

EFFECT OF PERCEIVED JUSTICE OF SERVICE RECOVERY IN MOTOR VEHICLE INSURANCE ON CUSTOMER SATISFACTION

Yasarathne K.G¹ & Galdolage B.S²

^{1,2} Department of Marketing Management, University of Sri Jayewardenepura

Abstract

Motor insurance has become an essential part of daily life, playing a vital role in protecting vehicles, lives, and properties from unintentional damage and a variety of other hazards, including natural disasters. Unlike in other business agreements, the customer has no opportunity to inspect the performance of the service prior to any damage occurring to the insured property. Currently, insurance companies experience a high level of customer switching. Many motor policyholders are moving to competitive service providers at the renewal of agreements due to many reasons. One of the primary causes could be that they did not receive the justice they expected when seeking compensation for accident-related damages. Thus, justice of service recoveries for motor insurance policyholders have become a significant concern in the motor insurance sector. Against such a backdrop, this study investigates the extent to which perceived justice of service recovery of motor vehicle insurance affects customer satisfaction. The sample consisted of 100 motor insurance policyholders in the Western Province, Sri Lanka, selected through a non-probabilistic convenience sampling technique. Self-administered structured questionnaires were used to collect the primary data which were analyzed using descriptive statistics and regression analysis. It was discovered that perceived justice of service recovery has a strong positive impact on customer satisfaction in the Sri Lankan motor vehicle insurance sector. Therefore, Insurance service providers should design their policies taking customer perceptions on justice in service recovery into account.

Keywords: Motor insurance, customer satisfaction, Perceived justice of service recovery, insurance, Sri Lanka

Article Information

Article history:

Received: 10 August 2021

Reviewed: 01 September 2021

Accepted: 10 October 2021

JEL Classification:

M3



Journal of Insurance and
Finance
Volume I Issue II, 2021
PP 1- 14
eISSN: 2773-7276
pISSN: 2673-1258

© Department of Insurance
and Valuation,
Wayamaba University of Sri
Lanka

¹ Corresponding Author: sandamali@sjp.ac.lk
ORCID: <https://orcid.org/0000-0003-3257-2882>

INTRODUCTION

Customer satisfaction is crucial to the survival of any business organization (Barsky and Labagh, 1992). However, failures to perform a service appropriately lead to customer dissatisfaction (Hill et al., 2017), and the consequences can be catastrophic to the service provider (Kau and Wan-Yiun Loh, 2006). The insurance sector often requires interaction between the customer and the company employees (Gizaw and Pagidimarri, 2014). Thus customer satisfaction with high-quality services has become much more important to insurance services (Juhari et al., 2016). Although insurance companies try to provide error-free services, the service delivery process is more crucial in today's competitive environment, and, consequently, service failures are quite frequent (Lee, 2019). Although service failures are the potential to destroy customer satisfaction, the successful implementation of perceived justice of service recovery strategies may prevent the defection of customers who experience a service failure (Marcos and Coelho, 2017). Therefore, perceived justice of service recovery plays a vital role in the insurance industry (Varela-Neira et al., 2010). Similarly, customers' perceived justice/ fairness is recognized as a key influencing determinant in service recovery strategies (Tax et al., 1998), and therefore some studies that examine consumer responses to complaints have focused on the perceived justice as well (Marcos, 2018).

At present, as per the Insurance Regulatory Commission of Sri Lanka (IRCSL), twenty-eight (28) insurance companies are operating in the country, and out of which, fifteen (15) companies offer covers for motor vehicles (Gamage, 2019). It mainly provides the covers for the vehicle, third-party lives and property against accidents and other disasters (Tselentis et al., 2017). Especially the third-party motor insurance covers the physical injuries, deaths and damages to the properties that belong to third parties caused by the motor vehicles insured by the particular service provider (Schwarze and Wein, 2005). Contrary to that, comprehensive motor insurance policies cover the damages to the customer's own vehicle as well as damages to the other parties (Achieng and No, 2010). However, when designing motor insurance service policies, it is very important for service providers to know the customers' viewpoint of the service and its coverage.

Insurance companies make big efforts to attract new prospects and retain existing customers with their companies, as they experience switching the motor policyholders to rivals at the renewal for many reasons (Bond and Stone, 2004). Among them, failure to provide perceived justice to the customer in service recoveries becomes crucial. When customers receive justice for service recoveries, they will view insurance companies as more credible, honest, committed to recovering customers' insurance-related issues, which will lead them to be more satisfied and loyal to the respective insurance organizations and spread positive word-of-mouth (Marcos, 2018). Generally, perceived justice of service recovery not only turns angry and frustrated customers into satisfied ones, but it also has the potential to create more goodwill. Consequently, customer retention is a crucial issue in the motor insurance sector in Sri Lanka, and therefore, insurance service providers invest more in recognizing customers' real requirements, research and development, marketing and sales, and other functional activities to meet customers' needs better (Gamage, 2019).

There are very few studies that have dealt with the recovery efforts of the motor insurance sector and analyzed their effect on customer satisfaction in service failures and recovery situations. Thus, this study examines the impact of perceived justice in service recovery on customer satisfaction in the motor insurance industry. Accordingly, it addresses three main research objectives.

- 1: To examine the level of customers' perceived justice in motor vehicle insurance service recovery.
- 2: To examine the level of customers satisfaction in service recovery of motor vehicle insurance.
- 3: To examine the impact of perceived justice in motor vehicle insurance service recovery on customer satisfaction.

Next, the paper presents the conceptual background of the study. Subsequently, the methodology of the

study is elaborated before providing the finding and discussion. Third, theoretical and practical contributions are discussed, along with the limitations and future research directions.

LITERATURE REVIEW

This section begins by presenting a brief theoretical overview of the perceived justice of service recovery, distributional justice, informational justice, interactional justice, procedural justice, and customer satisfaction. Finally, the relationship between perceived justice and customer satisfaction is discussed.

Perceived justice in service recovery

Providing an error-free service that enhances customer satisfaction would be the prime aim of any business organization (Ha and Jang, 2009). Service failures result in negative customer feelings (Hoffman et al., 1995), dissatisfaction (Goodwin and Ross, 1992), and an unpleasant experience during a service encounter (Li-hua, 2012). According to Gronroos (1988), service recovery refers to the actions taken by service providers while addressing a complaint regarding service failures. It is the process by which all steps are taken as a result of negative customer perception of initial service delivery (Michel, 2001). Though customers are initially unhappy with the service failures, the business organization gets a second chance to make their customers happy through service recoveries (Rosenmayer et al., 2018). Effective recovery strategies can convert a dissatisfied customer into a very loyal customer (Ambrose et al., 2007).

However, when customers make a complaint, they expect justice from the organization (Kim and Jang, 2014). In a service failure, the perceived justice of service recovery can be considered the second service encounter (Guchait et al., 2015), which provides an opportunity to correct the error (Varela-Neira et al., 2010). Further, it is regarded as having a significant impact on consumers who encounter service failures. They are typically more emotionally invested in and attentive to perceived justice of service recovery attempts than rationally involved (Berry and Parasuraman, 2004). Understanding perceived justice of service recovery is particularly important for managers (Maxham III and Netemeyer, 2002) as the unique characteristics of service (inseparability of production and consumption) make it impossible to ensure 100 percent error-free service (Fisk et al., 1993). Industry experts recognize the perceived justice of service recovery as an important strategy in customer service (Warden et al., 2003). However, studying perceived justice is most challenging because it is triggered by a service failure and difficult to conduct research in an artificial environment (Smith et al., 1999).

As service failures are an unavoidable part of service delivery, businesses must understand how customers perceive the justice of service recovery procedures (Koc, 2019). Perceived justice is a crucial matter in creating customers' assessments on organizational responses to a service failure (Sousa and Voss, 2009). It involves those actions designed to resolve the problem change the negative attitudes of dissatisfied consumers, and the ultimate goal is to retain these customers (Miller et al., 2000). The concept of perceived justice is important for studying a person's reactions in a conflict situation (Konovsky, 2000).

Perceived justice has been gaining prominence in the service recovery context and can be considered as a comprehensive concept (Patterson et al., 1997). Patterson et al. (1997) and Smith et al. (1999), recognize the components of perceived justice as distributive justice, procedural justice, and interactional justice. Similarly, Ambrose et al. (2007) note that perceived justice includes procedural justice, informational justice, interactional justice, and distributive justice.

Distributional justice: Distributional justice entails the customer's assessment of the fairness of resource distribution and the actual outcome of the service encounter, regardless of the company's offer to compensate for the service failure (Blodgett et al., 1997). Distributive justice focuses on the apparent fairness of the outcome, which may include tangible benefits such as service replacing or refunding,

monetary rewards as discounts or vouchers offering and exchanging goods and services (Varela-Neira et al., 2010). According to Blodgett et al. (1997), in the retail setting, distributive justice significantly affected customers' patronage and negative word-of-mouth. Distributive justice is involved mainly with the specific result of the recovery effort (Gilliland, 1993) and emphasizes fairness in outcome allocations, including benefits, promotions, and office assignments (Marcos, 2018).

Procedural justice: Procedural justice usually refers to accessibility, timeliness/speed, process control, and flexibility to adapt to the consumers' needs (Tax et al., 1998). It mainly concentrates on the 'perceived fairness of the policies, procedures, and criteria decision-makers use in arriving at the outcome of a dispute or negotiation' (Blodgett et al., 1997). Here, customers look for flexibility, efficiency, and transparency in the recovery process. It is the customers' view of the fairness of the policies and procedures adopted by the company in the recovery process (Marcos, 2018) and refers to the methods the firm uses to deal with the problems occurring during service delivery (Hocutt et al., 2006). In aspects such as accessibility, timing/speed, process control, delay, and flexibility to adapt to the consumer's recovery needs (Marcos, 2018).

Interactional justice: Interactional justice is linked to the customer's opinion of the equity of the personal treatment received from the company's employees in terms of respect, honesty, education, and dignity (Smith et al., 1999). It is characterized as objectivity during the process of collaboration and communication between the customer and the service provider in resolving the difficulties resulting from the service failure (Marcos, 2018). It aims to fairness the interpersonal treatment people receive during the enactment of procedures (Tax et al., 1998). Interactional justice focuses on how customers are treated during the recovery process. It includes customers' opinions and views regarding service providers' and employees' empathy, friendliness, courtesy, responsiveness, explanations, and apologies (Tax et al., 1998).

Informational justice: Informational justice describes the appropriateness and accuracy of information explaining the causes of a negative event (Ellis et al., 2009). It mainly directs the equity of the information given (Zapata et al., 2013), including explanations, instructions, guidelines, and justifications (Cheung, 2013) offered about decisions and the reason behind things (Ambrose et al., 2007).

Customer satisfaction

Customer satisfaction is a customer's overall evaluation of the extent to which product or service performance matches with their pre-determined expectations (Fredericks and Salter, 1995). Thus, satisfaction is a highly personal emotion (Oliver, 2014). Consequently, satisfaction has a mental effect that affects the sense of well-being and enjoyments that stem from achieving what expects to gain (Chuang et al., 2012). Customer satisfaction is a consumer's post-purchase evaluation comparing what they received against what they expected (Peterson and Wilson, 1992). Customer satisfaction is supposed to be one of the most important criteria for customer loyalty (Shankar et al., 2003). Similarly, customer satisfaction is a better predictor of intentions to re-buy than overall or inferred service quality (Angelova and Zekiri, 2011).

Customer satisfaction can be recognized as a process (Barsky and Labagh, 1992). The 'expectancy disconfirmation model' explains the term customer satisfaction well (Reisig and Chandek, 2001), which is key to the success of any business (Pizam and Milman, 1993). In the recent marketing literature, perceived justice is recognized as a key influence in the formation of customers' evaluative judgments (Ha and Jang, 2009) on organizational responses to a service failure (Ambrose et al., 2007). It can be accepted that customers' complaints arise from a perceived unfairness (Smith et al., 1999), i.e., from an imbalance in the customer-provider relationship (Chebat and Slusarczyk, 2005), which causes customers to expect a recovery from the provider that compensates this imbalance (Chebat and Slusarczyk, 2005). Afterward, customers make judgments about the degree to which the recovery process was fair, and these judgments then influence their satisfaction (Chebat and Slusarczyk, 2005). Customer satisfaction will depend on the magnitude of the perceived loss and the number of resources offered in the recovery effort (Smith et al., 1999). It will lead to determining customer loyalty (Shankar et al., 2003) and Word of Mouth

communication (San-Martín et al., 2015).

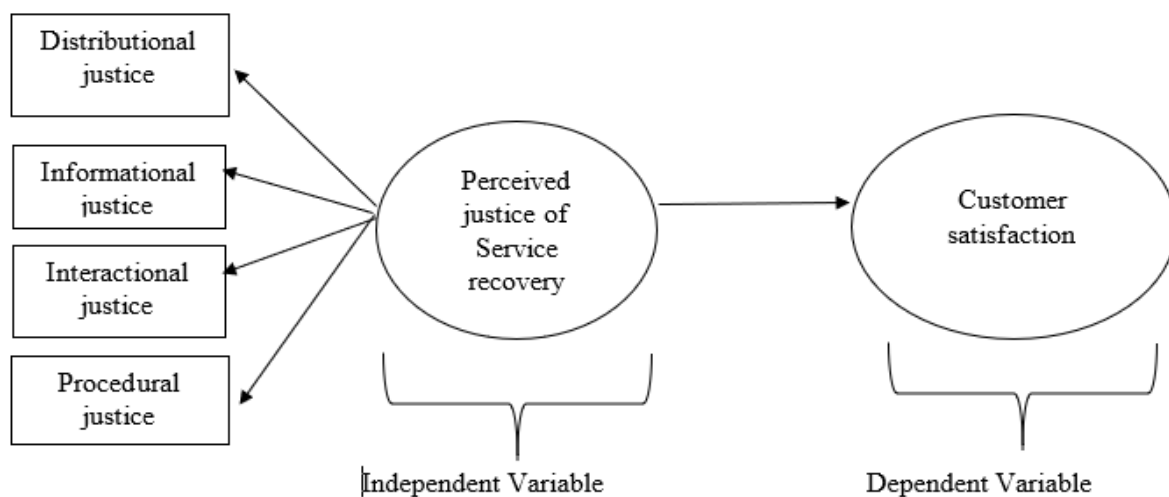
A dissatisfied customer always connects his bad experience with a service provider and share that bad experience with 10 or 20 other people as negative word of mouth communication (Kau and Wan-Yiun Loh, 2006). Dissatisfaction occurs as a result of a mismatch between customer expectations and organizational performance, in which the customers perceive the organization as failing to meet their expectations (Chen et al., 2015). Given that consumer expectations for service recovery are typically high in instances involving accidents, this could be a common occurrence in the motor vehicle insurance sector (Arokiasamy and Huam, 2014, Das and Rao, 2017). Thus, insurance companies are striving hard to offer quality services and products (Spiteri and Azzopardi, 2018) to maintain existing customers and to attract new customers by satisfying their needs (Tax et al., 1998).

Relationship between Perceived Justice in Service Recovery and Customer Satisfaction in Motor Insurance sector

In Sri Lanka, the insurance sector plays a key role in both the finance and service sectors. Customer satisfaction is a primary objective in the insurance industry. This was necessitated by the industry's fierce competition. Insurance firms are committed to providing high-quality services and products in order to retain existing clients and attract new ones. On the other hand, customers want the best claim and are constantly on the lookout for the greatest services. In the recent marketing literature, perceived justice of service recovery is recognized as a critical influence in the formation of customers' assessing judgments (Liat, 2018) on organizational responses to a service failure (Ambrose et al., 2007, Blodgett et al., 1997, Tax et al., 1998, Schoefer and Ennew, 2005).

It can be recognized that customers' objections arise from a perceived unfairness, i.e., from inequity in the customer-provider relationship, which causes customers to anticipate a recovery from the provider that compensates this discrepancy (Chebat and Slusarczyk, 2005). Then, customers make decisions about the degree to which the recovery process was fair, and these decisions then influence their satisfaction (Gamage, 2019). According to Marcos (2018), perceived justice affects customers' willingness to stay with the same organization. As a result, insurance firms should not overlook the importance of providing an adequate perception of fairness in service recoveries.

Figure 1: Conceptual Framework



METHODOLOGY

This study examines the impact of perceived justice in service recovery on customer satisfaction in the motor vehicle insurance sector in Sri Lanka. The quantitative research method was used to collect data based on the deductive approach. The study is descriptive in nature and was conducted in a non-contrived environment.

The study sample consists of female and male respondents from Colombo District, Western Province, Sri Lanka, who possess a motor vehicle and are covered by automotive insurance. Using non-probabilistic convenience sample procedure, 150 questionnaires were delivered to those who had decided to participate. A thorough literature analysis was conducted before operationalizing the constructs, and a five-point Likert scale was devised, with 1 representing strong disagreement and 5 representing strong agreement. Expert suggestions were sought in order to further develop the research instrument, which was then put through its paces in a pilot study involving 15 clients.

After receiving the responses, the data were examined for missing values and outliers. A few questions were rejected due to significant missing values, while a few others were imputed with median (Little and Rubin, 2002). According to Tabachnick et al. (2007), boxplots and frequency tables were used to recognize outliers. However, as Hair et al. (2013) instructed, outliers were closely observed and retained in the data set after identifying them as actual responses of respondents on a given 1-5 Likert scale. Finally, 100 usable questionnaires were used for the data analysis purpose.

Multivariate assumptions were validated using normality. Skewness and Kurtosis values from data distributions are frequently used to determine a dataset's normality. The normality of the data distribution is assumed in this method if the statistical values of skewness or kurtosis are less than or equal to 2.56 (Hair et al., 2013, Field, 2013). Thus, the data were determined to be normal and within the necessary range. Cronbach's alpha was used to determine internal consistency, and content, construct, and discriminant validity were all assessed (Sekaran, 2006). To ensure the unidimensionality of the data, exploratory factor analysis was used. Finally, descriptive and inferential statistics like correlation and regression are used to analyze data. The following table (Table 1) shows the sample profile.

Table 1: Sample profile

Respondents' characteristics		Frequency (n)
Gender	Male	89
	Female	11
Age	20-29 years	21
	30-39 years	48
	40-49 years	12
	50-59 years	9
Monthly family income	Below 20,000	20
	20,000-50,000	97
	50,000-100,000	74
	More than 100,000	9
Employment status	Business owners	27
	Employed	140
	Unemployed	25

Retired	8
---------	---

Validation of Measurement properties

Exploratory factor analysis was carried out with the data reduction purpose and to ensure the uni-dimensionality nature of the data. Accordingly, all the factor loading is greater than 0.7. and haven't found any cross-loadings. Therefore, the researcher has concluded that Uni- Dimensionality is satisfied.

Table 2: Factor Analysis

	Components				
	1	2	3	4	5
DIS1	.862				
DIS2	.840				
DIS3	.873				
DIS1	.786				
PRO1		.881			
PRO2		.866			
PRO3		.838			
PRO4		.845			
PRO5		.873			
INFO1			.905		
INFO2			.907		
INFO3			.939		
INFO4			.914		
INT1				.825	
INT2				.877	
INT3				.794	
INT4				.796	
INT5				.871	
SATIS1					.849
SATIS2					.806
SATIS3					.910
SATIS4					.883

Test of validity

Validity can be measured by studying the content validity, criterion validity, and construct validity(Sekaran, 2006, p.203). This study ensures content validity since all the indicators (independent and dependent variables) were developed using well-established literature. Convergent validity was confirmed by checking factor loadings, squared multiple correlations, average variance extracted, reliability, etc.

Table 3: Convergent validity

Dimension / Variable	Convergent Validity Test				
	KMO > 0.5	BTS Significance < 0.5	Chi - Square	CR > 0.7	AVE > 0.5
Distributional Justice	0.724	0.000	123.670	0.906	0.707
Procedural Justice	0.728	0.000	235.892	0.935	0.741
Informational Justice	0.713	0.000	234.517	0.954	0.840
Interactional Justice	0.687	0.000	201.997	0.919	0.695
Customer Satisfaction	0.829	0.000	272.271	0.921	0.744

As shown in table 3, KMO values of all were greater than 0.5, AVE values were greater than 0.5, and CR value was greater than 0.7. Therefore, the convergent validity of the respective dimensions was satisfied.

Discriminant Validity

Table 4 shows that all squad correlation among all dimensions was lower than the AVE on the individual dimensions, satisfying discriminant validity.

Table 4: Discriminant validity

	DIS	PRO	INFO	INT	SATIS
DIS	0.707				
PRO	0.582	0.741			
INFO	0.508	0.612	0.840		
INT	0.467	0.608	0.674	0.695	
SATIS	0.453	0.731	0.714	0.690	0.744

Reliability

Cranach's Alpha values of all constructs were greater than its minimum acceptable value of 0.7 and therefore considered reliable.

Table 5: Reliability

Dimension/ Variable	Cronbach's Alpha value > 0.7	Number of Indicators
Distributive Justice	0.855	4
Procedural Justice	0.911	5
Informational Justice	0.936	4

Interactional Justice	0.889	5
Customer Satisfaction	0.885	4

HYPOTHESIS TESTING

Examine the level of Perceived Justice of service recovery in the Motor Vehicle Insurance Sector in Sri Lanka.

Here, the study hypothesized that customers have a moderate level of perceived justice of service recovery in the motor vehicle insurance sector in Sri Lanka. To examine it, a mean value comparison was conducted, followed by and One-Sample T-Test. A decision criterion was developed as 1.00 - 2.50 as low level, 2.50 - 4.00- moderate level, and above 4.00 as high level. According to table 6, the mean value of the perceived justice of service recovery in motor insurance is 3.8738, representing a moderate level.

Table 6: Mean Value of Perceived Justice in service Recovery

	N	Mean	Std. Deviation	Std. Error Mean
Perceived Justice	100	3.8738	1.15583	.13815

A One Sample T-test was used to determine the statistical validity of the findings. According to Table 7, p-value less than 0.05, rejects the null hypothesis, which indicates that there are no disparities in perceived justice in the Motor Insurance industry. Thus, it is stated that perceived justice in service recovery is at a moderate level in Sri Lanka's motor vehicle insurance sector.

Table 7: One-Sample T-Test

	Test Value = 3			Mean Difference	95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)		Lower	Upper
Perceived justice	13.563	69	.000	1.87375	1.5982	2.1493

Examine the level of Customer Satisfaction that prevails in the Motor Vehicle Insurance Sector in Sri Lanka.

It was hypothesized that customer satisfaction is moderate among the vehicle insurance policyholders in Sri Lanka. This analysis was done by mean value comparison followed by and One-Sample Test. According to table 8, the mean value of customer satisfaction is 3.775, which is a moderate level among motor insurance holders in Sri Lanka. However, a high standard deviation (SD=1.22) explains that this mean value can be varied within the limits of 2.55 and 4.99.

Table 8: Mean Value of Customer Satisfaction

	N	Mean	Std. Deviation	Std. Error Mean
Satisfaction	100	3.7750	1.22041	.14587

According to table 9, the p-value which is less than 0.05, rejects the null hypothesis. Therefore, it is concluded that customer Satisfaction prevails at a moderate level in Motor Vehicle Insurance Sector Sri Lanka.

Table 9: One-Sample T-Test

	Test Value = 3			95% Confidence Interval of the Difference		
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Satisfaction	12.169	69	.000	1.77500	1.4840	2.0660

Examine the Impact of Perceived Justice of service recovery on Customer Satisfaction

The study hypothesized that perceived justice of service recovery has a strong positive impact on customer satisfaction in the motor insurance sector in Sri Lanka. To examine it, a regression analysis was carried out.

Table 10: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.895 ^a	.801	.798	.54812

According to Table 10, R Square for this model is 0.801. This means that 80.1% of the variation dependent variable (customer satisfaction) can be explained by perceived justice.

Table 11: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	82.339	1	82.339	274.072	.000 ^b
	Residual	20.429	68	.300		
	Total	102.769	69			

The model became significant at (F= 274.072, p<0.05)

Table 12: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.169	.286		.590	.557
	Perceived Justice	.945	.057	.895	16.555	.000

The regression analysis found a significant positive impact on perceived justice ($\beta = 0.945$, $p < 0.000$). This result further supports that Perceive justice of service recovery has a significant strong positive effect on customer satisfaction.

DISCUSSION

This study examines the impact of perceived justice in service recovery on customer satisfaction in the motor insurance sector in Sri Lanka. Our findings confirm that perceived justice significantly impacts customer satisfaction in the motor vehicle insurance sector in Sri Lanka.

This finding is coherent with the previous literature where perceived justice was recognized to have the greatest impact on customer satisfaction (Blodgett et al., 1997). Similarly, Tax et al. (1998) also discovered that resolving a service failure could help to rebuild the customers' trust in the service provider. Further, happiness with customers' justice during the service recovery directs to positive word-of-mouth communications (Assefa, 2014). However, the level of trust, loyalty, and positive word-of-mouth behavior is higher among customers who are initially satisfied with the service than those satisfied after lodging complaints against service failures (Michel, 2004).

As such, service providers must strive to identify potential service pitfalls and design remedies before service failure could affect the customers (Hocutt et al., 2006). Similarly, management of the perceived justice of service recovery procedure and deployment of trained and skilled personnel to handle customer complaints are important to ensure satisfaction with the Perceived justice of service recovery. This point is reinforced by the finding of (Varela-Neira et al., 2010).

THEORETICAL CONTRIBUTIONS

The importance of perceived justice in service recovery cannot be overlooked. In the case of the provision of Insurance sector service, it is noted that in cases of service failures, customers are more particular on the remedies and justice. Thus, service providers must be concerned about providing error-free services and providing justice to the customers in all aspects if errors occur. This study contributes to theory by supplementing the existing literature on customer satisfaction, perceived fairness in service recovery, and insurance as an evolving service sector. The study found a moderate level of perceived justice in service recovery and a moderate level of customer satisfaction in the motor vehicle insurance sector in Sri Lanka. Further, it reveals a strong positive impact of perceived justice of service recovery on customer satisfaction.

PRACTICAL IMPLICATIONS

As the study found, the perceived justice of service recovery in the motor vehicle insurance sector leads to higher levels of customer satisfaction. Therefore, business organizations must make efforts to make their customers happy through providing perceived justice in recovery action. Because dissatisfied customers who opt to remain silent could be disastrous, deep distrust, willingness to pass negative word-of-mouth, and dismally low loyalty are behind their silent masks. Insurance service providers can guarantee service recoveries are equitable by applying distributive justice, procedural justice, informational justice, and interactional justice.

LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

This study was limited to studying the effect of perceived justice on customer satisfaction in the Sri Lankan automobile insurance business. Thus, future researchers can broaden their research to include perceived fairness in service recovery in different types of services and understand its effect on customer loyalty,

word of mouth communication, etc. Additionally, the study was limited geographically to the Colombo area in Western Province and a sample size of 100. Future researchers can undertake a large-scale study with a large sample size to ensure generalizability.

ACKNOWLEDGMENT

The authors would also like to express their gratitude to the anonymous reviewers for their helpful suggestions in completing this study.

COMPETING INTERESTS

The authors declared no competing interests.

REFERENCES

- Achieng, O. M. & No, I. Actuarial modeling for insurance claim severity in motor comprehensive policy using industrial statistical distributions. International Congress of Actuaries, Cape Town, 2010.
- Ambrose, M., Hess, R. L. & Ganesan, S. 2007. The relationship between justice and attitudes: An examination of justice effects on event and system-related attitudes. *Organizational Behavior and Human Decision Processes*, 103, 21-36.
- Angelova, B. & Zekiri, J. 2011. Measuring customer satisfaction with service quality using American Customer Satisfaction Model (ACSI Model). *International journal of academic research in business and social sciences*, 1, 232.
- Arokiasamy, A. R. A. & Huam, H. T. 2014. Assessing the relationship between service quality and customer satisfaction in the Malaysian automotive insurance industry. *Middle-East Journal of Scientific Research*, 20, 1023-1030.
- Assefa, E. 2014. The effects of Justice Oriented Service Recovery on Customer Satisfaction and Loyalty in Retail Banks in Ethiopia. *EMAJ: Emerging Markets Journal*, 4.
- Barsky, J. D. & Labagh, R. 1992. A strategy for customer satisfaction. *Cornell Hotel and Restaurant Administration Quarterly*, 33, 32-40.
- Berry, L. L. & Parasuraman, A. 2004. *Marketing Services: Competing Through Quality*, Free Press.
- Blodgett, J. G., Hill, D. J. & Tax, S. S. 1997. The effects of distributive, procedural, and interactional justice on postcomplaint behavior. *Journal of Retailing*, 73, 185-210.
- Bond, A. & Stone, M. 2004. How the automotive insurance claims experience affects customer retention. *Journal of Financial Services Marketing*, 9, 160-171.
- Chebat, J.-C. & Slusarczyk, W. 2005. How emotions mediate the effects of perceived justice on loyalty in service recovery situations: an empirical study. *Journal of Business Research*, 58, 664-673.
- Chen, C. X., Matsumura, E. M., Shin, J. Y. & Wu, S. Y.-C. 2015. The effect of competition intensity and competition type on the use of customer satisfaction measures in executive annual bonus contracts. *The Accounting Review*, 90, 229-263.
- Cheung, M. F. 2013. The mediating role of perceived organizational support in the effects of interpersonal

- and informational justice on organizational citizenship behaviors. *Leadership & Organization Development Journal*.
- Chuang, S.-C., Cheng, Y.-H., Chang, C.-J. & Yang, S.-W. 2012. The effect of service failure types and service recovery on customer satisfaction: a mental accounting perspective. *The Service Industries Journal*, 32, 257-271.
- Das, S. C. & Rao, S. 2017. Consumer Buying Behaviour and Satisfaction towards Motor Insurance Policies: Experience from Indian General Insurance Industry. *International Journal on Customer Relations*, 5, 5.
- Ellis, K. M., Reus, T. H. & Lamont, B. T. 2009. The effects of procedural and informational justice in the integration of related acquisitions. *Strategic Management Journal*, 30, 137-161.
- Field, A. 2013. *Discovering Statistics using IBM SPSS Statistics*, Sage Publications Ltd.
- Fisk, R. P., Brown, S. W. & Bitner, M. J. 1993. Tracking the evolution of the services marketing literature. *Journal of Retailing*, 69, 61-103.
- Fredericks, J. O. & Salter, J. M., II 1995. Beyond customer satisfaction. *Management Review*.
- Gamage, S. K. 2019. Determinants of the Customer Satisfaction in Motor Insurance. *Saudi Journal of Business and Management Studies*, 04.
- Gilliland, S. W. 1993. The Perceived Fairness of Selection Systems: An Organizational Justice Perspective. *The Academy of Management Review*, 18, 694-734.
- Gizaw, K. D. & Pagidimarri, V. 2014. The mediation effect of customer satisfaction on service quality–customer loyalty link in insurance sector of Ethiopia-A study. *International Journal of Marketing and Technology*, 4, 184-199.
- Goodwin, C. & Ross, I. 1992. Consumer responses to service failures: Influence of procedural and interactional fairness perceptions. *Journal of Business research*, 25, 149-163.
- Gronroos, C. 1988. Service Quality: The Six Criteria of Good Perceived Service Quality. *Review of Business*, 9, 10-13.
- Ha, J. & Jang, S. S. 2009. Perceived justice in service recovery and behavioral intentions: The role of relationship quality. *International Journal of Hospitality Management*, 28, 319-327.
- Hair, J. F., Black, W. C., Babin, B. J. & Anderson, R. E. 2013. *Multivariate Data Analysis*, Pearson Education Limited.
- Hill, N., Brierley, J. & MacDougall, R. 2017. *How to measure customer satisfaction*, Routledge.
- Hocutt, M. A., Bowers, M. R. & Todd Donovan, D. 2006. The art of service recovery: fact or fiction? *Journal of Services Marketing*, 20, 199-207.
- Hoffman, K. D., Kelley, S. W. & Rotalsky, H. M. 1995. Tracking service failures and employee recovery efforts. *Journal of services marketing*.
- Juhari, A. S., Bhatti, M. A. & Piaralal, S. K. 2016. Service quality and customer loyalty in Malaysian Islamic insurance sector exploring the mediating effects of customer satisfaction. *International Journal of Academic Research in Business and Social Sciences*, 6, 17-36.

- Kau, A. K. & Wan-Yiun Loh, E. 2006. The effects of service recovery on consumer satisfaction: a comparison between complainants and non-complainants. *Journal of Services Marketing*, 20, 101-111.
- Kim, J.-H. & Jang, S. S. 2014. The fading affect bias: Examining changes in affect and behavioral intentions in restaurant service failures and recoveries. *International Journal of Hospitality Management*, 40, 109-119.
- Koc, E. 2019. Service failures and recovery in hospitality and tourism: a review of literature and recommendations for future research. *Journal of Hospitality Marketing & Management*, 28, 513-537.
- Konovsky, M. A. 2000. Understanding Procedural Justice and Its Impact on Business Organizations. *Journal of Management*, 26, 489-511.
- Lee, C.-Y. 2019. Does corporate social responsibility influence customer loyalty in the Taiwan insurance sector? The role of corporate image and customer satisfaction. *Journal of Promotion Management*, 25, 43-64.
- Li-hua, Y. 2012. Customer satisfaction antecedents within service recovery context. *Nankai Business Review International*, 3, 284-301.
- Liat, C. B. 2018. Perceived Justice in Service Recovery and Customer Satisfaction: Evidence from the Malaysian Hotel Industry. *International Journal of Advances in Agriculture Sciences*.
- Little, R. J. & Rubin, D. B. 2002. Single imputation methods. *Statistical analysis with missing data*, 59-74.
- Marcos, A. & Coelho, A. 2017. Antecedents and consequences of perceived value in the insurance industry. *European Journal of Applied Business and Management*, 3.
- Marcos, A. M. B. d. S. B. d. F. 2018. Relational outcomes of perceived justice in the insurance industry. *European Journal of Applied Business and Management*, 04.
- Maxham III, J. G. & Netemeyer, R. G. 2002. A longitudinal study of complaining customers' evaluations of multiple service failures and recovery efforts. *Journal of marketing*, 66, 57-71.
- Michel, S. 2001. Analyzing service failures and recoveries: a process approach. *International journal of service industry management*.
- Michel, S. 2004. Consequences of Perceived Acceptability of a Bank's Service Failures. *Journal of Financial Services Marketing*, 8, 388-400.
- Miller, J., Craighead, C. & Karwan, K. 2000. Service Recovery: A Framework and Empirical Investigation. *Journal of Operations Management*, 18, 387-400.
- Oliver, R. L. 2014. *Satisfaction: A behavioral perspective on the consumer: A behavioral perspective on the consumer*, Routledge.
- Patterson, P. G., Johnson, L. W. & Spreng, R. A. 1997. Modeling the determinants of customer satisfaction for business-to-business professional services. *Journal of the Academy of Marketing Science*, 25, 4.

- Peterson, R. A. & Wilson, W. R. 1992. Measuring customer satisfaction: fact and artifact. *Journal of the academy of marketing science*, 20, 61-71.
- Pizam, A. & Milman, A. 1993. Predicting satisfaction among first time visitors to a destination by using the expectancy disconfirmation theory. *International Journal of Hospitality Management*, 12, 197-209.
- Reisig, M. D. & Chandek, M. S. 2001. The effects of expectancy disconfirmation on outcome satisfaction in police-citizen encounters. *Policing: An International Journal of Police Strategies & Management*.
- Rosenmayer, A., McQuilken, L., Robertson, N. & Ogden, S. 2018. Omni-channel service failures and recoveries: refined typologies using Facebook complaints. *Journal of Services Marketing*.
- San-Martín, S., Prodanova, J. & Jiménez, N. 2015. The impact of age in the generation of satisfaction and WOM in mobile shopping. *Journal of Retailing and Consumer Services*, 23, 1-8.
- Schoefer, K. & Ennew, C. 2005. The Impact of Perceived Justice on Consumers' Emotional Responses to Service Complaint Experiences. *Journal of Services Marketing*, 19, 261-270.
- Schwarze, R. & Wein, T. 2005. Is the market classification of risk always efficient? Evidence from German third party motor insurance. *German Risk and Insurance Review (GRIR)*, 1, 173-202.
- Sekaran, U. 2006. *Research Methods For Business: A Skill Building Approach, 4th Ed*, Wiley India Pvt. Limited.
- Sekaran, U. 2006, p.203. *Research Methods For Business*, New Delhi, Wiley.
- Shankar, V., Smith, A. K. & Rangaswamy, A. 2003. Customer satisfaction and loyalty in online and offline environments. *International journal of research in marketing*, 20, 153-175.
- Smith, A. K., Bolton, R. N. & Wagner, J. 1999. A Model of Customer Satisfaction with Service Encounters Involving Failure and Recovery. *Journal of Marketing Research*, 36, 356-372.
- Sousa, R. & Voss, C. A. 2009. The effects of service failures and recovery on customer loyalty in e-services. *International Journal of Operations & Production Management*.
- Spiteri, M. & Azzopardi, G. Customer churn prediction for a motor insurance company. 2018 Thirteenth International Conference on Digital Information Management (ICDIM), 2018. IEEE, 173-178.
- Tabachnick, B. G., Fidell, L. S. & Ullman, J. B. 2007. *Using multivariate statistics*, pearson Boston, MA.
- Tax, S. S., Brown, S. W. & Chandrashekar, M. 1998. Customer Evaluations of Service Complaint Experiences: Implications for Relationship Marketing. *Journal of Marketing*, 62, 60-76.
- Tselentis, D. I., Yannis, G. & Vlahogianni, E. I. 2017. Innovative motor insurance schemes: A review of current practices and emerging challenges. *Accident Analysis & Prevention*, 98, 139-148.
- Varela-Neira, C., Vázquez-Casielles, R. & Iglesias, V. 2010. Explaining customer satisfaction with complaint handling. *International Journal of Bank Marketing*, 28, 88-112.
- Warden, C. A., Liu, T. C., Huang, C. T. & Lee, C. H. 2003. Service failures away from home: benefits in

intercultural service encounters. *International Journal of Service Industry Management*.

Zapata, C. P., Olsen, J. E. & Martins, L. L. 2013. Social exchange from the supervisor's perspective: Employee trustworthiness as a predictor of interpersonal and informational justice. *Organizational Behavior and Human Decision Processes*, 121, 1-12.