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Nurul Hidayah Mohd Yusof, Ahmad Zainal Abidin Abdul Razak

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The Influence of Trust and Confidence of Claim Successfulness on Individual Attitude in Committing Motor Insurance Fraud

Nurul Hidayah Mohd Yusof
Universiti Teknologi Mara, Malaysia

Ahmad Zainal Abidin Abdul Razak
Universiti Pendidikan Sultan Idris, Malaysia
Email: ahmad.zainal@fpe.upsi.edu.my

Abstract

The objective of this paper is to examine the influence of trust and confidence of claim successfulness on individual attitude in committing motor insurance fraud. The sample for this study consisted of teachers from selected schools in Selangor. Questionnaires were used to collect the data. The results showed that trust in the third party has a significant but negative relationship with attitude, while the confidence of claim successfulness has a significant positive relationship with attitude. Confidence of claim successfulness shows stronger impact in determining individual attitude to commit motor insurance fraud. Findings from this research are important for the insurance industry and Bank Negara Malaysia (BNM) to understand customers' attitude in committing motor insurance fraud and identify steps in reducing fraud cases. It is also beneficial for customers who indirectly become victims of increased premium payment due to insurance fraud.

Keywords: Attitude, Confidence, Fraud, Intention, Motor Insurance, Trust.

Introduction

Insurance industry contributed significantly to developing a country (Pradhan, 2016). It promotes an enormous sense of security, peace of mind and decreases anxiety for individual, business and government when confronting a variety type of risks and uncertainties (Outreville, 2013). This boost risk-taking among businesses and leads to the financial growth of a country (Focarelli, 2017). However, fraud in insurance undoubtedly affects the growth of the insurance industry and the nation's economy (Tseng & Su, 2013). Although it is hard to determine the actual amount of loss caused by fraud, it is believed that the amount has been rising (Albrecht et al., 2012). In Malaysia alone, approximately RM1.384 billion claims incurred for the first quarter of 2014 due to authentic and forgery motor insurance claims (KPMG, 2010; PIAM, 2014). Findings from the past studies had shown that trust (Pauline, Esterick-Plasmeijer & Raaij, 2017) and confidence (Mazar, Amir & Ariely, 2008)

which are compositions of attitude (Al-Swidi et al., 2014) are significant in determining the intention of a person to commit fraud (Tseng, 2016). Thus, this research aims to study the variables that contribute to an individual's attitude to commit motor insurance fraud.

Literature Review

The study on the effects of attitude and intention are widely used in discussing various fraud issues (Carrington et al., 2014; Craft, 2013). Attitude is defined as an expression of an individual's feeling about an object, event or other people (Sarah, Azfahani & Rosliza, 2017). In other words, attitude is a psychological construct which is moulded by individual thoughts, beliefs and emotions towards a particular object (Abdullah Al-Swidi et al., 2014). Previous studies found that attitude enhancing human's intention to perform a behavior (Ajzen & Sheikh, 2013). Rhodes and Courneya (2003) wrote that it is useful for understanding human's unethical deeds. In a relationship between customer and service provider such as agent, it was believed that customer trust and confidence towards service provider inspire their competency to perform a behaviour (Evans, Stan & Murray, 2008).

In Malaysia, the use of third parties like agents and workshops in handling motor insurance claims are common. Customers are normally providing all the documents needed to the third party for the claiming purposes. Information sharing about an individual personal detail with other parties is crucial, thus trust is needed since it may create a comfortable feeling in the individual concern (Bianchi & Andrew, 2012). The necessity for trust becomes higher in a risky environment like a fraud since trust helps to reduce risk in exchanging information between parties (Aurier & Lanauze, 2012). Trust facilitates transactions with customers and enhances customers' confidence that their interests are well served by the third parties (Pauline, Esterick-Plasmeijer & Raaij, 2017).

Other than trust, confidence is also essential to create an individual attitude to perform a behaviour since it will affect an individual's decision making. Confidence is useful in the evaluation of future action (McDonald & Oates, 2006). In a risky environment like insurance fraud, the confidence of success is vital before acting (Aurier & Lanauze, 2012). If the level of confidence is high, there is a possibility for the action to be performed (Ajzen, 2012) since there are severe punishments imposed by the statutory for the fraudster such as imprisonment and penalty (Insurance Act, 1996). This makes the customer insists to confirm the possibility of success before deciding to commit fraud. If the possibility of successfulness is high, it can increase the customer's confidence to commit fraud (Mazar, Amir & Ariely, 2008).

Methodology

This paper aims to examine the influence of trust and confidence of claim successfulness on individual attitude in committing motor insurance fraud. Cluster sampling technique was used in this study. The study was conducted in Selangor, Malaysia because the highest number of accident cases were recorded in this area. Teachers were chosen for the study because teachers were highly educated and usually were more ethical (Brokesova & Pastorakova, 2013) and had a high level of integrity compared to the less educated person (Noor Salmi & Lim Hooi, 2011). Furthermore, a similar study regarding fraud by Tseng, Kang and Chung (2014) had also used teachers as their sample. Self-administered questionnaires were used to collect the data. The questionnaires were developed using Vallerand, Pelletier, Deshaies and Cuerrier (1992) for measuring Individual Attitude towards Fraud, Bianchi and

Andrew (2012) for measuring Trust to the Third Party and Chuchinprakarn (2005) for measuring Confidence of Claim Successfulness. Descriptive analysis, factor analysis, reliability measures, correlation and regression analysis were conducted to analyze the data.

Results

A total number of 467 questionnaires were distributed to teachers in five selected schools in Selangor, Malaysia. The return rate for the questionnaire was 88.43%. Out of 413 respondents, 73.6% of them were females and 26.4% were males. Most of them are between 26 to 45 years old. 92% of them were degree holders and above and the rest possessed diplomas. 1.7% of the respondents earn between RM1,001- RM2,000 per month, 28.6% earn between RM2,001- RM3,000 per month 29.8% earn RM3,001 to RM4,000 per month, 28.8% earn between RM4,001 to RM5,000 per month, 119 respondents (28.8%) earn between RM4,001 to RM5,000 and 11.1% of them earn more than RM5, 000 per month. Meanwhile, for the household income of the respondents, the highest percentage reported was above RM7, 000 (25.4%). The second highest was between RM4,001 to RM5,000 (23.7%) and the third-ranked was between RM5,001 to RM6,000 (18.2%). All the respondents (100%) for this study owned at least one vehicle. 70.5 % of the respondents owned one vehicle, 29.3% owned two vehicles and 0.2% of the respondents respectively owned a vehicle.

Regression has shown that Trust for the Third Party and Confidence of Claim Successfulness only explained 5% ($R^2 = 0.05$, F- Change = 11.32, $p < 0.01$) of the Individual Attitude towards Fraud. Out of these two variables, Confidence of Claim Successfulness ($\beta = 0.25$, $p < 0.01$) makes the strongest significant unique contribution to explain Individual Attitude towards Fraud. While Trust for the Third Party brings a small significant contribution to explain the Individual Attitude towards Fraud with the value of $\beta = -0.13$ and $p < 0.05$. However, the relationship is inverse.

Discussion

The result demonstrates that there is a significant and negative relationship between Trust for the Third Party and Individual Attitude towards Fraud ($\beta = -0.13$, $p < 0.05$). The result shows an inverse relationship between both variables. This finding contradicts with the previous study done by Bianchi and Andrews (2012). Here, it can be presumed that even though trust exists, a person who has a good attitude would not cooperate with the third party to commit fraud (Carrington et al., 2014; Craft, 2013). Since, teachers as the respondents for this study, this reason might have caused this result. Previous studies indicate that roles played by an individual will inhibit his or her actions (Guimond et al., 2007). At school, teachers, educate students about ethics thus eventually shape the teachers' way of thinking, feeling and behaviour (Maccoby, 2000). Previous studies show that ethical attitude has a significant impact on ethical intention (Carrington et al., 2014; Craft, 2013). Teachers are prone to practise good ethics in every action that they do. It makes them feel guilty whenever they are involved in an unethical action. In the case of an insurance claim, the teacher would refuse to trust the third party in a conspiracy to defraud the insurance company because it is unethical and illegal. It also reveals that Confidence of Claim Successfulness makes the strongest significant unique contribution to explain Individual Attitude towards Fraud. If a person has a high confidence level on the successfulness of the claim, he or she tends to commit fraud. In the case of an insurance claim, the respondents are prone to commit fraud because they are confident with the capability of the third party to

ensure the claim to be successful (Hill et al., 2010). According to Koster (2010), lack of knowledge and skills to perform competently becomes one of the four tops ranked issues in insurance ethical issues. In the study, even though the respondents are highly educated, they are not exposed much to insurance procedures and legislations. The complexity of the insurance terms and procedures might cause uncertainty and confusion among the respondents, leading them to commit fraud (Rogerson et al., 2011).

The exclusion condition inserted in the policy makes the claim procedure becomes rigid and strict. Failure to comply with the policy requirements will cause the claim to be rejected by the insurance company (Edward et al., 2015). This makes the customer feels worried about the possibility of claim rejection. Therefore, the customer chooses to rely on the expert judgment and action by the third party to increase the possibility of claim successfulness. The innocence of the customer in the claiming process, unfortunately, supports the third party's illegal activities because they will use this opportunity to fraud the insurance company for their profit. Similar findings concerning the relationship between confidence and attitude were also reported by Lorentz and Hilmola (2012).

Conclusion

In studying the relationship between Trust to the Third Party and Confidence of Claim Successfulness found that both variables show a significant relationship to explain Individual Attitude to Commit Motor Insurance Fraud. However, Confidence of Claim Successfulness brings the greatest effect. Although most of the respondents are highly educated and possessed a high level of integrity, undoubtedly, they worry about the possibility of an unsuccessful claim. This situation leads them to rely on experience and knowledge own by third parties in enhancing the possibility of claim success. From the results, it clearly shows that in a motor insurance claim situation, the main concern of the respondents is to ensure the claim succeed compared to trust issues. This creates attitudes of the respondents towards fraud. Hence, it shows the importance of the government, policymakers and authorities concerned such as PIAM to tackle insurance fraud before it becomes widespread in the society. Attempts should be made to solve issues such as social tolerance to fraud and third party's influence in committing fraud. Otherwise, it will cause a harmful impact on the development of the country, insurance market and public interest.

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Corresponding Author

Ahmad Zainal Abidin Abdul Razak

Universiti Pendidikan Sultan Idris

Malaysia

(Correspondence Author Email: ahmad.zainal@fpe.upsi.edu.my)