SERVICE QUALITY FACTORS AND CUSTOMER SATISFACTION ON LIFE INSURANCE SERVICES

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ABSTRACT

Service quality is well recognized to influence customer satisfaction. Companies are required to identify the aspects of service quality that determine customer satisfaction so that specific interventions can be implemented to ensure positive customer emotional reaction. The main objective of this study is to examine the level of all dimensions of service quality and customer satisfaction on life insurance services and to examine the relationship between service quality and customer satisfaction on life insurance services. A review of literature was conducted to find out the relationship between service quality and customer satisfaction. The literature review confirms this relationship. A survey was conducted to collect the required data for the study. The sample size of 273 life insurance customers was drawn from two different agencies in Selangor. Data were analyzed using the Statistical Package for the Social Science (SPSS) version 20. The result shows that all the service quality dimensions have relationship with customer satisfaction. Responsiveness demonstrates the highest positive correlation with customer satisfaction and assurance shows the least positive correlation with customer satisfaction. The implications of the study are discussed in the paper.

Keywords: Life insurance, Service quality, Customer satisfaction, Responsiveness, Assurance

INTRODUCTION

Nowadays, most people choose numerous insurance policies to protect themselves and their properties (Jajaee & Ahmad, 2012). Due to different reasons, people pursue for several insurance types according to the needs such as property, health, medical and car insurance. Currently, majority of Malaysians own at least one insurance policy in order to protect their interest. The Star online in 2015 claimed that Malaysia's life insurance industry recorded a 6.9% growth in insurance protection to RM1.17 trillion for all policies combined in 2014.

According to the previous study about the relationship between service quality and customer satisfaction, only limited studies have been conducted on investigating and measuring these factors in various industries especially in life insurance (Jajaee & Ahmad, 2012). Life insurance is a contract between an insured insurance policy holder and an insurer or assurer, where the insurer promises to pay a designated beneficiary a sum of money (the "benefits") upon the death of the insured person (Faruk & Rahaman, 2015). Therefore, the purpose of this research is to assess the relationship between service quality and customer satisfaction in the life insurance agency.

LITERATURE REVIEW

Customer Satisfaction
Every business in various industries concerns about satisfaction of customers because customer satisfaction is one of the most important elements that can bring success in today's competitive business environment and as it affects company market shares and customer retention (Ooi, Abdul Rahman, Lin & Yee-Loong, 2011). Recently, past study stated that a satisfied customer does not necessarily become loyal, while customers may maintain a relationship with a company despite being dissatisfied (Matos, Henrique & Rosa, 2013). As stated by Kotler and Armstrong (2010), satisfaction as a person's feelings of pleasure or disappointment resulting from the comparison of product's perceived performance in reference to expectations.

Service Quality
Service quality is an important factor for profitability, and service providers' success. The service quality theory is considered one of the most debated subjects in service literature (Ooi et al., 2011) since it lacks agreement when it comes to describing and defining service quality. Previous studies stated that service quality dimensions may vary across sectors and across countries (Babakus & Boller, 1992; Jabnoun & Tamimi, 2003). However, according to Zeithaml and Bitner (2003), service quality is a focused evaluation reflecting the customer's perception of specific service dimensions including reliability, responsiveness, assurance, empathy, and tangibility.

Research Framework
Based on the review of literature and the above theoretical review, the proposed research framework features five (5) variables of service quality that will affect the customer satisfaction in life insurance. These variables of service quality that constitute responsiveness, reliability, assurance, empathy and tangible were adapted from Zeithaml et al. (2003) while customer satisfaction variable was adapted from Armstrong, Kotler, Harker and Brennan, (2012). Figure 1 depicts the proposed research model and the key relationships to be tested in

this study. Service quality dimensions serve as the independent variables while the dependent variable is customer satisfaction.
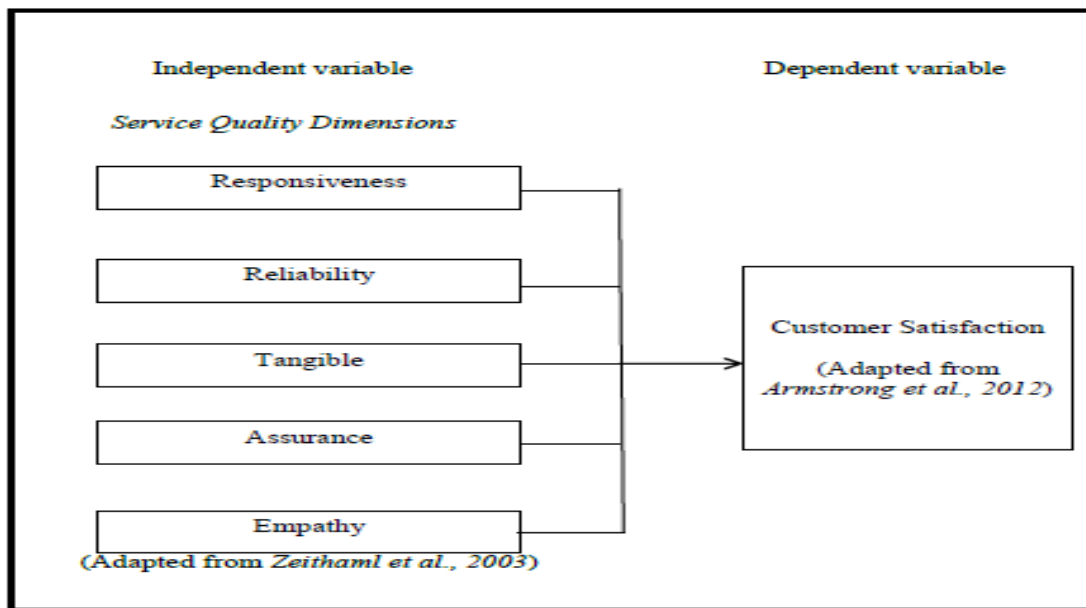

Figure 1. Research Framework

RESULTS AND DISCUSSIONS

Demographic background

Based on Table 1, the respondents of this study were customers who had life insurance registered under Prudential BSN Takaful and Takaful Ikhlas in Selangor. Specifically, 273 questionnaires were distributed to the respondents. Approximately in two weeks time, the researcher was only able to collect 193 (70.69%) questionnaires. Based on the table, the respondents for this study were policy holders of life insurance in Selangor. The demographic characteristics of the respondents that were analyzed comprise of respondents' gender, age, education level, income level and what agency of life insurance respondents used. Therefore, it can be concluded that for gender, the number of female respondents is slightly exceeded the number of male respondents. Majority of the respondents are in the age group of 20-29 years old. Moreover, majority of the respondents possessed a bachelor's degree holders and their income level for every month is within RM 2500 to RM 5000. Last but not least, respondents are registered their life insurance from Prudential BSN Takaful Berhad.

Table 1: Demographic Analysis

Variables	Descriptions	Frequency	Percentages (%)
Gender	Male	71	36.8
	Female	122	63.2
Age	20-29	114	59.1
	30-39	53	27.5
	40-49	14	7.3

	>50	12	6.2
Education	PMR/SPM/STPM/CERTIFICATE	41	21.2
	Diploma	44	22.8
	Bachelor degree	83	43
	Master degree	21	10.9
	Other	4	2.1
Income	RM <1000	7	3.6
	RM 1000- RM 2499	67	34.7
	RM 2500- RM 5000	88	45.6
	RM >5000	31	16.1
Insurance agency	Prudential BSN Takaful Berhad	99	51.3
	Takaful Ikhlas Sdn Bhd	94	48.7

Descriptive Statistic

As shown in Table 2, the results of descriptive analysis for service quality dimensions show that Assurance has the highest mean score (M = 4.2176, SD = 0.67839), followed by Reliability (M = 3.9637, SD = 0.67556), Tangible (M= 3.9326, SD = 0.67363), Empathy (M= 4.0155, SD= 0.71790), and Responsiveness (M=3.9767, SD= 0.65210). It can be concluded that service quality in life insurance is at the high and average levels.

Table 2: level of service quality (n=193)

Variables	N	Mean	Standard Deviation	Level
Assurance	193	4.22	0.67839	High
Reliability	193	3.96	0.67556	Average
Tangible	193	3.93	0.67636	Average
Empathy	193	4.02	0.7179	High
Responsiveness	193	3.98	0.6521	Average
Satisfaction	193	4.04	0.67987	High

Reliability Analysis

For this study, reliability test was conducted on each variable by examining the Cronbach's alpha values that indicate the consistency of items in measuring the intended variables. Table 3 shows the values for independent variables which are assurance, reliability, tangible, empathy, responsiveness and customer satisfaction as a dependent variable (0.670, 0.897, 0.713, 0.861, 0.877 and 0.937, respectively). According to Hair et al. (2003), Cronbach's alpha value 0.60 is the minimum acceptable value for Cronbach's Alpha reliability test. Therefore, the items measuring the intended variables are reliable.

Table 3: Results of Reliability Analysis

Section	Scales	No. Of Scale Items	Reliability Coefficient (Alpha)(n=193)
B	Assurance	2	0.67
	Reliability	5	0.897
	Tangible	2	0.713
	Empathy	2	0.861
	Responsiveness	4	0.877
C	Customer Satisfaction	5	0.937

Correlational Analysis

Based on table 4, the study found that service quality dimensions were significantly correlated with customer satisfaction. The results also illustrate that there is a weak relationship between assurance and customer satisfaction (r=0.343, p<0.01). There is a moderate relationship between tangible and customer satisfaction (r=0.583, p<0.01). Meanwhile, the result also indicates that reliability and customer satisfaction have strong relationship (r=0.715, p<0.01). Similar finding is also found for the relationship between empathy and customer satisfaction (r=0.707, p<0.01). Lastly, the finding shows that there is also a strong relationship between responsiveness and customer satisfaction (r=0.730, p<0.01). These findings indicate concurrent validity of the service quality dimensions. Strong and significant relations between one dimension of service quality and another dimension of service quality denotes convergent validity of the construct.

Table 4: Correlation Analysis for Variables

No	1	2	3	4	5	6
1. Assurance						
2. Reliability	.424**					
3. Tangible	.326**	.660**				
4. Empathy	.319**	.672**	.543**			
5. Responsiveness	.313**	.707**	.582**	.688**		
6. Satisfaction	.343**	.715**	.583**	.707**	.730**	

**. Correlation is significant at the 0.01 level (2-tailed).

Multiple Regression Analysis

In this study, a multiple linear regression analysis was used in order to see whether the independent variables (service quality dimensions) influence the dependent variable (customer satisfaction). The results are illustrated in Table 5. The table shows that the elements which are assurance, reliability, empathy and responsiveness have p-value below 0.05 (p<0.05). Meanwhile, tangible did not meet the criteria to significantly influence customer satisfaction.

Hence, the significant independent variables comprising assurance, empathy and responsiveness imply that the hypotheses were supported. Nevertheless, hypothesis 3 shows that the hypothesis was not supported.

Table 5: Results of Multiple Regression Analysis

Model	Standardized Coefficients	Sig.
	Beta	
Assurance	0.097	0.044
Reliability	0.189	0.007
Tangible	0.027	0.629
Empathy	0.286	0.000
Responsiveness	0.377	0.000
R^2		0.678
Adjusted R^2		0.669
R2 Change		0.678
F Change		77.537
Significance F Change		0.000
Durbin Watson		2.017

Table 5 illustrates the model summary of the regression analysis. This model has a value of R (0.823) and R^2 (0.678). The value of R^2 represents the proportion of variation of the dependent variable which is accounted for by the independent variables in the regression model. In this case, the results show that 67.8% of the variance in customer satisfaction is significantly explained by the five independent variables which are assurance, reliability, tangible, empathy and responsiveness while 32.2% of the variance is explained by other variables which were considered in this study.

CONCLUSION AND RECOMMENDATIONS

Based on the descriptive statistics, the result indicated that the mean scores for the service quality dimensions in life insurance are at the high and average levels. The service quality dimensions are reliability, responsiveness, tangible, assurance and empathy. In this study, assurance and empathy were highly rated. Other dimensions namely reliability, tangible and responsiveness were rated on the average level. Based on the finding, life insurance agencies need to improve the service quality provided to their customers as according to Chartoraj (2005), insurance companies that rely on delivering the highest value to the customers can survive and sustain their growth and be profitable in future.

The result of the multiple regression analysis has shown that there is a significant relationship between service quality dimensions and customer satisfaction in life insurance. Except for tangible, all dimensions of service quality; namely, responsiveness, reliability, assurance and empathy have significant relationship with customer satisfaction. There is a positive relationship between assurance and customer satisfaction in life insurance services. Insurance industry is highly competitive and each company must be different from each other. So the agents or employees of life insurance in Malaysia must improve the skills and experience so that customers will have trust and confidence dealing with the agency. This is supported by the previous study that assurance needs highly skilled and experienced employees of life insurance providers to provide services with full confidence to customers that will surely lead

to positive word of mouth outcomes (Arasli, Mehtap-Smadi & Turan Katircioglu, 2005). As a result, the company will develop good reputation from the customer's perspective. Meanwhile, the findings of this study were also supported by the previous studies that customers evaluate highly those agents who are perceived to be trustworthy and make customers feel assured that they have made the correct decision (Siddiqui et al., 2010).

There is a positive relationship between reliability and customer satisfaction in life insurance services. According to Parasuraman, Zeithmal and Berry (1985), reliability is the consistency of performance and dependability. Providing right service at the right time confirms reliability service of the insurance company. They should highlight the recent achievements in terms of number of policies; premium collected, so that the customers are aware of these achievements and they will trust the company. Furthermore, Moon (2013) found that reliability of the service providers are linked to web security and ease to use. Reliability is in the form of accessibility, continuity and performance that is able to meet customer's expectations. Rizan (2010) stated that reliability also helps to increase customer's value by providing appropriate service requirements, customer's participation to fulfil their needs and solve operational issues whenever it is required.

There is a positive relationship between tangible and customer satisfaction in life insurance services but it is not significant. According to Bitner (1992), tangible is physical environment and is often used as an indication of a firm's competence and quality by customers before making a purchase. The life insurance company or its dedicated agents should provide the best value for its products and services in meeting customer satisfaction such as offering speed and quick service in a pleasant atmosphere and appealing physical facilities. It is the key to the insurance company success. Customers compare the service of one company to the other and identify the expectations based on their service encountered and knowledge gained.

There is a positive relationship between empathy and customer satisfaction in life insurance services. In life insurance, every agent has his own customers so he needs to make sure that customer needs are fully understood. Since every agent needs to take care of his customers' policy, he needs to update customers on the latest products and service offerings, create direct contact and frequent interaction with policy holders, and manage complaints and queries properly and efficiently (Suki, 2013). It is because customers will be satisfied with the services if the employee can provide individual attention to them. If the employee failed to provide personal attention, it will negatively affect service quality.

There is a positive relationship between responsiveness and customer satisfaction in life insurance services. Responsiveness is the timely reaction towards the customers' needs. Responsiveness is defined as the willingness of insurance company staff to provide service on time (Arasli et al., 2005). Some of the examples of such services are by giving feedback to customers immediately and setting appointment with customers easily. When insurance company staff delivers service to customer promptly, it shows the attitude of the employee which in turn is perceived by the customer as having good service (Gronroos, 2010). It is always difficult for the customers to judge service quality. Thus, trust plays an important role for judging service quality.

The Life Insurance sector has entered into new businesses and is bent on enhancing its market share, which can be achieved only if the industry is able to get new customers and retain old customers (Rajkumar et al., 2014). Besides retaining old customers, a satisfied

customer ensures to repeat purchases, and make others aware of good experience about the product or service received (Gronroos, 2010). By understanding the dimensions of service quality that enhance customer satisfaction, this study allows agents of life insurance to understand more about the dimensions that should be emphasized to increase customer satisfaction.

Data analysis were carried out on five dimensions of service quality namely responsiveness, reliability, assurance, tangible and empathy. This study also identified five hypotheses related to the relationship between service quality dimensions and customer satisfaction among policy holders of a life insurance company. The finding shows that reliability, responsiveness, assurance and empathy are significant to customer satisfaction. Thus, to strengthen the confidence level and satisfaction of customers, it is recommended life insurance to focus more on these dimensions in order to achieve high level of service quality and customer satisfaction. More specifically, the following implications are discussed

First, the dimension of assurance was significantly related to customer satisfaction. It is because assurance is about how agents or staff at the agency are able to convey trust and confidence to customers. Every agent who is dealing with customers must have high confidence level to communicate with them. Customers will not be satisfied if they are not confident about the competence of the service provider. The insurance agent can develop the feelings of confidence in customers by handling their customers in a professional way. The second dimension is reliability. The agents or staff from the agency must have the ability to perform the service dependably and accurately. It means that the service itself must be delivered according to the standards expected by the customers. Besides, customers will be satisfied with the services if the agent managed to make customers feel confident with the agency that they choose by fulfilling their promises.

The third significant dimension is empathy. Empathy refers to how services show the level of caring and individual attention provided to customers. To increase the customers' satisfaction, agents or service provider must understand their customer needs and wants. The more the service provider can see things from the customer's point of view, the better the service would be. As an agent who handles customers, he must understand and always try to solve their problems. To improve the service, training is particularly important to comprehend the role of emotions in personal service encounters. Customers' adaptation to emotions displayed by agent or staff depends on their individual level of empathy. Thus, agents need strategies to help them manage their own emotions and to respond appropriately to customers, not only verbally but also nonverbally by employing appropriate gestures or facial expressions. Depending on customers' empathic abilities, balancing rational strategies with an increased awareness and purposeful application of affective responses to a customer's dissatisfying experience may be an important approach for enhancing effective service recovery.

Finally, responsiveness dimension implies that life insurance's agents are willing to help their customers. To improve that, agents of life insurance should give prompt service to the users, willing to help customers on any issues and always respond to their inquiries.

SUGGESTIONS FOR FUTURE RESEARCH

One of the suggestions for the future research is that similar study should be expanded to other geographical areas with different subjects such as in Klang Valley to see their responses and feedback. Besides, a number of agencies participated in the study can be increased in the future because the current study only involved two agencies. In the future research, the data can also be tested by using other data analysis tools such as structural equation modeling (SEM). Furthermore, future research also can use other variables that are not explained in this study for the next research that is related to service quality and customer satisfaction such as credibility, customer orientation and competence. Besides, it is also suggested to measure the service quality and customer satisfaction on general insurance such as automotive insurance industry. Instead of using quantitative design, the future researchers also can use other methods such as qualitative design in the study. It can help the future researchers to understand two main research questions clearly. Last but not least, the future studies can also consider analyzing customer continuance intention as a result of service quality. The outcome of the study will enable the life insurance in Malaysia to design better strategies to satisfy the possible different needs and wants of different segments of customers in order to ensure that the number of policyholders of life insurance will continue with current life insurance they have purchased.

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