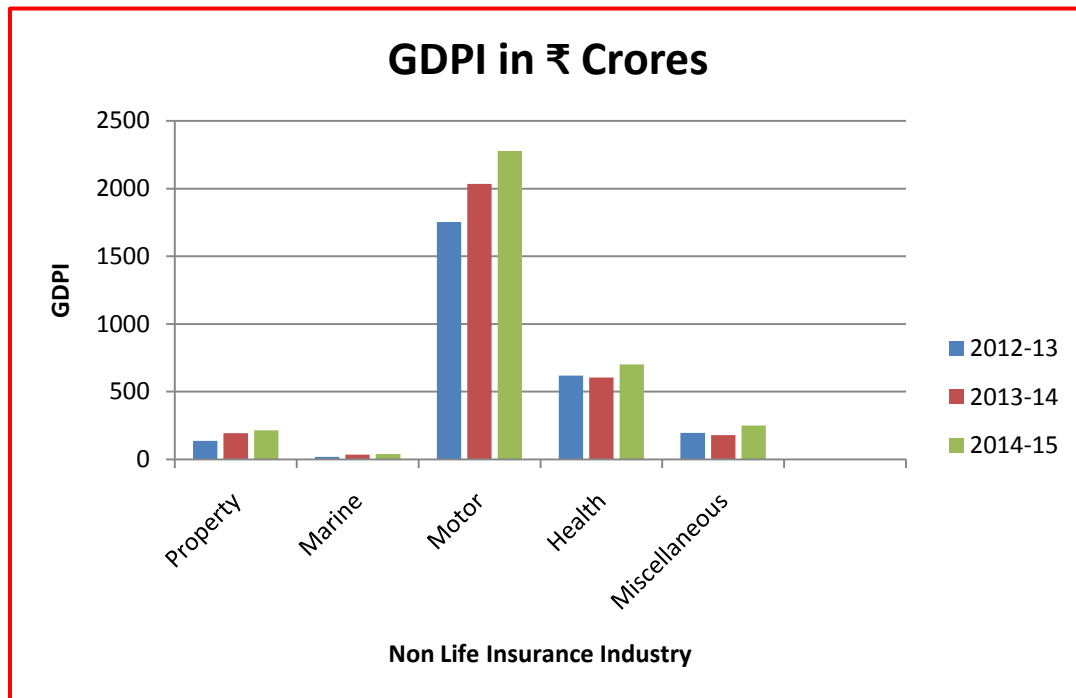


**Fig.3.8: Segment-wise Non Life Insurance in Kerala (2013-14)**

The above diagrams show that in India as well as in Kerala, the largest segment of non life insurance industry was Motor insurance. In India, 43 per cent of the total non life insurance business represents the motor insurance and in Kerala, it was 67 percentage.

## Gross Domestic Premium Income (GDPI) of Non Life insurance Industry in India

In India, the gross domestic premium income of non-life insurance industry represents the growth of the industry. The chart 3.9 shows the GDPI during 2012-13, 2013-14 and 2014-15.



**Fig. 3.9: Gross Domestic Premium Income of Non Life Insurance Industry in India**

The diagram 3.9 made it clear that among the various categories of general insurance business, motor insurance is the leading one in 2012-13, 2013-14 and 2014-15.

### 3.2.7 Intermediaries in General Insurance Business

Insurance distribution is not simply about pushing products. A great share of the value across the entire insurance industry value chain is added in distribution (Verma, Aggarawal, & Singh, 2013). Before the entire Indian insurance market opened to private players, development officers who are the employees of the public

sector general insurance companies are the key marketing persons for attracting the customers, but the product and pricing were almost similar for all state owned insurers and customer had no choice (Meena, 2013). The situation was changed due to the privatization, when a number of private competing players entered into the field.

Intermediaries working in the general insurance business are explained in the following pages:

### **1. Agents**

Insurance agents are one of the important intermediaries who try for soliciting, acquiring and serving the general insurance market. An agent must fulfill the statutory requirements of the competence prescribed by the regulations and for which he has to pass the stipulated exam to satisfy the regulator after undergoing the specified number of hours of training at accredited institutions (ICAI, 2008).

### **2. Corporate agents**

Corporate agents are those categories of agents having tie ups with more than one insurance company. IRDA has allowed the corporate agents to act as an intermediaries to sell insurance products. As per the Act, corporate agents mean any person specified in Clause (K) of the Act and licensed to act as such, while a composite corporate agent means a corporate agent who holds a license to act as an insurance agent for a life insurer and a general insurer Tied up agency is acting as a corporate agent which are the popular channel of distribution. These tied agents are representatives of the company drawing commission as remuneration (ICAI, 2008). In motor insurance business, the dealers of auto manufacturing company provide the insurance services like selling and repairing the vehicle to the customer. Thus, here they are the corporate agents.

### **3. Brokers**

The insurance brokers are such individuals having professional skills and conduct in the insurance business. Any person may be an individual, a partnership firm or a company formed and registered under the companies Act, 1956 can apply

for a grant of license to be a broker (ICAI, 2008). They act on behalf of the customer rather than the company, as in the case of the agent.

#### **4. Development officers**

This is an arrangement in the public sector. This is purely an internal arrangement in organizing the marketing force of an insurer. They are not covered under any regulations of IRDA or other statutes. They are governed by the service conditions of the his or her employer only (ICAI, 2008).

#### **5. Surveyors and loss assessors**

Surveyors /Loss assessors are those who survey and assess any mishappening or disaster and evaluate the financial loss to the insurance companies. The insurer makes the payment of claims on the basis of the evaluation done by the surveyor.

#### **6. Banks**

Bancassurance is a mutually beneficial arrangement between banks and insurance companies. Banks can expand their range of products and the insurance company benefits from the exposure at the bank branches.

#### **7. Internet**

The internet is one of the channels of distribution. However, in India, internet doesn't get as much acceptance. Because insurance is a product which is sold rather than bought.

#### **8. Invisible insurer**

These categories of insurance intermediary don't come into the real picture. They are invisible insurers. For example, Automobile or credit card companies who are selling the insurance as an add –on product.



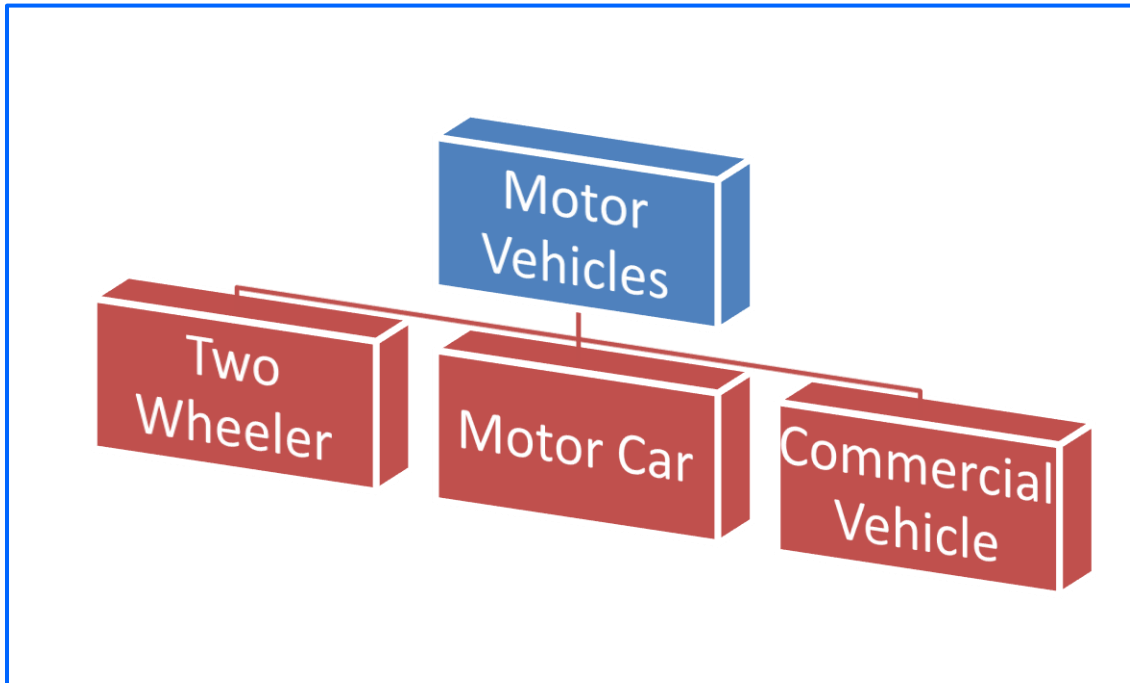
### **3.2.8 Motor Insurance**

Motor Insurance is one of the important branches of general insurance which provides protection against the losses of vehicles like cars, trucks, etc. It provides security to motorized vehicles against fire, theft, collision. Recently, the motor insurance has received much importance. It accounts for a major portion of the miscellaneous premium income of insurance companies in India. Earlier, when there is accident occurs, the injured person or the beneficiary of the killed ones does not get any compensation as there may not have any financial resources to the motorists involved in the accident. The reason is that there are no insurance schemes available on that day. Hence, in order to protect the people who are facing such problems, Motor Insurance Act, 1939 introduced the Compulsory Motor Vehicle Insurance (Periasamy & Veeraselvam, 2013).

Motor vehicles include private cars, two wheelers and other commercial vehicles, excluding vehicles running on rails. Owners of the vehicle, Franchisers or Lessee has insurable interest can insure the vehicle. The main parties included in this kind of insurance are insured, insurer and third parties. Here the role of the third parties arises when there is any accident occurs due to the vehicle of the insured in the public place, it is the responsibility of the insurer to make good the loss by paying the claim amount to the third parties.

A motor vehicle has been defined in the motor vehicle Act as a mechanically propelled vehicle adapted for use upon the roads, whether the power of propulsion is transmitted thereto from in external or internal source and includes a chassis to which a body has not been attached and a trailer, but does not include a vehicle running upon fixed rails (Shrivastava, 2010).

From the insurance point of view, motor vehicles are classified into three broad categories, viz two wheeler, motor car and commercial vehicles. There are also sub classifications in some categories.



**Fig. 3.10: Types of Motor Vehicles**

❖ **Private cars**

Private cars are those vehicles, which are used exclusively for social, domestic and pleasure purposes and business or professional purposes but not for the carriage of goods other than samples. It covers the three wheeled cars which are used for private purposes are also.

❖ **Motorcycles/scooters**

This category of vehicles includes the following:

- a) Mechanically propelled two wheelers with or without side car
- b) Mechanically propelled three wheelers with an engine capacity not exceeding 350 cubic capacity (Shrivastava, 2010).

## ❖ Commercial vehicles

The commercial vehicle category includes the following vehicles:

a) Goods carrying vehicles

These were classified under the Motor vehicle Act 1939 as 'Private carrier' and 'public carrier'. The Motor vehicles Act of 1988 does not have this category. Now under Motor vehicles Act, goods carrying vehicles is called 'Goods carriage' and there is no categorization of public carrier and private carrier. They are still classified as public carrier and private carrier for rating purposes.

b) Trailers

Any truck, cart, carriage or other vehicle without means of self propulsion including agricultural implements drawn or hauled by self propelled vehicle.

c) Passenger carrying vehicles

All the vehicles used for hire or reward with different registered passenger carrying capacity. These may be metered or non metered. They also include vehicles owned by hotels and hired to guests. Three wheeled motorized vehicles are also part of this class of vehicle.

d) Miscellaneous and special type of vehicles

They are:

- (i) Ambulances
- (ii) Break down vehicles
- (iii) Cinema film recording and publicity vans
- (iv) Crane fitted with lift apparatus, , break down vehicles
- (v) Delivery truck-pedestrian controlled
- (vi) Dispensaries
- (vii) Dumpers
- (viii) Dustcarts, water carts, Road sweepers
- (ix) Excavators
- (x) Electric trolleys or tractors
- (xi) Fire brigade & salvage corps vehicles
- (xii) Footpath rollers

- (xiii) Forklift trucks
  - (xiv) Hearses
  - (xv) Levelers
  - (xvi) Mobile shops and canteen vehicles
  - (xvii) Mobile surgeries and dispensaries
  - (xviii) Plane loaders
  - (xix) Refuse carts
  - (xx) Road rollers, road sprinklers also used as fire fighting vehicles
  - (xxi) Traction engine tractors
  - (xxii) Tractors, used for agricultural, forestry, tar spraying, etc. and
  - (xxiii) Trailer fitted as cinema film recording and publicity vans
- (Shrivastava, 2010).

### **3.2.9 History of Motor Insurance Industry in India**

Motor Insurance as a captivating branch of insurance had its beginning in the UK in early part of the last century. In 1894, the first motor car was introduced into England and the first motor policy was introduced in 1895 to cover third party liabilities. By 1899, accidental damage to the car was added to the policy, thus introducing the comprehensive policy along the lines of policy issued today.

After world war I , there was a considerable increase in the number of vehicles on the road and also the number of road accidents. Many injured persons in road accidents were unable to recover damages because not all motorists were insured. This led to the introduction of compulsory third party insurance through the passing of Road Traffic Act 1930 and 1934. The compulsory provisions of these Acts have been consolidated by the Road Traffic Act 1960 (Shrivastava, 2010).

In India, Motor Vehicles Act was passed in 1939 introducing the law relating to compulsory third party insurance. The practice of motor insurance in India generally follows that of UK market. The business was governed by a tariff till March 2008, and now like Uk market, there is non tariff. However , IRDA has directed insurers in India to carry on the tariff policy wording. The motor vehicles

Act 1988 has reinstated the earlier 1939 Act, and it became effective from 1 July 1989 (Shrivastava, 2010).

### 3.2.10 Gross Domestic Premium Income –Motor Own Damage Insurance (in ₹ crores)

The diagram 3.11 shows the gross domestic premium income of motor own damage insurance in India from 2006-07 to 2014-15.

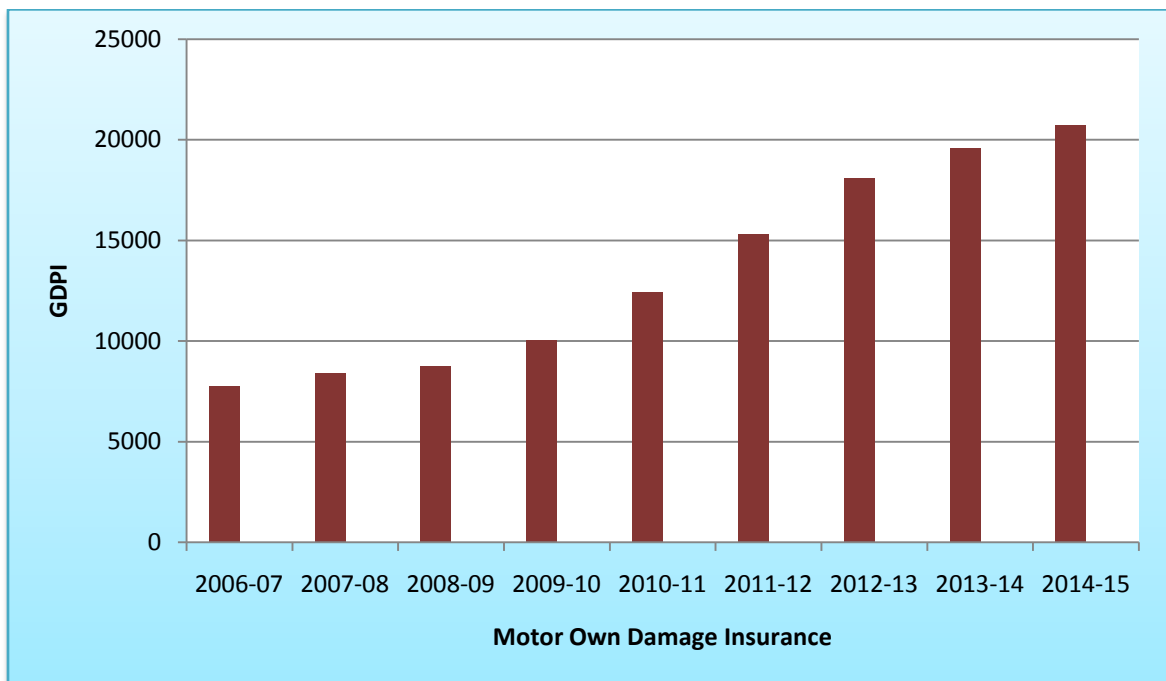


Fig. 3.11: GDPI-Motor Own Damage Insurance

### 3.2.11 Important Acts Governing Motor Insurance

In India, the Motor insurance law is governed by the Motor Vehicles Act. In 1939, the first Motor vehicle Act was passed and it was revised in so many times and at present the Motor Vehicle Act 2015 is working. They are as follows:

### **a. Motor Vehicle Act, 1939**

The practice of motor insurance is influenced to a large extent by the Motor Vehicle Act, 1939. This Act put together the provision for various matters relating to the use, maintenance and operation of motor vehicles, registration of motor vehicles, construction, equipment and maintenance of motor vehicles, control of tariff, etc. This law should also take into account the changes in road transport technology, pattern of passenger and freight movements, development of road network and particularly the improved techniques, particularly in the motor vehicle management.

In Motor Insurance Act, Chapter VII-A and Chapter VIII provides for insurance of motor vehicles against third party risks. Even though the Motor Vehicle Act came into force in July 1939, the provisions of Chapter VIII and VII A were brought into effect only on 1<sup>st</sup> July, 1946 and 1<sup>st</sup> October, 1982 respectively.

The Act was updated, simplified and rationalized with the help of various committees like National transport policy committee, National Police Commission, Road safety committee, and Low Powered Two wheeler Committee.

In 1956, the Motor Vehicle Act 1939 was amended to provide for the constitution of Motor Accident Claims Tribunals (MACT) by the State Governments to make sure the speedy settlement of persons involved in accidents. These tribunals follow simple and fast procedure and charge nominal fees.

### **b. Motor Vehicle Act, 1988**

Motor vehicle Act, 1988 came into force with the outcome of all recommendations proposed by various committees. It has replaced the earlier 1939 Act of Motor Vehicle Act and it became effective from 1<sup>st</sup> July, 1989. Important legal provisions relating to this Act are as follows:

- **No Fault Liability**

Section 140 (1) of the Act, 1988 contains provisions regarding no fault liability of the insured as follows:

“Where death or permanent disablement of any person has resulted from an accident arising out of the use of a motor vehicle, the owner of the vehicle shall or, as the case may be owners of the vehicle shall, jointly, or severally, are liable to pay compensation in respect of such death or disablement in accordance with the provisions of this section”.

The claimants shall also not be required to appeal and establish that the death or permanent disablement in respect of which the claim has been made was due to any wrongful act, neglect or default of the owner, or owners of the vehicle or vehicles concerned or any other person. This concept is known as No-Fault Liability (Shrivastava, 2010).

**Table 3.8**

**The Compensation Payable: No Fault Liability**

<b>Incident</b>	<b>Motor Vehicle Act 1939</b>	<b>Motor Vehicle Act 1988</b>
Death	Rs.25000	Rs.50000
Permanent Disablement	Rs.12000	Rs.25000

Permanent disablement refers to an injury or injuries involving

- Permanent privation of the sight of either eye or the hearing of either hear, or privation of any member of a joint; or
- Destruction or permanently impairing of the powers of any member or joint.; or
- Permanent disfiguration of the head of face.

The object behind no fault principle is to give the minimum statutory relief, especially to the victim of road accident or his legal representative. To that extent, these provisions constitute a measure of social justice.

- **Hit and Run Accidents**

Hit and Run accident is “an accident arising out of the use of motor vehicle or motor vehicles, the identity whereof cannot be ascertained in spite of reasonable efforts for the purpose.”

Section 163 of Motor Vehicle Act 1988 provides that the central government may establish a fund known as a **Solatium Fund** to be utilized for paying compensation in respect of death or grievous hurt to persons resulting from a hit and run motor accidents (Shrivastava, 2010).

This scheme has the following features:

- ✓ The GIC nominates officers in each district for settlement of claims.
- ✓ Application of the compensation to be filed with the Claims Enquiry Officer (CEO) designated in each district within six months from the date of accidents.
- ✓ The CEO will hold an enquiry and submit a report to the claim settlement commissioner nominated for the district for sanction.
- ✓ The sanction order with all supporting documents to be communicated to the concerned insurance company for making payment.
- ✓ Payment to be made by cheque/DD to claimants within 15 days from the receipt of sanction order.
- ✓ Monthly returns of the claims paid and pending to be submitted to the claim settlement commissioner.
- ✓ Annual report of the scheme to be submitted by GIC to the standing committee and to the central Govt (Shrivastava, 2010).

### **c. Motor Vehicles Act, 2015**

Motor Vehicle Act, 1988 was amended in the year 2015 and currently this Act is governing the motor insurance. This Act has been proposed to be amended with some extensive changes in focus on the safety of the road users, road accident victims, stricter driving licensing norms and penalties for law violators. As per the amendments, the insurance policies will undergo modifications based on the provisions made in the amendment bill. Motor third



party insurance policies will follow the mandated provisions of the Motor Vehicles Act. Similarly, claims already intimated or which have occurred would follow the provisions of the policy issued to them. (NDTV, 2016)

### **3.2.12 Type of Motor Vehicle Insurance**

Like the motor vehicle classification, motor vehicle insurance is also classified under three heads. They are:

#### **1. Two wheeler insurance**

Two wheeler insurance covers the accidental insurance for the drivers of the vehicle. The amount of premium depends on the current showroom price multiplied by the depreciation rate fixed by the Tariff Advisory Committee (TAC) at the start of the policy (Loomba, 2014).

#### **2. Private car insurance**

Private car insurance is compulsory for all the new cars. The amount of premium depends on the make and the value of the car, the state where the car is registered and the year of its manufacture (Loomba, 2014).

#### **3. Commercial vehicle insurance**

The coverage for all the vehicles which are not used for personal purposes are coming under the category of commercial vehicle insurance. In this type of insurance, the premium amount is fixed by considering the showroom price of the vehicle at the commencement of the insurance period, make of the vehicle and the place of registration of the vehicle (Loomba, 2014).

### **3.2.13 Types of Motor Insurance Policies**

In India, there are broadly two types of insurance policies that offer motor insurance cover:

## **1. Liability Only Policy (Compulsory Third Party Policy)**

In India, according to Motor Vehicle Act, Liability only policy is a compulsory policy on new vehicles whether acquired for commercial or private use. One can be penalized for driving without a valid cover. This policy covers third party liability and/or death and property damage. Compulsory personal accident cover for the owner in respect of owner driven vehicles is also included. This policy applies uniformly to all classes of vehicle, whether private car, motorcycles or motor scooters and commercial vehicles.

The policy covers the insured's legal liability for accidents occurring out of the use of the vehicle, in a public place, anywhere in India. Generally it covers

- Death or bodily injury to any person so far as is necessary to meet the requirements of the Motor Vehicles Act
- Damage to the property of any person up to the limit specified, Rs .6000
- Personal accident to owner/driver., provided that the total compensation does not exceed Rs. 100000/- in the case of two wheeler owners and Rs.200000/- in case of other vehicles.

In this type of policy coverage is as per the requirements of the Motor Vehicles Act, 1988. Compulsory Personal accident cover for owner-driver is also included. The policy can also be extended to cover various other risks like Personal Accident to occupants of the vehicle, Workmen's Compensation to Driver, etc. over and above the cover available to him under the statute.

## **2. Package Policy**

The package policy covers Liability only policy and Own damage policy which covers damage to the owner's vehicle. There are minor variations in the coverage for own damage for private car, two wheelers and commercial vehicles under the package policy. The Sum Insured under a Motor Insurance policy reflects the value of the motor vehicle determined based on the concept known as Insured's Declared

Value. Insured's Declared Value is the value arrived at based on the Manufacturer's present value and depreciation based on the Age of the Vehicle.

### 3.2.14 Motor Insurance Coverage and Exclusions

The liability only policy does not cover the damages to the vehicle. But the package policy or own damage policy provides a wide coverage with some exclusion. The table 3.9 shows the coverage and exclusions of the motor insurance coverage:

**Table 3.9**

#### **Motor Insurance Coverage and Exclusions**

<b>Motor Insurance Coverage</b>	<b>Motor Insurance Exclusions</b>
<p>The damages to the vehicle due to the following perils are usually covered under the OD section of the motor insurance Policy.</p> <ul style="list-style-type: none"> <li>• Loss or damage against natural calamities, such as lightning, rock slide, fire, self-ignition, earthquake, flood, typhoon, hurricane, storm, tempest, inundation, outpouring ,cyclone, hailstorm, frost, landslide, rockslide, external explosion, avalanche, tremor, detonation, etc.</li> <li>• Loss or damage against man made calamities such as burglary, theft, malicious act, housebreaking, strike, riots, terrorism acts, malevolent activities,etc.</li> </ul>	<p>The following contingencies are usually excluded under the motor insurance policy:</p> <ul style="list-style-type: none"> <li>• Depreciation of the vehicle, consumable items or any consequential loss.</li> <li>• Normal wear and tear and general ageing of the vehicle.</li> <li>• Any significant loss in terms of mechanical or electrical collapse or breakdown.</li> <li>• Damage caused while driving under the influence of intoxicating liquor or drugs.</li> <li>• Damage caused while driving in the absence of cerified license.</li> <li>• Wear and tear of consumables, like</li> </ul>

<ul style="list-style-type: none"> <li>• Accident caused while driving</li> <li>• Accident caused by external factors , rebellious activities</li> <li>• Damage caused while in transit by rail or road, inland waterways, lift, elevator or airways.</li> <li>• Loss or damage to electrical or electronic accessories, on payment of suitable additional premium.</li> <li>• To protect the policyholder against any legal responsibility emerging due to fortuitous damages, car insurance offers, third party legal responsibility in case of permanent injury, death or damage caused to the vehicle.</li> </ul>	<p>tyres and tubes unless the Bajaj Allianz General Insurance Company Ltd=vehicle is damaged at the same time, in which case the liability of the company shall be limited to 50 % of the cost of replacement.</p> <ul style="list-style-type: none"> <li>• Damage caused due to conflict, revolt or nuclear attack</li> <li>• An accident taking place while the vehicle is used for unlawful purposes</li> <li>• Accident taking place beyond outside the geographical area or against the general terms and conditions.</li> </ul>
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*Source: (Loomba, 2014)*

### **3.2.15 Important Concepts in Motor Insurance**

The following are the important concepts in motor insurance:

#### **A. Insured's Declared Value (IDV)**

IDV is the sum insured agreed at the beginning of the policy between the insurer and the insured. It is based on the price. It is based on the price of a new vehicle at the beginning of the policy period less depreciation at the agreed rates. IDV does not take into consideration market value or depreciated price. It remains constant during the policy period.

$$\text{IDV} = \text{Manufacturer's listing price} - \text{Depreciation}$$

This value is deemed to be the sum insured for the purpose of the policy and is fixed at the commencement of each policy period of the insured vehicle. The IDV is usually fixed on the basis of the manufacturer's listed selling price of the brand and model and is adjusted for depreciation. The rate of depreciation is as follows:-

**Table 3.10**

**Rate of Depreciation Charged**

<b>Age of Vehicle</b>	<b>Percentage of Depreciation</b>
Not exceeding 6 months	5%
Between 6 months and 1 year	15%
Between 1 year and 2 years	20%
Between 2 years and 3 years	30%
Between 3 years and 4 years	40%
Between 4 years and 5 years	50%

IDV is generally treated as a market value throughout the policy period without further depreciation for Total Loss (TL) or Constructive Total Loss (CTL) claims. CTL is the repair and retrieval cost of the vehicle as permitted under the policy exceeds 75% of the IDV (Shrivastava, 2010).

**B. Basis of Premium determination**

Depending on the regulations, the insurance premium can be either mandated by the government or determined by the insurance company in accordance with the framework of regulations(tariffs) set by the government. Regularly, the insurer has more freedom to set the price on physical damage covers than on mandatory liability coverages. In case of own damage policy, the premium is calculated based on the calculations of an actuary based on statistical data. The following factors have to be considered while fixing the premium amount.

- Cost of the vehicle
- Use of vehicle/normal area of operation
- Seating capacity
- Cubic capacity of vehicle. Energy supplied by the vehicle engine
- Age of the vehicle/driver
- Locality/income group
- Market value of the vehicle (Loomba, 2014).

### **C. Nil Depreciation Policy (Zero depreciation policy)**

Zero depreciation is an additional benefit (add-on) that every car owner can enjoy at the cost of paying an extra/higher premium. Zero depreciation is usually not included in the standard/comprehensive no-frills insurance policy. At the time of insurance claims, every insurance company always calculates and applies the depreciation rate to decide the amount payable (with reference to the damaged part of the car) for settling the claim. The difference in cost between the market price of the new part and the depreciated part needs to be shelled out by the insured/car owner. With zero depreciation add-on, when you file an insurance claim due to damage/loss to your car, the insurer covers the entire cost without accounting for/counting in the vehicle's depreciation.

### **D. No Claim Bonus**

In motor insurance, No Claim Bonus, as the name suggests, is the insurer's reward to the policyholder for not making a claim in the preceding years. That is, NCB, which is a discount ranging from 20-50% on the premium payable cannot be claimed as a right but has to be earned by maintaining a claim free record. When you buy your first comprehensive motor insurance policy, you are normally (except in the rare case of NCB transfer) not eligible for any NCB discount on the premium paid because you have no claim free record as such. You can claim a starting NCB of 20% on the first renewal of the policy provided there has been no claim during the

past year. This discount increases steadily with every claim free year up to a maximum of 50% at the end of five claim free years.

**Table 3.11**

**No Claim Bonus Rate Grid**

<b>Basis</b>	<b>Rate</b>
After one claim free year	20%
After two consecutive claim free years	25%
After three consecutive claim free years	35%
After four consecutive claim free years	45%
After five consecutive claim free years	50%

**E. Discount**

There are certain discounts available to the policyholders under own damage premium in addition to NCB. These are the discounts for members of the Automobile Association of India, Vintage cars, installation of anti-theft devices approved by Automobile Research Association of India (ARAI), Pune, concessions for specially designed or modified vehicles for the blind, handicapped and mentally challenged persons, etc.

**F. Add-ons (Extra benefits)**

The extra benefits available to the policyholders of motor insurance are explained below (Shrivastava, 2010):

**(i) Personal Accident cover for owner drivers**

This cover is compulsorily given to owners of individually owned vehicles other than vehicles insured under commercial vehicle trade risk policies. The maximum sum assured for two wheeler is Rs.1,00,000/ for two wheelers and Rs.2,00,000/ for private cars and commercial vehicles.

**(ii) Personal Accident cover for persons other than owner driver**

This cover is available as an optional cover for all persons travelling in the vehicle, subject to its maximum carrying capacity. The maximum sum assured is Rs.2,00,000/ per person, in multiples of Rs.10000/-

**(iii)Electrical /Electronic fittings**

All electrical and/or electronic items fitted to the vehicle which are not included in the manufacturer's selling price can be included for getting additional coverage by paying extra premium.

**(iv)Use of CNG/LPG fuels**

Vehicles fitted with bi-fuel system, i.e. petrol or diesel and CNG/LPG, permitted by the concerned Road Transport Authority (RTA) can be covered for the additional value by payment of additional premium.

**(v) Fiberglass fuel tanks**

Vehicles fitted with fiberglass fuel tanks can include this additional fitting in the own damage section of the policy. The item is to be specifically declared and additional premium is chargeable.

**(vi)Vehicles used for driving tuitions**

Vehicles used by the driving schools recognized by the RTA for giving tuition, having double clutches a double brake with a professional tutor accompanying the trainee can be covered by paying 60% over the premium.

**(vii) Vehicles imported without custom duty**

Policies issued to the imported vehicles belonging to the embassies, consulates, etc. where the import duty element is not included in the IDV, an additional premium of 30% on the OD premium is charged.

**(viii) Legal liability to persons employed in connection with the operation of the vehicle**

Liability to any paid driver or cleaner or conductor or persons employed in loading /unloading may be covered on payment of additional premium of Rs.25/-per employee. The premium is to be charged on the total number of such employees registered to be carried on the vehicle. The coverage is in terms of Workmen's Compensation Act.



**(ix) Legal liability for accident to non-fare paying passengers, including non-workmen employees**

In this case also, additional premium was charged. In case of goods carrying vehicles, it was Rs.50/-per person and for passenger carrying vehicles, it was Rs.100/- per person.

**3.2.16 Procedure for Motor Insurance**

Motor vehicle insurance is purchased for trucks, cars, motorcycles and other road vehicles. The most important use of this motor insurance coverage is to provide financial protection against bodily injury and or physical damage resulting from theft, traffic collisions and also against liability that could also arise there from (Loomba, 2014). The following are the procedures followed by the insurance companies in the motor insurance business (Periasamy & Veeraselvam, 2013).

**1. Proposal forms**

Proposal forms are the means of communication of the offer to the insurers or for making a proposal for a motor insurance. The form must contain the details like registration number, horsepower, shape, size, risk identification, declaration, etc.

**2. Rating of insurance**

After selecting the required policy, insurance rating is determined based on the details given in the proposal form. For example, In the case of private cars the rates are determined on the basis of the cubic capacity, insured declared value, zone of operation, etc. Similarly in case of goods carrying vehicle, it is on the basis of gross vehicle weight, i.e., the total weight of the vehicle and load certified by the registering authority.

**3. Tariff rules**

The tariff rules prescribed by the tariffs are given below:

- a) Except for vintage cars agreed value policies are not allowed.
- b) Policies have to be issued in the name of registered owner only
- c) The prescribed cover note should be used when full details are not available.

It incorporates the certificates of insurance.

- d) The tariff prescribes the procedure for issue of a duplicate certificate when the original is lost, torn, etc.
- e) The tariffs provide concessions like the return of the premium, restricted cover, etc., when the vehicle is laid up in a garage or not in use for a period of two consecutive years.

#### **4. Policy form**

The policy is an evidence of the contract. Policy forms vary for different classes of insurance, but have some common features.

#### **5. Term of insurance**

Generally, the motor insurance policy is for a period of one year. However, there may be policy for less than one year, with a higher rate of premium.

#### **6. Extra benefits**

There may be additional benefits to the policyholder, by paying the extra premium amount.

#### **7. Change of vehicle**

The insured vehicles can be disposed of along with the policy. The term of policy remains the same. Likewise, the insured can replace another car under the same policy.

### **3.2.17 Claim Settlement**

Claim Settlement represents an important activity in a general insurance business. The primary service provided by every insurance organization is the payment of claims in need. Helping the policyholder at the time of accident or disaster is the objective behind the insurance company. For the proper settlement of claims, the insurer must possess a sound knowledge of law, principles and practices governing the insurance contracts and a thorough knowledge of the terms and conditions of the standard policies and extensions and modifications (ICAI, 2008). For an insurance company is concerned, the proper and efficient claim management system is needed for making timely, transparent and fraud less claim settlement.

## **Procedure for Claim Settlement**

Generally, the procedures followed in the claim settlement are common under various classes of insurance. It is explained in detail as follows:

### **I Preliminary stage**

In the preliminary stage, the insurers receive the notice of loss. The policy conditions mentioned the time limit, within which the notice of loss can be given after the occurrence of the incident. In some cases, there is a need for giving immediate notice to enable the insurer to suggest the ways to minimize the loss by taking remedial measures. The delay in making the notification may adversely affect the insurer position. That is in that case, he may relieve from the liability. However, whether there is a delay in notification or not or whether the delay is material will be ultimately decided by the courts based on the facts of individual cases (ICAI, 2008). As a rule of thumb, it is the duty of the insured to take utmost interest to minimise the loss.

On receipt of intimation of loss or damage, insurers check that

- \* The policy is in force on the date of loss or damage
- \* The loss or damage is to peril insured by the policy
- \* Subject matter attached by loss is same as insured under the policy.
- \* Notice of loss has been received without undue delay (ICAI, 2008).

After that it will be registered in the claim register and issued a claim form to the insured.

### **II Investigation and Assessment**

After receiving the filled claim form from the insured, the insurers decide about the investigation and assessment of the loss. If the loss is small, investigation to determine cause and extent of loss is done by an officer of insurers (Up to ₹20000). The investigation of larger or complicated claims is entrusted to independent professional surveyors who are specialists in assessment. The practice

of assessment of loss by independent surveyors is based on the principle that since both insurers and insured are interested parties , the opinion of an independent professional person should be acceptable to both the parties as well as to the court of law in the event of any dispute (ICAI, 2008).

### **III Final Settlement**

The claim is processed on the basis of

- a) Claim form
- b) Independent surveyor report, legal opinion, medical opinion, as the case may be
- c) Various documents furnished by the insured
- d) Any other evidence secured by the insurers
- e) Final and full satisfaction, discharge are a must. Otherwise claimant can approach the court for payment of additional amounts after realizing claim cheque. If the claim is in order, settlement is effected by a cheque. The payment is entered in claim register as well as in relevant policy record (ICAI, 2008).

### **Documents Required for Claiming Motor Insurance**

The following documents are needed for claiming the motor vehicle insurance

- + Duly-signed claim form
- + RC copy of the vehicle
- + Driving license copy
- + FIR copy
- + Original estimate
- + Policy copy (Loomba, 2014).

### **3.2.18 Settlement of Claims under Motor Vehicle Insurance**

The following are the different types of settlement of claims of different motor insurance policies.

#### **1. Claims for Own Damage**

In own damage policy, when the insurer received the notice of loss from the insured, he immediately checks the policy records to make sure that the policy is in force and entered in the claim register after that he issued the claim form. After that the insured filled the claim form and submit it along with the repair estimate to the company. The company then appoints the surveyor to assess the extent of the loss. He needed to submit the several other documents like driving license, registration certificate book, fitness certificate, permit, police report, financial bills for the repairs, satisfaction note from the insurers and receipted bill from the repair, if paid by the insured. On receipt of the survey report and necessary documents, the company indemnifies the loss. Generally, in motor insurance, the company settles the claims by way of cashless settlement i.e. by repairing the vehicles.

#### **2. Claims for Theft or Total Loss Claims**

In case of theft or the damage to the vehicle is beyond repairs, i.e. the cost is expected to more than 75% of the IDV, the insured can claim for total loss. These losses will be supported by a copy of the First Information Report with the police authorities immediately after the theft has been detected. If the police authorities do not succeed in recovering the vehicle for theft claims, the insurer is requested to submit the certification of true and undetected, R.C books, Taxation certificates of the vehicle, etc. along with the documents related to the vehicles and insurers. On the basis of investigation and inspection of valid documents, the insurance company determines whether the theft or total loss is to be indemnified (Periasamy & Veeraselvam, 2013).

### **3. Claims for Third party**

Section 165 of the Motor Vehicles Act, 1988 empowers the state government to set up Motor Accident Claim Tribunals (MACT) for adjusting third party claims. When the insurer has received the notice of loss from the insured, or a third party or the MACT, the matter is entrusted to an advocate. The insured is needed to submit the relevant documents like driving license, police report, details of driver's prosecution, death certificate, coroner's report, medical certificate, details of age, income, number of dependents, etc. On the basis of the written statements the matter is then filed with the MACT by the advocate. MACT determines the amount of claims to the third party. In the pending case with the MACT, it should be placed before the Lok Adalat or Lok Nyayalaya, in a voluntary and agreed settlement between the parties (Periasamy & Veeraselvam, 2013).

## **Section C**

### **3.3 Relationship Marketing Practices of Motor Insurance Companies in India**

Due to liberalization, a large number of private players with foreign partnership entered into the field of the general insurance industry in India. It created cut throat competition in the field. Customers also faced with a number of offers and services. Now a days the customers expected and demanded customized offering, greater value, ease of access, responsiveness and personlisation from the insurers without intending to pay additional premium for all of these services (Rai, 2013).

The success of modern business is dependent on how successful the marketing practices are implemented, which will create relationship quality and customer satisfaction among them. These practices will also convert a normal customer into a loyal one.

The following are the important marketing practices followed by the general insurance companies for creating customer relationship among the customers of the motor insurance business.

### **1. Claim Settlement**

The nucleus part of a general insurance company is to handle the claims in a systematic way which will satisfy the customers and also increase the profitability and reputation of the company. So, the claim settlement can be used an effective marketing instrument for the successful survival in a competitive world. Actually, in satisfying the customers there is a need for proper managing of the claims rather than handling, i.e. the company will concentrate not only on the claim process but also the entire scope of claim management. The processing of the claims of all the general insurance companies is almost similar in nature as per the guiding principle of IRDA. But these claims settlement procedures can be taken as a differentiating factor among the players of the general insurance market.

Reducing the time gap between claim reporting and its settlement is one of the marketing practices. By doing so, the claimants will be satisfied and they will continue their business with the same company in the future also. Similarly, the attitude of personnel involved in the claim process is very important. They must give empathy and smoothness in the claim settlement procedures. Claim tracking facility is one of the marketing practices of an insurance company, i.e. informing the claimants at each stage of claim settlement while it's processing. This facility is very much helpful for the customer to know the status of the claim and thereby expect the approximate date for clearing the claim settlement. There are different approaches for this facility by different companies like online claim tracking through the web and offline tracking by way of direct visit of the concerned branches or through toll free number facilities.

## **2. Premium payment mechanism**

The premium is an important asset of the company. General insurance companies provide various facilities for the customers to make payments of premium like cash, any other negotiable instrument such as cheque, demand drafts, pay order, postal money orders, etc., credit or debit cards, internet and any other e-transfer mechanism. The companies also make use of the assistance of intermediaries like agents, brokers, etc. for collecting the premium by considering the convenience of customers.

## **3. Policy Renewal Reminder Mechanism**

Usually the period of motor insurance policy is one year. The process of reminding the customers for renewing the policy is the marketing strategy of the company. Because it is the implied process of customer retention. The companies may adopt a different method for reminding them like calling, messaging e-mailing, sending letters by post or any automatic reminder mechanisms. The companies may do this reminder process 30 days or 45 days before as per the policies of the company management.

## **4. Grievance Handling mechanism**

Grievances are the complaints of the customers regarding any policy or claim or service related matters. The proper grievance handling system is very necessary for building satisfaction and loyalty among the customers. As the grievance handling is a marketing strategy, almost all general insurance companies make a setup of grievance handling in their head offices as well as other offices. It is a business strategy to solve the grievances at the office level itself by not letting them come out of the company. Apart from direct solving of the grievances, there is also an online mechanism for grievance handling. To sum up, every organization should have a clear cut procedure for grievance handling.



## **5. Feedback collection**

Feedback is the process in which the effect or output of an action is returned to modify the next action. Feedback collection is very essential for the proper working of a business. To an organization is concerned, it is the information sent to an entity about its prior behavior so that the entity may adjust its current and future behavior to achieve the desired result. Hence this feedback collection mechanism is one of the important marketing practice in this competitive market for improving their performance.

## **6. Website features**

A website is a related collection of World Wide Web (WWW) files. It includes a beginning file called a home page which contains hyperlinks to other pages on the same page. Each website has its own unique web address which can be reached through an internet connection. A properly functioning website is necessary for the efficient marketing of customer services in a business organization.

## **7. Live Chat facility**

Live chat facility is one of the marketing practices provided by insurance organizations. It provides a platform that enables the customers to consult the company people and get the responses to their inquiries instantly. It is one of the best ways to get on the spot communication with a company. This facility not only makes online support, but also creates highest satisfaction rates. Instead of waiting for days to receive the answers or responses via e-mail, customers can receive their answers quickly. It is a cost effective communication method which saves the valuable time of customers and at the same time building customer loyalty and increases the sales of the business organization. Now a day almost all general insurance companies provided the live chat facility with a variety of options.

## **8. Mobile Apps**

Mobile Apps provide a much faster alternative than mobile web browsing. Web browsing requires a user to launch a web browser, enter a URL and wait for the site load, whereas it only takes a second to launch a mobile app because the majority of the information is stored in the application itself making it possible to function offline. This facility provides the easy access to our desired policies. The customers can take or renew the policies as early as possible by using this mobile app.

## **9. Toll Free Number Facility**

The Toll free number facility is another facility offered by general insurance companies in Kerala. This facility is also called 'Free Phone Services'. This service is ideal for customer oriented organizations that can provide with information about the company's products, allow customers to take policies, inquire about the value added services and also for registering complaints.

## **10. Premium Calculator facility**

The Premium calculator facility is one of the customer services provided by general insurance companies. It is available from the respective company's website. It is helpful for the policyholders to easily calculate the premium amount. Similarly, it helps the prospective customer to compare the premium amount of various general insurance companies.

## **11. Branch Locator Facility**

The branch locator facility is another facility offered by general insurance companies to customers. It is very helpful for a customer or prospective customer to search and locate their desired branches by making a just click on the Branch Locator option. Different companies offer different facilities through this option.

That is some companies may provide the facility to avail the details of the branches at the phones or mails of the customers at their request. Motor insurance companies provide the facility of the network garages locator also on their websites. This facilitates the clients to search and identify the garages at their convenient place for repair works.

## **12. Call back facility**

Call back facility is one of the marketing practices of the general insurance company. The customer is provided with the facility to call him/her back on request. The customer is needed to provide his mobile number and email id. Some of the companies ask for the preferred time to call back, which is for the convenience of the customer.

## **13. Roadside assistance**

Roadside assistance is a facility offered by general insurance companies for motor insurance customers. This service is designed to take care of the customer and his vehicle during the circumstances of an unfortunate accident or breakdown. Generally, independent agencies and car manufacturers are few of the entities that offer roadside assistance to the motor insurance customers in India. This facility is available as an additional cover under a comprehensive motor insurance policy among most of the general insurance companies in India.

## **Section D**

### **3.4 Profile of the selected General Insurance Companies**

In the present study, the researcher has selected both the public and private sector general insurance companies in Kerala.

#### **3.4.1 Public sector General insurance companies**

There are four general insurance companies are working in the public sector. Among them, two companies, namely, New India Assurance Company Ltd and National Insurance Company Ltd are taken as samples.

The profiles of these selected public sector general insurance companies are as follows:

##### **a) New India Assurance Company Ltd**

New India Assurance Company Ltd is a wholly Govt owned multinational company in India, which is headquartered in Mumbai. It was incorporated in 23<sup>rd</sup> July, 1919 and started its operations on 14<sup>th</sup> October, 1919. Sri Dorab Tata was the founder of the company. In 1920, it commenced its overseas operations and currently extends its operations in 28 countries on 2015-16. In India, they are the market leaders in non life insurance business for more than 40 years. CRISIL affirmed its AAA/STABLE rating, which indicates the highest grade of financial strength to honor its policyholders' obligation. The AM Best Company (Europe) given the rating of 'A' (Excellent) to the company.

The main strength of the company is having the largest number of offices in India and abroad and fully computerized offices across India. In Kerala, it has one regional office headquartered in Ernakulam, 20 divisional offices, 65 ranches and 54 micro level offices. (RTI report) They have an official website called [www.newindia.co.in](http://www.newindia.co.in) which contains all the information regarding working hours, contact numbers, documents required for issuance of policies and claim settlement.

In 2014-15, the company has 2097 offices across all countries, having 19000 employees, 50000 tied agents who are providing insurance services to customers. The company has more than 170 products catering to almost all segments of general insurance business by providing coverage to petrochemical, oil & energy industries, power and steel plants, aviation fleets, satellites, large projects and infrastructures, SMEs, etc. They conducted their business through many B2B avenues like bancassurance, motor vehicle manufacturers and dealers, MFI and NGO.

They have a centralized database system and an integrated grievance management system synchronized with that of the regulator. The company possesses customer care departments in almost all regional offices, multiple options for renewal facility, SMS/Email alerts and information at various trigger points.

#### **b) National Insurance Company Ltd**

National Insurance Company Ltd is the oldest general insurance company in India which is incorporated on 5<sup>th</sup> December, 1906. The headquarters of the company is located at Kolkatta. After nationalization, it was merged along with 21 foreign and 11 Indian companies to form the company.

It was the first company which introduced product customization both at the corporate and rural level. Similarly, this is the first one which is entering into strategic alliances with the country's largest automobile manufacturers like M/s Maruthi, M/s Hero Moto Corp, etc., which should smooth the progress of the service delivery method for motor insurance business. This is the company which brings the Bancassurance system into the field in India.

During 2015-16, the company has 14902 skilled personnel and 1998 offices all over India and Nepal. It is the second largest company with regards to the gross written premium. The company is rated as AAA by CRISIL, and it enjoys 'B++' (Good) rating by AM Best (Europe) regarding financial strength and 'bbb+' rating in the issuer credit rating. It shows the company's strongest risk adjusted capitalization, constant investment performance and strong existence in India's insurance market.

In Kerala, the company has one regional office, which is headquartered at Eranakulam and 14 divisional offices, 25 branch offices and 44 micro level offices in 2015-16. The company has an official website called [www.nationalinsuranceindia.nic.co.in.](http://www.nationalinsuranceindia.nic.co.in), which contains all the information regarding the products, services and company features. The company services millions under the social sector schemes such as Universal Health insurance, Rashtriya Swasthya Bima Yojana, Rajiv Ghandi Jeevandaya Yojana, etc.

### **3.4.2 Private sector General insurance companies**

There are eighteen general insurance companies are working in the private sector. Among those two companies are selected. The profiles of these selected general insurance companies are as follows:

#### **a) Bajaj Allianz General Insurance Company Ltd**

Bajaj Allianz General Insurance company Ltd is a joint venture between Bajaj Finserv Limited and Allianz SE, world's leading insurer. Both enjoy a reputation of expertise, stability and strength. Bajaj Allianz General Insurance Company Ltd was incorporated on 2<sup>nd</sup> May 2001 in India. The company has an authorized share capital of 110 crores. Bajaj Finserv holds 74% and Allianz SE holds the remaining 26% share. Its' headquarter is situated in Pune. It offers different insurance products like health, motor, home, commercial and travel for individuals, families and students. The company has an official website named [www.bajajallianz.com](http://www.bajajallianz.com), which contains a lot of information regarding the company and its services.

Bajaj Allianz General Insurance Company Ltd was recognized as the Aon Best Employer 2016, which highlight the company's excellence in promoting transparent culture and healthy work environment along with designing employee friendly policies. The company was conferred the Economic Times Best Corporate Brand Award as an outcome of a survey conducted by the economic times in 2006,

which proves that the company as one of the best brands according to the urban consumers in India.

The company awarded the Insurer Claims Team of the Year 2015 for the claim settlement during J&K floods and claims innovation of the year for introducing innovative claim settlement practices in health insurance. In 2014, Bajaj Allianz General Insurance Company Ltd won the award for 'Best general insurance company in the private sector' by ABP News-Banking, financial services and insurance awards. The BSFI awards 2014 recognizes the best performance of various banking, finance and insurance services. In 2013 claims innovation of the year award obtained by the company for introducing tablet based application for the settlement of motor claims. Bajaj Allianz got different awards like Golden Peacock award 2014, Claim service company of the year, claim innovation of the year for its superior claim paying ability.

In Kerala, the company occupies eight offices for dealing the general insurance business. Bajaj Allianz General Insurance Company Ltd proposes technical quality in all areas of general and health insurance as well as risk management. This partnership successfully combines Baja Finserv's in-depth understanding of the local market and extensive distribution network with the global experience and technical expertise of the Allianz Group (Banga, 2011).

#### **b) ICICI Lombard General Insurance Company Ltd**

ICICI Lombard General Insurance Company Ltd is a joint venture between ICICI bank Ltd, India's second largest bank with total assets of over USD 99 Billion at March 31, 2014 and Fairfax financial Holdings Ltd, a Canada based USD 37 billion diversified financial services company engaged in general insurance, reinsurance, insurance claims management and investment management. It was incorporated in the year 2001 with headquarters in Mumbai. The company has an official website, namely [www.icicilombard.com](http://www.icicilombard.com). The website provides plentiful of information regarding the features of products and services of the company. ICICI

Lombard company offers various insurance products like home insurance, travel insurance, medical and health insurance and motor insurance. The company has 11 offices all around Kerala for dealing with the general insurance business.

ICICI Lombard General Insurance Company Ltd received the ‘Golden Peacock Award’ for business excellence and ‘Claim Service Leader Award’ in 2016. The company also acquired the ‘Claim Service Leader Award’ in 2016. It has conferred the ‘Technology Innovation Award’ (2016) and ‘E-business Leader Award’ (2015) at the Indian insurance awards.

The company is very much concerned with providing corporate social responsibility. ICICI Lombard’s road safety campaigns, inclusive of its ‘Belt up India’ mobile app and promotional videos that advocate safety and specifically target kids, have been highly appreciated. Overall, ICICI Lombard car insurance goes beyond its tag line and delivers more at multiple levels.

The theoretical background relating to customer relationship and general insurance, particularly motor insurance was depicted in the present chapter. The next section starts with the analysis of the work, which was presented in objective wise. The first objective of the study is to examine the dimensions of relationship quality among the motor insurance claimants in public and private sector general insurance companies in Kerala, that has been attempted in the next chapter.



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## **Chapter 4**

# **Relationship Quality**

In the previous chapter a theoretical review of the concepts of customer relationship, relationship quality, customer satisfaction and customer loyalty have been narrated. In addition to this an overview of the general insurance sector, especially the motor insurance sector in India has done. It also covers the relationship marketing practices followed by the motor insurance companies and the profile of the selected general insurance companies in Kerala.

The first specific objective of the present investigation is to analyse the dimensions of relationship quality perceived by the motor insurance customers in the public and private sector companies in Kerala on a comparative style. In order to fulfill this objective, sector wise and vehicle wise comparison, association between switching intention and level of relationship quality has been attempted. For this purpose data have been collected from 532 customers, 448 from public sector and 84 from the private sector, selected by employing proportionate stratified random sampling method from the State of Kerala with the help of a pretested structured questionnaire. The data have been analysed with the help of mathematical and statistical tools like Percentages, Averages, Factor analysis, Independent sample t test, Chi square test of Independence and One way ANOVA.

For the purpose of discussion, the chapter is divided into two sections. Section A deals with the profile of the sample customers and section B is concerned with the Relationship Quality.

## Section A

### 4.1 Profile of the Sample Respondents

Before entering into the analysis based on objectives, it is quite relevant to examine a profile of the selected sample respondents. That has been presented below:

#### 4.1.1 Sector-wise Classification of Sample Respondents

The table 4.1 shows the sector wise classification of the selected sample respondents.

**Table 4.1**  
**Sector-wise Classification of Sample Respondents**

<b>Sector</b>	<b>Name of the Insurance Company</b>	<b>Number</b>	<b>Percentage</b>
Public Sector	New India Assurance Company Ltd	349	65.6
	National Insurance Company Ltd	99	18.6
<b>Total</b>		<b>448</b>	<b>84.2</b>
Private sector	Bajaj Allianz General Insurance Company Ltd	21	3.9
	ICICI Lombard General Insurance Company Ltd	63	11.8
<b>Total</b>		<b>84</b>	<b>15.7</b>
<b>Grand Total</b>		<b>532</b>	<b>100</b>

*Source: Survey Data*

From the table 4.1, it is clear that out of 532 sample respondents taken for the analysis, 349 (65.6%) respondents are from New India Assurance Company Ltd and 99 (18.6%) respondents are from the National Insurance Company Ltd. They symbolize the public sector general insurance company in the study. Similarly, 21

(3.9%) and 63 (11.8%) respondents are selected from Bajaj Allianz general Insurance company and ICICI Lombard General Insurance company respectively, which represents the private sector general insurance companies. Thus a total of 448 and 84 respondents is selected from public and private sector respectively.

#### 4.1.2 Vehicle Ownership-wise Classification of Respondents

In motor insurance, the vehicles are classified into three broad categories, viz., two wheelers, private cars and commercial vehicles. All the three types of vehicle owners are selected as respondents in the present study. The frequency and percentage of each vehicle owner respondents are shown in the table 4.2.

**Table 4.2**  
**Vehicle Wise Classification of Respondents**

Type of Vehicle Ownership	Public Sector		Private sector		Total	
	No. of Customers	Per cent	No. of Customers	Per cent	No. of Customers	Per cent
Two Wheeler	173	38.6	10	11.9	183	34.4
Motor Car	209	46.7	64	76.2	273	51.3
Commercial Vehicles	66	14.7	10	11.9	76	14.3
<b>Total</b>	<b>448</b>	<b>100</b>	<b>84</b>	<b>100</b>	<b>532</b>	<b>100</b>

*Source: Survey Data*

The table 4.2 reveals the proportion of vehicles owned by the respondents. It shows that 51.3 percent, 33.3 percent and 13.8 per cent respondents owned motor car, two wheelers and commercial vehicles respectively. In case of public sector, 46.1 per cent respondents have motor cars followed by two wheelers (38.9%) and commercial vehicle (15.0%). Similarly, in case of the private sector, 82.1 percent of respondents are the owners of motor car; whereas equal number of respondents (8.9 %) owned two wheeler and commercial vehicles.

### 4.1.3 Demographic Profile of the Respondents

The table 4.3 represents the demographic profile of the sample respondents, which comprises the gender, age, marital status, education, occupation average monthly income and period of continuation in the company of the respondents from public and private sector general insurance companies separately. The table shown as follows:

**Table 4.3**  
**Demographic Profile of Respondents**

Variables		Public sector		Private sector		Total	
		No. of Customers	Per cent	No. of Customers	Per cent	No. of Customers	Per cent
<b>Gender</b>	Male	411	91.7	71	84.5	482	90.6
	Female	37	8.3	13	15.5	50	9.4
	<b>Total</b>	<b>448</b>	<b>100</b>	<b>84</b>	<b>100</b>	<b>532</b>	<b>100</b>
<b>Age</b>	Up to 30 years	65	14.5	4	4.8	69	13.0
	31-40	150	33.5	28	33.3	178	33.4
	41-50	165	36.8	34	40.5	199	37.4
	51 & Above	68	15.2	18	21.4	86	16.2
	<b>Total</b>	<b>448</b>	<b>100</b>	<b>84</b>	<b>100</b>	<b>532</b>	<b>100</b>
<b>Marital status</b>	Married	403	90.0	80	95.2	483	90.8
	Unmarried	45	10.0	4	4.8	49	9.2
	<b>Total</b>	<b>448</b>	<b>100</b>	<b>84</b>	<b>100</b>	<b>532</b>	<b>100</b>
<b>Education</b>	SSLC	23	5.1	3	3.6	26	4.9
	Pre degree	56	12.5	9	10.7	65	12.2
	Diploma	127	28.3	22	26.2	149	28.0
	Graduate	156	34.8	39	46.4	195	36.7
	Post graduate	78	17.4	10	11.9	88	16.5
	Professional	8	1.8	1	1.2	9	1.7
	<b>Total</b>	<b>448</b>	<b>100</b>	<b>84</b>	<b>100</b>	<b>532</b>	<b>100</b>



Occupation	Self employed	77	17.2	7	8.3	84	15.8
	Govt. employed	78	17.4	24	28.6	102	19.2
	Private employed	156	34.8	33	39.3	189	35.5
	Business men	101	22.5	13	15.5	114	21.4
	Retired	36	8.0	7	8.3	43	8.1
	<b>Total</b>	<b>448</b>	<b>100</b>	<b>84</b>	<b>100</b>	<b>532</b>	<b>100</b>
Average Monthly Income	Below ₹15000	29	6.5	0	0	29	5.5
	₹15001- ₹30000	162	36.2	34	40.5	196	36.8
	₹30001-₹45000	156	34.8	32	38.1	188	35.3
	₹45001-₹60000	87	19.4	15	17.9	102	19.2
	Above ₹60001	14	3.1	3	3.6	17	3.2
	<b>Total</b>	<b>448</b>	<b>100</b>	<b>84</b>	<b>100</b>	<b>532</b>	<b>100</b>
Retention Period	Less than 2 years	79	17.6	9	10.7	88	16.5
	3-5 years	304	67.9	60	71.4	364	68.4
	6-8 years	49	10.9	14	16.7	63	11.8
	9-11 years	10	2.2	1	1.2	11	2.1
	More than 12 Years	6	1.3	0	0	6	1.1
	<b>Total</b>	<b>448</b>	<b>100</b>	<b>84</b>	<b>100</b>	<b>532</b>	<b>100</b>
Mode of taking Policy	Directly from the company	28	6.3	10	11.9	38	7.1
	Agents	188	41.9	32	338.1	220	41.4
	Motor Vehicle Dealers	232	51.8	42	50.0	274	51.5
	<b>Total</b>	<b>448</b>	<b>100</b>	<b>84</b>	<b>100</b>	<b>532</b>	<b>100</b>

<b>Method of Premium Payment</b>	Cash Payment	184	41.0	21	25.0	205	38.5
	Cheque/DD	222	49.6	50	59.5	272	51.1
	Electronic Payment	42	9.4	13	15.5	55	10.3
	<b>Total</b>	<b>448</b>	<b>100</b>	<b>84</b>	<b>100</b>	<b>532</b>	<b>100</b>

*Source: Survey Data*

From the table 4.3, it is observed that the majority of the respondents (90.6%) are males and 9.4 per cent respondents are female. In case of public sector, male and female respondents constitute 91.7 per cent and 8.3 per cent respectively. Similarly, in case of the private sector, their combination was 84.5 per cent and 15.5 per cent.

It is seen that 37.4 per cent of the respondents are in the age group of 41-50 years and 33.4 per cent of respondents are in the age group of 31-40 years. In public and private sector also, most of the respondents are in the age category of 41-50 years. The married respondents comprise of 90.8 per cent and respondents of single status are only 9.8 per cent. In case of public and private sector, married respondents constitute 90.0 per cent and 95.2 per cent.

About 36.7 per cent of respondents have the graduation qualification followed by a diploma (28.0%), post graduation (16.5%) and pre degree (12.2%). Only 4.9 per cent and 1.7 per cent of the respondents have the S.S.L.C and professional qualification respectively. In public and private sector, more numbers of respondents (34.8% and 46.4%) are having the degree qualification and only 1.8 per cent and 1.2 per cent of respondents have the professional qualification. As far as the occupation is concerned, 35.5 per cent of the selected claimants having private job, 21.4 per cent are businessmen, 19.2 per cent are Govt. employed, 15.8 per cent are self employed and only 8.1 per cent are retired from their service. In the public sector, the respondents' occupations are in the order of private job (34.8%) followed by

businessmen (22.5%), Govt. employed (17.4%), self employed (17.2%) and retired (8.0%). Similarly, in case of the private sector, (39.3%) of the respondents are in private job, 28.6 per cent are businessmen, 15.5 per cent are Govt. employed and 8.3 per cent are self employed and retired.

Average monthly income statistics revealed that 36.8 per cent of the respondents are drawing the income between ₹15001 to ₹30000, 35.3 per cent of respondents are drawing income between ₹30001 & ₹45000, and 19.2 per cent of respondents are drawing income between ₹ 45001 & ₹60000. Only 5.5 per cent respondents are having the income scale between ₹15000 and the remaining respondents are in the highest class category, i.e. above ₹60000. In the public sector, most of the respondents (36.2%) are having the income scale between ₹15001 and ₹30000 per month, followed by ₹30001 to ₹45000 (34.8%), ₹45001 to ₹60000 (19.4%) and below ₹15000 (6.5%). Here also, only 3.1 per cent of respondents are in the highest class category. Likewise, in the private sector, respondents range from ₹15001 to ₹30000 (40.5%) to Above ₹60000 (3.6%). Here none of the respondents are having the income below ₹15000.

It is also clear from the above table that 68.4 per cent of respondents continued in the company for 3-5 years. In the public sector, this group belongs to 67.9 percent and in the private sector it is 71.4 per cent. 16.5 per cent respondents continued their policy in the same company for less than 2 years. Almost similar number (17.6%) of respondents in the public sector and only 10.7 percent of respondents in private sector represents this category. It shows that only 11.8 per cent of the respondents retained in the same company for the period of 6 to 8 years, followed by the period 9 to 11 years (2.1 %). Only 1.1 per cent of respondents have continued in the same company for more than 12 years. There is no respondent in the private sector with more than 12 years experience. But in the public sector, 1.3 per cent of respondents survive after 12 years. To conclude, most of the respondents in the public and private sectors retained in the company for a period of 3 to 5 years.

The study chose only three modes of taking policy, i.e. direct from the company, from agents and motor vehicle dealers. It is clear from the above table that

most of the respondents (51.5 %) took their policy from motor vehicle dealers and 41.4 per cent of respondents acquired their policy from agents. Only 7.1 per cent of the respondents buy the policy by directly approaching the company. In case of public sector 51.8 per cent of respondents take their policy from motor vehicle dealers followed by agents (42.0%) and directly from the company (6.3%). The same order is followed in the private sector, i.e. 50.0 percent, 38.1 per cent and 11.9 per cent of respondents took their policy from motor vehicle dealers, agents and company respectively.

There are mainly three types of premium payment mechanism followed by the respondents. They are cash payment, cheque /demand draft and electronic payment. It is seen from the table that most of the respondents select their premium payment method as cheque/ demand draft (51.1%) followed by cash payment (38.5%) and electronic payment (10.3%). A sample of 59.5 per cent and 49.6 per cent of respondents selected the method of premium payment as cheque/ demand draft from public and private sector respectively. In the public sector, 41 per cent of the respondents paid their payment directly as cash and only 9.4 per cent chose an electronic method for payment. Similarly, in private sector 25.0 per cent and 15.5 per cent of the respondents select cash payment and electronic method respectively for premium payment.

#### **4.1.4 Switching Behaviors of the Respondents**

In insurance, switching means winding up the relationship of all kinds with a company and started to set up the same relationship and transactions with another company. Thus the current service provider is replaced with a new service provider. In this section, the respondents are asked about their pre switching experience and at the same time their plan of future switching intention.

### a) Previous Switching Behavior

The following table gives an idea about the previous switching behavior of both public and private sector respondents.

**Table 4.4**  
**Previous Switching Behaviors of Respondents**

Switching Behaviour	Public sector		Private sector		Total	
	No. of Customers	Per cent	No. of Customers	Per cent	No. of Customers	Per cent
Yes	45	10.0	13	15.5	58	10.9
No	403	90.0	71	84.5	474	89.1
<b>Total</b>	<b>448</b>	<b>100</b>	<b>84</b>	<b>100</b>	<b>532</b>	<b>100</b>

*Source: Survey Data*

The table 4.4 disclosed that 89.1 per cent of the respondents haven't any previous switching behavior. In public and private sector, the percentages of switchers are 10 per cent and 15.5 per cent respectively. A sample of 90.0 per cent and 84.5 per cent respondents haven't experienced the switching earlier in public and private sector respectively.

The public and private sector respondents are switched earlier from either public sector or from the private sector. The table 4.5 shows the company from where the customers switched.

**Table 4.5**  
**Switched Company**

Switched Company		No. of Customers		
		Public Sector	Private Sector	Total
<b>Public Sector</b>	New India Insurance company	2	3	5
	Oriental Insurance Company	6	5	11
	United India Insurance company	3	2	5
	<b>Total</b>	<b>11</b> <b>(52.4%)</b>	<b>10</b> <b>(47.6%)</b>	<b>21</b> <b>(100%)</b>
<b>Private Sector</b>	Bajaj Allianz General Insurance company	10	0	10
	ICICI Lombard General Insurance Company	12	0	12
	HDFC ERGO General Insurance Company	1	0	1
	IFFCO Tokio General Insurance company Ltd	2	0	2
	Reliance General Insurance company Ltd	5	1	6
	Royal Sundaram general Insurance company Ltd	4	2	6
	<b>Total</b>	<b>34</b> <b>(91.9%)</b>	<b>3</b> <b>(8.1%)</b>	<b>37</b> <b>(100%)</b>
<b>Grand Total</b>		<b>45</b> <b>(77.6%)</b>	<b>13</b> <b>(22.4%)</b>	<b>58</b> <b>(100%)</b>

*Source: Survey Data*

From the table 4.5, it is evident that out of 21 respondents who are switched from public sector companies, 11 respondents are in the public sector and 10 are in the private sector. Similarly, out of 37 respondents switched from the private sector, 34 respondents are in the public sector and only three are in the private sector. In order to analyse the association of previous sector and the present sector of the company, chi square test was applied. The result is as follows:

**Table 4.6****Previous Switching Behavior of Respondents- Chi square Test**

<b>Previous Sector</b>	<b>No. of Customers</b>			<b>Chi square Value</b>	<b>p value</b>
	<b>Public</b>	<b>Private</b>	<b>Total</b>		
Public	11 (52.4%)	10 (47.6%)	21 (100.0%)	12.026	.001
Private	34 (91.9%)	3 (8.1%)	37 (100.0%)		
Total	45 (77.6%)	13 (22.4%)	58 (100.0%)		

*Source: Survey Data*

The chi square result shows that there is a significant association between the type of company from which they switched and their present company. It is clear that from the public sector, 52.4 per cent customers are switching to the public sector and 47.6 per cent of customers switched to the private sector. But from the private sector, 91.9 per cent of the respondents are switching to the public sector, whereas only 8.1 per cent of the respondents switched to private sector itself. Thus, there is a difference in the switching behavior of public and private sector customers. The public sector customers switch to both the sectors in almost equal proportion. But most of the respondents from the private sector switch to the public sector and only a small proportion of customers went to private sector itself.

There are a number of reasons for which a policyholder may switch from one company to another. The following table 4.7 depicts the reasons for switching of the respondents of selected public and private sector companies in Kerala.

**Table 4.7****Reasons for Previous Switching Behavior**

Reasons	Public sector		Private sector	
	Number	Percentage	Number	Percentage
Delay in claim settlement	1	4.8	3	8.1
Difference in premium amount	-	-	8	21.6
For more convenience	10	47.6	7	18.9
Lack of direct access	-	-	4	10.8
Poor customer service	5	23.8	2	5.4
Hidden charges	-	-	7	18.9
Dissatisfaction towards intermediaries	5	23.8	6	16.3
Total	21	100	37	100

*Source: Survey Data*

The table 4.7 shows the reasons for previous switching of the customers from public and private sector companies. The table reveals that the reasons for switching customers from public sectors are convenience (47.6%) followed by poor customer service (23.8%), dissatisfaction towards intermediaries (23.8%) and delay in claim settlement (4.8%). At the same time the major reasons for switching from private sectors are difference in premium amount (21.6%). Other reasons are convenience & hidden charges (18.9%) followed by dissatisfaction towards agent (16.3%), lack of direct access (10.8%), delay in claim settlement (8.1%). Only 5.4 per cent of customers pointed out the reason of poor customer service for switching from the private sector.

**b) Switching Intention of Respondents**

Since the period of motor insurance policy is one year, there is chance of switching of policyholders from their present company. There may be differences in the opinion of switching from their present company of public and private sector customers. The chi square test was carried out in order to analyse the differences. The following table 4.8 shows the result.



**Table 4.8**  
**Sector and Switching Intention- Chi square test**

Sector	Switching Intention			Chi square Value	p value
	Switchers	Non Switchers	Total		
<b>Public</b>	210 (46.9%)	238 (53.1%)	448 (100.0%)	12.307	.000
<b>Private</b>	22 (26.2%)	62 (73.8%)	84 (100.0%)		
<b>Total</b>	232 (43.6%)	300 (56.4%)	532 (100%)		

*Source: Survey Data*

The table 4.8 reveals that out of 532 respondents, 43.6 per cent of the respondents wish to switch from their present company. The percentages of respondents who wish to switch from their present public and private sector companies are 46.9 per cent and 26.2 per cent respectively. The result of chi square test reveals that there is a significant association between the sector and switching intention of respondents. It is clear that in the public sector, 46.9 per cent of the respondents wish to switch from their present company. But in case of the private sector, a few respondents (26.2 %) are wishing to switch.

The reasons for their switching from one sector to another are presented in 4.9:

**Table 4.9**  
**Reasons for switching Intention**

Reasons	Public sector		Private sector	
	Number	Percentage	Number	Percentage
Delay in claim settlement	21	10.0	-	-
Difference in premium amount	-	-	7	31.8
For more convenience	77	36.7	2	9.10
Lack of direct access	5	2.4	5	22.7
Poor customer service	91	43.3	-	-
Hidden charges	-	-	8	36.4
Dissatisfaction towards intermediaries	16	7.6	-	-
<b>Total</b>	<b>210</b>	<b>100</b>	<b>22</b>	<b>100</b>

*Source: Survey Data*

The table 4.9 shows the reasons for the switching intention of public and private sector respondents. The major reason for switching intention of the public sector is ‘poor customer service’ (43.3 %) followed by ‘convenience’ (36.7%), ‘delay in claim settlement’ (10.0%) and ‘dissatisfaction towards intermediaries’ (7.6%). Only 2.4 per cent of public sector respondents select their reason for switching as lack of direct access. In case of the private sector, the main reason for switching intention of respondents is the ‘hidden charges’ (36.4%) followed by ‘difference in premium amount’ (31.8%) and lack of direct access’ (22.7%). Only 9.10 per cent of the respondents from the private sector wish to switch from their present company for more convenience.

## **Section B**

### **4.2 Relationship Quality**

Relationship quality has become one of the pillars of relationship marketing and gained much importance as a measure of successful relationships (Palmatier, Dant, Grewal, & Evans, 2006). It is perceived as a marketing tool from which the customer loyalty can be secured, and as a result, the attainment of higher competitiveness and enhanced customer satisfaction can be achieved (Ahmed Doma, 2013). There are numerous studies have been conducted in various fields with regard to relationship quality and various dimensions are identified. Literatures prove that it is a multidimensional construct. In current research context, the researcher identified the following variables for measuring the construct of relationship quality:

1. Trust
2. Commitment
3. Communication
4. Customer Orientation

#### **4.2.1 Analysis of Relationship Quality Dimensions**

In order to explore and confirm the dimensions of relationship quality construct, Exploratory Factor Analysis (SPSS 17.0) and Confirmatory Factor Analysis (WARP PLS 4.0) have been done.

##### **a) Exploratory Factor Analysis – Relationship Quality**

While reviewing the literature relating to relationship quality, it was recognized twenty variables which are related to relationship quality in the motor insurance framework. In order to identify the dimensions, all these 20 items are subject to factor analysis. The function of factor analysis is to identify the subset of correlated variables that form a subset which is reasonably uncorrelated with other subsets (Hair et al, 1998; Tapachnick, 2001). The result of EFA is presented in table 4.10.

**Table 4.10**

**KMO and Bartlett's Test- Relationship Quality**

<b>KMO and Bartlett's Test</b>		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0.898	
Bartlett's Test of Sphericity	Approx. Chi-Square	8150.147
	Df	190
	Sig.	.000

*Source: Survey Data*

The table 4.10 shows the result of KMO and Bartlett's Test of Sphericity. Kaiser-Meyer-Olkin (KMO) statistic is used to test the interconnectivity of the variables. Here, the KMO measure of Relationship quality was 0.898, which is described as 'Meritorious level' by Kaiser, 1974. Similarly the Barlett's test of sphericity is used to compute the presence of correlation among the variables. The result shows that it was significant as the p value is less than 0.01 and test value was 8150.147. Hence it was interpreted that there exists a correlation in the data set among the variables of relationship quality and it was appropriate for factor analysis. Accordingly, the Principal Component Analysis was conducted and four factors are identified with Eigen value greater than 1, which altogether explicate 75.89 percentages of variance. It was shown below:

**Table 4.11**

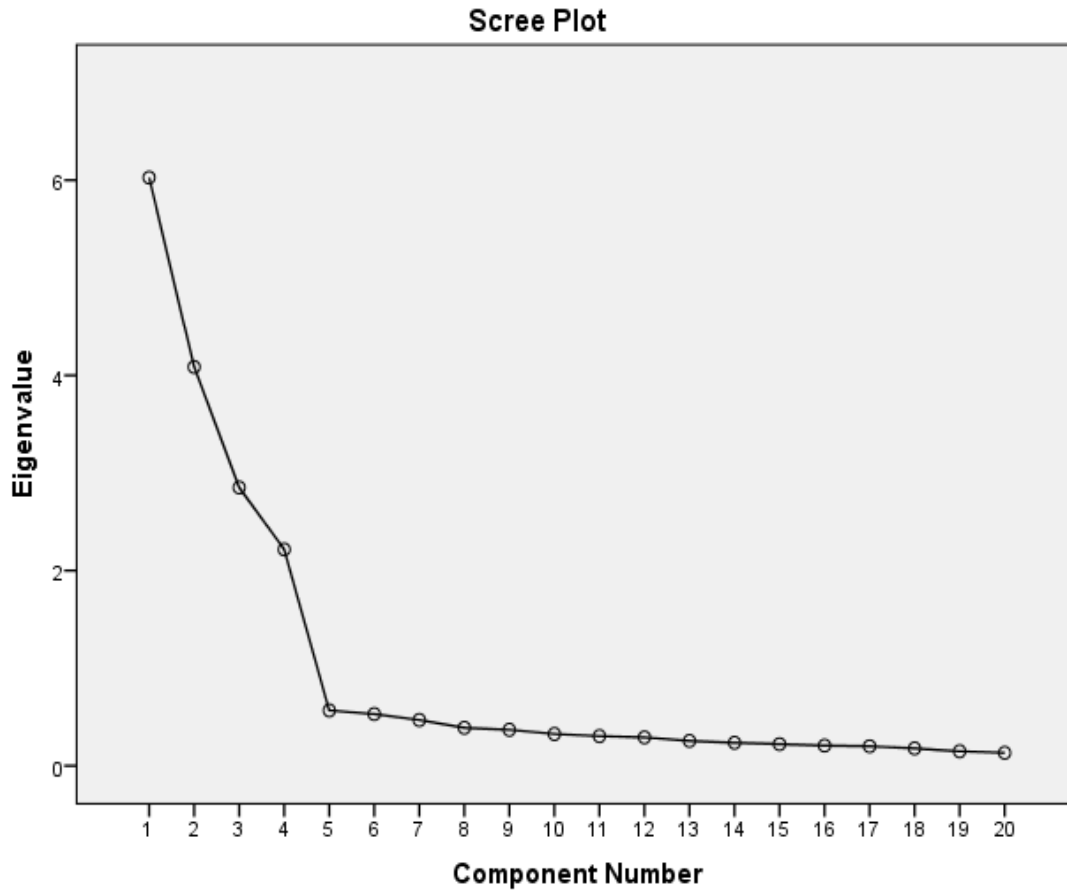
**Total Variance Explained by Variables of Relationship Quality**

<b>Factors</b>	<b>Initial Eigen Values</b>		
	<b>Eigen Value</b>	<b>% of Variance</b>	<b>Cumulative %</b>
1	6.026	30.13	30.13
2	4.086	20.43	50.56
3	2.850	14.25	64.82
4	2.217	11.08	75.89

*Source: Survey Data*

The table 4.11 depicts the total variance explained by the components of relationship quality. It was found that 75.899 per cent of variance is explained by the original variables. Accordingly, there are four components are identified in the relationship quality construct in the present context. The first factor explains 30.132 per cent of variance with Eigen value 6.026. Similarly, 20.430 per cent variation is explained by the second factor, which has the Eigen value 4.086. And third and fourth factor comprises of 14.252 per cent (Eigen value 2.850) and 11.084 per cent (Eigen value 2.217) variance respectively.

A scree test was also done to confirm the above result and it was shown below:



**Fig. 4.1 Scree Test-Relationship Quality**

From the above diagram, it was clear that there are four factors before the curve become approximately a straight line. So the present study found out four factors of relationship quality.

Thus the EFA resulted in reducing the 20 variables into four factors, which supported the relationship quality theory. The table 4.12 shows the details of each factor along with component loadings.

**Table 4.12****Component Loadings of Relationship Quality**

<b>Variable No</b>	<b>Indicators</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
RQ1	Gives all the required information	0.904			
RQ2	Pointed out the best choice	0.912			
RQ3	Feel confident	0.889			
RQ4	Reliable promises	0.905			
RQ5	Feels that always trust the company	0.883			
RQ6	Gives sincere commitment		0.801		
RQ7	Deserves recommendation		0.797		
RQ8	Feel happy to be its customer		0.793		
RQ9	Relationship with the company is very essential for the fulfillment of requirements		0.861		
RQ10	Tries to understand specific needs		0.861		
RQ11	Actively responding to enquiries		0.737		
RQ12	Timely informs new offers			0.851	
RQ13	Properly informs before the policy become dues			0.840	
RQ14	Gives correct information			0.798	
RQ15	Timely informs new govt. regulations			0.853	
RQ16	Never feels communication problems			0.833	
RQ17	Follow the motto 'Customer is the King'				0.892
RQ18	Gives importance to satisfaction rather than profit				0.895
RQ19	Openly discusses the problems				0.886
RQ20	Solve the problems at the office level itself				0.891

*Source: Survey Data*

Table 4.12 shows the result of component loadings of relationship quality by doing the principal component analysis. It was revealed that first component which is extracted (30.13%) as five variables. It comprises of 'Giving all the required information', 'Pointed out the best choice', 'Feel confident', 'Reliable promises' and 'Feels that always trust the company'. These variables together constitute a common factor, whose characteristics are related to trustworthiness in business. So, it was named as '**Trust**'.

The second factor comprises of six variables, which extracted 14.25 per cent. It includes the variables, namely, 'Actively responding to enquiries', 'Timely informs new offers', 'Properly informs before the policy becomes dues', 'Gives correct information', 'Timely informs new Govt. regulations' and 'Never feels communication problems'. These six variables are commonly named as '**Communication**' element of relationship quality.

Again the third factor constitutes five variables which extracted 20.43 per cent of the total variance. The five variables are 'Give sincere commitment', 'Deserves recommendation', 'Feel happy to be its customer', 'Relationship with the company is very essential for the fulfillment of requirements' and 'Tries to understand the specific needs'. These variables have a common feature, which are related to commitment element. Hence, it was named as '**Commitment**'.

The last factor in relationship quality extracted 11.084 per cent with Eigen value 2.217. This factor consists of 'Follow the motto 'Customer is the King'', 'Gives importance to satisfaction rather than profit', 'Get opportunity to discuss problems openly' and 'Solve the problems at the office level itself'. This factor is named as '**Customer Orientation**' as all the variables are related to orient the customers in the business.

Thus the result of Exploratory Factor Analysis proved that trust, commitment, communication and customer orientation are the different dimensions of relationship quality in the current research context.



## b) Confirmatory Factor Analysis-Relationship Quality

The Relationship Quality Scale was confirmed by testing through Confirmatory Factor Analysis (CFA) using the Warp PLS 4 software. From the CFA result, it is confirmed the four components having appropriate p values.

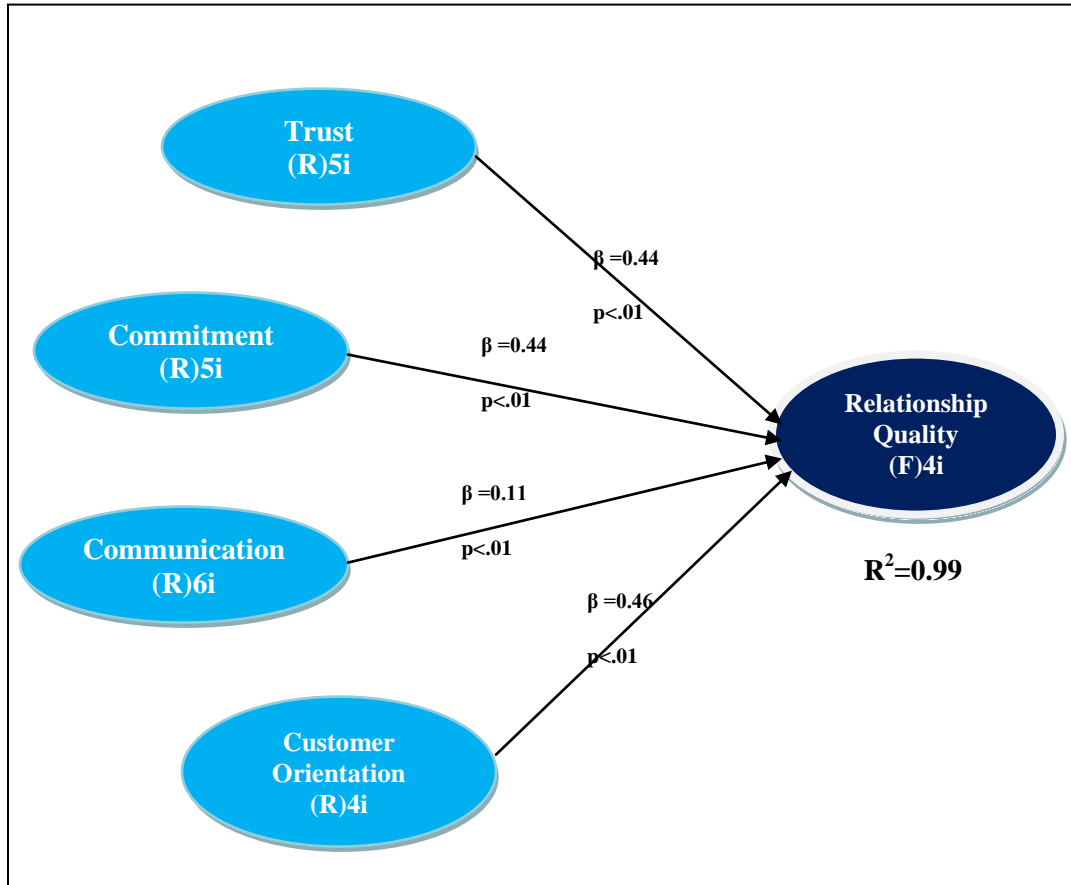


Fig. 4.2

### Confirmatory Factor Analysis-Relationship Quality

The confirmatory factor analysis using Warp PLS produces several indices of fit like Average Path Coefficient (APC), Average R-Squared (ARS) and Average Adjusted R-Squared (AARS) etc. The following are the most commonly used indices which are in the standard range.

**Table 4.13**

**Model Fit and Quality Indices-Relationship Quality**

<b>Model Fit and Quality Indices</b>
Average Path Coefficient (APC)=0.360, p<0.001
Average R-Squared (ARS)=0.987, p<0.001
Average Adjusted R-Squared (AARS)=0.987, p<0.001
Average block VIF (AVIF)=1.154, acceptable if $\leq 5$ , ideally $\leq 3.3$
Tenenhaus GoF (GoF)=0.827, small $\geq 0.1$ , medium $\geq 0.25$ , large $\geq 0.36$
Sympson's Paradox Ratio (SPR)=1.000, acceptable if $\geq 0.7$ , ideally = 1
R-Squared Contribution Ratio (RSCR)=1.000 , acceptable if $\geq 0.9$ , ideally = 1
Statistical Suppression Ratio (SSR)=1.000, acceptable if $\geq 0.7$
Nonlinear Bivariate Causality Direction Ratio (NLBCDR)=1.000, acceptable if $\geq 0.7$

*Source: Survey Data*

The fit of the measurement model has been validated through the Model Fit and Quality Indices achieved from the output of the Warp PLS, like the ARS, AARS, AVIF, GOF, SPR, RSCR, SSR and the NLBCDR. The Average Path Coefficient is 0.360 and a significant p value which is less than .001. The Average R-squared (ARS) and Average Adjusted R-squared (AARS) value are found adequate 0.987 with a significant p value. The Average Block VIF (AVIF) is 1.154 and is acceptable as the value is less than 5. It is considered as ideal as it is less than 3.3. A high value of Tenenhaus GOF (0.827) indicates a good fit. The Sympson's Paradox Ratio (1.000), R-squared Contribution Ratio (1.000), Statistical Suppression Ratio (1.000) and Nonlinear Bivariate Causality Direction Ratio (1.000) are in adequate fit as their values are approaching to 1.

Thus the researcher identified four dimensions of relationship quality, namely, Trust, Commitment, Communication and Customer Orientation. Before entering into the analysis part it is relevant to identify the perception of public and private sector claimants with regard to the dimensions of relationship quality. For identifying the most influencing factor among the four dimensions, Factor analysis was done.

#### 4.2.2 Factor Analysis

The perceptions of public and private sector customers may differ with regard to the dimensions of relationship quality. Factor analysis is used for ascertaining the most influencing dimensions among the various dimensions of relationship quality. It was done separately for public and private sector.

##### a) Public Sector

To identify the most influencing factor of relationship quality in public sector general insurance company, factor analysis is done. The KMO value is 0.496, which is adequate for factor analysis. The Barlet Test of Sphercity also shows a significant p value ( $p=.000$ ), which shows a significant correlation among the factors. Accordingly, the principal component analysis was performed and the result is shown in table 4.14.

**Table 4.14**

#### **Communalities –Relationship Quality in Public Sector**

<b>Factors</b>	<b>Initial</b>	<b>Extraction</b>
Trust	1.000	0.698
Commitment	1.000	0.690
Communication	1.000	0.702
Customer Orientation	1.000	0.310

*Source: Survey Data*

The table 4.14 shows the extracted values of the four factors. It is clear from the above table that in the order of extraction, the most influencing factors are

**Communication, Trust, Commitment and Customer Orientation.** The total variance explained is shown in the table 4.15.

**Table 4.15**

**Total Variance Explained by Variables of Relationship Quality in Public Sector**

Component	Initial Eigen values			Extraction sum of squares		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
Communication	1.400	34.991	34.991	1.400	34.991	34.991
Trust	1.001	25.023	60.014	1.001	25.023	60.014
Commitment	.998	24.938	84.952			
Customer Orientation	.602	15.048	100.000			

*Source: Survey Data*

The table 4.15 shows that Communication (Extraction value 34.99) and Trust (Extraction Value 25.02) are the most influencing factors perceived by the public sector general insurance company. They together extracted 60.01 percentages.

**b) Private Sector**

In the private sector, factor analysis is performed to identify the most influencing factor of relationship quality. The result shows that KMO value is 0.498, which is adequate for factor analysis. The Barlet Test of Sphercity also shows a significant p value (0.003), which shows a significant correlation among the factors. The result of principal component analysis was shown in table 4.16.

**Table 4.16**  
**Communalities – Relationship Quality in Private Sector**

Factors	Initial	Extraction
Trust	1.000	.698
Commitment	1.000	.701
Communication	1.000	.597
Customer Orientation	1.000	.623

*Source: Survey Data*

Based on the order of extraction, **Commitment, Trust, Communication and Customer Orientation** are the factors influencing the relationship quality in private sector. The total variance explained is shown in table 4.17.

**Table 4.17**  
**Total Variance Explained by Variables of Relationship Quality in Private Sector**

Component	Initial Eigen values			Extraction sum of squares		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
Commitment	1.483	37.065	37.065	1.483	37.065	37.065
Trust	1.136	28.407	65.472	1.136	28.407	65.472
Communication	.811	20.271	85.742			
Customer Orientation	.570	14.258	100.000			

*Source: Survey Data*

The table 4.17 reveals that **Commitment and Trust** are the most influencing factors of relationship quality in private sector. They together extracted 65.47 per cent.

### 4.2.3 Levels of Relationship Quality

The perception of respondents regarding relationship quality and its four dimensions can be easily understood, if it is divided into levels. Relationship quality and its four dimensions are divided into three levels based on 'Quartile Deviation'. They are High, Moderate and Low levels. The norms for determining the levels of relationship quality are as follows:

**Table 4.18**

**Norms for the Level of Relationship Quality**

Dimensions	Level of Relationship Quality		
	Low	Moderate	High
Trust	Below 16	16-24	Above 24
Commitment	Below 10	10-14	Above 14
Communication	Below 23	23-26	Above 26
Customer orientation	Below 9	9-16	Above 16
Relationship Quality	Below 65	65-74	Above 74

*Source: Survey Data*

Based on the norms explained above, the level of relationship quality and its dimensions in public and private sector determined and its frequencies are shown in table 4.19.

**Table 4.19****Level of Relationship Quality and Its Dimensions**

SL No	Variables	Public Sector				Private sector			
		High	Moderate	Low	Level	High	Moderate	Low	Level
1	Trust	121 (27%)	263 (58.7%)	64 (14.3%)	Moderate	-	3 (3.6%)	81 (96.4%)	Low
2	Commitment	61 (13.6%)	132 (29.5%)	255 (56.9%)	Low	45 (53.6%)	38 (45.2%)	1 (1.2%)	High
3	Communication	76 (17.0%)	232 (51.8%)	140 (31.3%)	Moderate	47 (56.0%)	26 (31.0%)	11 (13.1%)	High
4	Customer Orientation	41 (9.2%)	273 (60.9%)	134 (29.9%)	Moderate	48 (57.1%)	34 (40.5%)	2 (2.4%)	High
Relationship Quality		91 (20.3%)	222 (49.6%)	135 (30.1%)	Moderate	17 (20.2%)	52 (61.9%)	15 (17.9%)	Moderate

*Source: Survey Data*

*Note: Values in parenthesis are the percentage*

The table 4.19 depicts the level of public and private sector claimants with regard to relationship quality and its four dimensions. In the case of trust dimension, the perception of most of the respondents (58.7%) in the public sector is at a moderate level, whereas in case of the private sector, 96.4 per cent of the respondents are at low level. At the same time, in case of commitment, 56.9 per cent of the respondents are at low level. But most of the respondents (53.6 %) of the private sector are at high levels in the dimension commitment.

With the communication dimension is concerned, 51.8 per cent of the respondents' perception is at a moderate level, but major respondents (56.0%) in the private sector are at high level. In case of customer orientation also the perception of major public sector claimants (60.9%) is in moderate position, whereas the level of perception of major private sector claimants (57.15) is at a high level. When the total relationship quality is concerned, most of the respondent's perception is at a moderate level in both public and private sectors.

The above table shows that the level of relationship quality and its components except for the commitment dimension are at a moderate level for the public sector customers is concerned. Whereas private sector claimants are more perceived towards the commitment, communication and customer orientation dimensions of relationship quality. Trust is at low level in the private sector.

#### **4.2.4. Sector Wise Comparison of Relationship Quality Dimensions**

The present study tries to make a comparison between public and private sector claimants with regard to their perception towards various dimensions of Relationship Quality.



The hypothesis is given below

*H<sub>0</sub>: There is no significant difference between public and private sector claimants with regard to the perception towards the dimensions of relationship quality*

**The Independent sample t test** was used for testing the hypothesis and the result is presented in table 4.20.

**Table 4.20**

**Sector Wise Comparison of Dimensions of Relationship Quality**

<b>Dimensions</b>	<b>Sector</b>	<b>N</b>	<b>Mean</b>	<b>SD</b>	<b>t value</b>	<b>p value</b>	<b>Remarks</b>
Trust	Public	448	21.78	3.76	30.460	.000 <sup>**</sup>	Significant
	Private	84	12.27	2.35			
Commitment	Public	448	10.98	3.11	-10.652	.000 <sup>**</sup>	Significant
	Private	84	14.97	2.29			
Communication	Public	448	23.79	3.17	-7.517	.000 <sup>**</sup>	Significant
	Private	84	26.61	3.04			
Customer Orientation	Public	448	11.93	3.46	-15.872	.000 <sup>**</sup>	Significant
	Private	84	16.46	2.15			
Relationship Quality	Public	448	68.48	7.29	-2.622	.010 <sup>*</sup>	Significant
	Private	84	70.12	4.78			

*Source: Survey Data*

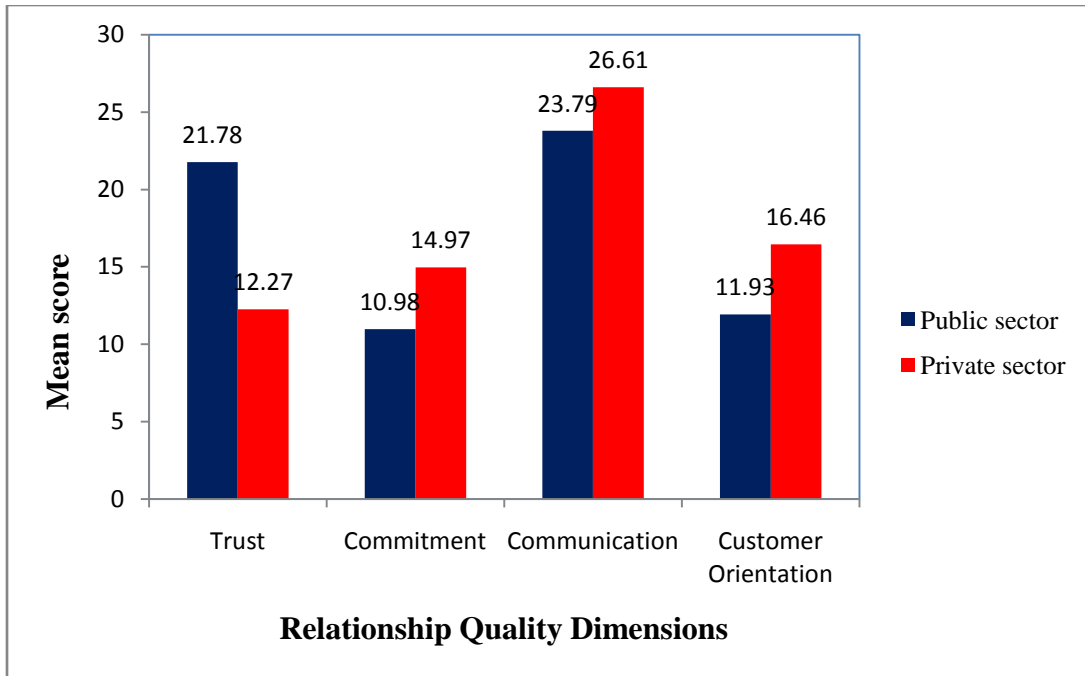
\*\* Significant at 1% level, \* Significant at 5% level

From the table 4.20, it is clear that in case of all dimensions, like trust, commitment, communication and customer orientation, the null hypothesis was rejected at the 5% level of significance. That means there is a significant difference between public and private sector respondents with regard to all the dimensions of relationship quality.

In the case of trust, the mean perception score of public sector company is 21.78 with standard deviation 3.76, which is more than private sector respondent's perception i.e. 12.27 with standard deviation 2.35. Hence it is clear that public sector claimants are more perceived the trust dimension of relationship quality. When taking into account commitment, the perception of private sector claimant is more than the public sector. Mean perception of public sector claimants is 10.98 with standard deviation 3.11 whereas the mean perception of private sector claimants is 14.97 with the standard deviation 2.29. In case of communication also, the mean perception of private sector respondents is more than the public sector. The mean perception of public and private sector respondents towards communication are 23.79 (SD=3.17) and 26.61 (SD=3.04). Customer orientation is concerned; the perception of the private sector claimants is more than the public sector, 11.93 is the mean perception of public sector respondents with the standard deviation 3.46, whereas 16.46 is the mean perception of the private sector claimants towards customer orientation with the standard deviation 2.15.

While making a comparison between public and private sector with regard to the total Relationship Quality construct, the null hypothesis is rejected at 1 % level of significance, as the p value is .010. Here also it is private sector respondents' perception is more than the public sector. Because, the mean perception score of the public sector is only 68.48 with standard deviation 7.29 and for the private sector is 70.12 with standard deviation 4.78.

The diagrammatic presentation of sector wise comparison is shown in fig. 4.3



**Fig. 4.3 Sector Wise Comparison of Relationship Quality Dimensions**

#### **4.2.5 Switching Intention and Level of Relationship Quality**

Switching intention means the desire of the customers to switch from their present company in the future and attached with another company for making dealings. The decision of switching may associate with the level of relationship quality. Hence, the association between switching intention and level of relationship quality is needed to be tested. For testing the association, chi-square test of independence was used.

##### **a) Public Sector**

The association between the switching intention and the level of relationship quality is assessed using the following hypothesis.

*Ho: There is no significant association between switching intention and level of relationship quality in the public sector.*

The result of this testing is as follows:

**Table 4.21**

**Switching Intention and Level of Relationship Quality in Public Sector**

Switching Intention	Level of Relationship Quality			Total	Chi square value	p value
	High	Moderate	Low			
Switchers	31 (14.8%)	87 (41.4%)	92 (43.8%)	210	35.795	.000**
Non switchers	60 (25.2%)	135 (56.7%)	43 (18.1%)	238		
Total	91 (20.3%)	222 (49.6%)	135 (30.1%)	448		

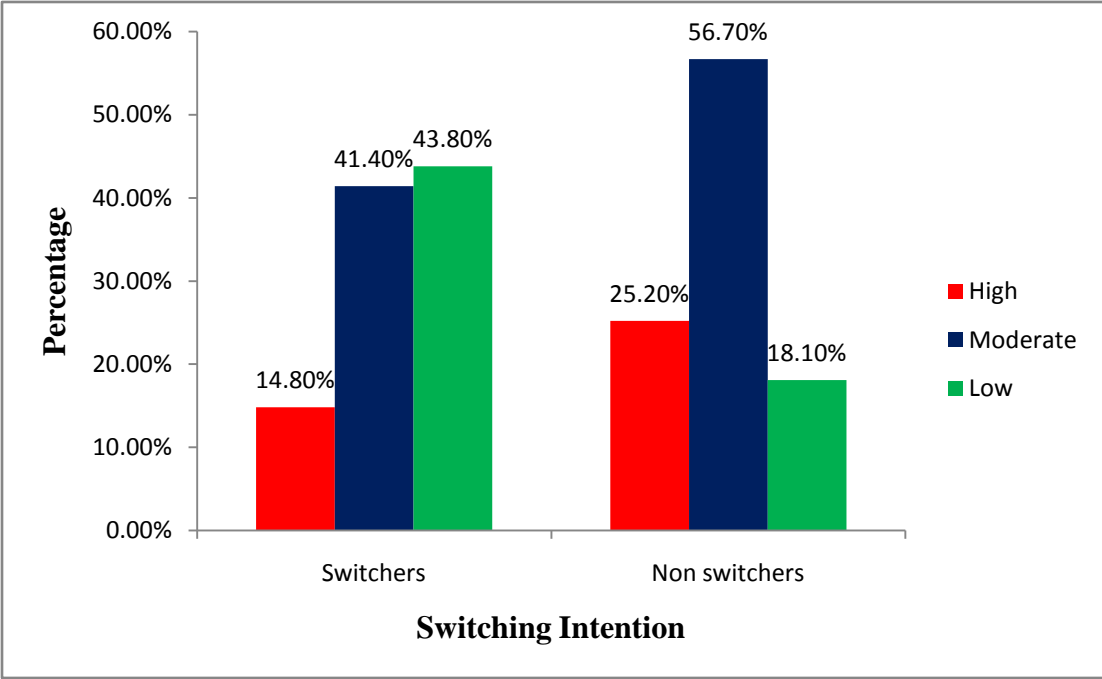
*Source: Survey Data*

\*\* Significant at 1% level

The table 4.21 shows the chi square value as 35.795 with the p value .000. Since the p value is less than 0.01 the null hypothesis is rejected at the 1% level of significance. Hence it is concluded that there is an association between switching intention and the level of relationship quality. The customers with the switching intention are 43.8 per cent at low level, 41.4 per cent at a moderate level and 14.8 per cent at a high level, whereas in case of customers who do not prefer the switching intention are only 18.1 per cent at low level, 56.7 per cent at a moderate level and 25.2 per cent at high level. So, it is clear from these results as a proportion of the customers who preferred switching intention and not are differs. Most of the respondents with switching intention are at low level. Thus the customers having low

level of relationship quality preferred the option of switching. All the other respondents who do not prefer switching are at moderate and high levels.

The proportions of the respondents with and without the switching intention based on the level of relationship quality in public are shown in the Fig. 4.4.



**Fig. 4.4**

**Switching Intention and Level of Relationship Quality in Public Sector**

From the diagram 4.4, it is clear that the proportion of the respondents with and without the switching intention are differ significantly. Here the customers having low level of relationship quality preferred for switching by and large. And the customers with moderate level of relationship quality never prepared for switching in the future.

## b) Private Sector

In private sector also, the association between the switching intention and the level of relationship quality is assessed and tested.

The hypothesis is as follows:

*Ho: There is no significant association between switching intention and level of relationship quality in the private sector.*

The result of chi square test of independence is as follows:

**Table 4.22**

**Switching Intention and Level of Relationship Quality in Private Sector**

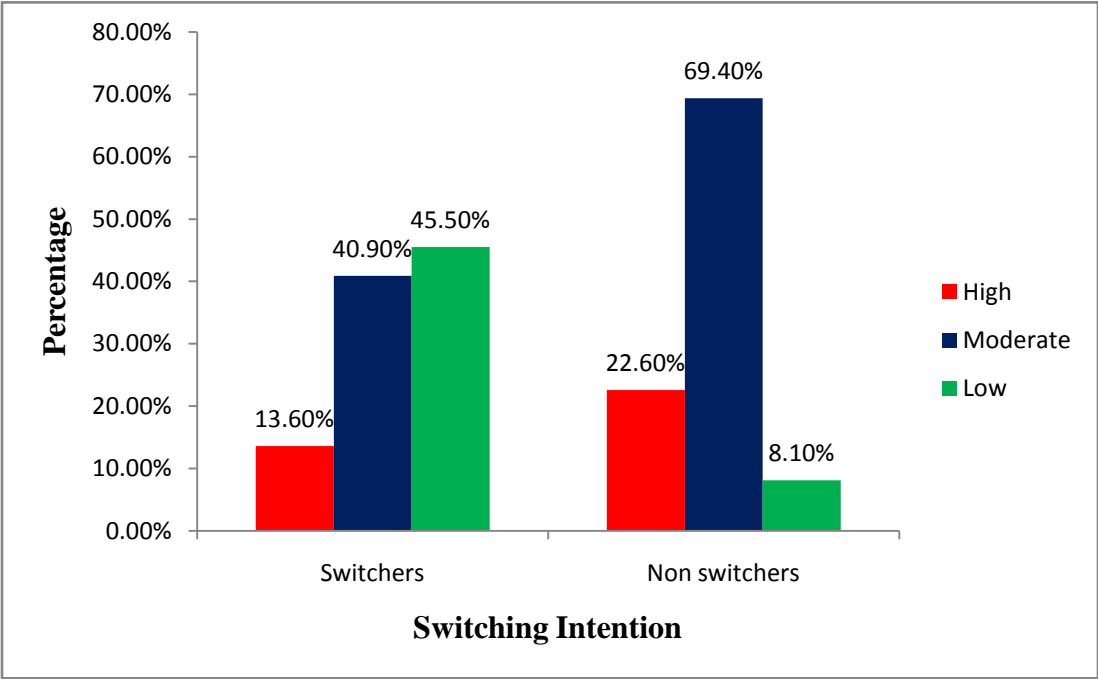
Switching Intention	Level of Relationship Quality			Total	Chi square value	p value
	High	Moderate	Low			
Switchers	3 (13.6%)	9 (40.9%)	10 (45.5%)	22	15.477	.000**
Non switchers	14 (22.6%)	43 (69.4%)	5 (8.1%)	62		
Total	17 (20.2%)	52 (61.9%)	15 (17.9%)	84		

*Source: Survey Data*

\*\* Significant at 1% level

Here, the chi square value is 15.477 with significant p value (.000). The null hypothesis is rejected at the 1% level of significance and it is concluded that there is a significant association between switching intention and the level of relationship quality in the private sector. The above table reveals that out of 22 customers by switching intention, 45.5 per cent have low levels of relationship quality. At the same

time, out of 62 customers without the switching intention, only 8.1 percent have low levels of relationship quality and the remaining customers have high and moderate level of relationship quality. This proves that there is a significant association between switching intention and level of relationship quality. The proportions of the respondents with and without the switching intention in the private sector are shown in the diagram 4.5.



**Fig. 4.5**

**Switching Intention and Level of Relationship Quality in Private Sector**

The diagram 4.5 makes it clear that the proportions of the respondents with and without the switching intention differ significantly. Here the customers having low level of relationship quality preferred for switching in general. And the customers who aren't showing the switching intention in future have high and moderate level of relationship quality.

#### **4.2.6 Vehicle Ownership Wise Comparison of Dimensions of Relationship Quality**

In motor insurance context, there are three categories of vehicles, namely, two wheeler, motor car and commercial vehicle. In the present study, it is highly relevant to make a comparison among the three categories of vehicles with regard to the dimensions of relationship quality.

Vehicle ownership wise comparison in public and private sector is done separately.

##### **a) Public Sector**

The hypothesis is as follows:

*H<sub>0</sub>: There is no significant difference in the perception towards the dimensions of relationship quality among the owners of two wheeler, motor car and commercial vehicles in the public sector.*

Since there are three categories for making comparison, the statistical test, called One way ANOVA was used.



**Table 4.23****Vehicle Wise Comparison of Dimensions of Relationship Quality in Public Sector**

<b>Dimensions</b>	<b>Type of vehicle</b>	<b>N</b>	<b>Mean</b>	<b>SD</b>	<b>F value</b>	<b>p value</b>	<b>Remarks</b>
Trust	Two Wheeler	173	22.28	3.25	3.462	.032*	Significant
	Motor Car	209	21.64	3.89			
	Commercial Vehicle	66	20.91	4.40			
Commitment	Two Wheeler	173	11.45	2.98	3.414	.034*	Significant
	Motor Car	209	10.62	3.09			
	Commercial Vehicle	66	10.91	3.35			
Communication	Two Wheeler	173	24.21	2.84	2.531	.081	Insignificant
	Motor Car	209	23.49	3.29			
	Commercial Vehicle	66	23.65	3.51			
Customer Orientation	Two Wheeler	173	11.79	3.34	0.248	.781	Insignificant
	Motor Car	209	12.03	3.54			
	Commercial Vehicle	66	12.00	3.52			
Relationship Quality	Two Wheeler	173	69.72	6.22	4.161	.016*	Significant
	Motor Car	209	67.77	7.92			
	Commercial Vehicle	66	67.47	7.44			

*Source: Survey Data*

\* Significant at 5% level

The table 4.23 shows the differences among two wheelers, motor cars and commercial vehicles with regard to the dimensions of relationship quality in the public sector. It is clear from the analysis that in case of trust, commitment and total relationship quality, the null hypothesis has been rejected at the 5% level of significance. The p values for trust dimension, commitment dimension and relationship quality construct are 0.032, 0.034 and 0.016 respectively.

Since the p values of communication dimension ( $p=0.081$ ) and customer orientation dimension ( $p=0.781$ ) are above 0.05, the null hypothesis is accepted. Hence it was concluded that there is no significant difference among the vehicle owners with regard to communication and customer orientation in the public sector.

### **Scheffe Test for Multiple Comparison-Relationship Quality in Public Sector**

Scheffe test is used for inter group comparison. Whenever an ANOVA model is used to examine the difference among more than two groups, a Post Hoc procedure can be used to compare differences between all pairs of means. This test is named for the American statistician Henry Scheffe. If the study wants to compare all possible simple and complex pairs of means, Scheffe test is one of the best among the numerous post hoc tests.

Here, in order to analyse the exact difference between the three categories of vehicle owners, scheffe post hoc test for multiple comparison was done. The result was shown below:

#### **1. Trust Dimension**

Trust dimension is found to be differing among the three categories of vehicle owners, as the p value is 0.032. Since there are three categories of vehicle owners, the post hoc test is done to identify the pairwise difference.

**Table 4.24**

**Post Hoc Test: Trust Dimension in Public Sector**

<b>Scheffe Test</b>				
<b>Type of Vehicle (I)</b>	<b>Type of Vehicle (J)</b>	<b>Mean Difference (I-J)</b>	<b>Std. Error</b>	<b>p value</b>
Two wheeler	Motor car	.63631	.38454	.255
	Commercial vehicle	1.36837	.54126	.042*
Motor car	Two Wheeler	.63631	.38454	.255
	Commercial vehicle	.73206	.52823	.384
Commercial Vehicle	Two Wheeler	1.36837	.54126	.042*
	Motor Car	.73206	.52823	.384

*Source: Survey Data*

\* Significant at 5% level

The table 4.24 shows the result of post hoc test for conducting the inter group comparison. From the Scheffe post hoc test, it is clear that there are differences between two wheeler owners (Mean=22.28) and commercial vehicle owners (Mean=20.91) with regard to the trust element of relationship quality. There is no difference between the other two groups, i.e. two wheeler owners and motor car owners & motor car owners and commercial vehicle owners.

**2. Commitment Dimension**

The commitment dimension differs among the vehicle owners. The inter group comparison between vehicle owners with regard to the commitment dimension is shown in the table 4.25.

**Table 4.25**

**Post Hoc Test: Commitment Dimension in Public Sector**

<b>Scheffe Test</b>				
<b>Type of Vehicle (I)</b>	<b>Type of Vehicle (J)</b>	<b>Mean Difference (I-J)</b>	<b>Std. Error</b>	<b>P value</b>
Two wheeler	Motor car	.82786	.31778	.034*
	Commercial vehicle	.53600	.44730	.488
Motor car	Two wheeler	.82786	.31778	.034*
	Commercial vehicle	-.29187	.43653	.800
Commercial Vehicle	Two wheeler	.53600	.44730	.488
	Motor Car	-.29187	.43653	.800

*Source: Survey Data*

\* Significant at 5% level

The table reveals that there are differences in the perception of two wheeler owners (Mean=11.45) and motor car owners (Mean=10.62). For the other two groups are concerned, there is no difference found.

### **3. Relationship Quality**

The relationship quality construct is holding opposing views among the vehicle owners. In order to identify the pairwise comparison, here also the post hoc test was done. The result is shown in table 4.26.

**Table 4.26**  
**Post Hoc Test: Relationship Quality in Public Sector**

<b>Scheffe Test</b>				
<b>Type of Vehicle (I)</b>	<b>Type of Vehicle (J)</b>	<b>Mean Difference (I-J)</b>	<b>Std. Error</b>	<b>P value</b>
Two wheeler	Motor car	1.94164	.74386	.034*
	Commercial vehicle	2.24707	1.04703	.101
Motor Car	Two Wheeler	1.94164	.74386	.034*
	Commercial vehicle	.30542	1.02182	.956
Commercial Vehicle	Two Wheeler	2.24707	1.04703	.101
	Motor car	.30542	1.02182	.956

*Source: Survey Data*

\* Significant at 5% level

The relationship quality is concerned; there is a significant difference in the perception between owners of two wheelers and motor cars only. Their mean scores are 67.77 and 69.72 respectively. The other two groups are concerned; the perception of two wheeler owners and commercial vehicle owners & between motor car owners and commercial vehicle owners, there are no significant differences.

**b) Private Sector**

The present study also covers the differences among the vehicle owners with regard to the various dimensions of relationship quality in private sector.

The hypothesis is as follows:

*H0: There is no significant difference in the perception towards the dimensions of relationship quality among the owners of two wheeler, motor car and commercial vehicles in the private sector.*

The result of One way ANOVA test is shown is shown in table 4.27.

**Table 4.27**

**Vehicle Wise Comparison of Dimensions of Relationship Quality in Private Sector**

<b>Dimensions</b>	<b>Type of vehicle</b>	<b>N</b>	<b>Mean</b>	<b>SD</b>	<b>F value</b>	<b>p value</b>	<b>Remarks</b>
Trust	Two Wheeler	10	12.60	2.95	0.124	0.883	Insignificant
	Motor Car	64	12.25	2.29			
	Commercial Vehicle	10	12.10	2.29			
Commitment	Two Wheeler	10	15.00	2.58	1.259	0.289	Insignificant
	Motor Car	64	14.91	2.34			
	Commercial Vehicle	10	13.70	1.42			
Communication	Two Wheeler	10	26.5	3.75	0.070	0.932	Insignificant
	Motor Car	64	26.67	3.14			
	Commercial Vehicle	10	26.30	1.49			
Customer Orientation	Two Wheeler	10	15.20	3.26	2.167	0.121	Insignificant
	Motor Car	64	16.69	2.01			
	Commercial Vehicle	10	16.30	1.16			
Relationship Quality	Two Wheeler	10	69.30	6.49	1.013	0.368	Insignificant
	Motor Car	64	70.52	4.69			
	Commercial Vehicle	10	68.40	3.06			

*Source: Survey Data*

\* Significant at 5% level

The table 4.27 shows ANOVA result, which made the comparison among the vehicle owners with regard to the dimensions of relationship quality. The result shows that, in case of trust, commitment, communication, customer orientation and overall relationship quality, the null hypothesis is accepted. Hence it is clear that there are no significant differences among the vehicle owners with regard to the dimensions of relationship quality.

#### 4.2.7 Hypotheses Testing-Relationship Quality

To sum up, the hypothesis formulated and tested by using various statistical tests are shown in the precise form in the table 4.28.

**Table 4.28**

**Result of Hypotheses Testing: Relationship Quality**

SI no		Hypotheses	Statistical Test	Result
1	A	There is no significant difference between public and private sector claimants with regards to the perception towards trust dimension	Independent sample t test	Reject H0
	B	There is no significant difference between public and private sector claimants with regard to the perception towards commitment dimensions	Independent sample t test	Reject H0
	C	There is no significant difference between public and private sector claimants with regards to the perception towards communication dimension	Independent sample t test	Reject H0
	D	There is no significant difference between public and private sector claimants with regards to the perception towards customer orientation dimension	Independent sample t test	Reject H0

	E	There is no significant difference between public and private sector claimants with regards to the perception towards relationship quality	Independent sample t test	Reject H0
2	A	There is no significant association between switching intention and level of relationship quality in the public sector.	Chi square test of independence	Reject H0
	B	There is no significant association between switching intention and level of relationship quality in the private sector.	Chi square test of independence	Reject H0
3	A	There is no significant difference in perception towards trust dimension among the owners of two wheeler, motor car and commercial vehicle in the public sector.	One way ANOVA	Reject H0
	B	There is no significant difference in perception towards commitment dimension among the owners of two wheeler, motor car and commercial vehicle in the public sector.	One way ANOVA	Reject H0
	C	There is no significant difference in perception towards communication dimension among the owners of two wheeler, motor car and commercial vehicle in the public sector.	One way ANOVA	Accept H0
	D	There is no significant difference in perception towards customer orientation dimension among the owners of two wheeler, motor car and commercial vehicle in the public sector.	One way ANOVA	Accept H0
	E	There is no significant difference in perception towards relationship quality among the owners of two wheeler, motor car and commercial vehicle in the public	One way ANOVA	Reject H0



		sector.		
4	A	There is no significant difference in perception towards trust dimension among the owners of two wheeler, motor car and commercial vehicle in the private sector.	One way ANOVA	Accept H0
	B	There is no significant difference in perception towards commitment dimension among the owners of two wheeler, motor car and commercial vehicle in the private sector.	One way ANOVA	Accept H0
	C	There is no significant difference in perception towards communication dimension among the owners of two wheeler, motor car and commercial vehicle in the private sector.	One way ANOVA	Accept H0
	D	There is no significant difference in perception towards customer orientation dimension among the owners of two wheeler, motor car and commercial vehicle in the private sector.	One way ANOVA	Accept H0
	E	There is no significant difference in perception towards relationship quality among the owners of two wheeler, motor car and commercial vehicle in the private sector.	One way ANOVA	Accept H0

From the analyses, the researcher comes to a conclusion that with regard to the sector wise comparison, for all the dimensions of relationship quality, there is difference. Similarly there is significant association is found between switching intention and levels of relationship quality in both public and private sectors. Vehicle wise comparison is concerned, the public sector have difference in trust, commitment dimension and total relationship quality among the owners of two wheelers, motor

cars and commercial vehicles; whereas in case of private sector, there is no difference among the different type of vehicle owners.

The descriptive analysis regarding the demographic characteristics and the analysis of the level of dimensions of relationship quality are discussed in the present chapter. Now it is worthwhile to examine the level of customer satisfaction and customer loyalty in motor insurance sector. That has been attempted in the ensuing chapter.

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## **Chapter 5**

# **Customer Satisfaction and Loyalty**

The previous chapter attempted to analyse the dimensions of relationship quality perceived by the motor insurance claimants in the public and private sector General insurance companies in Kerala. Now it is worthwhile to examine levels of customer satisfaction towards the motor insurance business. Similarly, it is relevant to analyse the extent of customer loyalty of the claimants in public and private sector general insurance companies. The present chapter attempts to accomplish these specific objectives.

Here also, in order to fulfill these objectives, sector wise, vehicle wise comparison has been attempted. Likewise, the association between switching intention and the levels of customer satisfaction and customer loyalty is found out in both the public and private sectors. For this purpose data have been collected from 532 customers, 448 from public sector and 84 from private sector selected by employing the proportionate stratified sampling method from the state of Kerala with the help of a pretested structured questionnaire. The data have been analysed with the help of mathematical and statistical tools like Percentages, Averages, Factor analysis, Independent sample t test, Chi square test of independence and One way ANOVA.

The chapter is divided into two sections for the proper arrangement. Section A deals with Customer Satisfaction and section B covers Customer Loyalty.

## **Section A**

### **5.1 Customer Satisfaction**

Customer satisfaction is an evaluation process of how the customers are satisfied towards the services of a business organization. An insurance business is concerned; there are a large number of factors which influences the customer satisfaction. The present study made an effort to identify these factors and thereby categorize them in the proper way by considering their magnitude. The main factors of customer satisfaction identified in the present study are as follows;

1. Tangibles
2. Timeliness
3. Competence
4. Responsiveness
5. Technology
6. Intermediary Services

#### **5.1.1 Analysis of the Factors of Customer Satisfaction**

To identify the factors influencing the customer satisfaction in the present research context, it is relevant to conduct the Exploratory Factor Analysis. It was done by the researcher using SPSS 17.0. After that it is to be confirmed using Confirmatory Factor Analysis. The researcher used the Warp PLS software for doing the CFA.

### a) Exploratory Factor Analysis: Customer Satisfaction

Many researchers studied the customer satisfaction in a variety of angles. In the present research work, EFA was performed among 24 variables related to customer satisfaction using SPSS 17.0. The result is presented in table 5.1.

**Table 5.1**

#### **KMO and Bartlett's Test: Customer Satisfaction**

<b>KMO and Bartlett's Test</b>		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.895
Bartlett's Test of Sphericity	Approx. Chi-Square	9786.52
	Df	276
	Sig.	.000

*Source: Survey Data*

The table 5.1 shows the Kaiser-Meyer-Olkin (KMO) measure, which is used to test the interconnectivity of the variables in the construct. Here the KMO measure of sampling adequacy was 0.895, a level described as 'Meritorious' by Kaiser (1974).

Similarly, the Barlett's test of sphericity shows a significant value, as the p value is less than 0.01. The test value, i.e. the approximate chi-square value was 9786.52. Hence it was concluded that there exists a correlation in the data set appropriate for factor analysis. Accordingly, Principal component analysis was conducted and the set of 24 variables is split into seven components or factors which have the Eigen value greater than 1. These seven factors altogether explained 78.78 percent of the variance. The table 5.2 shows the result of total variances explained of customer satisfaction.

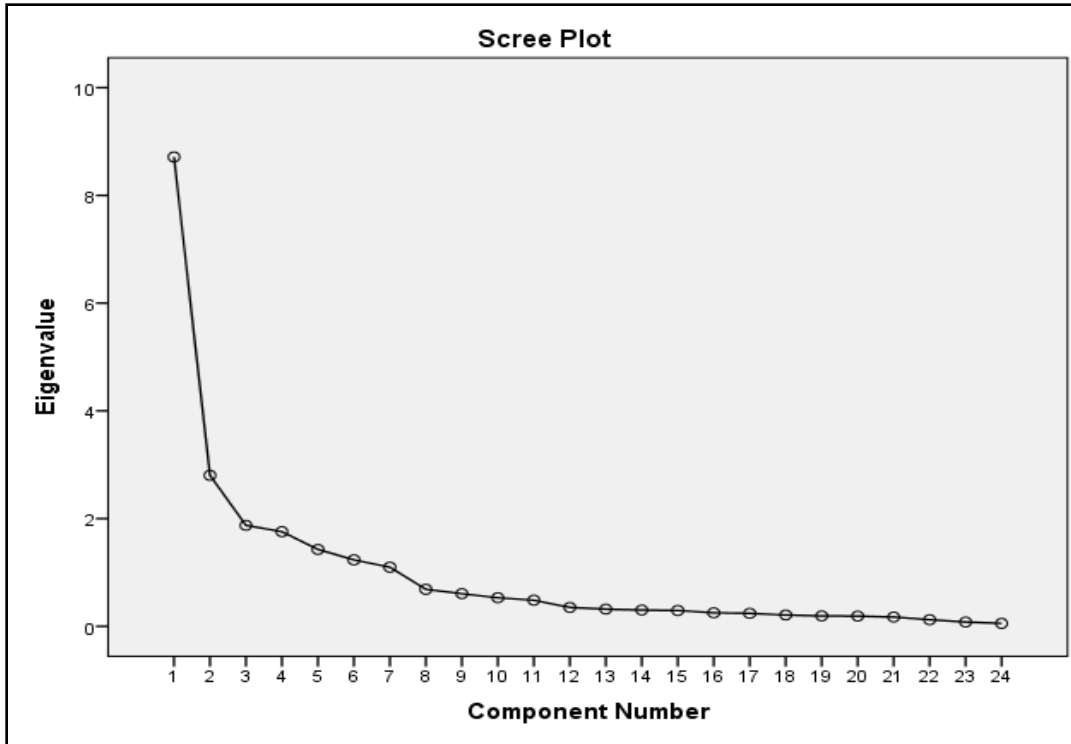
**Table 5.2**

**Total Variances Explained by the Variables of Customer Satisfaction**

<b>Factors</b>	<b>Initial Eigen Values</b>		
	<b>Eigen Value</b>	<b>% of Variance</b>	<b>Cumulative %</b>
1	8.714	36.306	36.306
2	2.803	11.681	47.987
3	1.875	7.812	55.799
4	1.757	7.322	63.120
5	1.427	5.948	69.068
6	1.234	5.142	74.210
7	1.098	4.574	78.784

*Source: Survey Data*

The table 5.2 explains the percentage of variances and the Eigen values of the seven components, which explained the 78.78 percentage of total variances. Thus, these seven variables are identified as the indicators which explain the customer satisfaction in the present context. The first and most important factor explains 36.306 per cent of variance with the Eigen value 8.714. The second important factor explains 11.681 (Eigen value 2.803) followed by 7.812 per cent variance with Eigen value 1.875 (third factor), 7.322 per cent variance with Eigen value 1.757 (fourth factor), 5.948 per cent variance with Eigen value 1.427 (the fifth factor), 5.142 per cent variance with Eigen value 1.234 (sixth factor) and 4.574 per cent variance with Eigen value 1.098 (seventh factor). Hence, altogether these seven factors explain 78.784 per cent of variance. It is also clear from the following screen plot.



**Fig. 5.1 Scree Test –Customer Satisfaction**

The diagram 5.1 makes it clear that all the 24 statements of customer satisfaction are combined and split into seven components. The table 5.3 shows the details of each factor of customer satisfaction along with component loadings.

**Table 5.3**

**Component Loadings of Customer Satisfaction**

Sl no	Indicators	1	2	3	4	5	6	7
SAT1	Accessible location of the branch		.936					
SAT2	Office appearance		.862					
SAT3	Availability of manuals, documents, etc		.852					
SAT4	Accessible to the cashless network garages		.913					



SAT5	Self service through the internet				.929			
SAT6	Updated website of the company				.924			
SAT7	Renewal reminder mechanism							.823
SAT8	Premium amount charged by the company							.705
SAT9	Toll free number facility						.779	
SAT10	Live chat facility						.845	
SAT11	Responses of the frontline staff regarding enquiries			.929				
SAT12	Keen interest of officials in renewal of policy			.936				
SAT13	Operating hours of the company					.879		
SAT14	24×7 service					.908		
SAT15	Accessibility to agents/motor vehicle dealers	.749						
SAT16	Individualized attention	.724						
SAT17	Advisory services	.819						
SAT18	Agent/motor vehicle dealer's attitude in guiding the claim settlement	.845						
SAT19	Premium payment facility	.851						
SAT20	Disclosure of all information about the policy	.870						

SAT21	Knowledge of agents/motor vehicle dealers about the policy/plan	.865						
SAT22	Response of agents/motor vehicle dealers regarding queries/doubts	.858						
SAT23	Reminder about renewal date of policy	.882						
SAT24	Provision of information about my insurance company's services	.895						

*Source: Survey Data*

Table 5.3 illustrates the result of Principal component analysis of customer satisfaction construct. The factors of customer satisfaction which is grouped into seven factors are explained briefly below:

- One group is extracted more, i.e. 36.30 per cent. It consists of ten items. They are ‘Accessibility to agents/motor vehicle dealers’, ‘Individualized attention’, ‘Advisory services’, ‘Agent/motor vehicle dealers’s attitude in guiding the claim settlement’, ‘Premium payment facility’, ‘Disclosure of all information about the policy’, ‘Knowledge of agents/motor vehicle dealers about the policy/plan’, ‘Response of agents/motor vehicle dealers regarding queries/doubts’, ‘Reminder about renewal date of policy’ and ‘Provision of information about my insurance company’s services’. These variables together constitute a common factor, whose characteristics are related to the services of intermediaries, like agents and motor vehicle dealers. Hence, it was named as ‘**Intermediary Services**’.
- Another group which is extracted 11.681 per cent of total variances included the items like ‘Accessible location of the branch’, ‘Office

appearance’, ‘Availability of manuals, documents and information about the policy’ and ‘Accessibility to cashless network garages’. They are commonly named as ‘**Tangibles**’ factor of customer satisfaction.

- The factor which is extracted 7.812 percentage, which includes the variables namely, ‘Responses of the frontline staff regarding enquiries’ and ‘Keen interest of officials in renewal’. It is named as ‘**Responsiveness**’
- One of the factors, which are extracted 7.322 per cent, consists of the items like ‘Self service through the internet’ and ‘Updated website of the company’. This factor is called as ‘**Web features of the company**’
- One of the groups comprises of ‘Operating hours’ and ‘24\*7 service’. This component extracts 5.948 per cent of variance. It is named as ‘**Timeliness**’ factor of customer satisfaction.
- Another factor ‘Toll free number facility’ and ‘Live chat facility’, which is extracted 5.142 per cent of total variances. It is called as ‘**Technology**’ factor of customer satisfaction.
- A component named as ‘**Competence**’, which is extracted 4.574 per cent of variance. It consists of two items, viz, ‘Renewal reminder mechanism’ and ‘Premium amount charged’. It is named so, because as these variables consists of the skill, expertise of the organization or its members for its development.

Thus, through exploratory factor analysis, 24 variables are split into seven components, i.e, Tangibles, Timeliness, Responsiveness, Competence, Technology, Intermediary services and Web features of the company’. They are identified as the dimensions of customer satisfaction in the present study.

## b) Confirmatory Factor Analysis: Customer Satisfaction

In order to confirm the factor which is extracted through the exploratory factor analysis, Warp PLS 4 software was used. Thus the CFA reconfirmed the Customer Satisfaction Scale and the result was shown in figure 5.2.

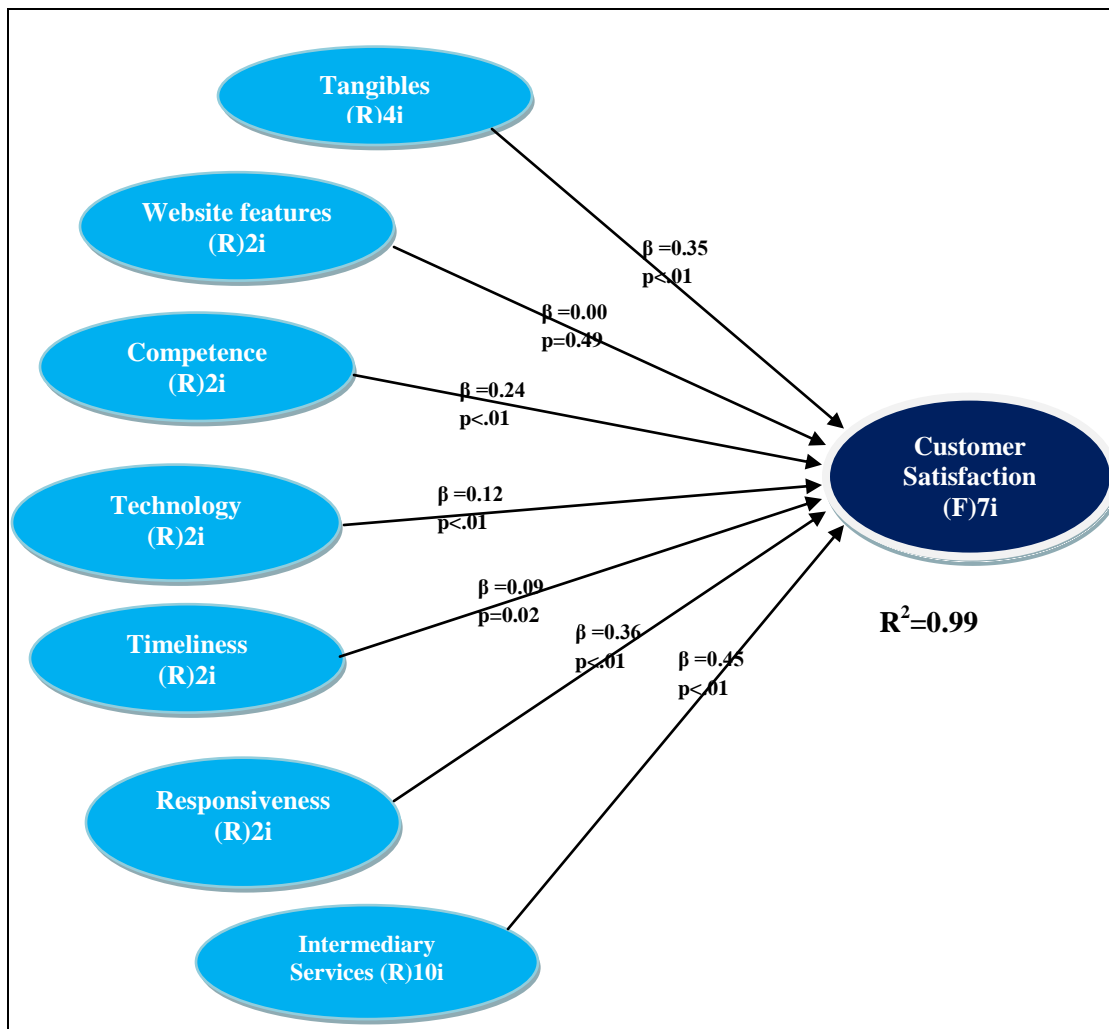


Fig. 5.2

### Confirmatory Factor Analysis-Customer Satisfaction

The important indices of the confirmatory factor analysis which is done using Warp PLS are shown in table 5.4.

**Table 5.4**  
**Model Fit and Quality Indices-Customer Satisfaction**

<b>Model Fit and Quality Indices</b>
Average Path Coefficient (APC)=0.230, p<0.001
Average R-Squared (ARS)=0.991, p<0.001
Average Adjusted R-Squared (AARS)=0.990, p<0.001
Average block VIF (AVIF)=1.163, acceptable if $\leq 5$ , ideally $\leq 3.3$
Tenenhaus GoF (GoF)=0.847, small $\geq 0.1$ , medium $\geq 0.25$ , large $\geq 0.36$
Sympson's Paradox Ratio (SPR)=1.000, acceptable if $\geq 0.7$ , ideally = 1
R-Squared Contribution Ratio (RSCR)=1.000, acceptable if $\geq 0.9$ , ideally = 1
Statistical Suppression Ratio (SSR)=1.000, acceptable if $\geq 0.7$
Nonlinear Bivariate Causality Direction Ratio (NLBCDR)=0.929, acceptable if $\geq 0.7$

*Source: Survey Data*

In WARP PLS, model fit and quality indices are used to measure the fitness of the measurement model. Here, in case of customer satisfaction scale, the Average Path Coefficient is found satisfactory at 0.230 with a significant p value. The Average R-Squared (0.991) and the Average Adjusted R-Squared (0.990) are found adequate with a significant p value. The Average Block VIF is 1.163, it is an ideal one as the value is less than 3.3. The Tenenhaus GoF value is large as it is 0.847. Sympon's Paradox Ration and R-squared contribution ratio are found to be ideal as their value is 1.000. Similarly Statistical Suppression Ratio is acceptable because it is greater than 0.7. Lastly, Nonlinear Bivariate Causality Direction Ratio is acceptable, as its value is 0.929, which is greater than 0.7. Hence, these all indices indicate the fitness of customer satisfaction measurement scale.

The CFA result shows that all the variables, except '**Web features of the company**' have p value less than 0.01. So, this variable (p=0.49) is not taken for further analysis because of its poor loadings. The variables used for the final analysis are as follows:

1. Tangibles
2. Timeliness
3. Competence
4. Responsiveness
5. Technology
6. Intermediary Services.

### **5.1.2 Factor Analysis: Customer Satisfaction**

In order to identify the most influencing factor of customer satisfaction, separate factor analysis has been performed for public and private sectors. The result is as follows:

#### **a) Public Sector**

The factor analysis result shows the KMO value as 0.606, which is adequate for factor analysis and the Barlet Test of Sphercity shows a significant p value (.000), which proves a significant correlation among the factors. Accordingly, the principal component analysis was performed and the result is as follows:

**Table 5.5**  
**Communalities: Customer Satisfaction in Public Sector**

<b>Factors</b>	<b>Initial</b>	<b>Extraction</b>
Tangibles	1.000	.386
Timeliness	1.000	.299
Competence	1.000	.471
Responsiveness	1.000	.648
Technology	1.000	.397
Intermediary services	1.000	.676

*Source: Survey Data*

The table 5.5 shows the extraction values of the six factors. It shows that in case of public sector, **intermediary services** and **responsiveness** are the major influencing factors of customer satisfaction. The total variance explained is shown in the table 5.6.

**Table 5.6**  
**Total Variance Explained by Variables of Customer Satisfaction in Public Sector**

<b>Component</b>	<b>Initial Eigen values</b>			<b>Extraction sum of squares</b>		
	<b>Total</b>	<b>% of Variance</b>	<b>Cumulative %</b>	<b>Total</b>	<b>% of Variance</b>	<b>Cumulative %</b>
Intermediary services	1.778	29.640	29.640	1.778	29.64	29.640
Responsiveness	1.098	18.293	47.933	1.098	18.29	47.933
Competence	.921	15.346	63.280			
Technology	.856	14.270	77.550			
Tangibles	.819	13.651	91.200			
Timeliness	.528	8.800	100.000			

*Source: Survey Data*

It is clear from the table 5.6 that intermediary services (extraction variance=29.64%) and responsiveness (extraction variance=18.29%) are the most influencing factors perceived by the public sector general insurance company. They together extracted 47.933 percentages.

**b) Private Sector**

In the private sector, the factor analysis is done to identify the most influencing factor of customer satisfaction. It shows the KMO value as 0.613, which is adequate for factor analysis and the Barlet Test of Sphercity shows a significant p value (.000), which proves a significant correlation among the factors. Accordingly, the principal component analysis was performed and the result is as follows:

**Table 5.7**

**Communalities– Customer Satisfaction in Private Sector**

<b>Factors</b>	<b>Initial</b>	<b>Extraction</b>
Tangibles	1.000	.768
Timeliness	1.000	.507
Competence	1.000	.788
Responsiveness	1.000	.880
Technology	1.000	.634
Intermediary services	1.000	.843

*Source: Survey Data*

The table 5.7 shows the extraction values of the six factors. It shows that in case of private sector, **responsiveness**, **intermediary services** and **competence** are the major influencing factors of customer satisfaction. The total variance explained is shown in the table 5.8.



**Table 5.8**

**Total Variance Explained by Variables of Customer Satisfaction in Private Sector**

Component	Initial Eigen values			Extraction sum of squares		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
Responsiveness	2.303	38.380	38.380	2.303	38.38	38.380
Intermediary services	1.111	18.522	56.902	1.111	18.52	56.902
Competence	1.007	16.775	73.677	1.007	16.77	73.677
Tangibles	.808	13.468	87.145			
Technology	.577	9.612	96.757			
Timeliness	.195	3.243	100.000			

*Source: Survey Data*

It is clear from the table 5.8 that responsiveness (extraction variance=38.38%), intermediary services (extraction variance=18.52%) and competence (extraction variance=16.77%) are the most influencing factors perceived by the private sector general insurance company. They together extracted 73.677 percentages.

**5.1.3 Levels of Customer Satisfaction**

It is highly necessary to identify the perception of selected claimants towards the factors of customer satisfaction before entering into the hypothesis testing. To know the exact perceptions, the customer satisfaction and its six factors are divided into three levels namely, High level, Moderate level and Low level based on quartile deviation.

The norms for determining the level of customer satisfaction and its factors are shown in table 5.9.

**Table 5.9**

**Norms for the Level of Customer Satisfaction and its Factors**

<b>Factors</b>	<b>Level of Customer Satisfaction</b>		
	<b>Low</b>	<b>Moderate</b>	<b>High</b>
Tangibles	Below 12	12-16	Above 16
Timeliness	Below 7	7-9	Above 9
Competence	Below 6	6-8	Above 8
Responsiveness	Below 6	6-7	Above 7
Technology	Below 6	6-8	Above 8
Intermediary Services	Below 31	31-46	Above 46
Customer Satisfaction	Below 75	75-88	Above 88

*Source: Survey Data*

The level of customer satisfaction and its each factor is shown below for public and private sector separately.

**Table 5.10****Level of Customer Satisfaction and its Factors**

SL No	Variables	Public Sector				Private Sector			
		High	Moderate	Low	Level	High	Moderate	Low	Level
1	Tangibles	52 (11.6%)	124 (27.7%)	272 (60.7%)	Low	27 (32.1%)	15 (17.9%)	42 (50.0%)	Low
2	Timeliness	50 (11.2%)	270 (60.3%)	128 (28.6%)	Moderate	11 (13.1%)	50 (59.5%)	23 (27.4%)	Moderate
3	Competence	13 (2.9%)	158 (35.3%)	277 (61.8%)	Low	30 (35.7%)	40 (47.6%)	14 (16.7%)	Moderate
4	Responsiveness	82 (18.3%)	43 (9.6%)	323 (72.1%)	Low	47 (56.0%)	9 (10.7%)	28 (33.3%)	High
5	Technology	97 (21.7%)	169 (37.7%)	182 (40.6%)	Low	16 (19.0%)	30 (35.7%)	38 (45.2%)	Low
6	Intermediary services	103 (23%)	226 (50.4%)	119 (26.6%)	Moderate	18 (21.4%)	50 (59.5%)	16 (19.0%)	Moderate
Customer Satisfaction		91 (20.3%)	216 (48.2%)	141 (31.5%)	Moderate	29 (34.5%)	49 (58.3%)	6 (7.1%)	Moderate

*Source: Survey Data*

The table 5.10 shows the level of customer satisfaction and its six factors in public and private sectors separately. The factor tangible is concerned; most of the respondents in public (60.7%) and private (50.0%) are at low levels of satisfaction. For the timeliness factor, the perception of major respondents in public (60.3%) and private (59.5%) are at a moderate level.

As regards competence factor in the public sector, most of the respondents perceived it at a low level, as 61.8 per cent of respondents are at low level. But in the private sector, it is at a moderate level, as the perceptions of 47.6 per cent of the respondents are at moderate levels of satisfaction.

Responsiveness factor, which is considered as the most influencing factor of customer satisfaction is viewed at a low level by the public sector. But in the private sector, major respondents (56.0%) perceived it at a high level. For the factor technology, it is viewed at a low level by both the public and private sector respondents.

Intermediary services, also viewed as the most influencing factor of customer satisfaction by both the public and private sector, is perceived at a moderate level. It is found that 50.4 per cent of the public sector respondents and 59.5 per cent of the private sector respondents are at a moderate level.

For the total customer satisfaction construct is concerned, major respondents in public sector (48.2%) and in the private sector (58.3 %) are at a moderate level. From the table 5.10, it is clear that in the public sector, the variables like timeliness and intermediary services are at a moderate level and all others are at low level. But in the private sector, the factor, responsiveness is at a high level, the factors like timeliness, competence and intermediary services are at a moderate level and technology and tangibles are at low level of satisfaction.

### 5.1.4 Sector-wise Comparison of Factors of Customer Satisfaction

The public and private sector claimants may have a difference of opinion regarding the customer satisfaction.

*H0: There is no significant difference between public and private sector claimants with regard to the perception towards the factors of customer satisfaction.*

The Independent sample t test was used for testing the hypothesis. The result is shown in table 5.11.

**Table 5.11**  
**Sector-wise Comparison of Dimensions of Customer Satisfaction**

Dimensions	Sector	N	Mean	SD	t value	p value	Remarks
Tangibles	Public	448	13.60	2.34	-3.259	.002**	Significant
	Private	84	14.71	2.96			
Timeliness	Public	448	8.04	1.16	-0.123	.902	Insignificant
	Private	84	8.06	1.205			
Competence	Public	448	6.36	1.20	-11.207	.000**	Significant
	Private	84	7.97	1.23			
Responsiveness	Public	448	6.41	1.15	-6.952	.000**	Significant
	Private	84	7.37	1.16			
Technology	Public	448	7.47	1.67	0.506	.613	Insignificant
	Private	84	7.37	1.55			
Intermediary services	Public	448	38.43	7.36	-0.452	.652	Insignificant
	Private	84	38.82	7.05			
Customer Satisfaction	Public	448	80.32	8.31	-4.790	.000**	Significant
	Private	84	84.31	6.72			

Source: Survey Data

\*\* Significant at 1% level

The table 5.11 makes clear that among the dimensions of customer satisfaction, the variables like timeliness, technology and intermediary services has no significant difference between public and private sector. This is because the p value is more than 0.05. Hence the null hypothesis is accepted.

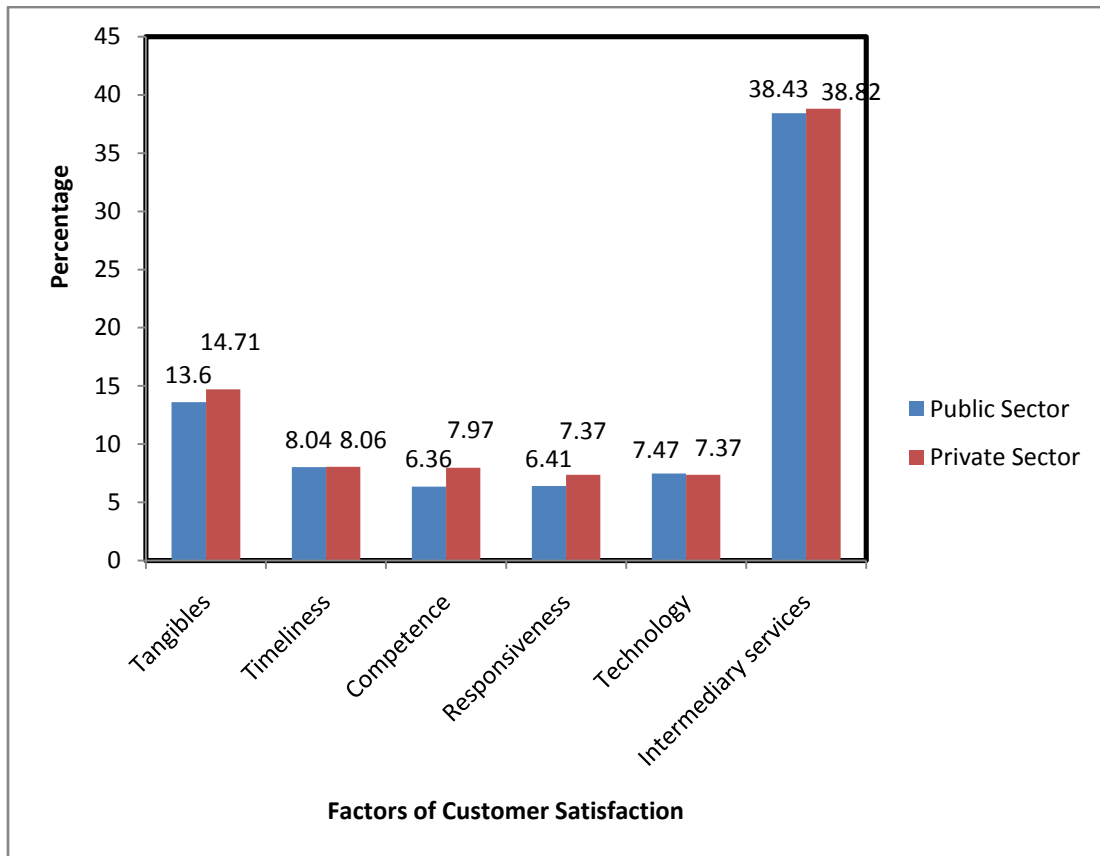
In case of tangible element of customer satisfaction, there is difference between public and private sector, as the p value (0.002) is less than 0.01, so rejected the null hypothesis at the 1% level of significance. The mean perception of the private sector is 14.71 with the standard deviation 2.96 and the mean perception score of the public sector is 13.60 with standard deviation 2.34. Hence, it is clear that the mean perception of the private sector is more than public in case of tangibles. From this result, it is clear that the public sector must be very much concerned in order to increase the satisfaction towards the tangible element of customer satisfaction.

Similarly, the dimension of competence is concerned, the perception of public and private sectors are different. This is because the null hypothesis is rejected at the 1% level of significance. Here also, the perception of private sector (7.97) is more than that of public sector (6.36). When taking into account the responsiveness also, there is a difference as the p value (0.000) of the hypothesis is less than 0.01. Here also, the mean perception score of the private sector is more than that of the public sector. The mean perception score of the private sector is 7.37 with a standard deviation 1.16 and that of the public sector is 6.41 with standard deviation 1.15.

Finally, the overall customer satisfaction is concerned; there is a significant difference in the perception of public and private sector claimants. Here, the mean perception score of public sector claimants is 80.32 with a standard deviation 8.31, which is lower than the mean perception of private sector claimants, i.e. 84.31 with standard deviation 8.31.

The dimensions of tangibles, competence, responsiveness and overall satisfaction, there is a significant difference of opinion between public and private sector claimants. The mean perception score of the private sector is more than that of the public sector.

The sector wise comparison of the factors of customer satisfaction is diagrammatically presented in figure 5.3.



**Fig. 5.3 Sector-wise Comparison of the Factors of Customer Satisfaction**

### 5.1.5 Switching Intention and Level of Customer Satisfaction

Generally, customer satisfaction has an important role for the switching intention of a customer. Here, the association between switching intention and the level of relationship quality is tested statistically in both the public and private sectors separately.

#### a) Public Sector

In the public sector, the association between the switching intention and the level of customer satisfaction is assessed using the following hypothesis.

*H0: There is no significant association between switching intention and level of customer satisfaction in the public sector.*

For testing the above hypothesis, the chi square test of independence was used and the result is shown in table 5.12.

**Table 5.12**

**Switching Intention and Level of Customer Satisfaction in Public Sector**

Switching Intention	Level of Customer Satisfaction			Total	Chi square value	p value
	High	Moderate	Low			
Switchers	26 (12.4%)	93 (44.3%)	91 (43.3%)	210	31.175	.000**
Non switchers	65 (27.3%)	123 (51.7%)	50 (21.0%)	238		
Total	91 (20.3%)	216 (48.2%)	141 (31.5%)	448		

*Source: Survey Data*

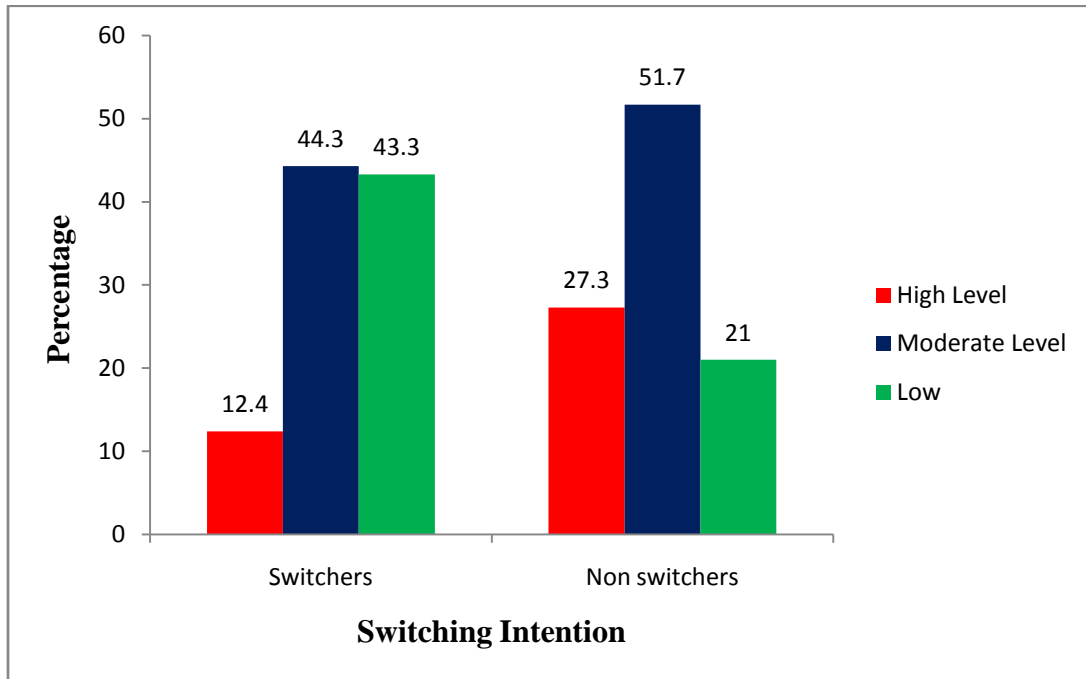
\*\* Significant at 1% level

The table 5.12 shows the chi square value as 31.175 with a significant p value (.000). Since the p value is less than 0.01 the null hypothesis is rejected at the 1% level of significance. Hence it is concluded that there is a significant association between switching intention and the level of customer satisfaction. The customers with the switching intention are 43.3 per cent at low level, 44.3 per cent at a moderate level and 12.4 per cent at a high level, whereas in case of customers who do not prefer the switching intention are only 21.0 per cent are at low level, the balance remains with the high (27.3%) and moderate (51.7%) level. Thus it proves that the proportion of the customers who preferred switching intention and not are differs. Most of the respondents with switching intention are at low level. Thus the customers having low level of customer satisfaction preferred the option of switching. At the



same time only 14.2 per cent of respondents who are at low level preferred for switching.

The proportions of the respondents in public with and without the switching intention in different levels of satisfaction are shown in the diagram 5.4.



**Fig. 5.4 Switching Intention and Level of Customer Satisfaction in Public Sector**

**a) Private Sector**

In private sector also, the association between the switching intention and the level of customer satisfaction was assessed and tested.

The hypothesis is as follows:

*H0: There is no significant association between switching intention and level of customer satisfaction in the private sector.*

The chi square test of independence was used for testing the hypothesis and the result is shown in table 5.13.

**Table 5.13**

**Switching Intention and Level of Customer Satisfaction in Private Sector**

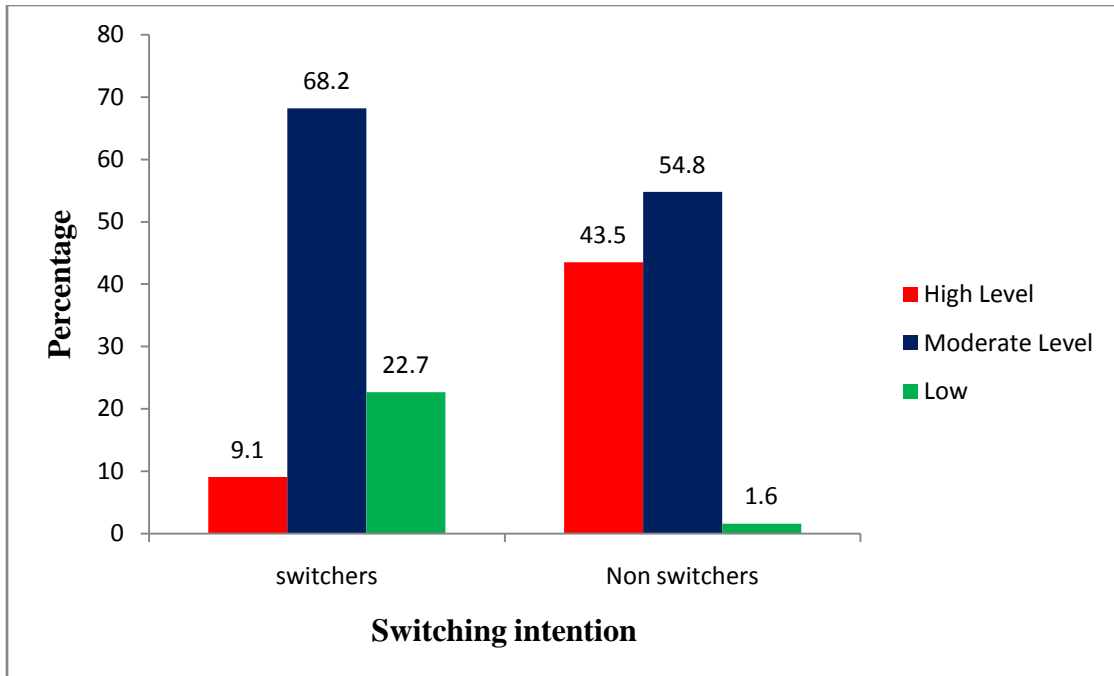
Switching Intention	Level of Customer Satisfaction			Total	Chi square value	p value
	High	Moderate	Low			
Switchers	2 (9.1%)	15 (68.2%)	5 (22.7%)	22	16.215	.000**
Non switchers	27 (43.5%)	34 (54.8%)	1 (1.6%)	62		
Total	29 (34.5%)	49 (58.3%)	6 (7.1%)	84		

*Source: Survey Data*

\*\* Significant at 1% level

Here, the chi square value is 16.215 and the p value is 0.000. Hence, the null hypothesis is rejected at the 1% level of significance and it is concluded that there is a significant association between switching intention and the level of customer satisfaction in the private sector. The table above pointed out that only 9.1 percent of respondents with switching intention belong to the category of high level of customer satisfaction; similarly 1.6 percent of customers without the switching intention belongs to low level of customer satisfaction. So, it is clear that there is a significant association between switching intention and level of customer satisfaction.

The proportions of the respondents in the private sector with and without the switching intention amongst different levels of satisfaction are shown in the diagram 5.5.



**Fig. 5.5 Switching Intention and Level of Customer Satisfaction in Private Sector**

### **5.1.6 Vehicle Ownership-wise Comparison of Factors of Customer Satisfaction**

In case of customer satisfaction, there is a need for making a comparison among the three categories of vehicle owners like two wheelers, motor car and commercial vehicle. It was done in both public and private sectors separately.

#### **a) Public Sector**

The hypothesis is as follows:

*H<sub>0</sub>: There is no significant difference in the perception towards the factors of customer satisfaction among the owners of two wheeler, motor car and commercial vehicle in the public sector.*

One way Analysis of Variance was used for testing the stated hypothesis and the result was presented in table 5.14.

**Table 5.14****Vehicle Ownership-wise Comparison of Factors of Customer Satisfaction in Public Sector**

<b>Dimensions</b>	<b>Type of vehicle</b>	<b>N</b>	<b>Mean</b>	<b>SD</b>	<b>F value</b>	<b>p value</b>	<b>Remarks</b>
Tangibles	Two Wheeler	173	13.55	2.33	2.891	.057	Insignificant
	Motor Car	209	13.44	2.27			
	Commercial Vehicle	66	14.22	2.52			
Timeliness	Two Wheeler	173	8.35	1.11	10.418	.000**	Significant
	Motor Car	209	7.84	1.15			
	Commercial Vehicle	66	7.87	1.19			
Competence	Two Wheeler	173	6.35	1.16	3.791	.023*	Significant
	Motor Car	209	6.26	1.21			
	Commercial Vehicle	66	6.72	1.22			
Responsiveness	Two Wheeler	173	6.40	1.07	0.394	.674	Insignificant
	Motor Car	209	6.46	1.24			
	Commercial Vehicle	66	6.32	1.04			
Technology	Two Wheeler	173	7.55	1.64	0.787	.456	Insignificant
	Motor Car	209	7.36	1.67			
	Commercial Vehicle	66	7.59	1.76			
Intermediary services	Two Wheeler	173	38.75	7.54	5.983	.003**	Significant
	Motor Car	209	37.39	7.22			
	Commercial Vehicle	66	40.86	6.68			
Customer Satisfaction	Two Wheeler	173	80.95	8.39	9.696	.000**	Significant
	Motor Car	209	78.76	8.37			
	Commercial Vehicle	66	83.61	6.72			

Source: Survey Data

\*\* Significant at 1% level, \* Significant at 5% level.

The table 5.14 shows the differences of various dimensions of customer satisfaction among two wheelers, motor cars and commercial vehicles in public sector. The result of One way ANOVA shows that in case of Tangibles, Technology and Responsiveness, the null hypothesis is accepted at 5% level of significance. The p values for tangibles, responsiveness and technology factors are 0.057, 0.674 and 0.456 respectively.

Where as in case of timeliness (p value 0.000), competence (p value 0.023), intermediary services (p value 0.003) and overall customer satisfaction (p value 0.000), the null hypothesis is rejected. Hence, it is concluded that there is a significant difference among the three vehicle owners with regard to dimensions of timeliness, competence, intermediary services and customer satisfaction in public sector.

In order to find out the exact difference among the groups, post hoc test was done.

### **Scheffe Test for Multiple Comparisons: Customer Satisfaction in Public Sector**

The one way ANOVA result shows that there is a significant difference among the vehicle owners with regard to timeliness, competence, intermediary services and customer satisfaction in public sector. Hence, in order to explore the exact difference, Scheffe Test for multiple comparisons was done. The result is shown below.

#### **1. Timeliness Factor**

As regards the timeliness factor, the owners of two wheelers, motor car and commercial vehicles are differing, as the p value shows a value which is less than 0.01. The result of post hoc for making the pair wise comparison is shown in the table 5.15.

**Table 5.15**

**Post Hoc Test: Timeliness Factor in Public Sector**

Type of Vehicle (I)	Type of Vehicle (J)	Mean Difference (I-J)	Std. Error	p value
Two wheeler	Motor car	.51528	.11745	.000*
	Commercial vehicle	.47381	.16531	.017*
Motor car	Two wheeler	.51528	.11745	.000*
	Commercial vehicle	-.04147	.16133	.968
Commercial vehicle	Two wheeler	.47381	.16531	.017*
	Motor car	-.04147	.16133	.968

*Source: Survey Data*

\* Significant at 5% level

The table 5.15 shows that in case of timeliness factor, there is a significant difference in the perception of the owners of two wheelers and motor cars (p value is 0.000) and in between the perception of the owners of two wheeler and commercial vehicles (0.017). With the other group, i.e., in between motor car owners and commercial vehicle owners, there is no difference found, significantly.

**2. Competence Factor**

For regarding the competence factor, the owners of three categories of vehicles show significant difference. The table 5.16 shows the pairwise comparison, which was done through the post hoc test to find out the exact difference.

**Table 5.16****Post Hoc Test: Competence Factor in Public Sector**

<b>Type of Vehicle (I)</b>	<b>Type of Vehicle (J)</b>	<b>Mean Difference (I-J)</b>	<b>Std. Error</b>	<b>p value</b>
Two wheeler	Motor car	.08944	.12299	.768
	Commercial vehicle	-.37467	.17311	.097
Motor car	Two wheeler	.08944	.12299	.768
	Commercial vehicle	-.46411	.16895	.024*
Commercial vehicle	Two wheeler	-.37467	.17311	.097
	Motor car	-.46411	.16895	.024*

*Source: Survey Data*

\* Significant at 5% level

The table 5.16 demonstrates the result of Scheffe test of multiple comparisons. In this case, there is a significant difference in the perception of the owners of motor cars and commercial vehicles, as the p value is 0.024. With the other two groups, i.e., in between two wheeler owners and commercial vehicle owners and in between two wheeler owners and motor car owners, there are no significant differences.

### **3. Intermediary Services**

The perceptions of three categories of vehicle owners differ with regard to the intermediary services. The result of the Scheffe test which shows the pairwise comparison was shown in table 5.17.

**Table 5.17**

**Post Hoc Test: Intermediary Services in Public Sector**

Type of Vehicle (I)	Type of Vehicle (J)	Mean Difference (I-J)	Std. Error	p value
Two wheeler	Motor car	1.35910	.74806	.193
	Commercial vehicle	-2.11219	1.05294	.135
Motor car	Two wheeler	1.35910	.74806	.193
	Commercial vehicle	-3.47129	1.02759	.004*
Commercial vehicle	Two wheeler	-2.11219	1.05294	.135
	Motor car	-3.47129	1.02759	.004*

*Source: Survey Data*

\* Significant at 5% level

Here also, there is a significant difference in the perception of the owners of motor cars and commercial vehicles, as the p value is 0.004. With the other two groups, i.e., in between two wheeler owners and commercial vehicle owners and in between two wheeler owners and motor car owners, there are no significant differences.

**4. Customer Satisfaction**

The total customer satisfaction is concerned; the perception of different categories of vehicle owners differs. Here also, the Scheffe test was done in identifying the pairwise differences. The result was shown in table 5.18.



**Table 5.18**

**Post Hoc Test: Customer Satisfaction in Public Sector**

Type of Vehicle (I)	Type of Vehicle (J)	Mean Difference (I-J)	Std. Error	p value
Two wheeler	Motor car	2.19877	.83885	.033*
	Commercial vehicle	-2.64652	1.18073	.082
Motor car	Two wheeler	2.19877	.83885	.033*
	Commercial vehicle	-4.84530	1.15231	.000**
Commercial vehicle	Two wheeler	-2.64652	1.18073	.082
	Motor car	-4.84530	1.15231	.000**

Source: Survey Data

\* Significant at 5% level

The result of Scheffe test shows that there is significant difference found in the pairs of two wheeler owners and motor car owners ( $p=.033$ ) and motor car owners and commercial vehicle owners ( $p=.000$ ).

**b) Private Sector**

In private sector, the vehicle owner wise comparison is made with regard to the customer satisfaction. The hypothesis is as follows:

*H0: There is no significant difference in the perception towards the factors of customer satisfaction among the owners of two wheeler, motor car and commercial vehicle in the private sector.*

**Table 5.19****Vehicle Ownership-wise Comparison of Factors of Customer Satisfaction in Private Sector**

<b>Dimensions</b>	<b>Type of vehicle</b>	<b>N</b>	<b>Mean</b>	<b>SD</b>	<b>F value</b>	<b>p value</b>	<b>Remarks</b>
Tangibles	Two Wheeler	10	14.00	3.39	0.435	.649	Insignificant
	Motor Car	64	14.87	2.95			
	Commercial Vehicle	10	14.40	2.75			
Timeliness	Two Wheeler	10	8.10	1.10	0.258	.773	Insignificant
	Motor Car	64	8.09	1.24			
	Commercial Vehicle	10	7.80	1.135			
Competence	Two Wheeler	10	7.90	0.737	0.069	.933	Insignificant
	Motor Car	64	7.96	1.31			
	Commercial Vehicle	10	8.100	1.19			
Responsiveness	Two Wheeler	10	1.03	0.326	1.653	.198	Insignificant
	Motor Car	64	1.19	0.149			
	Commercial Vehicle	10	0.918	0.291			
Technology	Two Wheeler	10	7.40	1.65	0.962	.387	Insignificant
	Motor Car	64	7.26	1.53			
	Commercial Vehicle	10	8.00	1.63			
Intermediary services	Two Wheeler	10	42.70	7.23	1.791	.173	Insignificant
	Motor Car	64	38.20	7.03			
	Commercial Vehicle	10	38.90	6.38			
Customer Satisfaction	Two Wheeler	10	87.30	7.36	1.128	.329	Insignificant
	Motor Car	64	83.89	6.63			
	Commercial Vehicle	10	84.00	6.56			

Source: Survey Data

\* Significant at 5% level

The one way ANOVA result proves that there is no significant difference in all the dimension of customer satisfaction among the three vehicle owners. This is because, here the AONVA result shows the p value which is greater than 0.05. Hence the null hypothesis is accepted at the 5% level of significance.

### 5.1.7 Hypotheses Testing: Customer Satisfaction

To conclude, the hypothesis formulated and tested in connection with customer satisfaction by using various statistical tests are shown in the precise form in the following table:

**Table 5.20**

**Result of Hypotheses Testing: Customer Satisfaction**

Sl no		Hypotheses	Statistical Test	Result
1	A	There is no significant difference between public and private sector claimants with regard to the perception towards tangibles.	Independent sample t test	Reject H0
	B	There is no significant difference between public and private sector claimants with regard to the perception towards timeliness.	Independent sample t test	Accept H0
	C	There is no significant difference between public and private sector claimants with regard to the perception towards competence.	Independent sample t test	Reject H0
	D	There is no significant difference between public and private sector claimants with regard to the perception towards responsiveness.	Independent sample t test	Reject H0

	E	There is no significant difference between public and private sector claimants with regard to the perception towards technology.	Independent sample t test	Accept H0
	F	There is no significant difference between public and private sector claimants with regard to the perception towards intermediary services.	Independent sample t test	Accept H0
	G	There is no significant difference between public and private sector claimants with regard to the perception towards customer satisfaction.	Independent sample t test	Reject H0
2	A	There is no significant association between switching intention and level of customer satisfaction in the public sector.	Chi-square test of independence	Reject H0
	B	There is no significant association between switching intention and level of customer satisfaction in the private sector.	Chi-square test of independence	Reject H0
3	A	There is no significant difference in the perception towards the tangible factor among the owners of two wheeler, motor car and commercial vehicle in the public sector.	One way ANOVA	Accept H0
	B	There is no significant difference in the perception towards the timeliness factor among the owners of two wheeler, motor car and commercial vehicle in the public sector.	One way ANOVA	Reject H0
	C	There is no significant difference in the perception towards the competence factor among the owners of two wheeler, motor car and commercial vehicle in the public sector.	One way ANOVA	Reject H0

	d	There is no significant difference in the perception towards the responsiveness factor among the owners of two wheeler, motor car and commercial vehicle in the public sector.	One way ANOVA	Accept H0
	E	There is no significant difference in the perception towards the technology factor among the owners of two wheeler, motor car and commercial vehicle in the public sector.	One way ANOVA	Accept H0
	F	There is no significant difference in the perception towards the intermediary services factor among the owners of two wheeler, motor car and commercial vehicle in the public sector.	One way ANOVA	Reject H0
	G	There is no significant difference in the perception towards the customer satisfaction among the owners of two wheeler, motor car and commercial vehicle in the public sector.	One way ANOVA	Reject H0
4	A	There is no significant difference in the perception towards the tangible factor among the owners of two wheeler, motor car and commercial vehicle in the private sector.	One way ANOVA	Accept H0
	B	There is no significant difference in the perception towards the timeliness factor among the owners of two wheeler, motor car and commercial vehicle in the private sector.	One way ANOVA	Accept H0

C	There is no significant difference in the perception towards the competence factor among the owners of two wheeler, motor car and commercial vehicle in the private sector.	One way ANOVA	Accept H0
D	There is no significant difference in the perception towards the responsiveness factor among the owners of two wheeler, motor car and commercial vehicle in the private sector.	One way ANOVA	Accept H0
e	There is no significant difference in the perception towards the technology factor among the owners of two wheeler, motor car and commercial vehicle in the private sector.	One way ANOVA	Accept H0
F	There is no significant difference in the perception towards the intermediary services factor among the owners of two wheeler, motor car and commercial vehicle in the private sector.	One way ANOVA	Accept H0
G	There is no significant difference in the perception towards the customer satisfaction among the owners of two wheeler, motor car and commercial vehicle in the private sector.	One way ANOVA	Accept H0

The hypotheses testing in case of customer satisfaction shown that the dimensions of customer satisfaction like tangibles, responsiveness and competence differ from sector to sector. But for the other dimensions like, timeliness, technology and intermediary services, there is no such difference between public and private sector. For the customer satisfaction construct is concerned, there is difference between public and private sector.

The switching intention and the level of customer satisfaction have a significant association in both public and private sectors. Thus it proves that the persons having a high or moderate level of satisfaction don't wish to switch from their present company.

The hypothesis testing with regards to vehicle wise comparison in the public sector, factors such as timeliness, competence and intermediary services and the whole customer satisfaction is concerned; there is a significant difference among the vehicle owners of two wheelers, motor cars and commercial vehicles. But the factors of customer satisfaction like tangibles, technology and responsiveness have no difference among the vehicle owners. In case of the private sector, there is no significant difference among the three categories of vehicle owners with regard to whole dimensions of customer satisfaction. In case of switching intention, it has a significant association with customer satisfaction in both the public and private sectors.

## **Section B**

### **5.2 Customer Loyalty**

Today, a world of competition, there is an important role of building customer relationship and thereby creates loyalty among the customers. It is a very difficult task to make a customer loyal, as there is no guarantee that a customer may switch from one company to another one due to many of the reasons. In the present research work, there is an attempt made to analyse the dimensions of customer loyalty.

From the review of literature the researcher identified two dimensions of customer loyalty, such as

1. Behavioral Loyalty
2. Attitudinal Loyalty

### 5.2.1 Analysis of Dimensions of Customer Loyalty

Customer loyalty is a psychological attitude or feeling, which influence the customer to continue with the current service provider. There are number of factors which retain a customer in one company itself. A number of studies are done in the area of customer loyalty, and many researchers find out many dimensions of loyalty. The researcher identified 10 statements relating to customer loyalty through the literature and it is pre tested in the insurance context. Exploratory Factor Analysis was done to explore the validity and reliability of the customer loyalty scale and it is reconfirmed using Confirmatory Factor Analysis. The results are as follows:

#### a) Exploratory Factor Analysis: Customer Loyalty

The Exploratory factor analysis was performed using SPSS 17.0 software and the results are shown in table 5.21.

**Table 5.21**

#### **KMO and Bartlett's Test: Customer Loyalty**

<b>KMO and Bartlett's Test</b>		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.876
Bartlett's Test of Sphericity	Approx. Chi-Square	3168.803
	Df	45
	Sig.	.000

*Source: Survey Data*

The table 5.21 demonstrates the result of KMO and Bartlett's Test of Sphericity. In the present context of customer loyalty, the Kaiser-Meyer-Olkin (KMO) measure was 0.876. According to Kaiser (1974), this adequacy level is described as 'Meritorious level'. So, it assured the interconnectivity of the variables. Likewise, Bartlett's test of sphericity shows a significant p value, i.e. 0.000 with the test value of 3168.803. Hence, the hypothesis test result shows that there exists



correlation among the variables of Customer Loyalty. Therefore, these variables are appropriate for factor analysis. Hence it was interpreted that there exists a correlation in the data set among the variables of customer loyalty and it was appropriate for factor analysis. In view of that the Principal Component Analysis was conducted and two components are identified with Eigen value greater than 1. The result of principal component analysis was shown in table 5.22.

**Table 5.22**

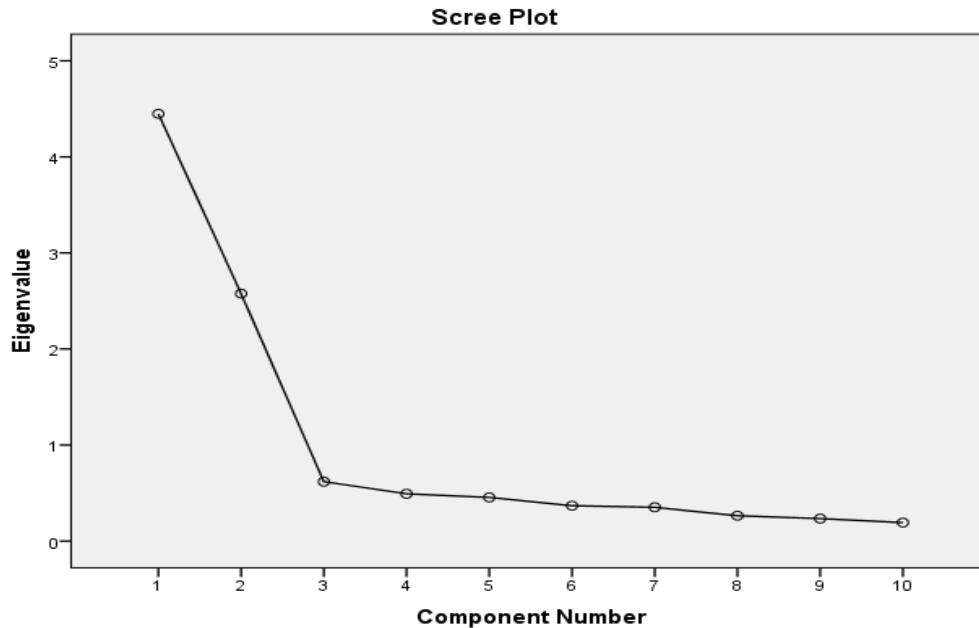
**Total Variance Explained by Variables of Customer Loyalty**

Components	Initial Eigen Values		
	Eigen Value	% of Variance	Cumulative %
1	4.448	44.479	44.479
2	2.576	25.761	70.241

*Source: Survey Data*

In the table 5.22, the total variance explained by the two components of customer loyalty is depicted. The result shows that, altogether the two components explained 70.241 per cent of the total variance. The first factor, which explains 44.48 per cent with Eigen value 4.448 and the second factor, explains 25.76 per cent with the Eigen value 2.576. Thus, in the perspective of motor insurance, the researcher identified two dimensions of customer loyalty.

In order to confirm it, a scree plot was also drawn. The result of it is shown in diagram 5.6.



**Fig. 5.6 Scree Test-Customer Loyalty**

The scree plot confirms that there are two components of customer loyalty. That is after these two factors, the curve become approximately a straight line. So the present study found out two factors of customer loyalty.

The table 5.23 explains the details of each factor with component loadings.

**Table 5.23**

**Component Loadings of Customer Loyalty**

<b>Variable No</b>	<b>Indicators</b>	<b>1</b>	<b>2</b>
CL1	Renew the policy in this insurance company itself		0.799
CL2	Approach only this insurance company whenever there is a need for new policy		0.808
CL3	There is no chance of switching into another insurance company		0.835
CL4	Approach exclusively this insurance company regarding any other insurance related matter		0.760

CL5	This insurance company is the first choice among the same type of companies	0.811	
CL6	Ready to tolerate the premium amount of the policy	0.796	
CL7	Believe this company as the favorite insurance company	0.886	
CL8	Say positive things about the services offered by the insurance company	0.894	
CL9	Recommend this insurance company to other people	0.884	
CL10	Wish to make word of mouth recommendation about this insurance company	0.880	

*Source: Survey Data*

The result of Principal Component Analysis shows that there are two factors extracted. The first factor extracted 44.479 percentages of total variances. It consists of the six variables namely, ‘First choice among the same type of companies’, ‘Ready to tolerate the premium amount of the policy’, ‘Believe this company as the favorite insurance company’, ‘Say positive things about the services offered by the insurance company’, ‘Recommend this insurance company to other people’ and ‘Wish to make word of mouth recommendation about this insurance company’. These variables have a common feature of attitude. Hence these variables are included in a common factor or component called ‘**Attitudinal Loyalty**’. Attitudinal loyalty is one of the important classifications of customer loyalty. Attitudinal Loyalty presents the loyalty as a state of mind. It means that the customer is ready to buy a particular product or service even if the price or cost of it increased.

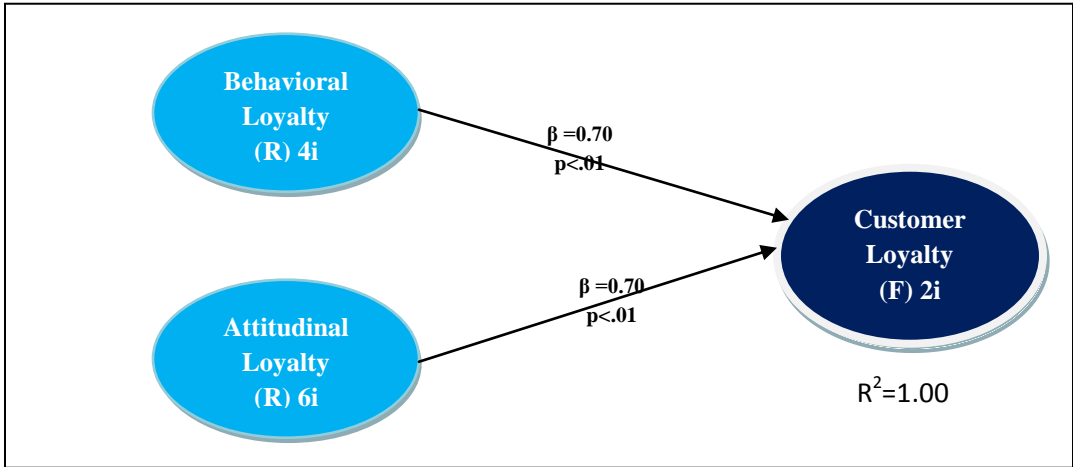
The second factor is extracted at 25.761 per cent of total variances. It have the Eigen value 2.567. It comprises of four variables like, ‘Renew the policy in this insurance company itself’, ‘Approach only this insurance company whenever there is a need for new policy’, ‘There is no chance of switching into another insurance company’ and ‘Approach exclusively this insurance company regarding any other insurance related matter’. These variables are commonly named as ‘**Behavioral**

**loyalty'**. The behavioral dimension simply takes into account the frequency and the amount of purchase made by the customer.

There are two factors are identified, viz. attitudinal loyalty and behavioural loyalty. They are named as the dimensions of customer loyalty in this work.

**b) Confirmatory Factor Analysis-Customer Loyalty**

The dimensions of customer loyalty, found out through the EFA are reconfirmed after final data collection. It is done through Confirmatory Factor Analysis (CFA) by using Warp PLS.4 software. From the CFA, the study has identified two components having appropriate p values and confirmed the customer loyalty scale. The result of CFA is shown in diagram 5.7.



**Fig. 5.7 Confirmatory Factor Analysis-Customer Loyalty**

The confirmatory factor analysis using Warp PLS produces several indices of fit like Average Path Coefficient, Average R-Squared (ARS) and Average Adjusted

R-Squared (AARS) etc. The following are the most commonly used indices which are in the standard range.

**Table 5.24**  
**Model Fit and Quality Indices- Customer Loyalty**

<b>Model fit and quality indices</b>
Average Path Coefficient (APC)=0.701, p<0.001
Average R-Squared (ARS)=0.997, p<0.001
Average Adjusted R-Squared (AARS)=0.997, p<0.001
Average block VIF (AVIF)=1.000, acceptable if <= 5, ideally <= 3.3
Tenenhaus GoF (GoF)=0.792, small >= 0.1, medium >= 0.25, large >= 0.36
Sympson's Paradox Ratio (SPR)=1.000, acceptable if >= 0.7, ideally = 1
R-Squared Contribution Ratio (RSCR)=1.000, acceptable if >= 0.9, ideally = 1
Statistical Suppression Ratio (SSR)=1.000, acceptable if >= 0.7
Nonlinear Bivariate Causality Direction Ratio (NLBCDR)=1.000, acceptable if >= 0.7

*Source: Survey Data*

The fit of the measurement model has been validated through the Model Fit and Quality Indices achieved from the output of the Warp PLS like the ARS, AARS, AVIF, GOF, SPR, RSCR, SSR and the NLBCDR. The Average Path Coefficient is 0.701 and it is significant (p<0.001). The Average R-squared (ARS) and Average Adjusted R-squared (AARS) value are found adequate 0.997 with a significant P value. The Average Block VIF (AVIF) is found to be ideal (1.000). The value of Tenenhaus GOF is 0.792, which indicates a good fit. The Sympson's Paradox Ratio (1.000), R-Squared Contribution Ratio (1.000), Statistical Suppression Ratio (1.000) and Nonlinear Bivariate Causality Direction Ratio (1.000) are in adequate fit as their values are approaching to 1. So, the confirmatory factor analysis reconfirms that the customer loyalty scale is a standardized one with two dimensions, namely behavioural loyalty and attitudinal loyalty, which is appropriate in the present research context.

### 5.2.2 Levels of Customer Loyalty

To find out the perceptions of public and private sector claimants with regards to the concept of customer loyalty, it is divided into three levels based on quartile deviation. They are high level, moderate level and low level of perception.

**Table 5.25**

#### **Norms for the Level of Customer Loyalty**

<b>Dimensions</b>	<b>Level of Customer Loyalty</b>		
	<b>Low</b>	<b>Moderate</b>	<b>High</b>
Behavioral Loyalty	Below 16	16-24	Above 24
Attitudinal Loyalty	Below 10	10-14	Above 14
Customer Loyalty	Below 65	65-74	Above 74

*Source: Survey Data*

The frequencies and percentages in each level are identified and is shown in table 5.26.

**Table 5.26**

**Levels of Customer Loyalty and its Dimensions**

SL No	Variables	Public Sector				Private sector			
		High	Moderate	Low	Level	High	Moderate	Low	Level
1	Behavioral Loyalty	121 (27.0%)	176 (39.3%)	151 (33.7%)	Moderate	12 (14.3%)	29 (34.5%)	43 (51.2%)	Low
2	Attitudinal Loyalty	69 (15.4%)	221 (49.3%)	158 (35.3%)	Moderate	58 (69.0%)	25 (29.8%)	1 (1.2%)	High
Customer Loyalty		80 (17.9%)	232 (51.8%)	136 (30.4%)	Moderate	27 (32.1%)	55 (65.5%)	2 (2.4%)	Moderate

*Source: Survey Data*

The table 5.26 shows the level of customer loyalty in total and the level of its dimensions, namely, behavioral loyalty and attitudinal loyalty. From the table it is clear that most of the public sector respondents perceive the behavioral loyalty (39.3%) and attitudinal loyalty (49.3%) at moderate level. But in case of private sector, 51.2 per cent of the respondents perceived the behavioral loyalty at low level. At the same time 69.0 per cent of the respondents perceive attitudinal loyalty at high level. When total relationship quality is concerned, the levels of perceptions of most of the respondents are at moderate levels in both public and private sectors.

### **5.2.3 Sector-wise Comparison of Dimensions of Customer Loyalty**

Here in this section, it was tried to test the differences between public and private sector with regard to the dimensions of customer loyalty.

The hypothesis is as follows:

*H<sub>0</sub>: There is no significant difference between public and private sector claimants with regard to the perception towards the dimensions of customer loyalty.*

The independent sample t test was used for testing the hypothesis. The result is shown in table 5.27.



**Table 5.27**

**Sector-wise Comparison of Dimensions of Customer Loyalty**

<b>Dimensions</b>	<b>Sector</b>	<b>N</b>	<b>Mean</b>	<b>SD</b>	<b>t value</b>	<b>p value</b>	<b>Remarks</b>
Behavioral Loyalty	Public	448	15.54	2.62	2.656	.009**	Significant
	Private	84	14.88	1.99			
Attitudinal Loyalty	Public	448	15.66	3.82	-13.878	.000**	Significant
	Private	84	19.81	16.32			
Customer Loyalty	Public	448	31.21	4.72	-8.489	.000**	Significant
	Private	84	34.69	3.15			

*Source: Survey Data*

\*\* Significant at 1% level

The table 5.27 shows that there is significant difference in the perception of public and private sector respondents in case of customer loyalty and its two dimensions. Firstly, behavioral loyalty is concerned; the null hypothesis is rejected at 1 % level of significance. Here, the mean perception score of public sector is more than that of private sector. That is the mean perception score of public and private sector claimants are 15.54 (SD=2.62) and 14.88 (SD=1.99) respectively.

In case of attitudinal loyalty, the mean perception score of public sector respondents is 15.66 with the standard deviation 3.82. And the private sector respondent's perception score is 19.81 with the standard deviation 16.32. Hence, it is clear that the mean perception of private sector claimants more than that of public sector.

The total customer loyalty is concerned; the perception score of private sector is more than that of public sector. The mean perceptions of public and private sector respondents are 31.21 (SD=4.72) and 34.69 (SD=3.15) respectively.

The sector wise comparison of the dimensions of customer loyalty is diagrammatically presented in diagram 5.8.



**Fig. 5.8 Sector-wise Comparison of Dimensions of Customer Loyalty**

#### **5.2.4 Switching Intention and Level of Customer Loyalty**

The association between switching intention and level of customer loyalty is ascertained and it is shown separately in the following:

##### **a) Public Sector**

The hypothesis used for analysing the association between the switching intention and the level of customer loyalty is as follows:

*Ho: There is no significant association between switching intention and level of customer loyalty in public sector.*

For testing the hypothesis, the chi square test of independence was used and the result is shown in table 5.28.

**Table 5.28**

**Switching Intention and Level of Customer Loyalty in Public Sector**

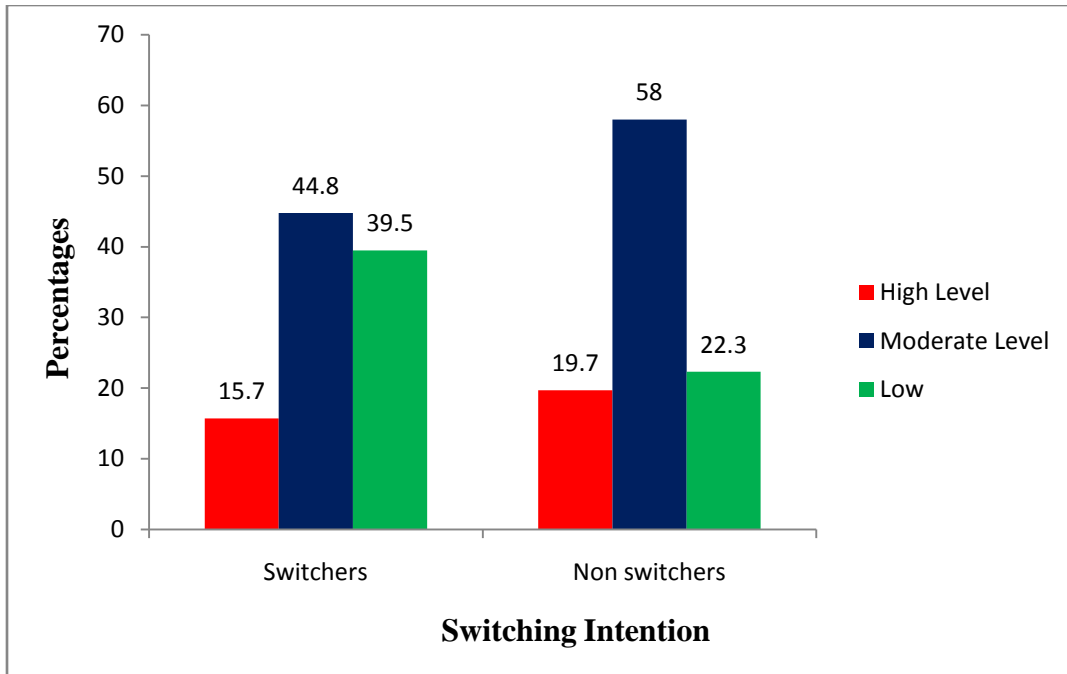
Switching Intention	Level of Customer Loyalty			Total	Chi square value	p value
	High	Moderate	Low			
Switchers	33 (15.7%)	94 (44.8%)	83 (39.5%)	210	15.724	.000**
Non switchers	47 (19.7%)	138 (58.0%)	53 (22.3%)	238		
Total	80 (17.9%)	232 (51.8%)	136 (30.4%)	448		

*Source: Survey Data*

\*\* Significant at 1% level

The table 5.28 makes it clear the association between switching intention and customer loyalty. Here, the null hypothesis is rejected at 1% level of significance. The chi square value is 15.724 with a significant p value (0.000). There are 39.5 per cent of the respondents who are having low level of loyalty, wish to switch in future. Likewise, there are only 22.3 per cent of respondents at low level of loyalty who haven't wished to switch. This proves the association between switching intention and customer loyalty.

The proportion of respondents with and without the switching intention in different levels of customer loyalty is diagrammatically presented in the figure 5.9.



**Fig. 5.9** Switching Intention and Level of Customer loyalty in Public Sector

**b) Private Sector**

The hypothesis used for analysing the association between the switching intention and the level of customer loyalty in private sector is as follows:

*Ho: There is no significant association between switching intention and level of customer loyalty in the private sector.*

For testing the above hypothesis, the chi square test of independence was used. The result is shown in table 5.29.

**Table 5.29**

**Switching Intention and Level of Customer Loyalty in Private Sector**

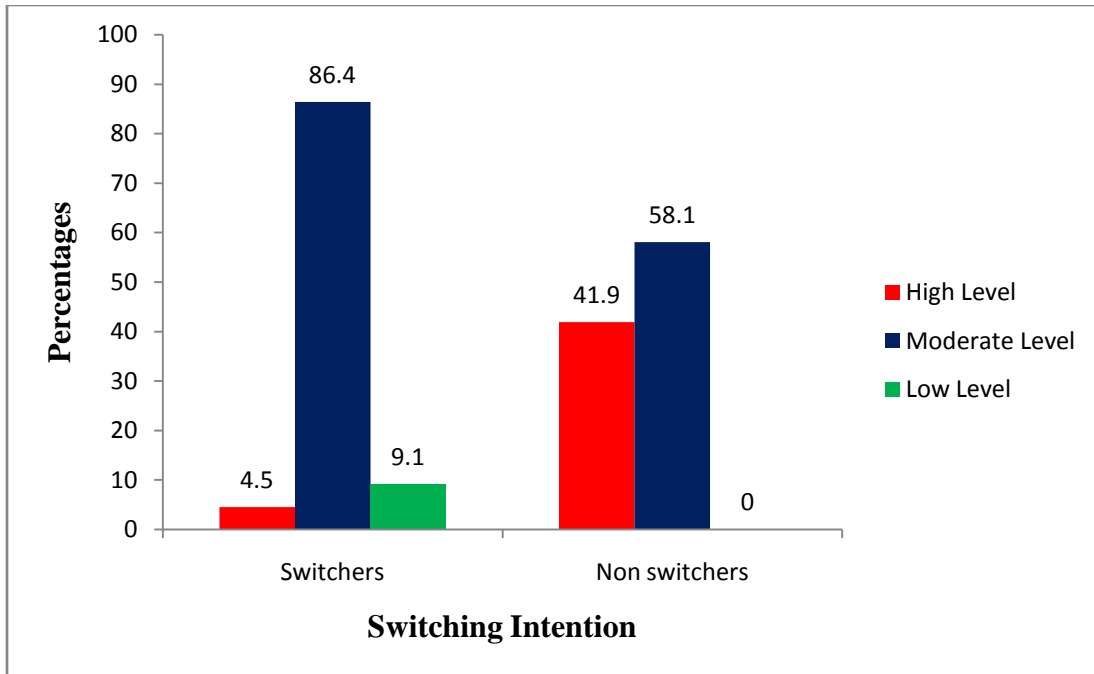
Switching Intention	Level of Customer Loyalty			Total	Chi square value	p value
	High	Moderate	Low			
Switchers	1 (4.5%)	19 (86.4%)	2 (9.1%)	22	14.685	.001**
Non switchers	26 (41.9%)	36 (58.1%)	0	62		
Total	27 (32.1%)	55 (65.5%)	2 (2.4%)	84		

*Source: Survey Data*

\*\* Significant at 1% level

Here, the chi square value is 14.685 and the p value is 0.001. Therefore, it is concluded that there is significant association between switching intention and customer loyalty. Out of 22 customers who are wishing to switch from the private sector, only one customer has high level of loyalty. Others have moderate and low level of loyalty. At the same time, none of the respondents, who are not wishing to switch from their present company, have low level of loyalty. This proves the significant association between switching intention and level of customer loyalty.

This association is diagrammatically depicted in diagram 5.10.



**Fig. 5.10 Switching Intention and Level of Customer Loyalty in Private Sector**

### **5.2.5 Vehicle Ownership-wise Comparison of Dimensions of Customer Loyalty**

In this section, the vehicle ownership wise comparison of dimensions of customer loyalty was done. It was done separately for both public and private sectors.

#### **a) Public Sector**

In public sector, for comparing the claim settlement effectiveness among the vehicle owners, the following hypothesis is applied.

*H<sub>0</sub>: There is no significant difference in the perception towards the dimensions of customer loyalty among the owners of two wheeler, motor car and commercial vehicle in public sector*

One way Analysis of Variance was used for testing the stated hypothesis and the result was presented in table 5.30.

**Table 5.30****Vehicle Ownership-wise Comparison of Dimensions of Customer Loyalty in Public Sector**

<b>Dimensions</b>	<b>Type of vehicle</b>	<b>N</b>	<b>Mean</b>	<b>SD</b>	<b>F value</b>	<b>p value</b>	<b>Remarks</b>
Behavioral Loyalty	Two Wheeler	173	16.22	2.53	10.102	.000**	Significant
	Motor Car	209	15.04	2.64			
	Commercial Vehicle	66	15.35	2.40			
Attitudinal Loyalty	Two Wheeler	173	15.51	3.89	1.003	.368	Insignificant
	Motor Car	209	15.59	3.64			
	Commercial Vehicle	66	16.27	4.13			
Customer Loyalty	Two Wheeler	173	31.73	4.56	2.836	.060	Insignificant
	Motor Car	209	30.64	4.69			
	Commercial Vehicle	66	31.62	5.03			

*Source: Survey Data*

\*\* Significant at 1% level

The table 5.30 shows the differences among the vehicle owners with regard to the dimensions of customer loyalty in public sector. The One way ANOVA result shows that in case of attitudinal loyalty and customer loyalty, the p value is not significant. Hence the null hypothesis is accepted. Accordingly, there is no significant

difference among the vehicle owners of two wheelers, motor cars and commercial vehicles with regards to attitudinal loyalty and customer loyalty.

The behavioural loyalty is concerned; there is significant difference of opinion, as the p value is less than 0.01. Therefore, the null hypothesis is rejected. In order to find out the exact difference, the Scheffe test was done. The result of post hoc test was shown below:

### **Scheffe Test for Multiple Comparisons: Behavioral Loyalty in Public Sector**

The Scheffe test of multiple comparisons was done to find out the exact difference among the three categories of vehicle owners regarding behavioral loyalty. The result is shown below:

**Table 5.31**

#### **Post Hoc Test: Behavioural Loyalty in Public Sector**

<b>Type of Vehicle (I)</b>	<b>Type of Vehicle (J)</b>	<b>Mean Difference (I-J)</b>	<b>Std. Error</b>	<b>p value</b>
Two wheeler	Motor car	.51528	.11745	.000**
	Commercial vehicle	.47381	.16531	.017*
Motor car	Two Wheeler	.51528	.11745	.000**
	Commercial vehicle	-.04147	.16133	.968
Commercial vehicle	Two wheeler	.47381	.16531	.017*
	Motor car	-.04147	.16133	.968

*Source: Survey Data*

\*\* Significant @1% level, \* Significant at 5% level

The Scheffe test depicted in the table 5.31 reveals that in case of behavioural loyalty, there is a significant difference of perception between the owners of two wheelers and motor cars (p =0.000) and two wheelers and commercial vehicles



( $p=0.017$ ) . In the first case, it is rejected at 5 % level of significance and in the second case, 1% level of significance. In between owners of motor car and commercial vehicle, there is no significant difference found.

**b) Private sector**

The vehicle owner wise comparison was also done in case of private sector with regards to customer loyalty. Here the null hypothesis is as follows:

*H<sub>0</sub>: There is no significant difference in the perception towards the dimensions of customer loyalty among the owners of two wheeler, motor car and commercial vehicle in the private sector.*

The result is shown in the table 5.32.

**Table 5.32**

**Vehicle Ownership-wise Comparison of Dimensions of Customer Loyalty in Private Sector**

Dimensions	Type of vehicle	N	Mean	SD	F value	p value	Remarks
Behavioral Loyalty	Two Wheeler	10	14.40	2.01	0.329	.721	Insignificant
	Motor Car	64	14.95	1.98			
	Commercial Vehicle	10	14.90	2.18			
Attitudinal Loyalty	Two Wheeler	10	19.80	1.32	2.900	.061	Insignificant
	Motor Car	64	20.04	2.30			
	Commercial Vehicle	10	18.30	1.42			
Customer Loyalty	Two Wheeler	10	34.20	2.78	1.56	.215	Insignificant
	Motor Car	64	35.00	3.22			
	Commercial Vehicle	10	33.20	2.86			

Source: Survey Data

The one way Analysis of Variance result shows that in case of private sector, with regard to behavioral loyalty, attitudinal loyalty and customer loyalty , there is no significant difference This is because, here the ANOVA result shows the p value which is greater than 0.05. Hence the null hypothesis is accepted at 5% level of significance.

### 5.2.6 Hypotheses Testing: Customer Loyalty

To bring to an end, the hypotheses formulated and tested with customer loyalty are shown in a short form in the table 5.33.

**Table 5.33**

**Result of Hypotheses Testing –Customer Loyalty**

SI No		Hypotheses	Statistical Test	Result
1	A	There is no significant difference between public and private sector claimants with regard to the perception towards behavioural loyalty.	Independent sample t test	Reject H0
	B	There is no significant difference between public and private sector claimants with regard to the perception towards attitudinal loyalty.	Independent sample t test	Reject H0
	c	There is no significant difference between public and private sector claimants with regard to the perception towards customer loyalty.	Independent sample t test	Reject H0

2	A	There is no significant association between switching intention and level of customer loyalty in the public sector.	Chi-square test of independence	Reject H0
	B	There is no significant association between switching intention and level of customer loyalty in the private sector.	Chi-square test of independence	Reject H0
3	A	There is no significant difference in the perception towards the behavioural loyalty among the owners of two wheeler, motor car and commercial vehicle in the public sector.	One way ANOVA	Reject H0
	B	There is no significant difference in the perception towards the attitudinal loyalty among the owners of two wheeler, motor car and commercial vehicle in the public sector.	One way ANOVA	Accept H0
	C	There is no significant difference in the perception towards the customer loyalty among the owners of two wheeler, motor car and commercial vehicle in the public sector.	One way ANOVA	Accept H0
4	A	There is no significant difference in the perception towards the behavioural loyalty among the owners of two wheeler, motor car and commercial vehicle in the private sector.	One way ANOVA	Accept H0
	B	There is no significant difference in the perception towards the attitudinal loyalty among the owners of two wheeler, motor car and commercial vehicle in the private sector.	One way ANOVA	Accept H0
	C	There is no significant difference in the perception towards the customer loyalty among the owners of two wheeler, motor car and commercial vehicle in the private sector.	One way ANOVA	Accept H0

The table 5.33 shows a summary of the hypothesis testing of customer loyalty construct. The table reveals that in case of sector wise comparison, there is difference between public and private sectors with regard to behavioral loyalty, attitudinal loyalty and customer loyalty.

With regards to the vehicle wise comparison of public sector claimants, there is difference of perception of behavioral loyalty among vehicle owners. But in case of attitudinal loyalty and customer loyalty, there is no significant difference among vehicle owners. Private sector claimant' perception shows that there is no significant difference among three categories of vehicle owners about behavioral loyalty, attitudinal loyalty and customer loyalty. Similarly, the switching intention has a significant association with the loyalty.

Thus the analysis of the level of satisfaction and loyalty of the claimants of the general insurance industry is discussed in the present chapter. The work will not be a full-fledged one unless an attempt has been made to evaluate the effectiveness of claim settlement of the customers and the influence of relationship quality and customer satisfaction on customer loyalty. That has been attempted in the next chapter.

## **Chapter 6**

# **Claim Settlement and Research Model Analysis**

In the previous chapters, a detailed analysis of relationship quality, customer satisfaction and customer loyalty has been attempted. However the work will not be a complete one without the analysis on the effectiveness of settlement of claims of the customers. It is also relevant to examine the influence of relationship quality and customer satisfaction towards customer loyalty in the motor insurance sector. Therefore the present chapter attempts to fulfill this.

In order to accomplish the objective of measuring the effectiveness of claim settlement, sector wise, and vehicle wise comparison have been attempted based on the selected variables. Along with that the association between switching intention and claim settlement effectiveness was also performed. The statistical tools like Mean, Standard deviation, One sample t test, Independent sample t test, One way ANOVA and Factor analysis has been used for analysis purposes.

The chapter also introduces a research model, in which the effectiveness of claim settlement is put as a mediating variable. Structural Equation Modeling has been used for the fixing the research model. SPSS 17.0 and Warp PLS 4 software are used for the analysis.

For the purpose of discussion, the chapter is divided into two sections. Section A deals with the effectiveness of claim settlement and that of section B is concerned with the research model analysis.

## **Section A**

### **6.1 Claim Settlement**

One of the important activities of any insurance company is claim settlement. In reality, the payment of claims may be regarded as the primary service of insurance company to the public. It is the purpose for which the insurance contract entered into. The proper settlement of claims requires a sound knowledge of law, principles and practices prevailing in insurance contracts and in particular a thorough knowledge of terms and conditions of the standard policies and various addition and modifications thereunder. For measuring the effectiveness of claim settlement in the motor insurance industry, there is no benchmark in Indian general insurance industry. Hence, the researcher here studied the perceived effectiveness of claim settlement.

#### **6.1.1 Types of Claim Settlement**

Generally, there are two types of claim settlement, cash settlement and cashless settlement. Cash settlement means, the claimant is indemnified by paying the loss in cash. Cashless settlement or repairs means the claimant is indemnified by repairing the vehicles and take into the original condition earlier.

The table 6.1 shows the type of claim settlement of claimants of public and private sector insurance companies.

**Table 6.1**  
**Types of Claim Settlement**

Type of Settlement	Public Sector		Private Sector		Total	
	No. of Customers	Per cent	No. of Customers	Per cent	No. of Customers	Per cent
Cash settlement	237	52.9	51	60.7	288	54.1
Cash less settlement	211	47.1	33	39.3	244	45.9
Total	448	100	84	100	532	100

*Source: Survey Data*

The table 6.1 depicted the claimants' responses regarding the type of claim settlement. It is clear from the table that, among the respondents, 54.1 per cent of respondents practiced cash settlement and 45.9 percentages of respondents experienced cashless settlement. In the public sector, 52.9 per cent of respondents have experienced cash settlement and it is 47.1 per cent who experienced cashless settlement. In case of private sector also, majority (60.7%) of the respondents was made cash settlement and only 39.3 per cent of the customers preferred cashless settlement.

### 6.1.2 Experience of Problems in Claim Settlement

The respondents are asked whether they faced any problems in connection with claim settlement. The table 6.2 portrays the result.

**Table 6.2**  
**Experience of Problems in Claim Settlement**

Experience of problems	Public Sector		Private Sector		Total	
	No. of Customers	Per cent	No. of Customers	Per cent	No. of Customers	Per cent
Yes	34	7.6	8	9.5	42	7.9
No	414	92.4	76	90.5	490	92.1
Total	448	100	84	100	532	100

*Source: Survey Data*

The table 6.2 shows that only 7.9 per cent of respondents faced the problems in connection with claim settlement. In public and private sector the percentage of problem faced respondents are 7.6 per cent and 9.5 per cent respectively.

### 6.1.3 Nature of Problems in Claim Settlement

In the study it is found that certain respondents have faced some kind of problems in claim settlement. The table 6.3 shows the nature of problems faced by the claimants of public and private sector insurance companies in Kerala.

**Table 6.3**  
**Nature of Problems in Claim Settlement**

Problems	Public Sector		Private Sector	
	No. of Customers	Per cent	No. of Customers	Per cent
Delay in getting the amount	4	11.8	-	-
Absence of full coverage	5	14.6	2	25.0
Lengthy procedures	9	26.6	2	25.0
Delay in claim survey	7	20.6	-	-
Delay in appointing surveyors	8	23.5	-	-
Less transparency	1	2.9	4	50.0
Total	34	100	8	100

*Source: Survey Data*

It is very clear from the table 6.3 that most of the respondents (26.2%) have faced the problem of lengthy procedures at the time of settlement. In public and private sector also, this was the main problem. Another important problem was delay in appointing surveyors (23.5%) followed by delay in claim survey (20.6%), absence of full coverage (14.6%), delay in getting the amount (11.8 %) and less transparency (4.8%). The private sector respondents never faced the problem of absence of full coverage. The main problem faced by the private sector customers are less



transparency (50%) followed by absence of full coverage (25%) and lengthy procedures (25%).

#### **6.1.4 Effectiveness of Claim Settlement: Variables**

For measuring the claim settlement effectiveness, there is no benchmark or standard. Therefore, the researcher finds out the variables for measuring it through literatures and through discussion with the managers of general insurance companies, agents, surveyors, etc.

The following are the variables used for measuring the effectiveness of claim settlement.

1. Less procedural formalities
2. Clear indication regarding the procedures
3. Up to date information on each stage of claim settlement
4. Transparency in the claim settlement follow up
5. Timely appointment of surveyors and loss assessors
6. Approachable to any branch of the company for claim settlement
7. Timely submission of the report by surveyor
8. Satisfaction in the claim amount
9. Reasonable time in settling the claims
10. Timely responses to inquiries regarding claim status

### 6.1.5 Perception of the Claimants towards the Effectiveness of Claim Settlement in Public Sector

The perception of public sector claimants with regard to the claim settlement effectiveness is analysed using mean score, standard deviation and one sample t test. To measure whether the claim settlement is effective or not is determined based on the mean score which is compared with the test value.

#### a) One sample t test

The perception of claim settlement effectiveness of public sector claimants in Kerala is shown in the table 6.4.

**Table 6.4**  
**Perception of Claim Settlement Effectiveness: Public Sector Claimants**

Sl No	Variables	Mean	SD	T value	P value	Remarks
1	Less Procedural formalities	3.97	.759	27.012	.000**	Good
2	Clear indication regarding the procedures	3.44	.751	12.327	.000**	Good
3	Up to date information on each stage of claim settlement	3.65	.765	18.031	.000**	Good
4	Transparency in the claim settlement follow up	3.70	.839	17.635	.000**	Good
5	Timely appointment of surveyors and loss assessors	3.90	.855	22.376	.000**	Good
6	Approachable to any branch of the company for claim settlement	3.88	.833	22.467	.000**	Good

7	Timely submission of the report by the Surveyor	3.69	.878	16.582	.000**	Good
8	Satisfaction in the claim amount	3.76	.795	20.147	.000**	Good
9	Reasonable time in settling the claims	3.85	.786	22.957	.000**	Good
10	Timely responses to inquiries regarding claim status	4.21	.785	32.521	.000**	Good
<b>Total Claim Settlement Effectiveness</b>		38.0469	4.63959	36.710	.000**	Good

Source: Survey Data

\*\*Significant at 1% level

The table 6.4 shows the perception of claim settlement effectiveness of public sector claimants. It is clear from the above table that the mean score of all the variables for measuring claim settlement effectiveness are above the test value three. The one sample t test result shows that all the components show a mean value higher than the test value. And the claim settlement process is effective in case of public sector companies.

It is found that among the 10 components the most effective claim settlement activity perceived by the public sector respondents is ‘Timely response to inquiries regarding claim status’ as it has a high mean score, i.e., 4.21. Likewise the least effective component is ‘Clear indication regarding the procedures’ (Mean score=3.44).

### **b) Factor Analysis**

Factor Analysis is used for identifying most important claim settlement variable which shows a high level of perceived effectiveness. The KMO shows an adequate value, i.e. 0.883 and the Bartlett’s test of sphericity shows a significant value. The table 6.5 shows the result.

**Table 6.5**  
**Communalities- Claim Settlement Effectiveness in Public Sector**

<b>SI No</b>	<b>Components</b>	<b>Extraction</b>
1	Less procedural formalities	.230
2	Clear indication regarding the procedures	.299
3	Up to date information on each stage of claim settlement	.243
4	Transparency in the claim settlement follow up	.405
5	Timely appointment of surveyors and loss assessors	.281
6	Approachable to any branch of the company for claim settlement	.356
7	Timely submission of the report by the Surveyor	.312
8	Satisfaction in the claim amount	.444
9	Reasonable time in settling the claims	.387
10	Timely responses to inquiries regarding claim status	.388

Extraction Method: Principal Component Analysis

- a) Only One component is extracted

**Table 6.6****Total Variance Explained by Variables of Claim Settlement in Public sector**

Components	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
Satisfaction in the claim amount	3.346	33.457	33.457	3.346	33.457	33.457
Transparency in claim settlement follow up	.935	9.349	42.805			
Timely responses to inquiries regarding claim status	.888	8.883	51.688			
Reasonable time in settling the claims	.809	8.086	59.774			
Approachable to any branch of the company for claim settlement	.767	7.665	67.439			
Timely submission of the report by surveyors	.730	7.305	74.744			
Clear indication regarding the procedures	.685	6.852	81.596			
Timely appointment of surveyors and loss assessors	.636	6.356	87.953			
Up to date information on each stage of claim settlement	.621	6.211	94.163			
Less procedural formalities	.584	5.837	100.000			

*Source: Survey Data*

The table 6.5 and 6.6 shows the result of factor analysis. From the tables, it is clear that there is only one component is extracted 33.45 per cent. Thus ‘Satisfaction in the claim amount’ is the most important factor of claim settlement effectiveness in the public sector.

### 6.1.6 Perception of the Claimants towards the Effectiveness of Claim Settlement in Private Sector

In private sector, to find out whether claim settlement is effective or not, mean, standard deviation and one sample t test was used. Factor analysis was also performed to identify the most influencing factor.

#### a) One sample t test

The perception of claim settlement effectiveness of private sector claimants in Kerala is shown in the table 6.7.

**Table 6.7**

#### Perception of Claim Settlement Effectiveness: Private Sector Claimants

SI No	Variables	Mean	SD	t value	P value	Remarks
1	Less procedural formalities	4.12	.609	16.834	.000**	Good
2	Clear indication regarding the procedures	3.81	.799	9.289	.000**	Good
3	Up to date information on each stage of claim settlement	3.77	.700	10.128	.000**	Good
4	Transparency in the claim settlement follow up	3.76	.845	8.266	.000**	Good

5	Timely appointment of surveyors and loss assessors	3.94	.812	10.618	.000**	Good
6	Approachable to any branch of the company for claim settlement	3.90	.830	9.986	.000**	Good
7	Timely submission of the report by the Surveyor	3.93	.833	10.219	.000**	Good
8	Satisfaction in the claim amount	3.77	.869	8.160	.000**	Good
9	Reasonable time in settling the claims	3.94	.812	10.618	.000**	Good
10	Timely responses to inquiries regarding claim status	4.04	.857	11.082	.000**	Good
<b>Total Claim Settlement Effectiveness</b>		38.9881	5.25149	15.686	.000**	Good

*Source: Survey Data*

\*\* Significant at 1% level

The perception of claim settlement effectiveness of private sector claimants is shown in the table 6.7, which make it clear that the mean score of all the components of claim settlement effectiveness are more than test value (3). And the total claim settlement is concerned; the one sample t test result shows that the mean score is more than the test value (30). Therefore, the claim settlement mechanism is effective in case of private sector companies also.

The mean score value shows that most effective claim settlement process as perceived by the private sector respondents is ‘Less procedural formalities’ (Mean score= 4.12) and the slightest effective component is ‘Transparency in the claim settlement follow up’ (Mean score=3.76).

**d) Factor Analysis**

In order to identify the most effective component of claim settlement, factor analysis was used and the result is illustrated in the table 6.8.

**Table 6.8**  
**Communalities –Claim Settlement Effectiveness in Private Sector**

SI No	Components	Extraction
1	Less Procedural formalities	.674
2	Clear indication regarding the procedures	.446
3	Up to date information on each stage of claim settlement	.371
4	Transparency in the claim settlement follow up	.517
5	Timely appointment of surveyors and loss assessors	.536
6	Approachable to any branch of the company for claim settlement	.525
7	Timely submission of the report by the Surveyor	.664
8	Satisfaction in the claim amount	.717
9	Reasonable time in settling the claims	.730
10	Timely responses to inquiries regarding claim status	.716

Extraction Method: Principal Component Analysis

- a. Two components are extracted



**Table 6.9****Total Variance Explained by Variables of Claim Settlement in Private Sector**

Components	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
Reasonable time in settling the claims	4.680	46.797	46.797	4.680	46.797	46.797
Satisfaction in the claim amount	1.216	12.157	58.954	1.216	12.157	58.954
Timely responses to inquiries regarding claim status	.964	9.643	68.596			
Less Procedural formalities	.770	7.696	76.293			
Timely submission of the report by surveyors	.628	6.283	82.576			
Timely appointment of surveyors and loss assessors	.455	4.549	87.124			
Approachable to any branch of the company for claim settlement	.409	4.091	91.215			
Transparency in claim settlement follow up	.343	3.432	94.647			
Clear indication regarding the procedures	.295	2.947	97.594			
Up to date information on each stage of claim settlement	.241	2.406	100.000			

*Source: Survey Data*

The table 6.8 shows the communalities and component matrix and the table 6.9 shows the total variances extracted. From this it is clear that there are two components are extracted. The most important component extracted is ‘Reasonable time in settling the claims; with 46.797 per cent. The other component is ‘Satisfaction in the claim amount’ which extracted 12.157 per cent. Thus these two components are the most important factors of claim settlement effectiveness in case of private sector companies, which together formed a 58.954 percentage of extraction.

### **6.1.7 Levels of Claim Settlement Effectiveness**

In order to identify the perception of selected claimants towards the claim settlement effectiveness, the construct claim settlement is divided into three levels, High level, Moderate level and Low level based on quartile deviation.

The rule for determining the three levels is shown in the table 6.10.

**Table 6.10**

#### **Norms for the Levels of Claim Settlement Effectiveness**

<b>Level</b>	<b>Norms</b>
High	Above 42
Moderate	35- 42
Low	Below 35

The perception of public and private sector respondents in each of the three levels is shown in the table 6.11.

**Table 6.11**

**Level of Claim Settlement Effectiveness**

<b>Sector</b>	<b>Level of Effectiveness</b>			<b>Level</b>
	<b>High</b>	<b>Moderate</b>	<b>Low</b>	
<b>Public</b>	81 (18.1%)	240 (53.6%)	127 (28.3%)	Moderate
<b>Private</b>	27 (32.1%)	29 (34.5%)	28 (33.3%)	Moderate

*Source: Survey Data*

The table 6.11 makes it clear that the public and private sector respondents are at moderate levels in the effectiveness of claim settlement. In case of public and private sector, 53.6 per cent and 34.5 percent of the respondents, respectively perceived the effectiveness at moderate level.

**6.1.8 Sector-wise Comparison of the Claim Settlement Effectiveness**

Claim settlement procedures are different in public and private sector. Hence it is relevant to study the comparison of effectiveness of claim settlement in public and private sector. The hypothesis set for this is as follows:

*H<sub>0</sub>: There is no significant difference between public and private sector claimants with regard to the effectiveness of claim settlement.*

For testing the hypothesis, the statistical test namely, Independent sample t test was used. The result was shown in table 6.12.

**Table 6.12**

**Sector-wise Comparison of Claim Settlement Effectiveness**

<b>Sector</b>	<b>N</b>	<b>Mean</b>	<b>SD</b>	<b>t value</b>	<b>p value</b>	<b>Remarks</b>
Public Sector	448	38.05	4.64	-1.534	.128	Insignificant
Private sector	84	38.98	5.25			

*Source: Survey Data*

It is clear from the table 6.12 that, there is no significant difference with regards to the claim settlement effectiveness perception. The p value obtained is 0.128, which is higher than 0.05. So, the null hypothesis is rejected and it is concluded that there is no significant difference between public and private sector claimants with regards to claim settlement effectiveness.

**6.1.9 Switching intention and Effectiveness of claim settlement**

There is a need for conducting an analysis which measures the association between claim settlement effectiveness and switching intention in the motor insurance industry. The effectiveness of claim settlement is divided into three levels, high, moderate and low level based on quartile deviation. The association between these levels and switching intention was assessed separately for the public and private sector.

**a) Public sector**

In the public sector, the association between switching intention and level of claim settlement effectiveness is assessed using the following hypothesis.

*H0: There is no significant association between switching intention and level of claim settlement effectiveness in the public sector*

The result of hypothesis testing is shown in the table 6.13.

**Table 6.13**

**Switching Intention and Level of Claim Settlement Effectiveness in Public Sector**

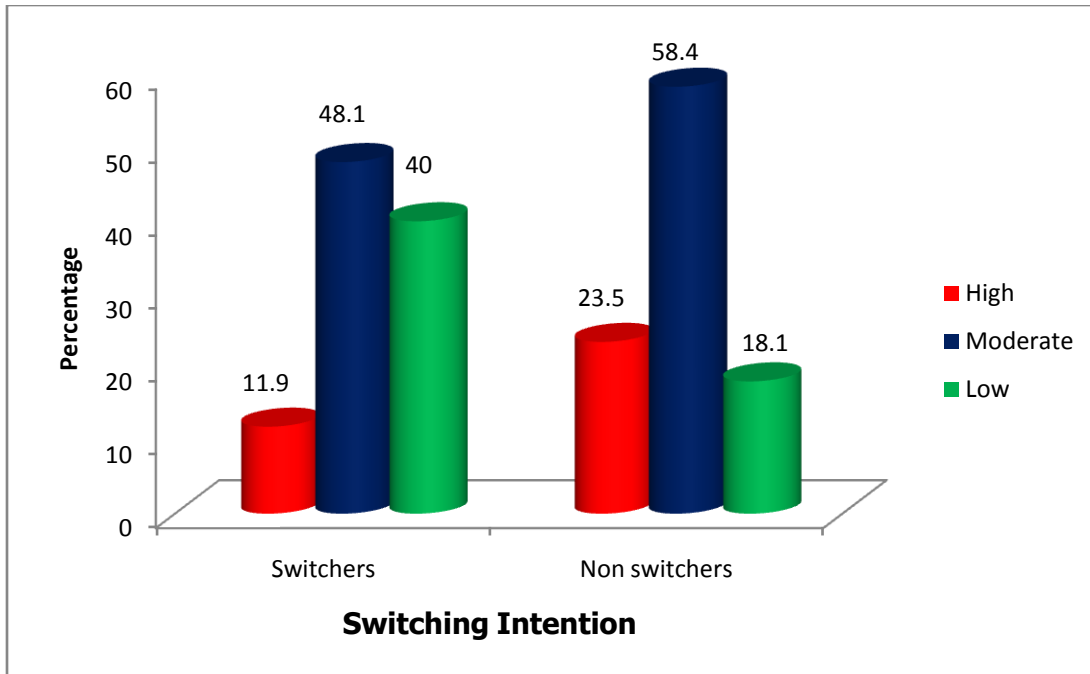
Switching Intention	Level of Claim Settlement Effectiveness			Total	Chi square value	p value
	High	Moderate	Low			
Switchers	25 (11.9%)	101 (48.1%)	84 (40.0%)	210	29.482	.000**
Non switchers	56 (23.5%)	139 (58.4%)	43 (18.1%)	238		
Total	81 (18.1%)	240 (53.6%)	127 (28.3%)	448		

Source: Survey Data

\*\* Significant at 1% level

The table makes it clear that there is significant association between switching intention and level of claim settlement effectiveness. Since the p value is less than 0.01, null hypothesis is rejected at 1% level. Here, 40.0 per cent of the respondents having the switching tendency are at low level of effectiveness, but only 18.1 per cent of the respondents who haven't the switching intention are at low level. This indicates the association between switching intention and level of claim settlement effectiveness.

The percentage of switchers and non switchers at three levels of claim settlement effectiveness in public sector is shown in the figure 6.1.



**Fig. 6.1 Switching Intention and Level of Claim Settlement Effectiveness in Public Sector**

**b) Private sector**

The association between switching intention and level of claim settlement effectiveness in private sector is tested using the following hypothesis;

*H0: There is no significant association between switching intention and level of claim settlement effectiveness in the private sector*

The result of hypothesis testing is shown in table 6.14.

**Table 6.14**

**Switching Intention and Level of Claim Settlement Effectiveness in Private Sector**

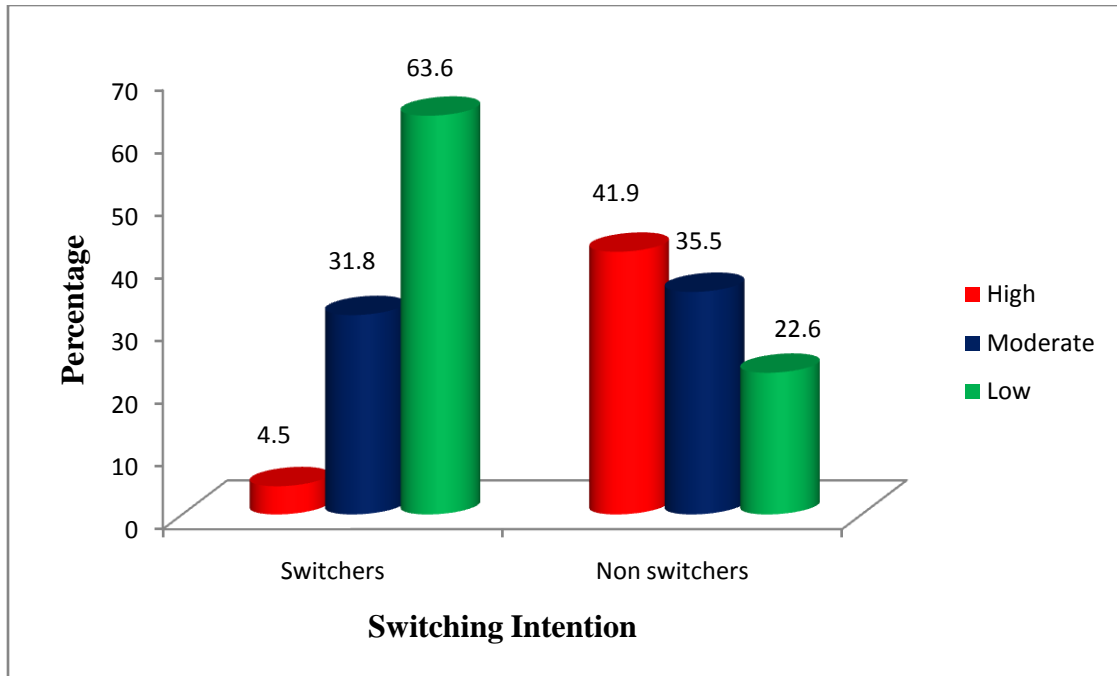
Switching Intention	Level of Claim Settlement Effectiveness			Total	Chi square value	p value
	High	Moderate	Low			
Switchers	1 (4.5%)	7 (31.8%)	14 (63.6%)	22	15.337	.000**
Non switchers	26 (41.9%)	22 (35.5%)	14 (22.6%)	62		
Total	27 (32.1%)	29 (34.5%)	28 (33.3%)	84		

*Source: Survey Data*

\*\* Significant at 1% level

Here, the null hypothesis is rejected as the p value is less than 0.01. Hence there is an association between switching intention and level of effectiveness of claim settlement. Here, 63.6 per cent of the respondents with switching intention are at a low level of effectiveness in the claim settlement. At the same time, 41.9 per cent of the respondents are wishing to stay in the company itself, who is having a high level of effectiveness. This indicates the association between switching intention and level of claim settlement effectiveness in the private sector.

The diagrammatic representation of the percentages of the switchers and non switchers in the private sector at three levels of claim settlement effectiveness is shown in the figure 6.2.



**Fig. 6.2 Switching Intention and Level of Claim Settlement Effectiveness in Private Sector**

### **6.1.10 Vehicle Ownership-wise Comparison of Claim Settlement Effectiveness**

With regard to the claim settlement, there is difference of opinion between different groups of vehicle owners like owners of two wheelers, motor cars and commercial vehicles. In order to analyse the differences, a statistical test called One way Analysis of Variance was used.

#### **a) Public Sector**

In public sector, the vehicle ownership wise comparison was done by applying the following hypothesis:



*H0: There is no significant difference in the claim settlement effectiveness among the owners of two wheeler, motor car and commercial vehicles in the public sector.*

The result was shown in the table 6.15.

**Table 6.15**

**Vehicle Ownership-wise Comparison of Claim Settlement Effectiveness in Public Sector**

Type of vehicle	N	Mean	SD	F value	p value	Remarks
Two Wheeler	173	38.36	5.06	4.400	.013*	Significant
Motor Car	209	37.42	4.40			
Commercial Vehicle	66	39.39	3.89			

*Source: Survey Data*

\* Significant at 5 % level

The result of hypothesis testing shows that p value is 0.013, which is a value less than 0.05. Hence, the null hypothesis is rejected at the 5% level of significance. In order to understand the exact difference ,Scheffe Post hoc test was done.

**Scheffe Test for Multiple Comparisons: Claim Settlement Effectiveness in Public Sector**

In order to find out the exact difference among the groups of vehicle owners, scheffe post hoc test was performed and the result is shown in table 6.16.

**Table 6.16**

**Post Hoc Test: Claim Settlement in Public Sector**

Type of Vehicle (I)	Type of Vehicle (J)	Mean Difference (I-J)	Std. Error	p value
Two wheeler	Motor car	.94311	.47330	.139
	Commercial vehicle	-.83281	.66620	.458
Motor car	Two wheeler	.94311	.47330	.139
	Commercial vehicle	-1.77592	.65016	.025*
Commercial vehicle	Two wheeler	-.83281	.66620	.458
	Motor car	-1.77592	.65016	.025*

Source : Survey Data

\* Significant @ 5 % level

From the post hoc result, it is clear that the difference in perception of effectiveness of claim settlement is significant between vehicle owners of motor car and commercial vehicle. The p value for this group is 0.025. Hence here the null hypothesis is rejected at 5 % level of significance. For the other two groups, there is no significant difference.

**b) Private Sector**

In order to analyse the difference among the vehicle owners with regard to claim settlement effectiveness, vehicle wise analysis was performed in private sector claimants also. The hypothesis set for this is as follows:

*H0: There is no significant difference in the claim settlement effectiveness among the owners of two wheeler, motor car and commercial vehicles in the private sector.*

The result of hypothesis testing using the statistical tool One way Analysis of Variance is shown in table 6.17.

**Table 6.17**  
**Vehicle Ownership-wise Comparison of Claim Settlement Effectiveness in Private Sector**

Type of vehicle	N	Mean	SD	F value	p value	Remarks
Two Wheeler	10	41.00	4.85	0.972	.383	Insignificant
Motor Car	64	38.84	5.20			
Commercial Vehicle	10	37.90	5.93			

*Source: Survey Data*

The analysis of ANOVA shows that in case of private sector, there is no significant difference among the vehicle owners with regard to the effectiveness of claim settlement because the p value (0.383) shows a insignificant value.

### **6.1.11 Hypothesis Testing: Claim Settlement Effectiveness**

In summary, the hypotheses formulated and tested with regard to the claim settlement effectiveness are shown in a brief form in the table 6.18.

**Table 6.18****Result of Hypotheses Testing: Claim Settlement Effectiveness**

<b>Sl No</b>	<b>Hypotheses</b>	<b>Statistical Test</b>	<b>Result</b>
1	There is no significant difference between public and private sector with regards to claim settlement effectiveness.	Independent sample t test	Accept H0
2	a There is no significant association between switching intention and level of claim settlement effectiveness in public sector	Chi-square test of independence	Reject H0
	b There is no significant association between switching intention and level of claim settlement effectiveness in private sector	Chi-square test of independence	Reject H0
3	a There is no significant difference in claim settlement effectiveness among the owners of two wheeler, motor car and commercial vehicle in public sector	One way ANOVA	Reject H0
	b There is no significant difference in claim settlement effectiveness among the owners of two wheeler, motor car and commercial vehicle in private sector	One way ANOVA	Accept H0

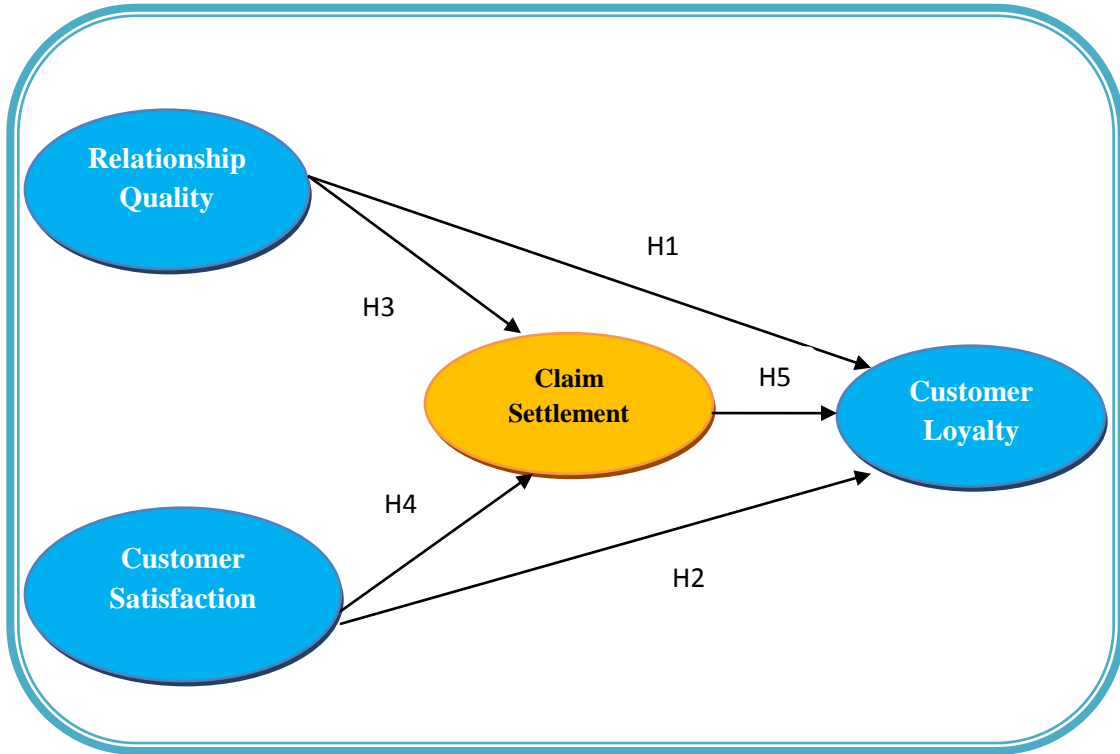
## **Section B**

### **6.2 Research Model Analysis**

The main aim of the present study is to analyse the influence of relationship quality and customer satisfaction on customer loyalty. A number of studies have been conducted so far to analyse the relationship between relationship quality and customer loyalty. Similarly, a lot of literature has proved the relationship between customer satisfaction and customer loyalty in different industrial contexts.

In the present research work, the researcher made an attempt to analyse the influence of relationship quality and customer satisfaction on customer loyalty, in the motor insurance industrial sector in Kerala. Here, there is an important role for claim settlement. Hence, the study made an effort to prove the role of claim settlement as mediation in between the relationship of relationship quality and customer satisfaction on customer loyalty.

The proposed research model developed for the study is given in figure 6.3. In the research model, relationship quality and customer satisfaction are independent variables, customer loyalty is a dependent variable and claim settlement is a mediating variable. Each path between constructs in the research model was indicted as hypotheses to be tested in the study.

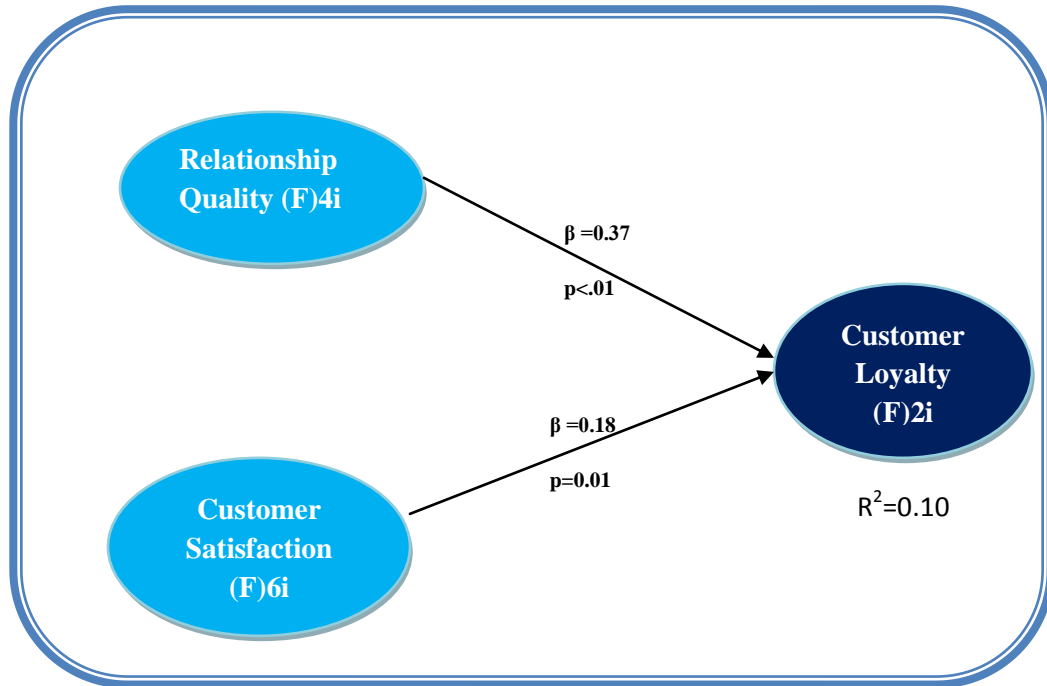


**Fig. 6.3 Proposed Research Model**

For the purpose of analysis of research model, the statistical technique called Structural Equation Modeling (SEM) using Partial Least Square was used. SEM is a powerful second generation multivariate technique for examining the construct. SEM assesses how well the predicted interrelationships between the variables match the actual or observed variables.

### 6.2.1 Model without Mediation

The direct influence of relationship quality and customer satisfaction towards customer loyalty is presented in figure 6.4.



**Fig. 6.4 Research Model without Mediation**

The model without mediation shows the relationship between relationship quality and customer satisfaction on customer loyalty. It shows a significant influence because, each path shows a significant p value.. While considering each independent variable, the result can be summarized as:

- The relationship between relationship quality and customer loyalty shows a beta value 0.37 and it is significant at 1% level ( $p < .01$ ). Hence it can conclude that the relationship quality has a significant influence on customer loyalty. By building a high level of relationship with the claimants, the company can build loyal customer into the business.
- The relationship between customer satisfaction and customer loyalty shows a significant correlation as the beta value is 0.18 and the p value

is 0.01. Therefore, it is clear that satisfaction of claimants has a significant relationship with customer loyalty in the motor insurance industry.

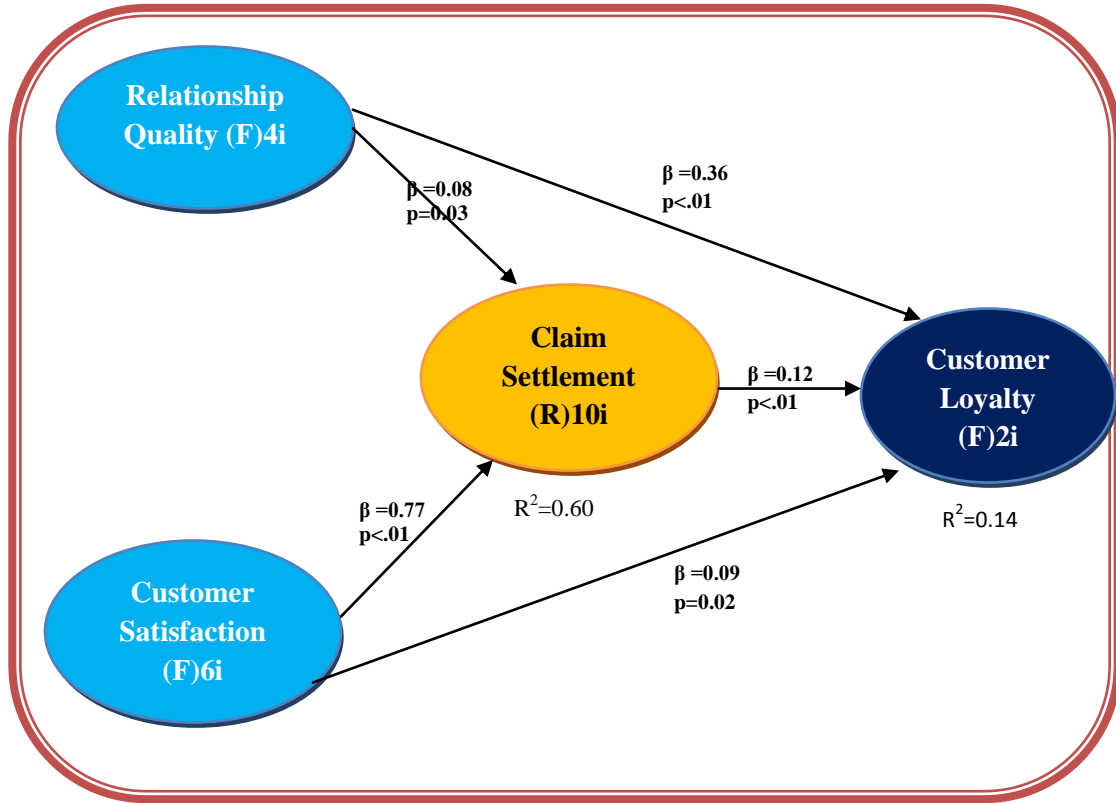
### **6.2.2 Model with Mediation**

The mediation model seeks to discover and make clear the underlying mechanism of an observed relationship existing between a dependent and an independent variable through including a third explanatory variable, which is normally known as a the mediator variable. The hypothesis of a meditational model is not related to a direct causal relationship between the dependent and independent variable, but the hypothesis assumes that the independent variable as the main cause of the mediator variable, which, consequently, results in the dependent variable. Therefore, it can be claimed that the mediator variable seeks to explain the nature of the relationship between the dependent variable and the independent variable (Hoimbeck, 1997; Mackinnon, Cheong & Pirlott, 2012).

In the present research, effectiveness of claim settlement has an important role, because, the respondents are claimants. Therefore, the researcher decided to put the claim settlement as a mediator between relationship quality, customer satisfaction and customer loyalty.

The research model is presented in Figure 6.5.





**Fig. 6.5 Research Model with Mediation**

The research model proves the mediation effect of claim settlement in between the causal variables and the outcome variables. The amount of mediation is called the indirect effect (Baron and Kenny, 1986).

A variable may be considered as a mediator to the extent to which it bears the influence of a given independent variable to a given dependent variable. Hence the mediation accounts for the relationship between the independent variable and the dependant variable.

According to Baron & Kenny (1986), Mediation can occur when it fulfills some conditions. They are:

1. The independent variable significantly affects the mediator,
2. The independent variable significantly affects the dependent variable in the absence of the mediator,
3. The effect of the independent variable on the dependent variable gets smaller upon the addition of the mediator to the model.

Mainly there are two types of mediation; full mediation and partial mediation. Full mediation or complete mediation occurs when the independent variable applies its total influence through the mediating variable. But the partial mediation is the situation where the independent variable applies some of its influence on the dependent variable through the mediating variable, and it also applies some of its influence directly on the dependant variable, not through the mediating variable (Baron & Kenny, 1986).

In the model, it is clear that there is a significant relationship between relationship quality on customer loyalty ( $\beta=0.36$  and  $p<.01$ ). At the same time, there is a significant relationship between relationship quality and claim settlement ( $\beta = 0.08$  and  $p=0.03$ ) and between claim settlement and customer loyalty ( $\beta=0.12$  and  $p<.01$ ). When the mediator, claim settlement is introduced in the model, the influence of independent variable (relationship quality) on the dependent variable (customer loyalty) gets reduced, i.e the beta value reduced from 0.37 to 0.36.

The model also makes clear that there is a significant relationship between customer satisfaction and customer loyalty, as the  $\beta$  is 0.09 and p value is significant ( $p=0.02$ ). The path between customer satisfaction and claim settlement is also significant, as the  $\beta$  value 0.77 with significant p value ( $p<.01$ ). Here also the effect of customer satisfaction on customer loyalty gets reduced with the introduction of the claim settlement in the model. That is the beta value reduced from 0.18 to 0.09.

In both the situations, there is partial mediation, because all the paths show significant influence. That is relationship quality and customer satisfaction exercises some of its influence on customer loyalty through the mediating variable claim settlement and it also applies some of its influence directly on customer loyalty.

The result of hypotheses used in the model is shown in the table 6.19.

**Table 6.19**  
**Result of Hypotheses testing: Research Model**

Sl No	Hypotheses	$\beta$ value	P value	Result
1	H0: There is no significant relationship between relationship quality and customer loyalty	0.36	<.01	Reject H0
2	H0: There is no significant relationship between customer satisfaction and customer loyalty	0.09	0.02	Reject H0
3	H0: There is no significant relationship between relationship quality and claim settlement effectiveness	0.08	0.03	Reject H0
4	H0: There is no significant relationship between customer satisfaction and claim settlement effectiveness	0.77	<.01	Reject H0
5	H0: There is no significant relationship between claim settlement effectiveness and customer loyalty	0.12	<.01	Reject H0

*Note: All the relationship was significant at 5% level.*

It is clear from the table 6.19 that entire hypotheses are rejected. And all the paths have a significant positive relationship.

The model fit and quality indices of the model are presented in Table 6.20.

**Table 6.20**  
**Model fit and Quality Indices: Research Model**

Sl No	Model fit and Quality indices
1	Average Path Coefficient (APC) = 0.260, p <0.001
2	Average R-Squared (ARS)=0.367, P<0.001
3	Average Adjusted R-Squared (AARS)=0.363, P<0.001
4	Average block VIF (AVIF)=1.310, acceptable if <= 5, ideally <= 3.3
5	Average Full co linearity VIF (AFVIF)=1.762, acceptable if <= 5, ideally <= 3.3
6	Tenenhaus GoF (GoF)=0.377, small >= 0.1, medium >= 0.25, large >= 0.36
7	Sympson's Paradox Ratio (SPR)=1.000, acceptable if >= 0.7, ideally = 1
8	R-Squared Contribution Ratio (RSCR)=1.000, acceptable if >= 0.9, ideally = 1
9	Statistical Suppression Ratio (SSR)=1.000, acceptable if >= 0.7
10	Non Linear Bi variate Causality Direction Ratio (NLBCDR)=0.800, acceptable if >= 0.7

*Source: Survey Data*

The fit of the measurement model has been validated through the model fit and quality indices achieved from the output of Warp PLS. The p value of Average path coefficient (0.260), Average R squared (0.367) and Average adjusted R squared (0.363) are lower than 0.05, hence significant.

The Average block VIF is 1.310 and Average Full Co linearity VIF value is 1.762. They are ideal as it is below 3.3. Tenenhaus (GoF) value is 0.377, which

shows a large value and indicates a good fit. The sympon's paradox Ratio (1.000), R squared Contribution Ratio (1.000), Statistical Suppression Ratio (1.000) are adequate because their values approach to 1.000. Non Linear Bivariate Causality Direction Ratio (NLBCDR) is 0.800, which is acceptable as it is above 0.70.

Thus the model proves that in the motor insurance industry, claim settlement effectiveness has a mediating role between relationship quality and customer loyalty and between customer satisfaction and customer loyalty. Here, the mediation analysis proved the inevitable role of claim settlement effectiveness in the motor insurance industry.

This chapter covers the effectiveness of claim settlement in motor insurance industry in Kerala. The chapter also point out the research model analysis, which show the influence of relationship quality and customer satisfaction on customer loyalty, by considering claim settlement effectiveness as a mediator.

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## **Chapter 7**

### **Findings, Conclusions and Implications**

The insurance industry in India has experienced a wide range of alteration during several years. The main rationale behind the changes is the introduction of liberalization, privatization and globalization, which has created a new challenge before the insurance sector. During this era, meeting the needs and wants of the customers is a very hard task, because there are a number of choices available to the customer from the large number of competitors. Every company, therefore, focuses on the satisfaction of the policyholders by building a healthy rapport with the customers. Now, the reforms also give the option for pricing to the insurance companies. Hence, the non life insurance companies are trying to find out the ways for attracting the customers by fixing reasonable prices and offering a variety of discount offers.

Motor insurance is one of the developing market fields among the general insurance products. The reason for this is the alarming increase in the number of vehicles as well as accidents. Due to liberalization, the foreign partners also enter into this field by bringing more technical knowhow, expertise, etc., which revolutionize the insurance industry in India, especially the motor insurance industry.

## **7.1 The Research Problem in Brief**

Maintaining a proper customer relationship is very essential for the successful running of every business. It will encourage the customers to be loyal to the firm, which will ultimately generate the accomplishment of the business objectives. Motor insurance is one among the pinnacle areas where the relevance of customer relationship was emerged. Apart from acquiring the customers, their retention is also important. The competition in the field of insurance is increased due to the deregulation of the financial sector. On this occasion, it is very essential to analyse the present condition of relationship quality, customer satisfaction and customer loyalty. Fastest and hassle free claim settlement is also needed for the success of general insurance companies. From the available literature, it is found that no systematic and scientific study had been conducted so far with this particular issue. Therefore, the investigator made an attempt to fill the gap through the present study.

In this background it is highly relevant to investigate the following major research issues:-

1. What is the level of relationship quality perceived by the claimants of the motor insurance business?
2. To what extent the customers are satisfied with the services of motor insurance companies?
3. What is the level of customer loyalty, perceived by the claimants of the motor insurance business?
4. Whether the claim settlement is effective or not in public and private sector motor insurance business?
5. Do the relationship quality and customer satisfaction influence the customer loyalty in the motor insurance business?

Thus the present investigation is a humble attempt to accomplish this.



## **7.2 Objectives of the Study**

The main objective of the study is to make a comparative study between public and private sector motor insurance companies in Kerala with regard to the following:

1. To examine the dimensions of the relationship quality of motor insurance companies.
2. To assess the level of satisfaction of claimants on the services of motor insurance companies.
3. To assess the dimensions of loyalty of the claimants in the motor insurance business.
4. To examine the perceived effectiveness of the claim settlement in motor insurance companies.
5. To analyze the influence of relationship quality and customer satisfaction on customer loyalty in the motor insurance business.

## **7.3 Hypotheses**

The following hypotheses were developed and tested:

### **Objective 1:**

1. H0. There is no significant difference between public and private sector claimants with regard to the perception towards the dimensions of relationship quality.
2. H0. There is no significant association between switching intention and the level of relationship quality in the public sector.
3. H0. There is no significant association between switching intention and the level of relationship quality in the private sector.
4. H0. There is no significant difference in the perception towards the dimensions of relationship quality among the owners of two wheeler, motor car and commercial vehicles in the public sector.

5. H0. There is no significant difference in the perception towards the dimensions of relationship quality among the owners of two wheeler, motor car and commercial vehicles in the private sector.

**Objective 2:**

1. H0. There is no significant difference between public and private sector claimants with regard to the perception towards the factors of customer satisfaction.
2. H0. There is no significant association between switching intention and the level of customer satisfaction in the public sector.
3. H0. There is no significant association between switching intention and the level of customer satisfaction in the private sector.
4. H0. There is no significant difference in the perception towards the factors of customer satisfaction among the owners of two wheeler, motor car and commercial vehicles in the public sector.
5. H0. There is no significant difference in the perception towards the factors of customer satisfaction among the owners of two wheeler, motor car and commercial vehicles in the private sector.

**Objective 3:**

1. H0. There is no significant difference between public and private sector claimants with regard to the perception towards the dimensions of customer loyalty.
2. H0. There is no significant association between switching intention and the level of customer loyalty in the public sector.
3. H0. There is no significant association between switching intention and the level of customer loyalty in the private sector.
4. H0. There is no significant difference in the perception towards the dimensions of customer loyalty among the owners of two wheeler, motor car and commercial vehicles in the public sector.

5. H0. There is no significant difference in the perception towards the dimensions of customer loyalty among the owners of two wheeler, motor car and commercial vehicles in the private sector.

**Objective 4:**

1. H0. There is no significant difference between public and private sector claimants with regard to the effectiveness of claim settlement.
2. H0. There is no significant association between switching intention and level of claim settlement effectiveness in the public sector.
3. H0. There is no significant association between switching intention and level of claim settlement effectiveness in the private sector.
4. H0. There is no significant difference in the effectiveness of claim settlement among the owners of two wheeler, motor car and commercial vehicles in the public sector.
5. H0. There is no significant difference in the effectiveness of claim settlement among the owners of two wheeler, motor car and commercial vehicles in the private sector.

**Objective 5:**

1. H0. There is no significant relationship between relationship quality and customer loyalty.
2. H0. There is no significant relationship between customer satisfaction and customer loyalty.
3. H0. There is no significant relationship between relationship quality and claim settlement effectiveness.
4. H0. There is no significant relationship between customer satisfaction and claim settlement effectiveness.
5. H0. There is no significant relationship between claim settlement and customer loyalty.

## **7.4 Methodological Design**

The present study is both descriptive and analytical nature. Both secondary and primary data were collected for the study. The secondary data were collected from IRDA annual reports, periodicals, journals, books, conference proceedings, etc. The primary data have been collected from the claimants of the motor insurance policies in the public and private sector general insurance companies in Kerala. New India Assurance Company Ltd and National Insurance Company Ltd from the public sector, ICICI Lombard General Insurance Company Ltd and Bajaj Allianz General Insurance Company Ltd from the private sector were selected for the study. These companies were selected on the basis of the net claim incurred on motor insurance during 2013-14.

The sample respondents were selected on the basis of proportionate stratified random sampling technique. The claimants are divided into three strata, first strata consists of the owners of two wheelers, the second strata consists of owners of motor cars and third strata consists of owners of commercial vehicle. A total of 600 samples is collected and after removing outliers and missing data, the final sample obtained for the study is 532, 448 respondents from the private sector and 84 respondents from the private sector.

The collected data were analysed by using the statistical tools like Mean, Standard Deviation, Quartile Deviation, One Sample t test, Independent sample t test, One way ANOVA, Factor Analysis and Structural Equation Modeling. The software used for the analysis are SPSS 17.0 and Warp PLS 4.0.

## 7.5 Outline of the Chapters

The report of the work has been presented in seven chapters as detailed below:

1. The first chapter is the Introduction. It presents the significance of the study, research problem, scope of the study, objectives, hypotheses, methodological design, conceptual model, limitations and chapterisation of the study.
2. Review of Literature is the second chapter. It contains the relevant previous studies relating to the topic. Accordingly the chapter is divided into five sections. They are studies relating to customer relationship, relationship quality, customer satisfaction, customer loyalty and General insurance.
3. The third chapter is Customer Relationship in Motor insurance Industry in Kerala- A theoretical framework. The chapter is divided into four sections- customer relationship, which consists of relationship quality, customer satisfaction and customer loyalty, motor insurance in India and Kerala, relationship marketing practices of the motor insurance industry in India and the profile of selected general insurance companies in Kerala.
4. The fourth chapter contains the analytical details of dimensions of relationship quality. It is named as 'Relationship Quality'. It also covers the descriptive statistics related to the demographic profile of the respondents used in the study.
5. The fifth chapter is the analysis on customer satisfaction and customer loyalty. It covers the analytical details of the factors of customer satisfaction and the dimensions of customer loyalty.
6. The sixth chapter deals with the claim settlement and the research model analysis. The chapter is divided into two sections. Section A deals with the effectiveness of claim settlement and section B covers the research model analysis, in which the analysis of the influence of relationship quality and customer satisfaction on customer loyalty by taking claim settlement as a mediating variable has been done.

7. The seventh and last chapter presents the major findings of the study, the conclusions based on the findings, implications and scope for further research.

For the purpose of discussion, the chapter is divided into three sections. Section A presents major findings and that of B is concerned with the conclusions drawn from the findings. Section C deals with the implications based on the findings and conclusions of the study.

## **Section A**

### **7.6 Findings of the Study**

Based on the analysis of the data collected from the motor insurance claimants of the public and private sector general insurance companies, the study turns up some valuable findings, which are shown under different heads in the following pages.

#### **7.6.1 Descriptive Statistics of the Respondents**

##### **A. Profile of the Respondents**

The summary of the demographic profile of the respondents was listed below:

1. The study found that 84.2 per cent of the respondents belong to the public sector; whereas 15.7 per cent of the respondents are from the private sector.
2. It is found that 34.4 per cent of the respondents are owners of two-wheeler, 51.3 per cent of the respondents are owners of the motor car and the remaining 43.3 per cent of the respondents owned commercial vehicles.
3. It shows that the majority (90.6%) of the respondents were male.
4. Most of the respondents (37.4%) are in the age category of 41-50 years, followed by 31-40 age respondents (33.4%), 51 & above category (16.2%) and below 30 years (13.0%).
5. The majority (90.8%) of the respondents are married.

6. It is seen that 36.7 per cent of the respondents are graduates, 28.0 per cent of respondents having a diploma qualification, 16.5 per cent post graduates, 12.2 per cent pre degree qualified persons, 4.9 per cent matriculates and 1.7 per cent professionals.
7. 35.5 percent of the respondents are employed in the private sector, 21.4 per cent are business man, 19.2 percent are Govt. employees, 15.8 per cent are self employed persons and 8.1 per cent are retired persons.
8. The survey result shows that 36.8 per cent of the respondents have income between ₹15001 and ₹30000, 35. per cent between ₹30001 and ₹45000, 19.2 per cent between ₹45001 and ₹60000, 5.5 per cent have below ₹15000 and 3.2 per cent above ₹60000 income.
9. Most of the respondents (68.4%) in the public and private sectors were retained in the company for a period of 3 to 5 years; 16.5 per cent of respondents were retained for less than 2 years; 11.8 per cent in between 6 to 8 years and 2.1 per cent of the respondents were retained for 9 to 11 years. Only 1.1 percent of respondents continued in the company for the more than 12 years.
10. The study ascertained that 51.5 per cent of the respondents take their policy from motor vehicle dealers, 41.4 per cent of the respondents approach agents and remaining 7.1 per cent of the respondents directly takes the policy from the company.
11. The study provides evidence that 51.1 percent of the respondents selected cheque/DD as premium payment method, followed by cash payment (38.5%) and ECS/EFT method (10.3%). It is also found that there is a significant association between sectors and method of premium payment. This is clear from the result that more than half of the respondents (59.5%) in the private sector choose cheque/DD as premium payment method, whereas in case of public sector, 49.6 per cent and 41.0 per cent of the respondents opted cash and cheque/DD respectively as the premium payment method.

## **B. Switching Characteristics of the Respondents**

1. The previous switching behavior of the respondents shows that 89.1 per cent of the respondents who have never switched earlier from any companies. It is also found that there is a significant association between the type of company since they switched, and their present company, i.e., from the private sector, the respondents switched to public and private sectors more or less in equal proportion. But from the private sector, most of the respondents switched to public sector and only a small proportion of the customers switched to the private sector.
2. It is found the main reasons for the previous switching behavior of respondents from the public sector is 'for more convenience' (47.6%) followed by 'poor customer service' (23.8%), 'dissatisfaction towards intermediaries' (23.8%) and 'delay in claim settlement' (4.8%). But the respondents switched from the private sector due to 'difference in the premium amount' (21.6%), 'inconvenience' (18.9%), 'hidden charges' (18.9%), 'dissatisfaction towards intermediaries' (16.3%), 'lack of direct access' (10.8%), 'delay in claim settlement' (8.1%) and 'poor customer service' (5.4%).
3. The result of switching intention shows that 56.4 per cent of the respondents don't have the intention to switch from their present company. But 43.6 per cent of the respondents will wish to switch in the future. It is also found that there is a significant association between switching intention and sector. From the public sector, 46.9 per cent of respondents will wish to switch in the future. Whereas only 26.2 per cent of private sector respondents wish to switch from their present company to others. It indicates that the respondents from the public sector are having more tendency to switch than the private sector respondents.



4. The main reason for switching intention among public sector customers are ‘poor customer service’ (43.3%), ‘convenience’ (36.7%), ‘delay in claim settlement’ (10.0%), ‘dissatisfaction towards intermediaries’ (7.6%) and ‘lack of direct access’ (2.4%). At the same time the private sector respondents pointed out their main reason for switching intention are ‘hidden charges’ (36.4%), ‘difference in premium amount’ (31.8%), ‘lack of direct access’ (22.7%) and ‘for more convenience’ (9.10%).

### 7.6.2 Relationship Quality

1. The study identified the dimensions of relationship quality through Exploratory Factor Analysis and reconfirmed it through Confirmatory Factor Analysis. The dimensions are trust, commitment, communication and customer orientation.
2. The result of factor analysis shows that among the dimensions of relationship quality, **communication** and **trust** are the most influencing factors in the public sector. But in case of the private sector, the most influencing dimensions of relationship quality are **commitment** and **trust**.
3. The researcher identified three levels of relationship quality and its four dimensions through quartile deviation, namely High level, Moderate level and Low level.
  - In the public sector, with regard to the level of relationship quality, ‘Commitment’ dimension is at low level because around 56.9 per cent of the respondents perceived this dimension at a low level. The other dimensions trust, communication and customer orientation are at a moderate level. Overall relationship quality also at a moderate level in case of public sector respondents.
  - In the private sector, other than trust dimension, all the other dimensions of relationship quality like commitment, communication and customer orientation are at a high level. In the case of trust

dimension, most of the respondents (96.4%) perceived it at a low level. Although the trust dimension is found to be the most influencing dimension of relationship quality, it is perceived at a low level by the private sector respondents. The overall relationship quality is found at a moderate level because just about 61.9 per cent of the respondents perceived it at a moderate level.

4. The sector wise comparison shows that all the four dimensions of relationship quality differ in public and private sector. The result shows that:-
  - The trust dimension is higher in the public sector, as the mean score of trust in public sector (21.78%) is more than that of the private sector (12.27).
  - The commitment dimension is higher in the private sector (Mean score=14.97) as compared with the public sector (Mean score=10.98).
  - While considering the communication dimension, it was highest in the private sector than the public sector, as the mean score of this dimension in public and private sectors is 23.79 and 26.61 respectively.
  - Customer orientation is lower in the public sector as the mean score was only 11.99, but in the private sector, it was 16.46. Hence it is concluded that customer orientation is higher in the private sector.
  - The total relationship quality, is higher in the private sector (Mean score=70.12) than the public sector (Mean score=68.48).
5. The chi square test result shows that there is a significant association between switching intention and level of relationship quality in both public and private sectors.
  - It is clear from the result that the majority of the respondents in public sector (43.8%) who are wishing to switch in the future have low levels of relationship quality. But at the same time, 56.7 per cent of the respondents who haven't any switching intention are at a moderate level of relationship quality

- In private sector also, 45.5 per cent of the respondents are at low level who are wishing to switch in the future and only a meagre (8.1%) respondents are at low level who haven't the intention to switch.
6. In the public sector, it is found that there is a significant difference among the three categories of vehicle owners with regard to the relationship quality and some of its dimensions.
- In the case of trust, there is a difference in the opinion of the three categories of vehicle owners. The post hoc test result shows that the opinion of two wheeler owners (Mean score=22.28) and commercial vehicle owners (Mean score=20.91) are differing.
  - With regard to the commitment dimension, there is a difference in the perception of vehicle owners. The result of post hoc test shows that the difference in perception was between the owners of two-wheeler (Mean score=11.45) and motor car (Mean score=10.62).
  - There is no significant difference in perception among the three categories of vehicle owners towards the communication and customer orientation dimensions.
  - It is found that there is a significant difference among the vehicle owners with regard to the perception towards relationship quality. The post hoc test result shows that the perception of two wheeler owners (Mean score=69.72) and motor car owners (Mean score=67.77) are differing. There is no difference found between the owners of two wheelers and commercial vehicles & between the owners of motor car and commercial vehicles with regard to the total relationship quality.
7. It is observed that in the private sector, there is no significant difference among the vehicle owners with regard to the relationship quality and its four dimensions like trust, commitment, communication and customer orientation.

### 7.6.3 Customer Satisfaction

1. In the present study, the factors of customer satisfaction are identified through EFA and confirmed through CFA. The factors explored are tangibles, competence, responsiveness, technology, timeliness and intermediary services.
2. Among the six factors of customer satisfaction, the **intermediary services** and **responsiveness** are the most influencing factors in the public sector. It is also identified that, **responsiveness**, **intermediary services** and **competence** are the most influencing factors of customer satisfaction in the private sector.
3. Three levels of the factors of customer satisfaction are identified through quartile deviation. They are High level, Moderate level and Low level. The percentage analysis shows the frequency and percentages of the respondents in each level. The result is as follows:

#### **Public sector**

- Most of the respondents are at low level for the factors of customer satisfaction like tangibles (60.7%), competence (61.8%), and technology (40.6%).
- The responsiveness factor (72.1%) is the most influencing factor of customer satisfaction, which is perceived at a low level by the public sector respondents.
- For the other factors like timeliness (60.3%) and intermediary services (50.4%), the respondents perceived at moderate level.
- For the overall customer satisfaction, the majority of the respondents (48.2%) observed it at a moderate level.

## Private sector

- It is found that tangibles (50.0%) and technology (45.2%) factors of customer satisfaction are perceived by the majority of respondents at low level.
  - The factors like, timeliness (59.5%), competence (47.6%) and intermediary services (59.5%) are found at a moderate level by most of the respondents
  - The responsiveness factor, which is one of the most influencing factor of customer satisfaction is perceived at high level in the private sector, as 56.0 per cent of the respondents viewed it at a high level.
  - When the customer satisfaction as a whole is concerned, the majority of the respondents (58.3%) perceived it at a moderate level and only 7.1 per cent of the respondents seemed it at a low level.
4. The sector wise comparison proves that perception of customers with regard to customer satisfaction and some of its factors differs between public and private sector.
- The tangible factor is higher in the public sector, as its mean score is 14.71 as compared with the private sector (Mean score=13.60).
  - The mean score of competence factor in public and private sector respondents is 6.36 and 7.97 respectively. It shows that this factor is more in the private sector than the public sector.
  - The responsiveness factor of customer satisfaction is higher in the private sector (Mean score=7.37) than the public sector (Mean score=6.41).
  - There is no significant difference in timeliness, technology and intermediary services between public and private sectors.

- The total customer satisfaction is higher in the private sector (Mean score=84.31) as against the public sector (Mean score=80.32).
5. It is observed that there is a significant association between switching intention and level of customer satisfaction. It proves that the customer satisfaction has a significant role in customer retention.

In case of public sector, the majority of the respondents (43.3%) who are wishing to switch in the future have low levels of customer satisfaction. Whereas, only 21.0 per cent of the respondents are at low level in the group who are not wishing to switch in the future. It indicates the association of switching intention and level of satisfaction.

In private sector also, there is a significant association between the switching intention and level of customer satisfaction. Here, the majority of the respondents are at high or moderate level of customer satisfaction who haven't the intention to switch in the future. But only 9.1 per cent of the respondents with the switching intention are at a high level of customer satisfaction.

6. Vehicle wise comparison in the public sector shows that there is a significant difference among the three categories of vehicle owners while considering customer satisfaction and some of its factors.
- In case of tangibles, responsiveness and technology, there is no significant difference in the opinion of the three categories of vehicle owners.
  - As regards the timeliness factor of customer satisfaction, there is a difference in the perception of vehicle owners. The result of post hoc test shows that the difference in perception was between the owners of two-wheeler (Mean score=8.35) and motor car (Mean score=7.84) and in between the owners of two wheeler (Mean score=8.35) and commercial vehicle (Mean score=7.87).

- For the competence factor of customer satisfaction, there is a significant difference among vehicle owners. The post hoc test result shows that the owners of motor cars (Mean score=6.26) and commercial vehicle (Mean score=6.72) differs with regard to this factor. In between the other two groups, there is no significant difference found.
  - The intermediary services are concerned; there is a significant difference among the vehicle owners. The post hoc test shows that the difference is in between the owners of motor car and commercial vehicles, as their mean scores are 37.39 and 40.86 respectively.
  - With regard to the total customer satisfaction, there is a difference in perception among the vehicle owners. The post hoc test result shows that the perception of two wheeler owners (Mean score=80.95) and motor car owners (Mean score=78.76) & motor car owners (Mean score=78.76) and commercial vehicle owners (Mean score=83.61) differs. There is no difference found between the owners of two wheelers and commercial vehicles with regarding customer satisfaction.
7. In the private sector, the vehicle wise comparison result shows that there is no significant difference among the vehicle owners in connection with customer satisfaction and the factor of customer satisfaction like tangibles, timeliness, competence, responsiveness, technology and intermediary services. The perception of all the three classes of respondents is almost alike.

#### **7.6.4 Customer Loyalty**

1. The result of Exploratory Factor Analysis and Confirmatory Factor Analysis shows that there are mainly two dimensions of customer loyalty extracted. They are attitudinal loyalty and behavioural loyalty.

2. The perception towards the level of customer loyalty shows that;
  - In the public sector, behavioral loyalty (39.3) and attitudinal loyalty (49.3) is perceived at a moderate level by most of the respondents. The total customer loyalty is also perceived by the most of the respondents (51.8%) at moderate level.
  - In case of the private sector, behavioral loyalty is perceived as low by a majority of the respondents (50.2%). But in case of attitudinal loyalty, 69.0 per cent of respondents are perceived as high level. The total customer loyalty is concerned, 65.5 per cent of the respondents perceived it at a moderate level.
3. The sector wise comparison regarding customer loyalty shows that there exists significant difference. The result shows that:-
  - Behavioral loyalty is higher in the public sector (Mean score = 15.54) than the private sector (mean score = 14.88). Therefore, the public sector respondents have more behavioral loyalty as compared with the private sector.
  - In case of attitudinal loyalty, the mean score of public and private sectors is 15.66 and 19.81 respectively. Hence, it is clear that the perception of private sector respondents is more than the public sector as regards the attitudinal loyalty.
  - As regards the customer loyalty in total, the perception of the private sector claimants is more than that public sector. Because, the mean score of the private sector respondents for customer loyalty is found at 34.69 whereas the mean score in public sector respondents is shown as 31.21.
4. Switching intention has a very significant association with the level of customer loyalty.

In the public sector, 39.5 per cent of the respondents with the switching intention have a low level of customer loyalty. At the same time, only 22.3 per cent of the respondents who haven't the intention to switch are at low level.



Thus the respondents with low level of customer loyalty have the tendency to switch from their present company.

In the private sector, only 4.1 per cent of the respondents with the switching intention are at a high level of customer loyalty, whereas 41.9 per cent of the respondents who haven't the switching intention belong to the category of high level of customer loyalty.

5. The vehicle wise comparison result shows that:
  - In public sector, it is found that there is a difference among the three categories of vehicle owners as regards the behavioral loyalty. The result of post hoc test revealed that the opinion of two wheeler owners (Mean score=16.22) and motor car owners (Mean score=15.04) & the perception in between two wheeler owners (Mean score=16.22) and commercial vehicle owners (Mean score=15.35) differs for behavioral loyalty.
  - The attitudinal loyalty dimension is concerned; there is no significant difference in perception among the three categories of vehicle owners. With regards to the total customer loyalty also, there is no significant difference in perception among the vehicle owners.
  - In the private sector, there is no significant difference among the three categories of vehicle owners in connection with customer loyalty and its two dimensions.

### **7.6.5 Claim settlement**

1. It is observed that the majority of the respondents in public sector (52.9%) and private sector (60.7%) experienced cash settlement.
2. It is found that 92.4 per cent of the respondents in public sector and 90.5 per cent of the respondents have not experienced any problems in claim settlement. This proves the effectiveness of claim settlement in general insurance companies.

3. The main problems faced by the public sector customers with regard to the claim settlement are 'lengthy procedures' (26.6%) followed by 'delay in appointing surveyors' (23.5%), 'delay in claim survey' (20.6%), 'absence of full coverage' (14.6%), 'delay in getting the amount' (11.8 %), and 'less transparency' (4.8%).

The private sector respondents never faced the problem of 'absence of full coverage'. The main problem faced by the private sector customers is 'less transparency' (50.0%) followed by 'absence of full coverage' (25.0%) and 'lengthy procedures' (25.0%).

4. Among the ten factors considered in measuring the effectiveness of claim settlement, the most influencing factors are identified through factor analysis.

The result shows that:

- In the public sector, the most influencing factor is 'Satisfaction in the claim amount'.
  - In the private sector, two components are identified as the most influencing factors. They are 'Reasonable time in settling the claims' and 'Satisfaction in the claim amount', which together extracted at 58.95 percentage of total variance.
5. The result of one sample t test shows that all the components for measuring the claim settlement effectiveness are above average, i.e, they are effective in both the public and private sector.

The perception means score shows that in case of public sector, the component 'Timely response to inquiries regarding claim status' is the most effective claim settlement process among the ten components, as it has a higher mean score (4.21). Similarly, the least effective one among the components is 'Clear indication regarding the procedures' (Mean score=3.44). The private sector respondents perceived that the most effective claim settlement process 'Less procedural formalities' (Mean score= 4.12) and the

least effective component is 'Transparency in the claim settlement follow up' (Mean score=3.76).

6. The level of effectiveness of claim settlement shows that in the public sector, 53.6 per cent of the respondents show moderate level of effectiveness and only 18.1 per cent of the respondents perceive that the claim settlement is highly effective. In the private sector, 34.5 per cent of the respondents show a moderate level of effectiveness and 32.1 per cent of the respondents show a high level of effectiveness.

Thus, in both the public and private sectors, effectiveness of claim settlement is found at a moderate level.

7. The sector wise comparison shows that there is no significant difference between public and private sector with regard to the effectiveness of claim settlement.
8. The switching intention and the level of claim settlement effectiveness is associated. Thus the respondents who are showing low effectiveness of claim settlement will wish to switch from their present company. In the public sector, 40.0 per cent of the respondents having low claim settlement effectiveness wish to switch from their company. In the private sector, it is 63.6 per cent of the respondents with low effectiveness who are wishing to switch from their company. Therefore, this result proves the association of claim settlement and switching intention.
9. Among the three categories of vehicle owners, it is found that there is a significant difference in the effectiveness of claim settlement in the public sector. The difference is between the owners of motor car and commercial vehicles. The mean perception score of motor car owners is 37.42 whereas that of commercial vehicle owners is 39.39. Between the other two groups,

i.e., in between the owners of two wheeler and motor car & two wheeler and commercial vehicles, there is no significant difference is found.

10. In the private sector, there is no significant difference among the vehicle owners with regard to the effectiveness of claim settlement. All the three categories of owners like two wheeler owners, motor car owners and commercial vehicle owners have an almost similar perception towards claim settlement effectiveness.

### **7.6.6 Research Model Analysis**

The research model proves that there is a significant influence of relationship quality and customer satisfaction on customer loyalty. It is also found that the claim settlement effectiveness has a partially meditative role between relationship quality and customer loyalty and between customer satisfaction and customer loyalty. It shows the inevitable role of the effectiveness of claim settlement in the motor insurance industry.

## **Section B**

### **7.7 Conclusions**

The major conclusions drawn from the findings of the study are explained here.

The relationship quality, customer satisfaction and customer loyalty are more in the private sector general insurance companies than that of the public sector. The major factor influencing the relationship quality is trust and communication in the public sector and trust and commitment in the private sector. The private sector is very poor in building trust among the customers of the motor insurance business. The

other dimensions are concerned; the perception of customers in private sector is better than public sector.

Responsiveness, an important factor of customer satisfaction for both the public and private sector, is very low in the public sector. The reason for this is the poor response of the frontline staff and very low interest of the officials in renewal of the policy in public sector companies. At the same time, it was high in the private sector.

With regards to the customer loyalty, the attitudinal loyalty is very high and behavioral loyalty is very low in the private sector, whereas these two are at moderate level in public sector. Claim settlement is very effective in both public and private sector. There is no sector-wise difference with regard to the claim settlement effectiveness.

The switching intention is very much associated with the level of relationship quality, customer satisfaction, customer loyalty and claim settlement effectiveness.

In the public sector, it was found a difference among the vehicle owners with regard to all the aspects of customer relationship, i.e. relationship quality, customer satisfaction and customer loyalty. But in the private sector, there is no such difference among the three categories of vehicle owners, two wheelers, motor cars and commercial vehicles.

The study proves that relationship quality and customer satisfaction have a significant influence on customer loyalty. The findings show the partial mediation effect of claim settlement effectiveness between the relationship quality and customer loyalty and between customer satisfaction and customer loyalty. Hence the role of claim settlement is highly projected in this context for building customer loyalty along with relationship quality and customer satisfaction.

## **Section C**

### **7.8 Implications**

Based on the findings and conclusions of the study, the researcher put forward the following implications to enhance the quality of performance of motor insurance companies in Kerala.

1. Claim settlement is found to be the most important one for the achievement of customer loyalty. To make the claim settlement more effective, the following measures are useful:
  - a. The existing systems of web-enablement of claim processing, online submission of claim forms, online and offline claim tracking facility, SMS at each stage of claim settlement may be made more active and customer friendly.
  - b. Proper instructions about all the procedures of claim settlement may be provided by the frontline staff to the customers.
  - c. Steps may be taken to conduct investigations immediately after the occurrence of accidents without delay.
  - d. The scheme of demonstrating with international certifications like ISO 9001 can be introduced to improve the quality of claim settlement.
  - e. The regulator must standardise the required claim documents and claim settlement procedure which should facilitate the easy settlement of claims. They must set a benchmark for claim settlement effectiveness. So that the insurance companies can act accordingly and they must fulfill the turnaround time (TAT).

- f. The system of “General Insurance Claim Code” as per UK, can adopted in India, which sets out the time frame for the insurers to respond to claims, complaints, etc.
2. It is found that the relationship quality and customer satisfaction has a significant effect on customer loyalty. Therefore, in order to build these, the following measures may be improved;
  - a. Sending of SMS/ email before the renewal date of policies.
  - b. Keep track of the important occasions like birthdays, anniversary and sending cards or messages.
  - c. Sending regular newsletter, industry developments, etc. for special customers.
  - d. Roadside assistance is provided by most of the general insurance companies as an add-on-cover. This can be replaced by an inbuilt complementary cover to all types of vehicles at free of cost.
  - e. The system of call back facility may make more active by the companies. Whenever the customer enquires about something and request to call back, the company representatives should respond as speedily as possible.
  - f. The company can provide the Mobile App facility immediately after the registration of policy.
3. In this age of technological revolution, the insurance companies make the system of using CRM software for automatic transformation of the feedback or grievances to the highest levels at the very next moment itself. So it can provide a speedy solvency of the problems without any lagging and there by the management can bring out the favourable and suitable solutions to their problems.
4. It is suggested that in order to increase the efficiency of the existing system, the general insurance companies can adopt the policy of fully computerization

and appoint technical experts at every branch. The public sector general insurance companies may take more initiative in this respect.

5. In order to make the surveyors an independent and unbiased person, the regulatory body, IRDA should bring them strictly under their control not under the control of insurance companies or policyholders. For this purpose the IRDA may take necessary steps to monitor the functioning of the association for the surveyors/loss assessors' protection, namely Institute of Indian Insurance Surveyors and Loss Assessors (IIISLA).
6. Responsiveness factor is the most influencing factor of customer satisfaction in the motor insurance industry. The findings show that in case of public sector, most of the respondents perceive this responsiveness factor at a low level. Hence, in order to increase the satisfaction of the customers with regard to the responsiveness, the motor insurance companies are recommended to take the following measures:
  - a. The responses of the frontline staff to the enquiries of the customers are required to be more effective. For this, the employees appointed in the insurance companies should have a thorough knowledge about insurance products, services and offers of their company. Similarly, they should have a general outlook of the current insurance market. Therefore, the companies may follow a policy of allowing the employees to undergo the courses offered by National Insurance Academy (NIA) or Insurance Institute of India (III) as a part of their career advancement.
  - b. The management of the company can provide orientation programmes for the newly appointed frontline staffs on the features of the company, products and services offered, relevance of a good customer relationship.
  - c. In order to increase the interest of employees for renewal of the policy, the company may fix a target among them and give a certain



percentage as commission in addition to their usual salary package, especially in the public sector. This will persuade the employees' interest in the renewal of the policies.

- d. While selecting the staff for the general insurance companies, the recruiting agency may ensure to incorporate the areas of insurance services and customer relationship.
7. The satisfaction of the customers towards the technology factor is found at a lower level in both the public and private sector general insurance companies. It indicates the lack of familiarity of the customers towards the technological advancement in the company. Therefore, the general insurance companies may try to make awareness among the customers about the technological upgradation through brochures, advertisements, seminars, workshops, animated films or by conducting customer awareness programmes.
8. It is observed by the researcher that there are various types of penalties imposed for the violation of rules like overloading of the commercial goods vehicles, over carriage of passengers, unauthorized persons in commercial vehicles, etc. Different types of charges are imposed for these penalties like three years difference in premium, reducing 25 % claim, etc., at the time of claim settlement. But these penalties are mentioned only in the circulars issued by the companies from time to time and are not anywhere in the policy document. Hence it is suggested to the insurance companies to incorporate all the rules and regulations regarding the policy in the document.
9. It is suggested for equal focuses on all the classes of vehicle owners, regardless of their quantum of premium amount. The services like renewal reminder mechanism, claim tracking facility, roadside assistance, premium calculator facility, etc. can be provided to the three categories of vehicle policyholders in an equitable manner.
10. It is found that the commitment dimension is only at a low level among the public sector respondents. Hence, in order to increase the commitment among the customers, the company must give more personal care to them. For this

purpose, the companies can launch a customer care department or customer service centers. It is also advised to open help desk counters in each branches which can provide the forms, brochures and other information. The staffs within these sections can help the customers for filling the forms and provide instructions regarding other procedures and formalities of the company.

11. The findings show that the private sector is ineffective with regard to the transparency in the claim settlement. This can be improved by following the measures like the prompt delivery of documents, periodic claim tracking, timely reminder, giving a copy of the survey report to the customers, etc.
12. The timeliness factor of customer satisfaction shows at a moderate level in both public and private sector general insurance companies. In order to improve this factor, the general insurance companies can follow the system of flexible working hours, according to the convenience of the working clients. Likewise the online service facilities like live chat, toll free number facility, etc. should be made available to the customers at 24 hours a day and all the days irrespective of working days.
13. Communication dimension of relationship quality is found comparatively low in public sector companies. In order to improve this situation, the company should give more emphasis on;
  - a. Introduce proper advertisements and publicity to make customer more aware about the services and new offers through dailies, magazines, TV, etc.
  - b. Follow the methods like phone calls/emails/personal visit, etc., to communicate with the customers.
  - c. The terms and conditions of the policy may be published in regional languages and simplified to the extent possible.
  - d. SMS or email facility should be made available to the customers who search for the address of company branches or network garages.
  - e. Make the toll free number facility at regional languages in order to facilitate easy clarification of their doubts and enquiries.

14. Most of the selling by the insurance companies being done by not interacting directly with general consumers, but selling by making a tie up with the auto dealers and financial institutions, in which insured is not even made to know anything about insurance and his right to negotiate premium. These activities may act as a hindrance in building a proper relationship with the customers. Hence the companies must give proper instructions to these auto vehicle dealers by making aware the customers regarding the type of policies issued by them and the features of insurance companies. The companies are also needed to check the commissions charged by them, in order to find out any hidden charges, which will be a main reason for the switch of the policyholders in Kerala.
15. A proper grievance handling mechanism is necessary to solve the issues related to the customer grievances. For this purpose the following measures will be useful:
- a. Speedy and efficient customer service and claim settlement can lead to fewer grievances.
  - b. Whenever the company received the complaints from the part of customers, it should be treated promptly and sympathetically.
  - c. The employees deployed for resolution of grievance should be well equipped with job knowledge, capacity to understand the grievances and also should be courteous.
  - d. Most of the customers are not aware about the mechanism available for redressing the grievances of the customers. Brief description of the grievance redressal mechanism should be provided in the policy bond.
  - e. Print media, visual media and internet can also be used to make customers aware about this mechanism.
  - f. The companies may try to solve the grievance at the office level itself, without transferring it to the higher levels. The existing portals should handle the grievance in an effective manner by solving the problems in time.

## **7.9 Scope for Further Research**

Based on the present investigation, the following topics are found relevant for further research.

1. Customer retention strategies in the motor insurance industry in Kerala.
2. E-CRM in the motor insurance business.
3. Role of intermediaries in the marketing of motor insurance business.
4. Challenges faced by the insurance companies regarding the third party motor insurance policy.
5. Financial performance evaluation of general insurance companies in India.

## Appendix

### Questionnaire for the Claimants/Sample Customers

Name:.....

1. Your Insurance company (Please put ✓ mark in the desired column)

- a. New India Assurance Company Ltd
- b. National Insurance Company Ltd
- c. Bajaj Allianz General Insurance Company Ltd
- d. ICICI Lombard General Insurance Company Ltd

2. Gender Male  Female

3. Age in years :Upto 30 years  31-40   
41-50  51 & Above

4. Marital Status Married  Unmarried

5. Educational qualification:

SSLC  pre degree  Diploma  Graduate

Post Graduate  Professional  Others (specify).....

6. Occupational Status:
- Self –employed  Govt Employed  Private Employed
- Business Men  Retired  Others (specify).....
7. Average Monthly Income : Below ₹15000  ₹ 15001-₹ 30000
- ₹ 30001-₹ 45000  ₹ 45001-₹ 60000  Above ₹ 60000
8. Type of vehicles owned
- Two wheeler  Motor car  Commercial vehicles
9. Your premium payment method :
- Cash payment  Cheque/DD  Electronic Payment
10. How long have you belonged to this insurance company.....Year/s
11. Do you ever switch from any insurance company :
- Yes  No
12. If yes, from which insurance company.....
13. The reasons for your switching? (You can tick more than one)
- |   |                          |
|---|--------------------------|
| 1. Delay in claim settlement              | <input type="checkbox"/> |
| 2. Difference in premium amount           | <input type="checkbox"/> |
| 3. For more convenience                   | <input type="checkbox"/> |
| 4. Lack of direct access                  | <input type="checkbox"/> |
| 5. Poor customer service                  | <input type="checkbox"/> |
| 6. Hidden charges                         | <input type="checkbox"/> |
| 7. Dissatisfaction towards intermediaries | <input type="checkbox"/> |
- Any other reasons (please specify).....
14. Do you wish to switch from this insurance company?
- Yes  No

15. If yes, what are the reasons?

- 1. Delay in claim settlement
- 2. Difference in price tag
- 3. For more convenience
- 4. Lack of direct access
- 5. Poor customer service
- 6. Hidden charges
- 7. Dissatisfaction towards intermediaries

Any other reasons (please specify).....

16. The mode of taking the policy:

- Directly from insurance company
- Agents
- Motor Vehicle Dealer

17. What type of claim settlement?

- Cash settlement
- Cash less settlement (Repair)

18. Have you experienced any problems in claim settlement?

- Yes  No

19. If yes, the problems?

- 1. Delay in getting the amount
- 2. Absence of full coverage
- 3. Lengthy procedures
- 4. Delay in claim survey
- 5. Delay in appointing surveyors
- 6. Less transparency

Any other problems (Please specify).....

**Section A: Relationship Quality**

*(Please read the following statements and put a tick mark (✓) in your desired column)*

**SA**= Strongly agrees    **A**=Agree    **N**=Neutral    **D**=Disagree    **SD**= Strongly Disagree

<b>Trust</b>						
<b>1.</b>	My insurance company gives all the required information about the policy	SA	A	N	D	SD
<b>2.</b>	My insurance company pointed out the best choice for me	SA	A	N	D	SD
<b>3.</b>	I feel more confident when I purchase a policy from this insurance company	SA	A	N	D	SD
<b>4.</b>	My insurance company's promises are reliable	SA	A	N	D	SD
<b>5.</b>	I feel that I can always trust this insurance company	SA	A	N	D	SD



<b>Commitment</b>						
6.	My insurance company gives sincere commitment in servicing my claims	SA	A	N	D	SD
7.	My insurance company deserves recommendation	SA	A	N	D	SD
8.	I stay with the insurance company because I feel happy to be its customer	SA	A	N	D	SD
9.	Relationship with the insurance company is very important to me for the fulfillment of my requirements	SA	A	N	D	SD
10.	My insurance company tries to understand my specific needs	SA	A	N	D	SD
<b>Communication</b>						
11.	My insurance company actively responds to my inquiries regarding policy matters	SA	A	N	D	SD
12.	My insurance company timely informs us about the new offers	SA	A	N	D	SD
13.	My insurance company properly informs me as and when my policy becomes due	SA	A	N	D	SD
14.	My insurance company gives the correct information as the rate of premium charged, amount of premium , with service charges and related charges	SA	A	N	D	SD
15.	My insurance company timely informs any new Govt. Regulations regarding policies	SA	A	N	D	SD
16.	I never felt any communication problem from the insurance company	SA	A	N	D	SD
<b>Customer orientation</b>						
17.	My insurance company follows the motto “ customer is the king”	SA	A	N	D	SD
18.	My insurance company gives more importance to the	SA	A	N	D	SD

	satisfaction of customers rather than profit gain					
19.	My insurance company has the ability to openly discuss the problems	SA	A	N	D	SD
20.	My insurance company tries to solve my grievances at the office level itself	SA	A	N	D	SD

### Section B: Customer Satisfaction

(Please read the following statements and put a tick mark (✓) in your desired column)

**HS**= Highly Satisfied    **S**=Satisfied    **U**=Unsure    **D**=Dissatisfied    **HD**= Highly Dissatisfied

<b>Satisfaction towards Insurance company</b>						
<b>Tangibles</b>						
1.	Accessible Location of the branch	HS	S	U	D	HD
2.	Office appearance	HS	S	U	D	HD
3.	Availability of manuals, documents, etc	HS	S	U	D	HD
4.	Accessible to the cashless network garages	HS	S	U	D	HD
<b>Competence</b>						
5.	Renewal reminder mechanism	HS	S	U	D	HD
6.	Premium amount charged by the company	HS	S	U	D	HD
<b>Web Features of the Company</b>						
7.	Self service through the internet	HS	S	U	D	HD
8.	Updated website of the company	HS	S	U	D	HD

<b>Technology</b>						
<b>9.</b>	Toll free number facility	HS	S	U	D	HD
<b>10.</b>	Live chat facility	HS	S	U	D	HD
<b>Timeliness</b>						
<b>11.</b>	Operating Hours of the company	HS	S	U	D	HD
<b>12.</b>	24×7 service	HS	S	U	D	HD
<b>Responsiveness</b>						
<b>13.</b>	Responses of the frontline staff regarding enquiries	HS	S	U	D	HD
<b>14.</b>	Keen interest of officials in renewal of policy	HS	S	U	D	HD
<b>Intermediary Services</b>						
<b>15.</b>	Accessibility to Agents/Motor Vehicle Dealers	HS	S	U	D	HD
<b>16.</b>	Individualized attention	HS	S	U	D	HD
<b>17.</b>	Advisory services	HS	S	U	D	HD
<b>18.</b>	Agent/motor vehicle dealer's attitude in guiding the claim settlement	HS	S	U	D	HD
<b>19.</b>	Premium payment facility	HS	S	U	D	HD
<b>20.</b>	Disclosure of all information about the policy	HS	S	U	D	HD
<b>21.</b>	Knowledge of Agents/Motor Vehicle Dealers about the policy/plan	HS	S	U	D	HD
<b>22.</b>	Response of Agents/Motor Vehicle Dealers regarding queries/doubts	HS	S	U	D	HD
<b>23.</b>	Reminder about renewal date of policy	HS	S	U	D	HD
<b>24.</b>	Provision of information about my insurance company's services	HS	S	U	D	HD

**Section C: Customer Loyalty**

*(Please read the following statements and put a tick mark (✓) in your desired column)*

**SA= Strongly agrees A=Agree N=Neutral D=Disagree SD= Strongly Disagree**

<b>Behavioral Loyalty</b>						
<b>1.</b>	In future, I will renew my policy in this insurance company itself	SA	A	N	D	SD
<b>2.</b>	I will approach only this insurance company whenever I need a new policy	SA	A	N	D	SD
<b>3.</b>	There is no chance that I will switch into another insurance company	SA	A	N	D	SD
<b>4.</b>	I will approach exclusively this insurance company regarding any other insurance related matter	SA	A	N	D	SD
<b>Attitudinal Loyalty</b>						
<b>5.</b>	This insurance company is the first choice for me among the same type of companies	SA	A	N	D	SD
<b>6.</b>	I am ready to tolerate the premium amount of my policy	SA	A	N	D	SD
<b>7.</b>	I believe this insurance company as my favorite insurance company	SA	A	N	D	SD
<b>8.</b>	I say positive things about the services offered by my insurance company	SA	A	N	D	SD
<b>9.</b>	I will recommend my insurance company to other people	SA	A	N	D	SD
<b>10.</b>	I wish to make word of mouth recommendation about this insurance company	SA	A	N	D	SD

**Section D: Effectiveness of Claim settlement**

*(Please read the following statements and put a tick mark (✓) in your desired column)*

**SA= Strongly agrees A=Agree N=Neutral D=Disagree SD= Strongly Disagree**

<b>1.</b>	I experienced less procedural formalities regarding claim settlement	SA	A	N	D	SD
<b>2.</b>	My company gives a clear indication regarding the procedures that I should follow for claim settlement	SA	A	N	D	SD
<b>3.</b>	My company gives me up to date information on each stage of claim settlement	SA	A	N	D	SD
<b>4.</b>	My company follows a transparent claim settlement follow up	SA	A	N	D	SD
<b>5.</b>	My company appoints surveyors and loss assessors in time	SA	A	N	D	SD
<b>6.</b>	I can give request for claim settlement at any branch regardless of the branch where the policy taken	SA	A	N	D	SD
<b>7.</b>	Surveyors submit the survey report of my claims quickly	SA	A	N	D	SD
<b>8.</b>	I am satisfied with the claim amount settled by my insurance company	SA	A	N	D	SD
<b>9.</b>	My company takes reasonable time in settling the claims	SA	A	N	D	SD
<b>10.</b>	My company responds in time to inquiries regarding claim status	SA	A	N	D	SD

*Thank you*

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