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STUDYING THE RELATIONSHIP BETWEEN LOSS PAYMENT SYSTEM AND CUSTOMER SATISFACTION CASE STUDY: IRAN INSURANCE AGENCIES IN GILAN, IRAN

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ABSTRACT

As one of the indicators of the development of societies, growth and development of insurance are heavily influenced by customer satisfaction (policyholders) and the preservation of insurance companies depends on the policyholders' satisfaction of those companies. However, the primary question about loss insurance is how to fulfill this expectation at the time the loss occurs and the policyholder refers to the insurer. The main objective of the current study is to assess the effects of the application of loss management system on the policyholders' satisfaction in Gilan province, Iran. The study population is the customers of insurance services in all Iran insurance agencies in Gilan province. Using correlation method, 281 individuals were studied as the study sample. The obtained results indicate that there is a significant positive relationship between components of loss payment system and insurance customer satisfaction in Gilan so that the maximum intensity of correlation between employees behavior and customers satisfaction was 58.1%. Then, the amount of loss with correlation coefficient of 42.8%, simplicity of payment stages with correlation coefficient of 37.1%, access to payment system with correlation coefficient of 35.9% and finally speed of payment with correlation coefficient of 30.7% have had a positive and significant relationship with customer satisfaction.

Keywords: *Customer Satisfaction, Insurance Industry, Loss Payment, Gilan Province*

INTRODUCTION

Today, service industries play an important role in economic growth and development of countries and among them, the role and importance of the status of insurance industry as a supporting industry is evident for everyone (Moradi, 2010). Providing qualitative service is one of the most important elements which result in customer satisfaction. Only organizations with a comprehensive approach on customer can provide this service and have a deep commitment to them (Hajiha and Mohammed, 2010). The most important factor affecting customer satisfaction in long-run is the high quality of goods and services. The quality of services has indeed been introduced as the prologue of customer satisfaction (Moutinho & Smith, 2000) and many studies have confirmed the relationship between the two (Kavandi and Shakeri, 2010).

As one of the indicators of the development of societies, growth and development of insurance is heavily influenced by customer satisfaction (policyholders) and the preservation of insurance companies depends on the policyholders' satisfaction of those companies. The quality of services and customer satisfaction and loyalty are essential for the survival of insurer (Moradi *et al.*, 2011). Policyholder is considered as the main reason for the formation and continuity of the activity of insurance company. Accordingly, one of the main missions of insurance companies is to satisfy the needs of policyholders through supplying insurance services with high quality so that they can provide their satisfaction (Ghafouri, 2004). Loss payment is the most sensitive and important stage of an insurance contract (Hajiha and Mohammed, 2010).

This is, on one hand, related to an insurance operation and ability of risk acceptability and on the other hand, causes the continuity of insurance operation between insurer and policyholder in terms of inter-relationships. The question is how to fulfill this expectation at the time the loss occurs and the policyholder refers to the insurer. In theory, as soon as the policyholder refers to the insurer, the insurer is

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obliged to pay loss to the policyholder after necessary and reasonable review, while in practice; this is not done quickly and easily. In loss payment, insurer obeys principles whose origin is the insurance principles i.e. timely loss payment and prevention of creation of benefit according to the principle of indemnity. These principles determine the general policy of insurer to pay loss to policyholder. But, the process of loss payment by insurer indicates whether these principles are practically applied or not (Bagherpour, 2011).

Obviously, insurance companies should pay loss to sustain their activities; meanwhile shirking and evading from fair payment and settlement of losses create poor relationships between the company and people. Insurance companies which routinely pay less than actual and true losses, lose their customers soon. Insurance product is not a kind of physical goods whose nature and quality are tangible at the time of transaction but a commitment product i.e. selling the supplement of assurance for loss payment in the future against the insurer's obligation to payment of premiums in the present. Hence, the main issue of the current study is that to what extent Iran insurance company has responded to the needs, demands and expectations of policyholders in loss section in Gilan. This study aims to assess the effects of using loss management system on the policyholders' satisfaction of Iran Insurance Company.

Theoretical framework represents the relations governing the independent and dependent variables based on the literature. According to the statement taken from the problem, the analytical model of the present study has been described in Diagram (1):

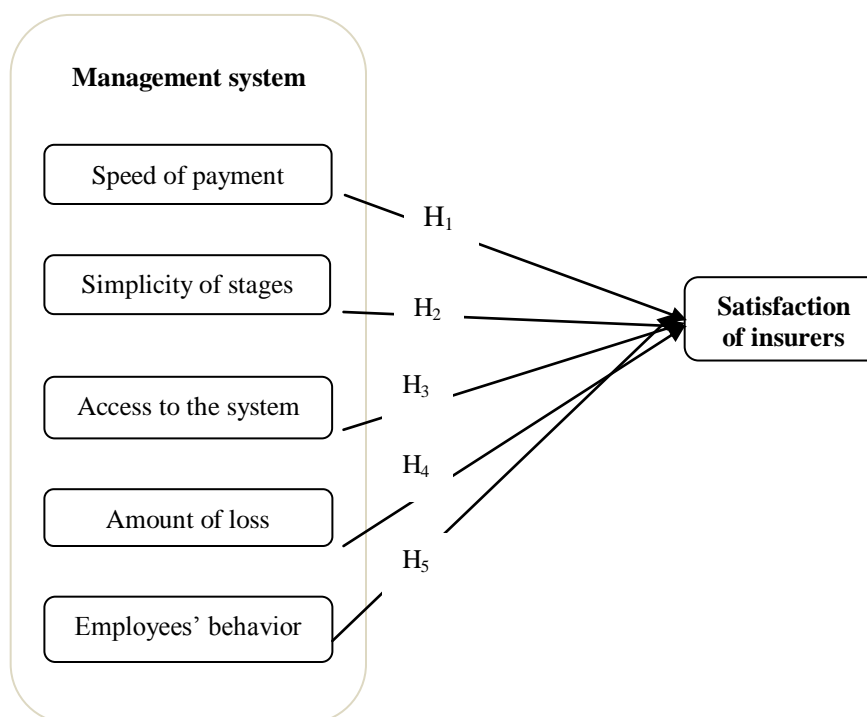


Diagram 1: Conceptual model of the study

According to their activities, trading and service companies should immediately provide desired and expected after-sale services of their customers that in terms of commercial insurance companies, this is called “loss payment” (NasehiFar *et al.*, 2008). Simplicity of payment stages means those in which the insurer obeys in the loss payment and its origin is the principles of insurance i.e. timely loss payment and prevention of creation of benefit with regard to the principle of indemnity. These principles are the general policy of insurer for loss payment to policyholder (Entesari, 1994). Its components in the present study include the provision of services and facilities, informing, services, ensuring the accuracy of the calculation of losses and reasonableness of receiving documents. Employees' behavior is considered as a

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communication bridge between organization and customer and is the main factor for marketing services that can dramatically alter customer satisfaction (Mirabi, 2008). In this study, the objective is the employees of insurance company who can provide customer satisfaction and desired relationships with them through their behavior and information. The dimensions of this variable include: respect, skill, strict accountability, employees' discipline, legal positivism, adornment, fairness and employees' knowledge and information. Speed of loss payment is defined as the time interval between the time of loss occurrence and the reference of policyholder and insurer and the fulfillment of the expectations of policyholder for compensating loss (Entesari, 1994). In this study, the aspects of the speed of inspection of loss and the speed of the issue of loss and access to insurance branches have been addressed. The amount of loss is the amount by which the insurer supports policyholders at the risk and compensates loss from policyholders who have suffered through the amount provided from the total premium (Asoude, 2008). Access to loss payment system in the present study includes the access to company or its branch for loss payment and the access to sale network and responsible managers in the insurance company and an update information system. Customer satisfaction is generally described as the complete fulfillment of the expectations of an individual (Oliver, 2002). According to Oliver, satisfaction is the judgment on whether the property of a product or service or product or service itself has provided an enjoyable level of achievement related to the consumption or not. According to the conceptual model, the following research hypotheses were formulated:

H1: There is a significant relationship between speed of payment and policyholders' satisfaction in Iran Insurance.

H2: There is a significant relationship between simplicity of stages and policyholders' satisfaction in Iran Insurance.

H3: There is a significant relationship between access to system and policyholders' satisfaction in Iran Insurance.

H4: There is a significant relationship between the amount of payment and policyholders' satisfaction in Iran Insurance.

H5: There is a significant relationship between employees' behavior and policyholders' satisfaction in Iran Insurance.

Review of the related Literature

Nikan (2014) investigated factors affecting customer satisfaction in life insurances. He proposed a model to measure customers and users' satisfaction with services as well as to determine which aspect of organizational performance the customers are satisfied with. The obtained results indicated that two factors of accountability and respect have an impact on customer satisfaction. In the study entitled "Comparing the quality of services provided to customers in units of loss payment for vehicle insurance; Case Study: two state insurance companies", Hajiha and Mohammadi (2010) examined the difference between the expectation and perception of customer to the quality of service provided by the insurance company "B" and "A" in units of loss payment of vehicle (hull and third party) insurance and compared the performance of both mentioned companies using SERVQUAL model. According to the results of the study, there is a significant difference between the expectation and perception of customers in all (reliability, accountability and customer perceptions) aspects. In their study entitled "Quality of loss payment system in Mellat Insurance Company from the perspective of customers and providing solutions to improve it (in the field of automobile insurance)", NasehiFar and Hagh (2008) evaluated loss payment system in five aspects including the speed of loss payment, simplicity of loss payment stages, the amount of payment and employees' behavior in loss unit. The obtained results show that policyholders are satisfied with all functional elements and the amount of loss has the greatest impact on customer satisfaction. In their study, "Measuring Customer Satisfaction on Life Insurance Products Case Study: Lagos State, Nigeria", Sogunro and Abiola (2013) stated that competition in Nigerian insurance industry has dramatically increased. Types of properties of different insurance designs are for the quality of service and customer satisfaction. The results of the study indicate that due to the related properties, customers of life insurance are not satisfied. In a study entitled "Customer Satisfaction in insurance industry", Coviello

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and Trapani (2012) stated that customer satisfaction as well as the quality of service is the key to success for companies in long-run competitiveness. Customer satisfaction is a decisive factor in insurance industry. The study aimed at the conceptual development of observing customer using concepts of customer satisfaction and the quality of relationship in the insurance industry in Italy. The obtained results revealed that customer satisfaction is the key for evaluating and monitoring strong services and services which require improvement. Zaim (2010) investigated the relationship between structures of customer satisfaction based on four cases of customer expectation of organization, value of customer, the quality understood by customer and customer satisfaction in Türk Telekom Company. The results of the study revealed that company brand is one of the most important determinant factors and customization and reliability of a product or service impact the quality perceived by the customer according to the assessment.

MATERIALS AND METHODS

Methodology

This is an applied study with descriptive-survey method. The population of this study is all customers of Iran Insurance agencies in Gilan. Since in the present study, the population is unlimited and the number of referees to Iran Insurance agencies in Gilan is not clear, to calculate the sample size, 30 questionnaires were first distributed in the target population and its standard deviation was calculated which was obtained as 0.4282. Then, the samples size was obtained from the following formula:

$$\frac{(Z_{\alpha/2})^2 * \delta^2}{\varepsilon^2} = \frac{1.96^2 * 0.4282^2}{0.05^2} = 281.78 \text{ n=}$$

Where α is error level; δ is standard deviation and ε is the accuracy of estimation

The obtained sample size is 281. Cluster and available improbability samplings have been used.

In this study, due to the type of the study and the extent of the population and consequently, the complexity of the statistic sample, for faster access to comments of subjects, questionnaire was considered as the best method for data collection.

To assess the validity, pre-test was used to evaluate the rate of clarity of questions and the validity of measuring variables regarding the questionnaire. In October, 2014, 30 subjects were selected as the study sample through improbability sampling method among from customers of some Iran Insurance Agencies. The questionnaire was presented to respondents and then, the questionnaires filled by the subjects were collected. Participants were asked to determine ambiguous questions in case they faced with uncertainties and problems to questions.

They were also requested to present other related proposals assisting the improvement of the questionnaire. Based on the feedback received from the pre-test, modifications were made to the questionnaire items. Cronbach's alpha was applied to analyze the questions and eliminate the invalid ones. Cronbach's alpha coefficient of the whole questionnaire is equal to 0.921 which indicates the high reliability of the above-mentioned questionnaire.

RESULTS AND DISCUSSION

Results

This study was conducted by 281 subjects that among from them, 32.7% and 64.1% were female and male, respectively. 8.2%, 28.1%, 33.8%, 19.2% and .8% of them had 18-25 years, 26-35 years, 36-45 years, 46-55 years and 55 years, respectively. The income of 13.5%, 26.3%, 18.5%, 18.5% and 1.8% of them was less than 500000, between 500000 and 1000000, between 1000000 and 2000000, between 2000000 and 5000000 dollars more than 5000000 tommans, respectively. Out of them, 30.2% and 68.0% were single and married, respectively. Among from them, 8.2%, 36.7%, 33.1%, 13.2% and 8.5% were under diploma, diploma, A.A, B.A and M.A and higher, respectively.

Speed of payment: The lowest and highest rates for the speed of payment are 1.00 and 4.67, respectively and its mean is 2.66, standard deviation 0.71 and variance 0.50. According to the obtained mean, it can be said that the speed of payment is not desirable from the perspective of policyholders.

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Simplicity of payment stages: The lowest and highest rates for simplicity of payment stages are 1 and 5, respectively and its mean is 2.51, standard deviation 0.69 and variance 0.48. According to the obtained mean, it can be said that the mentioned variable is not desirable from the perspective of policyholders.

Access to payment system: The lowest and highest rates for access to payment system are 1 and 5, respectively and its mean is 2.58, standard deviation 0.83 and variance 0.69. According to the obtained mean, it can be said that the mentioned variable is not desirable from the perspective of policyholders.

Amount of loss: The lowest and highest rates for amount of loss are 1 and 4.50, respectively and its mean is 2.52, standard deviation 0.73 and variance 0.54. According to the obtained mean, it can be said that the mentioned variable is not desirable from the perspective of policyholders.

Employees' behavior: The lowest and highest rates for employees' behavior are 1 and 4, respectively and its mean is 2.38, standard deviation 0.68 and variance 0.46. According to the obtained mean, it can be said that the mentioned variable is not desirable from the perspective of policyholders.

Policyholders' satisfaction: The lowest and highest rates for policyholders' satisfaction are 1 and 5, respectively and its mean is 2.44, standard deviation 0.71 and variance 0.50. According to the obtained mean, it can be said that the mentioned variable is not desirable from the perspective of policyholders.

In order to clarify the type of applied test (non-parametric or parametric tests), we should examine whether variables follow a normal distribution or not. If variables follow a normal distribution, the parametric tests will be used otherwise nonparametric tests should be applied. In so doing, Kolmogorov-Smirnov test was used whose results for each variable have been given in Table (1).

Table 1: Results of Kolmogorov-Smirnov (K-S) test

Variable	Statistic	Level of significance	Result
Speed of loss payment	2.29	0.00	Abnormal
Simplicity of payment stages	2.41	0.36	Normal
Access to payment system	2.40	0.00	Abnormal
Amount of loss	2.75	0.00	Abnormal
Employees' behavior	1.22	0.10	Normal
Customer satisfaction	22.03	0.00	Abnormal

Level of significance is 0.05*

Any case in which two variables are normal will enjoy Pearson correlation coefficient otherwise (in examining relationships which at least one of its variables has a normal distribution with the level of significance less than 0.05) it will enjoy the nonparametric test of Spearman correlation coefficient. The results obtained from testing the hypotheses are given in Table 2.

Table 2: Results of testing the hypotheses

Variables	Number	Rate of correlation coefficient	level of significance	Result
Speed of loss payment and customer satisfaction	279	30.7%	0.00	Acceptance of the first hypothesis
Simplicity of stages and policyholders' satisfaction	279	37.1%	0.00	Acceptance of the second hypothesis
Access to system and policyholders' satisfaction	279	35.9%	0.00	Acceptance of the third hypothesis
Amount of payment and policyholders' satisfaction	279	42.8%	0.00	Acceptance of the fourth hypothesis
Employees' behavior and policyholders' satisfaction	279	58.1%	0.00	Acceptance of the fifth hypothesis

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To normalize the distribution of speed of loss payment and customer satisfaction in the sample, Spearman correlation coefficient was used to test the first hypothesis. The obtained level of significance (Sig) is less than 0.01. Therefore, with the confidence of 99%, it can be said that the first hypothesis of the study is confirmed and the relationship is significant. The degree of correlation between the two variables of the speed of loss payment and customer satisfaction is +30.7% that indicates a direct relationship between them. On the other hand, the determination coefficient between the two variables is equal to 0.094 indicating that the speed of loss payment can predict customer satisfaction at the rate of 9.42%.

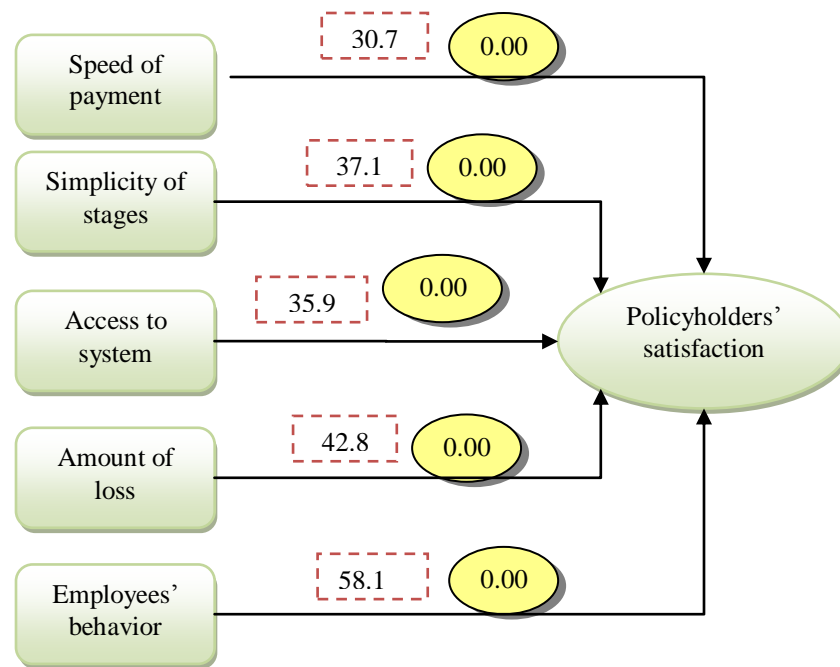


Diagram 2: Conceptual model

In terms of the non-normal distribution of the variable of policyholder's satisfaction in a sample, Spearman correlation coefficient was used to test the second hypothesis. The obtained level of significance (Sig) is less than 0.01. Therefore, with the confidence of 99%, it can be said that the second hypothesis of the study is confirmed and the relationship is significant. The degree of correlation between simplicity of stages and policyholder's satisfaction is +37.1% that indicates a direct relationship between them. On the other hand, the determination coefficient between two variables is also equal to 0.137 indicating that simplicity of payment stages can predict policyholder's satisfaction at the rate of 13.7%. Spearman correlation coefficient was used to test the third hypothesis. The obtained level of significance (Sig) is less than 0.01. Therefore, with the confidence of 99%, it can be said that the third hypothesis of the study is confirmed and the relationship is significant. The degree of correlation between access to system and policyholder's satisfaction is +35.9% that indicates a direct relationship between two variables. On the other hand, the determination coefficient between two variables is also equal to 0.128 indicating that access to system can predict policyholder's satisfaction at the rate of 12.8%.

Spearman correlation coefficient was used to test the fourth hypothesis. The obtained level of significance (Sig) is less than 0.01. The degree of correlation between amount of payment and policyholder's satisfaction is +42.8% that indicates a direct relationship between two variables. On the other hand, the determination coefficient between two variables is also equal to 0.183 indicating that amount of payment can predict policyholder's satisfaction at the rate of 18.3%.

Spearman correlation coefficient was used to test the fifth hypothesis. The obtained level of significance (Sig) is less than 0.01. Therefore, with the confidence of 99%, it can be said that the hypothesis of the study is confirmed and the relationship is significant. The degree of correlation between employees'

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behavior and policyholder's satisfaction is +58.1% that indicates a direct relationship between two variables. On the other hand, the determination coefficient between two variables is also equal to 0.337 indicating that employees' behavior can predict policyholder's satisfaction at the rate of 33.7%.

The results of the correlation tests show that all components of loss payment system have a significant positive relationship with customer satisfaction. The degree of correlation and level of significant have been given in Diagram (2).

Conclusion and Suggestions

Given the results of hypothesis testing, it is determined that there is a significant positive relationship between loss payment system and customer satisfaction of Iran Insurance in Gilan so that the maximum degree of correlation has been employees' behavior and customer satisfaction equal to 58.1%. Then, amount of loss with correlation coefficient of 42.8%, simplicity of payment stages with correlation coefficient of 37.1%, access to payment system with correlation coefficient of 35.9% and finally speed of payment with correlation coefficient of 30.7% have had a significant positive relationship with customer satisfaction. Therefore, according to the obtained results, it is suggested that:

- According to the results of hypothesis testing, it was found that employees' behavior had a significant relationship with policyholders' satisfaction at greater degree compared to other components. Therefore, it is proposed to attend to continuous education and implementation of training programs for employed forces, especially in the section of loss as an indicator of affective indicators. In addition to promoting technical and insurance information of experts and employees and training specialists, the development of employees' technical knowledge, particularly on loss, transfer of the latest new information and data on services through continuous education and implementation of various training programs will lead to increase customer satisfaction and decrease difficulties in insurance services.
- Increasing the number of agencies and branches of loss payment in important and crowded regions of the city for the improvement of access to payment system.
- Using ATM systems in all branches of agencies for further welfare of customers
- Using electronic insurance for improving the speed payment, simplicity of payment stages and improving the situation of portal of insurance companies.

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