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

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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), 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 Baia 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 with foreign 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 insurance contracts with foreign insurance companies 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-
The EA 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 | Mean | Standard deviation | Cronbach’s α | Variance |
|------------------|---------------|------|--------------------|--------------|----------|
| REP1 Leadership creates a positive example of insurance environment. | 0.910 | 3.56 | 1.034 |
| 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: *All 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: Results of regression analysis

| Independent variables (factors) of perceived quality of insurance services | β | t-value | Sig. | SE | R | R² | SE |
|---------------------------------------------------------------|----|--------|------|----|----|----|----|
| Perceived friendship 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 ≤ 0.001; SE=Std. Error for coefficients; R-Correlation coefficient; R²- Coefficient of determination; SE=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 insurers), 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, H1 and H2 were supported in this study.

Table 4: Results of t-test

| Items of perceived reputation of insurance company | Sig  | Groupa | Meanb | Std deviation | t-value | SEc |
|--------------------------------------------------|------|--------|-------|---------------|---------|-----|
| 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 | 3.351 | 0.168 |
| REP5 Insurance company is an example to other insurers. | ns | 1 | 3.62 | 0.988 | 1.654 | 0.188 |
| ns | 2 | 3.91 | 0.900 | 1.649 | 0.178 |

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

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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