

Abstract

This study analyses the customer's retention issue in the case of an automobile insurance industry in India. In order to be successful in the market, it is not sufficient for any insurance company to attract new customers. The company should concentrate on retaining the existing customers because the retaining one existing customer is five to seven times more profitable than attracting a new one.

This study involves in understanding the customer retention by classifying the existing policyholders of an automobile insurance company as likely to renew or terminate. A logistic regression model is specified and estimated in order to identify the good and bad customers. The results indicate that the customers who own new car or commercial vehicle or live in urban or semi urban areas or pay higher premium are more likely to leave the policy. Therefore, the company should take extra initiative to retain these identified customers.