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A Study on Consumer Buying Behaviour of Motor Insurance: A Study Conducted in Mumbai Region

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ABSTRACT

Insurance which covers any other property excluding, life of a person is called as General or non-life Insurance. It covers insurance of properties for the loss that arises due to fire and theft, personal insurance like health, accident, to cover legal liabilities, motor vehicle, marine risk, crop, travel and livestock insurance. Motor insurance is one of the segments of General Insurance business. The motor insurance segment claims a majority part of the business at 40%. The insurance market has become much more competitive over the years due to the entry of private insurance companies. In order to survive this competition insurance companies will have to focus on increasing product innovation, improving customer service and boosting the efficiency of their delivery channels. Consumer purchasing decisions are influenced by a variety of factors including quality, affordability, features, goodwill popularity, and support services of the product providers. Therefore, it becomes crucial to study and understand the behaviour of consumers towards general insurance products. The study tries to understand the consumer buying behaviour of motor insurance products so that insurer can sell the product in an effective manner.

Keywords: Consumer, Motor Insurance, Public Sector and Private sector Insurance Companies.

INTRODUCTION

Motor Insurance is a combination policy that covers the vehicles, its accessories, any breakage or damage to the vehicle or life of the policyholder, as well as his liability to any third party. It effectively undertakes all the risks that a vehicle owner may be exposed to, including any damages to his motor-vehicle due to fire, theft, accidents and natural disasters, as well as injuries to the owner of the insured motor.

All aspects of road transport vehicles in India are regulated by the Motor Vehicles Act of 1988. Apart from safeguarding the financial interests of policyholders, this act also protects pedestrians and other third parties against any losses or damages they may suffer through such vehicles.

The general insurance market is expanding and motor insurance share too is increasing in positive manner in India. Thankfully the expansion of the general insurance industry has coincided with rising income levels of the population of our country along with an ambitious private business houses, thereby maximizing the business opportunities of segments like health, motor insurance that were previously unexplored and under-penetrated.

Public sector insurers are being pushed towards improving their efficiency due to the competition that they are facing from the private sector. They have started understanding that it is not just products that consumers buy, but the bundles of emotions. Their purchasing decisions are influenced by many factors. Therefore, it becomes crucial to study and understand the behaviour of consumers towards motor insurance products. The most important question that haunts most marketers is what makes consumers buy as many factors influences buying behaviour of consumers.

OBJECTIVES OF THE STUDY

- To find out the choice and preference of the consumers regarding the Motor Insurance products.
- To find out the expectations of the consumer about the products of the Insurance companies so that the companies can offer the product accordingly.

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HYPOTHESIS OF THE STUDY

1. H_0: There is no significant difference between the purchasing decision of the consumers and their knowledge of the product

vs

H_1: There is a significant difference between the purchasing decision of the consumers and their knowledge of the product

2. H_0: There is no significant difference between the purchasing decision of the consumers and their knowledge of the product

vs

H_1: There is a significant difference between the purchasing decision of the consumers and their knowledge of the product

RESEARCH METHODOLOGY

Research Design: A structured questionnaire was used to conduct this survey, which had more of close ended and some open ended questions. The study was all about overall consumer behaviour and factors that affect their decisions with regard to the purchase of motor insurance products.

SOURCES OF DATA

Both primary and secondary data sources have been used in this study for a meaningful research. The secondary data has been collected from various sources, like IRDA website, other internet sites, newspapers, journals, research reports, magazines, publications, and libraries. Primary data is collected with the help of well-structured questionnaire. 242 respondents including consume of general insurance in Mumbai were contacted in order to collect the data required for the study.

STRUCTURE OF THE QUESTIONNAIRE

Primary research was conducted through quantitative data collection through questionnaire. The questions evoked a mix of single and multiple responses. There were three parts in the questionnaire: Demographic factors, Buying-behaviour related questions and Factors affecting buying behaviour:

Descriptive and Statistical Analytic Techniques like cross tabulation, Chi-square test and non-parametric tests were used for data analysis.

ANALYSIS AND INTERPRETATION OF DATA

Testing the objectives

1. To find out the choice and preference of the consumers regarding the Motor Insurance products.

Table-1: Insurance Company Opted by the respondents

Insurance Company		
	Frequency	Percent
Public Sector	59	24.4
Private Sector	96	39.7
Both	87	36.0
Total	242	100.0

- **Interpretation**

Out of the total 242 respondents, 24.4% purchased policy from public sector insurance companies and 39.7% purchased policy from private sector. It shows that most of them preferred to buy motor insurance policies from the private sector insurance companies.

2. To find out the expectations of the consumer about the products of the Insurance companies so that the companies can offer the product accordingly.

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Table-2: Most important requirement of the respondent

Requirement		Purchasing Decision
		Yes
Safety	Count	116
	%	51.6%
Speed in claim settlement	Count	53
	%	23.6%
Low premium rates	Count	15
	%	6.7%
Policy conditions should be in clear language	Count	31
	%	13.8%
Officers/Agents easily available	Count	10
	%	4.4%
Total	Count	225
	%	100.0%

- **Interpretation**

According to most of consumers important requirement purchasing the motor insurance product is "Safety" as 51.5% of the respondents opted it as the most important requirement. The second most important factor is speed in claim settlement.

- **Multiple Response Technique**

Table-3: Benefits comparison of the motor insurance policy of private and public sector

Benefits comparison of the motor insurance policy of private and public sector		
	Responses	
	N	Percent
Policy feature documents	104	24.8%
Consult with insurance agents / experts	58	13.8%
Comparing premium rate	107	25.5%
Claim settlement percentage	92	22.0%
Gathering more information from friends and relatives	40	9.5%
Advertisements	18	4.3%
Total	419	100.0%

- **Interpretation**

Many consumers compare benefits of motor insurance policy of public and private sector. According to multiple response technique, "Premium rate comparison" is the most important benefit comparison, the next important benefit usually compared by consumers is "Policy feature document" and also "Claim settlement percentage" is the next important benefits comparison made by the consumer.

Table-4: Reliability test

Reliability Statistics	
Cronbach's Alpha	N of Items
.775	4

- **Interpretation**

Reliability statistics obtained Cronbach's Alpha value of 0 .978, which indicates a high level of internal consistency for our scale (factors).

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Table-5: Type of coverage provided by insurance companies

Item Statistics		
	Mean	**Std. Deviation**
Damage to the vehicle	2.21	.781
It also pays for any third party liability determined by law against the owner of the vehicle	2.46	.815
The cost to rent a vehicle if yours is damaged	2.63	.874
The cost to tow your vehicle to a repair facility	2.71	.784

- **Interpretation**

These factors are measured on a 5-point Likert scale, the ratings is based on the type of coverage provided by the motor insurance product. On an average, we can observe all the factors are gaining ratings around 2 to 3 approximately. On an average, the respondents are satisfied with the type of coverage provided by the insurance company. Standard deviation is the measure of how much spread out each observations are from each other or from its mean. The values in the standard deviation column lies between 0.7 to 0.9, which tells us that the deviation of all the coverage factors is very less. That is, it does not much deviates from the mean.

TESTING OF HYPOTHESIS

Non Parametric test

H_0: The data under consideration is normal

vs

H_1: The data under consideration is not normal

Table-6: Non Parametric test:

	Kolmogorov-Smirnov Z	**Asymp. Sig. (2-tailed)**
Gender	6..938	0.000
Age group	5.075	0.000
Educational qualification	4..154	0.000
Occupational status	5.041	0.000
Marital status	7.059	0.000
Monthly family income	5.896	0.000
Nature of family	8.207	0.000
Family size	5.714	0.000
Number of dependent	6.778	0.000
Purchasing decision of Motor Insurance	8.154	0.000
Purchasing decision on Requirement	9.387	0.000
Product knowledge	4.123	0.000

- **Conclusion**

Since p-value for all the factors is less than 0.05, hence we reject H_0. And conclude that the data under consideration is not normal. Hence, we go for Non-Parametric test.

Hypothesis: 1

H_0: There is no significant difference between the purchasing decision of the consumers and their knowledge of the product

vs

H_1: There is a significant difference between the purchasing decision of the consumers and their knowledge of the product

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Table-7: Test Statistics: Mann Whitney Test

Ranks			
Purchasing Decision	**N**	**Mean Rank**	**Sum of Ranks**
Yes	225	120.37	27082.50
No	17	136.50	2320.50
Total	242		

Test Statistics	
	Product Knowledge
Mann-Whitney U	1657.500
Asymp. Sig. (2-tailed)	.320
Grouping Variable: Purchasing Decision	

- **Interpretation**

Since Asymp.Sig (p-value) > 0.05, for purchasing decision dependency, we do not reject H_0. And conclude that there is no significant difference between the purchasing decision of the consumers and their knowledge of the motor insurance. That is, the purchasing decision of the consumers does not depend on knowledge of the product, when it comes to buying the motor insurance

In other words, we can say that while buying motor insurance, product knowledge is not a key factor. This is because people generally opt for motor insurance whenever they purchase a vehicle or especially from where they make the purchase, irrespective of their knowledge regarding it. And so motor insurance purchasing decision does not always depend on product knowledge, as compared to other insurance.

Hypothesis: 2

H_0: There is no association between demographic and their purchasing of general Insurance product

vs

H_1: There is an association between demographic and their purchasing of general insurance product

Table-8:Chi-Square test

Demographic factors	**Opted motor Insurance**	
	Pearson Chi-square	**Asymp. Sig (2-sided)**
Gender	0.525	0.469
Age group	4.721	0.317
Educational Qualification	7.279	0.122
Occupational Status	2.352	0.671
Marital Status	3.664	0.160
Monthly income of the family	9.573	0.048
Nature of family	0.358	0.550
Family size	4.864	0.088
Number of dependent Family Members	4.521	0.210

- **Interpretation**

Since Asymp.Sig (p-value) < 0.05 for Monthly Income of the Family, we reject H_0. In this case, we say that there is an association between this demographic factors and their purchasing of motor insurance product. In other words, we can say that decision of purchasing the motor insurance product depends on monthly income of the family.

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And all the other remaining demographic factors, Asymp.Sig (p-value) > 0.05, hence here we do not reject H_0. And conclude that there is no association between other demographic factors. That is the purchasing of general insurance product is not dependent on them.

FINDINGS AND SUGGESTIONS:

- Private sector insurance companies are attracting the consumers with new innovative products, Even though public sector enterprises had the monopoly in the insurance sector for several years, the study indicates that more number of people opting for the products offered by private sector enterprises. So public sector should become more competitive and innovative. Without the product innovation they cannot compete with the 'Private Insurance' companies.
- Most important requirement of the customer while buying motor insurance is "Safety" and many consumers compare benefits of motor insurance policy of public and private sector. According to multiple response technique, most of the consumer compares the premium rate, it indicates that company should carefully design the policies and so that customer can afford to pay the premium. More the transparency of the policies, more it will provide a clear idea to the consumer about a particular insurance product. Policy documents contains all the details of the policy of terms and conditions.

Overall study says that the purchasing of "Motor Insurance" is not much dependent on many factors taken under consideration for our study. This could be because, Motor Insurance is somewhat mandatory and consumer generally opt for it as it covers most of the expenses, generally in case of casualty.

CONCLUSION

It can be concluded that consumer buying behaviour of motor insurance products is affected by factors like premium rate, Claim settlement percentage etc., Policy documents need to be clear. Public sector companies need to be product innovative as private sector companies are increasing the market penetration. There is a huge opportunity for the motor insurance companies as still there is uncovered market.

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