

# **TURKISH CAR INSURANCE USERS' KNOWLEDGE AND SATISFACTION LEVELS ABOUT AUTO INSURANCE**

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## **Abstract**

Insurance sector has more powerful effect on every countries' economy especially in developed countries. Insurance sector has more subsector like health, retirement, fire, accident, car etc. Car insurance subsector has more importance and value in most countries. Car insurance usage level and users knowledge level are very important indicator for both insurance sector service quality and development level. For this purpose, we prepare a public survey and distribute to nearly 235 people in Marmara region. With this public survey is aimed at enlighten these points;

- Why does auto insurance holdres use car insurance? Which reasons have most importance for them?
- Which knowledge level of car insurance holders? Prices , range , coverage, fast, amount of compensations..
- Car insurance holders satisfaction levels from auto insurance firms' service and helping quality
- Car insurance coverage and price balance and users thoughts
- Car insurance users' insurance law knowledge etc...
- Depent level to car insurance firms.

**Keywords : Auto Insurance , Survey , Satisfaction And Knowledge Level**

## **Introduction**

Although insurance are based on B.C. dates, this financial treatment had been developed together with industrializing. As we define of insurance, we can sat that insurance is a sharing and transfer thechnique ( Berk, 2001, 4). But, Together with indusrial developing, insurance financial treatment had turned into a big sector like banking. In modern society and economies insurance has very important role at the commercial and economic activities (Oksay , Özşar ; 2006, 9). Progress of the insurance sector is both similar and paralel with banking.

At the beginning, insurance sector used to save of porperty losses against disaster and accidents or distrubuting financial risks to overall community (Pfeifer;2006;79). At the last years, insurance sector has started to activity in service sector more than finance( Sayan ;258,2006). Sector found opportunity to effect to financial markets ( Gümüş; 2006;69). Together with industrializing, insurance sector changed and took on new duties like below ;

- To supply new and fresh cash to markets
- To support to new investments
- To contribute to life standarts
- To supply more comfort to people of their retirement
- To lessen of government economical responsibilities etc..
- To compancate to every loss of properties

### 1. Insurance Sector At Developed Countries

Especially at developed countries, insurance sector has been fulfilling these duties very succesfully. Insurance is the forth largest annual consumer expenditure behind housing, transportaiton and food (<http://www.nevadainsurancecouncil.com/pdf/NICpowerpoint.ppt#4>) Insurance sector numbers shows this very clearly. These belows ;

**Table 1 : Production Of Premium At Developed Countries And Turkey**

<b>COUNTRIES</b>	<b>Billion \$</b>	<b>% Share</b>
United States	1.117.944	% 35,41
Japan	472.820	% 20,62
United Kingdom	254.363	% 8,63
Germany	170.137	% 5,77
France	161.483	% 5,48
Sweden	39.876	% 1,35
Turkey	3.316	% 0,11

**Resource :** Swiss Re economic Research & Consulting, 2003

These numbers shows us the insurance sector giant sizes with numbers. At which developed countries as industrial and thechnological, insurance sector naturally has been found opportunity of development. Insurance sector development level is not proportional with population. Although Turkey has 70 million population, insurance capacity has been limited. For example Sweden has population % 10 of Turkey but it has insurance capacity 12 times more than Turkey has. At developed coutries, While insurance companies have chance to buy bank using their giant fund, In Turkey, Insurance companies can not continue their commercial life without banks (TKB ; 2001;26). We can say the same things looking the insurance premium per capita. This table is below ;

**Table 2 : Insurance Premium Per Capita**

<b>COUNTRIES</b>	<b>\$</b>	<b>Rank</b>
Sweden	5,484	1
United Kingdom	3,887	2
Ireland	3,331	3
Holland	3,209	4
Belgium	2,787	5
Danmark	2,183	6
Turkey	47	21

**Resource :** Swiss Re economic Research & Consulting, 2003

## **2. Insurance Sector In Turkey**

Insurance sector entered to Turkey at the last years of the Otoman Empire. Sector Did not found stable development chance along these and beginning years of the New Turkey Republic.

Turish insurance sector started to improve at together with 1980s. Many laws about insurance were legislated and Turkey started to industrilized. After than, Turkish insurance sector become open to foreign markets and started to collaboration proseses. Collaboration level has raised nowadays and lots of firms entered to Turkey to sell or share a insurance company. In 2007 year, %90 of direct investment –nearly 20 billion \$- made into banking and insurance sector. Now Turkey has a very competitive insurance environment (Bugl,2005,251). This shows that Turkish banking and insurance sector has become more powerfull and attractive.

Turkey's Insurance sector data are below belong to 2007 year;

In Turkey, 47 insurance company settle in finance sector. These belows ;

- 25 of them non-life insurance Company
- 10 of them life& pension insurance company
- 10 of them life insurance company
- 1 of them pension company
- 1 of them reasurans company (<http://www.hazine.gov.tr/stat/finans/ti45.htm>)

16 of them are foreign companies which settle in Turkey. 31 companies are Turkey originated companies.

Production of Premium is 9.666.022.056

Insurance Premium Per capita is 130,80 \$.

The branches in loses is healty, pension, autu insurance

## **3. Auto Insurance Branch**

Turkish insurance sector's %33.3 of premium product is arised from auto car branch. Other branches premium product are below ;

**Table 3 : Direct Premium Product in 2006**

Branches	Premium Product	%
<b>Non-life</b>	<b>8.089.781</b>	<b>85,38</b>
Fire	1.523.767	16,08
Transport	331.545	3,5
Trafic	1.327.873	14,02
<b>Auto</b>	<b>3.163.092</b>	<b>33,39</b>
Personel Accident	295.450	3,12
Credit	8.310	0,09
Legal Protection	25.152	0,27
Engineering	412.335	4,35
Aggriculture	53.628	0,57
Health	948.630	10,01
<b>Life</b>	<b>1.384.750</b>	<b>14,62</b>
<b>Total</b>	<b>9.474.531</b>	<b>%100</b>

**Resource :** 2006 Report Undersecretariat Of Treasury

In accordance the table, auto insurance premium had been produced of 1/3 of total Premium product in 2006 year. This means that auto insurance branch has more importance in Turkey. More attractive result is that although life branch is ahead of others branches, life sector in Turkey is not ahead of other branches.

Although in Auto insurance sector is ahead of others, technically in loss position. In 2006 this brancn declare 184.989 YTL loss , as rate % 5,38. This means that % 5,38 of Total Premium is in loss.

This negative result is encourage us to work on auto insurance branch and we prepared a survey which measures of auto insurance users' satisfaction and levels. We thought that are there reasons arise from the client knowledge satisfaction and presented a survey to clients.

#### **4. Research Methodology**

##### **The Title Of The Survey :**

Turkish Car Insurance Users' Knowledge And Satisfaction Levels About Car Insurance

##### **The Aim Of The Survey :**

We have 2 aim ;

- To determine of knowledge level of auto insurance holders
- To determine of satisfaction level of auto insurance holders from auto insurance companies
- In the light of these giving suggestion

### **The Extent Of The Survey :**

We carried out this survey to the people which have auto insurance policy.

### **Limits Of The Survey :**

Survey was carried out in three big city Istanbul, Sakarya and Kocaeli which settle in Marmara region. Number of participants is 235.

### **Shape Of The Survey :**

Firstly, Personal and income peculiarities were asked for applicant and using five column likert scale, insurance satisfaction and knowledge level of participants were tried to found by survey. Likert scale example which mostly used in survey is below;

<b>Statement</b>	
Strongly Agree	
Agree	
Neither Agree or Disagree	
Disagree	
Strongly Disagree	
<b>TOTAL</b>	

### **Survey Results :**

**Table 1 : Monthly Income Level Of Participants**

<b>Monthly Income Level</b>	<b>Number of Participants</b>	<b>Rate</b>
500 to 1000 YTL	14	6 %
1001 to 2000 YTL	101	43 %
2001 to 3000 YTL	60	25 %
3001 to 5000 YTL	30	13 %
5000 YTL or more	30	13 %
<b>TOTAL</b>	235	100 %

We tried to measure monthly level of participant with this table. According to the table, % 75 of the participants have 1001-3000 YTL income level monthly. This is very high level in accordance to average of Turkey. This means that insurance policy holders generally have upper income level than average.

**Table 2 : The Payment Paid For Auto Insurance By Participants**

<b>The Payment Paid For Auto Insurance</b>	<b>Number of Participants</b>	<b>Rate</b>
0 to 300 YTL	9	3 %
301 to 500 YTL	33	14 %
501 to 1000 YTL	107	46 %
1001 to 2000 YTL	67	29 %
2000 YTL or more	20	8 %
<b>TOTAL</b>	<b>236</b>	<b>100 %</b>

We tried to measure payment amount paid for auto insurance companies by the users with Table 2. % 75 of participants have been paid for auto insurance average 501-2000 YTL in one year. % 46 of participants have been paid average 1001-2000 YTL in a year.

**Table 3 : Knowledge About Insurance Rights**

<b>Although I have an auto insurance, I have no idea about my rights.</b>		
Yes	76	32 %
No	160	68 %
<b>TOTAL</b>	<b>236</b>	<b>100 %</b>

We tried to measure with Table 3 conscious level of participants about policy rights. Insurance policy holders have some plus rights together with insurance policy. Principals of these below ;

- Probability of Accident
- Probability of Theft
- Probability of Earthquake/Flood/Fire/Other Disasters
- To Benefit from Vehicle and Other Services
- Legal Obligations (Buying with Credits/Leasing)
- Probability of Terror and Rebellion

Together with these, insurance policy coverages sometimes spare part advantage and other passengers insurance too. % 32 of participants have no idea about their insurance rights. This rate is not less, on the contrary rate is very high. It is said that Turkish auto insurance holders are unconscious about coverage of the policy. Policy holders must absolutely have knowledge their car insurance coverage. This situation

is considered as normal for the people not having auto insurance policy but for the ones having insurance policy is not normal. Causes of this situation may be below ;

- To insure their car due to legal obligations
- To think of only accident probability
- Not to be enlightened by the insurance agency
- Lack of interest

**Table 4 : Knowledge Level Of Participants Of Insurance Alternatives**

<b>I decided on my auto insurance company after comparing with others.</b>		
Yes	110	46 %
No	125	54 %
<b>TOTAL</b>	<b>235</b>	<b>100 %</b>

We tried to measure with this statement if auto insurance holders buy policy after comparing other companies or not. Insurance is not easy and tke more time but it is necessary (<http://www.dora.state.co.us/insurance/pb/autoins04.pdf>). According to table % 46 of the participants buy policy after market research. This result is consistent with preceding table. It is inference that the participants who research to market have knowledge about their rights at the same time.

% 54 of participants had not researched to other companies. This situation can result from these ;

- To buy policy with this policy holders' advises.
- Limited time
- Lack of knowledge about market
- Limited opportunity to reach the other companies' proposal

**Table 5 : Knowledge Level about what to do to pay less premium**

<b>I have an idea about what to do to pay less premium for auto insurance policy</b>		
Yes	162	69 %
No	74	31 %
<b>TOTAL</b>	<b>236</b>	<b>100 %</b>

Auto insurance companies supply some advantages and discount. Some of these are below ;

- Lack of damage discount
- Auto alarm discount
- Colour discount
- 30 age discount
- Women Discount
- Only one driver discount
- If you have driving licence for more years and any accident you may get a bit discount

% 31 of participants declared that they have no idea about what to do to pay less insurance premium. This rate must be decrease. It is necessary for increase to dependable of auto insurance companies.

Following table are related to why participant insure their car and wanted to enumarate accordance to its importance with 1,2,3.

**Table 6 :**

	<b>1.Degree Important</b>	<b>2.Degree Important</b>	<b>3.Degree Important</b>
Probability of Accident	<b>196 (% 83)</b>	<b>28 (% 12)</b>	<b>8 (% 4 )</b>
Probability of Theft	<b>17(% 7)</b>	<b>157 (% 69)</b>	<b>42 (% 18 )</b>
Probability of Earthquake /Flood /Fire/Other Disasters	<b>2 ( % 1)</b>	<b>10(% 4)</b>	<b>88 (% 38 )</b>
Benefit from Vehicle and Other Services	<b>1 (% 1)</b>	<b>5 (% 2)</b>	<b>25 (%11 )</b>
Legal Obligations	<b>15 ( % 6)</b>	<b>9 (% 4)</b>	<b>24 (% 11 )</b>
Probability of Terror and Rebellion	<b>2 ( % 1)</b>	<b>5 (% 2)</b>	<b>15(% 6 )</b>
Wife and Children Drive the Auto	<b>2 ( % 1)</b>	<b>15 (% 7)</b>	<b>29 (% 12 )</b>

% 83 of participants marked probabily of accident at first important. This means %83 of participants have been seen to probabily of accident as very important. It is very normal result. In many countries may be seen this result. Many people naturally insure their car against probabily of accident.

% 17 of participants marked probability of theft with number 1. This means % 17 of participants have been seen to probability of theft as very important.



% 15 of participants marked legal obligations with number 1. Legal obligations means that buying of auto by credit or leasing. When people buy an auto by credit or leasing, credit and leasing companies force the auto holders to buy insure policy. In the last 5 years, Number of cars bought by credit are increased. Due to this situation, number of the insurance policy with the cause of the legal obligatios has been increased.

At the second column, most attractive result is % 69 of the participants marked probabily of theft as number 2. That coming from probability of accident is very normal for probability of theft alternative. People is incline to buy insurance policy firstly accident probability before theft probability. This inclination reflects to our survey at the same time.

At the thirt column, most important result is % 38 of the participants marked probabily of Earthquake /Flood /Fire/Other Disasters as number 3. This sitation is stem from the region where we applied of survey is at teh earthquake zone and all autos in fire danger due to their electricity structure.

**Table 7 :Satisfaction Level Of Auto Insurance Company**

<b>I am Pleased With My Auto Insurance Company.</b>		
Strongly Agree	89	38 %
Agree	114	48 %
Neither Agree or Disagree	18	8 %
Disagree	11	4 %
Strongly Disagree	4	2 %
<b>TOTAL</b>	236	100 %

In accordance to table, most of insurance policy holders are satisfied to their auto insurance company. This rate is % 86. This result is very very hopeful for the future of the auto insurance subsector.

% 6 of the participants are unsatisfied of their insurance company. It is said that Turkey is very good sample for its auto insurance sector especially for the countries at which the proses of development like Albania, Bulgaria, Bosna-Hersekovina.

**Table 8 :The Auto Prices Increases**

<b>I Don't Think To Buy Insurance Policy If the Auto Prices Increases More</b>		
Strongly Agree	19	8 %
Agree	35	15 %
Neither Agree or Disagree	36	15 %
Disagree	106	46 %
Strongly Disagree	39	16 %
<b>TOTAL</b>	235	100 %

This table is rather related to proceeding table. In accordance to table 8, auto insurance holders are tend to go on their insurance even if insurance prices goes up. % 62 of participants say that they will continue their car insurance if insurance prices increase. In the light of proceeding 2 table we can say that ;

- Turkish auto insurance policy holders are very pleased to their company and insurance sector.
- Insurance prices is very stable, it is not expected very high insurance price increases today.

**Table 9 : Problems With Paying Back**

<b>Price of My Auto Insurance Company Is Reasonable But I Have Problems With Paying Back.</b>		
Strongly Agree	11	5 %
Agree	39	17 %
Neither Agree or Disagree	32	14 %
Disagree	123	53 %
Strongly Disagree	26	11 %
<b>TOTAL</b>	<b>231</b>	<b>100 %</b>

Compensation paying back is very big problem and very important component of the insurance sector especially auto insurance in that accidents occur very generally and paying back is very huge.

Although these obstacles, participants say that they are very pleased to their companies' paying back. This means Turkish insurance companies have very strong cash and resource structure.

Really, Turkish companies are getting stronger and stronger and they draw attention of foreign investors nowadays. It is very good sign to this is that investments made by foreigner have been head to insurance and banking sector in last years

**Table 10 : Price of My Auto Insurance Company**

<b>Price of My Auto Insurance Company Is High But I Have No Problems With My Company.</b>		
Strongly Agree	11	5 %
Agree	77	34 %
Neither Agree or Disagree	75	33 %
Disagree	50	21 %
Strongly Disagree	16	7 %
<b>TOTAL</b>	<b>229</b>	<b>100 %</b>

Looking to upper table we say that even if prices are very high, participants have no problem about their companies. The Ones have no problem about their companies are bigger as % 11 than the ones have problem about their companies.

**Table 11 : Timing of Paying Back**

<b>I Have a Problem With the Timing of Paying Back of Damages</b>		
Strongly Agree	7	2 %
Agree	27	10 %
Neither Agree or Disagree	47	17 %
Disagree	115	55 %
Strongly Disagree	40	16 %
<b>TOTAL</b>	235	100 %

This table shows that Turkish insurance companies have very strong cash and current assets structure. Paying back timing is very hard and very important component for insurance companies.

Timing of paying back of damages is very big problem in developed countries too. Although this reality, participants are very satisfied with Turkish companies' compensation timing. % 71 of participant are very happy to this matter for their companies.

**Table 12 : Problem With the Amount of Paying Back**

<b>I Have a Problem With the Amount of Paying Back of Damages</b>		
Strongly Agree	11	5 %
Agree	34	14 %
Neither Agree or Disagree	62	26 %
Disagree	95	40 %
Strongly Disagree	33	14 %
<b>TOTAL</b>	235	100 %

Satisfying level of paying back damages is going on together with amount of compensation paying back. % 64 of participants are satisfy with amount of compensation. If we take up together with proceeding table Turkish, We can say that insurance companies are very succesfull at the branch of auto insurance.

**Table 13 : Insurance Laws**

<b>Insurance Laws Saves More the Insurance Company Than Insurance Policyholders</b>		
Strongly Agree	27	12 %
Agree	76	32 %
Neither Agree or Disagree	59	25 %
Disagree	57	24 %
Strongly Disagree	16	7 %
<b>TOTAL</b>	235	100 %

It is thought that Insurance laws saves more insurance companies than insurance holders. It is a bit true and % 44 of participants declare that it is true.

**Table 14 : Enlightenment About Policy**

<b>My Auto Insurance Company Enlighted Me About My Policy Rights</b>		
Strongly Agree	42	18 %
Agree	121	51 %
Neither Agree or Disagree	34	14 %
Disagree	32	14 %
Strongly Disagree	7	3 %
<b>TOTAL</b>	236	100 %

Insurance policy includes important data below ;

- Beginner and finish dates
- Insurance coverage
- Amount of Compansation

It is very important to give information to policy holders about their policy. Reliabilty is very important component for all sector. It is valid for the insurance sector. To enlight to holders especially about their rights and insurance coverage increaes of depend and this turns back new sales and increasing esteem.

% 17 of participant say that they were not enlightened by agencies. Although this rate is small but it is not seen as unimportant. To increase of enlightenment is very easy. At this point, it is very importtant to train well-informed, capable and perfect insurance agencies because agencies are the faces of companies meets to customers. Duyt of enlightenment and pay interested in customer is belong to agencies.

**Table 15 : Auto Insurance Price Or Coverage**

<b>I Give More Importance to My Auto Insurance Policies Price Than Its Coverage</b>		
Strongly Agree	18	8 %
Agree	57	24 %
Neither Agree or Disagree	51	21 %
Disagree	86	37 %
Strongly Disagree	24	10 %
<b>TOTAL</b>	236	100 %

Covarege is more important than price of auto insurance for participants in accordance to table 15. It is show that Turkish insurance policy holders have upper knowledge level and very conscios about auto insurance.

**Table 16 : Users Income**

<b>If I Had More Income, I Would Enlarge My Insurance Policy Coverage</b>		
Strongly Agree	45	19 %
Agree	74	32 %
Neither Agree or Disagree	29	12 %
Disagree	66	28 %
Strongly Disagree	22	9 %
<b>TOTAL</b>	236	100 %

It is means that when the people have more money than they have now and they tend to spend to insurance coverage. This means ;

- Turkish auto insurance holders have low income and they prefer cheper coverage
- To sell more policy depent on more income that people will have

**Table 17 : Interest Of Company**

<b>When I Need, My Company Didn't Show Interest</b>		
Strongly Agree	9	4 %
Agree	31	13 %
Neither Agree or Disagree	47	20 %
Disagree	117	49 %
Strongly Disagree	32	14 %
<b>TOTAL</b>	236	100 %

% 63 of participants declared that when they need help, their companies show interest their helping request. Help timing is very important for the insurance companies due to customer satisfaction. To be Waiting and lack of interest may cause lossing of customer.

**Table 18 : Advice To Company**

<b>I always advice my company to others.</b>		
Strongly Agree	42	18 %
Agree	93	40 %
Neither Agree or Disagree	61	26 %
Disagree	24	10 %
Strongly Disagree	15	6 %
<b>TOTAL</b>	235	100 %

Insurance business is interested in human needs and how they may be satisfied(Wandel ; 1956,147) and satisfied level is measured bey advisable degree. % 68 of the participants are very satisfied with their company and they advice their companies to other people. Although this rate high, this rate must raise up % 90

level. Because the most important sign is being advisable to other insurance by holders for the insurance companies. This situation supply below ;

- To cause market value to rise
- Probability of taking other companies' customer increases
- Dependable levels increase

## **Conclusions**

The aim of the survey conducted in developed cities of the Marmara Region such as Sakarya, Izmit and Istanbul is to measure the information level of car insurance holders about car insurance and to measure the satisfaction level of car insurance holders from car insurance companies. The results of the survey and suggestions are as follows;

- While there are some among car insurance holders who are not aware of their rights, most of them are aware of their rights. The car insurance holders should be informed about their rights in a clear and simple way and needed information should be available to them easily by internet, telephone or agencies.
- Insurance policy holders usually get insurance on advice. So, facilities provided by car insurance companies should be easily understandable and reachable that they can be compared with others.
- Cars are usually insured against possibility of accident, stolen and disasters respectively.
- Although insurance policy holders are generally satisfied with their companies, it can be improved.
- Although there is not much problems with timing and measure of damage, satisfaction level of insurance policy holders can be improved easily if much attention is given to it.
- All insurance policy holders should be informed detailed about the scope of policies
- The variety of coverage and price should be increased
- The development of the insurance market is linked with welfare of the people. The increase in people` income can lead more demand for insurance.
- Although the level of being recommended is quite high, it can be increased with little efforts easily. The level of being recommended can reach %93 in some foreign insurance companies.
- Clients should be informed about the ways to pay less insurance premium. That can increase the reliability of the companies and attract more clients.

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