# A STUDY ON SERVICE QUALITY IN PUBLIC SECTOR NON-LIFE INSURANCE COMPANIES WITH SPECIAL REFERENCE TO UNITED INDIA INSURANCE COMPANY, MADURAI

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**Abstract**
    *Service quality plays a significant role in the success of any organisation. It is an assessment of how well a delivered service conforms to the client's expectations. Business operators need to assess the service quality provided to their customers, in order to identify the problem areas where in improvement is needed and to assess customer satisfaction, so that the service quality provided can be further improved. In Non-Life Insurance business, the public sector companies are facing myriad challenges due to the aggressive marketing tactics of private insurance companies. Hence improving service quality is essential to compete in the Industry. This paper intends to identify the specific service elements which need to be improved in United India Insurance ltd .The SERVQUAL instrument developed by Parasuram, Berry and Zeithmal which has been widely accepted as a measure of service quality has been used for analysis.*
*Keywords: service quality, customer satisfaction, customer loyalty, expectations, perceptions*

## Introduction

Customer satisfaction is crucial to any organisation. Today, customers are well informed and exhibit clarity as to their expectations from the service providers. The service quality provided by an Insurance company influences their level of satisfaction and loyalty. According to Swiss re, sigma India is ranked in the 9th place among 11 Asian countries in terms of Insurance density. There is an urgent need to spread the insurance cover among more people to increase insurance density. Insurance is considered as a necessary cover against risks and also as an investment option. There are 23 Non-Life Insurance Companies in the private sector and 6 in the public sector. The Insurance Companies in India are regulated by the Insurance Regulatory Authority of India. The four public sector companies are, United India Insurance Company Ltd,

New India Assurance Company Ltd, Oriental Insurance Company Ltd and National Insurance Company Ltd. There are two more specialised insurers belonging to public sector, namely, Export Credit Guarantee Corporation of India for Credit Insurance and Agriculture Insurance Company Ltd for crop insurance. The growing number of private insurance companies is a source of concern and requires investment in service quality by the public sector Insurance Companies. This is the only parameter where the services can be differentiated, as the products offered are more or less the same among all the companies.The census date of 2011 points to the increase of young insurable population. The growing awareness of the need for insurance amongst the young population to protect themselves against different risks will surely spur the growth of Insurance business in India.

In this empirical study, the data is collected from the customers' of United India Insurance company ltd using SERVQUAL instrument and analysed in order to identify the significant areas in each of the five dimensions of service quality which need to be improved. The gap between expectation and perceived service delivery is identified through the Gaps model developed by Parusuram, Berry and Zeithmal. The SERVQUAL instrument consists of 22 items under the five dimensions of tangibility, reliability, responsiveness, assurance and empathy.

1. Tangibility refers to the appearance of physical facilities, equipment, personnel and communication materials.
2. Reliability refers to the ability to perform the promised service dependably and accurately.
3. Responsiveness is related to the willingness to help customers and provide prompt service.
4. Assurance indicates the knowledge and courtesy of employees and their ability to convey trust and confidence.
5. Empathy refers to the caring, individualized attention the firm provides to its customers.

These five SERVQUAL dimensions are used to measure the gap between customers' expectation for excellence and their perception of actual service delivered.

The standardised questionnaire SERVQUAL was used for measuring the service quality dimensions. It comprises of an expectation section and a perception section. Both required the respondents to indicate on a 5-point scale (strongly disagree to strongly agree) the extent to which the Insurance Company provides the characteristic desired in each statement.

**GAPS Model**

The GAP model was proposed by Parasuraman *et al.* (1985). This model presumes that service quality is the difference between expectation and performance relating to the five service quality dimensions. These differences are referred to as gaps.

**The Gaps Model Conceptualizes Five Gaps**

**Gap 1** is the difference between customer expectations and the company's perception of these expectations.

**Gap 2** is the difference between company's perception of customer expectations and service quality standards set by the company.

**Gap 3** is the difference between service quality standards and the service actually delivered by the company.

**Gap 4** is the difference between the actual service delivery and the communications to customers about service delivery

**Gap 5**: is the difference between customer expectations and perceived service which depends on the direction of the four gaps.

Based on the above five gaps, the SERVQUAL instrument was developed.

**Statement of the Problem**

Among the four public sector Non-life Insurance Companies in India, the growth rate and market share is progressive but the net profit of these companies have declined in 2016 according to the annual report of IRDAI. The largest non life insurance company is New India ltd. After Nationalization United India Insurance Company has grown significantly and has around 18,300 employees and 1340 offices. It provides insurance cover to more than 1 Crore policy holders. United India Assurance ltd has a significant presence in Madurai with the largest number of branches. It has about nine branches where as the other public sector Non-Life Insurance Companies have only 3 branches. More over it is the only public sector company which has its head office in Tamilnadu. So it is imperative to identify the service quality dimensions which have contributed to its success and the dimensions which need further improvement so that it can strengthen its customer base.

**Scope of the Study**

The gap between the perception and expectation of the customers determine the quality of service offered by an Insurance company. There are four public sector Non-Life Insurance Companies. This empirical study is limited to the measurement of the customer service quality provided by United India Insurance co ltd in Madurai to its policy holders.

**Objectives**

1. To measure the level of expectation and perception of policy holders
2. To find out the gap between the customers' expectation and perception of the quality of services provided by the Insurance Company.

## Methodology

### Data Collection

This study is based on primary and secondary data. Primary data was collected through a questionnaire and secondary data was collected from the Annual reports of IRDAI, journals and websites.

### Method of Sampling

The method of sampling followed was convenience sampling. The sampling frame consists of Non-Life Insurance policy holders of United India Insurance ltd in Madurai. On the basis of the number of branches in Madurai, United India Insurance company ltd was chosen for this study.

### Tools for Analysis

SERVQUAL, the service quality model developed by Zeithamal, Parsuraman and Berry has been adopted for this study. This model is multi dimensional and comprises of 22 statements grouped under 5 dimensions. In order to determine the expectations and perceptions of the customers, Likert's 5 point scale was administered. The SPSS software package 16.0 version was used for analyzing the data collected for this study. GAPS model developed by Parasuraman was used to find the gap between expectation and perception for each of the dimensions.

### Analysis

**Average Scores of Service Quality Dimensions**

| S. No | Dimensions | Expectation | Perception | GAP score |
|-------|------------|-------------|------------|-----------|
| I | Tangibility | 3.42 | 3.45 | 0.03 |
| II | Reliability | 3.72 | 3.70 | 0.02 |
| III | Responsiveness | 3.85 | 3.57 | 0.28 |
| IV | Assurance | 3.86 | 3.66 | 0.20 |
| V | Empathy | 3.80 | 3.51 | 0.29 |

**Source:** Primary data

The analysis of the five dimensions of service quality related to  tangibility, reliability, responsiveness, assurance, and empathy indicate that the service quality dimension of empathy has the highest GAP score of 0.29. This represents that the company needs to concentrate more on understanding the needs of its customers. It should undertake more efforts to identify what the customer seeks and try to fulfill their needs. The United India Insurance Company has to devise strategies to increase its interaction with its customers and strive to provide them individual attention. Frequent feedback and regular meetings with customers can increase the level of empathy towards its customers.

The gap score for responsiveness is also high at 0.28 proving that the company needs to respond to the queries and complaints of its customers in a responsible manner and find ways and means to exhibit that they are always willing to help them.

The gap score for the dimension of assurance at 0.20 indicates that the company needs to cater to the expectation of the customers in terms of displaying polite and courteous behaviour and win their trust and confidence. In service training to employees and meetings with customers would enable the company to meet the customers' expectations.

The above analysis also reveals that the service quality dimensions of tangibility and reliability have the least gap score of .03 and .02 respectively. This indicates that the company has exceeded the expectations of its customers in terms of appearance of physical facilities, ambience, updated equipment, and neat appearance of employees and proper communication materials. The company is considered reliable as it has provided its service as assured. The customers have also strongly agreed that they can depend upon the promised service of the company.

## Conclusion

The overall gap score indicates that the company has to give priority in improving its services in order to reduce the gap in the dimensions of responsiveness, empathy and assurance. The pace at which the private sector Non-Life insurance companies are progressing and the shifting mind set of the increasing number of young customer population are warning signals to the public sector Non-Life insurance companies to take consistent efforts and find unique ways to excel in their service quality. Customer satisfaction has to be enhanced which in the long run would lead to customer loyalty and retention.

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