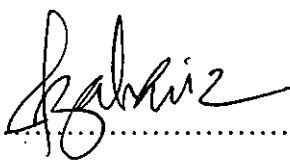


**DETERMINANTS CUSTOMER SATISFACTION IN GENERAL  
INSURANCE SERVICES AMONG YOUNG ADULTS IN MELAKA**

**LIM JING XUAN**

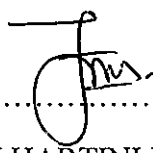
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‘ I hereby declared that I had read through this thesis and in my opinion that this thesis is adequate in term of scope and quality. This thesis is submitted to Universiti Teknikal Malaysia Melaka which fulfill the requirements for the completion and award of Bachelor of Technopreneurship with Honors (Btech).’

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**DETERMINANTS CUSTOMER SATISFACTION IN GENERAL  
INSURANCE SERVICES AMONG YOUNG ADULTS IN MELAKA**

**LIM JING XUAN**

**The thesis is submitted in partial fulfillment of the requirements for the award  
of Bachelor of Technopreneurship with Honors**

**Faculty of Technology Management and Technopreneurship  
Universiti Teknikal Malaysia Melaka**

**DECEMBER 2019**

**DECLARATION OF ORIGINAL WORK**

“I hereby declare this report is the result of my own, expert certain explanations and passage where every of it is cited with source clearly.”

Signature: .....

Name: LIM JING XUAN

Date: .....

## **DEDICATION**

I would like to dedicate appreciate to my beloved family members who supported me in terms of spiritual and financial. Moreover, I would like to dedicate appreciate to my beloved supervisor and panel who guided me throughout the research by providing valuable suggestion. Finally, I would also like to dedicate to my course mates for their assistance through the journey of conducting the research.

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Apart from this, greatly deals appreciated go to the contribution of the participants in our survey questionnaire. With their help, I can able to collect the data for analysis and it let us more understand their opinion towards our research. Also it makes this survey become more reliable.

Last but not least, I would like to thank UNIVERSITI TEKNIKAL MELAKA MALAYSIA (UTEM) for giving me this opportunity to conduct this research. Without the facilities provided, I will never complete this research.

## ABSTRACT

In this new era, insurance become a necessary thing in basic human life. So, the customer satisfaction in insurance services is very important. When the customer satisfaction is higher, it will become the competitive advantages to the insurance company. So, the objective of this research is to determine the factors that affect the customer satisfaction in general insurance services among young adults in Melaka. In order to meet the objective, Pearson correlation analysis had been carried out to test the relationship between customer satisfaction (dependent variable) and service quality, perceived value, corporate image, and role of agent (independent variables). Young adults are being targeted as potential customer of insurance company. The age range of young adults is around 20-35. This research is collect 384 samples for the sample size and used the quantitative method to gather and analysis the data. Moreover, the questionnaire method will be collect for the primary data while references of the study for the secondary data. The results of analysis shows the most influence factor to the customer satisfaction in general insurance services is perceived value, it means the value of the insurance policy is very important that influence the customer satisfaction. In other words, the highest the value of the insurance policy, the highest the customer satisfaction. In conclusion, the results of this study will contributes to the insurance company to improve their services for the purpose of enhance the market share.

*Keyword: Customer Satisfaction, General Insurance Services, Role Of Agent, Perceived Value, Service Quality, Corporate Image*

## ABSTRAK

Pada masa kini, insurans merupakan elemen penting dalam kehidupan manusia. Jadi kepuasan pelanggan dalam perkhidmatan insurans sangat penting kerana ia akan mengaruh pendapatan syarikat insurans. Jika kepuasan pelanggan tinggi, ia akan menjadi kelebihan daya saing kepada syarikat insurans. Oleh itu, objektif kajian ini adalah untuk menentukan faktor-faktor yang mempengaruhi kepuasan pelanggan dalam perkhidmatan insurans umum di kalangan orang dewasa muda di Melaka. Untuk mencapai matlamat, analisis korelasi Pearson telah dijalankan untuk menguji hubungan antara kepuasan pelanggan dan peranan agen, kualiti perkhidmatan, nilai polisi insurans dan imej korporat. Orang dewasa muda disasarkan sebagai bakal pelanggan syarikat insurans. Rentang umur orang dewasa muda adalah sekitar 20-35. Kajian ini mengumpulkan 384 sampel untuk saiz sampel dan menggunakan kaedah kuantitatif untuk mengumpul dan menganalisis data. Selain itu, kaedah soal selidik akan dikumpul adalah data utama manakala rujukan kajian adalah data sekunder. Hasilnya dikumpulkan dari faktor-faktor yang mempengaruhi kepuasan pelanggan dalam perkhidmatan insurans umum di kalangan orang dewasa muda di Melaka. Hasil analisis menunjukkan faktor yang paling berpengaruh kepada kepuasan pelanggan dalam perkhidmatan insurans umum adalah nilai polisi insurans. Ini bermakna nilai polisi insurans amat penting terhadap kepuasan pelanggan. Dalam erti kata lain, nilai polisi insurans tinggi, kepuasan pelanggan juga akan tinggi. Kesimpulannya, hasil kajian ini akan menyumbang kepada syarikat insurans untuk meningkatkan perkhidmatan mereka dan meningkatkan bahagian pasaran.

*Kata Kunci: Kepuasan Pelanggan, Perkhidmatan Insurans Umum, Peranan Agen, Kualiti Perkhidmatan, Nilai Polisi Insurans, Imej Korporat*



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## LIST OF ABBREVIATIONS

### ABBREVIATIONS

CI  
CS  
PV  
ROA  
SQ

### MEANING

Corporate Image  
Customer Satisfaction  
Perceived Value  
Role Of Agent  
Service Quality

**LIST OF SYMBOL****ABBREVIATIONS** $\alpha$  $\beta$  $H_0$  $H_1$ 

X

Y

**MEANING**

Cronbach's Alpha Coefficients

Beta Value

Null Hypothesis

Alternative Hypothesis

Independent Variables

Dependent Variable



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## CHAPTER 1

### INTRODUCTION

#### **1.1 Introduction**

This chapter illustrate the overview of this research. The title of this research is determinants of the customer satisfaction in general insurance services among young adults in Melaka. This chapter will involves six parts which are background of the study, problem statement, research question, research objective, following by the significance of study and scope of study which will provide an overall outlook of the research. Then, the result of findings can give the factors that impact on customer satisfaction in the general insurance services among the young adult in Melaka.

## **1.2 Background Of Study**

In this new era, insurance product is a basic necessary thing in human daily's life. According to the history, the modern social insurance system was first created by the iron and blood prime minister of Germany in the 19th century, Otto von Bismarck, the purpose of having insurance due to protect the workers especially working in the dangerous environment. Since then, European countries have followed suit. Today, it has become an indispensable part of maintaining the normal operation of modern society.

When the economy of Malaysia constantly growth, industry of the industry also growth well, it is because insurance industry is a main role of the financial institution in Malaysia. In Malaysia insurance industry, the company such as Prudential, Great Eastern, AIA have fulfill the customer's needs in the markets and also build up the good relationship with their customers. So, the main point to success an insurance company is depends on how their satisfy customers.

Insurance defines how to manage the risks by investing a certain money for getting cover the losses. It is an investment strategy to get secured from any incidents occurs (Co-operators, 2019). The insurance service helps buyers to cover the financial losses or damage of personal property. A person purchases insurance plan by paying a certain amounts of money and get claims if any incident occurs that have charges. It also called as protection from any accidents, injuries, and get damage to property (Narodna Banka Slovenska Eurosystem, 2015). Basically it means premium which get compensation from the losses from insurance services (iBanding, 2016).

The insurance services offer two main types of insurance that includes life and general insurance (InsuranceInfo, 2007). Life insurance is a type of financial compensation for people's death or disability, but it also has financial compensation after the person at retire stage. There are some kind of life insurance plans includes term life, money-back policy, unit-linked insurance plan, and pension plans (Acko

General Insurance Limited, 2019). The term life of the life insurance is longer than general insurance. Generally, the insurance plans offers long term period which in term of 10, 15, 20, 25 or 30 years (Policygenius, 2019). Besides, the similar life insurance concept also offered in Takaful plan, the protection called as Family Takaful plan (InsuranceInfo, 2007). Takaful is one of insurance types that under Shariah law. The Shariah law is the rules formed according to Islamic tradition. In Takaful business, the business decision and action could not involve the elements of unethical acts. The inhibit actions are like *gharar* (uncertainty), *maysir* (gambling), and *riba*. These are the 3 components that Takaful business should not have that cheating intention to customers (Wahab, Lewis, & Hassan, 2007).

General insurance are the common insurance plans that people often heard and know from insurers, family and friends. It comprises types of general insurances are health insurance, motor insurance, home insurance, and travel insurance. The insurance plans not only offer health care but also for non-life assets like property, vehicle, and travel from any accidents or man-made disasters such as fire and explosions of vehicle and property (BajajFinserv, 2018). According to Persatuan Insurans Am Malaysia (PIAM) (2019), it explains the period of the coverage usually in short term within one year and pay with one-time basis. This protection is to cover the risk of property loss such as burnt property or stolen vehicle, and involves in accidents that cause injury or death.

According to Money Advice Service (2019), protection price according to the plan customers choose which the insurer will measure the risk of the incidents will happen and determine the price for the payment. There are three steps of applying an insurance plan. The first step is to choose an insurance plan either life insurance or one of general insurance. Next, pay the premium according to the plan that chosen from the first step. The last is the claiming step if there's any happened and its protected by the policy or the insurance that customer purchase.

Customers are the one and play the main role to enjoy the goods and services that offered by the company. Young adults are being targeted as potential customer of insurance company. The age range of young adults is around 20-35. At this age category, young adults are easily get these types syndrome such as high blood pressure, obesity, and diabetes (Day, 2019). Moreover, they are more concerning to have health insurance plan for curing the syndrome. According to Fry, R. (2013), it describes there have 73% of young adult that below age 25 have one vehicle in 2007. In 2011, young adults occupied more than 50% to have a vehicle at age of 18-34.

### **1.3 Problem Statements**

The purpose of this research is to find out the factors that affect the customer satisfaction in general insurance services in Melaka. In this era, there is a continuous increase of the number to purchase the insurance products. Insurance plans are important for people to cover financial or assets losses. It is a long-term saving to repair and replace what people loss such as get injured and damage of assets. Before that, there are several study have done by others researcher in one particular type of insurance. However, not much researcher study about general insurance especially in Melaka. Therefore, the researcher want to study this topic for the purpose of find out the sense of satisfy of in general insurance services among young adult in Melaka.

According to Persatuan Insurans Am Malaysia (2018), the statistic of road fatality in Asia show Malaysia having the highest rate of road fatality. The demand of motor and fire insurance was increase about 1.5% in 2018 (Persatuan Insurans Am Malaysia, 2019). Many Malaysians are encounter the losses which affected by fire. The fire or household insurance is a need for the householder due to the insurance is a safeguard for them if any fire accident and unexpected accidents happened. The coverage for fire or household policy commonly contain fire, lightning, and explosion (iMoney Editorial, 2013). The compensation usually including the cost of rebuilding,

replacement and renovate damage building. According to Bank Negara Malaysia ( n.d.), there are fourteen licensed insurance companies and Takaful operators in Malaysia. The number of market player in insurance industry is high. Therefore, the competition in insurance industry Malaysia is high too. One of the way to improve the company performance is to enhance the customer satisfaction to gain the good client experience.

Firstly, some data comes from American Customer Satisfaction Index and Financial Services Customer Experience Survey in 2008 found that around three quarters of the customers switch insurance provider due to the unhappy experience with customer service (Owenson, 2010). Generally, there are several unacceptable situations happen to customer which is late respond time, company representative with poor experience and knowledge and without professional communication with customers (DiScipio, 2017). The bad experiences with the insurance company might lead the indicator of churn. The churn can cause the negative impact to the company growth. There are less than one in six of customers would purchase more insurance products with their current insurance provider (Accenture's Global Consumer Pulse Research, 2015). Customer service is an important department because they need to interact the customer directly. The good services can enhance the customer experience and of course customer satisfaction; otherwise they would shift the insurer. The word-of-mouth is very powerful tools to spread out to the public therefore the customer experience may give big impact to the company image.

Customer complaint the delays, unsuccessful get claim and cancellation (Mikolasek, 2012). The United Kingdom's insurance consumer is 61%, 76% in Germany and 79% in Spain stated the service quality that deliver by insurers such as claims-managing deliver is the consideration or them to make purchase decision (Krause, 2016). The customer will not accept the inefficient claims process encounter, they will switch insurers without shillyshally(Radmilovic, 2012). Based on Amarthalingam (2016), the general motor insurance claims made up about 96 outstanding insurance and Takaful cases and follow by 13 percent of general insurance. Commonly, the insurance claim process is not achieved the customer expectation

period. A survey conducted by McDonald (n.d.) found that the aspect most influenced the satisfaction is the insurance company undertaking their best benefit.

This research will give reader more understand and know about the factor of role of agent, service quality, perceives value and corporate image influence the customer satisfactions in general insurance services among the young adults in Melaka. The outcomes of this research has the purpose to find out how the consumers who affected by role of agent, service quality, perceives value and corporate image. In others words, the main point of this study is to judge which factors most impact the customer satisfaction in general insurance services.

#### **1.4 Research Question**

The following question had been conducted to accomplish the research objective and to study the factors that influence the customer satisfaction in general insurance services among young adults in Melaka.

1. What are the factors that influencing the customer satisfactions in general insurance services among young adults in Melaka?
2. What is most influencing factor to the customer satisfaction in general insurance services among young adults in Melaka?

### **1.5 Research Objective**

To study this research within a distinct vision to the general insurance services in Melaka is the purpose of this study. This research also understand the customer satisfaction in general insurance services among young adult in Melaka.

Therefore, there are some objective stated:

1. To study the factors that influencing customer satisfactions in general insurance services among young adults in Melaka.
2. To study most influencing factor to the customer satisfaction in general insurance services among young adults in Melaka.

### **1.6 Significant of Study**

In the area of theoretical significant, this research will also offer a basis for further study referencing. Researchers will contribute the value from this research that enhance the knowledge of the factors that fulfill the customer satisfaction in the general insurance services. There are some factor to affect the customer satisfaction in the general insurance services such as role of agent, perceived value, corporate image and service quality. Moreover, this research also find out the most influencing factor that impact the customer satisfaction in general insurance services. In conclusion, the higher customer satisfaction, the higher profit to gain of the insurance company. So, good client experience is very significant for an insurance company.