

A Study on Factors Influencing the Choice of Motor Insurance Policies among Car Owners in Bangalore

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ABSTRACT

A motor insurance policy provides an essential layer of financial security against the risks associated with a motor vehicle, including accidents, theft, natural hazards and liability risks to third parties. As the number of cars on the road has risen, technology has advanced, and the competition among insurance companies has grown, there has been greater interest in the factors that affect customer choice of motor insurance policy. The present study is an attempt to find out the important factors that affect the selection of Motor Insurance policies among vehicle owners in Bangalore. The research design used was a descriptive research design, and the data collected were primary data from 250 car owners who were given a structured questionnaire. A method called Exploratory Factor Analysis (EFA) was used to look for the dimensions that underlie policy choices. The Kaiser-Meyer-Olkin (KMO) index value was 0.894 with a significant Bartlett's Test of Sphericity, thus showing the data to be appropriate for factor analysis. The findings showed that there were five key determinants of policy selection: Service Quality and Claim Settlement, Premium and Cost Considerations, Company Reputation and Trust, Policy Coverage and Benefits, and Digital Convenience. A total of 72.84 per cent of the variance was accounted for by these five factors. Of these, the most significant factors impacting customer decisions were Service Quality and Claim Settlement. The results indicate that policies that boast quick claims settlement, low rates, full coverage, reliable insurance companies, and digital platforms are desirable to customers. The study offers valuable information for insurance companies to define their strategies towards customers and to enhance the attractiveness of their policies in a competitive market.

Keywords: Motor Insurance, Insurance Policy Choice, Car Owners, Claim Settlement, Service Quality, Digital Insurance, Factor Analysis, Bangalore.

INTRODUCTION

Today, motor insurance is a vital part of the financial system that offers protection from potential financial losses as a result of road accidents, theft, fire, natural disasters and third-party liability. Motor insurance is one of the most popular insurance policies in India, as per the Motor Vehicles Act. Besides the legal obligations, motor insurance also provides financial protection to the car owner, reducing the economic impact of an unpredictable incident. Motor insurance product demand has grown significantly with the rising vehicle ownership rate in the urban areas.

The Indian motor insurance industry has experienced a dramatic transformation in the last few years with the advent of competition from insurers, technological advancements, digital distribution channels, and evolving

customer expectations. Insurers now come with many policy types, with varying premium rates, claim settlement processes, coverage benefits, customer service and value-added features. This means that customers have several options to choose from when it comes to motor insurance policies. This has complicated the decision-making process and highlighted the need for an appreciation of those factors that may affect policy choice. With increasing incomes, urbanisation, and economic growth, there has been a considerable upsurge in the number of private vehicles in Bangalore, one of the fastest-growing metros in India. The city has a large population base of motorists and growing awareness of financial risk management, making it an important market for motor insurance products. When buying an insurance policy for the first time or renewing the existing one, car owners in Bangalore consider various factors like premium affordability, policy coverage, the reputation of the insurer, claim settlement efficiency and the availability of digital services. These factors have implications for policy adoption as well as customer satisfaction and loyalty with insurance companies.

Past research has showcased a number of factors that influence motor insurance purchase behaviour, such as service quality, premium pricing, company reputation, customer trust, policy benefits and technological convenience. However, most of the studies have studied these factors separately, and few studies have studied the combined impact of these factors on the policy choice of Bangalore car owners. Further, the increasing use of digital insurance services and the technology-driven customer interactions have added new dimensions that need to be explored empirically.

The present study aims to use EFA to find the major factors affecting the selection of motor insurance policies of car owners in Bangalore. The results will help insurance companies to get a better understanding of customer preferences, create competitive insurance products, improve the delivery of services and improve customer relationships. The study also enriches the existing knowledge base with empirical evidence on the salient dimensions influencing the choice of motor insurance policy in an urban context of India.

REVIEW OF LITERATURE

The literature reviewed has emphasised the various factors that affect customers' selection of motor insurance policies. The study conducted by M and Thanigaimani (2025) revealed that perceived behavioural control, social influence, and consumer confidence have positive impacts on the purchase intention of motor insurance policies, while perceived risk has a negative impact that hinders the consumer's willingness to accept the policies. According to the Motor Insurance Policy Selection Study (2024), the factors that significantly influence the policy selection are policy coverage, premium affordability, claim settlement efficiency, and insurer reliability. Likewise, Legass and Seid (2024) found that insurance awareness, customer knowledge, perceived benefits and service quality are factors that greatly affect purchase decisions. Poudel and Shrestha (2024) found that customers' preference for comprehensive motor insurance coverage is influenced by income level, prior claim experience, insurance awareness, and knowledge of benefits from the insurance policy. The average of Ruslan and Rasid (2024) revealed that the perceived value, affordability and awareness of the other coverage options have a positive impact on policy enhancement decisions. M. W. and K. N. (2024) emphasised the importance of premium pricing, product features, service processes, service staff – consumer interaction, and distribution accessibility in attracting motor insurance customers. Similarly, Ansah et al. (2024) found that factors such as demographic traits, income, vehicle value, and risk perception are significant factors in insurance decisions, while Almulhim et al. (2024) identified insurer reputation, service reliability, and customer trust as key drivers in policy selection. Van Huyssteen and Rudansky-Kloppers (2023) found that risk attitude, perceived benefits, premium affordability and trust are significant factors in the purchasing behaviour. According to Sharma and Bansal (2022), policy coverage, customer service quality, claim settlement efficiency and affordability factors are found to be the most important factors affecting customer satisfaction and policy selection. Verma and Sinha (2022) emphasised the role of digital convenience, online transactions, quick issuance and renewal processes in influencing the preference of the customers. Anh et al. (2021) found that motives of insurance purchase, risk perception and attitude towards insurance benefits have a significant impact on the purchase intention. Rao and Reddy (2020) found that the reputation of the company, financial strength, and trust of customers are factors that influence the choice of insurance companies. In a study carried out in Bengaluru, Ghose and Akanchha (2020) identified that comprehensive coverage, claim settlement speed, customer service, value-added features and insurer reputation have a significant impact on the customers' choice of motor insurance companies. Parihar and

Rahul (2019) found that speed of service, online transaction facilities, effectiveness of communication and banking connectivity have a positive impact on insurance buying behaviour. In a previous study, Stella (2018) noted that awareness of insurance benefits, understanding of insurance claim procedures, and positive experience with insurance companies play an important role in the decision to purchase and renew insurance policies. Overall, these studies show that the most significant drivers for motor insurance policy choice for a vehicle owner are service quality and claim settlement, premium affordability, Company reputation and trust, Policy coverage and benefits, and digital convenience.

Previous studies have explored different factors such as customer satisfaction, insurance awareness, intention to purchase, claim settlement, affordability of premium, service quality and digital insurance services of motor insurance, but most of the studies have examined single determinants of motor insurance buying behaviour. Past studies have focused on a single dimension, typically on the reputation of the insurers, risk perception, customer trust or policy advantages. Furthermore, there are only a few studies that have studied motor insurance selection behaviour in the context of car ownership in Bangalore. The motor insurance market has evolved considerably from small beginnings to a highly dynamic area, driven by the rapid proliferation of digital insurers, the rising demand from customers, growing competition among insurers, and the launch of technology-driven services. There is, however, little empirical evidence that fully captures and confirms the underlying factors that affect the policy choice using Exploratory Factor Analysis. Hence, there is a lack of understanding of how the premium and cost aspects, claim settlement, service quality, policy coverage, company reputation and trust, and digital convenience influence car owners' policy selection in motor insurance in Bangalore. The present study aims to fill this void and aims to identify the most critical dimensions affecting the customers' motor insurance purchase decisions with the factor analysis method.

Objectives of the Study

1. To identify the factors influencing the choice of motor insurance policies among car owners in Bangalore.
2. To provide suggestions to insurance companies for improving policy attractiveness.

RESEARCH METHODOLOGY

The present study used a descriptive research design which was used to understand the factors affecting the selection of motor insurance policies of car owners in Bangalore City. The target population included the owners of cars, who had bought or renewed a motor insurance policy in Bangalore. The convenience sampling method was used to select 250 respondents, a non-probability sampling method, which involves a sample that is easy to choose and is willing to participate in the survey. Primary data was gathered by a structured questionnaire, which consisted of statements with a five-point Likert scale ranging from strongly disagree to strongly agree. The questionnaire was able to gather the perceptions of the respondents on motor insurance policy selection, which were related to various aspects of motor insurance policy selection, such as service quality, premiums, reputation of the insurer, policy benefits and digital services. The data collected was analysed using suitable statistical methods. Descriptive statistics were used to provide a summary of the demographic information and response patterns of the participants. Exploratory Factor Analysis (EFA) was used to discover the factors that determine the choice of motor insurance policies. Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Bartlett's Test of Sphericity were used to test the appropriateness of the data for factor analysis before factor extraction. The results enabled the identification of the critical dimensions that impact the motor insurance buying decision of the car owners in Bangalore.

RESULTS AND DISCUSSION

The data collected from the 250 motor owners of Bangalore are analysed and interpreted in the present chapter with respect to the factors that affect their selection of motor insurance policies. Descriptive statistics and Exploratory Factor Analysis (EFA) were used for analysing the results. The demographic profile of the respondents is presented first, and then the results of the factor analysis are presented, which include KMO and

Bartlett's Test, communalities, total variance explained and the rotated component matrix. The results offer clues for the important dimensions that impact motor insurance policy selection among car owners.

Table 1 Demographic profile (N=250)

Variable	Category	Frequency	Percentage
Gender	Male	162	64.8
Gender	Female	88	35.2
Age	Below 30 Years	52	20.8
Age	31-40 Years	96	38.4
Age	41-50 Years	67	26.8
Age	Above 50 Years	35	14.0
Education	Undergraduate	74	29.6
Education	Postgraduate	128	51.2
Education	Professional Qualification	48	19.2
Annual Income	Below ₹5 Lakhs	61	24.4
Annual Income	₹5–10 Lakhs	98	39.2
Annual Income	₹10–15 Lakhs	57	22.8
Annual Income	Above ₹15 Lakhs	34	13.6
Insurance Type	Third Party	72	28.8
Insurance Type	Comprehensive	178	71.2

Source: Primary Data

The demographic of the respondents is presented in Table 1. In terms of gender, the majority of the respondents were male (64.8%), with females making up 35.2 percent of the sample. With respect to age, the largest group of respondents belonged to the 31–40 years category (38.4%), followed by 41–50 years (26.8%), below 30 years (20.8%), and above 50 years (14.0%). In terms of educational qualification, over half of the respondents (51.2%) were postgraduates, 29.6% were undergraduates, and 19.2% had professional qualifications. As for their annual income, 39.2 per cent said their income ranged between Rs 5-10 lakhs, 24.4 per cent said their income was less than Rs 5 lakhs, 22.8 per cent said their income was between Rs 10-15 lakhs, and 13.6 per cent said their income was more than Rs 15 lakhs per year. It also reveals that most of the respondents (71.2%) had opted for a comprehensive motor insurance policy, while 28.8 per cent had gone for a third-party motor insurance policy.

TABLE 2: KMO AND BARTLETT'S TEST

KMO and Bartlett's Test	Value
Kaiser-Meyer-Olkin Measure of Sampling Adequacy	0.894
Bartlett's Test Approx. Chi-Square	5842.716
df	190
Sig.	<0.001

The KMO value of 0.894 is a very good sampling adequacy value, which means the data are appropriate for factor analysis. With Bartlett's Test of Sphericity, the chi-square value was found to be 5842.716 and statistically significant at the 1 percent level ($p < 0.001$), implying that there were enough correlations among the variables. Hence, EFA was applied to the data set because it was found to be suitable for the application. The dataset was therefore found to be suitable for the application of Exploratory Factor Analysis.

TABLE 3: Communalities

Variable	Initial	Extraction
SQ1	1.000	0.854
SQ2	1.000	0.878
SQ3	1.000	0.861
SQ4	1.000	0.843
PC1	1.000	0.812
PC2	1.000	0.831
PC3	1.000	0.799
PC4	1.000	0.784
RT1	1.000	0.892
RT2	1.000	0.865
RT3	1.000	0.847
RT4	1.000	0.823
CB1	1.000	0.821
CB2	1.000	0.804
CB3	1.000	0.776
CB4	1.000	0.711
DC1	1.000	0.765
DC2	1.000	0.782
DC3	1.000	0.796
DC4	1.000	0.758

The Communalities are Relative to the Amount of Variance in Each Variable Accounted for by the Factors Extracted. The Extraction Values Ranged From 0.711 to 0.892, Which is Higher Than the Recommended Extraction Value of 0.50. This Means That Each Variable Has Some Value to Clarify the Factor Structure, and That the Extracted Factors are a Good Representation of These Variables. The High Communality Value Shows That the Selected Variables are Able to Capture the Underlying Dimensions Influencing Motor Insurance Policy Choice Well.

TABLE 4: TOTAL VARIANCE EXPLAINED

Component	Eigenvalue	% Variance	Cumulative %
1	6.248	31.242	31.242
2	2.861	14.304	45.546
3	2.145	10.726	56.272

4	1.864	9.319	65.591
5	1.45	7.25	72.841

Extracted From the Data. These Five Factors Explain 72.841 Per Cent of the Total Variance, Which is More Than the Minimum Required for Factor Analysis. The First Factor Alone Accounts for 31.242% of the Variance, Which Means That This Factor Plays the Most Dominant Role in Motor Insurance Policy Selection. The Extracted Factor Structure Encompasses the Respondents' Perception of Motor Insurance Policies, and the Cumulative Variance Explained Corroborates This.

TABLE 5: ROTATED COMPONENT MATRIX

Variable	Factor1	Factor2	Factor3	Factor4	Factor5
SQ1	0.884				
SQ2	0.867				
SQ3	0.842				
SQ4	0.824				
PC1		0.861			
PC2		0.843			
PC3		0.815			
PC4		0.792			
RT1			0.872		
RT2			0.856		
RT3			0.831		
RT4			0.798		
CB1				0.847	
CB2				0.826	
CB3				0.801	
CB4				0.774	
DC1					0.838
DC2					0.811
DC3					0.788
DC4					0.724

The rotated component matrix shows a clear and meaningful factor structure. The items had strong loadings on the corresponding factors, ranging from 0.724 to 0.884. There was no significant correlation between any two factors, which shows good discriminant validity. The results are shown to indicate that the factors identified are independent and comprehensively cover the primary dimensions affecting car owners' selection of motor insurance policy in Bangalore.

TABLE 6. Factor Names

Factor	Variables	Factor Name
Factor 1	SQ1-SQ4	Service Quality and Claim Settlement

Factor 2	PC1-PC4	Premium and Cost Considerations
Factor 3	RT1-RT4	Company Reputation and Trust
Factor 4	CB1-CB4	Policy Coverage and Benefits
Factor 5	DC1-DC4	Digital Convenience

Factor 1: Service Quality and Claim Settlement emerged as the most influential factor. Respondents placed significant importance on efficient claim processing, prompt customer service, transparency, and responsiveness while selecting motor insurance policies.

Factor 2: Premium and Cost Considerations reflects the importance of affordable premium rates, value for money, flexible payment options, and cost effectiveness in policy selection.

Factor 3: Company Reputation and Trust highlight the role of insurer credibility, financial strength, market reputation, and customer trust in influencing purchasing decisions.

Factor 4: Policy Coverage and Benefits indicates that customers prefer policies offering comprehensive coverage, add-on benefits, personal accident protection, and roadside assistance services.

Factor 5: Digital Convenience represents the growing importance of online policy purchase, digital claim tracking, mobile applications, and online renewal facilities in influencing customer preferences.

MAJOR FINDINGS

1. The value of KMO (0.892) also indicates the sampling is appropriate for factor analysis.
2. The five factors account for 72.84% of the total variance in the selection of motor insurance policies.
3. Service Quality and Claim Settlement was the most influential factors with 26.72% variance.
4. The price of a product or service is a critical determinant in customer purchasing decisions.
5. Customers will like policies that provide more coverage and extras.
6. Digital service is impacting policy decisions more and more, e.g. claim tracking, online renewal.

Suggestions

Insurers need to pay attention to efficiency in claim settlement and minimise claim processing time. Competitive premium pricing doesn't need to be detrimental to policy benefits. Insurers need to do a better job of communicating and give consumers services that they can rely on and trust, and thus do a better job of improving their brand image. To enhance their satisfaction, other value-added features and customised policy options should be added. Furthermore, insurers must pay attention to improving their investment in digital platforms and mobile apps to improve the policy purchase, renewal and claims management process. The awareness programmes can also be conducted to the customers to educate them about the policy coverage options and benefits of the policy.

CONCLUSION

Based on the study, the factors that influenced the selection of Motor insurance policy among the car owners in Bangalore include Service Quality and Claim Settlement, Premium and Cost Considerations, Company Reputation and Trust, Policy Coverage and Benefits and Digital Convenience. This comprised service quality and efficiency of claim settlement. The results show that today's customers are looking for lower insurance costs as well as reliability, full coverage, trustworthiness and technology-based services. But it is important that

insurers shift their strategy, customer service, and move towards digital technologies to meet customer needs and expectations, and to remain on the cutting edge in a continually evolving motor insurance market.

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