

Statistics in mauritius for motor insurance business essay

[Business](#)



**ASSIGN
BUSTER**

Insurance is a financial protection obtained from an entity against the payment of a small premium . It is a form of risk management to hedge against the risk of a probable but uncertain loss. Motor Insurance also known as Auto Insurance is a short term policy purchased to cover risks involved for private and commercial vehicles. Motor Insurance took birth in the end of the nineteenth century, when the first cars were invented. (Cosmingbg, May 2008) All over the world, it is compulsory to subscribe to a motor insurance policy before driving a vehicle on a public road. In France driving without a motor insurance is an offence which can lead to six months imprisonment. In Europe the total gross premium income has reached \$164. 2 billion in 2011, which represents a compound annual rate of change (CARC) of -0. 6% between 2007 and 2011. There are two main types of motor insurance which includes Third Party Insurance Covers and Comprehensive Covers .

1. 2 – STATISTICS IN MAURITIUS FOR MOTOR INSURANCE

In Mauritius, the number of vehicles registered at the National Transport Authority has attained 418, 433 as at end of October 2012. It is almost one third of the population of the island. It has been increasing at an average percentage of 4. 6 yearly for the past eleven years (Fig A). Today, with credit facilities offered by banks, Insurance Companies and Leasing Companies, it is no longer a problem to acquire a new vehicle. For the period 01 January 2012 to 31st October 2012, more than twenty thousand vehicles have been registered at the National Transport Authority (NTA). The Motor Insurance Sector is growing very fast and is expected to keep this trend for many years to come. Eleven Insurance companies are registered under the Financial

Services Commission. The Average monthly gross premium income of a Leading Insurance Company in Mauritius is 15 million with sales of 1200 motor insurance policies. The average number of claims processed in 2012 for this major company is 275.

1. 3 AIM

The aim of this proposal is to understand the customer satisfaction level in the motor insurance sector and propose the strategic framework to maximize satisfaction in relation with the services offered by the insurance companies in Mauritius.

1. 4 OBJECTIVES

To achieve the specified aim, it will be necessary to: To identify the gaps that exists between the service delivery and the customer expectation by using the SERVQUAL model. To understand the factors affecting consumer satisfaction in Motor Insurance Industry. To create a customer loyalty scheme using Balance Score Card. To compare the service offered by different Insurance companies of the Mauritius. To analyse the reasons for delay in processing claims. To evaluate why some claims are not processed or are not payable by insurance companies. To suggest some strategies to fill the gap and improve customer satisfaction.

2. 0 PRELIMINARY LITERATURE REVIEW (758 words)

Customer satisfaction is perhaps the most essential factor of customer retention, customer loyalty, and product repurchase. " Customer satisfaction measures how well a customer's expectations are met. If customers received what they expected, they are satisfied. If their expectations were exceeded,

<https://assignbuster.com/statistics-in-mauritius-for-motor-insurance-business-essay/>

they are extremely satisfied." (Kotler et al, Second Edition, p. 351)As per an article written by Scott, S. (2012)," Measuring Customer Satisfaction: When should customer satisfaction be measured? 3 Approaches to consider", Qualtricks

1. AFTER SALES EVALUATION

This is measured at time of service delivery or shortly after the service is being purchased. Normally such surveys are carried out as a CRM (Customer Relationship Management) to know the opinion of the customer to ensure future long term relationship.

2. PERIODIC CUSTOMER SATISFACTION SURVEYS

This survey is carried out on a periodic basis to have an idea on the customers' expectation and perception after buying the product.

3. CONTINUOUS SATISFACTION TRACKING.

Customer satisfaction is measured by conducting regular customer satisfaction surveys on a monthly or quarterly basis and is part of quality management. As per the above article, regular satisfaction surveys give an indication of the expectation and perception of the customer. But, for motor Insurance, apart from satisfaction surveys, other factors indicate the level of service. These are the number of complaints received during a specific period and the number of policy renewed. Another important factor is the number of customer referrals (i. e the number of new customers introduced by existing customers). Some researchers believe that price can be a determining factor to choose a motor policy. But in Mauritius and may be in other part of the world also, there are many other factors that are key

<https://assignbuster.com/statistics-in-mauritius-for-motor-insurance-business-essay/>

determinants that insured considers before subscribing to a policy. These are the integrity, honesty and reliability of the insurance company, whether the processes are clear and transparent. Another important factor is if the company is operating as per established rules and regulations. The Financial Services Commission, Mauritius (FSC) is the integrated regulator for insurance business. FSC is here to control, monitor and supervise insurance companies to protect consumers' interest. The FSC may cancel the license of a company if the latter is not working according to established regulations. Some definitions of customer's expectation and perception are: " Customer's perception of the value received . . . where value equals perceived service quality relative to price". (Hallowell, 1996, p. 29)" The first determinant of overall customer satisfaction is perceived quality; the second determinant of overall customer satisfaction is perceived value." (Fornell et al. 1996, p. 9)" Customer satisfaction is recognized as being highly associated with ' value' and is based, conceptually, on the amalgamation of service quality attributes with such attributes as price." (Athanassopoulos, 2000, p. 192)Many authors believe that customer value is gained by associating price with quality service. Customers want clear products and services with simple processes so that they can understand what they are buying. Customer Loyalty depends on the quality service offered after buying a motor policy. " Customer satisfaction is known to be one of the most important and serious issues towards success in today's competitive business environment, as it affects company market shares and customer retention" (Ooi, et al., 2011). Large and medium-size Insurance companies including The State Insurance Company of Mauritius Ltd, Swan Group, The Mauritius Union Assurance

Company Ltd and The New India Assurance Company have good reserves, appropriate reinsurance policies, and good return on sales and are capable to bring innovation, new products development by using appropriate marketing tools including branding and advertising to respond to changing needs of customers. Whereas, smaller companies including Ceyllincostella , GFA, Lamco and Sun Insurance have low profitability and take much time in handling claims and, very often have bad reputation as bad payers. The Insurance Industry is directly affected by uncontrollable external environment. High standard of living and economic condition of a country has a direct impact on sales of cars and consequently on motor policies. Other major issues affecting the auto industry is the climatic conditions such as cyclone, tsunamis and floods. Many customers are aware of only comprehensive cover or Third party cover. They are not informed about supplementary covers or extension. Cut throat competition in the Motor Insurance sector is forcing insurance companies to review their services to retain their customers. New regulations like ‘ The Constat a L’Amiable.’(i. e An Agreed Statement of Facts) implemented in recent years has urged insurance companies to process their claims more rapidly and effectively. With technological changes, customers conduct more researches online before purchasing a policy and therefore are expecting stronger brand value. The shifting rate also rises with customers becoming more aware of their rights and competitor’s product. According to Bosari, J, 08th January 2013, men pay higher premium than women for motor insurance policies. This can be perceived as discrimination towards women. Very often, customers are not aware how their premiums have been calculated. Sometimes, the rates

are not consistent and transparent to everybody. In US, new legislations are under review to protect consumers. In Mauritius also, the Financial Services commission has specific rules and regulations to protect customers. All Insurance Companies operating in Mauritius must have a complaint coordinator to assist clients whenever the latter is not satisfied with the service offered. Other factors affecting the motor premium are age of car/insured, profession, size and model of car and number of previous claims. Other risk factors like natural calamities are also taken as determinants to add loading on the initial premiums. As per findings of a mystery shopper exercise carried out by the Competition Commission of Mauritius in 2010, the price charged by insurance companies varies largely. The policy excess charged by every insurance company differs. In fact, rates are based on past data and experience together with current information available. The basic premium charged by companies is calculated by the loss ratios-i. e the total claims paid to the number of policy sold. Then other factors are also considered including the number of accidents, past claims and age of car. The bargaining power of customers is very high and the shifting rate from one insurance company to another is very high. When a customer is choosing a Motor Insurance Company he or she expects that the company keep their promises while delivering the service.

RESEARCH GAPS

The current researches have been carried as to customer satisfaction compared to what they were expecting. Price has been considered as a factor to evaluate quality. But research has not been carried out specifically why there is delay in claim settlement or claim rejection. There is no

<https://assignbuster.com/statistics-in-mauritius-for-motor-insurance-business-essay/>

precision why the insurance companies have failed to deliver the expected service . I feel that further researches need to be carried out in this sector to analyse the difficulties that customers face after buying a policy.

<http://www.forbes.com/sites/moneywisewomen/2013/01/08/>

[http://www.ey.com/Publication/vwLUAssets/Global_Consumer_Insurance_Survey_2012/\\$FILE/](http://www.ey.com/Publication/vwLUAssets/Global_Consumer_Insurance_Survey_2012/$FILE/Global_Consumer_Insurance_Survey_2012.pdf)

[Global_Consumer_Insurance_Survey_2012.pdf](http://www.ey.com/Publication/vwLUAssets/Global_Consumer_Insurance_Survey_2012/$FILE/Global_Consumer_Insurance_Survey_2012.pdf)

[Global_Consumer_Insurance_Survey_2012.pdf](http://www.ey.com/Publication/vwLUAssets/Global_Consumer_Insurance_Survey_2012/$FILE/Global_Consumer_Insurance_Survey_2012.pdf)

3. 0 RESEARCH METHODOLOGY

3. 1 RESEARCH DESIGN

Research is a master plan that will be designed to gather data and convert it into information that can be easily understood. " It consists of three steps, namely posing a question, collecting data to answer the question, and presenting an answer to the question." (Creswell, 2009). Both qualitative and quantitative data will be collected through primary research and desk research.

3. 2 DESK RESEARCH – SECONDARY RESEARCH

Information on Motor Insurance will be collected from different sources including government's websites, periodicals, magazines, journals and surveys.

3. 3 PRIMARY RESEARCH

A semi-structured questionnaire will be prepared and distributed to a judgment sample of 100 respondents. Respondents will be split into different segments including Demography[i], Psychographic[ii]. Respondents will be

<https://assignbuster.com/statistics-in-mauritius-for-motor-insurance-business-essay/>

selected from customers of different insurance companies. The research will include a set of hypothesis also as outlined below:

Hypothesis one

Women pay higher premium than men because it is assumed that they do more accidents. Data will be collected from men and women to know the number of accidents by each gender
 H_0 – null hypothesis – when research shows that there is no sex discrimination
 H_1 – Alternate Hypothesis – When there is discrimination

Hypothesis Two

There is a gap at service delivery- the employer is not delivering the service as it should be . There is lack of competence and well trained staff at point of delivery
 H_0 – The service is delivered as it should have been
 H_1 – The service has been delivered wrongly – e. g all information on the policy has not been clearly explained to the customer
 Hypothesis Three – Gap 4
 Advertising
 H_0 – The advertising is true
 H_1 – the advertising is misleading the customer – the insurance company is not keeping its promise

FIVE GAPS IN SERVQUAL MODEL (Parasuraman et al, 1988)

Gap 1 - Customer Expectations vs. Managerial Perceptions- Managers perceive customer expectation from an internal perspective as per their established policies and practices. Customers have a different perception on the service offered. It is the difference between actual customer expectations and management's idea or perception of customer expectations
 Gap 2 - Manager's Expectations of quality vs. Quality

specifications - To implement a system to improve this gap, management must first understand exactly what the customer wants. If this understanding is not present, it will be impossible for management to know whether their expectations are aligned with customer specifications. Gap 3 - Communication with customer at point of service or sale This gap occurs at point of sale. It is the way the employee delivers the service. Normally this gap can be improved by training and development of employees. Gap 4 - Service delivery vs. Communication The company fails to keep its promise - Advertising is giving an information to customers whilst the product is completely different. E. g - many insurance companies have slogan such as "you are really covered", "peace of mind" " or " on the spot claim settlement"

3. 5 PILOT TESTING

A pilot test will be carried out before starting the research on a large scale.

Questionnaires will include close ended and open ended questions. 3. 6

DATA ANALYSIS Data collected will be recorded in spss and will be tabled and analysed through charts and graphs.

4. 0 ETHICAL CONSIDERATION

For this research, customers will be requested to participate in the survey voluntarily. Information collected will be dealt with strict confidentiality.

There will not be any personal information on this survey only data that will be used for measuring customer service. The personal information on participants will be kept anonymous. 5. 0 CONCLUSION