(RELATIVE) STATUS QUO EFFECTS ON CUSTOMER LOYALTY IN SATISFACTION AND TRUST RELATIONSHIPS IN INSURANCE

Steven A. Taylor, Ph.D., Illinois State University
E. Tice Sirmans, Ph.D., Illinois State University

ABSTRACT

The current research identifies the judgment and decision-making (J/DM) context as an additional relevant concern today for assessing consumer decision-making relative to automobile insurance. The research focuses on potential status quo effects on a satisfaction and trust model of customer loyalty, demonstrating that relative status quo contexts (relative to another consumer) appear to invoke a different J/DM model than non-comparative status quo contexts. The results demonstrate the general importance of consumer trust across both assessed contexts as a foundation for customer loyalty decisions. Satisfaction judgments, on the other hand, were found to operate only in the non-comparative scenario. The results afford important insights for insurance marketers in terms of positioning strategies based upon group membership identification versus non-comparative emphases such as price.

Keywords: Insurance, Trust, Satisfaction, Status Quo, Automobile

INTRODUCTION

The current research focuses on consumer decision-making within the context of insurance as a service industry. Deloitte (2019) projects that the insurance industry outlook for 2020 is stable. However, the marketing challenges facing the insurance industry are many, including the rise of social media marketing (Shrestha et al. 2019), digital marketing (Sahore 2019), and artificial intelligence and machine learning in insurance marketing practices (Burri et al. 2019). In addition, Bansal (2016) notes that the insurance sector faces several environmental risks, such as macroeconomic downturns, inflation, low interest rates, unfavorable legislation, terrorist attacks and natural disasters. The insurance industry is also vulnerable to long-term risks including global aging, rising health care costs and climate change. These risks are intrinsically different from those faced by the banking sector, where risks tend to be shorter term. Insurers have long-term liabilities, which they match with long-term assets (securities). These challenges point toward the importance of contextual factors in marketing research related to insurance settings. These challenges further suggest the continued importance of long-term relationship marketing strategies as a key strategy for the long-term viability of the consumer insurance industry as a whole.

The following study presents evidence suggesting that insurance marketers should also add the decision-making context to their list of concerns. Fortunately, the service marketing literature affords some insights into the judgment and decision making (J/DM) context of insurance consumption. For example, satisfaction as a construct is well known to be important to relationship marketing theory and practice in insurance settings (Crosby and Stephens 1987, Bejou 1997, Shiu and Yu 2010, Petzer and van Tonder 2019). Pooser and Browne (2018) using a unique data set obtained from J.D. Power, link customer satisfaction ratings to insurer profitability metrics. Their results support the notion that greater customer satisfaction leads to reduced expenses and increased profitability. A potential explanation is that more satisfied customers are more likely to remain with an insurance company and refer others to the insurer, reducing customer acquisition expenses (in addition to other known marketing returns from relationship marketing). In terms of explanatory marketing theory as an alternative explanation for Pooser and Browne's (2018) results, Homburg et al. (2009) links social identity theory to the service-profit chain (SPC) generally, and specifically to insurance contexts. The SPC proposes that a firm's financial performance can be improved through a path that connects employee satisfaction, customer orientation, customer satisfaction, and customer loyalty.

The current research contributes to our understanding of consumer J/DM in insurance contexts by building upon an evolving literature concerning status quo effects within the context of insurance. Thus, the current research investigates potential consumer status quo bias effects related to automobile insurance. Johnson et al. (1993) report a series of studies demonstrating that subjects exhibit distortions in their perceptions of risk and framing effects in evaluating premiums and benefits. Illustrations from insurance markets further suggest that the same effects occur when consumers make actual insurance purchases. One of the framing effects demonstrated by Johnson et al. (1993) involves status quo effects. Johnson et al. (1993) describe status quo bias in human J/DM as a "… strong and robust tendency to stick with what they have, the status quo, even when it is randomly determined." Kahneman et al. (1990) extend these conclusions to willingness to pay to acquire an object and the amount demanded to sell the same object.

In the current study, new empirical evidence is presented related to satisfaction and trust relationships within the context of status-quo scenarios in consumer insurance settings vis-à-vis the context of status quo considerations. Specifically, the results suggest that the underlying satisfaction-trust relationships appear to differ when consumer J/DM in an insurance context is focused entirely on an individual's own utilitarian personal outcomes versus those outcomes relative to the perceived outcomes of other consumers. In other words, there appears to be a consequential J/DM context involving whether or not automobile insurance customers perceive themselves as individual and independent consumers, or as part of group of consumers with which they identify. As an example in the United States, USAA Insurance is known for its service to the military community and their families (a group affiliation), whereas Geico Insurance offers a positioning strategy based on low price (an individualistic consideration).

Existing Service Marketing Literature About Status Quo Bias Effects in Consumer Insurance Settings

Taylor (2012) presents results empirically linking affect (i.e., emotional concepts) to consumer loyalty decisions in an automobile insurance context. The results support the conclusions that both cognitive and affective considerations are important to consumer J/DM processes in the context of car insurance, that male and female customers may vary in their J/DM processes with car insurance, and that insurance modelers of J/DM should consider outside influences on consumers in studies, particularly marketing-related brand and price perceptions. Further, not doing so can lead to a failure to correctly predict potential action versus inaction effects associated with anticipated regret. Taylor (2012) presents further evidence linking satisfaction, regret and status quo effects to consumer loyalty decisions in an automobile insurance context. Results support (1) helping to reconcile loyalty explanations with models of J/DM; (2) contributing to identifying the unique roles of anticipated regret, anticipated emotions generally, and satisfaction judgments specifically in the process; (3) demonstrating the need to consider status quo effects as a moderator to loyalty formation; and (4) suggesting the possibility of status quo effects influencing the role of many other concepts in explanations of loyalty formation. Taylor's (2013) evidence generally support the importance of status quo bias effects as a context for automobile insurance loyalty decisions as a key predictor of healthy marketing relationships. Taylor (2016) extends these results by demonstrating further evidence that these findings may vary by gender.

Theory Development

One observation about the research stream identified above is that the analyses are interpreted exclusively through the lens of an individual's own utilitarian perceived personal outcomes versus forming these perceptions based on outcomes relative to the perceived outcomes of other consumers. Thus, it remains a mystery whether or not the previously identified strategies by USAA versus Geico represent unique J/DM contexts. The current study extends this literature stream by considering the observed results beyond the context of a self-focused interpretive perspective to offer comparison with the formation of a relative judgment (relative to to the experience of another individual).

Thus, the research question herein involves whether or not consumers' perceptions are related to status quo decision-making scenarios as a contextual influence. There is some evidence to support the reasonableness of the identified research question. Chernev (2004) presents evidence from three experiments supporting the conclusion that the preference for the status quo is stronger for prevention-focused than for promotion-focused consumers. This effect was demonstrated in two choice contexts: preference for the choice alternative perceived to be the status quo (experiments 1 and 2) and preference for inaction over action (experiment 3). Consumers often must choose between a course of action that preserves the status quo and a course of action that is a departure from the status quo. This research demonstrates that preference for the status quo is a function of goal orientation and, in particular, that it tends to be more pronounced for prevention-focused than for promotion-focused consumers. The preference for the status quo was examined on two dimensions: preference for the status quo alternative and preference for inaction over action. Results suggest that the impact of goal orientation on the preference for the status quo can occur independently of loss aversion—a finding consistent with the notion that goal orientation might impact choice by virtue of motivational factors such as self-regulation of anticipated regret.

The idea that status quo may represent a consumer J/DM contextual influence is further supported and explained by Loomes et al. (2009) who develop a model of status quo effects in consumer choice that is based on reference-dependent expected utility theory. In this model, the strength of the status quo effect depends on the characteristics of the relevant goods and on the individual's knowledge about and experience with those goods. This approach purports to explain why status quo effects can vary substantially from one decision context to another and why some such effects may decay as individuals develop market or other relevant experience.

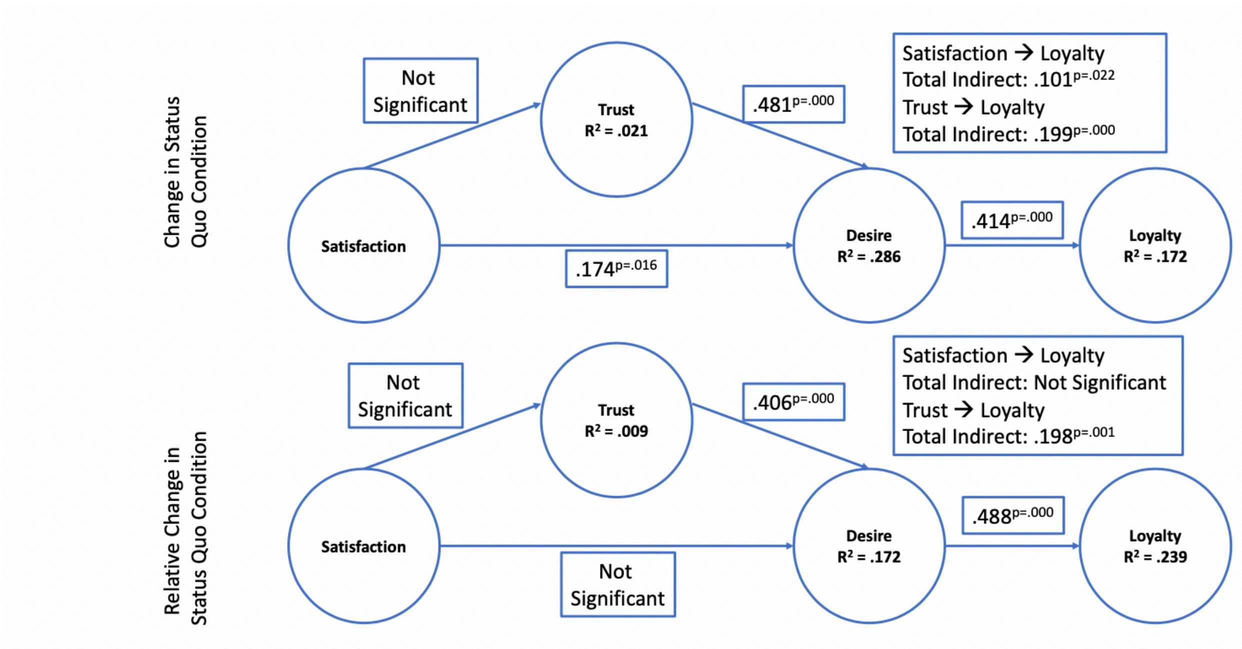
Doosje et al. (2002) present a study that may help begin to explain status quo effects vis-à-vis underlying models of J/DM. Doosje et al. (2002) investigate how in-group identification in combination with anticipated changes in the intergroup status hierarchy predicts subsequent levels of identification. Overall, low identifiers seem more instrumental than high identifiers, in the sense that the former are only prepared to affirm identification with a low status group when status improvement is imminent or has actually been realized. In terms of social identity theory, low identifiers commit themselves to the group only when their individual goals and outcomes correspond with those of the group. Pan et al. (2017), within the context off social networking, presents results related to the common and differential effects of two levels of social self-identity—relational identity and social identity—on reinforced and varied use and the moderating role of inertia on their effects on social media usage. Thus, social media usage is decomposed into reinforced and varied use and reveals the common and differential influences of two levels of social self-identity on user behavior. Sheldon and Bettencourt (2002) also present results suggesting that group inclusion may be the most important need to satisfy within group contexts. Bettencourt et al. (2006) extends this line of thinking to include self-determination theory, which provides an account of the motivational processes by which individuals seek self-expression within the context of social relationships. Bettencourt et al. (2006) assert that self-determination theory posits that humans possess both socially- and self-oriented basic psychological needs, that may conflict with one another.

The Research Model

Figure 1 presents the research model for the current research. Guiso (2012) presents evidence that trust is particularly germane to any financial transaction, and specifically relevant to insurance markets. As noted above, the research model generally advances existing status quo research specific to insurance contexts in the service literature through the consideration of satisfaction, trust, and commitment/loyalty as key components of relationship marketing theory and practice. Briefly, Morgan and Hunt (1994) present the influential commitment-trust theory of marketing relationships which posits that relationship commitment is a direct outcome of a marketing actor's trust. Satisfaction, while not directly measured and modeled, is theorized as likely positively related to relationship commitment. Garbarino and Johnson (1999) review the differing roles of satisfaction, trust, and commitment in customer relationships and report results demonstrating that different levels of relational commitment to a marketing relationship have an impact on the relationships between satisfaction and trust judgments with future behavioral intentions. Specifically, Garbarino and Johns (1999) report results suggesting that for the low relational customers, overall satisfaction is the primary mediating construct between the component attitudes and future intentions. For the high relational customers, trust and commitment, rather than satisfaction, are the mediators between component attitudes and future intentions. Thus, the relationships between satisfaction and trust with behavioral intentions appear to vary across levels of relational commitment. Rizan et al. (2014) present results purportedly revealing that relationship marketing tactics affected customer loyalty significantly through customer trust and customer satisfaction in the banking industry in an independent, additive fashion.

Clearly, there remains much to learn about comparative anticipated outcomes vis-à-vis insurance-related J/DM. The current research is designed to make some exploratory steps forward in this regard. The research hypotheses associated with the research model presented as Figure 1 include:

FIGURE 1: The Research Model



H1: The underlying J/DM models relating satisfaction and trust will differ based on status-quo scenarios related to perceived negative individual utility versus perceived negative individual utility in relation to non-negative outcome for another individual who did not engage in a status quo change.

H2: Satisfaction predicts loyalty to an insurer in the condition across status quo conditions.

H3: Trust predicts loyalty to an insurer in the condition across status quo conditions.

METHODS

The study involved a regionally mail-based survey to adults. The sampling frame was purchased from an external body, and 7,000 surveys were sent to random adults in the county of the university of the researcher. A new $1 bill was included in each physical mailing to encourage response. Appendix A presents the scenarios between the change in status quo versus the relative change in status quo conditions. All measures for the research model were derived from existing studies in the literature, including those for satisfaction and loyalty (Thomson et al. 2005), desire (Perugini and Bagozzi 2001), and trust (Bansal et al. 2004). The data were analyzed using SPSS and Mplus. SPSS was used to identify data description, whereas MPlus was used to conduct confirmatory factor analyses to validate measurement models, and to empirically test the predictive structural model associated with Figure 1, including both direct and indirect predictive effects. Close to 790 usable surveys were returned, representing an overall response rate of over 10%. However, missing data reduced the suable sample to 395 surveys (185 for the individual perspective and 210 for the relative or comparative standard). There were also 271 male and 124 female usable responses. The respondents' ranged from 20-93 years of age. The respondent pool is characterized as being generally loyal to their automobile insurers with 79.4% of respondents expressing that they have had an ongoing relationship with their current automobile insurer for at least the last four years.

TABLE 1: Correlation Matrix

	Satisfaction	Trust	Desire	Loyalty
Satisfaction	.918/.937			
	.933/.809			
Trust	.136	.976/.971		
	.268	.933/.921		
Desire	.121	.384	.907/.994	
	.279	.646	.726/.932	
Loyalty	.175	.483	.417	.959/.949
	.431	.711	,525	.662/.632

Note: Cells on the diagonal include construct reliability and variance extracted scores. Off diagonal scores represent latent construct correlations. The first row represents Scenario 1 and the second row represents Scenario 2.

TABLE 2: Measurement Invariance Assessments

Model	Number of Parameters	χ^2	Degrees of freedom	P-value
Configural	96	232.748	142	.000
Metric	86	247.665	152	.000
Scalar	76	256.070	162	.000

Models Compared	Number of Parameters	χ^2	Degrees of freedom	P-value
Metric against Configural		14.917	10	.1351
Scalar against Configural		23.322	20	.2732
Scalar against Metric		8.405	10	.5893

The confirmatory factor analyses support using the obtained data for purposes of model assessment: $\chi^2 = 256.07$; df = 162; RMSEA = .054; CFI = .981; TLI = .973; SRMR = .051. Table 1 presents the latent variable correlation matrices by gender for the research model in Figure 1. Table 2 demonstrates that the measurement model does not exhibit issues related to measurement invariance. The two-group (gender) confirmatory factor analysis produced fit indices of $\chi^2 = 232.748$; df = 142; RMSEA = .057; CFI = .982; and TLI = .977.

RESULTS

Figure 1 presents the results. In the change in status quo condition (all reported path coefficients are standardized). Table 3 summarizes the results by research hypothesis. First, the overall hypothesized difference between individualistic changes in status quo condition versus relative changes in status quo conditions (H1) is confirmed by the data. This suggests that the underlying J/DM models vary across the two conditions, thereby representing unique J/DM contexts. Second, the relative role of satisfaction varies between the two J/DM conditions. In the straight change in status quo condition, satisfaction plays a relevant role as an indirect effect on customer loyalty, through motivation as desire. However, the results suggest that satisfaction plays no significant role in the J/DM model within the (group) context of relative status quo change. Third, trust appears to play a strong and significant role in the J/DM models under both conditions as an indirect influence on customer loyalty judgments. Finally, the relative change in status quo condition explains substantially more variance in loyalty decisions (24% versus 17%).

TABLE 3: Summary of Results by Research Hypothesis

Research Hypothesis	Change in Status Quo Condition	Relative Change in Status Quo Condition
H1: The underlying J/DM models relating satisfaction and trust will differ based on status-quo scenarios related to perceived negative individual utility versus perceived negative individual utility in relation to non-negative outcome for another individual who did not engage in a status quo change.	Confirmed. The two models in Figure 1 differ in terms of relevant concepts predicting consumer satisfaction choices.	
H2: Satisfaction predicts loyalty to an insurer in the condition across status quo conditions.	Confirmed by a statistically significant indirect effect.	Not confirmed as an indirect effect.
H3: Trust predicts loyalty to an insurer in the condition across status quo conditions.	Confirmed by a statistically significant indirect effect.	Confirmed by a statistically significant indirect effect.

DISCUSSION

The results suggest significant implications for insurance marketers, both theoretically and in practical terms. Practically, questions as to the efficacy of marketing strategies such as the previously described alternative positioning strategies between USAA (as part of identifiable group) versus Geico (cost savings) have largely typically ignored potential differences in the underlying J/DM models. This assumption appears to potentially attenuate the validity of obtained results. Consequently, the results presented herein demonstrate evidence supporting the theoretical conclusion that insurance marketers should consider adding J/DM context into their modeling considerations when analyzing consumer data. Importantly, we encourage insurance marketers to not assume that the results reported herein generalize across insurance settings. For example, the identified model differences we demonstrate relative to automobile insurance may or may not also be apparent in other types of insurance (e.g., health, life, homeowners, etc.). We interpret the results to support a general practice of assessing all insurance marketing models across a wide variety of different contexts, including those within the realm of J/DM.

The identified status quo effects suggest additional important research implications for insurance markets. It is likely that the simple models presented in the current research do not fully appreciate the complexity inherent in the formation of loyalty decisions by all insurance consumers. Additional concepts and relationships should be explored by service marketers researchers in future research. For example, Ponder et al. (2016) present results indicating that intimate relationships in a professional service context are characterized by interactive communication and social bonds, and that the variables act as full mediators of the trust-commitment relationship. Frank and Lamiraud (2009) state that the United States and other nations rely on consumer choice and price competition among competing health plans to allocate resources in the health sector, highlighting the importance of the efficiency consequences of adverse selection in health insurance markets and other aspects of consumer choice. Frank and Lamiraud (2009) present results suggesting that as the number of choices offered to individuals grow their willingness to switch plans given a set of price dispersion differences declines allowing large price differences for relatively homogeneous products to persist. Pendzialek et al. (2016) consider the role of price elasticity and health insurance and demonstrate that the occurrence and intensity of status quo bias may vary by settings, concluding that the general reluctance of individuals to switch health insurance when not necessary is a common argument as to why price elasticity is relatively low in almost all settings. The potential effects of status quo bias occur when individuals are forced to choose a (new) health plan. Finally, thee are a plethora of research questions that could be explored from incorporating the rapidly evolving general J/DM literature. For example, Dean et al. (2014) report the Limited Attention Status Quo Bias Model which purports to explain status quo bias through an emphasis on focusing limited attention.

LIMITATIONS

The primary limitation of the reported study concerns the usable response rate. Readers are encouraged to consider the obtained response rate in interpreting the results reported herein.

Contact Author:
Steven A. Taylor, Ph.D., Illinois State University
Distinguished Professor of Marketing
Illinois State University
Email: staylor@ilstu.edu

REFERENCES

Bansal A. (2016), "Systemic importance of insurance companies–An empirical analysis." *Willis Towers Watson Technical Paper*. 2016 Mar 2;2741068.

Bansal, H., Irving, G. and Taylor, S. (2004), "A three-component model of customer commitment to service providers", *Journal of the Academy of Marketing Science*, 32 (3), pp. 234-50.

Bejou, David. (1997), "Relationship marketing: evolution, present state, and future." *Psychology & Marketing (1986-1998)* 14.18: 727.

Bettencourt, B. Ann, Lisa Molix, Amelia E. Talley, and Kennon M. Sheldon (2006), "Psychological need satisfaction through social roles." *Individuality and the Group: Advances in Social Identity* (2006): 196-214.

Burri, Rama Devi, Ram Burri, Ramesh Reddy Bojja, and SrinivasaRao Buruga (2019). "Insurance Claim Analysis using Machine Learning Algorithms." *International Journal of Advanced Science and Technology* 127 (1): 147-155.

Chernev, Alexander (2004), "Goal orientation and consumer preference for the status quo." *Journal of Consumer Research* 31.3: 557-565.

Dean, Mark, Özgür Kıbrıs, and Yusufcan Masatlioglu (2017), "Limited attention and status quo bias." *Journal of Economic Theory* 169: 93-127.

Frank, Richard G., and Karine Lamiraud (2009), "Choice, price competition and complexity in markets for health insurance." *Journal of Economic Behavior & Organization* 71.2: 550-562.

Friedman, Sam, Michelle Canaan, Nikhil Gokhale, and Prachi Ashani (2019), "2020 Insurance Outlook," *Deloitte Insights*, Deloitte.com, Posted 03 December 2019, [online] https://www2.deloitte.com/us/en/insights/industry/financial-services/financial-services-industry-outlooks/insurance-industry-outlook.html.

Garbarino, Ellen, and Mark S. Johnson (1999), "The different roles of satisfaction, trust, and commitment in customer relationships." *Journal of Marketing* 63 (2): 70-87.

Guiso, Luigi (2012), "Trust and Insurance Markets 1." *Economic Notes* 41.1-2: 1-26.

Homburg, Christian, Jan Wieseke, and Wayne D. Hoyer (2009), "Social identity and the service-profit chain." *Journal of Marketing* 73.2, 38-54.

Johnson, Eric J., John Hershey, Jacqueline Meszaros, and Howard Kunreuther (1993). "Framing, probability distortions, and insurance decisions." *Journal of Risk and Uncertainty* 7 (1): 35-51.

Kahneman. Daniel, Jack L Knetsch. and Richard Thaler. (1990), "Experimental Tests of the Endowment Effect and the Coase Theorem," *Joumal of Political Economy* 98, 1325-1348.

Loomes, Graham, Shepley Orr, and Robert Sugden (2009), "Taste uncertainty and status quo effects in consumer choice." *Journal of Risk and Uncertainty* 39.2: 113-135.

Minta, Youba (2018), "Link between Satisfaction and Customer Loyalty in the Insurance Industry: Moderating Effect of Trust and Commitment," *Journal of Marketing Management* 6.2: 25-33.

Morgan, Robert M., and Shelby D. Hunt (1994), "The commitment-trust theory of relationship marketing." *Journal of Marketing* 58.3: 20-38.

Pan, Zhao, Yaobin Lu, Bin Wang, and Patrick YK Chau (2017), "Who do you think you are? Common and differential effects of social self-identity on social media usage," *Journal of Management Information Systems* 34 (1): 71-101.

Pendzialek, Jonas B., Dusan Simic, and Stephanie Stock (2016), "Differences in price elasticities of demand for health insurance: a systematic review." *The European Journal of Health Economics* 17.1: 5-21.

Perugini, Marco, and Richard P. Bagozzi (2001). "The role of desires and anticipated emotions in goal-directed behaviours: Broadening and deepening the theory of planned behaviour." *British Journal of Social Psychology* 40.1: 79-98.

Petzer, Daniel J., and Estelle van Tonder (2019), "Loyalty intentions and selected relationship quality constructs: The mediating effect of customer engagement." *International Journal of Quality & Reliability Management* 36.4: 601-619.

Ponder, Nicole, Betsy Bugg Holloway, and John D. Hansen (2016), "The mediating effects of customers' intimacy perceptions on the trust-commitment relationship." *Journal of Services Marketing* 30.1: 75-87.

Pooser, David M., and Mark J. Browne. "The Effects of Customer Satisfaction on Company Profitability: Evidence From the Property and Casualty Insurance Industry." *Risk Management and Insurance Review* 21.2: 289-308.

Rizan, Mohamad, Ari Warokka, and Dewi Listyawati (2014), "Relationship marketing and customer loyalty: do customer satisfaction and customer trust really serve as intervening variables?." *Journal of Marketing Research & Case Studies*, 1.

Sahore, Nidhi Sharma (2019), "Insurance Marketing through Digital Tools-Opportunities and Challenges." *Journal of Banking and Insurance Law,* 1.1: 36-41.

Sheldon, Kennon M., and B. Ann Bettencourt (2002), "Psychological need-satisfaction and subjective well-being within social groups." *British Journal of Social Psychology* 41.1: 25-38.

Shiu, Yung-Ming, and Tsu-Wei Yu (2010), "Internal marketing, organisational culture, job satisfaction, and organisational performance in non-life insurance." *The Service Industries Journal* 30.6: 793-809.

Shrestha, Love Shankar, Abeer Alsadoon, P. W. C. Prasad, Haritha Sallepalli Venkata, and Amr Elchouemi (2019), "Rise of Social Media Marketing: A Perspective on Health Insurance." In *2019 5th International Conference on Advanced Computing & Communication Systems (ICACCS)*, pp. 905-909. IEEE.

Taylor, Steven A. (2012), "Satisfaction, Regret, and Status Quo Effects on the Formation of Consumer Loyalty." *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior* 25: 24.

Taylor, Steven A (2013), "Affect and marketing stimuli in consumer loyalty decisions to automobile insurers." *Journal of Financial Services Marketing* 18.1: 4-16.

Taylor, Steven A. (2016), “Attitude and Gender as Predictors of Insurance Loyalty,” *International Journal of Psychology and Behavioral Sciences*, 6 (3), 99-102. 10.5923/j.ijpbs.20160603.01

Thomson, Matthew, Deborah J. MacInnis, and C. Whan Park (2005), "The ties that bind: Measuring the strength of consumers’ emotional attachments to brands." *Journal of Consumer Psychology* 15.1: 77-91.

APPENDIX A: The Scenarios

Scenario (Please read this CAREFULLY)

Pat is currently a customer of Insurance Company A, and recently sees a TV ad from a competitor insurance company called Company B inviting him/her to switch insurers.

- Pat perceives NO differences in either *price* or *brand reputation* between Company B and Company A when (s)he sees the advertisement.
- None-the-less, Pat decides to ACCEPT the advertised offer and switches from Company A to Company B.
- Pat then has an accident, and is 100% personally responsible for causing the accident.
- **Pat experiences MUCH POORER service quality because (s)he switched their car insurer!**

Please assume that Pat is ***very similar to you*** in terms of age, socioeconomic status, and how (s)he feels about car insurance and insurance companies. When in doubt, please answer as you would answer if you were Pat.

Scenario (Please read this CAREFULLY)

Both Pat and Chris are currently customers of Insurance Company A, and both recently see the same TV ad from a competitor insurance company called Company B inviting them to switch insurers.

- Both Pat and Chris perceive NO differences in either *price* or *brand reputation* between Company B and Company A when they see the advertisement.
- Pat decides to ACCEPT the advertised offer and switches to Company B. Chris, on the other hand, rejects the offer and chooses to stay with Company A as his insurer.
- Pat and Chris then both have similar accidents for which each is 100% personally responsible for causing the accident.
- Both Pat and Chris experience MUCH POORER service because of their decision.
- ***The only difference between Pat and Chris is that Pat is worse off for switching, while Chris is worse off for not switching.***

Please assume that Pat is ***very similar to you*** in terms of age, socioeconomic status, and how (s)he feels about car insurance and insurance companies. When in doubt, please answer as you would answer if you were Pat.