
ASSESSMENT OF SERVICE QUALITY IN INSURANCE SECTOR- A CASE STUDY OF PRIVATE COMPANIES OF HARYANA STATE

Parmod Kumar Singhal*

Ms Asstha Gupta**

ABSTRACT

Insurance sector in India has been emerging at a high growth rate. Till December 2012, it has contributed up to 6.1% to country's GDP. Being a part of service sector it is expected from insurance companies to provide lot of statutory and flexible benefits along with the customer convenience facilities. The aim of all types of insurance is to compensate the owner against loss arising from a variety of risks, which he anticipates, to his life, property or business. Insurance is mainly of two types: life and general. And an insurance policy is the contract between the insurer and the insured, which states the risks covered, the exclusions, if any, and the benefits reimbursed on the happening of an event like death, illness etc. The policy is paid through premium, which is a set amount that must be paid by the insured on a monthly, semi-annual or annual basis.

The current paper is an attempt towards measuring the gaps between expectations of customers and services as perceived by them from their respective insuring companies. This study is based on SERVQUAL model using five parameters – tangibility, reliability, responsiveness, assurance and empathy. This study covers 500 customers of private insurance companies covering 7 district of Haryana i.e. Karnal, Panipat, Kurukshetra, Ambala, Yamunanagar, Kaithal, Panchkula..

Keywords: *SERVEQUAL Model, Service Quality, Insurance, Haryana, Private Insurance Companies*

*Assistant Professor, Faculty of Management, Galaxy Global Group of Institutions,
Dinarpur, Ambala, Haryana

**Assistant Professor, Arya Department of Commerce, Arya Kanya
Mahavidyalya, Shahabad, India.

INTRODUCTION

Relationship marketing is concerned with how organizations manage and improve their relationships with customers for long-term profitability. Customer relationship management (CRM), which is becoming a topic of increasing importance in marketing, is concerned with using information technology (IT) in implementing relationship marketing strategies.

This topic is related to the growth management on two pillars of customers' expectations and customer's satisfaction building on the bricks on bricks of tangibility, reliability, responsiveness, assurance and empathy.

- *Tangibility*: physical facilities, documentations and staff availability
- *Reliability*: the ability to perform services precisely and reliably
- *Responsibility*: disposition to quickly serve the clients
- *Empathy*: personal attention to each client
- *Assurance*: knowledge and politeness of the staff and their ability to produce reliability and guarantee.

Since the insurance companies have been, nowadays, providing as much as services to their customers and trying to make more new people for associating with them. But somehow they are able to retain for long time. Importance of insurance is restricted to well educated section of the society. A huge portion of our population is still ignorant of insurance and its benefits. They find insurance companies as money making fraud institutes. This is not their fault actually. As per the past studies and experience of rural people, who showed interest in insurance, it is found that they are misguided by their agents and incurred losses.

Insurance Market in India

Insurance is a subject listed in the concurrent list in the Seventh Schedule to the Constitution of India where both centre and states can legislate. The insurance sector has gone through a number of phases and changes. Since 1999, when the government opened up the insurance sector by allowing private companies to solicit insurance and also allowing foreign direct investment of up to 26%, the insurance sector has been a booming market. However, the largest life-insurance company in India is still owned by the government.

Reaching Out To Customers

No doubt, the customer profile in the insurance industry is changing with the introduction of large number of divergent intermediaries such as brokers, corporate agents, and bank

assurance. The industry now deals with customers who know what they want and when, and are more demanding in terms of better service and speedier responses, which has resulted in considerable improvement in customer service levels, product innovation and newer standards of underwriting.

Following the sharp growth in new business premium, LIC's market share in premium from new policies has jumped four percentage points from 64.86% in March 2012 to 68.7% in March 2013. The other companies among the top five in terms of market share include ICICI Prudential Life (6.25%), SBI Life (6.01%), HDFC Life (3.23%) and Bajaj Allianz (2.75%) and rest is covered by other companies.

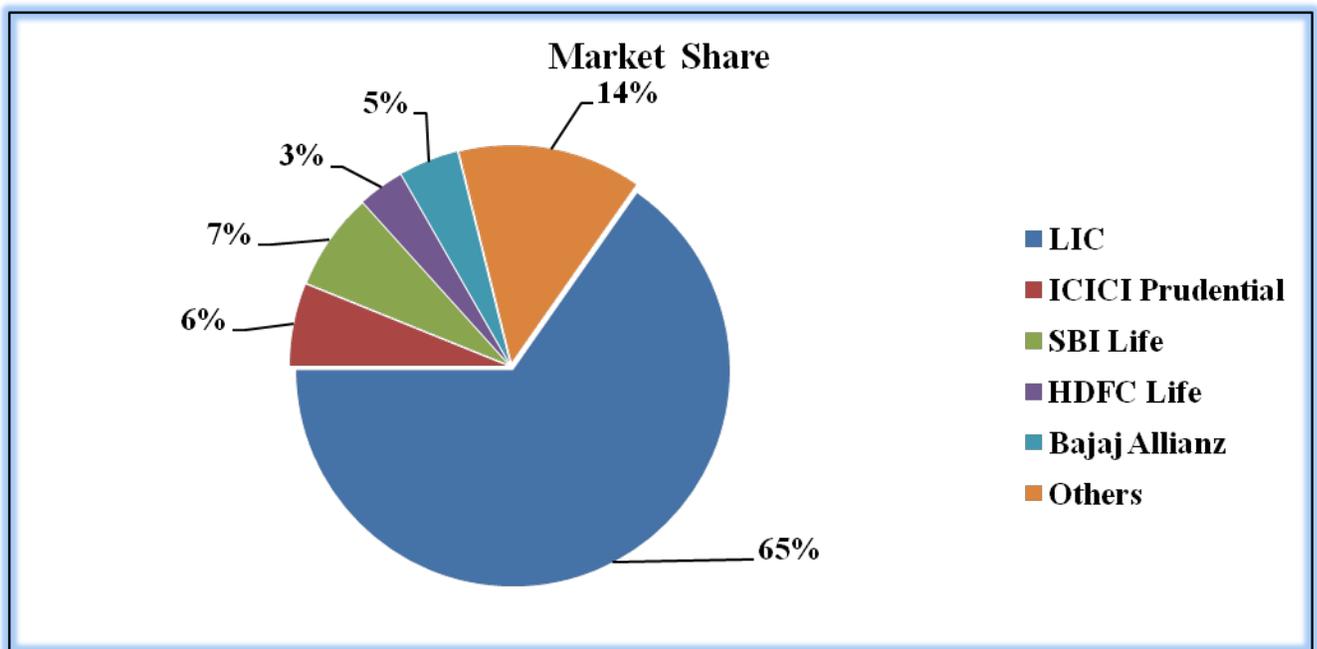


Fig 1: Market Share of Insurance Companies in India 2013.

SERVQUAL MODEL

Service Quality – Customers also form perceptions of quality during the *service transaction* - how effectively and efficiently the service was delivered and the speed and convenience of completing the transaction. Finally, customers evaluate support activities that occur after the transaction that is *post-sale service*. Gronroos distinguishes between “*technical quality*” and “*functional quality*”.

- *Technical Quality* is concerned with the outcome of the delivered product or service. Customers use service quality attributes such as *reliability, competence, performance, durability*, etc. to evaluate technical quality.
- *Functional Quality* has more to do with how the technical quality is transferred to the consumer. Service quality attributes such as responsiveness and access would be important in helping the customer judge the functional quality of the service encounter.

Cardinal Principles of Service Quality:

- Listening precedes action
- Reliability is key
- Flawless execution of the “basics”
- Pay attention to service design
- Perform service recovery well
- Surprise customers
- Practice “fair play”
- Promote teamwork
- Internal service begets external service

Broad Dimensions of Service Quality

- *Tangibles* - physical evidence of service – the appearance of physical facilities, equipment, personnel and information material
- *Reliability* – perform promised service dependably and accurately
- *Responsiveness* - willingness/readiness to help customers and provide a prompt service
- *Assurance* – a combination of the following:
 - *Competence* - possess knowledge and skill to perform the service
 - *Courtesy* - politeness, consideration, and friendliness of service personnel
 - *Credibility* - trustworthy, believable, honest
 - *Security* - freedom from danger, risk, or doubt
- *Empathy* – a combination of the following:
 - *Access* - approachability and ease of contact of service personnel
 - *Communication* - keeping customers informed; listening to customers

- *Understanding/knowing customer* - knowing customer's needs

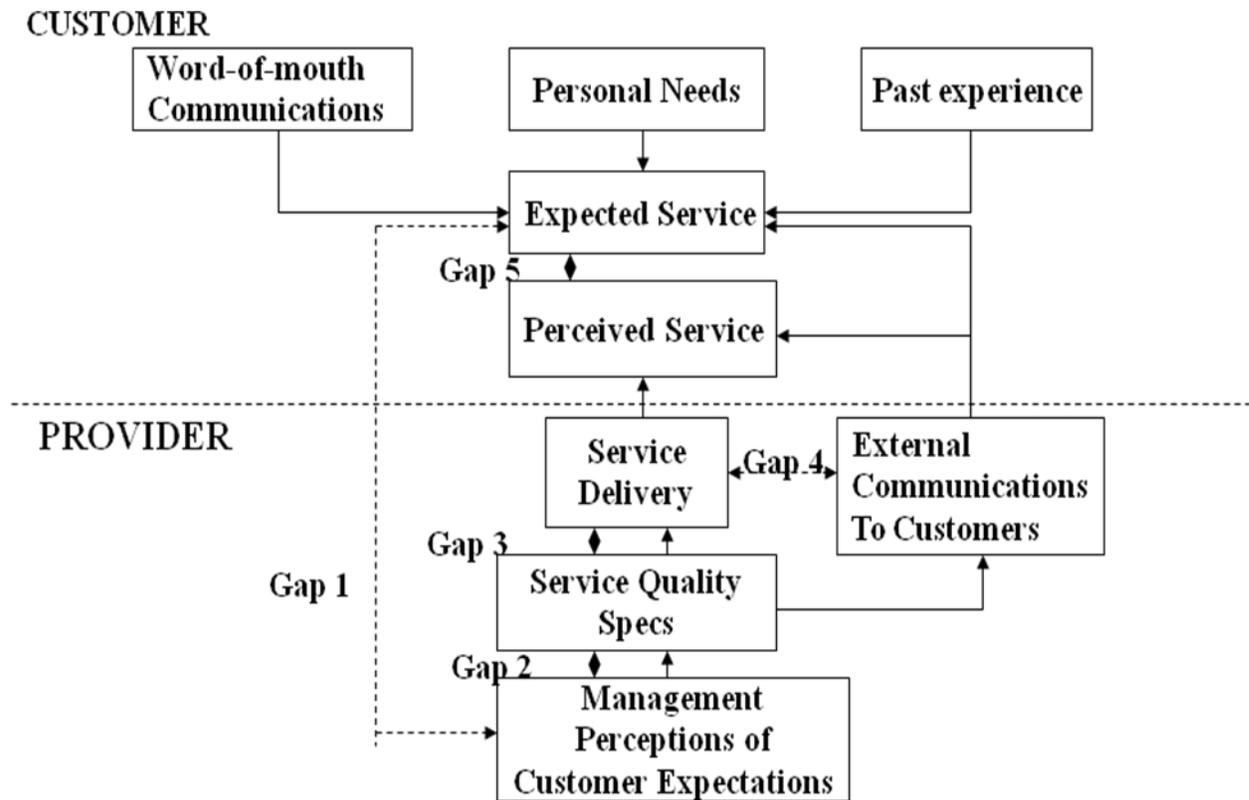
Benefits of SERVQUAL

- Can serve as an effective diagnostic tool for uncovering broad areas of a company's service quality shortfalls and strengths.
- The SERVQUAL scale is offers the potential to determine the relative importance of the 5 major service quality dimensions—Tangibles, Reliability, Responsiveness, Empathy and Assurance -- and to track service quality performance over time.
- The scale serves as a suitable generic measure of service quality, transcending specific functions, companies, and industries.

Service Profit Chain

Researchers have proposed a link between employee satisfaction, customer satisfaction and firm profit-ability, known as the *service profit chain (SPC)*. The SPC represents an integrative framework for understanding how operational investments into service quality are related to customer satisfaction perceptions and how these translate into profits. Improving quality also leads to other desirable outcomes, such as customer satisfaction.

Conceptual Model of Service Quality



Source: www.huizenga.nova.edu/5017/presentations/CVch5slides_2e.ppt

Reasons for Gaps

- *GAP 1* Not knowing what customers expect
- *GAP 2* The wrong service quality standards
- *GAP 3* The service performance gap
- *GAP 4* When promises do not match actual delivery
- *GAP 5* The difference between customer perception and expectation

LITERATURE REVIEW

N. Kannan & N. Thangavel has shown the significant milestones in terms of financial development (fire portfolio, marine portfolio and miscellaneous portfolio) and applications of information technology in Insurance sector in India since year 1912 till 2004 in his paper. **Ahmad Ali Foroughi Abari, Mohammad Hossein Yarmommadian & Mina Esteki** studied the difference in the expectations and perceptions of the students from and towards the quality of services to be provided by universities and other higher education institutes.

Rajiv Ahuja has described an overview of micro- insurance in India with respect to trends and strategies for further extension. He has included the developmental aspects, supply and demand equilibrium, flexibility of premium and relationship between micro- insurance and micro-finance as major subjects in his study.

Tapen Sinha had given a theory upon the challenges and prospects existing in the insurance industry, India's insurance market in the international context, with respect of regulatory regime, life insurance, non-life insurance and rural insurance.

Dr. Govind P. Shinde, Dr. D.Y.Patil and Prof. Kuldeep Bhalerao had studied the journey of insurance sector in India, since its inception. The study has been conducted to review the insurance sector after its liberalization and to find out the growth of the insurance sector. The study basically talks about the changes in the sector regulations and its impact on the growth.

Parveen Nagree-Mahtani has mentioned about all the development and growth of the insurance industry in India, regulatory authorities, registration process of an insurance company, regulatory framework, insurance intermediaries, reinsurance and principles of insurance law in this paper.

Wing Chew, Chetan Modi and Jerry Chien have given a descriptive information related to general insurance about the expected changes due to continuous deregulations in the field of general insurance. They have covered a period of 2002-2008.

RESEARCH METHODOLOGY

Objective

To study the gaps between the expectations of customers before buying an insurance policy and they have actually perceived it at the time of and after buying the same, with respect to five dimensions of service quality model – tangibility, reliability, responsiveness, empathy and assurance.

Hypotheses

- I. H_1 : there is no significant gap between the services expected and actually perceived by the customers of Insurance companies in terms of Tangibility.
- II. H_2 : there is no significant gap between the services expected and actually perceived by the customers of Insurance companies in terms of Reliability.
- III. H_3 : there is no significant gap between the services expected and actually perceived by the customers of Insurance companies in terms of Responsiveness.

- IV. *H₄*: there is no significant gap between the services expected and actually perceived by the customers of Insurance companies in terms of Empathy.
- V. *H₅*: there is no significant gap between the services expected and actually perceived by the customers of Insurance companies in terms of Assurance.

Research Design

In this paper Exploratory Research Design has been used Which is a type of research conducted for a problem that has not been clearly defined. Exploratory research helps determine the best research design, data collection method and selection of subjects.

Sample Size

We have interviewed 500 customers of private insurance companies, on the basis of a structured questionnaire containing close-ended questions and statements on the basis of SERVQUAL model, for this study.

Survey Period

This survey for this study has been conducted from Dec 2012 to Jan 2013.

Scope of the Study

The scope of this study is limited to Haryana State

Data Collection Tools

- Structured Questionnaire
- Personal Interviews

Analytical Tools

- Average/ Mean
- Standard Deviation
- t- test

ANALYSIS & INTERPRETATION

Table1: Mean comparisons of expectations and perceptions in the dimension of Tangibility

Pillars	Mean	Standard Deviation	t- Test	Significance
Expectations	1.30	0.08	0.128	0.01
perceptions	1.82	0.10		

The value obtained by t-test is lower than the tabulated value at significance level of 1%. Hence null hypothesis is accepted which means there is no significant difference between the

expectations and perceptions of policy holders in terms of Tangibles. It means the companies are providing the services as desired by the customers.

Table2: Mean comparisons of expectations and perceptions in the dimension of Reliability

Pillars	Mean	Standard Deviation	t- Test	Significance
Expectations	1.64	0.134	0.153	0.01
Perceptions	2.47	0.115		

The value obtained by t-test is lower than the tabulated value at significance level of 1%. Hence null hypothesis is accepted which means there is no significant difference between the expectations and perceptions of policy holders in terms of Reliability. It means the companies are providing the services as desired by the customers.

Table3: Mean comparisons of expectations and perceptions in the dimension of Responsibility

Pillars	Mean	Standard Deviation	t- Test	Significance
Expectations	1.62	0.20	0.224	0.01
Perceptions	2.52	0.10		

The value obtained by t-test is lower than the tabulated value at significance level of 1%. Hence null hypothesis is accepted which means there is no significant difference between the expectations and perceptions of policy holders in terms of Responsibility. It means the companies are providing the services as desired by the customers.

Table4: Mean comparisons of expectations and perceptions in the dimension of Empathy

Pillars	Mean	Standard Deviation	t- Test	Significance
Expectations	1.59	0.096	0.117	0.01
Perceptions	2.65	0.096		

The value obtained by t-test is lower than the tabulated value at significance level of 1%. Hence null hypothesis is accepted which means there is no significant difference between the expectations and perceptions of policy holders in terms of Empathy. It means the companies are providing the services as desired by the customers.

Table5: Mean comparisons of expectations and perceptions in the dimension of Assurance

Pillars	Mean	Standard Deviation	t- Test	Significance
Expectations	1.48	0.02	0.087	0.01
Perceptions	2.60	0.06		

The value obtained by t-test is lower than the tabulated value at significance level of 1%. Hence null hypothesis is accepted which means there is no significant difference between the expectations and perceptions of policy holders in terms of Assurance. It means the companies are providing the services as desired by the customers.

SUGGESTIONS & CONCLUSION

- Insurance companies compulsorily provide the evidences of policy contract in time but there are some evidences of long delay. This kind of deficiency will need to be improved as in long run it will improve image.
- They must stay in touch with their customers and continue to keep on informing the policy holders about their policy updates like fund value and premium due dates.
- Insurance agents should be well trained about the plan of respective company, so that they should provide such information properly to their customers.
- Insurance agents should not misguide the customers in lieu of completing their targets set by their seniors. As there are lot such cases found during survey.
- Insurance Companies must trace the loop holes on the basis of customers' complaints, in order to prevent further distractions from company by customers.
- Employees of insurance companies should be helpful enough that customers feel free to talk to them.
- Insurance companies must keep a check on embezzlements, happen mostly, during at the time of realization/ surrender of the policies so that common man should stop rushing away from insurance agents.

CONCLUSION

During the study we have realized that the people are still carrying a negative impression towards the private insurance companies. We had approached approximately 660 people out of which only 500 were holding insurance policy. These policy holders are only urban residents.

Further, they are also facing negative response from their respective insurance companies. In other words, they are not satisfied and often feel cheated. The following are the situations when insurance policy holders face difficulties while interacting with their insurance agents: (i) during second premium date; (ii) while checking the face value of the funds; (iii) while surrender of the policy.

Table 1: Total sum of scores

Dimensions	Expectations	Perception	Difference
Tangibility	1300	1820	520
Reliability	2460	3700	1240
Responsiveness	1620	2520	900
Empathy	2380	3970	1590
Assurance	1480	2600	1120

Table 2: Averages of the totals of score

Dimensions	Expectations	Perception	Difference
Tangibility	1.3	1.82	0.52
Reliability	1.64	2.47	0.83
Responsiveness	1.62	2.52	0.90
Empathy	1.59	2.65	1.06
Assurance	1.48	2.60	1.12

Table 3: Standard Deviations using Table 2

Dimensions	Expectations	Perception	Difference
Tangibility	0.080	0.100	0.020
Reliability	0.134	0.115	(0.019)
Responsiveness	0.200	0.100	(0.100)
Empathy	0.096	0.096	0.000
Assurance	0.020	0.060	0.040

REFERENCES:

1. N. Kannan & N. Thangavel.” Overview Of Indian Insurance Sector”. St.Mary’s School of Management Studies & Sathyabama University. Volume 22, 2008.
2. Ahmad Ali Foroughi Abari, Mohammad Hossein Yarmommadian & Mina Esteki. “Assessment Of Quality Of Education A Non-Governmental University Via SERVQUAL Model”. WCES 2011.
3. Bharathi, Y. B (2008), “Mis-selling of ULIPS: Time to Clamp Down:” Insurance Chronicle, ICFAI University Press Hyderabad, January, p.63.
4. Boora, S.S (2001), “Insurance Sector: Plunging into Uncertainty”, National Conference Paper, IMSAR Maharishi Dayanand University, Rohtak, November 5, p.183.
5. Chuganee, B.B (2001), “New Routes”, *Business India*, August 20, September, pp.15-19.
6. Gupta, L.P (2007), “Special Discount on Insurance Premium in Lieu of Agency Commission: Consumer View”, *Insurance Chronicle*, ICFAI University Press, Hyderabad, July,p.53
7. Insurance Companies Rebalance Portfolios (2008), *The Economic Times*, New Delhi, October, p.7.
8. IRDA, *Annual Report*, 2007-08 and 2008-09.
9. <http://www.rimborsoliceza.org/ulips-optimal-to-slice-insurnce-investmnet-decisopn/>
10. <http://www.skirec.com/images/download/JBFSIR/JBFSIR%20VOL%201%20ISSUE%203%20JUNE%202011/8%20%20Neelam%20Sainiulip%20final%20%208.pdf>

11. http://en.wikipedia.org/wiki/Insurance_in_India
12. <http://www.acadjournal.com/2008/V22/part7/p2/>
13. <http://www.adb.org/Documents/Assessments/Economic/IND/Economic-Assessment.pdf>
14. Arasli, T., Mehtap-smadi, S. & Katircioglu, S. T. (2005). Customer service quality in the Greek banking industry .Managing service quality, 15, pp.41- 56.
15. Brown, T. J., Churchill, G. A. & Peter, J. P. (1993). Improving the measurement of service quality .Journal of Retailing ,vol:69-N:1-pp:127- 139
16. Brocato, R. & Potocki, K. (1996). We care about students one student at a time .Journal for Quality & Participation ,19(1)
17. Brady, M. K., Cronin, J. J. & Brand, R. R. (2002). Performance-only measurement of service quality :a replication and extension. Journal of business research ,55(2),17-31
18. IAUK; Islamic Azad University, Khorasgan Branch, (2009). Official Website of Deputy of Research, URL: <http://en.khuisf.ac.ir/>
19. Jabonoun, N. & Al tamimi, A. H. (2003). Measuring perceived service quality at UAE commercial banks . International Journal of Quality & Reliability Management ,20, 458-472.
20. Kang, H. & Bradley, G. (2002). Measuring the performance of it service An Assessment of servqual .International of Accounting information system .vol:3-N:4-pp:151-164
21. Karathanos, D. & Karathanos, P. (2005). Applying the scorecard to education .Journal of Education for Business .80 (4) ,222-
22. Lewis, B. R. (1991). Service Quality :An International Comparison of Bank Customers' Expectations and Perceptions .Journal of Marketing Management ,7, pp.47-62
23. Liljander, V. & Strandvick, T. (1997). Emotions in service satisfaction. International journal of service industry management, 8(2), 148-169
24. Mosadegh Rad, A. M. & Yarmohammadian, M. H. (2006). A study of relationship between managers leadership style and employees` job satisfaction, International Journal of Health Care Quality Assurance; Incorporating Leadership in Health Service, Vol.19, No.2, 2006.

25. Nitecki, D. A. (1998). Assessment of service quality in academic libraries: Focus on the applicability of the SERVQUAL. In Proceedings of the 2nd Northumbria International Conference on Performance Measurement in Libraries and Information Services (pp. 181-196). Newcastle-upon-Tyne: University of Northumbria.
26. <http://www.icrier.org/pdf/wp162.pdf>
27. Ahuja, Rajiv (June 2005), Micro-Insurance In India: Trends And Strategies For Further Extension, Basudeb Guha-Khasnobis.
28. <http://www.cci.gov.in/images/media/ResearchReports/IntRepShilpa280311.pdf>
29. Thakur, Shilpa, Competition in Life Insurance Sector of India, Amity Law School, Noida
30. www.arlt-lectures.com/servqual.ppt
31. www.huizenga.nova.edu/5017/presentations/CVch5slides_2e.ppt
32. <http://unpan1.un.org/intradoc/groups/public/documents/apcity/unpan025798.pdf>
33. Sinha, Tapen, P. Hd., The Indian insurance industry: challenges and prospects, Swiss Re Visiting Professor Institute of Insurance and Risk Management, India.
34. <http://www.aygrt.net/july/2011/july/Shinde.pdf>
35. Dr. Govind P. Shinde, Dr. D.Y.Patil and Prof. Kuldeep Bhalerao, Journey Of Insurance Sector In India: Since It's Inception, Bharati Vidyapeeth's, Institute of Management, Studies and Research, Navi Mumbai, Vol.1,Issue.I/July 11pp.1-4.
36. <http://www.nishithdesai.com/Research-Papers/Insurance.pdf>
37. Nagree-Mahtani, Parveen, Insurance Law & Regulations in India, Nishith Desai Associates, 2002.
38. Wing Chew, Vice President/Senior Analyst, Sydney, Chetan Modi, Representative Director, Mumbai, Jerry Chien, Team Managing Director, Hong Kong, Indian General Insurance Industry Outlook, Moody's-ICRA Global Insurance.