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A Study of Service Quality Determinants in Life Insurance Sector

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ABSTRACT

The era of advanced technology and more knowledgeable customer had lead enhanced competition in each and every sector in the market. The long term success of the life insurance companies in this enhanced competition can be obtained through providing better service quality. Life insurance companies must know the attributes that constitute the service quality so that they can focus on the concerned attributes and provide better service quality so as to achieve competitive advantage in the market. The present paper focused on finding determinants of service quality in life insurance sector.

1. Introduction

In recent decade insurance sector has gained a lot of economic importance. The importance of insurance sector can be attributed to number of factors like assets under management, number of people employed in insurance sector, size and contribution of the insurance business in Indian economy, increasing risk, rising income for demand and insurance, rising insurance sector employment, increasing financial intermediary services etc. life insurance in not only used to protect the future interest of one's family but it is also used as a form of investment for various reasons. There have been an implicit history of insurance in India whether its life insurance or non life insurance. In India, the mark of life insurance can be attributed to the year 1818 with the set of Oriental Life Insurance in India. Before 1956 there were 245 life insurance companies in India which was merged after nationalization in 1956 and were composed into Life Insurance Corporation of India. In 1999 after privatization many private and foreign players are attracted in insurance sector. At present there are 24 life insurance companies operating in India with LIC as only public sector Company. Increased competition due to number of insurance players and large untapped market has shifted the focus of life insurance companies from product centered approach to customer oriented approach. Therefore life insurance companies need to focus on aspect of service quality. In the below section past studies regarding service quality has been discussed.

2. Review of Literature

Service quality is required to be the heart of process, work and service of the insurance companies **(1)**. The perceived service quality has a significant impact on the perspectives of customers towards the choice of insurance policy and company **(2)**. Various studies have been conducted on the basis of SERVQUAL model given by Parasuraman et al 1988 to find the determinants of service quality in life insurance but till date no consensus has been achieved **(3)**.

Mehta et al. (2002) gave six dimensions of service quality namely Assurance, Personalized Financial Planning, Relationship with Agent, Tangibles, Corporate Image and Competence **(4)**. Josep et al. (2003) identified five factors of quality in insurance, i.e. claims, personal relationships, products/ services, life insurance and agent/benefit **(5)**. Alok Mittal and Ashok Kumar (2007) gave eight factors influencing the policy purchase decision of customer from life insurance companies **(6)**. Vanniarajan and Jeyakumaran (2007) gave nine important dimensions of service quality in insurance sector namely distribution network, customer relationship management, product, empathy, responsiveness, brand building, reliability, tangibles and promotion as nine important dimensions **(7)**.

Siddiqui and Sharma (2010) proposed a six dimensional service quality instrument consisting of assurance, personalized financial planning, competence, corporate image, tangibles and technology in life insurance **(8)**. Gautam, Vikas (2011) extracted five dimensions tangibility, responsiveness, empathy, assurance and reliability of service quality in insurance sector **(9)**. Sharma, Goel and Bansal (2011) gave six dimensions in relation to perceived service quality that is corporate image, personalized financial planning, competence, assurance, tangibles and technology **(10)**. Srivastava (2015) gave three dimensions of service quality namely trustworthiness, tangible support and empathy **(11)**.

The SERVQUAL model had act as a base for abundant studies in the service sector, in addition to insurance sector however still from above literature discussion it can be said that there is lack of appropriateness of any particular model to life sector insurance. This paper focused to find the determinants of service quality in life insurance sector.

3. Reaearch Methodlogy

To find the factors of service quality in life insurance sector 38 statements given by Rohit Kumar and Manjit Singh (2010) in relation to appropriateness to insurance sector on the basis of past studies had been taken **(12)**. Respondents were asked to assess the 38 statements on the basis five point likert scale (1= highly dissatisfied, 2= dissatisfied, 3= neither dissatisfied nor satisfied, 4= satisfied, 5= highly satisfied). In addition to 38

statements related to service quality pof life insurance companies survey instrument also consisted of demographic questions.

4. Data Collection

The universe of the study is all life insurance companies operating in India but due to non-feasibility and time constraint, the scope of the study has been restricted to five life insurance companies, i.e. ICICI prudential Life Insurance, Bajaj Allianz life Insurance, SBI life Insurance, Max Life Insurance, HDFC life Insurance. The criterion adopted for selecting the private sector companies were private companies having highest market premium in 2016. The primary data was drawn from customers of private sector life insurance companies and only in the state of Delhi NCR. As many as 339 customers were approached to collect the required data for the study from the Delhi, Gurugram, Noida, Greater Noida, Ghaziabad, and Faridabad .

5. Objective of the study

To study the determinants of service quality in private life insurance industry.

6. Results and Discussions

The first objective of this study is to find the determinanats of service quality private life insurance sector. Exploratory Factor Analysis is used to identify service quality dimensions. KMO value is .975 (standard value > .6). Calculated value of chi square for Bartlett's Test of Sphericity at 703 degree of freedom and 5 percent level of significance is higher than tabulated value. Communalities value for each of 38 statements regarding service quality of private insurance companies is higher than required value of .5. KMO, Bartlett's test and communalities value confirms the sufficiency of sample, appropriateness of data and acceptance of all 38 statements for factor analysis.

Table 1 Total Variance Explained

Component	Initial Eigen Values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
Factor 1	23.451	61.713	61.713	23.451	61.713	61.713	7.644	20.116	20.116
Factor 2	1.622	4.268	65.981	1.622	4.268	65.981	7.082	18.638	38.754
Factor 3	1.484	3.904	69.885	1.484	3.904	69.885	5.636	14.832	53.586
Factor 4	1.923	2.430	72.315	.923	2.430	72.315	3.310	8.711	62.296
Factor 5	1.806	2.120	74.435	.806	2.120	74.435	3.191	8.398	70.694
Factor 6	1.642	1.688	76.124	.642	1.688	76.124	1.959	5.155	75.849
Factor 7	1.613	1.612	77.736	.613	1.612	77.736	.717	1.887	77.736
Extraction Method: Principal Component Analysis.									

The table 1 shows the initial solution, extracted components and rotated components. In initial eigen value the total column gives the eigenvalue, or amount of variance in the original variables accounted for by each component. The percent of variance column gives the ratio, expressed as a percentage, of the variance accounted for by each component to the total variance in all of the variables and the Cumulative percent column gives the percentage of variance accounted for by the first *n* components.

In table 1 total variance explained by the extracted eight factors is 77.736 percent. In case the social sciences it is general to consider a solution that accounts for 60 percent or more of the total variance as satisfactory (Hair, J. F., 2014). Eigen value should be greater than 1 and table 1 shows that all the seven factors has eigen values greater than 1 therefore all the seven factors extracted in table are considered as essential. Cumulative percent value in rotated component coloumn shows evenly spread variations hence rotated component matrix is easier to interpret than unrotated matrix.

Table 2 Rotated Component Matrix[a]

		Component						
		Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6	Factor 7
33	Company provides competitive price of their products and services	0.8						
34	Customers assured about quality of product and services through appropriate guarantees	0.728						
31	Company's products and services are of utmost quality	0.727						
32	Company provides diversified products and policies	0.724						
35	Company differentiate adequately their products and services in the market	0.716						
11	Company's goodwill in the market is good		0.698					
10	Company have sound financial strength		0.678					
5	Employees and agents fulfils the promise to do something by a certain time		0.776					
8	Employees and agents provide their services at the time they promise to do so		0.736					
6	Employees and agents show sincere interest in solving customer's problems		0.679					

7	Employees and agents performs the service at the first instance		0.645					
9	Company have error free record and transactions		0.53					
23	Employees and agents give individual attention to customers' needs and demands			0.514				
30	Company commit to ethics and promote ethical behavior among employees and agents			0.548				
26	Employees and agents have their customers' best interests at heart			0.781				
27	Employees and agents understand the specific needs of their customers			0.768				
28	Employees welcome complaints and criticism from customers and respond them positively			0.71				
29	Company organize consumer awareness programmes under Customer Relationship Management			0.669				
25	Employees and agents give personal attention to customers			0.669				
24	Company have convenient operating hours for their customers			0.574				
2	Physical facilities of the branch are visually appealing				0.723			
1	Company have modern Equipment and technology				0.622			
3	Employees and agents are neat in appearance				0.617			
4	Materials associated with the services are appealing				0.566			
14	Employees and agents are willing to help customers					0.527		
13	Employee and agents give prompt services to customers					0.503		
12	Employees and agents tell customers exactly when services will be performed					0.594		
16	Employees and agents constantly communicate with customers					0.6		
15	Employees and agents are never too busy to respond to customers' requests					0.548		
17	Method of communication suits the customer's need					0.539		
36	There are clear and transparent terms in contract of insurance policies						0.566	
38	Company provide simple formalities for purchasing its policy						0.67	
37	Company settles customers' claims without any hassle and delay						0.542	
18	The behavior of employees and agents instills confidence in customers							0.581
20	Employees and agents are courteous with customers							0.535
21	Employees and agents have knowledge to render professional service to customers							0.544
19	Customers feel that their transactions are safe							0.564
22	Employees and agents give accurate presentation of products and services							0.583
Extraction Method: Principal Component Analysis.								
Rotation Method: Varimax with Kaiser Normalization.								
a. Rotation converged in 11 iterations.								

In Table 2, Rotated component matrix with variables in the rows and components (factors) in the columns helps to determine what the components 7 (factors) represent. It shows the loadings of the 38 variables on the seven factors extracted. Variables with rotated factor loadings equal to or greater than 0.50 are retained as standards for factor analysis. Table 2 shows only rotated factor loading equal to or greater than 0.50 and all other loadings less than .050 are deleted so as to made table in a more readable format. Table 2 shows that the concerned variables have high loading for which particular factor. On the basis of which classification of variables under particular factor is done.

After factor analysis seven factors have been extracted in relation to service quality of life insurance companies as following:

Factor 1 consist of variables 31, 32, 33, 34 and 35. Factor 1 explains the maximum variance (61.713 percent). This implicates that factor 1 affects service quality majorly since the component with the maximum variance affects the service quality mainly. It represents how the product and services offered by life insurance companies are diversified in nature, different from that of other product and services offered in market, are competitive prices and good quality with assured

guarantees. Factor 1 has been named as **SERVICE AVAILABILITY**.

Factor 2 consists of Variables 5, 6, 7, 8, 9, 10 and 11. Further factor 2 has variance of 4.268 percent and was second component affecting service quality. These variables consist of characteristics related to company's goodwill, sound financial strength, error free record and transaction; whether employees and agents performs service at the first request, provide service at the time they promise, also fulfils the promise of doing something by a certain time and lastly shows genuine concern in solving customers problem. This factor has been named as **RELIABILITY.**

Factor 3 consists of variables 23, 24, 25, 26, 27, 28, 29 and 30 are classified as factor 3. Factor 3 was the third component explains service quality most with variance of 3.904 percent. These eight variables relate to the services performed from the valuing the customer's point of view. Therefore this factor has been named as **EMPATHY.**

Factor 4 consist of variables 1, 2, 3, 4 and has variance of 2.430 percent. They give consideration to something that can be touchable, seen and can be felt. It includes physical facilities and visual appearance of the branches, employee's appearance and availability of modern equipment and technology. This factor has been named as **TANGIBILITY.**

Factor 5 consists of variables 12, 13, 14, 15, 16 and 17 and has variance of 2.120 It describes approach of employees and agents in replying and reacting with customers. Therefore this factor has been named as **RESPONSIVENESS**.

Factor 6 consists of variables 36, 37 and 38. It has variance of 1.688 percent. It describes how easily customers without facing any stoppage, irritation and hurdle can purchase police and can get their claims settled. The factor has been named as **SERVICE CONVENIEINCE**.

Factor 7 consists of variables 18, 19, 20, 21 and 22. It has minimum variance (1.612) and hence it explains service quality least. The variables depicts about infusion of security and confidence among customers regarding transactions, employees and agents and company. This factor 7 has been finally named as **ASSURANCE**.

7. Conclusions

The present study classifies service quality in life insurance sector into seven major factor service availability, responsiveness, and tangibility, assurance, reliability, empathy and service convenience. Service availability has maximum variance of 61.713 percent. It indicates that service availability is the factor which matters most for service quality. Therefore private life insurance companies should focus on providing better service availability to enhance their service quality. Further since this study has been conducted in six regions of NCR so further it can be extended to other areas also. Another limitation of this study is that only top five private life insurance companies has been taken for the study and the results have been generalized to life insurance sector. Therefore the research can be extended to other insurance companies including Life insurance Corporation of India.

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