

THE EFFECTS OF CUSTOMER SATISFACTION AND SWITCHING BARRIER ON RECOVERY OF LAPSED POLICIES IN INSURANCE SERVICES IN BATTICALOA



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REG.NO - EU/IS/2005/MS/33

INDEX NO - MS 742



A project report submitted to the Faculty of Commerce and Management, Eastern University, Sri Lanka, as a partial fulfillment of the requirement of the Bachelor of Business in Administration (B.B.A), (SpLin Marketing) Degree.



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FACULTY OF COMMERCE AND MANAGEMENT

EASTERN UNIVERSITY, SRI LANKA

2011

ABSTRACT

It seems very rare to find an empirical study between satisfaction and switching barrier on lapsed customer retention especially in the Sri Lankan context. It is also equally true that whatever the insurance company that newly established or expand their branches in many places, the common of the problem for the insurance company, agents as well as customers is lapse. However this issue still not comprehensively researched by respective organizations in Sri Lanka. This is the research gap in the literature that will be addressed in this empirical study. The problem statement clearly defined in Sri Lanka the insurance companies are reeling from lapse policies. However previous findings confirm that, to the insurance industry has to retain the existing customer as much as possible (customer retention approach). However, lapsed policies become challenge to insurance companies in customer retention approach. Therefore, this study examines whether the lapsed customers do prefer to continue their policy or not.

The conceptual frame work develops based on Kim et al, 2004 and hypotheses are formulated based on previous study with consideration of objective of this study. The methodology consists of 200 samples of lapsed life insurance policy and questionnaire is used to collect primary data from respondents. By using Likert's Scale, satisfaction is assessed in terms of Satisfaction with contact person, Satisfaction with core service (Policy) and Satisfaction with Institution like wise for Switching barrier is assessed in terms of Switching cost, Interpersonal relationship and Attractiveness of alternatives and Recovery of lapsed policy is assessed in terms of renew policy, loyalty, convince and perception change. For data evaluation, descriptive analysis is performed with the measures of percentage, mean, and standard deviation. Correlation analysis took place to verify the association of one variable with another and to test the hypothesis.

The importance of this empirical study lies in assessing lapsed customer retention through the affects of satisfaction and switching barrier. The results show it has acceptably proved as expected, that lapse customer retention positively affected by satisfaction and switching barrier.

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