



A Study of Relationship Between Quality of Insurance Services and Reputation of Insurance Companies

KEYWORDS

quality service, corporate reputation, insurance service, insurance company

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ABSTRACT

The highest possible quality of service in the whole process of service provision is an important competitive advantage for an organization, and it has a long-term impact on the positive reputation of the organization. This is confirmed with a study of 200 Slovenian users of insurance services. We have found that perceived quality of insurance services has a positive impact on the perceived reputation of insurance company. In the context of the perceived quality we formed two factors (perceived friendliness and professionalism of the employees, and perceived quality of implementation of insurance services), which have a significant and positive impact on the perceived reputation of the insurance company. We have also found that there are significant differences among users of Slovenian and foreign insurance companies with regard to perception of reputation. The reputation of foreign insurance companies is perceived higher in comparison with the reputation of Slovenian ones, by their users.

1. INTRODUCTION

On the Slovenian insurance market Slovenian insurance companies often face competitive pressures by foreign insurance companies and the problem of migration of users to the rival foreign insurance companies. Quality insurance services in addition to insurance coverage and insurance premiums represent an important factors in the purchase decision-making process for insurance services for the user (Šebjan and Bastič 2013, Šebjan 2013) while the reputation of the insurance company perceived by the users is an important factor for their decision to change and replace their insurance company by another. (Šebjan et al. 2013).

2. LITERATURE REVIEW

The service quality has become a highly instrumental coefficient in the aggressive competitive marketing (Sandhu and Bala 2011). Conceptually, service quality involves "the consumer's judgment about an entity's overall excellence or superiority" (Parasuraman et al. 1988). Yoon et al. (1993) argue that a consistently high quality product offering is the attribute given most importance by the consumer public when considering corporate reputation. In economics, corporate reputation is viewed as a reflection of a firm's past actions which provides signals to stakeholders about their "true" attributes (Clark and Montgomery 1998). Corporate reputation is an important measure of corporate success. It is the most important strategic and valuable asset a company can possess. Products and services are also an important component of the primary pillars of corporate reputation (Shamma and Hassan 2009). In essence, reputation is a result of the past actions of a firm (Wang et al. 2003). There were not found any researches, which would examine the direct effect of perceived quality of insurance services to the reputation of the insurance companies. However, the researchers found out that there is a positive and significant correlation between overall service quality and reputation of banks (Wang et al. 2003).

3. RESEARCH METHODOLOGY

3.1 Research Question

In the context of research we set the following research questions:

1. How does perceived quality of insurance services impact the perceived reputation of insurance company?

2. Are there any differences in perceived reputation of insurance company between customers who have a majority of insurance contracts in the Slovenian insurance companies, and the customers who have the majority of insurance contracts with foreign insurance companies?

3.2 Hypothesis

According to our preliminary research conducted within several case research studies and based on published research by other authors mentioned above we have developed the following two hypotheses:

H₁: There is a significant impact of perceived quality of insurance services on perceived reputation of insurance company.

H₂: There are significant differences in perceived reputation of insurance company between customers who have the majority of the signed contracts with Slovenian insurance company, and the customers who have the majority of insurance contracts with a foreign insurance company.

3.3 Sample

The population comprised random users who were legally able to buy insurance services in Slovenia in Slovenian or foreign insurance companies, aged 18 years and older. All returned online questionnaires were correctly completed. For the hypotheses testing, data was collected based on a convenience non-random sample of 200 users of insurance services from Slovenia.

3.4 Methodology

All 18 items of online questionnaire were assessed using a five-point Likert scale from 1 = "strongly disagree" to 5 = "strongly agree". The analysis of the data set was based on exploratory factor analysis (EFA), regression analysis and t-test for two independent samples. For the analysis of the collected data the statistical methods are applied using Statistical Package for the Social Sciences (SPSS) software.

4. RESULTS OF RESEARCH

4.1 Characteristics of Sample

In terms of demographics, 46% of respondents were male (n = 92) and 54% female (n = 108). The largest group of respondents were from 36 and 45 years old (40%), followed by those who were from 26 to 35 years old (24%) and respond-

ents who were from 46 to 55 years old (18%). The smallest group of respondents was from 66 years and older (2%). 22% of users included in the study were those who have the majority of insurance contracts with foreign insurance companies, and 78% of those users who have the majority of insurance contracts in the Slovenian insurance companies.

4.2 Hypothesis

In the first step, exploratory factor analysis (EFA) was employed. Table 1 shows EFA of perceived quality of insurance services. The Kaiser-Meyer-Olkin value was 0.923, which was higher than the recommended value of 0.5 for sample adequacy. Bartlett's test of sphericity (BTS = 1650.190) was also significant ($p < 0.001$). A two-factor solution (perceived friendliness and professionalism of employees and perceived quality of implementation of insurance services) was chosen. The result was a solution with two factors that exhibited eigenvalues > 1.0 . These two factors accounted for 71.456 % of the total variance. The internal consistency of the items was tested using Cronbach's α , ranging from 0.923 to 0.924.

Table 1: Factor analysis of perceived quality of insurance services

Factors and items	Factor loading ^a	Mean ^b	Standard deviation	Cronbach alpha	Variance
PERCEIVED QUALITY OF INSURANCE SERVICES					
Perceived friendliness and professionalism of employees					
FRI1	I always receive clear and professional answers to my questions.	0.823	3.83	0.886	$\alpha=0.923$ 61.000
FRI2	Employees observe the dress and grooming standards.	0.790	4.01	0.797	
FRI3	Employees are properly trained.	0.785	3.89	0.824	
FRI4	Employees always help and advice in line with my desires and needs.	0.740	3.89	0.889	
FRI5	Employees are careful listeners.	0.739	3.90	0.849	
FRI6	Employees are friendly, helpful, polite and respectful.	0.735	3.99	0.962	
FRI7	Employees always update me on the latest insurance offers.	0.727	3.85	0.878	
Perceived quality of implementation of insurance services					
IMP1	I never wait long for the response from employees.	0.820	3.72	0.960	$\alpha=0.924$ 10.456
IMP2	It is easy to obtain and sign the insurance contract.	0.785	3.87	0.801	
IMP3	The insurance company is paying for the damage quickly.	0.769	3.65	0.967	
IMP4	Employees are fast and flexible.	0.759	3.79	0.855	
IMP5	Employees are always accessible.	0.757	3.89	0.903	
IMP6	The insurance company estimated the damage quickly and in line with my expectations.	0.739	3.70	0.977	

Notes: ^aAll factors loadings are significant at 0.001 level, ^b Measured on a five-point scale, ranging from 1 = strongly disagree to 5= strongly agree.

The EFA of perceived reputation of insurance company displayed a one-factor structure as expected. The Kaiser-Meyer-Olkin measure of sampling adequacy, a measure of the data set's appropriateness for factor analysis, was 0.844. The Bartlett's test (BTS = 527.843) of sphericity proved to be significant ($p < 0.001$). The result was a solution with one factor that exhibited eigenvalue > 1.0 . This solution explained 73.870 % of the variance among the items. The Cronbach's α value of perceived reputation of insurance company was 0.909 (see Table 2).

Table 2: Factor analysis of perceived reputation of insurance company

Factor and items	Factor loading ^a	Mean ^b	Standard deviation	Cronbach alpha	Variance
PERCEIVED REPUTATION OF INSURANCE COMPANY					
REP1	Leadership creates a positive example of insurance environment.	0.910	3.56	1.034	$\alpha=0.909$ 73.870
REP2	Successful management of the insurance company.	0.862	3.72	0.905	
REP3	I am familiar with the insurance leadership.	0.858	3.24	1.173	
REP4	Insurance company is an example to other insurers.	0.843	3.68	0.974	
REP5	I am familiar with the vision of insurance company.	0.822	3.46	1.053	

Notes: ^aAll factors loadings are significant at 0.001 level, ^b Measured on a five-point scale, ranging from 1 = strongly disagree to 5= strongly agree.

Table 3 shows regression model and the results of the regression analysis. Regression model included two independent variables (perceived friendliness and professionalism of employees and perceived quality of implementation of insurance services) and one dependent variable (perceived reputation of insurance company). The findings of the regression model testing also supported H₁ and therefore confirmed that perceived friendliness and professionalism of employees ($\beta = 0.463$; $t = 8.356$; $p < 0.000$) and perceived quality of implementation of insurance services ($\beta = 0.558$; $t = 10.056$; $p < 0.000$) had positive and significant influence on perceived reputation of insurance company. Perceived quality of insurance services was a significant and positive predictor of perceived reputation of insurance company.

Table 3: Results of regression analysis

Dependent variable (factor)	Independent variables (factors) of perceived quality of insurance services	β	t-value	Sig.	SE ^a	R	R ²	SE
Perceived reputation of insurance company	Perceived friendliness and professionalism of employees	0.463	8.356	0.000	0.055	0.725	0.526	0.693
	Perceived quality of implementation of insurance services	0.558	10.056	0.000	0.055			

Notes: β -Standardized Coefficients Beta; Sig. (significance) $p \leq 0.001$; SE^a-Std. Error for coefficients; R-Correlation coefficient; R²- Coefficient of determination; SE^b-Std.

Error of the Estimate for regression model.

Table 4 shows the results of t-test. For all variables, except for one (Insurance company is an example to other insurer), there are statistically significant differences in the perception of the reputation of the insurance company. From the results of the t-test it can be concluded that users perceive a higher reputation with foreign insurance companies than this is the case with the Slovenian ones. Therefore, H_1 and H_2 were supported in this study.

Table 4: Results of t-test

Items of perceived reputation of insurance company		Sig.	Groups ^a	Mean ^b	Standard deviation	t-value	SE ^c
REP1	Successful management of the insurance company.	*	1	3.63	0.936	-2.511	0.172
		**	2	4.06	0.694	-2.967	0.146
REP2	Leadership creates a positive example of insurance environment.	*	1	3.47	1.058	-2.073	0.198
		*	2	3.88	0.880	-2.302	0.178
REP3	I am familiar with the insurance leadership.	*	1	3.15	1.199	-1.961	0.225
		*	2	3.59	1.019	-2.151	0.205
REP4	I am familiar with the vision of insurance company.	***	1	3.33	1.075	-3.259	0.198
		***	2	3.97	0.797	-3.851	0.168
REP5	Insurance company is an example to other insurers.	ns	1	3.62	0.988	-1.564	0.188
		ns	2	3.91	0.900	-1.649	0.178

Notes: Sig. 2-tailed (significance) * $p \leq 0.05$, ** $p \leq 0.01$, *** $p \leq 0.001$, ns-not significance; ^a Measured on a five-point scale, ranging from 1 = strongly disagree to 5 = strongly agree; ^b Groups of customers (1- customer of Slovenian insurance companies; 2- customer of foreign insurance companies); ^c SE-Std. Error Difference.

5. DISCUSSION

The survey results show that the perceived quality of insurance services has the significant positive impact on the perceived reputation of the insurance companies. We have

found that factors "perceived friendliness and professionalism of employees" and "perceived quality of implementation of insurance services" are significant and have a positive impact on the perceived reputation of the insurance company with quality of implementation of the insurance services having a stronger impact on the perceived reputation. In the context of the perceived quality the users rated the dress code of employees ("Employees observe the dress and grooming standards") the highest whereas the speed of insurance payments in the event of an accident, the speed of evaluation of claims ("The insurance company is paying for the damage quickly") and compliance expectations regarding the evaluation of claims and responsiveness of employees ("The insurance company estimated the damage quickly and in line with my expectations") were rated the lowest.

In the study we have found that users of foreign insurance companies perceive higher reputation than the users of Slovenian insurance companies. The largest differences can be detected in the successful conduction of insurance company and vision of that company.

6. RECOMMENDATION

Based on the results of the study, we suggest for the insurance companies to invest more in increasing the quality of insurance services, particularly in evaluating claims and in faster response and faster payments of premiums in the case of damage claims. Companies can achieve that by the elimination of administrative obstacles, simplification of business processes, mobile and flexible third-party service and the use of new information, communication and technology solutions.

7. LIMITATION AND FUTURE SCOPE

The study was limited to the Slovenian insurance sector within which we studied insurance services. We have limited the study on three constructs, namely perceived friendliness and professionalism of employees, perceived quality of implementation of insurance services and perceived reputation of insurance. For future research we propose the determination of detection of other components of purchase of insurance services and their impact on the reputation of the insurance company. In particular, we suggested the inclusion of model components of perceived fairness of insurance as a whole, perceived fair insurance premiums, and insurance coverage in the research.

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