

COMPARATIVE STUDY BETWEEN AUTO TAKAFUL AND AUTO INSURANCE PURCHASING BEHAVIOUR AMONG MALAYSIAN UNDERGRADUATES¹

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ABSTRACT

In 1984, the Malaysian insurance industry was liberalized to allow for the introduction of Islamically accepted insurance products known as takaful. Among the popular products was the Islamic auto insurance more commonly known as Islamic auto takaful. Given a choice of conventional and Islamic auto insurance the paper attempts to look at the purchasing behaviour of Malaysian undergraduates including the choice of takaful/insurance operator and the purchasing decision-maker. To understand their choices, their perception towards the determinants of selection is also investigated. Undergraduates are chosen because the size and wealth of their market provides excellent opportunities for takaful companies. Based on a survey of 537 respondents in a local university, we found that parents were primarily responsible for the premium payment and, among those who pay themselves, the majority chose conventional

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auto insurance. Overall, the undergraduates are of the opinion that auto insurance is better than auto takaful in all factors that influence selection – services delivery, services provision, reputation, electronic services and convenience. But, when religiosity was factored in, the Muslim undergraduates ranked it as the top item that makes a difference between auto takaful and insurance, thus showing their possible shift to takaful in the future. Furthermore, this study also shows that there is a tendency among the students to choose auto takaful for their next renewal.

Keywords: *Auto Takaful, Auto Insurance, Takaful Auto Purchasing Behaviour*

INTRODUCTION

In 1984, the Malaysian financial system was liberalized to open the way for the entrance of Islamic banking and Islamic insurance (takaful) companies. This was said to be prompted by several factors. First, the anxiety among Muslims regarding the inconsistency of conventional banking and insurance in compliance with Islamic laws. Second is that in the 70s, the Muslims themselves started to conceive ideas of breaking away from the conventional mould, politically and economically, into one that embraces Islamic teachings in every aspect of their lives. Being the largest component of the population in the country, the government was compelled to initiate an Islamic financial system in Malaysia. These changes in the Malaysian financial system have created a new dimension in the insurance industry where customers now have the choice of typical insurance products as well as Islamic ones.

In the Malaysian insurance industry, there are four main sectors in the direct general insurance market, namely – marine, aviation and transit, fire and miscellaneous. The largest sector with the highest net premium contributions is the auto insurance sector and likewise the auto takaful sector among the general takaful sectors.

Auto takaful/insurance is the main net contributor towards the general takaful/insurance industry, averaging at 54 percent of the total net premium contributions collected by the auto takaful/insurance industry between 1986 and 2004. For auto takaful, there was a significant rise of auto contributions towards the whole general takaful net premium contributions between 1988 and 1991 but, afterwards, although it started to decline it still remains the highest contributor in volume compared to other sectors. Comparing yearly net premium contributions made by

the auto takaful/insurance industry, auto takaful represented only about 1 to 3.7 percent from 1986 until 2004. The percentage however has shown a steady increase from year to year. See Table 1 for the percentage share of auto takaful/insurance compared to other sectors in the general takaful/insurance.

The auto insurance industry in Malaysia can be traced back to the 1930s when it became a legal requirement for every owner of an auto vehicle to take out insurance cover in respect of any liability caused by their vehicle. Thus explaining why it remains the largest among the main sectors in the direct general insurance market throughout history.

Currently, there are four takaful operators that offer auto insurance in Malaysia. The auto takaful industry in the country dates back to 1984 when Syarikat Takaful Malaysia Sendirian Berhad (STMSB), the first takaful operator, was established. With its establishment, the industry witnessed a new type of auto insurance known as auto takaful, offered as an alternative way of covering auto risks. Until the end of 1993 STMSB, remained the sole provider of auto takaful when a second takaful operator, MNI Takaful Sendirian Berhad, was granted permission to operate. MNI Takaful Sendirian Berhad later became known as Takaful Nasional Sendirian Berhad. Currently there are two more takaful operators, namely, Syarikat Takaful Ikhlas Sendirian Berhad and Syarikat Maybank Takaful Berhad.

Background

Similarity of functions between the insurance and takaful products cannot be denied and should be expected given that the concept of mutually helping each other, which is found in insurance, is also a concept applauded by Islam. For instance, both auto takaful and auto insurance offer the same services to motorists, that is a policy that insures the policyholder for a claim against the insurer/takaful operator for bodily injuries or death caused to other persons, as well as loss or damage to third party property caused by their vehicle or to their own vehicle due to an accident. The first is known as third party cover and the latter a comprehensive or first party cover.

However, from the conceptual and operational perspective, many differences were noted between takaful and insurance. These are mainly due to elements found in an insurance contract that are prohibited in any Islamic transactions like interest (*ribā*), uncertainty (*gharar*) and gaming (*maysir*). Hence, takaful products, including the auto takaful, are designed to function as any typical insurance product, but operated differently, to avoid the prohibitive elements.

In general takaful policies, for example, the policyholder is known as a participant simply because he participates in contributing a sum of money to a general fund in the form of participative contribution or *tabarru'*. A participant, in

Table 1: General Insurance and Takaful: Net Premium Contributions by Sector in RM million from 1986-2004. (Percentage Share of Each Sector Net Premium is in italics)

Financial Year	General Insurance				General Takaful			
	Marine. Aviation & Transit	Fire	Auto	Others	Marine. Aviation & Transit	Fire	Auto	Others
1986	52.7	191.6	404.0	246.7		0.3	0.7	1.0
	<i>5.89</i>	<i>21.41</i>	<i>45.14</i>	<i>27.56</i>	<i>0.00</i>	<i>15.00</i>	<i>35.00</i>	<i>50.00</i>
1987	58.7	218.1	382.8	233.2		0.6	2.5	0.6
	<i>6.57</i>	<i>24.43</i>	<i>42.88</i>	<i>26.12</i>	<i>0.00</i>	<i>16.22</i>	<i>67.57</i>	<i>16.22</i>
1988	72.3	237.5	435.9	255.0		1.0	6.3	0.8
	<i>7.22</i>	<i>23.73</i>	<i>43.56</i>	<i>25.48</i>	<i>0.00</i>	<i>12.35</i>	<i>77.78</i>	<i>9.88</i>
1989	85.9	258.1	603.1	299.0		1.7	10.3	1.5
	<i>6.89</i>	<i>20.71</i>	<i>48.39</i>	<i>24.00</i>	<i>0.00</i>	<i>12.59</i>	<i>76.30</i>	<i>11.11</i>
1990	178.2	288.4	812.0	500.5		2.2	13.6	1.6
	<i>9.00</i>	<i>24.68</i>	<i>41.03</i>	<i>25.29</i>	<i>0.00</i>	<i>12.64</i>	<i>78.16</i>	<i>9.20</i>
1991	240.0	561.5	1021.0	578.6		3.3	17.2	1.8
	<i>10.00</i>	<i>23.39</i>	<i>42.52</i>	<i>24.10</i>	<i>0.00</i>	<i>14.80</i>	<i>77.13</i>	<i>8.07</i>
1992	252.6	655.5	1309.3	678.6		0.1	3.6	3.8
	<i>8.72</i>	<i>22.63</i>	<i>45.21</i>	<i>23.43</i>	<i>0.40</i>	<i>14.34</i>	<i>70.12</i>	<i>15.14</i>
1993	323.6	723.3	1373.3	815.0		5.4	18.8	3.9
	<i>10.00</i>	<i>22.36</i>	<i>42.45</i>	<i>25.19</i>	<i>0.00</i>	<i>19.22</i>	<i>66.90</i>	<i>13.88</i>
1994	153.0	519.9	1578.4	671.6		6.3	20.2	4.1
	<i>5.23</i>	<i>17.79</i>	<i>54.00</i>	<i>22.98</i>	<i>0.00</i>	<i>20.59</i>	<i>66.01</i>	<i>13.40</i>
1995	190.5	630.4	1951.5	773.9		15.1	25.8	6.7
	<i>5.37</i>	<i>17.78</i>	<i>55.03</i>	<i>21.82</i>	<i>0.00</i>	<i>31.72</i>	<i>54.20</i>	<i>14.08</i>
1996	225.3	750.6	2518.0	1011.5		0.3	13.4	12.1
	<i>5.00</i>	<i>16.66</i>	<i>55.89</i>	<i>22.45</i>	<i>0.52</i>	<i>23.34</i>	<i>55.05</i>	<i>21.08</i>
1997	250.1	869.9	2859.0	1182.6		0.3	19.4	14.3
	<i>4.85</i>	<i>16.85</i>	<i>55.39</i>	<i>22.91</i>	<i>0.40</i>	<i>26.15</i>	<i>54.18</i>	<i>19.27</i>
1998	232.9	933.1	2475.4	1046.7		0.8	26	16.4
	<i>4.97</i>	<i>19.90</i>	<i>52.80</i>	<i>22.33</i>	<i>0.87</i>	<i>28.38</i>	<i>52.84</i>	<i>17.90</i>
1999	227.4	923.1	2498.7	1028.0		0.1	32.5	22.3
	<i>4.86</i>	<i>19.74</i>	<i>53.42</i>	<i>21.98</i>	<i>0.09</i>	<i>30.15</i>	<i>49.07</i>	<i>20.69</i>
2000	247.4	955.6	2770.4	1073.9		1.6	48.5	27.1
	<i>4.90</i>	<i>18.93</i>	<i>54.89</i>	<i>21.28</i>	<i>1.07</i>	<i>32.38</i>	<i>48.46</i>	<i>18.09</i>
2001	231.7	957.4	3039.7	1148.9		3.4	57.8	31.1
	<i>4.31</i>	<i>17.80</i>	<i>56.52</i>	<i>21.36</i>	<i>1.89</i>	<i>32.08</i>	<i>48.78</i>	<i>17.26</i>
2002	278.7	1070.0	3347.6	1326.0		6.8	73.7	43.5
	<i>4.63</i>	<i>17.77</i>	<i>55.59</i>	<i>22.02</i>	<i>3.06</i>	<i>33.15</i>	<i>44.22</i>	<i>19.57</i>
2003	285.2	1094.0	3584.2	1474.5		12.4	74.2	50.4
	<i>4.43</i>	<i>16.99</i>	<i>55.67</i>	<i>22.90</i>	<i>4.93</i>	<i>29.50</i>	<i>45.53</i>	<i>20.04</i>
2004	323.7	1151.3	3814.9	1605.6		15.7	113.6	55.4
	<i>4.69</i>	<i>16.70</i>	<i>55.32</i>	<i>23.28</i>	<i>4.78</i>	<i>34.57</i>	<i>43.79</i>	<i>16.86</i>

Source: Insurance and Takaful Annual Report, various years, from 1986-2004.

fact, does not pay the takaful operators for the financial risk transferred to them but agrees that the money will be used to mutually help each other (participants), should any of them suffer a loss. The takaful operators act as managers who will manage the fund either in distributing the fund to the necessary benefactor or in investing any fund surplus after retakaful, reserves and claimant activities. The latter necessitates that the participant should also enter into a contract of *mudārabah* (profit sharing) with the operator, where the operator is the entrepreneur, when the contract is signed or the operator acts as a manager for the fund if contract of *wakālah* is employed.² In other words, in auto takaful, motorists become the participants of a fund where each of them has agreed to mutually help each other financially (from the fund formed), should any of them suffer a loss because of an accident involving their vehicles.

Apart from the differences in the underlying concepts, both the participants and the auto insurance policyholder do actually pay out some amount of money, known as contributions or premiums, to the auto takaful/insurance operators. Also, both would be given discounts known as Non-Claimant Benefit (NCB) or Non-Claimant Discount (NCD) if they do not make any claim against the takaful/insurance operator over the period of the policy. The only other difference would be that at maturity, any participant who did not make any claim during the period of takaful is entitled to a share of the fund's surplus, which also includes the fund's investment profit, if any, if the *mudārabah* contract is employed, or a cash gift, if the *wakālah* contract is employed. By contrast, the auto insurance policy holders are not entitled to any of these.

Given the differences in the underlying concepts of auto takaful/insurance cover, and also the possible opportunity to acquire redeemable cashback from an auto takaful policy, the paper seeks to examine the purchasing behaviour of Malaysian undergraduates towards auto takaful/insurance. We try to look at their choice of operators, whether auto takaful or insurance, the influence of family on the purchase and their knowledge regarding the coverage choices of their own policy. In order to understand the underlying factors behind their choices, we further investigate their perception towards the identified determinants of selection. In other words, by employing the determination selection framework, we hope to throw some light on why an auto takaful or auto insurance is preferred. Next, we also look at the undergraduate's loyalty regarding their choice of operators. The answers will be valuable in helping the takaful/insurance operators in focusing their target market for the undergraduate market as well as the young corporate market, as the undergraduates will be joining it soon.

² Only the Syarikat Takaful Malaysia Berhad employed *mudārabah* in offering its auto takaful. In early 2008, it also joins the other takaful operators in using the *wakālah* contract instead of the *mudārabah* contract.

This paper is structured as follows. The first section provides an introduction to the auto takaful/insurance industry in Malaysia. The second section outlines the background and objectives of the paper. The third section provides the paper research design. The fourth section describes our data set and the methodology employed. The fifth section presents the results of the empirical analysis, and finally, the last section will offer some conclusions and suggestions.

Research Design

Existing studies provide a limited background for us to conduct the study using established frameworks on auto takaful/insurance buyer's behavioural studies. There are plenty of studies on buyer behaviour for the purchase of auto insurance but, as far as the researches are aware, there are none on auto takaful. The studies on auto insurance purchasing behaviour however, identified several determinants, which may influence the choice of policy selected by a buyer.

The determinants are presumably related to either the characteristics of the buyer or the characteristics of the policy. The demographic characteristics of a buyer, their knowledge regarding the policy and its extension of coverage and their aversion to risk were found to influence them in choosing or even changing policies. For example, as reported by Bond & Stone in their study of UK automotive insurance, mature policyholders, the majority of who are aged 45 and older, are more likely to continue their existing policy when it expires, where fifteen percent of their respondents simply renewed with their current insurer and had been with their current insurer for more than ten years.³

A buyer's income status is also considered as one of the main predictors of insurance policy ownership. A study by Markowitz, Gold and Rice for example concluded that employment plays a significant role in determining whether one owns an insurance policy or otherwise.⁴ Childers & Ferrell, when looking at husband-wife decision making in purchasing and renewing auto insurance, found that the husband was the decision maker and the wife's involvement in the decisions was contingent to her contributions towards the family income.⁵

³ Bond A & Stone M (2004), "How the Automotive Insurance Claims Experience Affects Customer Retention", in *Journal of Financial Services Marketing*, vol.9,(2), pp.160-171.

⁴ Markowitz MA, Gold M & Rice T (1991), "Determinants of Health Insurance Status Among the Adults", in *Medical Care*, Jan. 29 (1), pp. 6-19.

⁵ Childers TL & Ferrel O C (1981), "Husband-Wife Decision Making in Purchasing and Renewing Auto Insurance", in *Journal of Risk and Insurance*, vol. 48 (3), pp. 482-493.

Apart from the above characteristics, the policies own characteristics also play a significant role in determining the choice of insurance patronized. Policies with different organizational characteristics, prices, methods of payment, and scope of benefits will also control a buyer's decision.⁶ Sherden, for example, examined the effect of price, income and perceived risk on the demand for different auto insurance covers. His findings were that the demand for the three main covers in Massachusetts was generally inelastic with respect to price and income.⁷ Some studies like Esho, Kirievsky, Ward & Zurbruegg also emphasized the effect of legal rules and their enforcement since many general insurance products, including the auto sector, is normally regulated and required by law.⁸

From these studies we identify a few variables that are important in any study of auto insurance buyers, namely, the decision making, the choice of insurers and the customers' loyalty towards their current insurer. The decision making will be about who made the decision and if the decision is an informed one or otherwise. Since our respondents are undergraduates, we assume that the decision maker can mainly either be themselves, their parents or if they are married, their spouse. On the effect of price and income on selectivity, we choose not to examine them since our samples are undergraduates who are not yet income-earners.

For the auto takaful selection determinants, we could not locate any related studies, particularly for undergraduates. Therefore, we decided to test the banking selection framework compiled from studies on the determinants of bank selection in order to find the determinants behind the choice of takaful/insurance operator for the undergraduates. Our justification being that both are actually financial services providers and the determinants used are applicable to both auto takaful and insurance. In addition the bank selection framework has actually been tested on Islamic banks and used for undergraduates.

The studies of the determinants of bank selection show that in selecting which bank to patronise, customers will look at several criteria, namely, its convenience, reputation and image (that may invoke secure feelings for customers), service delivery, service provision, electronic services, and other external influences. Each of these factors is identified through specific questions answered by the respondents. Table 2 below summarizes some of the questions used by the bank selection studies to convey the above factors. It is worth noting that the selection

⁶ Moustafa A T, Hopkins C E & Klein B (1971), "Determinants of Choice and Change of Health Insurance Plan", in *Medical Care*, Jan-Feb. vol. 9 (1), pp. 32-41.

⁷ Sherden W A (1984), "An Analysis of the Determinants of the Demand for Automotive Insurance", in *Journal of Risk and Insurance*, vol. 51(1), pp. 49-62.

⁸ Esho N, Kirievsky A, Ward D & Zurbruegg R (2004), "Law and the Determinants of Property-Casualty Insurance", in *Journal of Risk and Insurance*, vol. 71 (2) (June), pp 265-83.

determinants used in the studies for Islamic banks are similar to the ones used for their conventional counterparts.

Data and Methodology

In the first stage of the research, 309 questionnaires were returned by undergraduates at the University of Malaya. It was found that only 164 students actually owned and/or used motorcycles, cars, or MPV/SUVs. Based on this preliminary study, we formed our sampling of 550 respondents who either owned and/or used an auto vehicle, taking into account the distribution of students in the 16 faculties at the university, their races and genders. The preliminary study was also used to identify the selection determinants that were ranked highly by the undergraduates. As these were consistent with the banking selection determinants, it confirmed the justification for adopting them for the study.

The sample represents the proportion of undergraduates in all the faculties in the university, their races and genders. Questionnaires were completed at the university and at home, and responses were collected by trained numerators who waited while the questionnaires were completed, thus generating a hundred percent rate of response. Of these, there were 537 usable questionnaires. The questionnaires were in the Malay language.

The questionnaire was divided into four sections. Section 1 dealt with the undergraduates' profile. Section 2 examined the choice of operator – whether Islamic or not, the types of cover for their vehicles, and the policy purchaser.

Section 3 was used to examine the students' perception regarding the determinants of the auto takaful/insurance selection. The determinants tested were the determinants identified from the banking selection studies with an additional one, which we termed as religiosity. We believe that religious affiliation matters because it has an impact on the perceived cost and benefits of various decisions regarding one's life including the choice of auto policy.

The religious items that we investigated concern the Muslim respondents' understanding about the religious aspects of takaful or insurance. We presumed that being Muslim they should at least be aware that elements of *ribā* and *gharar* pervade insurance, thereby making it prohibited.

Table 2: Determinants of Bank Selection from Various Studies

Determinants of Bank Selection	Convenience	Bank's Reputation & Image	Service Delivery	Electronic Services	External Influence	Service Provision
Haron S, Ahmad N & Planishek S L (1994)	Hours of operation Parking facilities and accessibility Convenience of location	Reputation and image Reception received Interior comfort & external appearance Size of bank Impression of Manager	Confidentiality Fast & efficient Friendliness of staff Knowledgeable inter-branch facilities Able to fulfil needs		Friends Family Advertising	Wide range of services Favourable credit terms Lower charges Higher interest on savings
Gerard P & Cunningham J B (1997)	Near home Parking facilities Counter partitions	Reputation and images Interior comfort External appearance Reception received	Confidentiality Fast & efficient Friendliness of staff		Friends Family Advertising	Appropriate range of services Financial counselling provided Favourable credit terms Lower charges Higher interest on savings
Gerard P & Cunningham J B (2001)	Near home Near university	Attractiveness of bank buildings Appearance and attire of staff Class of patronisers Professionalism Financial stability	Confidentiality Fast & efficient	Availability of ATMs Bill payments	Friends Family Teachers Free gifts Advertising	Regular bank statements Appropriate range of services Interest rates offered
Almossawi (2001)	Availability of parking	Reputation	Friendliness of staff	Availability & location of ATMs		

For each of the determinants, several related questions were assigned for investigation. All these determinants were examined for both auto takaful and auto insurance. Each question was assigned a six-point Likert scale ranging from (1) most important to (6) least important. The paired sample t-test was employed where the mean for each of the determinants was calculated against the number of responses. The mean for each determinant for auto takaful and auto insurance was compared, where the p-value of the mean difference between the two types of insurance was observed for each of the determinants. The p-value determines whether there is a significant difference in each determinant between the two types of insurance. This, we hope, will give some insights as to why insurance or takaful is the preferred choice.

The last section concerned the student’s choice of operator for the near future, which will show their loyalty towards their existing operator.

Research Findings

In order to understand the undergraduates purchasing behaviour we first looked at their choice of takaful operator or insurer. Only 22.7 percent of them bought the policy takaful/insurance for their vehicles themselves and more than 67 percent were bought by their parents. This was expected as the undergraduates are not yet income earners and parents may have been the ones who bought the car in the first place, or the ones that pay for takaful/insurance premiums. Among the 327 Muslim respondents, it was found that only 30 of them are covered by auto takaful and out of these only 5 undergraduates made their own decision to choose takaful. This number, although very small, was higher percentage wise (9.17 percent) compared to the percentage of the total auto takaful net contribution against the total auto insurance net premium that is 3.7 percent. However, as only five undergraduates bought auto takaful themselves we wonder if the younger generation is less aware of the auto takaful benefits.

Table 3: Choice of Insurer, Types of Cover and Policy Purchaser of Undergraduates Auto Takaful/Insurance Policy.

Choice of operator	Types of Cover	Policy Purchaser				
		Self	Parents	Other relatives	Spouse	Others
Takaful	3 rd Party	2	5	1	0	0
	Comprehensive	2	5	0	1	0
	Not Sure	1	11	2	0	0
	Total	5	21	3	1	0
Insurance	3 rd Party	48	44	1	2	0
	Comprehensive	41	57	4	5	0
	Not Sure	15	173	18	4	1
	Total	104	274	23	11	1

As 89 of the undergraduates did not actually know which operator covered their vehicle, it raises another concern with their ignorance becoming more obvious when asked about the type of cover that they had. More than half of the respondents did not know what type of cover they had, including those that claimed they had purchased the auto takaful/insurance themselves.

Second, in examining the determinants that might influence the students' selection, we tested seven selection determinants – service provision, service delivery, convenience, reputation and image, electronic services, external influences and religiosity. The mean for each score is given in Table 4 below and their p-values reported in italics.

Table 4: Comparison of Perception of Undergraduates towards Auto Takaful and Auto Insurance

Factors	(Column 1)	(Column 2)	(Column 3)
	All Mean differences (Insurance –Takaful) <i>(p-value)</i>	Muslims Only Mean differences (Insurance –Takaful) <i>(p-value)</i>	Non-Muslims Only Mean differences (Insurance–Takaful) <i>(p-value)</i>
Service Provision	.1506 <i>(.000)</i>	.0222 <i>(.606)</i>	.3548 <i>(.000)</i>
Service Delivery	.2918 <i>(.000)</i>	.1551 <i>(.003)</i>	.5073 <i>(.000)</i>
Convenience	.1794 <i>(.033)</i>	-.0563 <i>(.604)</i>	.5490 <i>(.000)</i>
Reputation	.3239 <i>(.000)</i>	.1703 <i>(.013)</i>	.5659 <i>(.000)</i>
Electronic Services	.2241 <i>(.000)</i>	.1442 <i>(.002)</i>	.3498 <i>(.000)</i>
External Influence	.6596 <i>(.000)</i>	.3133 <i>(.000)</i>	1.1961 <i>(.000)</i>
Religiosity	not included	-.4232 <i>(.000)</i>	not included

Comparing takaful and insurance for each factor, we found that for all of the respondents (Column 1), there was a significant difference between the two for all factors. This may suggest that, overall, the undergraduates regarded auto insurance as being better than auto takaful in all aspects, and, above all, the external influences like parents, relatives and friends have the biggest impact on their choice. It also shows that they considered insurance companies better than takaful operators in terms of assets and reliability. This conforms to the general view of the public since auto insurance is still dominant in terms of market share.

When the undergraduates were segregated into Muslim (Column 2) and non-Muslim (Column 3) a few exceptions were noted. For Muslims, we introduced another factor – religiosity that covers the Islamic views on insurance. Muslim undergraduates seem to realize that there is significant difference between the

two from an Islamic perspective. In spite of this, Muslim undergraduates still preferred auto insurance when asked about its service delivery, reputation and electronic services compared to auto takaful. Whereas for non-Muslims, they regarded auto insurance as superior in all aspects. For both Muslim and non-Muslim undergraduates, external influences still play a big role in their choice of auto takaful/insurance. This might be due to the fact that the majority of their auto policies are paid for by their parents or relatives.

Lastly, we investigated the loyalty among the undergraduates. For this part we assessed the undergraduates who bought the policy themselves, totalling 122 students. In general, the students appeared to be loyal to their existing operators as 61 percent of those who knew their operators actually expressed the desire to remain with them. However, interestingly, more than one fifth of the auto insurance policyholders thought of switching to auto takaful. This is shown in Table 5 below.

Table 5: Loyalty among Undergraduates Regarding their Choice of Auto Takaful/ Insurance

Current Operator	Future Choice of Operator			Total
	Takaful	Insurance	Unsure	
Takaful	3	1	1	5
Insurance	22	63	19	104
Unsure	3	3	7	13
Total	28	67	27	122

CONCLUSIONS

The most significant insight revealed by the study is that half of current university undergraduates owned and/or used auto vehicles and that parents still have control over the choice of the vehicle takaful/insurance operator. Still, the number of undergraduates who purchased their own auto takaful/insurance is quite considerable. Furthermore, comparing the choice between auto takaful or insurance, the undergraduates prefer auto insurance, which is similar to their parents' selection.

The choice of the operator among the undergraduates may be due to their perception that, compared to takaful, auto insurance was superior in every aspect. Similar result was also found when Muslim undergraduates were exam-

ined. Though they believed that takaful is better Islamically, nevertheless, they still regarded auto insurance as being superior in all other aspects. In short, the awareness that Islamically, auto takaful should be the choice among the Muslim undergraduates was there, but the belief that operation-wise auto insurance was still superior outweighed it.

In this respect, the findings are useful for takaful operators as they provide information regarding their future customers; as the undergraduates will probably own a vehicle in the near future and be the one who has full decision making responsibility concerning the choice of auto insurer. It is, therefore, essential for takaful operators to start seeing them as a good target market and tailor their marketing strategies to cater for the undergraduates' satisfaction, for example, by matching the needs of the undergraduates and the product that they offer. The findings also indicate that the efforts of takaful operators to attract young customers should not simply focus on its Islamicity but other factors including – the compensation and returns received, comprehensiveness of the product, as well as its price competitiveness.

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