Impact of Poor Claim Settlement on the Demand for Insurance

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ABSTRACT
Insurance is a dynamic world with cut-throat competition among the insurers. Each insurer is constantly trying to get more customers to buy their products while trying to keep their costs to a minimum. However, since there is no singular factor that affects the demand for insurance in a country, a major factor that the insurers have control over is the claim settlement ratio. With better and faster claim settlement, it is assumed that customers will be more satisfied and thus more likely to buy and recommend the insurance products, thus boosting the sales of the insurers. This study aims to find the connection between these two factors to identify the relationship between them and to suggest changes that the insurers can implement to improve the demand for their product, through analysis using means such as Chi-Square and Regression.

Keywords: claim settlement, insurance demand, poor claim processing

I.   INTRODUCTION

In the ever-changing environment of the insurance sector, the connection between insurance providers and policyholders is founded upon reliance and a feeling of safety. Key to this reliance is the prompt and equitable resolution of insurance claims, a crucial element that directly impacts the perceived value of insurance products. This study aims to decipher the complex interaction between negative claim settlement encounters and their effects on the overall demand for insurance.

In the insurance industry, claim settlement plays a crucial role in maintaining trust and satisfaction among policyholders. When policyholders submit a claim, they expect efficient and timely processing to receive the benefits they are entitled to. However, instances of poor claim settlement, characterized by delays, disputes, or perceived unfairness, can erode the foundation of trust established between insurers and policyholders. Such occurrences not only have immediate financial implications for the affected individuals but also extend their repercussions to the broader insurance market.

Additionally, negative claims experiences and rumours of others' negative experiences within a community can strongly influence survivors' confidence in insurers. As a result, individuals may be less inclined to seek insurance coverage or may opt for other alternatives, such as self-insurance or relying on government programs. Furthermore, the impact of poor claim settlement on the demand for insurance can also be observed through market dynamics. Insurance companies that have a reputation for poor claim settlement practices may struggle to attract new customers and retain existing ones, as word spreads about their unsatisfactory performance. This can result in a loss of market share and decreased profitability for the insurance company.

This study "Impact of Poor Claim Settlement on the Demand for Insurance" aims to systematically examine the multifaceted dimensions of poor claim settlement and its potential cascading effects on insurance demand. The research will employ a combination of quantitative and qualitative methods to capture the diverse range of experiences and perspectives within the insurance ecosystem. Analysing historical claim settlement data, consumer surveys, and case studies, we aim to identify patterns, drivers, and consequences associated with poor claim settlement, shedding light on the nuanced factors that contribute to the complex interplay between insurers and policyholders.

II.   REVIEW OF LITERATURE

An insurance claim is a formal request to your insurance provider for reimbursement against losses covered under your insurance policy. Insurance is a financial agreement between you and your insurer. You have to pay a fixed premium. In exchange, the insurance provider offers financial cover for losses based on the policy terms. When the event covered under

your policy occurs, a claim must be filed. The purpose is to notify the insurer that the incident for which you have opted for an insurance has occurred and the insurer should pay the claim amount. (Insurance Claims - Meaning & How They Work | ICICI Pru Life, n.d.)

In Lin's (2010) study, switching behaviours among consumers were examined from the viewpoints of consumer psychology and social interactions, including emotional intelligence, relationship involvement, and personality traits. It polled Hong Kong and Taiwanese policyholders for life insurance. The findings indicate that customers with higher emotional intelligence show lower intentions to switch than those with lower emotional intelligence when service failures are more serious. Likewise, consumers with an internal locus of control orientation are more likely than those with an external locus of control orientation to express the intention of altering their current consumption patterns in response to more serious claim settlement service failures. Furthermore, customers' intentions to switch are lessened the more involved the relationship is with them in the event of more serious claim settlement service failures.

S V Mony (2005) in a collaborative paper published in the Sage Journal noted that in India the most commonly occurring issue that affects the insurance industry is the lack of demand for insurance by the public which still holds in India. He also observed that though private sector companies have a good level of customer service and claim settlement and even LIC and life insurers are doing a good job, in the general insurance sector, the claim settlement process is slow and the rate is lower, which could be due to structural inefficiencies or pervasive attitude problem or non-transparency in settlement. This could be the reason for low insurance penetration in India.

Another aspect of the low demand for insurance can be noted in the Rajesh K. Yadav and Sarvesh Mohania (2015) article where they discuss the differences in the perception of agents, managers and customers of LIC and ICICI. They observed that the agents and managers of both companies believed that the claim settlement process of the companies was good and efficient and that it had a favorable outcome on the sales of insurance. However, the respondents also said that the customers are not so well versed in providing details for the claims which could be a reason for slower processing which could subsequently affect the sales and demand for the same.

Every year, the IRDA discloses the Claim Settlement Ratio of life insurance companies. The Claim Settlement Ratio is a percentage that represents the ratio of claims given to customers by an insurance company to the total claims received by that company. For the fiscal year 2021-2022, the claim settlement ratio of LIC is recorded at an impressive 98.74%.

Within the same time frame, Max Life Insurance achieved the highest claim settlement ratio of 99.34%. (Claim Settlement Ratio of Life Insurance Companies in 2023, n.d.). Within the realm of private general insurance companies, Navi General Insurance (formerly known as DHFL General Insurance) boasts the highest Claim Settlement Ratio (CSR) of 99.99% for claims settled within the initial three months of claim initiation. Following closely behind are HDFC Ergo General Insurance & Reliance General Insurance, with respective CSR figures of 98.49% & 98.65% within the same three-month period. (RAY, 2023)

Yadav, R. K., & Mohania, S. (2013), conducted a study with the primary objectives of investigating the claim settlement procedure of the LIC of India, analysing the impact of claim settlement process, and assessing the level of service quality offered for the sale of life insurance policies offered by the Life Insurance Corporation. This study encompassed both death claim settlement and maturity claim settlement. The researchers collected data from current employees of the Life Insurance Corporation, customers who had previously made claims on their life insurance policies, along with those who were thinking about getting life insurance policies. The observations of the study demonstrated that LIC of India has the capability to bolster its sales of life insurance policies through expeditious claim settlement, while simultaneously emphasising the necessity for transparent practices and a more time-sensitive approach in the claim settlement process to enhance overall efficiency.

Dr P. B. Ashturkar (2015) observed the claim settlement time taken by the LIC of India in comparison to other private sector insurers and found that most well-known private insurers settled claims within 30 days of information of the same, as per the IRDA guidelines to settle claims within 30 days and LIC also fared well in this aspect. This can be utilised in determining these companies' market shares and the amount of policies they sell per year as compared to the claims settled.

The sales of insurance policies serve as the primary source of revenue for insurance companies, making it crucial for the proper settlement of claims to ensure uninterrupted sales. Despite the liberalization of the life insurance market, LIC of India continues to hold a dominant position due to its efficient and timely settlement of claims, as well as its flexibility to changing circumstances. Extensive research indicates a positive correlation between sales and claim settlement, with improved claim settlement processes leading to enhanced sales figures and fostering better customer relationships. LIC of India's leading market position in the life insurance sector can be attributed to its superior claim settlement procedures and impressive claim settlement ratio. (Dr. R.Indirajit & S. Maheshwari, 2017).

The Research of Ghosh, M., & Mazumdar, A. (2018) explored the link between claim settlement satisfaction and consumer trust in the Indian life insurance industry. The study revealed that positive claim settlement experiences significantly enhance trust and loyalty towards insurance providers, suggesting that efficient claims processes are crucial for long-term customer relationships.

Rai, A. K., & Srivastava, M. (2013) examined the existing body of literature on customer loyalty and identified seven variables that contribute to the advancement of customer loyalty. Additionally, the study makes use of Multiple Regression Analysis to determine the relative importance of these variables, revealing that service quality and commitment are the most influential predictors of customer loyalty in the Indian life insurance sector. Moreover, the study endeavored to evaluate the loyalty status of life insurance customers in India and compare the performance of public and private sector life insurance companies. This comparison aims to provide valuable insights to life insurance companies, aiding them in the improvement of their loyalty strategies.

In a study conducted in the Delhi/NCR region, the author observed that 3 factors that were a part of the study had a big impact on the TPA settlement and one of them was contextual support by the insurer and the intermediaries and this, in turn, affected customer satisfaction. This showed that better service to the consumers in terms of faster settlement for health insurance claims helps drive better customer satisfaction which would consequently lead to greater demand for health insurance products. (Kadyan, et al., 2022)

The study by Adhikari & Santosh (2021) aims to investigate the resolution of claims made by claimants and its influence on the satisfaction of customers. Specifically, the study explores the level of clarity in the advice provided during the settlement process, the efficiency of the claim procedure, and the timeliness of claim payment for clients. The findings indicate that the payment of claims by claimants has a relatively minimal impact, whereas the clarity of settlement advice and the effectiveness of the claim procedure are notable factors in predicting customer satisfaction. However, the payment of claims is deemed insignificant in forecasting customer satisfaction. Furthermore, the results affirm that the resolution of claims significantly affects the satisfaction of customers. The process of claim settlement commences with the provision of transparent information that is devoid of any ambiguities (clarity of settlement advice), followed by a comprehensive understanding of the appropriate, concise, and straightforward approach (claim procedure), ultimately resulting in the timely disbursement of the entitled monetary benefits to clients (payment of the claim).

Sunil Kadyan, Narinder Bhasin and Vikas Madhukar (2022) discussed the impact of various factors such as communications, disclosures and internal practices on TPA claim settlement procedure and how it, in turn, affect customer satisfaction and discovered that the customer satisfaction is significantly impacted by each of these factors. This can be extended to further say that with better claim settlement procedures and using Third Party Administrators for faster claim settlement, customers will be satisfied which will help the insurance company in terms of good publicity and thus increased demand for insurance products.

Bourova, E., Ramsay, I., & Ali, P. (2022), contend that arduous and confusing claims processes have profound impacts on policyholders' capacities to live safely in their homes as well as on their physical and mental well-being, financial situation, and level of confidence in insurance providers. The findings raise questions about the extent to which insurers' claims handling processes and outcomes are consistent with the needs for insurers to respond efficiently, professionally, practically, and compassionately when and after disaster strikes. For most participants, "arduous and confusing" claims processes and inadequate cash settlements represented a failure of the "promise" of insurance and prompted a broader loss of trust in the institution.

A research on "Catastrophe Insurance Consumer Demand, Markets and Regulation" focused on large-scale disasters; the objective of this article is to understand the broader issues of consumer demand, market failures, and regulatory challenges in catastrophe insurance. The study highlights that efficient claim settlement is particularly critical for catastrophe insurance, where losses can be large and emotionally charged. (Grace, M. F., Klein, R. W., Kleindorfer, P. R., & Murray, M. R, 2003).

India & Nigeria are two nations that are alike in terms of World Bank rankings in regards of development, such that both are considered as developing countries under the lower middle-income group. Even per the Human Development Index, India and Nigeria are close, with India having an index of 0.633 and Nigeria having 0.535. With these statistics in mind, when reviewing articles published by Nigerian authors talking about the insurance sector in their country, one can note similarities with India, such that both countries have minimal insurance penetration. As per Okparaka, Vincent C. et al (2022) in their article, it is noted that in the fire, life and oil and gas insurance sector, there is no relationship between insurance claim settlement and insurance demand, which raises the question that do these trends also hold in the Indian context considering how similar the insurance sectors are in both nations, which is the purpose of this study.

The study of Oyetunji, O. I. O., Adepoju, J. A., & Oladokun, R. A. (2021) investigated the poor claims settlement and demand for insurance policies in Nigeria and provided empirical evidence that can be utilized by insurance companies and policymakers to develop future insurance services and policies that contribute to the advancement of the insurance market. The study concluded that it is crucial to provide transparent explanations to customers regarding all aspects of their transactions, including the processing of their files or records, access to them, and the treatment they receive, failure to do so may result in initial problems and a negative perception of the insurance industry. Thus, the effective management and resolution of legitimate claims play a crucial role in supporting the industry's advantages and long-term financial stability and durability.

Bereket (2019) carried a study in Ethiopia to introspect the impact of claim settlement service quality on repurchase intention among insurance companies. The study focused on corporate customers who had made at least one claim since

obtaining their insurance policy. In particular, the study looked into the connection between the quality of companies' claims settlement service delivery and its influence on repurchase intention. Given the numerous factors which potentially affect consumer behaviour, the study solely concentrated on service quality aspects. The analysis of the outcomes demonstrated a significant positive effect of claim settlement service quality on corporate customers' repurchase intention. The maximum of the respondents were policyholders of the same insurer for an extended period of more five years. Additionally, the findings highlighted the comparatively great impact of the technical quality of claim settlement service on repurchase intention, indicating that compensation holds greater importance than other supplementary services.

Another study conducted in the Abuja area of Nigeria noted that claim settlement impacted the general insurance industry especially three classes of fire insurance i.e., comprehensive, blanket and consequential loss policy and the claim settlement also affects how much coverage a household takes. This is helpful to determine further how claim settlement can affect insurance demand in households. (Ayuba et al., 2020) Agbo & Agbaji (2019) made a conclusion from their study that in Nigeria since the insurance industry generally did not operate very well, when companies settled insurance claims with regards to the claims that arose with the insurer, it led to higher penetration of insurance in the country, which can be used to show that it would lead to higher insurance demand when people are informed about what insurance is, which can also be applied to the Indian scenario.

The settlement of claims has served as a reflection of the true nature of each life insurance company, allowing the public to witness the realities of their operations. A company that fails to properly settle claims will undoubtedly face a decline in customer satisfaction, which may discourage policy repurchases or the continuation of business. The research paper of Basaula, D. (2018) aimed to analysis the level of awareness and satisfaction among customers regarding the settlement of life insurance claims in Nepal. The findings of the study indicate that the majority of respondents expressed a neutral stance on their satisfaction with claim settlements. However, they believe that an expedited claims settlement process would undoubtedly contribute to the growth of the life insurance industry.

On Sunday, A. 's (2018) study looked at how insurance customers experienced claims settlement processes among policyholders with motor insurance, spanning the manufacturing, construction, oil and gas, and haulage industries. Policyholders do not find the replacement option acceptable when it comes to settling a motor insurance claim, according to the test results. Under these circumstances, claims ought to be seen as a means of redefining clients' attitudes toward their individual insurers. According to recommendations, claims managers should implement strategic plans that guarantee policyholders' requests for cash compensation will be fulfilled, allowing for stable and amicable mutuality between policyholders and insurance companies.

The study conducted by Ghai, D. R. K., & Vaish, D. D. (2023) aimed to examine the buyer's view towards life insurance policies offered by the private & public sector organisations while focusing on some important factors viz. knowledge, information, claim settlement awareness and views about life insurance policies among buyers. The purpose of this paper is to look into how life insurance consumers view life in general targeting pre and post-buying behaviour. Under the study, it has been discovered that people buy the same product as endorsed. In the same, it was discovered that those products do not meet the actual and desired requirements of buyers.

Another study was conducted to understand the factors of the post-purchase experience of life insurance policyholders and to compare the post-purchase behaviour of public and private life insurance policyholders. In this research, participants were requested to rate their post-purchase experience of their respective life insurance companies. It was revealed that the majority of the respondents trusted their life insurance company. Consumers were satisfied with the services of their insurance including fast claim settlement providers and ready to recommend others for buying life insurance from the same company. In this study descriptive research design was applied and primary data was collected from 396 consumers. (Kumar, V., & Singh, N., 2019)

The objectives of the research by Yunida, R., Permanasari, L., Wardhana, M. W., Shintia, N., & Anwar, H. (2023) were to check out whether personal selling and ease of claim settlement have a simultaneous effect on increasing the number of customers, to find out personal selling and ease of claim Settlement have a partial effect on increasing the number of customers and to find out the variables of personal selling and ease of claim settlement that are predominant in influencing the increase in the number of customers the findings of the study is that the quality of their customer service, especially in the aspect of ease of settlement of claims to continue to increase the number of customers and to be able to continue to assess the effectiveness of personal selling so that they can get an additional number of loyal customers.

Study conducted by Talla, N. G. (2017) the main objectives were to examine the claims settlement procedure employed by both public & certain private sector life insurance companies in India as well as assesses the influence of these practices on the companies' operational efficiency and profitability. The research design employed in this exploratory study was, with secondary data serving as the primary source of information. The outcome of the study showed a significant impact on the statistical level of the claim settlement practices within the life insurance industry on both profitability and operational efficiency.

Yuan, C. carried out the research. , along with Jiang, Y. (2015) attempted to investigate the factors influencing China's demand for life, nonlife, and general insurance using provincial data from 2000 to 2012. The findings of the empirical research pointed to the following common factors: level of education, social security pension development, elderly and child dependency ratios, and the growth of the insurance market. Inflation primarily influences the demand for non-life insurance, while income level, claim settlement ratio, and marketization are the common factors.

Another study looks at the literature on certain economic and demographic factors, such as claim settlement, that could be identified as characteristics impacting the demand for life insurance. It also talks about broad environmental issues that could be connected to the demand for life insurance. This analysis aims to improve understanding of the process and motivations behind life insurance purchases by arranging the abundance of available literature in a helpful and methodical manner, highlighting coherence and inconsistencies. (Zietz, E. N., 2003).

A study that stands on the opposite end of the evidence so far is a study by Ganesh Dash (2018) regarding life insurance where the author tried to find what determined the insurance demand in India. In the study, among other factors studied, it was seen that the type of The demand for life insurance is not impacted by insurance companies which can be used to say that regardless of the services given by the insurer, the public still chose the company which can be extended to say that claim settlement does not affect the demand of insurance.

Along with the insurance private sector, the Government of India also provides different schemes for insurance coverage, one being the 'Pradhan Mantri Jan Dhan Yojana', which has two different covers under it, namely, 'Pradhan Mantri Suraksha Bima Yojana' which provides accident insurance of ₹2 Lakhs and 'Pradhan Mantri Jeevan Jyoti Bima Yojana' which provides life insurance of ₹2 lakhs at minimal premium rates to the ones who cannot afford normal insurance policies. Concerning this scheme, authors Rajesh K. Yadav and Sarvesh Mohania (2017) observed that even though the claim settlement process was fast and efficient, the insurance demand among the poor is still not up to the levels expected and came to conclusion that this might be because of a lack of awareness among people, improper coverage and existing competition, thus adding extraneous variables that could affect this study.

A piece written by S., Hussels, and others. (2005) serves as a review and a manual for decision-makers who want to know what factors influence insurance demand and how that influences overall economic growth. This article discusses the elements, such as claims settlement, that support the growth of insurance markets. It also identifies some issues that insurers and policymakers can use to further their respective markets' ability to create future policies that support the growth of insurance markets. This is accomplished by summarizing and evaluating the body of empirical research on the subject.

A study by Ogochukwu ISIMOYA, and Sunday AJEMUNIGBOHUN aimed to find customer satisfaction and electronic payment for purchasing insurance products in Nigeria. A descriptive survey, simple randomization technique and questionnaire were used. The main statistical method used in this research was the Kolmogorov-Smirnov test. It was found that the population of insurers expressed satisfaction with offering claim solutions through electronic payment methods. The study proposes that insurance companies strengthen the training process to integrate policyholders with different electronic payment methods into the insurance purchase process so that greater participation can be gained using the electronic process.

Rajesh K Yadav and Mohania conducted a study to focus on the grievance management in life insurance services of an insurer in India. Due to the large quantity of insurance cases and the huge size of the clients, it is an accepted fact that the complaints of the policyholders increase with every insurance company. The study is uses secondary data collected by IRDA & research articles. The study deduced that the role of the insurance ombudsman in handling complaints is critical and the continuous increase in complaints received by various ombudsmen in different areas of India shows that the trust of policyholders in the institution of the insurance ombudsman is increasing, which leads to increased trust in the insurance products..

III.   METHODOLOGY

1.   Variables
   a.   Independent variable – Claim Settlement by Insurers
   b.   Dependent variable – Demand for insurance

Elements like claim amount, the kinds of settlement, whom the insured approached for the claim, and the duration taken to settle the claim are essential for a comprehensive understanding of consumer behaviour. The claim amount directly influences the financial impact on both the insurer and the insured, potentially affecting perceptions of risk and value. The nature of the settlement, whether full or partial, reflects the level to which the insurer honours its obligations to policyholders. A full settlement typically instils greater confidence in the insurer's reliability, potentially positively impacting demand considering whom the insured approached for the claim - whether directly to the insurer or through intermediaries - and offers insights into consumer preferences and trust dynamics within distribution channels. Similarly, the duration taken to settle a claim reflects the efficiency and responsiveness of the insurer, which can significantly influence customer satisfaction and trust. By incorporating

these factors into the analysis, we can assess their respective contributions to the overall demand for insurance products and enable more accurate assessments of consumer preferences and behaviours about insurance products.

2. Hypothesis
   a. Null Hypothesis (H0) - There is no relationship between the claim settlement of insurance companies and the demand for the insurance products provided by that insurer.
   b. Alternate Hypothesis (H1) - There is a positive relationship between the claim settlement of insurance companies and the demand for the insurance products provided by that insurer.

3. Data Collection
The data has been obtained through primary sources, directly from holders of insurance policies who have claimed for insurance. A Google Form questionnaire had been circulated amongst the audience and Qualitative data was produced using the collected data. The sample size had been calculated at 70 and 70 responses had been collected.

4. Data Analysis
The data has been analysed using Chi-Square test and Correlation to know whether there is any relationship between the variables, Cramer's V to know the strength of the relationship between the variables and Regression to identify the dependence of the variables on the independent variable.

For the Chi-Square test, one independent variable, i.e. Claim Settlement Type had been taken and two dependent variables, Continuation of Policy and Switching of Insurers were taken for calculations, with each dependent variable being linked with the independent variable at a time. The Correlation and Regression analysis was done between the same above-mentioned variables. Cramer's V was a resultant analysis of the Chi-Square test. All the analyses were done using JASP and Excel.

5. Likert Scale
The Likert scale can effectively capture respondents' opinions and attitudes towards claim settlement and their demand for insurance. Likert scales provide a range of answer statements, allowing respondents to choose the option that best corresponds to their feelings about the statement or question. This enables capturing the level of agreement or satisfaction in a more nuanced way, providing richer data for analysis.

IV.   ANALYSIS

1. Extraneous Variables
a. Age
The information gathered from the questionnaire had questions on demographic details and among the unrelated factors that could influence the need for insurance is the age of the respondent, the younger generations tend to spend money on activities that are more insignificant in contrast to the previous generations, who would save money and only spend on the necessities. Taking this into consideration, the younger generations would tend to not take insurance in contrast to the risk-averse previous generations, which is evident from the responses, where most of those who responded are over 30 years old. The mean age is 40 years and the median is 41.5 years, which signifies that the older population is more interested in taking insurance policies as a safeguard. It is also possible that the younger population still has not joined the workforce and thus has no means of buying insurance as of now.
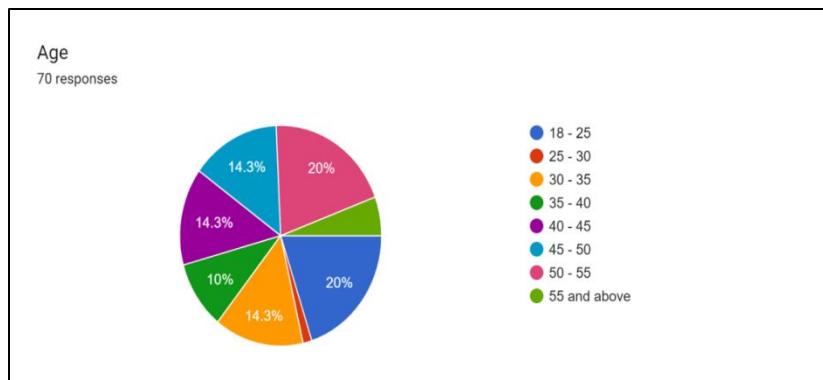
Figure 1: Age of Respondents

b. Income

Income is another important parameter in India, since a good chunk of people are below the poverty line, at 11.9% in 2021 as per the World Bank. Even though the estimate seems small, it is only considering those falling beneath the poverty line, but in India most people in the population reside just above the poverty line, making it difficult for ends to be met. Considering this, a lot of people find it impossible to pay for insurance policies, which add even more stress to their already precarious lives. As per the data we have, the average income is ₹8.85 lakhs, which is still below the national average of ₹9.45 lakhs and the modal income is ₹5.85 lakhs, which indicates most people have ₹5.85 lakhs as their annual salary. This is again an external factor having the potential to impact India's insurance market demand.
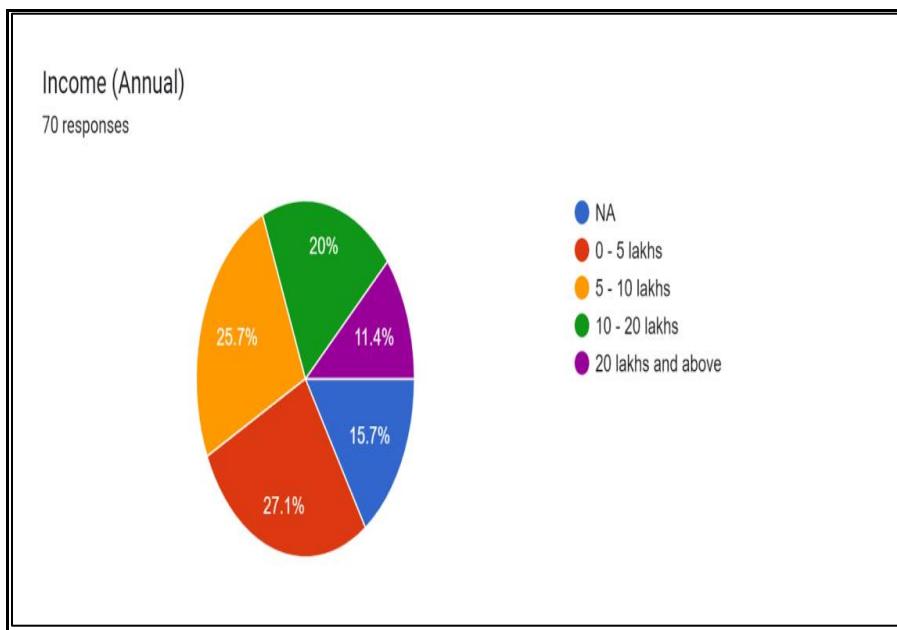
Figure 2: Income of Respondents

c. Chi-Square Test
a. Type of Settlement and Continuance with the Current Insurer
(i) Type of Settlement
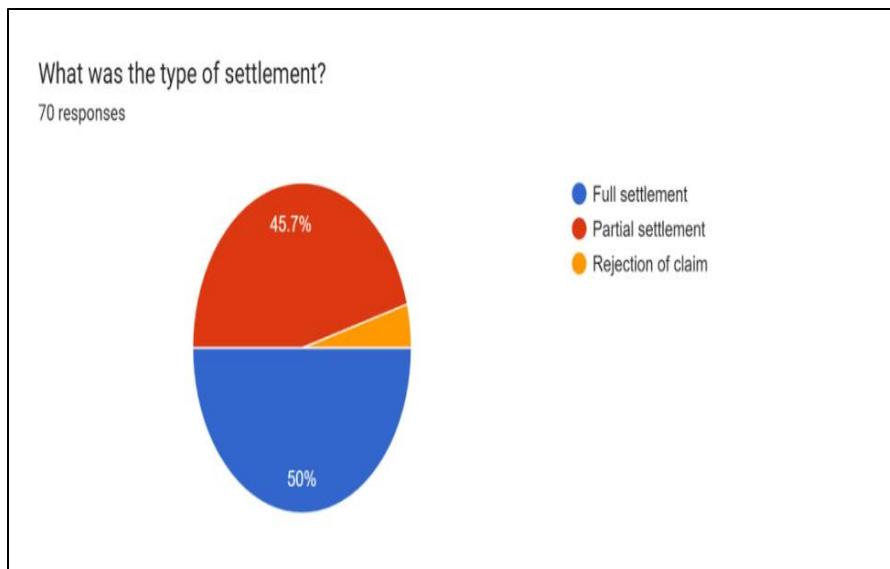
Figure 3: Type of Settlement

(ii) Continuance with Current Insurer
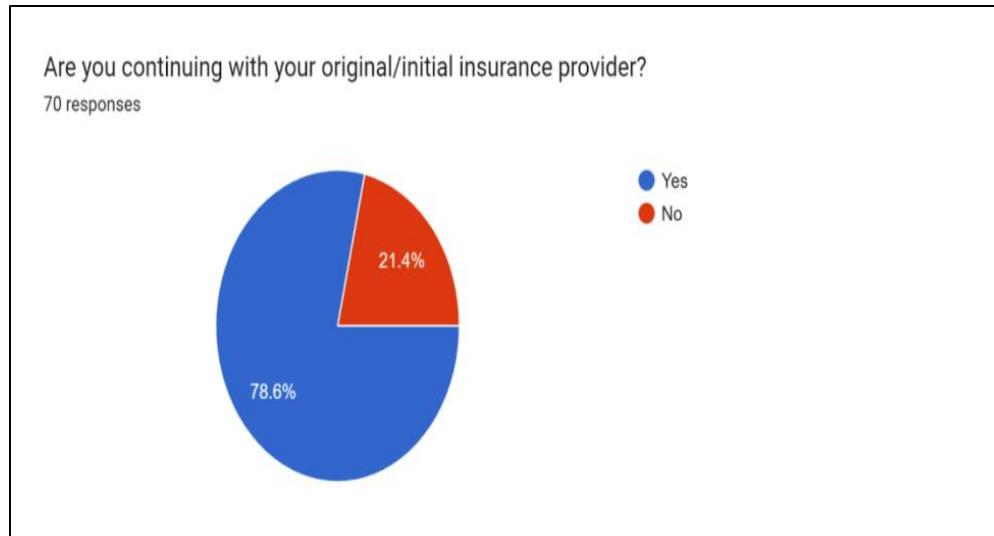
Figure 4: Are you continuing with your original insurer

(iii) Chi-Square Test
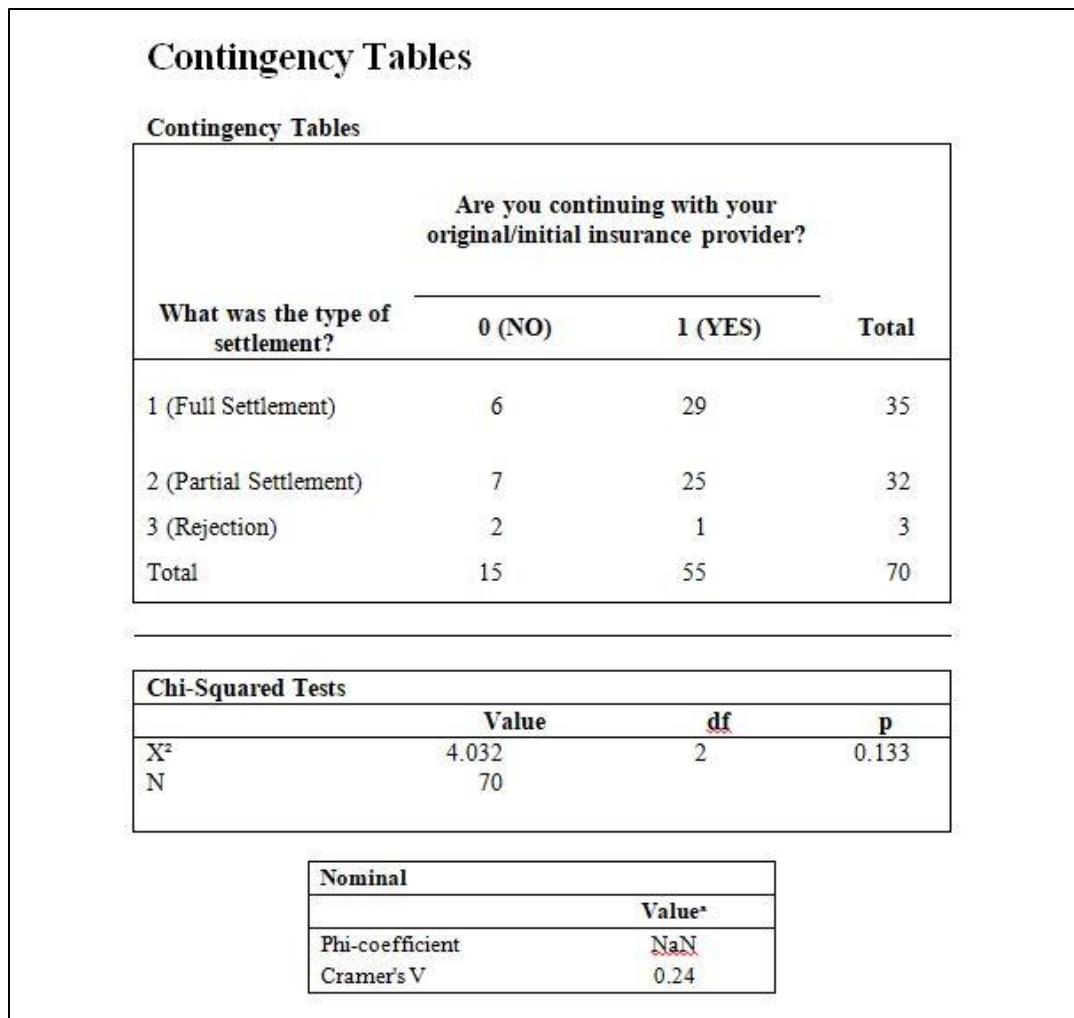
Figure 5: Chi square test of 'are you continuing with your original insurer?'

(iv) Interpretation

Since the Chi-Square value is not as much as the Critical Chi-Square at a degree of freedom at 2, we fail in order to deny the null hypothesis, suggesting that there isn't any connection between the type of settlement and continuance with the original insurer.

$$X^2(2) = 4.032, p = 0.1$$

Cramer's V = 0.24, indicating a moderate relationship between the variables.

b. Type of Settlement and Switching due to dissatisfaction with Claim Settlement
(i) Type of Settlement
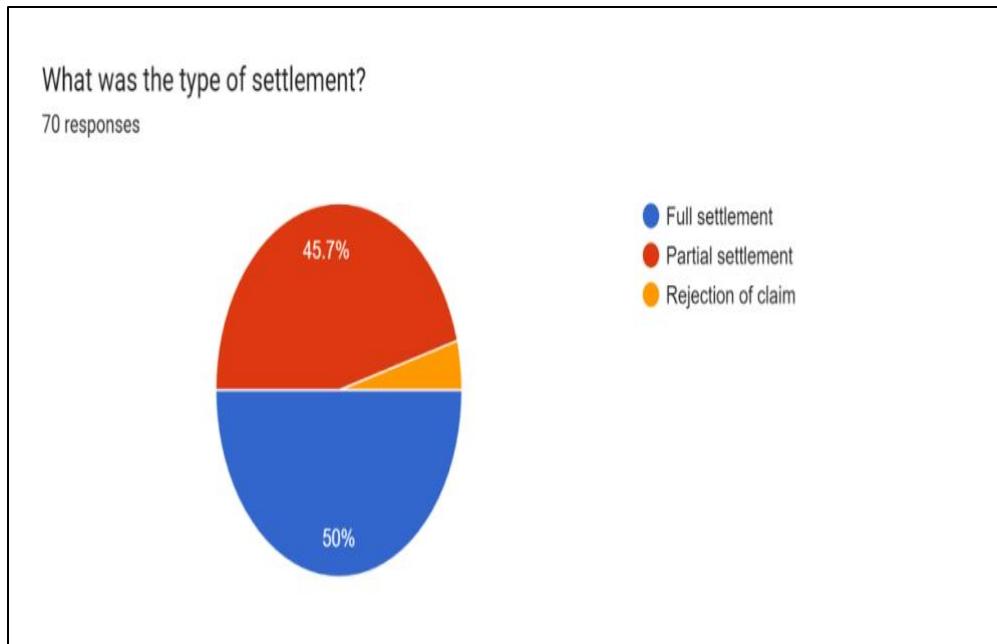
Figure 6: Type of Settlement

(ii) Switching Due to Dissatisfaction
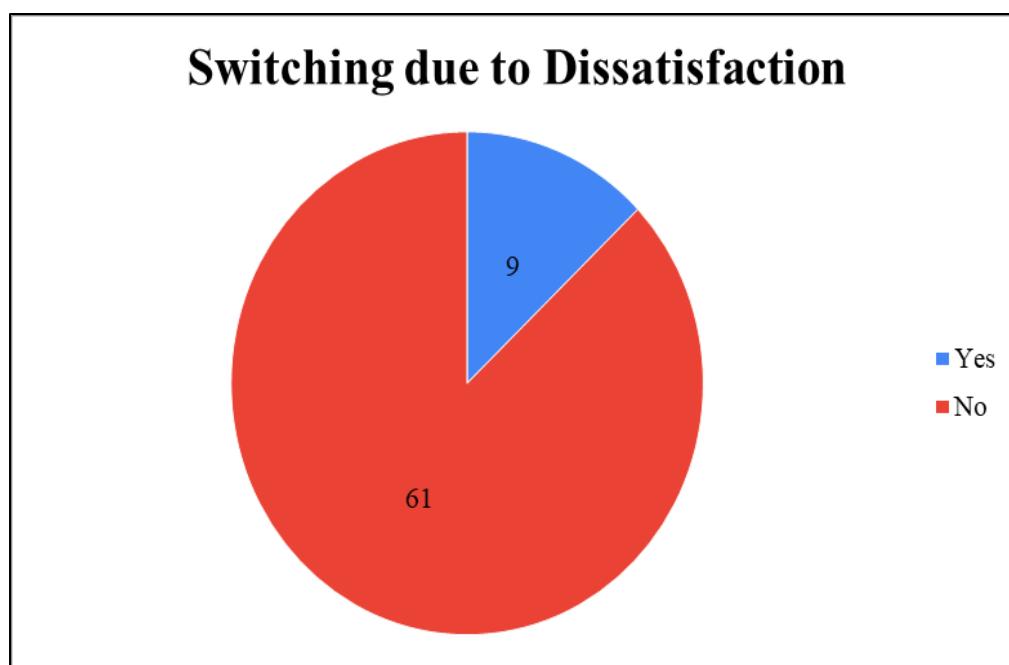
Figure 7: Switching Due to Dissatisfaction with Insurer

(iii) Chi-Square Test

Contingency Tables

Contingency Tables

What was the type of settlement?	Have you switched insurance providers due to dissatisfactory response from the previous insurance provider?		Total
	0 (NO)	1 (YES)	
1 (Full Settlement)	32	3	35
2 (Partial Settlement)	27	5	32
3 (Rejection)	2	1	3
Total	61	9	70

Chi-Squared Tests

	Value	df	p
X^2	1.915	2	0.384
N	70		

Nominal	
	Value[a]
Phi-coefficient	NaN
Cramer's V	0.165

Figure 8: Chi Square test of 'Have you Switched Insurers Due to Dissatisfactory Response from Previous Insurer

(iv) Interpretation

Since the Chi-Square is not as much as the Critical Chi-Square for a degree of freedom of 3, we fail to deny the null hypothesis, therefore, indicating there is no relationship between the type of settlement and switching insurance providers due to dissatisfactory response from them.

$$X^2(2) = 1.915, p > 0.1,$$

CRAMMER'S V = 0.17, meaning the relationship between them is not very strong between type of settlement and switching insurance providers due to dissatisfactory response from them.

The provided contingency tables and associated statistical tests aim to understand how they are related. The type of settlement and the decision to continue with the original insurance provider or switch to a different one due to dissatisfaction.

1. **Relationship between Type of Settlement and Continuing with Original Insurance Provider**
   - Chi-squared value (X^2): 4.032
   - Degrees of freedom (df): 2
   - p-value (p): 0.133

- Cramer's V: 0.24

Since the p-value (0.133) is greater than 0.1, we fail to reject the null hypothesis. This suggests that there isn't a statistically meaningful connection between the type of settlement and continuing with the original insurance provider. The Cramer's V value of 0.24 suggests a moderate association, but it is not efficient to establish a significant relationship.

2. **Relationship between Type of Settlement and Switching Insurance Providers Due to Dissatisfactory Response**
   - Chi-squared value (X²): 1.915
   - Degrees of freedom (df): 2
   - p-value (p): 0.384
   - Cramer's V: 0.165

Similar to the first scenario, the p-value (0.384) is greater than 0.1, indicating that we fail to reject the null hypothesis. Thus, a statistically significant relationship does not exist between the type of settlement and switching insurance providers due to dissatisfactory response. The Cramer's V value of 0.165 suggests a weak association, further supporting the lack of a strong relationship.

2. **Correlation**
   a. **Type of Settlement and Continuance with the Present Insurer**

Table 1: Correlation between Type of Settlement and Continuance with Present Insurer

TYPE OF SETTLEMENT and ARE YOU CONTINUING?		
	What was the type of settlement?	Are you continuing with your original/initial insurance provider?
What was the type of settlement?	1	
Are you continuing with your original/initial insurance provider?	-0.172151722	1

Figure 9: Correlation between Type of Settlement and Continuance with Present Insurer

The correlation between the two variables is at -0.17, indicating a menial inverse relationship, which can be equated to no significant relationship between the variables.

b. Type of Settlement and Switching Due to Dissatisfaction with Claim Settlement

Table 2: Correlation between type of settlement and switching due to dissatisfaction with insurer

TYPE OF SETTLEMENT and HAVE YOU SWITCHED INSURERS		
	What was the type of settlement?	*Have you switched insurance providers due to dissatisfactory response from the previous insurance provider? If 1, which insurance provider did you switch to? If 0, type '0'.*
What was the type of settlement?	1	
Have you switched insurance providers due to dissatisfactory response from the previous insurance provider? If 1, which insurance provider did you switch to? If 0, type '0'.	0.156165068	1

Figure 10: Correlation between type of settlement and switching due to dissatisfaction with insurer

The correlation between the variables here is 0.15, showing a minute positive relationship between the variables, which can help interpret that there is no significant relationship between the two variables, showing that one variable will not affect the other.

3. Regression

a. Type of Settlement and Continuance with the Current Insurer

Table 3: Regression - Type of Settlement and Continuance with the Current Insurer

TYPE OF SETTLEMENT and ARE YOU CONTINUING?							
SUMMARY OUTPUT							
Regression Statistics							
Multiple R	0.172151722						
R Square	0.029636215						
Adjusted R Square	0.01536616						
Standard Error	0.410100962						
Observations	70						
ANOVA							
	df	*SS*	*MS*	*F*	*Significance F*		
Regression	1	0.349283968	0.349283968	2.076811484	0.154141505		
Residual	68	11.43643032	0.168182799				
Total	69	11.78571429					
	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*ower 95.0%pper 95.0%*
Intercept	0.974327628	0.139757762	6.971545709	1.5961E-09	0.695445356	1.25321	0.695445 1.25321
What was the type of settlement?	-0.122249389	0.084829744	-1.441114667	0.154141505	-0.291524508	0.047026	-0.29152 0.047026

The R Square value in the above table is only 0.029 which indicates that only 2.9% of the dependent variable is explained by the independent variable meaning that there is no significant relationship between the variables.

b. Type of Settlement and Switching due to Dissatisfaction with Claim Settlement

Table 4: Regression - Type of settlement and switching due to dissatisfaction with claim settlement

TYPE OF SETTLEMENT and HAVE YOU SWITCHED INSURERS							
SUMMARY OUTPUT							
Regression Statistics							
Multiple R	0.156165068						
R Square	0.024387528						
Adjusted R Square	0.010040286						
Standard Error	0.335445035						
Observations	70						
ANOVA							
	df	*SS*	*MS*	*F*	*Significance F*		
Regression	1	0.191267901	0.191267901	1.699805994	0.196709912		
Residual	68	7.651589242	0.112523371				
Total	69	7.842857143					
	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%* *Upper 95.0%*
Intercept	-0.011002445	0.114315868	-0.096246	0.92360829	-0.239116208	0.217111318	-0.239116208 0.217111318
What was the type of settlement?	0.090464548	0.0693871	1.303766081	0.196709912	-0.047995255	0.22892435	-0.047995255 0.22892435

The R Square in the above case is 0.024, indicating that 2.4% of the dependent variable is influenced by the independent variable, showing negligible relationship between the variables.

(a)

Figure 11: Number of claims made

It is estimated that a majority of people (at 65.7%) who responded to the survey have at one point put up an insurance claim. Some respondents made more than one claim (15.7% between 2 and 5 claims, 4.3% >10 claims) and that shows different levels of insurance usage and probably dissimilar insurance needs for the respondents. Conversely, this might imply that these respondents lack any need to make claims or are less aware about the benefits of insurance.

(b)
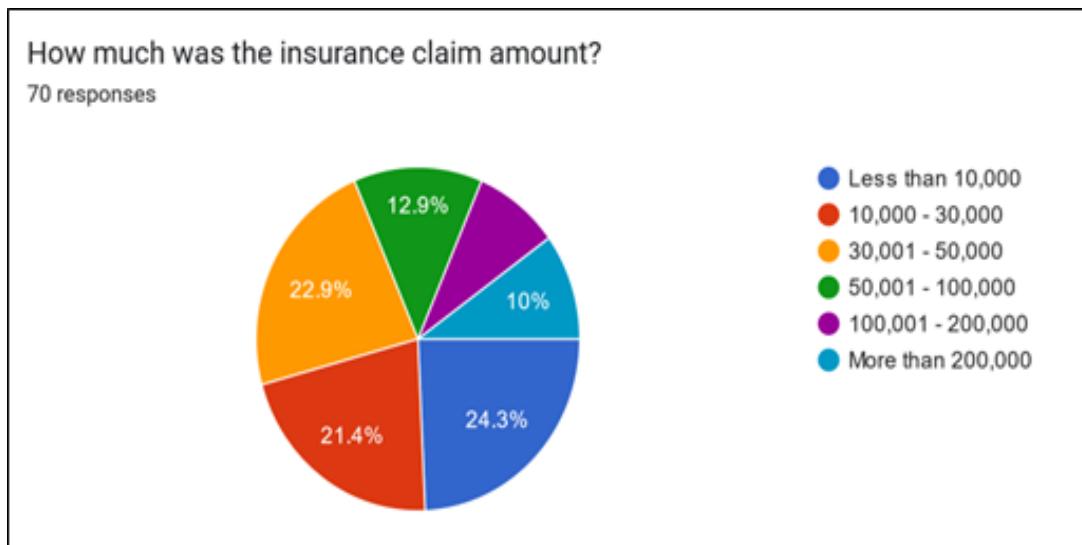
Figure 12: Insurance claim amount

There is great variation in the distribution of amounts claimed by policyholders with many having lower value claims i.e., < ₹10,000 and high value claims i.e., >₹200,000. This may indicate that most people make claims within this range as there are common types of insurances or general incidents causing them to file their cases for compensations within this band. High-value claims above ₹200,000 are indicative of a need for coverage against huge losses among this group of respondents due to unforeseen circumstances such as accidents or illnesses resulting in disability etc.

(c)
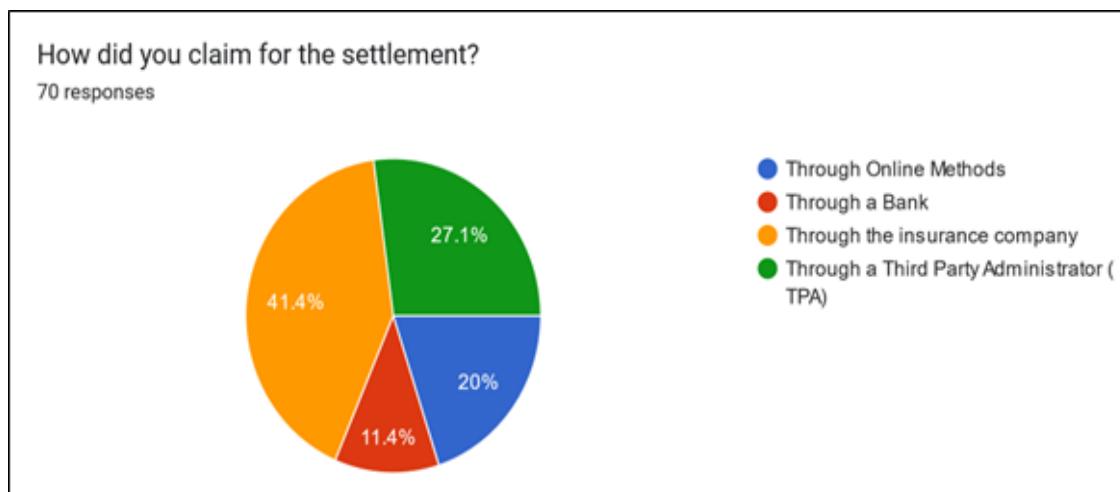
Figure 13: How was the claim made

The data reflects diverse preferences among respondents regarding the method of claiming insurance settlements. Direct interaction with insurance companies is a popular choice, indicating trust and confidence in insurers' ability to handle claims efficiently. Online means are majorly utilized by indicating the change in trends, given the easy access of the digital

channels that render it convenient in the making of claims. Heavy reliance of third parties in the administration brings to light the forte already played by specialized entities in handling and facilitating insurance claims, for some of the respondents. The representation of banks by those claiming the settlements was relatively less but still formed a pie that preferred banking for their insurance transactions.

(d)
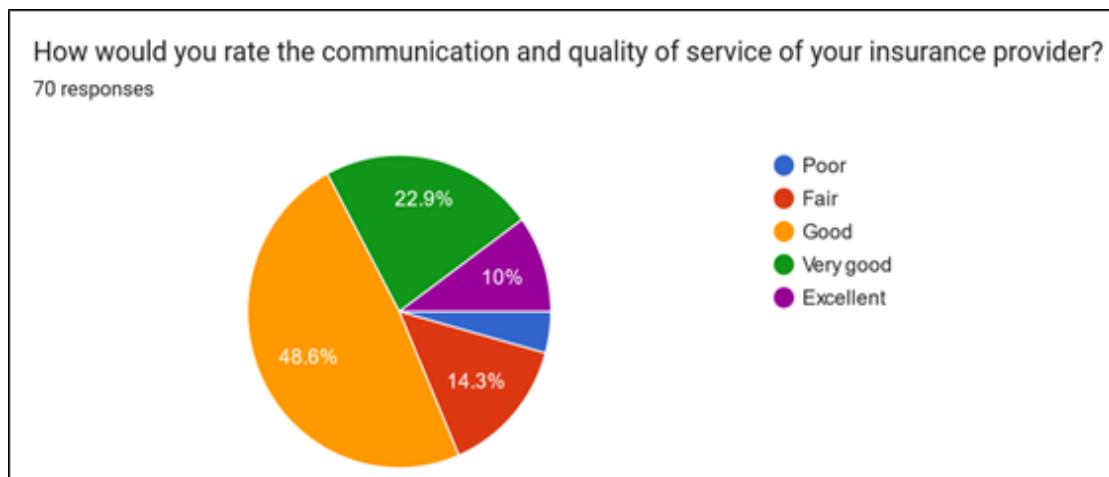
Figure 14: Rating Communication and Service by Insurers

The highest level of the participants showed a positive response toward communication and quality of service by the insurance provider, with a big percentage giving response as "good," "very good," or "excellent." The presence of "poor" and "fair" shows the areas in communication and quality of service that the insurance provider has to improve. In sum, results taken together generally do indicate varying levels of satisfaction overall with insurance, therefore pointing towards the need for insurers generally to always be on their toes in order to do a better job of communicating on their products and service frameworks to keep customers happy.

(e)
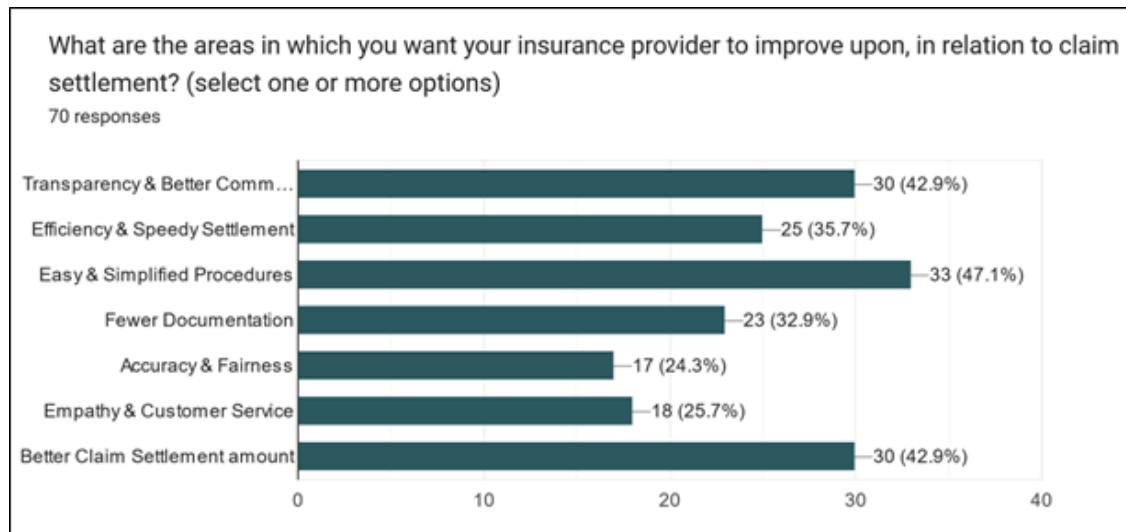
Figure 15: Areas of improvement of insurance provider

This evidently leads to the inference that policyholders definitely feel the need for simpler procedures, better communication, and an insurance service that functions in a transparent manner, and lately, snappier service. Speed of settlement, the number of documents in settlement, accuracy, fairness, empathy in customer service, and better settlement are only scratching the surface here and obviously show how complex are the expectations from policyholders. This should push

insurers to work on improving customer satisfaction in these areas as they are more likely to exceed customer expectations in ways that will build insurer policyholder loyalty.

V.   INTERPRETATION

1. Despite the Chi-squared tests conducted and Cramer's V values, there is no significant relationship between type of settlement and continuing with the original insurer or switching to another provider due to inadequate response. The associations found are either moderate (for continuing with the original insurer) or weak (for switching insurers), but on the basis of p-value are not statistically significant.

2. The correlation coefficients indicate how notably, the two variables have shown linear connections as well as their directions. Alternatively, a negative correlation coefficient of -0.17 between the settlement category and staying with the current insurer indicates a small inverse correlation between the two, while a positive correlation coefficient of 0.15 between the settlement category and changing insurance providers due to dissatisfaction implies that there is a slight positive correlation between them. Nevertheless, both were very near zero meaning they had poor linear relationships. When a correlation is nearly zero it means that there is lack of strong linearity among variables under consideration. Hence, from only looking at correlations consequently, we can say that there isn't important relationship in terms of linearity amid choices about insurance providers for types of settlements alone. Thus, from the analysis of Chi-Square test and Correlation, it is evident that there is no notable relationship between settlement of insurance and the demand for insurance.

3. In regression analysis, the R-squared (R^2) value represents the percentage of the variance in the dependent variable that can be used to explain the independent variable. A low R-squared value of 0.029 shows there isn't anything noteworthy relationship between the type of settlement and continuance with the current insurer; it has very little explanatory power in predicting whether they will keep using their present insurer. Similarly, the R-squared value of 0.024 means that the type of settlement has a negligible impact on predicting whether individuals will switch insurance providers due to dissatisfaction with claim settlement. The low R-squared value recommends that there is no notable connection between the kind of settlement and switching due to dissatisfaction.

4. As such, it can be stated that claim settlement is not the singular significant factor which influences insurance demand as India is still growing in terms of its industry setup. The Indian population cannot be compared to any other country and this makes it impossible for insurers to single out a particular element as being capable of influencing demand for insurance.

5. The study further shows that a good number of respondents have used their covers by making claims at least once. This demonstrates how significant and necessary the cover benefits are to individuals. Variation in claims rates among some respondents also indicates different types of needs and experiences in respect to insurance within the population studied. Nonetheless, there is another group who have not made any claims suggesting areas where awareness should be created in relation to insurances' advantages.

6. In general the majority of responders had favourable opinions about communication and service quality provided by their respective insurers' institutions. However, besides "poor" and "fair" grades, which reflects areas that need improvement regarding communication strategies, transparency, and service delivery thus affecting the demand levels.

7. In India, there are a myriad of factors affecting a volatile industry such as insurance. One of them being age, as mentioned above. In India, 66% of the population is below the age of 35, who do not consider insurance as a necessary investment at a young age.

8. The income levels of Indians are also on the lower side, making insurance a luxury for many, thus reducing the demand for it in India.

VI.   CONCLUSION

The analyses done in this study shows that although claim settlement is an important factor in determining customer satisfaction and the demand for insurance, it is not the sole factor that determines the demand for insurance.

Further, it is seen that other demographic elements, like age is also important. Age is important since a majority of India's population, i.e. 66% of India's population is below the age of 35. The younger generations may not see insurance as an important investment, thus impacting the overall demand. In addition, lower income levels in India make insurance a luxury rather than a necessity for many individuals. These economics factors therefore influence the demand for insurance products.

The insurance industry in India is dynamic, as it is not as well-established here. The industry is still evolving as customer expectations and market changes affecting it. This adds to the complexity in understanding and predicting the demand for the same. It is important for insurers to know that claim settlement alone does not drive the demand for insurance

in the Indian market. The unique demographics of India need to be understood and addressed as it is crucial for developing good strategies to boost insurance demand. Moreover, since India has a large number of insurance providers, it creates a competitive space where factors besides claim settlement, such as pricing strategies, product offerings, and customer service also influence the demand for insurance.

The large number of direct interaction with insurance companies for claim settlement shows trust and confidence in the handling of claims by the insurers. The significant use of online means for claim settlement reflects the growing digitalization of insurance processes. The usage of third-party administrators and banks also highlights the need of offering different channels to accommodate customer preferences.

Insurers need to adopt a far-sighted approach which accounts numerous factors that influence the demand for insurance, including but not exclusive of claim settlement. Understanding customer preferences, needs, and behaviours is crucial for designing effective products and services that drive demand.

In conclusion, though there was an expectation that claim settlement and the demand for insurance are co-dependent variables as per the evidence from other parts of the world, it can be said that claims settlement is a key factor in maintaining customer satisfaction in the insurance space, but it is only one piece of the puzzle in the complex process of studying insurance demand in India.

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ANNEXURES

1. Graphs

Age
70 responses

Income (Annual)
70 responses

What was the type of settlement?
70 responses

Are you continuing with your original/initial insurance provider?
70 responses

- Yes
- No

21.4%
78.6%

Switching due to Dissatisfaction

- Yes
- No

9
61

Scatter plots

What was the type of settlement? vs. Are you continuing with your original/initial insurance provider?

$r = -0.172$

Density

Are you continuing with the orginal insurance provider

What was the type of settlement

Density

Scatter plots

What was the type of settlement? vs. Have you switched insurance providers due to dissatisfactory response from the previous insurance provider?

r = 0.156

How many times have you made an insurance claim for the above mentioned insurance? (Final Settlement/Survival Benefit of Life Insurance Policies is to be considered as 'Once')
70 responses

- Never
- Once
- 2-5 times
- 6-10 times
- More than 10 times

65.7%
15.7%
14.3%

How much was the insurance claim amount?
70 responses

- Less than 10,000
- 10,000 - 30,000
- 30,001 - 50,000
- 50,001 - 100,000
- 100,001 - 200,000
- More than 200,000

12.9%
22.9%
21.4%
24.3%
10%

How did you claim for the settlement?
70 responses

- Through Online Methods
- Through a Bank
- Through the insurance company
- Through a Third Party Administrator (TPA)

27.1%
41.4%
20%
11.4%
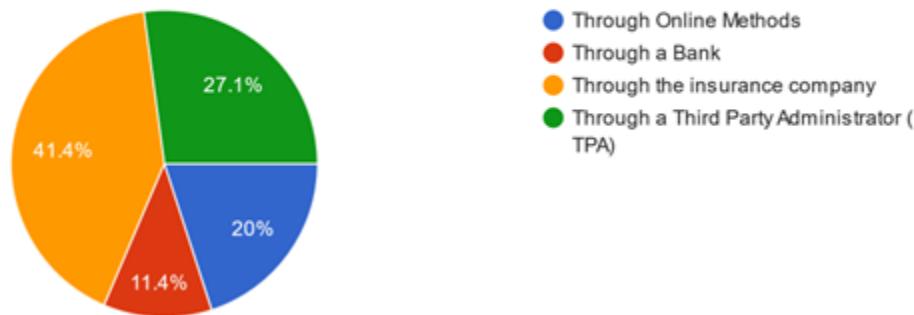
How would you rate the communication and quality of service of your insurance provider?
70 responses

- Poor
- Fair
- Good
- Very good
- Excellent

22.9%
10%
48.6%
14.3%
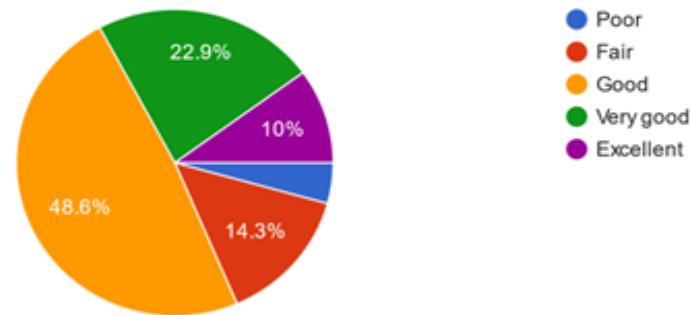
What are the areas in which you want your insurance provider to improve upon, in relation to claim settlement? (select one or more options)
70 responses

Area	Count
Transparency & Better Comm…	30 (42.9%)
Efficiency & Speedy Settlement	25 (35.7%)
Easy & Simplified Procedures	33 (47.1%)
Fewer Documentation	23 (32.9%)
Accuracy & Fairness	17 (24.3%)
Empathy & Customer Service	18 (25.7%)
Better Claim Settlement amount	30 (42.9%)
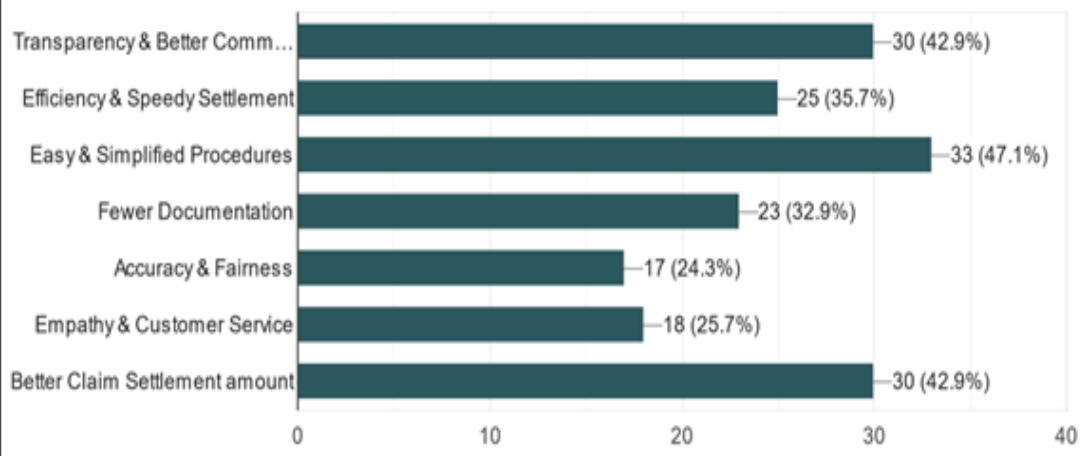
2. Chi-Square:

a. Type of Settlement and Continuance with Insurer

Contingency Tables

Contingency Tables

What was the type of settlement?	Are you continuing with your original/initial insurance provider?		
	0 (NO)	1 (YES)	Total
1 (Full Settlement)	6	29	35
2 (Partial Settlement)	7	25	32
3 (Rejection)	2	1	3
Total	15	55	70

Chi-Squared Tests

	Value	df	p
X²	4.032	2	0.133
N	70		

Nominal

	Value*
Phi-coefficient	NaN
Cramer's V	0.24

Contingency Tables

Contingency Tables

What was the type of settlement?	Have you switched insurance providers due to dissatisfactory response from the previous insurance provider?		Total
	0 (NO)	1 (YES)	
1 (Full Settlement)	32	3	35
2 (Partial Settlement)	27	5	32
3 (Rejection)	2	1	3
Total	61	9	70

Chi-Squared Tests

	Value	df	p
X^2	1.915	2	0.384
N	70		

Nominal	Value[a]
Phi-coefficient	NaN
Cramer's V	0.165

3. **Correlation**
   a. **Type of Settlement and Continuance with Insurer**

TYPE OF SETTLEMENT and ARE YOU CONTINUING?		
	What was the type of settlement?	Are you continuing with your original/initial insurance provider?
What was the type of settlement?	1	
Are you continuing with your original/initial insurance provider?	-0.172151722	1

b. **Type of Settlement and Switching due to Dissatisfaction**

TYPE OF SETTLEMENT and HAVE YOU SWITCHED INSURERS		
	What was the type of settlement?	Have you switched insurance providers due to dissatisfactory response from the previous insurance provider? If 1, which insurance provider did you switch to? If 0, type '0'.
What was the type of settlement?	1	
Have you switched insurance providers due to dissatisfactory response from the previous insurance provider? If 1, which insurance provider did you switch to? If 0, type '0'.	0.156165068	1

4. Regression

a. Type of Settlement and Continuance with Insurer

TYPE OF SETTLEMENT and ARE YOU CONTINUING?							
SUMMARY OUTPUT							
Regression Statistics							
Multiple R	0.172151722						
R Square	0.029636215						
Adjusted R Square	0.01536616						
Standard Error	0.410100962						
Observations	70						
ANOVA							
	df	*SS*	*MS*	*F*	*Significance F*		
Regression	1	0.349283968	0.349283968	2.076811484	0.154141505		
Residual	68	11.43643032	0.168182799				
Total	69	11.78571429					
	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*ower 95.0%pper 95.0%	
Intercept	0.974327628	0.139757762	6.971545709	1.5961E-09	0.695445356	1.25321 0.695445	1.25321
What was the type of settlement?	-0.122249389	0.084829744	-1.441114667	0.154141505	-0.291524508	0.047026 -0.29152	0.047026

b. Type of Settlement and Switching Due to Dissatisfaction

TYPE OF SETTLEMENT and HAVE YOU SWITCHED INSURERS							
SUMMARY OUTPUT							
Regression Statistics							
Multiple R	0.156165068						
R Square	0.024387528						
Adjusted R Square	0.010040286						
Standard Error	0.335445035						
Observations	70						
ANOVA							
	df	*SS*	*MS*	*F*	*Significance F*		
Regression	1	0.191267901	0.191267901	1.699805994	0.196709912		
Residual	68	7.651589242	0.112523371				
Total	69	7.842857143					
	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	-0.011002445	0.114315868	-0.096246	0.92360829	-0.239116208	0.217111318	-0.239116208	0.217111318
What was the type of settlement?	0.090464548	0.0693871	1.303766081	0.196709912	-0.047995255	0.22892435	-0.047995255	0.22892435

1. Sample Size Calculation

	H2		*fx*	=(E7*E4*(1-E4))/E8						
	A	B	C	D	E	F	G	H	I	J
1			PARTICULARS							
2			Confidence Level	90%	0.9		SAMPLE SIZE	68.0625		
3	FORMULA FOR INFINITE POPULATION		Z Score (z)		1.65					
4	(z^2) [SD(1-SD)] / e^2		Standard Deviation(SD)		0.5					
5			Margin of Error €	10%	0.1					
6										
7			z^2		2.7225					
8			e^2		0.01					
9										
10										

2. Mean and Median Age

MEAN CALCULATION				
	Class Interval	f	Mid Value (m)	f * m
	20-25	14	22.5	315
	25-30	1	27.5	27.5
	30-35	10	32.5	325
	35-40	7	37.5	262.5
	40-45	10	42.5	425
	45-50	10	47.5	475
	50-55	14	52.5	735
	55-60	4	57.5	230
TOTAL			70	2795
MEAN	2795/70	39.928 years		

MEDIAN CALCULATION				
	Class Interval	f	cf	
	20-25	14	14	
	25-30	1	15	
	30-35	10	25	
	35-40	7	32	
	40-45	10	42	
	45-50	10	52	
	50-55	14	66	
	55-60	4	70	
TOTAL		70		
MEDIAN	l1 + [(n/2-cf)/f]*i	41.5 years		n/2 = 70/2 = 35

3. Mean, Median and Modal Income

MEAN CALCULATION			
Income (X)	Frequency (f)	Xi	f * Xi
0 to 5	30	2.5	75
5 to 10	18	7.5	135
10 to 20	14	15	210
20 to 30	8	25	200
TOTAL	70		620
MEAN	620/70	8.85 Lakhs	

MEDIAN CALCULATION		
Income	Frequency	cf
0 to 5	30	30
5 to 10	18	48
10 to 20	14	62
20 to 30	8	70
TOTAL	70	
MEDIAN	11 + [i/f](m-c)	6.388 Lakhs

MODE CALCULATION		
NEW Class Interval	f	
0 to 10	48	
10 to 20	14	
20 to 30	8	
TOTAL	70	
MODE	11 + (f1-f0)/(2f1-f0-f2) * i	5.85 lakhs