

**CUSTOMERS' SATISFACTION TOWARDS CLAIM SETTLEMENT  
OF LIFE INSURANCE POLICIES IN NEPAL**

**(With Reference to Nepal Life Insurance Corporation and Life Insurance  
Corporation Nepal)**

A Dissertation Submitted to the Office of the Dean, Faculty of Management in partial  
fulfilment of the requirements for the Master's Degree

By

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### **CERTIFICATION OF AUTHORSHIP**

I certify that the work in this thesis has not been previously submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the presentation of this thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the reference section of the thesis.

.....

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April, 2021

### **REPORT OF RESEARCH COMMITTEE**

Mr. Santosh Adhikari has defended research proposal entitled **CUSTOMERS SATISFACTION TOWARDS CLAIM SETTLEMENT OF LIFE INSURANCE POLICIES IN NEPAL (WITH REFERENCE TO NEPAL LIFE INSURANCE & LIFE INSURANCE CORPORATION NEPAL)** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Mrs. Sunita Bhandari and submit the thesis for evaluation and viva voce examination.

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### APPROVAL SHEET

We, the undersigned, have examined the thesis entitled **CUSTOMERS SATISFACTION TOWARDS CLAIM SETTLEMENT OF LIFE INSURANCE POLICIES IN NEPAL (With Reference to Nepal Life Insurance & Life Insurance Corporation Nepal)** presented by **Santosh Adhikari**, a candidate for the degree of Master of Business Studies (MBS) and conducted the viva examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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## ACKNOWLEDGEMENT

This thesis entitled **CUSTOMERS SATISFACTION TOWARDS CLAIM SETTLEMENT OF LIFE INSURANCE POLICIES IN NEPAL (With Reference to Nepal Life Insurance & Life Insurance Corporation Nepal)** has been conducted to satisfy the partial requirements for the degree of Master's in Business Studies, Tribhuvan University.

This study is the outcome of months of determination, endeavour, superior guidance, and suggestions. I wish to acknowledge my deep sense of gratitude to Office of Dean, Faculty of Management, Tribhuvan University and Central Department of Management for such an opportunity to explore my ability via thesis.

First of all, I would like to express my deepest gratitude to my supervisor Mrs. Sunita Bhandari for her valuable time, suggestion, motivation, patience as well as guiding me for preparing this thesis. Also internal evaluator Mr. Nirajan Basnet, external evaluator Prof. Dr. Arun Kumar Thakur and Mr. Santosh Ghimire sir for their kind guidance, supervision and suggestion during the presentation of thesis.

I would also like to express appreciation and gratitude to research committee head Prof. Dr. Sanjay Kumar Shrestha, administration office and library of Central Department of Management, past researchers and Nepal life insurance as well as life insurance corporation Nepal who have helped me directly and indirectly for the completion of this thesis. And my bosom friends for all their valuable suggestion to keep up the best work.

Finally, I would like to thank my parents who morally supported, encouraged and provided time for study. My thesis would never have been completed without their support.

Santosh Adhikari

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April, 2021

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**ABBREVIATIONS**

CDM	Central Department of Management
CP	Claim procedure
CS	Customer Satisfaction
CSA	Clarity of settlement advice
IRDA	Insurance Regulatory Development Authority
LIC	Life Insurance Company
LICN	Life Insurance Corporation Nepal
MBS	Master's in Business Studies
NLIC	Nepal Life Insurance Corporation
PC	Payment of Claim
SPSS	Statistical Package for the Social Sciences
VIF	Variance Inflation Factor

## ABSTRACT

*Claims Settlement is considered to be one of the most valuable possessions of any insurer. It is one aspect of insurance practice, the handling claims, which can make the image of insurance company by satisfying customers. This study seeks to examine the claim settlement of claimants and its impact on customer satisfaction. In specific, the study investigates clarity of settlement advice, claim procedure and payment of claim of the claim clients. The survey was conducted using a questionnaire administered to 270 claimants selected from two life insurance companies of Kathmandu valley. The descriptive statistics, correlation analysis, and regression analysis were used to analyze the data. The findings reveal that claimants are having payment of claim have low significant but clarity of settlement advice and claim procedure are found to be significant in predicting customer customers' satisfaction. However, payment of claim is found to be insignificant in predicting customers' satisfaction. The results also confirm that there is significant impact of claim settlement on customers' satisfaction.*

*Claim settlement starts with delivering transparent information without any loopholes (clarity of settlement advice), then understanding the right, short and simple approach (claim procedure), to pay benefited interest amount to clients (payment of claim). This whole sequential series are effectively performed to best explain claim settlement and ultimately to meet customer satisfaction.*

*The result of this study has helped to identify the role of clarity of settlement advice, claim procedure, and payment of claim in claim settlement of life insurance companies. It becomes even more important for the insurance companies to properly balance the cycle of claim settlement and serve best customer satisfaction. As well as the customers can get detailed information for the future to get insurance policy. The concept can be explored and examined more deeply in the future with the consideration of several other variables affecting customer satisfaction.*

## CHAPTER I

### INTRODUCTION

#### 1.1 Background of the Study

Insurance is a protection against economical loss arising due to an unexpected event. In any type of insurance coverage claim settlement plays very important part. Claims settlement is an integral part of the insurance business. Growth in insurance business is depended on the people, the customers and consumers of service. Insurance is an arrangement by which the losses incurred by a small number of insured are divided over many exposed to same type of risks. Insurance contract is a contract by which one party called the insurer promises to save the other party, the insured on payment of consideration known as the premium. A right of insured to receive the amount secured under the policy of insurance contract promised by insurer is called claim. Claims can be maturity claims arise because of survival up to the end of the policy term i.e. to the date of maturity, survival benefits due to survival up to a specified period during the term, death claims arise due to death of the life assured during the term. Policy holders or nominees must first file an insurance claim before any money can be provided. An insurance claim is provided by an insurance company. The insurance company may or may not approve the claim, based on their own assessment of the condition under which claim is made. Individuals pay regular or sometime single premium for their insurance coverage. Most of the time, these premiums are used to settle another person's insurance claim or to build up the available assets of the insurance company.

When claims are filed, the insured has to observe the settled rules and procedures and the insurer has also to reciprocate in a similar manner by undertaking appropriate steps for speedy disposal of claims. It is true that claims settlement is complex in nature, but it is the driving force to plant confidence in the hearts of people, in general and beneficiaries in specific.

Human beings are exposed to various kinds of risk of uncertain, unexpected and unforeseen events such as untimely death, loss of properties by fire, theft and accident etc. which cause the financial losses. Risks and events are uncertain. They cannot be eliminated but can be divided, managed and reduced significantly with the help of

insurance. Insurance is the way of transferring a loss from one person to another person or institution in exchange of payment.

Thus, insurance has become a financial tool to minimize or eliminate the risk-induced financial loss. This was however unable to remove or that the threats it only offered protection against them. Insurance is the insurance against loss resulting from an accidental and unpredictable occurrence.

Insurance is a way to move risk from one person to another individual or entity payable in return. Insurance company that sells insurance policy is insurer and policyholder is the insured who buys insurance policy and passes the risk to the insurer (singh, 2010). Insurance is a mean to minimize future uncertainty and financial losses. Acting as a risk transfer mechanism is the primary function of insurance (Holyoak & Weipers, 2002). Rejda (2008) stated that sharing or pooling of losses is the heart of insurance, pooling is the spreading a loss incurred by the few over the entire group so that average loss is substituted for actual loss. Therefore, insurance is a cooperative device to spread the loss caused by particular risk over a number of persons who are exposed to it and who agree to insure themselves against the risk.

Claim settlement is an important part of any kind of insurance that plays a critical role of growing the profits and optimistic public opinion towards insurance companies. An essential feature of an insurance provider is the ease and prompts resolution of a legitimate claim. Just and fast resolution of claims acts as a yard stick for assessing the insurance business. Claim is the center of life insurance policy purchases. Individuals buy life insurance policies whose main goal is to acquire a maturity claim or death claim.

Claim settlement is the monetary compensation that is paid to the policy holder by the insurer in the event of loss (Parsons, 2005). Insurance is an arrangement under which one party named insured charges a certain amount of money as a premium up to a certain defined period and another party named insurer agrees to save the assets of the other.

Insured is entitled to obtain amount protected under insurance contract policy as agreed by insured is named claim. Numerous studies have shown that customer

satisfaction improves customer engagement and loyalty (Heskett et al., 1997; Heskett et al., 1994; Reichheld and Sasser, 1990), and it is known that the average company spends six times more on attracting new customers than keeping old customers. Insurance is a contract which an insured party pays certain amount money as a premium up to a defined time and another party called an insurer agrees to save the assets of the other party. Insured is entitled to obtain amount secured under insurance contract agreement as agreed by insured is called claim.

Claim settlement became an important part of the insurance business. Growth in selling insurance policies depends heavily on delivery services to companies, investors and clients. At the time of claim, consumers can see the actual service of insurance firm's settlement not just during the selling of policy, payment of claim notice by the main insurance provider service to the group (Das & Debnath, 2012). Settlement of claims is like a mirror reflecting the face of insurance companies. For every insurance company, therefore, better practice of settling claims is needed. If the insurance company fails the valid, fair and timely settlement of claims, the service to people and the protection of people's lives and properties from risks and the company's sustainability will be questionable.

Customers can see the real service of insurance companies at the time of claim settlement not only during policy selling, payment of claim notice the main service of insurance companies to community (Dick & Basu, 1994). Claim settlement is like a mirror which reflects the face of insurance companies. Thus, better practice of claim settlement is required for each insurance company. If insurance company fails the valid, fairly and timely claim settlement, the service to the people and protection of life and properties of people from risk and sustainability of the company will be questionable.

The main purpose of buying insurance policy is to get claim when lives are loss to get death claim and maturity claim in case of expiry of time in life insurance.

## **1.2 Problem Statement**

Customer's needs and requirements have changed substantially over the last few decades, with the increase in complexities of life, the requirements of customers have also become complex and diverse. Consumer buys not only the products but also the bundle of needs and emotions.

Whether life insurance organizations resolve the claim reasonably and in a timely manner, whether people are happy or suffering from a problem during the settlement of claims could be the issue to be solved. The settlement of claim have been like a mirror to any life insurance corporation that sees the true face of its industry. A company that fails to resolve the lawsuit, customer loyalty will likely disrupt the business and deter continuing or repurchasing policy. Such dissatisfied client might even advice to their friends, relatives and other general public not to patronize such companies rather than appreciation of buying insurance policy. The consequent problems may lead the life insurance company less selling of insurance policy and downward trend of reducing volume, low premium income collection, low capital formation and minimal contribution of life insurance companies to the gross domestic product of the country.

Therefore, this study concentrated essentially on identifying recent issues and concerns regarding life insurance claim settlement activity which may be one of the crucial causes of slow growth of life insurance sector in Nepal.

### **Research questions**

- i. What are the problems faced by customers while claiming insurance?
- ii. What is the impact of clarity about settlement advice on customer satisfaction?
- iii. Is there any influence of claim procedure on customer satisfaction?
- iv. What are the effects of payment of claim on customer satisfaction?

### **1.3 Objectives of the Study**

The main objective of this research is to examine the satisfaction of customers towards life insurance claim settlement. The specific objectives of the study are:

- a. To assess the problems faced by customers while claiming insurance.
- b. To determine the effect of clarity of settlement advice on consumer satisfaction.
- c. To identify the influence of claim procedure on customer satisfaction.
- d. To determine the effect of payment of claim on customer satisfaction.

### **1.4 Rationale of the Study**

In most of the life insurance company, payment of claim is not only a legal obligation but also a strongly public relations instrument. In Nepal, people still have misconception of life insurance. People use to say insurance companies do not pay claim easily and fairly and make too much settlement lingering that creates bad faith among the people. Hence, in this context, this research investigated the reality of claim settlement practice of life insurance companies of Nepal and misconception of people towards the claim settlement process.

This study could help the Nepalese insurance regulator and identify the easiest way to settle cases and ensure customer satisfaction that can have a positive effect on improving the reputation of life insurance companies. The customers can look out for the outcome of this research and choose wisely to invest for the life insurance policies. Moreover, it may possibly help the life insurance companies to increase sale of policy, premium collection, customer retention, correction on settlement process and finally support in the contribution to the GDP of country.

### **1.5 Limitations of the Study**

- i. Only three factors of claim settlement are selected which may not generalize entire satisfaction.
- ii. The area of study is limited to Kathmandu valley, which may constrain the quality of study.



- iii. The study is limited to 270 respondents of Kathmandu valley, which may constraint the result.
- iv. Data collected through questionnaires may be biased, due to perceptual biasness.
- v. Time constraints of this study may limit the full potential of the research.

## **1.6 Structure of the Study**

The study contains three main sections: preliminary section, body of the report and supplementary section. The preliminary section consists of title page, certificate of authorship, recommendation, approval sheet, acknowledgement, table of contents, list of tables, list of figures, abbreviations used and abstract. The body of the report has been further divided into five chapters: introduction, related literature and theoretical framework, research methodology, analysis and results and discussion, conclusion, and implications. The final section of the report comprises of references and appendix.

### **Chapter I: Introduction**

The first chapter of the study deals with the introduction part of the research which covers background of the study, statement of the problem, research objectives, research question, scope and significance of the study, some definition related to claim settlement and its influencing factors, limitation of the study and outline of the structure of the thesis report.

### **Chapter II: Literature Review**

The second chapter deals with conceptual review of related literature and empirical review of the study, research framework and definition of variables. At the very end of chapter research gap about the thesis research has been pointed out.

### **Chapter III: Research Methodology**

The third chapter deal with research method which contain research design, population and sample, nature and sources of data & instrument of data collection, method of analysis.

**Chapter IV: Results and Discussion**

The fourth chapter deals with results and discussion of survey which contains correlation and regression table related to the factors that influence customer satisfaction of life insurance companies.

**Chapter V: Summary and Conclusion**

Finally, fifth chapter presents the summary, conclusion and implications of the study.

## **CHAPTER II**

### **LITERATURE REVIEW**

The literature review pointed out most of the research work done in this area, till now has only been limited to developed countries of Europe and other developing countries of Africa and South Asia. But there is still insufficient research in case of Nepal. It was also observed that, very few study has been carried out in Nepal to examine the relationship between Customer Satisfaction and Claim Settlement.

The chapter begins by examining the divergent concepts and views on Claim Settlement and Customer Satisfaction. Then it briefly analyzes and measure different variables (clarity of settlement advice, claim procedure, payment of claim) available for the study. In each section, major ideas found in the relevant literature have been presented, summarized and synthesized. At the end Research gap has been pointed out.

#### **2.1 Conceptual Review**

##### **Claim settlement**

The word "claim" according to Kapoor (2008) cited in Yusuf and Abass (2013) emanated from the Latin word, "Clamare" which means to "call out". Gallagher (2012) asserted that claims management involves administration of claims arising from loss events. Marquis (2011) affirmed that insurance claims management consists of the departmental stipulation, corporate policies and industry practice that insurance firms use to validate policyholder payment or reimbursement requests.

Viswanadham (2005) researched LIC of India's claim settlement operations with the goals of assessing performance in terms of both maturity and death claims before and after IRDA time. This concluded that company would be courteous in the matter of claim settlements to serve customer satisfaction.

The main objectives of claims management, according to Redja (2008), are to verify that a covered loss has occurred for fair and prompt payment of claims and to provide personal assistance to the insured after a covered loss occurs.

Krishnan (2010) cited in Yusuf and Abass (2013) stated that claim process is the most important issue. The author further defined claim process as the step-by-step process

taken by the insured individual in making the demand from the insured's company and sometimes through the broker or an agent for settlement of losses incurred from the covered risk. According to the author, the process can either be manual or web-based system. In manual based system, the client has no idea as to what stage of the claims process his or her policy is into while in the web-based system, deficiencies in the forms can be pointed in a faster manner.

Barry (2011) defined insurance claims as all activities geared toward monitoring insured's compensation, restitution, repayment or any other remedy for loss or damage or in respect of doing their obligations. According to Williams (2009), claims are all about insurance and insurance is about taking up the liability or risk of the insured against a loss and when this is done, the insured would in return get a claim as compensation for the loss.

Harry (2012) concluded that insurers need to take their claim handling role more seriously because if a claim is treated properly, it results in higher consumer retention, but if handled poorly, policyholders lose trust in the insurer and that this may damage their most cherished credibility.

### **The Image of Claims in the Insurance Industry**

There is a general agreement even amongst insurance practitioners throughout West African countries, that the insurance industry today does not enjoy a favorable public image unlike in other parts of the world. Insurance men and women are regarded in some areas as mere parasites who exploit society giving much in return except for the occasional claims which they are compelled to pay either out of fear of being taken to court and discredited or exposed, or out of fear of losing their customers to another company (Irukwu, 1997). To all intents and purposes, the claim department can be seen as the shop window of the insurance company. It does not matter how cheap an insurance company's premiums are, or how efficiently they conduct their underwriting administration if a claim is not properly and fairly dealt with, this is where an insurer can be judged (Roff, 2004).

Lijadu (2000) stated that the insurance industry in Nigeria and of course in the West African sub-region is bogged down by unwholesome public perception. He stated that the insurance industry is aware of the public's misconstrued image of the insurance

subsector. He emphasized this by saying that the insurance industry is perceived as quick to collect premium, slow to pay claims, using small prints to confuse you, providing poor services and engaging in sharp practices. It is interesting to note that this perception still lingers on in Ghana while the story remains different for other parts of the world.

### **The Evolution of Claims**

Claims are still evolving in Europe at present day context. The Chartered Insurance Institute claims faculty reports that over recent years there have been many changes to the way in which claims are handled, viewed and managed. These changes are incremental and accumulative, rather than sudden and dramatic and this has created an ever-changing and evolving claims environment.

It is agreed that claims is much closer to the heart of the industry than ever before and in many cases is believed to be the biggest trigger to an organizations profits and loss. So it is not surprising that in this ever-competitive industry, a claim has a greater presence (Cohen, et.al. 2007).

### **Claims Procedure in respect of a Life Insurance Policy**

A life insurance policy shall state the primary documents which are normally required to be submitted by a claimant in support of a claim. A life insurance company, upon receiving a claim, shall process the claim without delay. Any queries or requirement of additional documents, to the extent possible, shall be raised all at once and not in a piecemeal manner, within a period of 15 days of the receipt of the claim in a particular case of Nepal as reference.

A claim under a life policy shall be paid or be disputed giving all the relevant reasons, within 15 days of receipt of all relevant papers and clarifications required. However, where the circumstance of a claim warrants an investigation in the opinion of the insurance company, it shall initiate and complete such investigation at the earliest. Where in the opinion of the insurance company the circumstances of a claim warrant an investigation, it shall initiate and complete such investigation at the earliest, in any case not later than 6 months from the time of lodging the claim (Basaula, 2015).

Subject to the provisions of Insurance Act, where a claim is ready for payment but the payment cannot be made due to any reasons of a proper identification of the payee, the life insurer shall hold the amount for the benefit of the payee and such an amount shall earn interest at the rate applicable to a saving bank account with a scheduled bank.

Where there is a delay on the part of the insurer in processing a claim for a reason other than the one covered by regulation, the life insurance company shall pay interest on the claim amount at a specified rate.

### Categories of Claim Settlement

Various kinds of claims may be there in the life insurance. In this research, point of view claims can be classified in following categories: Maturity claim, survival and death claim are the major categories. The death claim has been further categories as early death claim and non-early death claim.

### Classification of Life Insurance Claims

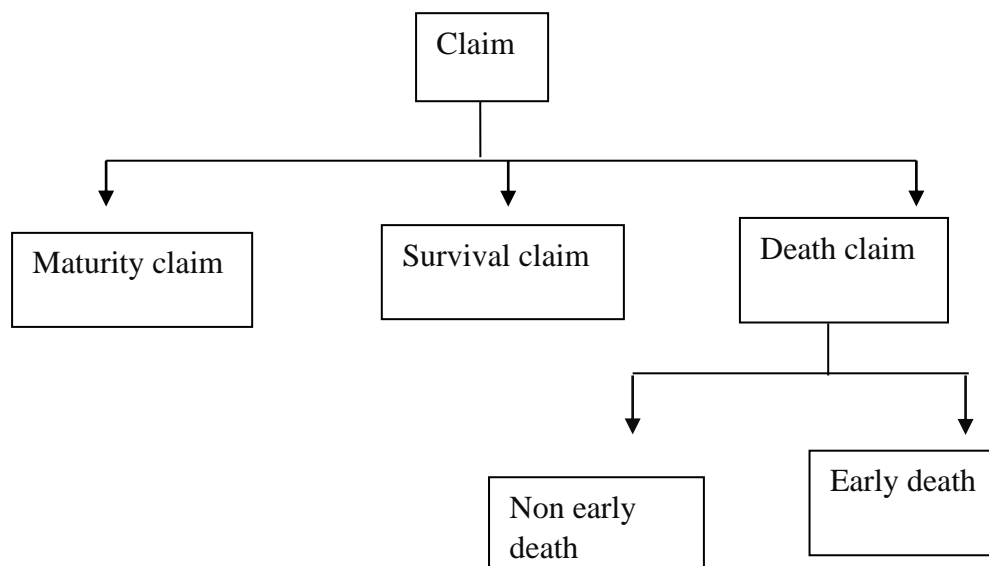


Figure 2.1 Classification of life insurance claims

Source: Basaula (2015)

**Maturity claim:** Maturity is the final payment to the policy holder by the insurance company after the completion of policy term as mentioned in the policy contract. Any insurer has the obligation of paying sum assured along with the bonus to the policy holder after the maturity of term if the insured is alive till the term period. Claim settlement process of maturity claim is simple. Every insured must follow the rules and submit the necessary documents as ordered by the insurance company for maturity claim.

**Survival claim:** It is the amount paid by the insurer to the policy holder after completion of certain fixed term of 4 or 5 years in instalment basis. Survival claim is paid to the policy holder after fixed interval of the term. This kind of claim is not payable in all kinds of policies only in endowment money back policy, survival claim is payable. This kind of claim settlement is also very simple.

**Death claim:** When the policy holder dies before the maturity term of insurance policy, death claim occurs. Death claim is given to the nominee/assignee by the insurer. There are two types of death claim. If the policy holder dies before the 2 years of policy commencement or revival of policy, that claim is early death claim. Insurance company does more additional investigation while settling the early death claim. Claimant should follow rules and submit the necessary documents as ordered by insurance company to receive the claim amount.

When the policy holder dies after the two years term complete of policy commencement or revival of policy, it is called non early death claim. Policy will be matured after the completion of two years of commencement. Insurance company does not make more investigation as early death claim for settlement of claim. To get the claim amount under this claim, claimant should follow the rules and submit the document as ordered by insurance company.

### **Customer satisfaction**

Customer satisfaction is considered to be one of the most important outcomes of all marketing activities in a market-oriented firm and becomes the most important predictor of future behavioral intention (Huber and Herman, 2001). Satisfaction remains as a strong predictor for behavioral outcomes (Croin, Brand, and Huit, 2000). Satisfaction is an outcome of purchase and use resulting from the buyer's comparison

of the rewards and cost of the purchase in relation to the anticipated consequences. It reflects how much the consumer likes or dislikes the service after experiencing it. When customers are able to have the opportunities to evaluate the quality of the delivered service, satisfaction is expected to have an effect on customer loyalty. Croin and Taylor (1992) proved that customer satisfaction exerts a stronger influence on future purchase intention. Customer satisfaction in insurance industry is posited to be a function of service quality i.e. customer service, corporate image, transparency, price, innovativeness and convenience, among others. Odindo and Delvin (2008) noted that increased customer satisfaction has the potential to enhance organizational performance and as a result manager should have customer satisfaction as a key target.

Hewitt (2006) also found that prompt resolution of claims by insurance firms has an impact on consumer satisfaction in advance countries. Croin and Taylor (1992) have proven that consumer satisfaction has a greater impact on the purpose of potential purchases. In the insurance industry, customer satisfaction is viewed as a feature of service quality, i.e. customer support, corporate identity, price, creativity and convenience among others. Odindo and Delvin (2008) observed that enhanced customer satisfaction has the potential to improve organizational efficiency, and that customer satisfaction should therefore be a key priority for managers.

## **2.2 Empirical Review**

Jacopy and kyner (1973) described satisfaction as the biased behavioral response expressed over time, by some decision making unit for claim settlement, with respect to one or more alterative brands out of a set of such brands, and is a function of psychological processes. Dick and Basu (1994) argued that satisfaction is determined by the strength of the relation between relative attitude and repeat patronage, and that is has both attitudinal behavioral elements. Oliver (1997) defines satisfaction "A deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behavior". Mascasrenhas et al. (2006) concluded speed of claim settlement and transparency is key contributor to customer satisfaction. Relationship between prompt claims settlements, customer satisfaction and loyal in many studies affirmed that prompt claims settlement contributed to organization



performance, while some disagreed with the assertion that claims payment contribute to the insurance companies' performance.

Omar (2005) assess consumers' attitudes towards life insurance patronage in Nigeria and found out that there is lack of trust and confidence in the insurance companies due to slow or lack of claims settlements. Another major reason for this attitude is lack of knowledge about life insurance product. These findings mean that even if the share capital of insurance is increased in multiples, the performance of the industry could still be limited to the attitudes of Nigerians. In the same line, Yusuf, Gbodamasi and Hamadu (2009) conducted an empirical study on the attitudes of Nigerians toward insurance facilities. The study was conducted among 392 members of the public (insuring and non- insuring) to gauge their awareness level and general attitudes towards insurance companies and their operations. The findings presented different demographical factors and attitudes toward insurance companies and their facilities.

Bates and Atkins (2007) and Ndubuisi (2008) conflicted with the previous studies. Instead, they discovered that claims payment could be very costly as claims constitute the largest cost of an insurer and this has contributed to poor performance of insurance companies indirectly affecting customers.

Butler and Francis (2010) discovered that prompt claims settlement has positive and significant relationship with insurance performance in terms of customer satisfaction. Henner berger and Alexandre (2006) asserted that insurers need to take their claim handing function more seriously because if a claim is handled well, it results to higher customer satisfaction but if handled poorly, policyholders will lose confidence in the insurer and this may damage its most cherished reputation.

Sridevi (2012) in her article of sample size 150 respondents with purposive sampling technique concluded that customer has positive perception toward the insurance policies help to develop their mind for investing insurance policy. Quality, ease procedure, satisfaction level, customer-company relation are playing role as major factors to develop the perception of consumers on settlement of claim which can make the insurance company to move forward and can seek the many opportunities in the insurance market. The researcher has self-designed questionnaire for evaluating consumer's perception toward claim settlement in life insurance companies. The data

was collected on likert's scale, where 1 stood for minimum agreement and 7 stood for maximum agreement. The item to total correlation was applied to check the internal consistency of the questionnaire. The measures were standardized through computation of reliability and validity. Factor analysis was applied to identify the underlying factors. Z-test was applied to find the significant difference between male and female insurance investors.

Attah, (2012) studied that there is a prompt satisfactory claims payment had positive effects on the sales and customer satisfaction. The search has conducted of 120 staff member and 1500 customers of the branch. The two clusters resulted in a total population size of 1620. It has used non probability sampling with sample total sample size of 360 out of 1620 population. The researcher had used both primary and secondary data collection technique. In the study, structured questionnaire included both open and close ended questions were used. The computer software was used to achieve analysis of the data by cross tabulation. Lastly, qualitative and quantitative descriptive analysis methods were used to summarize the information generated so appropriate analysis methods to deliver relationships among the variables or responses.

Albert cited in Daniel (2013) noted that one of the reason for low penetration and customer satisfaction of insurance business in the country is due to insurers' delay in settling claims. Insurance business is based on trust but is fraught with fraud as perpetrated by the various actors in this sector in Nigeria. Daniel (2013) also discovered that failure to settle claims and delay claims settlement are the causes of insurance failure in Nigeria.

Daniel (2013), claim is an important aspect of insurance business in that poor claim settlement records of an insurance company may spell doom for such a company while a good reputation for good claim settlement records on the other hand ma mean prosperity with respect to acquisition of more business and more customers. Insurance industry in Nigerian will experience growth and development as long as they are prepared and ready to settle all genuine claims on time. Similarly, Hewitt (2006) asserted that the image problem suffered till today by insurance companies in Nigeria is mainly because of what is seen as the insurance companies' posture of smile to collect premium and frown to pay claim. The insuring publics do not even trust the

insurers because they believe that they would always look for a way out time of payment even when the claims are genuine. Hewitt (2006) also found that prompt claims settlement with smooth operation of payment, process and effective mobilization of employee by insurance companies influence customer satisfaction in advance countries.

Yadav and Mohania (2013) the study entitled claim settlement of life insurance policies in insurance service with special reference of Life Insurance Corporation of India. Authors have focused on management framework of LIC for the settlement; impacts of claim settlement on the sale of life insurance policies by LIC of India, claim settlement process followed by LIC of India, awareness towards claim settlement among customers and analyze quality of service provided by LIC of India for claim settlement.

Unachukwu et. al., (2015) concluded that prompt claims settlement has positive significant effect on customer satisfaction and loyalty respectively. The survey research design was used in the study. It involved the use of self-designed structure questionnaire in collecting data from 5 selected insurance companies' staff, 4 insurance broker, 15 sales agents and 21 public members through purposive method totaling 45 respondents as sample. The response format was likert from with indications ranging from strongly agree (5) to strongly disagree (1). In order to establish the reliability of the research instrument, a test- retest method was used. In confirming the facts and contents validities of the instrument, it was given to experts for verification. Data collected were analyzed using Regression analysis with aid of statistical package for social science (SPSS) software version 20.

Basaula, (2017) study revealed that majority of the respondents has neutral response on the satisfaction towards claim settlement. However, they think that the claim settlement process speed would definitely help to increase life insurance business and customer satisfaction ultimately. The study also revealed that government focus should be on awareness of life insurance and make it mandatory for every citizen. The study was conducted on descriptive research design with the sample size of 391 respondent agents for which convenient sampling were used. Primary data were obtained through questionnaire method specifically the five-point likert scale. The data collected for the study were analyzed through SPSS and MS Excel.

Many studies affirmed that prompt claims settlement contributed to organization performance, while some disagreed with the assertion that claims payment contribute to the insurance companies' performance.

### **Claim Settlement and Its Impact**

Yadav (2012) stated that, for every life insurance company, claim settlement is very important part. Premium collection by selling insurance policies is largest source of income of Life Insurance Company (LIC). Sales of policies will be directly affected if claims are not properly settled. LIC India has strong hold in life insurance market due to its better claim settlement. He again stated in his study that there is positive relationship between sales and claim settlement. Better claim settlement leads good sales, customer satisfaction and retention. In life insurance market of India, LIC holds the leading positing due to its better clam settlement process and ratio. Arul & Kumar (2011) stated in his study claim settlement and the customers' service are the more important factors rather than other factors in life insurance. It is revealed that there are two distinct benefits: better claim settlement through clarity of settlement advice which leads to good sales of policies of insurance company and also significant impact on customer satisfaction.

Yadav and Mohania (2013) conclude in the study that people buy life insurance policy to cover the risk uncertainty. However important focus should be given during the time of claim settlement not only at the time of purchasing policies. Due to the strong management and administrative framework, simple and prompt claim settlement process, employees' good contribution toward claim settlement and quality service providing to the customer, LIC India is able to settle the claim in time which resulted more sales of life insurance policies. Study found that LIC India is able to settle the claim effectively to the entire satisfaction of its customers and customers of LIC are aware regarding the claim settlement and satisfied with the employees too.

## **Measurement of Variables**

### **Clarity of settlement advice**

While settling a claim it is essential to disclose or disseminate relevant information to the claim clients as it generally used to improve either consumer understanding or access to pertinent service information. Without reliable information, consumer are left to fend for themselves when dealing with a generally more sophisticated insurer of insurance provider. Since insurance products tend to be rather complex, for the average consumer the complexity serves as an additional barrier. Basaula (2015) concluded that the management team is required to provide the customers with clear guidance and relevant information. All forms of insurance contracts rely on absolute good faith contracts. Both parties (insurers and insured persons) in the contract have to reveal all relevant facts for mutual benefit. False details or the non-disclosure of any significant fact makes the contract difficult to escape. The insured's requirement for maintaining the utmost good faith is therefore very clear.

Before regulator and rules consider imposing a disclosure requirement, it is important to determine the intended outcome of the disclosure. Do we simply want to educate? Are there some complexities to a certain product/services about which we wish to inform consumers? Do we want to promote fair dealing in the marketplace?

Life insurance regulation has been adopted in different companies requiring transparency through disclosure for a number of insurance products. Other legislation attempts to monitor information provided by insurance producers to prospective customer by requiring the filing and sometimes approval of advertising materials and illustrations of potential investment returns.

Insurance companies often detail very specific elements needing disclosure and sometimes specify the format or clearly explaining the procedure in which the disclosure is to be made. Some of the models have buyer's guides containing the collective wisdom of many in their design and development.

## **Claim procedure**

Claims processing is designed to allow claims to be recorded within the insurer's records and for a reserve to be set up for the potential liabilities involved in the claims as quickly and as smoothly as possible. A function, which for many years was a purely manual, one or one, which had the assistance of certain accounting machines, has now been taken over to a large extent by computers. The reliance of technology has been given a great boost by the coming into being of technology where there is reliance of telephone and the necessity for giving of service which is both quick and efficient, is of prime importance (Collins, 1997)

According to Irukwu, (1997), it may be pertinent to identify the underlying claim settlement procedure involved as follows:

**Notification:** All insurance policies require notification in writing "immediately" or "as soon as practicable" after a loss has occurred. Notification may be made through an agent or directly to the insurance company. Some policies stipulate that the notice within the stipulated number of days is a breach of the terms of the policy, which might entitle the insurer to repudiate liability.

**Verification:** Verification of records is to ensure that there was cover at the time of the loss against peril that caused the loss. This involves an examination of records in the insurer's office to ascertain that the relevant policy was in force at that material time and that the policy covers that led to the loss.

**Proof of loss:** The onus is on the insured to prove his or her loss. The claimant has to convince the Insurer not only that a loss has occurred, but that the loss was caused by an 'insured peril'. If the Insured fails to prove their loss, the claim may fail. The policyholder must also prove the quantum or the extent of their loss.

## **Payment of claim**

When all activities with adjustment of the loss are completed and the amount of loss is determined and agreed upon, the insured is entitled to receive payment. There are at least four methods of payment, which insurers can employ in providing claim settlements. They are cash payments, repair, replacement and reinstatement. The

option as to which method is to be employed is normally given to the insured by wording of the policy.

(Basaula, 2015) conducted a study to learn about the insurer, in paying claims must balance the interest of the claimant and all other policyholders who have contributed to the fund. Although the claimant is entitled to be paid in accordance with the promise of the insurance contract, the fund should be protected against payment of unearned claims. There are certain prohibiting factors like Average and excess/franchise/deductibles inherent in the practice of the insurance that makes it possible for clients not to receive their full payment. The processing of claims is structured to allow claims to be reported within the insurer's records and to create a buffer as efficiently and as easily as possible for the future liabilities involved in the claims. A feature, which was a solely manual for many years, has now been largely taken over by computers, one or one, which had the assistance of some accounting machines (Collins, 1997).

Brooks et. al. (2005) propose that claims handling process includes acknowledging and assigning the claim, identifying the policy, contacting the insured or the insured's representative, investigating and documenting the claims, determining the cost of loss and loss amount and concluding the claims, that is, claims payment.

Table 2.1 Summary of the empirical review

Author (s)	Year	Variables used	Major findings
Omar	2005	Behavioral intention, customer satisfaction, claim settlement	Due to slow or lack of claim settlement, trust; lead to poor customer satisfaction and deteriorate performance of insurance companies.
Mascarenhas, Kesavan and Bernacchi	2006	Prompt claim settlement, customer satisfaction, customer loyalty and total customer experience	Speed of claim settlement and transparency is key contributor to customer satisfaction.

Yusuf, Gbadamosi and Hamadu	2009	Socio demographic and economic factor: Age group, working status, gender, educational status, marital status, property ownership, professional background, insurance policy ownership	Attitudes of employee, most often negative are mirrored through low patronage of insurance service. Communication activities are targeted more at set of people.
Ofori-Attah		Claim settlement, customer satisfaction and service quality	Prompt and satisfactory claims payment had positive effectives on the sales and customer satisfaction.
Sridevi	2012	Company loyalty, Service quality, Ease of procedure, satisfaction level, Company Image	Quality, ease procedure, satisfaction level, customer-company relation plays major factors to develop the perception of consumers on settlement of claim.
Unachukwu, Afolabi and Alabi	2015	Prompt claim settlement, customer satisfaction, customer loyalty	Prompt claims settlements has positive significant satisfaction and loyalty respectively.
Basaula, D.	2017	Availability of policy, service provided to poor and marginalized, claim process, claim payment and customer satisfaction	Neutral response on the satisfaction towards claim settlement and increase government focus on awareness

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### 2.3 Theoretical Framework

The framework constructed comprises of the four independent variables that plays prominent role in determining the customer satisfaction. The independent variables are clarity of settlement advice (CSA), payment of claim (PC), and claim procedure (CP). Similarly, the dependent variable proposed for the research is placed as customer satisfaction. The proposed research tends to assess the causal relationship that is defined among the clarity of settlement advice, payment of claim and claim procedure with the customer satisfaction. The dependent variable and the independent variable proposed for the research is the outcome of the various literature studied by the researcher for the proposed research. Claim settlement has been described with three concept or variables i.e. clarity of settlement advice, payment of claim, and claim procedure. Thus, the prescribed research tends to assess the role of clarity of settlement advice, payment of claim, and claim procedure in determining the claim client's satisfaction.

Hence the framework for the undergoing research has been constructed identifying the gap from the literature of the different research made in the context of Nepal and India. From the support of above literature the researcher has able to develop the model that clarity of settlement advice, payment of claim, and claim procedure plays vital role in determining the customer satisfaction level.

#### Independent Variables

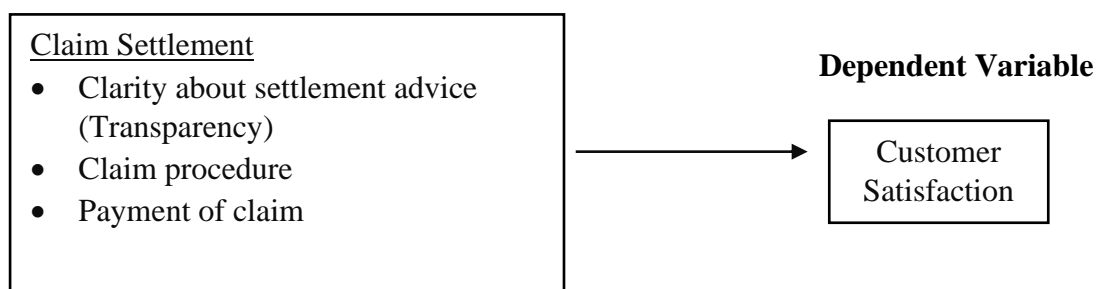


Figure 3.1 Theoretical Framework

## **Definition of Variables**

### **i. Customer satisfaction**

Customer satisfaction is an outcome or a process, many early definition conceptualized satisfaction as a process which is currently the dominant view held by most scholars, (Oliver, 1980; Parasuraman et al., 1988). The process perspective presuppose that customer satisfaction is a feeling of satisfaction that results from the process of comparing perceived performance and one or more predictive standards, such as expectations or desires (Khalifa & Liu, 2002).

### **ii. Claim settlement**

Barry (2011) described insurance claims as all actions aimed at controlling the reimbursement, restitution, recovery of the insured or some other remedy for loss or harm or for performing its obligations. According to William's (2009) claims are all about insurance and insurance is about taking up the liability or risk of the insured against a loss and when this is done, the insured would in return get a claim as compensation for the loss.

### **iii. Clarity of settlement advice**

Basaula, D. (2015) stated the management team is required to provide the customers with clear guidance and relevant information. All forms of insurance contracts rely on absolute good faith contracts. Both parties (insurers and insured persons) in the contract have to reveal all relevant facts for mutual benefit. False details or the non-disclosure of any significant fact makes the contract difficult to escape and deteriorate customer satisfaction. The insured's requirement for maintaining the utmost good faith is therefore very clear.

### **iv. Claim procedure**

The processing of claims is structured to allow claims to be reported within the insurer's records and to create a buffer as efficiently and as easily as possible for the future liabilities involved in the claims. A feature, which was a solely manual for many years, has now been largely taken over by computers, one or one, which had the assistance of some accounting machines (Collins, 1997).

## **v. Payment of claim**

It is the final obligation of the insurer as the insured has already performed his obligation of paying premium regularly as per the contract made between insurer and insured. If the insurance company denies the valid claim, social fundamental contractual purpose of protecting the insured from the uncertain event is defeated which results losing the reputation of insurance company and there may adversely effect in the sales of company's new policies (Rejda, 2008).

### **2.4 Research Gap**

After reviewing the literature related to Customer satisfaction & Claim settlement certain gap has been found. Even though Customer satisfaction has received growing interest these days, Customer satisfaction in claim settlement of life insurance policy was very rarely touched by other researchers in Nepal.

One study was done by Rabindra Ghimire a Ph.D. scholar at Banaras Hindu University, India in the year 2015 entitled “Life Insurance Companies in Nepal: A Critical Appraisal”. His study has appraised the performance of private sector life insurance companies only. The life insurance penetration, density, and life insurance inclusion was found lower in Nepal.

Similarly, another study was done by Jayanti Prajapati a masters’ student of Central Department of Management at Tribhuvan University thesis entitled “Determinants of Profitability of Life Insurance Companies in Nepal” in the year 2018. Her study found out that fixed asset is the major factor affecting the profitability of Nepalese life insurance companies. The result revealed that fixed assets have positive impact on return on assets and return on equity of Nepalese life insurance companies. This indicates that increase fixed assets leads to increase in return on assets and return on equity and vice versa for Nepalese insurance companies.

One of the study was done by Damodar Basaula a Ph.D. scholar at Singhania University, India in the year 2015 entitled “Claim Settlement Practices of Life Insurance Companies in Nepal” with sample size of 391 using variables like Availability of policy, service provided to poor and marginalized, claim process, claim payment and customer satisfaction. The results provide insights and guidance, for improving claim settlement at current contexts as well as suggestions for future

research. The researcher recommends that further study to be incorporated with use of more variables in urban and rural areas.

Also, most of the research work done in this thesis topic till now has been only limited to developed countries of Europe and other developing countries of Africa and South Asia. But there is still insufficient research in case of Nepal. This study mainly aims to verify whether the widely accepted propositions particularly in the developed countries context are valid in the developing country context like Nepal or not.

Moreover, this study tries to fill the gap by studying the claim settlement process for customers satisfaction. This research includes new variables such as clarity of settlement advice, claim procedure, & payment of claim that will be examined under the circumstances of Nepalese market scenario. Whereas the variables like engagement of staff has been excluded due to need of vast study and outsourcing has been excluded because of unpracticality in Nepalese market. This study may help to the regulator body of insurance in Nepal and identify the best way to settle the claim that insure the customers' satisfaction which may create positive effect to improve the image of life insurance companies.

Besides, this study may help to the policy maker to make the prudent strategy and policy regarding the claim settlement procedure as well as the overall administration of life insurance companies in Nepal. That is why this research has been more worthwhile & significant in Nepalese context and may be helpful for the further research.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

Research methodology sets out overall plan associated with a study. Research methodology provides the guidance for conducting the research. It provides a basic framework on which the study is based. As it is indicated in the title, this chapter includes the research methodology of the dissertation. In more details, in this part the researcher outlines the research design, the sample size, instrumentation, methods of data collection, details about type of data analysis, the ethical considerations and techniques used in the research. Following research methodology has been used in this study:

#### **3.1 Research Design**

The survey is mainly aimed at understanding the claim settlement of life insurance companies and its impact on customer satisfaction. The research has been based on quantitative data collected by distributing questionnaire to the claim clients of life insurance companies to understand their satisfaction level on claim settlement. The study follows descriptive research design to test relationship between independent and dependent variables.

#### **3.2 Population and Sample**

##### **Sample size**

The sample size is an important feature of any empirical study in which the goal is to make inference about a population from a sample. In practice, the sample size used in a study is determined based on the possible convenience of claimants and also to have sufficient statistical power. The population of this study has been the entire claimants of life insurance companies.

The research has taken 267 as a sample size by using Cochran's infinite population sample model taking confidence level of 95% and standard error of 6% which is acceptable according to Cochran is calculated by following ways:

$$n = \frac{z^2(pq)}{e^2}$$

Where,

n= sample size

z= standard error associated with the chosen level of confidence (1.96)

p= estimated percent in the population ( p is always 50% i.e 0.5 because population is infinite)

q= 1-p

e= acceptable sample error

$$\begin{aligned} n &= \frac{(1.96)^2[(0.5)(1 - 0.5)]}{(0.06)^2} \\ &= \frac{3.8416 \times (0.5 \times 0.5)}{0.0036} \\ &= \frac{0.9604}{0.0036} \\ &= 266.78 \approx 267 \end{aligned}$$

### **Sampling technique**

The research follows quantitative research approach. It is used when the researcher selects samples based on the subjective judgment of the researcher rather than random selection and when total population is unknown. Purposive sampling has been used to collect 270 responses using structured questionnaire. Purposive sampling technique is a technique which relies on the judgment of the research when choosing who to ask participate. This approach is often used when the researcher specifically chooses selective approach for individuals with certain characteristics. Among all life insurance companies, this study has chosen only two life insurance companies; Nepal Life Insurance and Life Insurance Corporation Nepal. Both the insurance companies have experience of more than 20 years on their respected fields and also expected to have more claim clients.

### **3.3 Nature and Sources of Data**

The quantitative method has been adopted for the research procedure. For this study, primary source of data will be used. The primary data has been collected from survey method using a self-administered questionnaire. The researcher was self-present in the field to distribute questionnaire to individual claim client to collect responses and some are distributed via mail.

#### **Instrument of data collection**

The questionnaire was divided into part a & b and three sections. Part a under Section I consisted of the questions related to the general or demographic information of the respondents such as gender, age, education, occupation and monthly income. Part b under Section II consisted of the questions related to the claim settlement such as clarity of settlement advice, claim procedure, and payment of claim. Section III consisted of the questions related to overall customer satisfaction. The researcher followed the methodologies of Basaula (2015) and the variables of questionnaire were adopted from various sources such as Basaula (2015) & (2017). The questionnaire of claim settlement contained 20 items; 5 for each variables. (1-5) are used to measure clarity of settlement advice, (6-10) are used to measure claim procedure, (11-15) are used to measure payment of claim, and (16-20) are used to measure overall customer satisfaction. The items are measured in likert scale methodology which follow the way of 1- strongly disagree, 2- disagree, 3- neutral, 4- agree and 5-strongly agree.

### **3.4 Method of Analysis**

The data collected was entered and arranged and summarized using Microsoft Excel software. The coding and analysis is done by using statistical package for social scientists (SPSS). The data collected from the primary sources were summarized and presents in the forms of tables and charts by various tests and tools. Different types of test are carried out for the analysis purpose such as;

- i. Descriptive analysis
- ii. Pearson correlation
- iii. Multiple regression analysis

### 3.4.1 Descriptive Statistics

Descriptive statistics are used to describe the basic features of the data in a study. Descriptive analytical tools like mean, standard deviation, frequency, percentage etc. have been used to describe the data on respondent's demographics and understanding of Customer Satisfaction. The analyzed data is presented by use of percentages, frequency tables.

### 3.4.2 Pearson's correlation coefficient

Pearson's correlation coefficient is used in this research in order to examine the relationships between two or more research variables. If the value of the correlation coefficient is 1.0, then there is a perfect positive correlation between two variables (they increase together). In contrast, if the value of correlation coefficient is -1.0, it can be concluded that there is a perfect negative correlation between two variables (one increases while the other decreases). In addition, there is no relationship between two variables if the value of correlation coefficient is zero.

### 3.4.3 Multiple regression analysis

Multiple regression analysis is used to analyze the relationship between several independent variables and a single dependent variable. This analysis technique allows researchers to indicate how much of the variance in the dependent variable is explained by a set of independent variables. Multiple regression analysis was used to examine the simultaneous effects of several independent variables on a dependent variable.

The regression equation is as follows:

$$CS = \beta_0 + \beta_1 CSA + \beta_2 CP + \beta_3 PC + e$$

Where,

CS= Customer satisfaction, CSA=Clarity of settlement advice, CP= Claim procedure, PC= Payment of claim

(  $\beta_0$  and  $e$  are the constant term and error term whereas  $\beta_0 + \beta_1 + \beta_2$  and  $\beta_3$  are the regression coefficients respectively )



### **3.5 Reliability and Validity of data**

#### **Validity Test**

The validity of this research was enhanced by the extensive and participatory nature of the investigations. Sohie (2003) emphasized the importance of construct validity, thoroughness, accuracy (internal validity), and external validity (the extent, to which results could be generalized). It is assumed that community people in the same group of life insurance policy holders have similar background. To further guarantee validity, the same instruments, persons and procedure were used for data collection in all groups. This measure was taken to ensure that the model produces the effect for which it was designed. The pretest and piloting of the instrument provided the opportunity to check and revise of the instruments.

A pilot test was done to evaluate the accuracy and consistency of the questionnaire design. The researcher was self-involved to distribute questionnaire and some responses are collected via mail. A small group of total 50 respondents from both companies was collected for pilot testing. While conducting survey, respondents were clearly instructed about its privacy and for academic purpose.

#### **Reliability**

Reliability refers to the consistency of the measure of the concept. If the association in reliability analysis is high, the scale yields consistent results and is therefore reliable. Cronbach alpha is commonly used test of internal reliability. It essentially calculates the average of all possible split-half reliability coefficients. A computed alpha coefficient will vary between 1 (denoting perfect internal reliability) and 0 (denoting no internal reliability). A low value of alpha could be due to a low number of questions, poor interrelatedness between items or heterogeneous constructs. Similarly, if alpha is too high it may suggest that some items are redundant as they are testing the same question but in a different guise. The acceptable alpha value of ranges from .70 to .90 for good research (Tavakol & Dennick, 2011).

Table 3.1 Reliability Test

Variables	No of items	Cronbach's Alpha
Clarity of settlement advice	5	0.897
Claim Procedure	5	0.668
Payment of claim	5	0.528
Customer Satisfaction	5	0.702
Overall of Variables	20	0.833

*Source: Field survey 2021(SPSS output)*

Table 3.1 shows the cronbach alpha of the dependent variables and independent variables. The cronbach alpha of clarity of settlement of settlement advice is 0.897, claim procedure is 0.668, payment of claim is 0.528 and customer satisfaction is 0.702. The Cronbach alpha of all variables is greater than 0.70 or closer to it. However, the cronbach alpha of payment of claim is 0.528. The overall Cronbach alpha value of the construct is 0.833 which shows the good strength of association.

### **3.6 Ethical considerations**

Ethics are normal or standards of behavior that guide moral choices about our behavior and our relationships with others. The goal is to ensure that no one is harmed or suffers adverse consequences from research activities. Diener and Crandall, (1978) devised ethical principle into four main areas:

- i. whether there is harm to participant
- ii. whether there is a lack of informed consent
- iii. whether there is an invasion of privacy
- iv. whether deception is involved

The ethical treatment of the participants was ensured during the research. Beginning of data collection was done by explaining to the participant the benefits expected from

the research. The benefits were neither overstated nor understated. In direct contact with the participant, the researcher discussed the study's benefit only after one's introduction. The participants were explained that their rights and well-beings will be adequately protected. They were assured that their information will be kept secret and will be used for educational purpose only. It was ascertained that the researcher obtained the informed consent of the participant before conducting survey. All the participants had the rights to anonymity, confidentiality and to withdraw anytime without giving any reason. Respondents were assured that their response will be treated as confidential and used only for academic purpose. The researcher also attempted to create and maintain a comfortable and cooperative environment.

## **CHAPTER IV**

### **RESULTS AND DISCUSSION**

The aim and purpose of data analysis is to extract as much information as possible that is pertinent to the subject under consideration. In this chapter the findings are analyzed after processing the collected data as explained in the methodology. This chapter also presents the findings that emerged from the data that was acquired from 270 claim clients of two life insurance companies. The findings thus generated from different insurance companies being analyzed as per the theoretical framework presented in chapter III. Descriptive analysis was used to analyze the demographic profile of the respondents whereas factor analysis, correlation and regression were used to measure the variables.

#### **4.1 Demographic Profile of the respondents**

Descriptive statistics are used to describe the basic features of the data in a study. They provide simple summaries about the sample and the measures. Descriptive statistics therefore enables to present the data in a more meaningful way, which allows simpler interpretation of the data. It focuses on clarifying numbers and the associations among them. Descriptive statistics is used to repurpose hard-to-understand quantitative insights across a large data set into bite-sized descriptions.

The research emphasizes on the descriptive statistics of demographic profile of the respondents. The demographic information of participants consists of gender, age group, education, Occupation, monthly income and their insurance company with type of claim in the survey questionnaire. Moreover, respondents' data are mostly related to the factors that influence the customer satisfaction of the claim clients. Thus, descriptive statistics were provided before conducting further analysis as correlation and regression.

Table 4.1 Respondent's profile

	Demographical Variables	No. of respondents	Percent
Gender	Male	153	56.7
	Female	117	43.3
Age	Below 20 years	18	6.7
	20-40 years	200	74.0
	Above 40 years	52	19.3
Education	SLC/SEE	26	9.6
	+2	34	12.6
	Bachelors	126	46.7
	Masters and above	84	31.1
Occupation	Self-employed	89	33.0
	Employed	136	50.4
	Unemployed	45	16.6
Monthly income	Up to Rs 25000	83	30.7
	Rs 25000-50000	126	46.7
	Rs. 50000 and above	61	22.6
Insurance company	Nepal life insurance company ltd.	132	48.9
	Life insurance corporation Nepal	138	51.1

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Claim type	Maturity claim	141	52.2
	Survival claim	94	34.8
	Death claim	35	13.0

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*Source: Field survey 2021(SPSS output)*

Table 4.1 demonstrates the distribution of the respondents on the basis of the gender, age group, education, occupation, monthly income, insurance company and claim types. Out of the 270 sample claimants, 56.7% are male and 43.3% are female respondents. The highest numbers of respondents observed are 153 male respondents. Similarly, it is observed that of the 270 sample claimants, 6.7% of respondents were age below 20 years, 74.0% within the range of 20-40 years and 19.3% are above 40 years. The highest number recorded was 200 respondents within 20-40 years. Likewise, 6.7% responses were collected on education appearing SLC, 12.6% on +2 responses and 46.7% and 31.1% are recorded as bachelors and masters respectively. The highest number recorded on education is 67 on bachelors. In occupation, 33.0% are self-employed, 50.4% are employed and 16.6% lowest recorded on unemployed. Additionally, 46.7% of respondents lie between 25000-50000, 30.7% range of below 25000 and only 22.6% on 50000 and above. Among insurance companies, 48.9% responses were collected from Nepal Life Insurance and 51.1% from Life Insurance Corporation. The responses on types of claim recorded are 52.2% as the highest on maturity, 34.8% on survival and lowest of 13.0% on death.

#### **4.2 Cross tabulation**

Cross tabulation is a method to quantitatively analyze the relationship between multiple variables. It is usually performed on categorical data-data that can be divided into mutually exclusive group.

Table 4.2 Types of claim by education level

			Type of claim			Total
			Maturity claim	Survival claim	Death claim	
SLC/SEE	Count	% within Education	12	10	4	26
			46.15%	38.46%	15.39%	100%
+2	Count	% within Education	18	11	5	34
			52.94%	32.36%	14.70%	100%
Bachelors	Count	% within Education	59	49	18	126
			46.82%	38.89%	14.29%	100%
Masters and above	Count	% within Education	52	24	8	84
			61.91%	28.57%	9.52%	100%
Total	Count	% within Education	141	94	35	270
			52.22%	34.81%	12.97%	100%

*Source: Field survey 2021(SPSS output)*

Table 4.2 demonstrates the results of cross tabulation between Education and Type of claims of the life insurance companies. 46.15 percent of claimants within education up to SLC/SEE in maturity, 38.46 percent of them in survival claim and remaining 15.39 percent of them claim for death. Whereas, 52.94 percent of claimants within education up to +2 in maturity, 32.36 percent of them in survival claim and remaining 14.70 percent of them claim for death. Similarly, 46.82 percent of claimants within education up to bachelor in maturity, 38.89 percent of them in survival claim and remaining 14.29 percent of them claim for death. Moreover, 61.91 percent of

claimants within education of masters and above in maturity, 28.57 percent of them in survival claim and remaining 9.52 percent of them claim for death.

Table 4.3 Types of claim by monthly income

				Types of claim			Total
				Maturity claim	Survival claim	Death claim	
Up to Rs 25000	Count	% within	Monthly Income	46	26	11	83
				55.43%	31.32%	13.25%	100%
Rs 25000-50000	Count	% within	Monthly Income	57	54	15	126
				45.23%	42.86%	11.91%	100%
50000 and above	Count	% within	Monthly Income	38	14	9	61
				62.29%	22.96%	14.75%	100%
Total	Count	% within	Monthly Income	141	94	35	270
				52.22%	34.81%	12.97%	100%

*Source: Field survey 2021(SPSS output)*

Table 4.3 demonstrates the result of cross tabulation between monthly income and type of claims of Life Insurance Company. At First, 55.43 percent of claimant having income level up to 25000 in maturity claim, 31.32 percent of them in survival claim and remaining 13.25 percent in death claim. Similarly, 45.23 percent of claimant having income level within 25000-50000 in maturity claim, 42.86 percent of them in survival claim and remaining 11.91 percent in death claim. Moreover, 62.29 percent of claimant having income level 50000 and above in maturity claim, 22.96 percent of them in survival claim and remaining 14.75 percent in death claim. However, majority of claimants are within 25000-50000 in maturity claim



### 4.3 Descriptive statistics

Table 4.4 Status of Claim settlement and Customer satisfaction

Variables	N	Mean	Std. Deviation
Clarity of settlement advice	270	3.9585	.72187
Claim procedure	270	3.7585	.62588
Payment of claim	270	3.0926	.50472
Customer satisfaction	270	3.6252	.66854

*Source: Field survey 2021(SPSS output)*

The table 4.4 depicts the mean value, and standard deviation of the variables. The mean of clarity of settlement advice is 3.9585 which states that the respondents are much more clear settlement advice are given by companies. The standard deviation represents the variation in respondent's answer which is 72.187 percent. Claim procedure shows mean of 3.7585 which states well and simplified process. There is efficient management of claim process. Here, standard deviation of depicts respondent's answer which is 62.588. The mean value of payment of claim is 3.0926 which represents that the respondents have quite good idea of claim payments. It also shows that payment of claim is done effective but not quite effective as other facilities. The less mean could also refer to slow claim payment which results to less mean value. The variation represents respondent's answer which is 50.472 percent. Customer satisfaction having mean value of 3.6252 which indicates there is presence of satisfactory claim settlement in the customer satisfaction of life insurance companies. The variation in respondent's answer is 66.854 percent. Hence, respondent value the claim settlement role in satisfaction and presence of effectiveness claim settlement for satisfaction.

## 4.4 Correlation

The bivariate Pearson correlation produces a sample correlation coefficient,  $r$ , which measures the strength and direction of linear relationships between pairs of continuous variables. Bivariate Pearson correlation indicates the followings:

- i. Whether a statistically significant linear relationships exists between two continuous variables.
- ii. The strength of linear relationships (i.e how close the relationship is to being a perfectly straight line).
- iii. The direction of a linear relationship (increasing or decreasing)

Correlation can take on any value in the range  $(-1, 1)$ . Correlation value of  $-1$  indicates perfectly negative linear relationship,  $0$  indicates no relationship and  $+1$  indicates perfectly positive relationship. The sign of the correlation coefficient indicates the direction of the relationship, while the magnitude of the correlation (how close it is to  $-1$  to  $+1$ ) indicates the strength of the relationship. A negative correlation corresponds to a decreasing relationship, while and a positive correlation corresponds to an increasing relationship.

A high level of correlation is implied by a correlation coefficient that is greater than  $0.9$  in absolute terms (i.e., greater than  $0.9$  or less than  $-0.9$ ). A mid-level of correlation is implied if the absolute value of the coefficient is greater than  $0.6$  but less than  $0.9$ . A low level of correlation is implied if the absolute value of coefficient is less than  $0.6$ .

### 4.4.1 Correlation matrix

A correlation matrix is a table illustrating correlation between variables. Each cell in the table shows the correlation between two variables. A correlation matrix is used as a way to summarize data, as an input into a more advanced analysis, and a diagnostic for advanced analyses.

Table 4.5 Relationships between variables

	CSA	CP	PC	CS
CSA	1			
CP	.507**	1		
PC	.106	.099	1	
CS	.626**	.401**	.100	1

\*\* . Correlation is significant at the 0.01 level (2-tailed)

*Source: Field survey 2021(SPSS output)*

Where,

(CSA- Clarity settlement advice, CP- Claim procedure, PC- Payment of claim, CS- Customer satisfaction)

Based on the correlation matrix as shown in the table 4.5, it can be observed that the Pearson's r value for the relationship between independent variables and dependent variable is significant. Also, all the associations have positive signs that indicate the positive direction of association among all the constructs tested. The Pearson correlation (r) for the independent variables; clarity of settlement advice, claim procedure and payment of claim are .626, .401 and .100 respectively. These values indicate high degree of correlation between independent variables and dependent variable.

Clarity of settlement advice and customer satisfaction have a statistically significant linear relationship ( $p < .001$ ). The direction of the relationship is positive (i. e, clarity of settlement advice and customer satisfaction are positively correlated), meaning that these variables tend to increase together (i. e, greater clarity of settlement advice is associated with better customer satisfaction). The magnitude or strength of the association is high because the value of Pearson correlation between clarity of settlement advice and customer satisfaction is 0.626.

Claim procedure and customer satisfaction have a statistically significant linear relationship ( $p < .001$ ). The direction of the relationship is positive (i.e., claim procedure and customer satisfaction are positively correlated), meaning that these variables tend to increase together (i.e., greater claim procedure is associated with better customer satisfaction). The magnitude or strength of the association is high because the value of Pearson correlation between claim procedure and customer satisfaction is 0.401.

Payment of claim and customer satisfaction have a statistically significant linear relationship ( $p < .001$ ). The direction of the relationship is positive (i.e., payment of claim and customer satisfaction are positively correlated), meaning that these variables tend to increase together (i.e., greater claim payment is associated with better customer satisfaction). The magnitude or strength of the association is high because the value of Pearson correlation between payment of claim and customer satisfaction is 0.100.

#### 4.4.2 Correlation of Claim settlement and Customer satisfaction

Table 4.6 Relationship between claim settlement and customer satisfaction

	Customer satisfaction	Claim settlement
Customer satisfaction	1	
Claim settlement	.567**	

\*\* . Correlation is significant at the 0.01 level (2-tailed).

*Source: Field survey 2021(SPSS output)*

The table 4.6 exhibits the Pearson correlation and its significance value between claim settlement and customer satisfaction. Claim settlement and customer satisfaction have a statistically significant linear relationship ( $p < .001$ ). The direction of the relationship is positive (i. e, claim settlement and customer satisfaction are positively correlated), meaning that these variables tend to increase together (i.e, greater claim settlement is associated with better customer satisfaction). The magnitude or strength of the association is high because the value of Pearson correlation between claim settlement and customer satisfaction is 0.567.

## 4.5 Regression analysis

Linear regression is the next step up after correlation. Before conducting regression, correlation is a must to check relationship among the variables. It is used when the researcher wants to predict the value of a variable based on the value of another variable. The variable the researcher wants to estimate is called the dependent variable (or sometimes, the outcome variable). The variable in which the researcher uses to predict other variable's value is called the independent variable (or sometimes, the predictor variable).

### 4.5.1 Multi collinearity

The explanatory variables are not perfectly linearly correlated. There should not be high multicollinearity among the different explanatory variables ( $X_i, X_j$ ) in the multiple regression model i.e  $r_{x_j x_i} = 1$ . This phenomenon exists when the independent variables are found to be moderately or highly correlated. In a model with correlated variables, it becomes a tough task to figure out the true relationship of the predictors with response variable. Another point, with presence of correlated predictors, the standard errors tend to increase. And, with large standard errors, the confidence interval becomes wider leading to less precise estimate of slope parameters. Also, when predictors are correlated, the estimated regression coefficient of a correlated variable depends on which other predictors are available in the model. If this happens, the researchers end up with an incorrect conclusion. To check for multicollinearity, Variance inflation factor (VIF) has been used from the output of coefficients produced by SPSS. If VIF is less than 5, there is no multicollinearity.

Table 4.7 Multicollinearity test

Variables	Collinearity Statistics	
	Tolerance	VIF
Clarity of settlement advice	.740	1.352
Claim procedure	.741	1.350
Payment of claim	.986	1.014

Source: Field survey 2021(SPSS output)

The table 4.7 exhibits that the data set does not exhibit multicollinearity as the VIF value is less than 5.

Table 4.8 Results of regression analysis of CSA, CP and PC on CS

Variables	Unstandardized coefficients		Standardized coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.986	.273		3.614	.000
Clarity of settlement advice	.525	.051	.567	10.280	.000
Claim Procedure	.118	.059	.110	1.997	.047
Payment of claim	.038	.063	.029	.606	.545

*Source: Field survey 2021(SPSS output)*

Table 4.8 also exhibits that clarity of settlement advice, and claim procedure are significant in predicting customer satisfaction of the life insurance companies with the significance value of 0.000, and 0.047 respectively. However, payment of claim is found to be insignificant in predicting customer satisfaction with the significance value of 0.545. As, payment of claim was found to be insignificant in predicting the customer satisfaction of the life insurance companies.

Besides, the table 4.8 shows the model summary of  $R^2$  and adjusted  $R^2$ . The value of  $R^2$  0.402 and adjusted  $R^2$  is 0.395 which indicates that 39.6 percent of effect on dependent variable is accounted by independent variable. Standard error of estimate is .52000. The table 4.8 also exhibits the ANOVA summary between the dependent and independent variables. The F-value is 59.543 and significance is 0.000.

Table 4.9 Result of regression of claim settlement with customer satisfaction

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.544	.276		1.971	.050
Claim settlement	.855	.076	.567	11.255	.000

Model summary		ANOVA	
R <sup>2</sup>	Adjusted R <sup>2</sup>	F	Sig.
.321	.318	126.682	.000

Source: Field survey 2021(SPSS output)

Based on the SPSS output, the following equation was formed:

$$\text{Customer satisfaction} = .544 + .855 \text{ Claim settlement}$$

Table 4.9 shows that there is a positive relationship between claim settlement and customer satisfaction. It also indicates that by increase in 1 unit value of claim settlement, the value of customer satisfaction increases by 0.855 units. Standardized beta value of claim settlement is .567. The significance value is 0.000 which shows that claim settlement is significant in predicting the customer satisfaction. The table shows the model summary R<sup>2</sup> and adjusted R<sup>2</sup>. The value of R<sup>2</sup> is 0.321 and adjusted R<sup>2</sup> is 0.318 which indicates that 31.8 percent of effect on dependent variable (customer satisfaction) is accounted by independent variable (claim settlement). Besides, the table 4.9 also exhibits the ANOVA summary between the dependent and independent variables. The F- value is 126.682 and the significance value is 0.000. Thus, the final model is overall significant.

### 4.5.2 Linearity

The regression model is linear in the variables and parameters. It is always linear in parameters but it may not be linear in variables. Linearity means that the predictor variables in the regression should have a straight-line relationship with the outcome variable. The figure shows that the linearly assumption of regression analysis is satisfied.

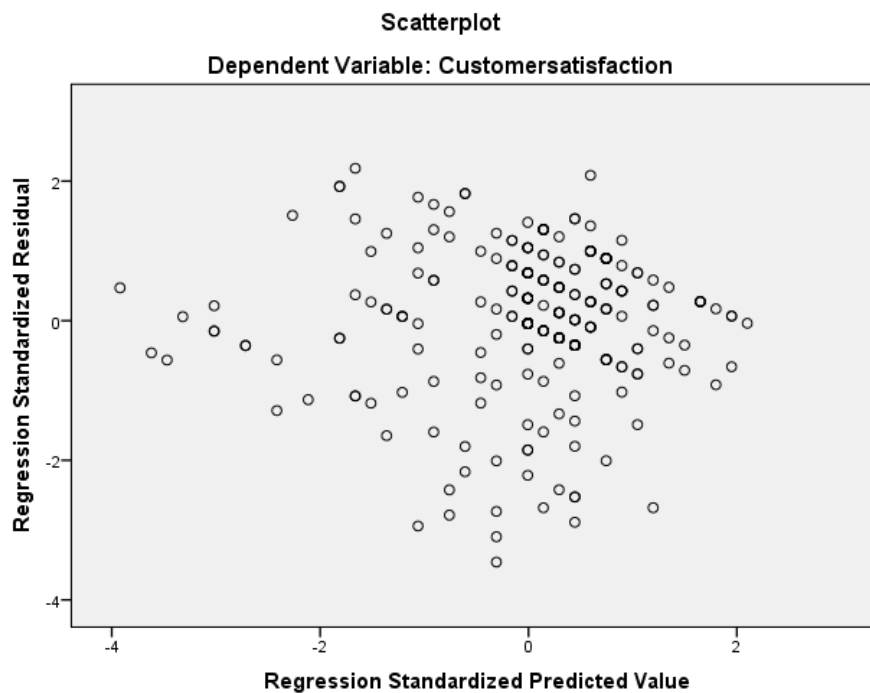


Figure 4.1 Linearity test

### 4.5.3 Homoscedasticity

It refers to whether these residuals or error term are equally distributed, or whether they tend to bunch together at some values, and at other values, spread far apart. Thus, the dispersion of random term for each observation of  $x$  are constant and unique. It means that the variability in the response is changing as the predicted value increases. A residual scatter plot is a figure that shows one axis for predicted value and one axis for error of prediction. The figure 4.2 shows that the assumption of Homoscedasticity is met.



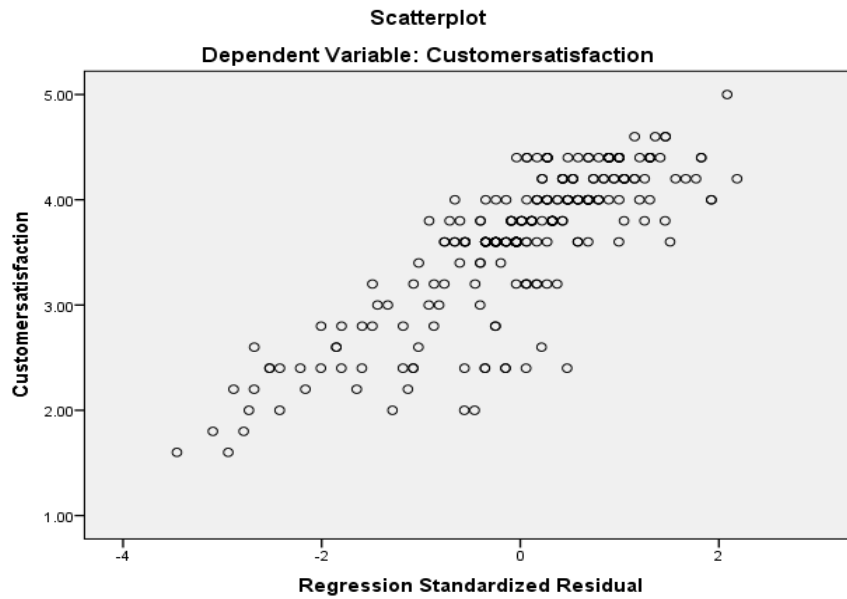


Figure 4.2 Homoscedasticity

#### 4.5.4 Normality

In order to make valid inferences from the regression, the residuals of the regression should follow a normal distribution. The residuals are simply the error terms, or the differences between the observed value of the dependent variable and the predicted value. If we examine predicted probability (P-P) plot, we can determine if the residuals are normally distributed. If they are, they will conform to the diagonal normality line indicated in the plot. The figure 4.3 shows that the assumption of normality is met.

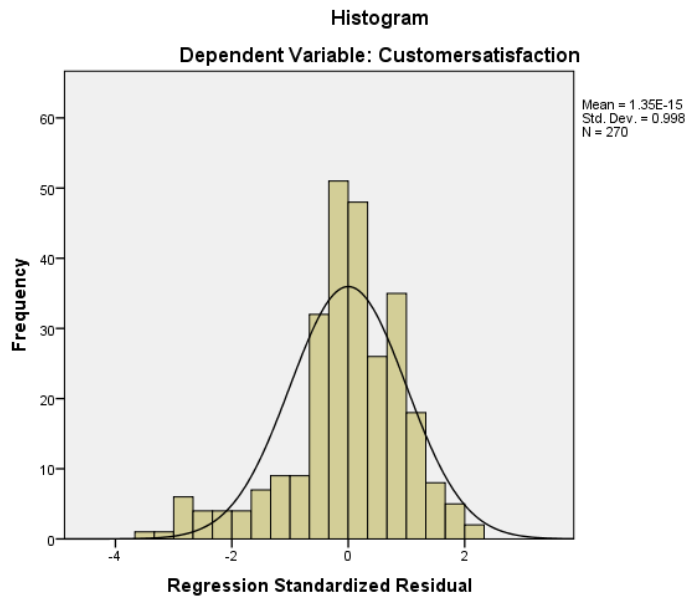


Figure 4.3 Histogram

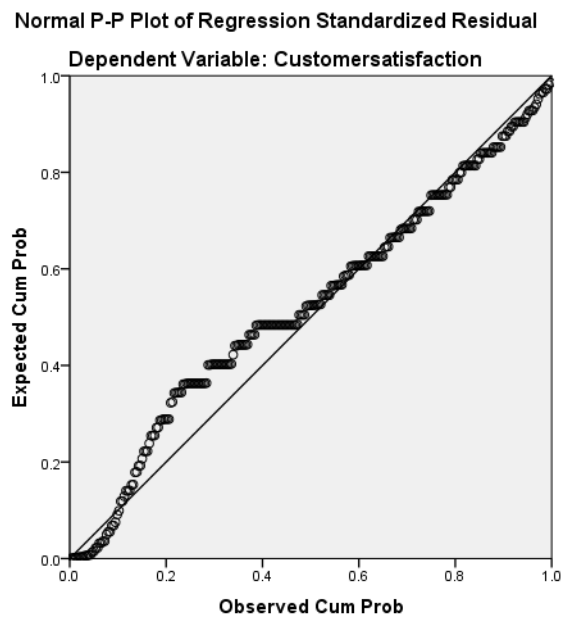


Figure 4.4 Normal P-P plot

#### 4.6 Major findings

From the above data presentation and analysis the researcher has come up with the different findings which further aided for drawing conclusion of the research. This section points out the key findings of the current research which are listed as below:

- i. Out of the total of the respondents, 50.4 percent of them are employed. 33 percent are self-employed and remaining 16.6 percent fall under the category of unemployment. Moreover, out of total sample of 270 claim clients, only 6.7 percent are below age group of 20 years whereas, 74 percent of them are between 20-40 years and remaining 19.3 percent above 40 years.
- ii. Most of the claimants under this study (46.7 percent) found to have monthly income between 25000-50000 whereas, second highest of (30.7 percent) up to 25000 and remaining (22.6 percent) lies between 25000-50000. Additionally, majority of claimants comes under maturity claim of 52.2 of total population sample, likewise survival claim of 34.8 percent and remaining 13 percent of death claims.
- iii. The result of cross tabulation between type of claim by education level found that under SLC/SEE 46.15 percent have maturity claim and both 38.46 percent and 15.39 percent sequentially in survival and death claim. Similarly, under +2, 52.94 percent of them have maturity claim and 32.36 percent and 14.70 percent in survival and death claims accordingly. Additionally, under bachelors' 46.82 percent of them have maturity claim and followed by 38.89 percent and 14.29 percent in survival and death claims. Likewise, under masters and above 9.52 percent fall under death claim and 28.57 percent in survival claim and 61.91 percent in maturity claims. In totality, 52.22 percent of them are under maturity claim and 12.97 percent as in death and 34.81 percent in survival claims.
- iv. The result of cross tabulation between type of claim by monthly income found that 13.25 percent comes from, up to 25000 for death claim, 31.32 percent for survival claim and remaining 55.43 percent comes under maturity for income up to 25000. Whereas, 45.23 percent of them fall

between income of 25000-50000 for maturity, 42.86 percent for survival and 11.91 percent for death claims. Similarly, 14.75 percent of death claims lies under income of 50000 and above, 22.96 percent of survival claim and 62.29 percent in maturity claims. In average of 52.22 percent of them are from maturity, 34.81 percent from survival and death claims of 12.97 percent.

- v. The claim clients have clarity of settlement advice with mean value of 3.9585 as highest of all, claim procedure with mean value of 3.7585 as lowest of all, payment of claim with mean value of 3.0926, and customer satisfaction with mean value of 3.6252.
- vi. The result of correlation analysis shows that clarity of settlement ( $r=.626^{**}$ ), claim procedure ( $r=.401^{**}$ ) and payment of claim ( $r=.100$ ) have a statistically linear relationship with customer satisfaction. And, hence claim settlement and customer satisfaction have a significant linear relationship with  $r$  value of  $.567^{**}$ .
- vii. The result of regression analysis shows positive relationship between clarity of settlement advice ( $p=0.000$ ) which is consistent to (Basaula, 2015), (Arul & Kumar, 2011) and claim procedure ( $p=0.047$ ) which is consistent to (Sridevi, 2012), (Yadav & Mohania, 2013) with customer satisfaction. However, the results also show that payment of claim ( $p=0.545$ ) is not significant on customer satisfaction is consistent to (Bates & Atkins, 2007) and Ndubuisi (2008) and inconsistent with (Attah, 2012).

#### **4.7 Discussion**

The research conducted confirmed the effect of claim settlement as the determinant factor for the customer satisfaction. Customer satisfaction was explained emphasizing particularly the sub variables of claim settlement such as clarity of settlement advice, claim procedure and payment of claim. Each variable was explained by various sub items to best define it. This research study is mainly aimed at studying the claimant's perception toward claim settlement and its impact on customer satisfaction.

In the given model, clarity of settlement advice has significant impact in enhancing the customer satisfaction among claim clients. The result does coincide or reflects

with the findings generated from the study made by different scholars. Clarity of settlement advice positively correlated with the customer satisfaction that parallels with the result generated from the (Basaula, 2015) that both parties (insurers and insured persons) in the contract have to reveal all relevant facts for mutual benefits or else it certainly would deteriorate customer satisfaction. Also, Arul & Kumar (2011) supported customer service is more important factor and revealing two distinct benefits: better claim settlement through clarity of settlement advice leads to good sales of policies and significant impact to customer satisfaction. Additionally, Mascarenhas et al. (2006) supported that speed of claim settlement and transparency is key contributor of customer satisfaction.

According to the findings of this research, claim procedure has significant impact on customer satisfaction. In other words, it shows positive relationship between claim procedure and customer satisfaction. It refers to simplified delivery process, short and hassle free and prompt & efficient grievances handling mechanism. Sridevi (2012) supported that customer has positive perception toward insurance policy, when quality, ease procedure, satisfaction, customer-company are playing role as major factors to develop company to seek opportunities in insurance market. Similarly, Albert cited in Daniel (2013) added a reason for low penetration and customer satisfaction of insurance business in the country is due to delay in settling claims. Insurance business is based on trust but is fraught with fraud as perpetrated by the various actors in this sector in Nigeria. Daniel (2013) also discovered that failure to settle claims and delay claim settlement are the causes of insurance failure in Nigeria. Consistently, Yadav and Mohania (2013) studied claim settlement of life insurance policies in insurance service reference of life insurance corporation in India followed effective settlement process and awareness towards claim settlement among customers.

Another result generated from the research is the insignificant relationship held between payment of claim and customer satisfaction. It reveals unbalance interest of claimant between insurer and insured. From the researcher's perspective, failing of claim payment to insured could be due to prevalent pandemic and unsmooth working environment. Whereas Hewitt (2006) concluded insurance companies' in Nigeria posture of smile to collect premium and frown to pay claim and insured do not believe

as insurer always look for a way out time of payment even when the claims are genuine.

Conversely, He also added insurance companies found influence customer satisfaction with smooth operation of payment, process and effective mobilization of employee. Bates and Atkins (2007) and Ndubuisi (2008) conflicted with the previous study, instead discovers that claim payment could be very costly as claims constitute the largest cost of an insurer and hence contributes poor performance of insurance companies which indirectly affects customer. Attah (2012), on the other hand, prompt satisfactory claim payment had positive effects on the sales and customer satisfaction. It confines that payment of claim is still a running debate in claim settlement of insurance world.

In this research, the overall claim settlement has found positive relationships toward customer satisfaction undermining are various variables. Each variable has contributed different proportionate to enhance customer satisfaction. Mascarenhas et al. (2006) supported speed of claim settlement and transparency is key contributor to customer satisfaction. Relationship between prompt claim settlements, customer satisfaction and loyal in many studies affirmed that prompt claim settlement contributed to organization performance, while some disagreed with the assertion that claims' payment contribute to the insurance companies' performance.

Whereas, Butler and Francis (2010) contradicts that prompt claim settlement has positive and significant relationship with insurance performance in terms of customer satisfaction. Omar (2005) addresses due to slow or lack of claim settlement life insurance patronage in Nigerian failed to acquire consumer's attitudes. Albert (2013) added one of the reasons for low penetration and customer satisfaction of insurance business in Nigeria is due to insurer's delay in settling claim. Daniel (2013) focuses good claim settlement records on the other hand means prosperity with respect to acquisition of more business and more customers. Viswanadham (2005) LIC of India's claim settlement operation with goals of assessing performance in terms of both maturity and death claims before and after IRDA time and also concluded insurance companies would be courteous in the matter of claim settlement to serve customer satisfaction.

Distinctly, Basaula (2017) found that majority of respondents' has neutral response on the satisfaction towards claim settlement in Nepal. The researcher also adds settlement process would definitely increase customer satisfaction and insurance businesses. In addition, it point out that the government should make aware of life insurance and make it mandatory for every citizen.

A series of evidence of various scholars directs that prompt settlement leads to customer satisfaction and vice versa. Well contributed and properly managed claim settlement leads to increase sale of policies which triggers to enhance insurance business, satisfaction, loyalty and ultimately customer retention.

## CHAPTER V

### SUMMARY AND CONCLUSION

This chapter summarizes and concludes the dissertation and the research study. It describes the contribution of this research to the body of knowledge and also to managerial practices based on the research framework and survey results. Then, the recommendations for the model and the insurance companies in the study are provided and future research opportunities are discussed.

#### 5.1 Summary

Insurance is a way to minimize and provide protection against those risks which are beyond human control. It is a way to indemnify to those unpredictable losses. Insurance is a way to move risk from one person to another individual or entity payable in return. The main aim of the insurance company is to collect premium and settle the claim in timely manner.

Insurance company that sells insurance policy is insurer and policyholder is the insured who buys insurance policy and passes the risk to the insurer (singh, 2010). Claim settlement is the monetary compensation that is paid to the policy holder by the insurer in the event of loss (Parsons, 2005). Customer satisfaction in insurance industry is posited to be a function of service quality i.e. customer service, corporate image, transparency, price, innovativeness and convenience, among others.

In this study the objective was to examine the satisfaction of customers towards life insurance claim settlement. And to examine the problems faced by customers while claiming insurance, determine the effects of clarity of settlement advice on consumer satisfaction, identify the influence of claim procedure on customer satisfaction, examine the effects of payment of claim on customer satisfaction.

The study has taken 270 sample size for data analysis with purposive sampling method. The data is collected by structure questionnaire; collected data are analyzed, tested, interpreted by using descriptive, correlation and regression analysis. Reliability test is done in order to test the efficiency of collected data which shows good result. The framework consists of three independent variables namely Clarity of settlement advice, Claim procedure and Payment of claim with Customer satisfaction as dependent variables.



The findings of the study are out of the total of the respondents, 50.4 percent of them are employed. 33 percent are self-employed and remaining least 16.6 percent fall under the category of unemployment. Moreover, out of total sample of 270 claim clients, only 6.7 percent are below age group of 20 years whereas, 74 percent of them are between 20-40 years and remaining 19.3 percent above 40 years. The claim clients have clarity of settlement advice with mean value of 3.9585 as highest of all, claim procedure with mean value of 3.7585 as lowest of all, payment of claim with mean value of 3.0926, and customer satisfaction with mean value of 3.6252. The result of correlation analysis shows that clarity of settlement ( $r=.626^{**}$ ), claim procedure ( $r=.401^{**}$ ) and payment of claim ( $r=.100$ ) have a statistically linear relationship with customer satisfaction. And, hence claim settlement and customer satisfaction have a significant linear relationship with  $r$  value of  $.567^{**}$ . The result of regression analysis shows positive relationship between clarity of settlement advice ( $p=0.000$ ) and claim procedure ( $p=0.043$ ) with customer satisfaction. However, the results also show that payment of claim ( $p=0.545$ ) is not having significant impact on customer satisfaction. The final model of regression analysis shows that there is significant impact of claim settlement on customer satisfaction with significance value of 0.000.

## 5.2 Conclusions

As per objectives and analysis of the study following conclusions have been drawn.

- i. The problems faced by the customers while claiming their insurance were found as slow claim procedure to some extent, long time period for payment of claim. Even in the condition of Covid-19 pandemic customers had to visit the insurance offices for giving details of insurer for documentation. The payment could have been made through online transactions for everyone's convenience and efficiency of claim payment.
- ii. The effect of clarity of settlement advice found out the significant impact on customer satisfaction.
- iii. The influence of claim procedure on customer satisfaction had significant impact on customer satisfaction.
- iv. The effect of payment of claim on customer satisfaction is not significant due the differences in policies, processes, culture, availability of resources, level of income among different countries, perception towards insurance, change in geography of nation and different other reasons.

The study examined the claimant's claim settlement and its impact customer satisfaction on claim settlement. The research findings show that clarity of settlement advice is significant, which is consistent to (Basaula, 2015), (Arul & Kumar, 2011) and claim procedure is significant, which is consistent to (Sridevi, 2012), (Yadav and Mohania, 2013) with impact on customer satisfaction. However, payment of claim is insignificant which is consistent to (Bates & Atkins, 2007), (Ndubuisi, 2008) and contrast to (Attah, 2012) with impact on customer satisfaction. It shows that there is a problem of running an effective way of paying claims. Thus, the current research findings show that there is significant impact of claim settlement on customer satisfaction of the claimants. Also, respondents are found to be aware about claim procedure due to clarity of settlement advice and effective mobilization of employees.

The findings generated from this study have been supported through the literature of different scholars and has also fulfilled the objectives of examining the claimant's claim settlement and its impact on the customer satisfaction. Claim settlement starts with delivering transparent information without any loopholes (clarity of settlement advice), then understanding the right, short and simple approach (claim procedure), to pay benefited interest amount to clients (payment of claim). It also revealed that there is transparency in claim settlement among insurer and insured. This whole sequential series are effectively performed to best explain claim settlement and ultimately to meet customer satisfaction.

The result of this study has helped to identify the role of clarity of settlement advice, claim procedure and payment of claim in claim settlement of life insurance companies. It becomes even more important for the insurance companies to properly balance the cycle of claim settlement and serve best customer satisfaction. And even customers in future can choose the insurance companies wisely to ensure secured transactions.

### **5.3 Implication**

Claim settlement is considered to be one of the most valuable possessions of any insurer. It is one aspect of insurance practice, the handling claims, which can make the image of insurance company. This research shows the impact of claim settlement on customer satisfaction among claimants in life insurance companies.

### **5.3.1 Practical Implication**

It is important to invest in continuing education and creative thinking for claim department and workforce who supervise, regulates claim related activities to manage all the regular claims and whose support is fundamental in moderating the effects of claim settlement. The topic would focus on: management and mobilization of human resources aiming to increase quality of claim settlement. Also to address simple and effective modes of paying claim in order to increase promptness and manage relationship between insurer and insured. Thus, this study has following practical implication:

- i. Claims need to be settled promptly and equitably in order to earn the confidence of customers and to retain their loyalty. Reducing documents required to process a claim and minimize correspondence and claims communication and reporting could be done.
- ii. Addressing the simple and effective way of paying claim during this pandemic. Rather than issuing pay cheques and cash, the insurer could shift to online transaction by directly transferring interest amount to insured's account which brings conveniences and promptness in operation.
- iii. The underwriting and claims personnel in insurance companies should be properly trained in order to appreciate the sensitive nature and the role claims pay in customer satisfaction in insurance business.
- iv. Insurance companies should undertake claims satisfaction research regularly. This would keep them abreast of the extent of customers' satisfaction, which may enable them to adopt better approach to claims settlement.

### **5.3.2 Implication for future Research**

This research is relatively novel in the context of claimants of life insurance in Nepal since customer satisfaction helps to retain customer, sale of policies and contribution of the performance of insurance business. Considering the limitations of this research, the concept can be explored and examined more deeply in the future with the consideration of several other variables affecting customer satisfaction.

- i. This research explores the possibilities of research in the context of Nepal since the research finding is consistent with available literatures.
- ii. Researchers could excel more ideas about claim settlement and variables by incorporating more variables & more tools.
- iii. Researcher could add more insurance companies and collect data from out of Kathmandu valley. Similarly, increase the size of the sample.

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## APPENDICES

### QUESTIONNAIRE

Dear Sir/Madam,

I am MBS student from Central Department of Management, Tribhuvan University and conducting my Dissertation writing on "Customers Satisfaction Towards Claim Settlement of Life Insurance Policies in Nepal" as a partial fulfillment of the college requirement. I kindly request you to fill in the questionnaire below and help me complete my thesis. I assure you that the responses will be kept confidential and used only for the academic purpose.

(Part A)

#### DEMOGRAPHIC INFORMATION

Please fill the following details using [✓] to complete them.

##### 1. Gender

Male	
Female	

##### 2. Age

Below 20 years	
20-40 years	
Above 40 years	

**3. Education**

SLC/SEE	
+2	
Bachelors	
Masters & above	

**4. Occupation**

Self-employed	
Employed (private/public)	
Unemployed	

**5. Monthly Income (in rupees)**

Below 25000	
25000-50000	
50000 & above	

**6. Choose your Insurance Company**

Nepal Life Insurance	
Life Insurance Corporation Nepal	

### 7. Types of Claim

Maturity claim	
Survival claim	
Death claim	

(Part B)

### CUSTOMERS SATISFACTION ON CLAIM SETTLEMENT WITH DIFFERENT VARIABLE DIMENSION

In your opinion, how does the claim settlement of your insurance company meet your expectations in terms of following dimension items in the table?

Please rate how much you agree or disagree with the statement below using [✓] among 1 to 5 ; where,

**1- Strongly disagree 2- Disagree 3- Neutral 4- Agree 5- Strongly agree**

	Particulars	1	2	3	4	5
	<b>Clarity of Settlement Advice</b>					
1.	My agent explains insurance products & procedure exceptionally well					
2.	My company has provided sufficient information to customers					
3.	When I ask my insurance company/agent they explain clearly about claim process					
4.	It is very convenient to communicate with my insurance company/agent					

5.	My company/agent is sincere & patience in resolving customers complains/problems					
<b>Claim Procedure</b>						
6.	Claim process are highly standardized and simplified delivery process is present					
7.	Claim process is long and creates hassle					
8.	Insured has easy access to information					
9.	There is prompt & efficient grievance handling mechanism					
10.	Claim department does all the calculation required for settlement purpose accurately					
<b>Payment of Claim</b>						
11.	My insurance company delays claim payment					
12.	My insurance company provides good insurance coverage					
13.	Insured are compulsory to visit head office for claim payment					
14.	I received the claim settlement in a timely manner					
15.	I received my payment through online payment services					
<b>Overall Customer satisfaction</b>						

16.	I am willing to recommend my insurance company to friends/families					
17.	My insurance company has met my expectation					
18.	I have an intention of switching to use a better insurance company's service					
19.	I am willing to re-purchase insurance services of my insurance company					
20.	I am fully satisfied with the claim settlement delivered by my insurance company					

Any suggestion to the company regarding claim settlement

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**Thank you for taking time to complete this questionnaire!**