CONSUMERS' PERCEPTIONS ON THE SERVICE QUALITY IN THE LIFE INSURANCE COMPANY

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Introduction

Life insurance is viewed as one of the most valued protection scheme which provides coverage in the event of death of the insured person. There are three types of policies for life insurance (Genworth Financial, 2011):

(i) universal life insurance (insured person can structure the policies to meet their individual needs)
(ii) term life insurance (insured person covered with a premium for a specific period of time),
(iii) whole life insurance (life insurance beneficiary received a guaranteed death benefit and guaranteed cash value for a guaranteed premium).

Prudential Financial (2010) noted that the purchase of life insurance is experiencing a positive take up by consumers, including Gen Y group of consumers where 48% of them intend to buy or add life insurance coverage within the next three years. They have clear thought that life insurance offers vast advantages for the insured person including:

(i) financial support in times of unfortunate death or total and permanent disability
(ii) act as a long term investment,
(iii) may use the money being insured during the retirement to lessen the burden in their cost of living and to meet financial needs,
(iv) receive benefits of protection against critical diseases and escalating hospitalisation expenses,
(v) act an effective tool to cover mortgages and loans.

Malaysian consumers have wide variety of life insurance providers to choose from such as Allianz Life Insurance (M) Berhad, AmAssurance Berhad, American International Assurance Company, Limited, TM Asia Life (M)

Berhad, AXA Affin Life Insurance Berhad, Commerce Life Assurance Berhad, Great Eastern Life Insurance (M) Berhad, Hannover Life RE, Hong Leong Assurance Berhad, ING Insurance Berhad, Malaysia National Insurance Berhad, Malaysian Assurance Alliance Berhad, Malaysian Life Reinsurance Group Berhad, Manulife Insurance (M) Berhad, Mayban Life Assurance Berhad, MCIS Z Insurance Berhad, Prudential Assurance (M) Berhad and Uni.Asia Life Assurance Berhad. However, consumers perceive in a different way regarding the service quality offered by life insurance companies. Hence, to further examine this issue, the aim of the paper is to determine the perceptions of consumers towards the service quality offered by life insurance companies in Malaysia.

Literature review

Customers are responsible to determine the quality of service (Berry, Parasuraman and Zeithaml, 1988; Cai and Jun, 2001; Lewis and Spyrakopoulos, 2001; Johnson and Nilsson, 2003). Service quality refers to the factor used to measure of how well the services performed actually matched the expectations (Olsen, Sasser and Wyckoff, 1978). Excellent service quality will result in high level of customer satisfaction (Naeem and Saif, 2009). Customers' perception towards the service delivery and quality can have an impact on long term profit of the organisation (Kee, Kumar and Manshor, 2009). Customer satisfaction is found to be an important tool to create and maintain loyal customer (Aurand, Gordan and Schoenbachler, 2004). Loyal customers contribute more to high and repeated purchase (Hui and Law 2003). The five common variables that are used by customers to evaluate service quality are reliability, responsiveness, assurance, empathy and tangibles (Berry *et al.*, 1988).

The assurance service quality dimension refers to the company's employees. Employees are questioned on their ability and skills to enable them to gain the customers' trust. If the customers are not comfortable with the employees, chances are high that the customers will not return to do further business with the company. It is important for employees to have good customer contact to enable them to create and provide good quality service (Bitner, Booms, and Tetreault, 1990). The behaviour of employees is important in building trust and customer satisfaction (Ahearne, Jelinek, and Jones, 2007). As customers can now educate themselves about the products and services offer by particular companies, it is crucial for service providers to provide quality assurance service (Jones, 1986). This includes service quality provision by life insurance companies in assuring insured person to choose the length of life insurance coverage for a specified term, either 10, 20 or 30 years. Another life insurance assurance issues consumer are face

with the amount with regards to protection or death benefit and premium to be paid in terms of cost to the insured.

The reliability of service quality dimension refers to how the company are performing and completing their promised service, quality and accuracy within the given set requirements between the company and the customer. Reliability is focusing on the outcome of the service (Berry *et al.*, 1988). Reliability is just as important as a goof first hand impression, because every customer want to know if their service provider is reliable and can fulfill their set of requirements with satisfaction. Reliability appeared as the most critical determinant for measuring service quality of life insurance companies to accomplish promise, offer truthful record and afford customers' guarantee (Affiaine and Zalina (2008).

Tangibles refer to the appearance of the physical surroundings and facilities, equipment, personnel and the way of communication. In other words, the tangible variable is about creating first hand impressions of the surroundings, facilities and environment. Since services are in form of intangible, it is difficult for customers to understand services (Baker and Legg, 1996). That is why customers make assumptions of service quality by evaluating the tangible facilities such as the building and physical layout of the company (Bitner, 1990). Convenience and accessibility are also treated as part of tangible variable of service quality. A convenient location means customers can easily do business with the company on a regular basis (Levesque and McDougall, 1996). Insured person through their will outlined together with the life insurance policies will determine the tangible personal property such as vehicle, furniture, house to be passed to the named surviving beneficiaries.

Empathy refers to how the company cares and the ability to give individualised attention to their customers, to make the customers feeling extra valued and special. If the customers feel they get personalised and quality attention there is a very big chance that they will return to the company and do business there again. Service employees are expected to be more empathetic towards customers (Donthu and Yoo, 1998). The key to success and survive appears to be a traditional agent and client relationship and the agent's ability to expand and make most of the relationship (Grönroos, 2000; Reagan, 2001). Life insurance companies need to use empathic approach and respond to a satisfying encounter in preparing a life insurance policy that covers the essential needs.

Responsiveness refers to the willingness of the company to help its customers in providing them with a good, quality and fast service. This is also a very important dimension, because every customer feels more valued if they get the best possible quality in the service. Customers do not need to be

approached or assured by weaker service employees or agent (Furrer, Liu and Sudharshan, 2000; Matilla, 1999). Life insurance companies need to offer adequate and responsive protection to the customers to face uncertainties and unexpected risk.

Methodology

One hundred self administered survey were distributed to the public with different demographic background in order to produce a reliable result and information about customer satisfaction towards the service quality in the insurance industry in Federal Territory of Labuan, Malaysia. Convenience sampling was utilized for this purpose. However, the questionnaires were only given to those that have a life insurance policy with any of the insurance companies in Malaysia. Respondents were required to have at least one life insurance policy with any of the insurance companies. The questionnaires were divided into three parts: demographic background of the respondents and their experience on the usage of service. The last part focused on questions that reflect the variables of service quality: reliability, responsiveness, assurance, empathy and tangibles. Measurement of items to measure the service quality were adapted from the SERVQUAL developed by Parasuraman, Zeithaml, and Berry (1988) employing five point likert scale (i.e. strongly agree, agree, neutral, disagree and strongly disagree). Data collected were then computed in the Statistical Package for the Social Sciences (SPSS) computer program version 19.0 for descriptive analysis.

Data analysis

Table 1 enumerates the frequency analysis of the respondents' background. 41% of the respondents were female and 59% were male. There were 39% aged between 31-40 years old and 9% above 40 years old. Most of the respondents attained a bachelor degree for their education background that is 38% while 28% were those with a diploma and 29% were holding a certificate qualification. Only 5% of the respondents hold a master degree. Highest percentages of the respondents have a monthly income of RM1001-RM3000 which is 49% and 30% claimed that their monthly income is between RM3001 to RM5000.

Table 1: Demographic Profile of the Respondents

Variable	Frequency	Percentage
Gender		
Male	41	41.0
Female	59	59.0
Age (years old)		
<20	7	7.0
20-30	45	45.0
31-40	39	39.0
>40	9	9.0
Education attained		
Certificate qualifications	29	29.0
Diploma	28	28.0
Bachelor	38	38.0
Master	5	5.0
Monthly income (RM)		
<1000	9	9.0
1001-3000	49	49.0
3001-5000	30	30.0
5001-7000	9	9.0
>7000	3	3.0

Experience with life insurance industry

Table 2 focuses on the respondents' experience with their insurance company. As required, 100% of the respondents have at least one life insurance policy. Almost half of the respondents with 47% have a life insurance policy with AIA, this could be because AIA is the major life insurance provider in the Federal Territory of Labuan, 13% with Etiqa Insurance and Takaful Berhad, 14% signed a policy with Great Eastern Life Assurance (Malaysia) Berhad and 8% has a policy with Takaful Malaysia Berhad. About 65% of the respondents hold a whole life insurance policy while 27% signed up an investment link life insurance policy. Another 7% of the respondents have an endowment insurance policy with their insurance company.

Table 2: Experience with Life Insurance Industry

	Frequency	Percentage
Which insurance company are you insured with?		
AIA Bhd	47	47.0
Etiqa Insurance & Takaful Berhad	13	13.0
Takaful Malaysia Berhad	8	8.0
Great Eastern Life Assurance (Malaysia) Berhad	14	14.0
Others	18	18.0
Type of Coverage?		
Whole Life Insurance	65	65.0
Endowment Insurance	7	7.0
Investment link	27	27.0
Others	1	1.0

Service quality in the life insurance industry

Table 3 describes a descriptive analysis on assurance dimension of service quality. About 56% of the respondents agree that the behaviour gives confidence in customer, 52% agreed that the company will keep their personal information as confidential and 52% of the respondents agreed that services and products offered by their insurance company are satisfying. Next, 48% stated they agree that the insurance company has highly skilled and experience employees, 49% agree that their insurance provider has a good reputation while 33% strongly agree. This shows that the respondents perceived that their insurance companies or agents are knowledgeable in providing the required information and this has an impact on the customers' trust towards their insurance company. Highest mean score appears for the statement 'The company has a good reputation' with a value of 4.13. Therefore, customers will be more confident to do business with their insurance agent in the near future.

Greater part of the respondents agreed with questions in relation with tangibles dimension of service quality, which can be seen in Table 5. Almost 51% perceived that the company provides enough materials to them and 48% expressed that the company has a pleasant atmosphere and surroundings. About 57% of the respondents stated that the employees are well dressed and this has given the customers a positive impression (mean value = 3.91). The respondents also stated that the employees are good with their communication skills (56%). Customers create the first impression with the

service based on the tangibles factors. Positive first impression can provide many advantages to the company.

Table 3: Respondents' Perception towards the Assurance of Service Delivery in Life Insurance

Variables		Frequency	Percentage	Mean
The behaviour of employees gives confidence in customer	Disagree	3	3.0	3.93
	Neutral	21	21.0	
	Agree	56	56.0	
	Strongly agree	20	20.0	
Information given to the company will be kept as confidential	Disagree	1	1.0	4.09
	Neutral	18	18.0	
	Agree	52	52.0	
	Strongly agree	29	29.0	
Services and products offered are satisfying	Disagree	4	4.0	3.86
	Neutral	25	25.0	
	Agree	52	52.0	
	Strongly agree	19	19.0	
Highly skilled and experience employees	Strongly disagree	1	1.0	3.69
	Disagree	7	7.0	
	Neutral	29	29.0	
	Agree	48	48.0	
	Strongly agree	15	15.0	
The company has a good reputation	Strongly disagree	1	1.0	4.13
	Neutral	17	17.0	
	Agree	49	49.0	
	Strongly agree	33	33.0	

Table 4: Respondents' Perception towards the Reliability of Service Delivery in Life Insurance Industry

Variables		Frequency	Percentage	Mean
Speedy and quick service always can be obtained from the company or through its agent	Strongly disagree	1	1.0	3.44
	Disagree	20	20.0	
	Neutral	21	21.0	
	Agree	50	50.0	
	Strongly agree	8	8.0	
The company provide the best value products and services available	Disagree	5	5.0	3.89
	Neutral	22	22.0	
	Agree	52	52.0	
	Strongly agree	21	21.0	

Table 4 (continued)

The product and services provided live up to my expectations	Disagree	5	5.0	3.83
	Neutral	25	25.0	
	Agree	52	52.0	
	Strongly agree	18	18.0	
The coverage offered is within my affordability	Disagree	8	8.0	3.84
	Neutral	19	19.0	
	Agree	54	54.0	
	Strongly agree	19	19.0	
Procedure of getting an insurance coverage is easy	Strongly disagree	4	4.0	3.47
	Disagree	14	14.0	
	Neutral	22	22.0	
	Agree	51	51.0	
	Strongly agree	9	9.0	
The company and its employees have sincere interest in solving my problem	Strongly disagree	1	1.0	3.52
	Disagree	14	14.0	
	Neutral	31	31.0	
	Agree	40	40.0	
	Strongly agree	14	14.0	

The respondents perception related to empathy is described in Table 6. Half of the respondents stated they were offered a personalized attention by their insurance company and 60% also says that the services and products offered are reliable. There are 50% stated that their agents are able to understand their needs. The reason behind the positive response could be because they felt that their agent or the company were able to play their part both as an agent as well as a friend. Agents that were able to understand their clients feeling by acknowledging their existence would be able to retain their clients. As an agent, they could also be a good friend towards their clients in good and bad times. Statement 'Staff understand the specific needs of their customers' score the highest mean value of 3.80.

Table 5: Respondents' Perception towards the Tangibles of Service Delivery in Life Insurance Industry

Variables		Frequency	Percentage	Mean
The company provide sufficient printed materials on the offered products	Disagree	14	14.0	3.65
	Neutral	21	21.0	
	Agree	51	51.0	
	Strongly agree	14	14.0	
Pleasant atmosphere and appealing physical facilities	Strongly disagree	1	1.0	3.65
	Disagree	10	10.0	
	Neutral	30	30.0	
	Agree	41	41.0	
	Strongly agree	18	18.0	
Smart looking and well dressed employees	Disagree	4	4.0	3.91
	Neutral	20	20.0	
	Agree	57	57.0	
	Strongly agree	19	19.0	
The employees have an outstanding communication skill	Strongly disagree	1	1.0	3.79
	Disagree	5	5.0	
	Neutral	23	23.0	
	Agree	56	56.0	
	Strongly agree	15	15.0	

Table 6: Respondents' Perception towards the Empathy of Service Delivery in Life Insurance Industry

Variables		Frequency	Percentage	Mean
Customers are given personalised attention	Strongly disagree	1	1.0	3.52
	Disagree	12	12.0	
	Neutral	29	29.0	
	Agree	50	50.0	
	Strongly agree	8	8.0	
Services and products offered are convenient to customers	Disagree	8	8.0	3.80
	Neutral	18	18.0	
	Agree	60	60.0	
	Strongly agree	14	14.0	
Staff understand the specific needs of their customers	Disagree	6	6.0	3.70
	Neutral	31	31.0	
	Agree	50	50.0	
	Strongly agree	13	13.0	

Table 7 shows the data obtained from the questionnaire on the responsiveness dimension of service quality. Majority of the respondents agreed to the questions in relation to responsiveness of their insurance provider. The respondents perceived that their insurance providers are efficient in dealing

with their customer's queries and request. More than one-third of the respondents agreed that their complaints and queries were managed in an efficient and proper manner. About 41% agreed that the insurance employees provided fast services to the customers. Half of the respondents agreed that they are always informed on the latest services and products by their insurance agents, with highest mean value of 3.63.

Table 7: Respondents' Perception towards the Responsiveness of Service Delivery in Life Insurance Industry

Variables		Frequency	Percentage	Mean
Complaints and queries are managed properly and efficiently	Disagree	17	17.0	3.48
	Neutral	31	31.0	
	Agree	39	39.0	
	Strongly agree	13	13.0	
Employees gives prompt services to customers	Strongly disagree	2	2.0	3.60
	Disagree	7	7.0	
	Neutral	35	35.0	
	Agree	41	41.0	
	Strongly agree	15	15.0	
Employees can always make time to attend to customer's queries and problems	Strongly disagree	1	1.0	3.47
	Disagree	15	15.0	
	Neutral	34	34.0	
	Agree	36	36.0	
	Strongly agree	14	14.0	
Employees often update customers on the latest services and products	Disagree	13	13.0	3.63
	Neutral	24	24.0	
	Agree	50	50.0	
	Strongly agree	13	13.0	

Conclusion and recommendations

This study described the perceptions of consumers towards the service quality offered by life insurance companies in Malaysia. A descriptive investigation was performed on factors such as reliability, responsiveness, assurance, empathy and tangibles, which may be used to review the characteristics of the industry as experienced by the customers. The result inferred that customers have different perceptions with the way the service are delivered, the ability of the employees in handling and caring for their customers. Assurance dimension is perceived by consumers as having good

service quality offered by life insurance companies in Malaysia. They are concerned greatly on the statement 'The company has a good reputation' with mean value = 4.13. The physical elements of a firm is perceived to play an important role as it provide a first impression of the company as a whole to the customers. It is found that a firm can create customer relationships by delivering added tangible and intangible elements of the core products.

However, 'Speedy and quick service always can be obtained from the company or through its agent', an item from reliability dimension, scored the lowest mean value (3.44) by consumers' with regards to the service quality offered by life insurance companies in Malaysia. This has shed some lights to life insurance companies to spend extra attention and consideration with this perspective in order to enhance the life insurance industry. There are many issues raised related to this study that requires further investigation for a better outcome. Since the numbers of samples were not convenience and the data collected were only from the respondents within the Federal Territory of Labuan, Malaysia, it limited the study to gain better understanding towards the factors of service quality in the life insurance industry. To be able to gain a better outcome of the study, future reseach should be expanded and to include other geographical areas as well as bigger sample size. The statements in relation to the service quality variable may need to be reviewed as some changes may need to be done.

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