

## FACTORS RELATED TO INSURANCE PURCHASE INTENTION IN THAILAND

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**Abstract:** *The objective of this study was to determine the factors that influence consumer purchase intention towards (non-life) insurance in Thailand, based on the Theory of Reasoned Action model (Fishbein & Ajzen, 1980). Data were collected via questionnaires applying convenience sampling method. Five hundred sets of questionnaires were distributed to Thai citizens in Bangkok and nearby who would like to purchase non-life insurance policy once the reliability and validity of the instrument were established. A total of 385 questionnaires were completed and returned. The independent variables were attitude towards product (insurance service provider's competence, consumers' monetary attitude towards insurance, the positivity of consumers' insurance experience, the possibility to reduce the amount of premiums payable for insurance, and the acceptability of insurance conditions) and subjective norms. The dependent variable was insurance purchase intention. Frequency and percentage were used to analyze demographic profile. Mean and standard deviation were used to analyze respondents' perception of main variables. Hypotheses were tested with Pearson's correlation coefficient. The results from Pearson's correlation coefficient demonstrated that attitude towards product in terms of acceptability of non-life insurance conditions and subjective norms significantly related to intention to purchase non-life insurance. However, attitude towards product in terms of acceptability of non-life insurance conditions ( $r = 0.233$ ) had stranger relationship with insurance purchase intention than subjective norms ( $r = 0.103$ ).*

**Keywords:** *Non-Life Insurance; Insurance Service Provider's Competence, Consumers' Monetary Attitude Towards Insurance*

### 1. INTRODUCTION

At the present, there are many factors influencing the purchase of non-life insurance (Ulbinaitė, Kucinskiene, and Moullec, 2013; Siddiqui, 2010; Epetimehim, 2011). High levels of competition in Thailand's non-life insurance industry, especially in 2015, indicate the soft market trend will continue into the future (Office of Non-life insurance Commissioner (OIC), 2014). This is also called a buyer's market, as the purchasers hold much of the power in negotiations (Kotler, 2000). As a consequence, to balance this soft market phenomenon and to remain successful, non-life insurance companies need to understand consumer perceptions. Only then will they be in a position to improve, develop, and innovate the appropriate and innovative strategy for success in the Thai market.

Non-life insurance plays an important role in providing an affordable strategy for people to share risk and therefore minimize the chances of irrecoverable positions. It does this by helping people to quickly recover from damages and losses. Non-life insurance means a contractual agreement under which one party known as "Insurer"

assumes all or part of a risk that could happen. The insured transfers the financial burden of accidental loss to the insurer. Non-life insurance is a service industry which sells the intangible product of financial services to the buyers or the Insured (Office of Non-life insurance Commissioner (OIC), 2014). There are two main types of insurance: Life Assurance and Non-life insurance (non-life) (AIG, 2015).

Nowadays some customers purchase non-life insurance because they are conscious of the unpredictability of accidents, sickness, or even death. These people decide to purchase non-life insurance because of uncontrollable situations and they do not want to be the cause of the problems in their family (streetdirectory.com, 2015). Therefore, they decide to have non-life insurance for these situations. Moreover, some people decide to purchase non-life insurance to protect their income. This non-life insurance is similar to a savings program: customers save a portion of today's income to hedge potential future income declines (streetdirectory.com, 2015).

This research aimed to examine factors related to consumers' intention to purchase non-life insurance in Thailand. Theory of Reasoned Action (TRA) was applied to determine the factors influencing Thai consumers' purchase intention towards non-life insurance. It is hoped that non-life insurance companies would be able to adjust and develop strategic management and operations plans to better succeed in soft market conditions.

## **2. LITERATURE REVIEW**

### **2.1 Theory of Reasoned Action (TRA)**

The Theory of Reasoned Action (TRA) originally developed in 1967 by Fishbein and Ajzen, and was implemented for the behavior of humans in 1980. Attitude towards behavior and subjective norm are two conceptually independent determinants of intention that constitutes TRA. Intention toward performing a behavior is identified by a person's decision to engage in that behavior. In TRA, behavior is preceded by intentions; the individual's intentions determined by attitude toward behavior and social norms (Fishbein and Ajzen, 1980). Subjective norm is perceived expectations from a social environment that is influenced by others to perform behavioral intention (Ajzen and Fishbein, 1980).

Thus, the main constructs of the Theory of Reasoned Action (TRA) model consists of 1) attitude towards behavior, 2) subjective norm, and 3) behavioral intention. The conceptual framework of this study was developed based on this TRA model. However, attitude towards object is applied instead of attitude toward behavior as this study measures intention to buy a specific object: that is, non-life insurance.

#### **2.1.1 Attitude towards Non-Life Insurance**

In the majority of previous studies, consumers have been found to have positive attitudes and an interest in non-life insurance (Ulbinaitė, et al., 2013). This may lead to the assumption that positive attitudes towards non-life insurance lead to the intention to purchase. Firstly, attitude is one of the factors that Blackwell, Miniard, and Engel (2006) attributed as being important toward purchase intention. It refers to the degree to which a person has favorable or unfavorable evaluation of the purchase towards a product. As a general rule, the more favorable the attitude the stronger an individual's intention to perform the behavior under consideration (Tarkiainen & Sundqvist, 2005). Based on Ajzen (1991) the relative importance of attitude, in the prediction of purchasing intention, is expected to vary across behaviors and situations. Attitude

towards an object is determined by the total set of accessible behavioral beliefs linking the behavior to various outcomes and object. Therefore, attitude can be considered as an important part of predicting and describing purchase intention behavior (Ajzen, 1991). In this study, attitude towards an object/insurance includes five aspects: insurance service provider's competence, consumers' monetary attitude towards insurance, the positivity of consumers' insurance experience, the possibility to reduce the amount of premiums payable for insurance, and the acceptability of insurance conditions based on the previous study of Ulbinaite, et al., (2013).

### 2.1.2 Subjective Norms

Subjective norm is the influence of people in one's social environment, on his behavioral intentions (Fishbein & Ajzen, 1980). In addition, subjective norms reflect the motivation from the social pressure to perform a certain behavior (Hillhouse, Turrisi, and Kastner, 2000). Moreover, the results of various researches also showed a strong relationship between subjective norms and the intention to purchase over a variety of products (Kalafatis, Pollard, East, Tsogas, 1999).

## 2.2 Factors Relating to Non-Life Insurance Purchase Intention

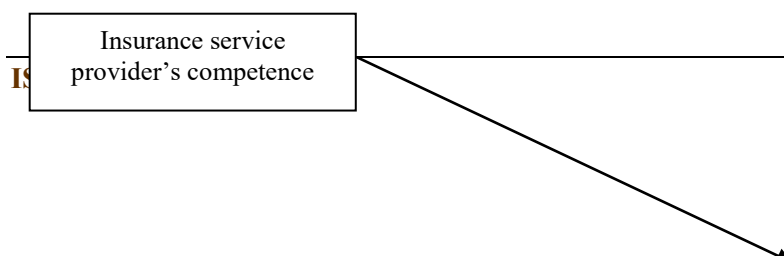
Previous research has shown factors that have a relationship with purchase intention on non-life insurance. Ulbinaite, et al., (2013) applied 5 factors of non-life insurance purchase intention, including acceptability of non-life insurance conditions, non-life insurance service provider's competence, consumers' monetary attitude towards non-life insurance, the positivity of consumers' non-life insurance experience, and the possibility to reduce the amount of premiums payable for non-life insurance.

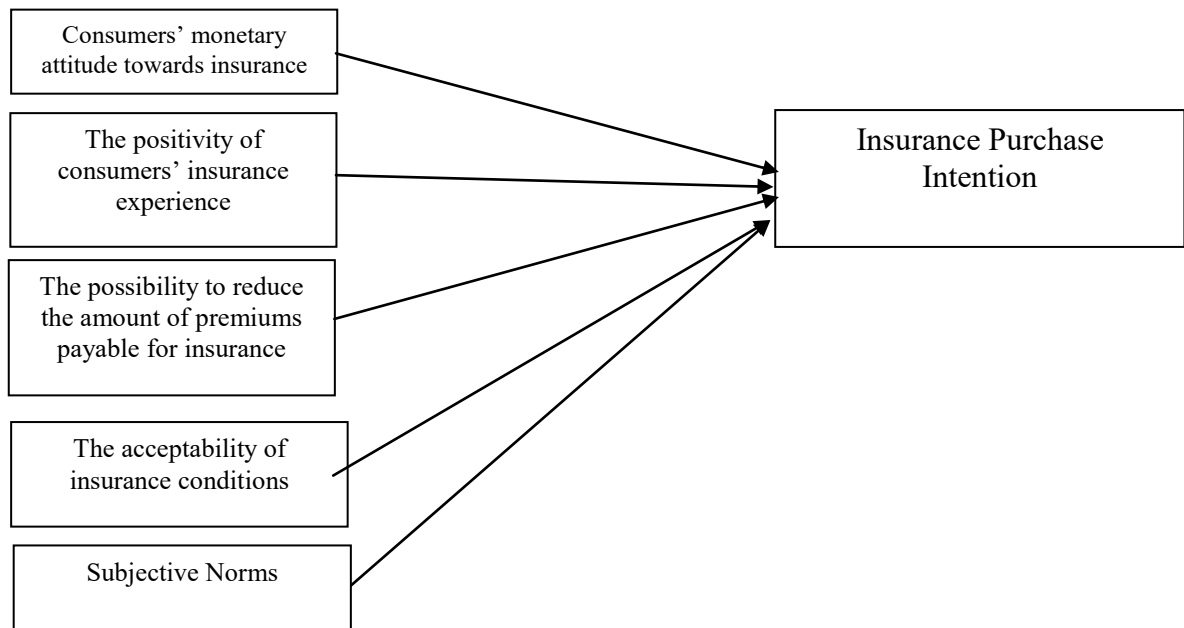
The findings of the study by Omar (2012) show that the lack of confidence in the non-life insurance companies had the most negative effect on life non-life insurance purchase. Ignoring risks and reliance on family for help in emergencies are the other main factors preventing purchase. Application of TRA revealed that intention is determined by normative factors rather than the attitudinal factors. Therefore, factors of non-life insurance purchase intention in this study include attitudinal factors (attitude towards non-life insurance) and normative factors (subjective norms). In addition, attitude towards non-life insurance includes acceptability of non-life insurance conditions, non-life insurance service provider's competence, consumers' monetary attitude towards non-life insurance, the positivity of consumers' non-life insurance experience, and the possibility to reduce the amount of premiums payable for non-life insurance according to Ulbinaite et al. (2013).

## 2.3 Conceptual Framework

The conceptual framework of this study is developed based on TRA and relevant previous studies such as Ulbinaite et al., (2013), Coleman, Bhanan, Kelkar, and Curry (2011), Omar (2012), Rahman (2013), Alsughayir, and Albarq (2013), Al Qasa (2014), and Chaudary, et al. (2014).

Attitude Towards Insurance





**Figure 1:** Conceptual Framework of this study

## 2.4 Research Hypotheses

H01: There is *no significant* relationship between attitude towards non-life insurance in terms of acceptability of non-life insurance conditions and non-life insurance purchase intention.

Ha1: There is *significant* relationship between attitude towards non-life insurance in terms of acceptability of non-life insurance conditions and non-life insurance purchase intention.

H02. There is *no significant* relationship between attitude towards non-life insurance in terms of non-life insurance service's competence and non-life insurance purchase intention.

Ha2. There is *significant* relationship between attitude towards non-life insurance in terms of non-life insurance service's competence and non-life insurance purchase intention.

H03. There is *no significant* relationship between attitude towards non-life insurance in terms of consumers' monetary attitude towards non-life insurance and non-life insurance purchase intention.

Ha3. There is *significant* relationship between attitude towards non-life insurance in terms of consumers' monetary attitude towards non-life insurance and non-life insurance purchase intention.

H0 4. There is *no significant* relationship between attitude towards non-life insurance in terms of positivity of consumers' non-life insurance experience and non-life insurance purchase intention.

Ha4. There is *significant* relationship between attitude towards non-life insurance in terms of positivity of consumers' non-life insurance experience and non-life insurance purchase intention.

H0 5. There is *no significant* relationship between attitude towards non-life insurance in terms of possibility to reduce the amount of premiums payable for non-life insurance and non-life insurance purchase intention.

Ha5. There is *significant* relationship between attitude towards non-life insurance in terms of possibility to reduce the amount of premiums payable for non-life insurance and non-life insurance purchase intention.

H06. There is *no significant* relationship between subjective norm and non-life insurance purchase intention.

Ha6. There is *significant* relationship between subjective norm and non-life insurance purchase intention.

### 3. METHODOLOGY

A self-administered questionnaire was conducted to determine the relationship between attitude towards non-life insurance (insurance service provider's competence, consumers' monetary attitude towards insurance, the positivity of consumers' insurance experience, the possibility to reduce the amount of premiums payable for insurance, and the acceptability of insurance conditions), subjective norms, and consumers' purchase intention of non-life insurance. Twenty questionnaire items of attitude toward object (non-life insurance) are based on Ulbinaite et al. (2013), 3 items of Intention to purchase non-life insurance are based on Chaudary et al, (2014), and 2 items of Subjective norms are based on French et al. (2012).

Target population is Thai citizen in Bangkok and nearby areas who would like to purchase non-life insurance. The researcher verbally screened the target population by asking the question "Are you a Thai citizen?". The minimum required sample size was 384 based on Krejcie and Morgan (1970). The sampling technique used in this study was a convenience sampling. Five hundred sets of questionnaires were distributed to samples. Three hundred and eighty-five valid questionnaires were returned and considered valid for data analysis. Mean evaluation was used to determine the level of attitude towards non-life insurance, subjective norms, and insurance purchase intention. The hypothesis of this research was tested using Pearson's correlation coefficient.

### 4. RESULTS AND DISCUSSION

Most of the respondents were female aged between 20 to 29 years old, holding a bachelor's degree. Mostly, they were officers, earned an income of 10,001 to 30,000 baht per month. According to mean values of Attitude towards insurance, most of respondents agreed with the condition of non-life insurance in terms of "flexibility of claim regulation", and "time coverage of non-life insurance". They also agreed with the service's competence of non-life insurance. Moreover, competent help is needed for satisfying their personal needs. There is a need for a trustful non-life insurer (or its representative). The best deal and a qualitative non-life insurance product may be their primary concern. They also perceived that non-non-life insurance was used for investing but did not certain that their non-life insurance was used for saving. The respondents unsure about non-life insurance experience in terms of spreading negative opinions about non-life insurance service to others. This maybe because purchasing non-life insurance is a personal expenditure, people who already purchase non-life insurance may not be comfortable to share their opinion to others. They pay attention to the possibility to get back a part of the premiums paid for non-life insurance by declaring their income; therefore, sale representatives should clearly explain to their clients about how to get back a part of the premiums paid.

Based on mean values of subjective norms, most of respondents were not certain that most people who are important to them probably think they should purchase a non-life insurance service. This maybe because buying non-life insurance is a personal expense so they may not ask other people's opinions on this matter.

The result from Pearson's correlation coefficient revealed the significant relationship between attitude towards insurance in terms of acceptability of non-life insurance conditions, subjective norms and insurance purchase intention at a very low correlation level. In addition, attitude towards insurance in terms of acceptability of non-life insurance conditions ( $r = 0.233$ ) had a higher positive correlation with insurance purchase intention than subjective norms ( $r = 0.103$ ). The correlation between attitude towards insurance, subjective norms, and purchase intention is in accordance with the Theory of Reasoned Action and several past studies such as Ulbinaite et al., (2013), Coleman, Bhanan, Kelkar, and Curry (2011), Omar (2012), Rahman (2013), Alsughayir, and Albarq (2013), Al Qasa (2014), and Chaudary, et al. (2014). However, the results from Pearson's correlation coefficient showed that attitude towards insurance in terms of acceptability of non-life insurance conditions and subjective norms had a very low correlation level with the insurance purchase intention. Therefore, there are other factors that may relate to non-life insurance purchase intention; for example, such as price, salesperson, and brand (Kotler, 2003).

## **5. CONCLUSION**

Comparing with subjective norms, attitude towards insurance in terms of acceptability of non-life insurance conditions had a higher positive correlation with insurance purchase intention. It is therefore marketers of non-life insurance company should focus more on improving attitude towards insurance in terms of acceptability of non-life insurance conditions to increase consumer's purchase intention.

Regarding Acceptability of non-life insurance conditions, since the respondents did not agree with all items of the acceptability of non-life insurance conditions, the recommendations to non-life insurance company are as follows. The non-life insurance company should train its sales representatives to use PowerPoint in front of a potential client, showing that they are up with the times. Projecting charts and graphics that all can see also makes the presentation more interactive for the client. Making their presentation more interesting through the use of multimedia can help to improve the client's focus. Using images, audio and video to have a greater visual impact. This would help them to explain about non-life insurance briefly and easily to understand. Sales representatives should listen to what their client needs. In terms of subjective norms, non-life insurance companies may need to develop their advertising. The advertisement may show that people who care about each other think about non-life insurance and have intentions to purchase non-life insurance for the people they care about.

There are certain limitations in this research, which future research are recommended to address. Firstly, this study focused on the customers of non-non-life insurance product in Bangkok and vicinity so the results may not be applied to all non-life insurance customers in Thailand. Future research on this topic is, therefore, recommended to cover a greater range of subjects in other provinces. Additionally, this research was limited to attitude towards object/insurance and subjective norms as factors relating to non-life insurance purchase intention. Future research should study other factors that may relate to consumers' purchase intention such as price, salesperson, and brand (Kotler, 2003).



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