

APPENDIX GA36d

LEVEL 7 ASSESSMENT SPECIFICATION

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UWTSD DBA

Quantitative Research Methods

Assignment – Project Report

Lecturer: Dr. Andrew Chan

Name of Student: Lee Chun Ming

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Date: 27 December 2020

Dear Dr. Andrew Chan,

Thank you for your great sharing in the class and the knowledge you taught to me is extremely useful and valuable.

I would like to give my sincere thanks to you and I wish you and your family good health.

Yours sincerely,

Lee Chun Ming

Title

To study the key factors affecting “Small and Medium Enterprise” (SME) corporate customer satisfaction and the correlation with customer loyalty in Hong Kong General Insurance Industry.

Abstract

The objective of this research was to study the factors affecting Customer Satisfaction in Hong Kong General Insurance Industry with focus on SME Corporate Insurance segment and to evaluate the relationship in respect of the Customer Satisfaction and the Customer Loyalty.

Research design in respect of this study was quantitative and the survey research method was adopted in this research. All data had been collected from different SME corporate insurance policyholders who purchased corporate general insurance policies from Marsh Hong Kong Limited. Marsh is the largest risk management and insurance broking firm in the world. The nature of business for these SME corporate insurance policyholders included catering, hair dressing, cosmetic, travel agent, logistic, cleaning and trading.

The questionnaire was designed based on the similar customer satisfaction study in the past with modifications in line with our research topic and the relevant customer satisfaction factors in general insurance industry. The data was collected from 20 corporate respondents through tested structured questionnaire and simple random sampling method was used.

The result of this research advised that there was a relationship (positive) exists in respect of the customer satisfactory and the customer loyalty in Hong Kong SME corporate insurance segment. The high customer satisfactory leads to high customer loyalty in SME corporate insurance industry. The specific key customer satisfaction factors in general insurance such as policy coverage, insurance advice, claims administration, premium pricing and general service have positive relationship with customer loyalty. Therefore, insurance organizations including both insurance companies and insurance intermediaries are suggested to improve their

customer satisfactory level with focus on policy coverage, insurance advice, claims administration, premium pricing and general service for achieving the long-term success in SME corporate insurance business.

We believe that the analysis, discussion and result in this research provided a reasonable and meaningful study for insurance companies and insurance intermediaries to review their resources investment and allocation on customer satisfaction for improving the customer loyalty and the long-term success in SME corporate insurance business segment.

Key words: General Insurance, Customer Satisfaction and Customer Loyalty.

Introduction

In Hong Kong, Insurance Authority (IA) took over the responsibility and the functions of “Office of the Commissioner of Insurance (OCI)” since 26 June 2017. OCI was a government department and responsible to regulate insurance companies in the past. One of the key objectives for establishing IA is to promote Hong Kong insurance industry. Therefore, IA is encouraging and helping the industry to improve their customer service level and enhance the customer protection standard.

Before IA in place, we previously adopted self-regulatory regime and the self-regulatory organizations (SROs) are responsible to regulate insurance intermediaries in Hong Kong. Apart from the regulatory authority on insurance companies, IA also took over the role to regulate insurance intermediaries from the three SROs since 23 September 2019. The Insurance Agents Registration Board established under The Hong Kong Federation of Insurers, The Hong Kong Confederation of Insurance Brokers and Professional Insurance Brokers Association are the three self-regulatory organizations in Hong Kong. These three self-regulatory organizations still operate in Hong Kong insurance market without regulatory authority but they are actively to conduct Continue Professional Development (CPD) courses for insurance intermediaries and provide their professional industry advice to Insurance Authority in regulating the industry.

In fact, Hong Kong has over 150 insurance companies and at least 100 insurance companies actively offer corporate insurance to SME segment. Therefore, insurance companies face keen competition and client retention is important to maintain the market shares. As the current financial difficulties caused by COVID-19, SME corporate customers are keen to obtain more competitive offer from insurance market and they are pro-actively to conduct the re-marketing exercise during the policy renewal. Given the importance and urgency, our research is to evaluate the interrelationship in respect of the customer satisfaction and the customer loyalty in Hong Kong corporate general insurance market.

“In 2019, total gross and net premiums of general business were \$55.4 billion (increased by 4.4%) and \$37.7 billion (increased by 8.6%) respectively, while underwriting profit rose from HK\$583 million in 2018 to HK\$869 million in 2019. Gross and net claims incurred by authorized insurers related to the recent social events were HK\$1.3 billion and HK\$411 million respectively. Property Damage business recorded total gross premiums of \$10.3 billion (increased by 13.7%), benefitting from additional demands and hardening of rates on account of losses inflicted by super-typhoons in the past two years. Accident & Health business also registered gross premiums of \$18.3 billion (increased by 7.2%). The improved overall performance was driven by direct Property Damage business, whose underwriting profit expanded from \$199 million in 2018 to \$823 million in 2019, offset in part by losses for direct Motor Vehicle business which widened from \$441 million to \$514 million and direct Employees’ Compensation business from \$150 million to \$260 million in the same period due to adverse claims experience.” (Hong Kong Insurance Authority)

In view of the current poor economic situation due to COVID-19, many SMEs in Hong Kong face very difficult situation to operate their business especially catering, hairdressing, beauty and hospitality industries as limitation and requirements for these industries. Many SMEs in Hong Kong are downsizing and restructuring as the business turnover and income in the last 12 months reduced suddenly and dramatically.

The SME corporate general insurance market is facing extremely serious insured value reduction including property value and salary reduction that caused the gross written premium in this segment heavily reduced in the last 12 months. In order to prepare the economic rebound after COVID-19, insurance companies have to ensure the high customer satisfaction level and the good customer loyalty. Therefore, this research is to assist insurance companies or insurance intermediaries in studying the key factors such as policy coverage, insurance advice, claims administration, premium pricing and general service affecting corporate customer satisfaction and the relationship in respect of the customer satisfaction and the customer loyalty in Hong Kong General Insurance Industry with focus on SME segment.

Literature Review

Insurance

Insurance is one of tools in risk management for risk transference. It usually for individual or corporate to transfer their financial risks to insurance companies. Referring to the principle of indemnity in common law, insurance is to compensate the exact financial losses. Assuming that the compensations are no more or no less than the actual losses. e.g. to compensate the exact financial losses in respect of the accidental fire damage in Property All Risks insurance policy. In addition, the value at risk in the insurance policy is subject to the insurable interest common law principle for ensuring the policyholder fulfill the necessary legal and financial interest requirements. If any insurable risks happened, proximate cause should be evaluated to ensure the cause of damage is covered by the relevant insurance policy and the principle of Subrogation and Contribution will be applied in order to avoid any over compensation in compare with the exact financial losses at the time of loss.

In Hong Kong, Employees' Compensation Insurance and Motor Third Party Liability Insurance are the compulsory insurance requirements. Apart from these compulsory insurance requirements, corporate customers usually arrange property and liability insurance to manage their potential financial risks. The reason for companies to purchase corporate insurance is to protect their financial interest in different potential risks and they usually purchase insurance protections through insurance intermediaries such as insurance brokers or insurance agents. Both insurance broker and insurance agent in Hong Kong are required to obtain relevant insurance intermediary license from Insurance Authority for selling insurance products. For SME corporate customers, they usually purchase package policy including property, business interruption, liability and employees' compensation insurance coverage in a comprehensive insurance package policy.

In fact, Hong Kong Insurance Companies invest a lot to maintain high customer satisfaction for keeping their current customers rather than spending additional resources to attract potential new customers especially in SME corporate customer segment. Of

course, insurance organizations intend to develop new business in corporate insurance market but retain the existing customers is comparatively cost effective than developing new business as the loss ratio between premium payment and claims expenses are accumulated and the “law of large number” principle is applied. Therefore, both insurance companies and insurance intermediaries work together to ensure their customer satisfy with their services so that the customers become loyal and companies can obtain more market shares and enhance the profitability in the long-run.

“As at 30 September 2020, there were 165 authorized insurers in Hong Kong, of which 91 were pure general insurers, 53 were pure long term insurers and the remaining 21 were composite insurers. As at 30 September 2020, there were 2,365 licensed insurance agencies, 86,351 licensed individual insurance agents and 26,777 licensed technical representatives (agent). In addition, there were 832 licensed insurance broker companies and 10,780 licensed technical representatives (broker) on the same date. In 2019, the total gross premiums of the Hong Kong insurance industry increased by 10.2% to \$566.9 billion.” (Hong Kong Insurance Authority)

Customer Satisfaction

SME corporate customers experience the services provided by the insurance company or insurance intermediaries after their insurance consumption. The policy coverage, insurance advice, claims administration, premium pricing and general service are the important factors affecting customer satisfaction in consuming corporate general insurance. In this research, we identified key factors affecting customer satisfaction in insurance industry such as policy coverage, insurance advice, claims administration, premium pricing and general service customer satisfaction factors.

For corporate general insurance, it is quite difficult to measure customer satisfaction by single factor, as insurance itself is intangible product with different service elements such as policy administration and claims administration. Therefore, we have to measure the overall customer satisfaction by a number of relevant customer satisfaction factors. In

according to advices from “The Hong Kong Chamber of Insurance Intermediaries (HKCII)”, policy coverage, insurance advice, claims administration, premium pricing and general service are the key factors affecting customer satisfaction. In Hong Kong, general insurance companies usually collect the opinions from HKCII to identify the key customer satisfaction factors affecting customer satisfaction. It is because the members of HKCII are the insurance intermediaries that is a major distribution channel for insurance companies. The above identified key factors such as policy coverage, insurance advice, claims service, premium pricing and general service are the common customer satisfaction factors suggested by the HKCII for the general insurance companies to enhance their service standard in their relevant working committee.

Consumers experience the service performance and compare it to their expectations. Satisfaction judgments are then formed on the basis of this comparison. (Jochen Wirtz 2018)

Customer Loyalty

In Hong Kong, both insurance companies and insurance intermediaries are working closely to keep their customer satisfy with their services for improving the loyalty of customers and maintain their market shares. In insurance industry, client retention is an extremely important topic for improving the overall profitability because claims cost can be leveraged by the persistency rate. You can imagine that insurance claims can be happened immediately after you effected the policy but the claims may not happen in the next five years that is why persistency can improve loss ratio by accumulation.

Client retention usually becomes a very important part to contribute the total gross written premium and amortize the gross claims paid for an insurance company. The renewal premium and renewal commission are the major part of business turnover for an insurance company and insurance intermediary. If persistency is very poor, it will be very difficult to maintain the same level of annual gross written premium and manage the claims as the claims expenses will be unable to amortize and leverage.

The objective is to build relationships and to develop loyal customers who will do a growing volume of business with the firm in the future. (Jochen Wirtz 2018)

Hypothesis

Given the importance and urgency, this research was to study the interrelationship between the customer satisfaction and the customer loyalty in Hong Kong SME corporate insurance market. If the result is positive, it means insurance companies should consider to invest and allocate more resources on customer satisfaction enhancement for improving the customer loyalty. The reasons for establishing the following hypothesis is to assist insurance company for improving the customer loyalty and achieving long term success.

H1: Positive relation in respect of the customer satisfaction and the customer loyalty

H2: Customer satisfaction affects customer loyalty positively

Research Methodology & Data Collection Method

The research design of this study was quantitative and the survey research method was adopted in this research. All data had been collected from different SME corporate insurance policyholders who purchased corporate general insurance policies from Marsh Hong Kong Limited. Marsh is the largest risk management and insurance broking firm in the world. The nature of business for these SME corporate insurance policyholders included catering, hair dressing, cosmetic, travel agent, logistic, cleaning and trading.

The questionnaire was designed based on the similar customer satisfaction study in the past with modifications in line with our research topic and the relevant customer satisfaction factors in general insurance industry. Meantime, this questionnaire had been shared with all DBA classmates for comments and review. The data was collected from 20 corporate respondents through tested structured questionnaire and simple random sampling method was used.

These 20 corporate respondents are SME in terms of premium volume and their annual business turnover. The person who represents these corporates to fill in the questionnaire is the senior executive of these corporates such as Chief Financial Officer, Financial Director, Chief Human Resources Officer, Human Resources Director, Business Owner, Director or General Manager.

All questionnaires were distributed to the representative of these corporates through email and the questionnaires are suggested to return by 14 days. In fact, all respondents finished the questionnaire by 3 to 5 days and the participation ratio is 100%.

Data Analysis Method

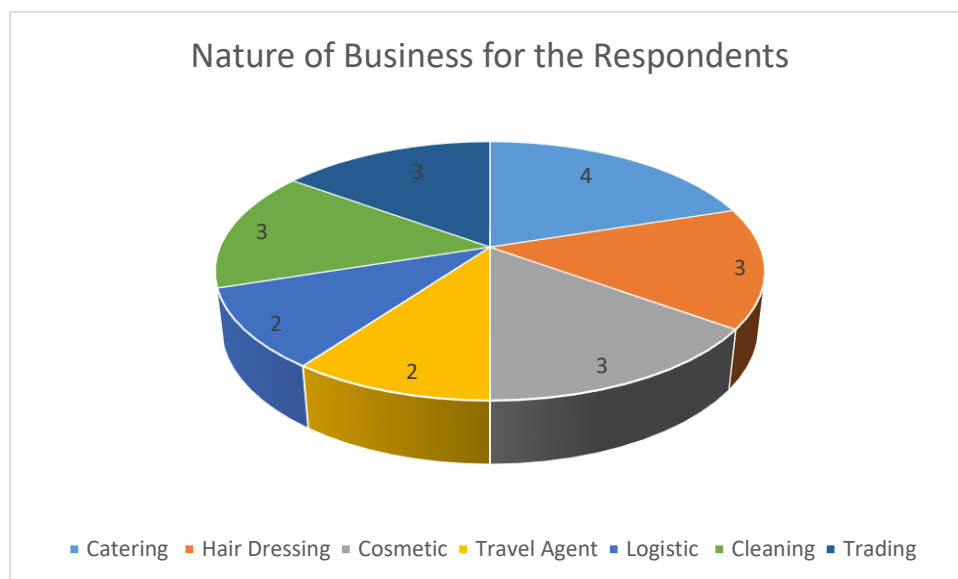
Data was analyzed by using excel and Pearson calculator online. In order to evaluate whether the results are significant, reliability of variables was checked. In view of this research topic, we have to evaluate the correlation before we can come up with a conclusion whether the customer satisfaction has positive relationship with customer loyalty in SME corporate general insurance business segment.

Therefore, correlation analysis was used to study the interrelationship in respect of the customer satisfaction and the customer loyalty. Each identified factor affecting customer satisfaction such as policy coverage, claims administration, insurance advice, premium pricing or general service is also evaluated separately on their correlation with customer loyalty. Therefore, insurance organizations will have overall and individual factor focus results for reference.

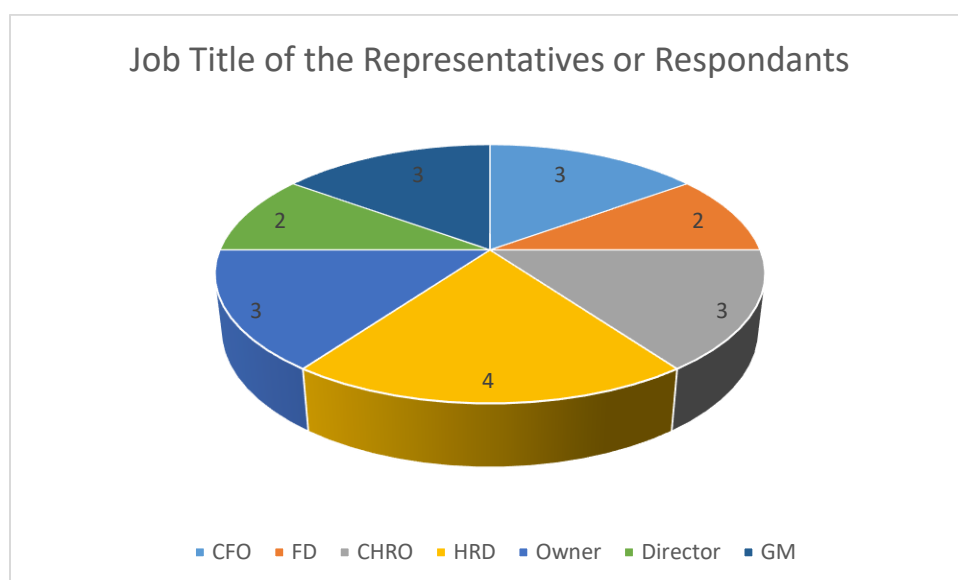
The mean, variance, Cronbach's alpha, P-value and the value of R are calculated in the research to ensure all results are reasonable and meaningful.

Results

The nature of business for these SME corporate insurance policyholders or respondents included catering, hair-dressing, cosmetic, travel agent, logistic, cleaning and trading. Please refer to the following chart for the detail distribution.



The person who represents these SME corporates to fill in the questionnaire is the senior executive of these corporates such as Chief Financial Officer, Financial Director, Chief Human Resources Officer, Human Resources Director, Business Owner, Director or General Manager. Please refer to the following chart for the detail job classifications.



Descriptive Statistics:

	Customer Satisfactory					Customer Loyalty					
	Coverage	Advice	Claims	Pricing	General	Coverage	Advice	Claims	Pricing	General	
	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Total
Respondent 1	4	4	5	4	4	4	4	5	4	4	42
Respondent 2	3	3	4	4	3	4	3	4	4	3	35
Respondent 3	3	3	3	3	3	3	3	3	4	3	31
Respondent 4	4	4	4	4	4	4	4	4	4	4	40
Respondent 5	3	3	3	3	3	3	4	3	3	3	31
Respondent 6	3	3	3	3	3	3	4	3	3	3	31
Respondent 7	3	3	5	3	3	3	3	5	4	3	35
Respondent 8	3	3	3	4	3	3	3	4	4	4	34
Respondent 9	3	3	5	3	3	3	3	5	4	3	35
Respondent 10	3	3	3	3	4	3	3	3	4	4	33
Respondent 11	3	3	3	3	3	3	3	3	3	4	31
Respondent 12	4	4	4	4	4	4	4	5	4	4	41
Respondent 13	4	4	4	4	4	4	4	5	4	4	41
Respondent 14	4	4	4	4	4	4	4	4	4	4	40
Respondent 15	4	4	4	4	4	4	4	4	4	4	40
Respondent 16	3	3	3	4	3	3	3	4	5	3	34
Respondent 17	3	3	3	4	3	3	3	4	5	3	34
Respondent 18	4	4	4	4	4	4	4	4	4	4	40
Respondent 19	4	4	4	4	4	4	4	4	4	4	40
Respondent 20	4	4	4	4	4	4	4	4	4	4	40
Var.P	0.2475	0.2475	0.4875	0.2275	0.25	0.25	0.2475	0.5	0.2475	0.24	15.14

Reliability

Reliability	
Number of Items / questions	10
Sum of item variances	2.945
Variance of total scores	15.14
$\rho_T = \frac{k}{k-1} \left(1 - \frac{\sum_{i=1}^k \sigma_i^2}{\sigma_X^2} \right)$	
Cronbach's alpha	0.894980185

The Cronbach's alpha had been measured in the above results. In general, the range of Cronbach's alpha is from 0 to 1 and the higher values means higher internal consistency. Referring to the above table, the Cronbach's alpha of the above results are 0.894980185 that means good internal consistency for these results.

The Correlation and the P-value in respect of the customer satisfaction and the customer loyalty for overall factors and specific factor will be measured by "Pearson Calculator".

Correlation (Results from Pearson Calculator)

1. The correlation in respect of the Customer Satisfaction (Overall) and the Customer Loyalty

“Result Details & Calculation

The value of R is 0.9648. This represents a strong positive correlation, which means that high X variable scores go with high Y variable scores (and vice versa). The P-Value is <.00001. The result is significant at p <.05.” (Pearson Calculator)

X Values

$$\sum = 356$$

$$\text{Mean} = 17.8$$

$$\sum(X - Mx)^2 = SSx = 95.2$$

Y Values

$$\sum = 372$$

$$\text{Mean} = 18.6$$

$$\sum(Y - My)^2 = SSy = 60.8$$

X and Y Combined

$$N = 20$$

$$\sum(X - Mx)(Y - My) = 73.4$$

R Calculation

$$r = \sum((X - My)(Y - Mx)) / \sqrt{((SSx)(SSy))}$$

$$r = 73.4 / \sqrt{((95.2)(60.8))} = 0.9648$$

Meta Numerics (cross-check)

$$r = 0.9648$$

2. The correlation in respect of the Customer Satisfaction (Policy Coverage) and the Customer Loyalty

“Result Details & Calculation

“The value of R is 0.9045. This is a strong positive correlation, which means that high X variable scores go with high Y variable scores (and vice versa). The P-Value is <.00001. The result is significant at $p < .05$.” (Pearson Calculator)

X Values

$$\sum = 69$$

$$\text{Mean} = 3.45$$

$$\sum(X - Mx)^2 = SSx = 4.95$$

Y Values

$$\sum = 70$$

$$\text{Mean} = 3.5$$

$$\sum(Y - My)^2 = SSy = 5$$

X and Y Combined

$$N = 20$$

$$\sum(X - Mx)(Y - My) = 4.5$$

R Calculation

$$r = \sum(X - My)(Y - Mx) / \sqrt{(SSx)(SSy)}$$

$$r = 4.5 / \sqrt{(4.95)(5)} = 0.9045$$

Meta Numerics (cross-check)

$$r = 0.9045$$

3. The correlation in respect of Customer Satisfaction (Insurance Advice) and the Customer Loyalty

“Result Details & Calculation

The value of R is 0.8182. This is a strong positive correlation, which means that high X variable scores go with high Y variable scores (and vice versa). The P-Value is .00001. The result is significant at $p < .05$.” (Pearson Calculator)

X Values

$$\sum = 69$$

$$\text{Mean} = 3.45$$

$$\sum(X - M_x)^2 = SS_x = 4.95$$

Y Values

$$\sum = 71$$

$$\text{Mean} = 3.55$$

$$\sum(Y - M_y)^2 = SS_y = 4.95$$

X and Y Combined

$$N = 20$$

$$\sum(X - M_x)(Y - M_y) = 4.05$$

R Calculation

$$r = \sum((X - M_x)(Y - M_y)) / \sqrt{(SS_x)(SS_y)}$$

$$r = 4.05 / \sqrt{(4.95)(4.95)} = 0.8182$$

Meta Numerics (cross-check)

$$r = 0.8182$$

4. The correlation between in respect of the Customer Satisfaction (Claims Administration) and the Customer Loyalty

“Result Details & Calculation

The value of R is 0.8102. This is a strong positive correlation, which means that high X variable scores go with high Y variable scores (and vice versa). The P-Value is .000015. The result is significant at $p < .05$.” (Pearson Calculator)

X Values

$$\sum = 75$$

$$\text{Mean} = 3.75$$

$$\sum(X - M_x)^2 = SS_x = 9.75$$

Y Values $\sum = 80$

$$\text{Mean} = 4$$

$$\sum(Y - M_y)^2 = SS_y = 10$$

X and Y Combined

$$N = 20$$

$$\sum(X - M_x)(Y - M_y) = 8$$

R Calculation

$$r = \sum(X - M_x)(Y - M_y) / \sqrt{(SS_x)(SS_y)}$$

$$r = 8 / \sqrt{(9.75)(10)} = 0.8102$$

Meta Numerics (cross-check)

$$r = 0.8102$$

5. The correlation in respect the Customer Satisfaction (Premium Pricing) and the Customer Loyalty

“Result Details & Calculation

The value of R is 0.5584. This is a moderate positive correlation, which means there is a tendency for high X variable scores go with high Y variable scores (and vice versa). The P-Value is .0105. The result is significant at $p < .05$.” (Pearson Calculator)

X Values

$$\sum = 73$$

$$\text{Mean} = 3.65$$

$$\sum(X - M_x)^2 = SS_x = 4.55$$

Y Values

$$\sum = 79$$

$$\text{Mean} = 3.95$$

$$\sum(Y - M_y)^2 = SS_y = 4.95$$

X and Y Combined

$$N = 20$$

$$\sum(X - M_x)(Y - M_y) = 2.65$$

R Calculation

$$r = \sum(X - M_y)(Y - M_x) / \sqrt{(SS_x)(SS_y)}$$

$$r = 2.65 / \sqrt{(4.55)(4.95)} = 0.5584$$

Meta Numerics (cross-check)

$$r = 0.5584$$

6. The correlation in respect of the Customer Satisfaction (General Service) and the Customer Loyalty

“Result Details & Calculation

The value of R is 0.8165. This is a strong positive correlation, which means that high X variable scores go with high Y variable scores (and vice versa). The P-Value is .000011. The result is significant at $p < .05$.” (Pearson Calculator)

X Values

$$\sum = 70$$

$$\text{Mean} = 3.5$$

$$\sum(X - M_x)^2 = SS_x = 5$$

Y Values

$$\sum = 72$$

$$\text{Mean} = 3.6$$

$$\sum(Y - M_y)^2 = SS_y = 4.8$$

X and Y Combined

$$N = 20$$

$$\sum(X - M_x)(Y - M_y) = 4$$

R Calculation

$$r = \sum((X - M_y)(Y - M_x)) / \sqrt{(SS_x)(SS_y)}$$

$$r = 4 / \sqrt{(5)(4.8)} = 0.8165$$

Meta Numerics (cross-check)

$$r = 0.8165$$

Discussions

Given the strong positive correlation in respect of the customer satisfaction and the customer loyalty, insurance companies or insurance intermediaries who want to improve the customer loyalty and increase the client retention ratio should invest more resources to enhance customer satisfaction level for the existing clients.

H1: Positive relation in respect of the customer satisfaction and the customer loyalty

H2: Customer satisfaction affects customer loyalty positively

Customer Satisfaction (Overall)

The value of R is 0.9648. This represents a strong positive correlation, which means that high X variable scores go with high Y variable scores (and vice versa). The P-Value is $< .00001$. The result is significant at $p < .05$. Based on this result, there is positive relation in respect of overall customer satisfaction and customer loyalty. In addition, the overall customer satisfaction affects customer loyalty positively.

The purpose of this research is to study the correlation in respect of the customer satisfaction and the customer loyalty. Referring to the captioned result, the overall customer satisfaction has a strong positive correlation with the customer loyalty that means the factors we measured in this research has a strong positive correlation with the loyalty. Assuming that we can increase the customer loyalty if we can increase the level of customer satisfaction with focus in these key customer satisfaction factors such as policy coverage, claims administration, premium pricing, insurance advice and general service. As we mentioned that the retention ratio is very important in corporate general insurance industry because persistence rate is an important factor affecting insurance company's long term profitability.

Customer Satisfaction (Policy Coverage)

The value of R is 0.9045. This represents a strong positive correlation, which means that high X variable scores go with high Y variable scores (and vice versa). The P-Value is $< .00001$. The result is significant at $p < .05$. Based on this result, there is positive relation

in respect of customer satisfaction (policy coverage) and the customer loyalty. In addition, the customer satisfaction (policy coverage) affects customer loyalty positively.

The purpose of this research is to find out the correlation in respect of the customer satisfaction and the customer loyalty. Referring to the captioned result, the customer satisfaction (policy coverage) has a strong positive correlation with the customer loyalty that means this specific factor we measured in this research has a strong positive correlation with the loyalty. Assuming that we can increase the customer loyalty if we can increase the level of customer satisfaction (policy coverage). As we mentioned that the retention ratio is very important in corporate general insurance industry because persistence rate is an important factor affecting insurance company's long term profitability. Therefore, we believe that the enhancement of customer satisfaction (policy coverage) can improve the persistence rate and the customer loyalty.

Customer Satisfaction (Insurance Advice)

The value of R is 0.8182. This is a strong positive correlation, which means that high X variable scores go with high Y variable scores (and vice versa). The P-Value is .00001. The result is significant at $p < .05$. Based on this result, there is positive relation in respect of customer satisfaction (Insurance advice) and the customer loyalty. In addition, the customer satisfaction (Insurance advice) affects customer loyalty positively.

The purpose of this research is to study the correlation in respect of the customer satisfaction and the customer loyalty. Referring to the captioned result, the customer satisfaction (Insurance advice) has a strong positive correlation with the customer loyalty that means this specific factor we measured in this research has a strong positive correlation with the loyalty. Assuming that we can increase the customer loyalty if we can increase the level of customer satisfaction (Insurance advice). As we mentioned that the retention ratio is very important in corporate general insurance industry because persistence rate is an important factor affecting insurance company's long term profitability. Therefore, we believe that the enhancement of customer satisfaction (Insurance advice) can improve the persistence rate and the customer loyalty.

Customer Satisfaction (Claims Administration)

The value of R is 0.8102. This is a strong positive correlation, which means that high X variable scores go with high Y variable scores (and vice versa). The P-Value is .000015. The result is significant at $p < .05$. Based on this result, there is positive relation in respect of customer satisfaction (claims administration) and the customer loyalty. In addition, the customer satisfaction (claims administration) affects customer loyalty positively.

The purpose of this research is to study the correlation in respect of the customer satisfaction and the customer loyalty. Referring to the captioned result, the customer satisfaction (claims administration) has a strong positive correlation with the customer loyalty that means this specific factor we measured in this research has a strong positive correlation with the loyalty. Assuming that we can increase the customer loyalty if we can increase the level of customer satisfaction (claims administration). As we mentioned that the retention ratio is very important in corporate general insurance industry because persistence rate is an important factor affecting insurance company's long term profitability. Therefore, we believe that the enhancement of customer satisfaction (claims administration) can improve the persistence rate and the customer loyalty.

Customer Satisfaction (Premium Pricing)

The value of R is 0.5584. This is a moderate positive correlation, which means there is a tendency for high X variable scores go with high Y variable scores (and vice versa). The P-Value is .0105. The result is significant at $p < .05$. Based on this result, there is moderate positive relation in respect of customer satisfaction (Premium pricing) and the customer loyalty. In addition, the customer satisfaction (Premium pricing) moderate affects customer loyalty positively.

The purpose of this research is to study the correlation in respect of the customer satisfaction and the customer loyalty. Referring to the captioned result, the customer satisfaction (Premium pricing) has a moderate positive correlation with the customer loyalty that means this specific factor we measured in this research has a moderate positive correlation with the loyalty. Assuming that we may increase the customer loyalty if we can

increase the level of customer satisfaction (Premium pricing). As we mentioned that the retention ratio is very important in corporate general insurance industry because persistence rate is an important factor affecting insurance company's long term profitability. Therefore, we believe that the enhancement of customer satisfaction (Premium pricing) may improve the persistence rate and the customer loyalty.

It seems pricing is comparatively low impact to the customer loyalty that should be a very good result to the insurance industry because customer value other customer satisfaction factors rather than pricing. If this interpretation is correct, it will benefit to the industry long term profitability as pricing is not the most important customer satisfaction factor.

Customer Satisfaction (General Service)

The value of R is 0.8165. This is a strong positive correlation, which means that high X variable scores go with high Y variable scores (and vice versa). The P-Value is .000011. The result is significant at $p < .05$. Based on this result, there is positive relation in respect of customer satisfaction (general service) and customer loyalty. In addition, the customer satisfaction (general) affects customer loyalty positively.

The purpose of this research is to study the correlation between the customer satisfaction and loyalty. Referring to the captioned result, the customer satisfaction (general service) has a strong positive correlation with the customer loyalty that means this specific factor we measured in this research has a strong positive correlation with the loyalty. Assuming that we can increase the customer loyalty if we can increase the level of customer satisfaction (general service). As we mentioned that the retention ratio is very important in corporate general insurance industry because persistence rate is an important factor affecting insurance company's long term profitability. Therefore, we believe that the enhancement of customer satisfaction (general service) can improve the persistence rate and the customer loyalty.

In general insurance industry, the general service usually refers to policy administration related services. e.g. insurance document processing and turnaround time, accuracy of the policy wordings and document or general response turnaround time.

In fact, general insurance industry in Hong Kong faces many difficulties in year 2019 and 2020 due to local political issues and COVID-19. You can imagine that the whole business portfolio of individual and corporate travel insurance business almost become zero gross written premium in 2020 and all local SMEs keen to reduce their insurance premium cost and conduct re-marketing exercise during the renewal in order to minimize the cost and maximum the benefit.

For the employee benefit, property, liability insurance policies, which are not fall into the compulsory insurance requirement in Hong Kong, employer keen to minimize the cost and offer minimal benefits or coverage to employees. These are the reasons why the sum insured of SME policies and total gross written premium are reduced in the last 24 months. Therefore, we believe that this research topic is very meaningful for both insurance companies and insurance intermediaries to formulate their new business strategy in customer satisfaction and customer loyalty improvement.

Conclusions

The result of this research advised that the positive relationship exists in respect of the customer satisfactory and the customer loyalty in Hong Kong SME corporate general insurance segment. The high customer satisfactory leads to high customer loyalty. Therefore, insurance organizations are suggested to improve their customer satisfactory level for achieving the long-term success in SME corporate insurance business. Referring to the captioned analysis, we can provide scientific result for the following two hypothesis.

H1: Positive relation in respect of customer satisfaction and customer loyalty

H2: Customer satisfaction affects customer loyalty positively

As per the above analysis, the value of R is 0.9648. This is a strong positive correlation, which means that high X variable scores go with high Y variable scores (and vice versa). The P-Value is $< .00001$. The result is significant at $p < .05$. Based on this result in our previous analysis, there is positive relation between overall customer satisfaction and customer loyalty. In addition, the overall customer satisfaction positively affects customer loyalty.

Again, the purpose of this research is to find out the correlation between the customer satisfaction and loyalty. We believe that the findings of this research could benefit to the insurance organizations including insurance companies and insurance intermediaries to understand the relationship between customer satisfaction and customer loyalty. It could assist both insurance companies and insurance intermediaries to allocate sufficient resources for improving the customer loyalty and achieving the long-term success.

Referring to the captioned correlation analysis, the overall customer satisfaction has a strong positive correlation with the customer loyalty that means the factors we measured in this research has a strong positive correlation with the loyalty. Assuming that we can increase the customer loyalty if we can increase the level of customer satisfaction with focus in these key customer satisfaction factors such as policy coverage, claims administration, premium pricing, insurance advice and general service. Therefore, we really suggest insurance organizations and insurance intermediaries to allocate sufficient resources for improving the retention ratio that should be a very important business strategy in general insurance industry because high persistence rate has positive impact affecting insurance company's long-term customer loyalty and profitability.

Based on the findings in this research, insurance organizations including both insurance companies and insurance intermediaries may consider to establish new customer-oriented servicing strategy with focus on the key customer satisfaction factors. We believe that policy coverage, insurance professional advice and claims service are the key factors that we should actively manage for enhancing high customer satisfaction and loyalty. We may not available to improve the customer loyalty if we only focus on the premium reduction.

Both insurance companies and insurance intermediaries should consider to formulate a long term customer management strategy for managing their customer satisfaction and customer loyalty with support from senior management staffs to all employees. Improving the customer satisfaction and customer loyalty are the key factor for establishing a strong customer-oriented serving culture in our industry that will benefits to the whole industry for enhancing the overall industry image. In Hong Kong, the image of insurance industry still not very good and well respect from the public but insurance service itself involved different technical knowledge such as risk management, legal and statistic knowledge.

Therefore, it is worth to review the overall customer satisfaction level and encourage the relevant improvement in the specific customer satisfaction factors for improving our industry image and enhancing the overall profitability in the whole industry. We believe that the image of insurance industry will be improved if all insurance organizations including both insurance companies and insurance intermediaries are customer oriented and customer satisfaction driven.

As per my understanding, Hong Kong Federation of Insurers and Insurance Authority are currently promoting the importance of customer satisfaction and encouraging the enhancement of our industry image by different promotion strategies and actions such as social media advertising, case sharing, claims management sharing and different type of sponsorship and public education events. Therefore, our research may assist the general insurance industry, trade associations or insurance regulator to review insurance industry long-term customer loyalty strategy and we are pleased to conduct another research to cover more sample size and widen the participation for more detail customer satisfaction and customer loyalty study.

Being an insurance professional, I think that customer satisfaction is important to improve our industry image and I really want to promote customer-oriented servicing culture in our industry but we have to draw the support from the whole industry to change the public perception. I believe that we may become a professional and high quality industry in the long-run with the customer-oriented servicing culture.

Limitation of the Study

In fact, this research is an assignment of University of Wales Trinity Saint David DBA course and it was conducted in a limited time at around one month only to fulfill the course requirement. As this assignment is focus on quantitative research, we may not available to further study the meaning of selections from the respondents in the questionnaire.

In view of the limited time, the sample size was only 20 respondents as we were difficult to widen the participation in one month time. If time is allowed, it would be better if we can widen the sample size from 20 to 50. Although the sample size was very limit, the quality of answers are still satisfactory as all respondents fill in the questionnaire are the existing SME corporate insurance policyholders and they are relevant to this research topic.

If possible, we may consider to widen the sample size and evaluate the specific factor in the next relevant insurance customer satisfaction and customer loyalty research. It will be very interesting if we can further study the customer satisfaction (premium pricing) factor because all insurance organizations are interested in enhancing their profitability and the customer satisfaction (premium pricing) should be a very crucial factor affecting profitability. It seems insurance organizations may not necessary to reduce the pricing for improving customer satisfaction and customer loyalty. If we can enhance the customer loyalty by improving different customer satisfaction factors but not to reduce the premium pricing that will be a very good outcome for improving our long term profitability and giving the industry a very strong support to grow the industry with quality services in the long-run.

We believe that the general insurance companies in Hong Kong should have interest to know more details about the relationship in respect of individual customer satisfaction factor and the customer loyalty with detail sub items and explanations. Apart from the customer satisfaction (premium pricing), customer satisfaction (claims administration) will also be very interesting item as insurance organizations usually target to minimize the

claims expenses but also ensure client satisfy with the claims settlement and become more loyal customers.

Appreciation

I would like to thank you for the contributions in this research from all respondents and their companies. Without the support from both respondents and their companies, this research will not be finished with meaningful findings and on time. It is my honor to conduct this research and study in UWTSD DBA course. I learn a lot in this course and feel interesting to conduct the quantitative research. In addition, I would like to thank you for my classmates to review my questionnaire and our mutual sharing is very useful for creating a learning culture in this DBA study group. The overall study journey for this DBA course is satisfactory and the support from the HKMA is also very good.

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Appendix

Survey Questionnaire

I am student of DBA at University of Wales Trinity Saint David and I am conducting my research on customer satisfaction and customer loyalty in general insurance industry Hong Kong. I hope you could spend few minutes to complete this questionnaire. Your opinion will be used for the research purpose only.

Part-I

General Information

Note: This information will exclusively be used for research purpose and in no case will be disclosed to anybody.

1. Name:

2. Position:

3. Company Name and Business Nature:

4. How much for your annual premium spending on corporate insurance?

5. How long have you been using the current corporate insurance carrier(s)?

Part-II

		Statement - Corporate Insurance	1	2	3	4	5
	Customer Satisfaction		Very Dissatisfactory	Dissatisfactory	Neutral	Satisfactory	Very Satisfactory
1	Policy Coverage	Your corporate insurance policy coverage is satisfactory					
2	Insurance Advice	Your insurance company or insurance intermediary provides excellent insurance advice					
3	Claims Service	Your insurance company or insurance intermediary provides excellent claims service					

4	Premium Pricing	You satisfy with the current premium pricing in your corporate insurance					
5	General	Your insurance company or insurance intermediary provides excellent service					
			1	2	3	4	5
	Customer Loyalty		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
6	Policy Coverage	Your corporate insurance policy coverage is satisfactory and you prefer to continue the policy with the existing carrier.					
7	Insurance Advice	Your insurance company or insurance intermediary provides excellent insurance advice and you prefer to continue the policy with the existing carrier.					
8	Claims Service	Your insurance company or insurance intermediary provides excellent claims service and you prefer to continue the policy with existing carrier.					
9	Premium Pricing	You satisfy with the current premium pricing and you prefer to continue the policy with the existing carrier.					
10	General	Your insurance company or insurance intermediary provides excellent service and you prefer to continue with the existing carrier.					

Thank you for your great support to finish this questionnaire and your opinions will be used for research purpose only.

End