

# “Customer Perception and Service Quality in Insurance: A Study on Public and Private Sector Life Insurance Companies in Odisha”

S. Naveen Prasath

Research Scholar, Chhatrapati Shahuji Maharaj University

**Abstract –** *In this paper we found that after the implementation of government policies on globalization and liberalization, the consumers have become more critical of the quality of service. Consumers are now very much aware of the alternatives available in relation to services and the provider organizations. Expectations of consumers are rising and the provider organizations should be aware of these expectations. The objective of the present study is to compare and analyze the service quality perceptions of customers about the public sector and private sector insurance companies in Odisha.*

**Keywords:** *Service Quality, Perceived Service Quality and Customer Satisfaction, Perception, Insurance, Life Insurance*

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## INTRODUCTION

Service organizations in India are facing tough competition in the global market because of liberalization and globalization of the economy in Odisha. Hence, it is helpful for service organizations to know the customer service quality perceptions in order to overcome the competitors and attract and retain the customers in Odisha. Because of the globalization and liberalization of Indian economy, Indian service sector has been opened for Multinational companies. In order to overcome the competition and to retain the world class service standards, Indian companies have been forced to adopt quality management programs. The insurance sector in Odisha has come a full circle from being an open competitive market to nationalization and back to a liberalized market again. Tracing the developments in the Indian insurance sector reveals the 360 degree turn witnessed over a period of almost two centuries. The new liberal policies permitting the entry of private players and the reform initiatives undertaken by the Insurance Regulatory and Development Authority (IRDA) have helped the industry evolve at a fast pace and emerge as one of the fastest growing industries in the country. People's perception of insurance has also changed from an instrument of saving to a risk-hedging tool. This change has been facilitated by the emergence of a range of new insurance products suiting diverse needs of consumers. The initial years of liberalization continued

to see the Life Insurance Corporation of India (LIC) retaining a dominant position in the market. However, as time went by, private companies like ICICI Prudential Life

Insurance and Birla Sun Life Insurance, which were among the first batch of entrants, witnessed great success in securing new business. Competition between the Life Insurance Corporation of India and the private sector insurers continues to intensify. While innovative products have been underpinning private insurers' premium growth, the threat of losing market share has also led to more aggressive pushes by LIC to stay competitive such as to develop new distribution channels like bank assurance. As a result, though LIC lost significant market share to private companies in the post-liberalization period, it still retains a commanding position in the life insurance segment. While, most of the product innovations came from the private players initially, LIC joined the race soon in order to protect its turf. While LIC still dominates in segments like endowments and money back policies, private insurers have already wrested a significant share of the annuity and pension products market. Such intense competition has resulted in faster premium growth as well as deeper penetration for the entire market. At the same time, the profile of Indian customer is also evolving. Customers are more actively managing their financial assets, and are increasingly looking to integrated financial solutions that can offer stability of returns along with more

comprehensive protection.

Insurance has emerged as an attractive and stable investment alternative that offers total protection for life, health as well as wealth. These factors have contributed to changes in demand for insurance products. While traditional life insurance products like individual insurance, whole life insurance and term life insurance continue to remain popular to this day, new products such as single premium, investment-linked, retirement products, variable life and annuity products are on a growth trajectory. By the discussion it is evident that though collectively, private sector has significantly captured the market share in initially, but now a days, most of the private sector companies are struggling for a regular growth in business and market share, and the ICICIPLI is one them. Also the customer often complaints of poor services in life insurance services, which obviously means there is something wrong in customer strategies of these companies. Also it is well accepted that there is a relationship between service quality and customer satisfaction, customer satisfaction and customer loyalty, customer loyalty and sustainable profitability. So in the light of above construct, this study is purposed to determine the level of service quality delivered as a whole and on selected service quality dimensions in ICICIPLI.

## **SERVICE QUALITY – A CONCEPTUAL FRAMEWORK**

Although service quality is an extensively researched concept but still its discussion is not straightforward. To understand the concept of service quality better, discussion of its components, i.e. service and quality is required. Services are processes of activities aiming to provide solutions to customers' problems, with most other characteristics of services being consequences of their process nature (Gronroos, 2000; 2001).

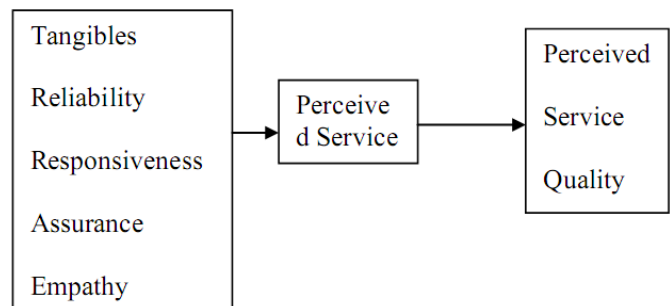
The majority of services are first sold and then simultaneously produced and consumed, very often requiring the physical presence of customers (Berry, 1999). The "inseparability" of production and consumption, prevents services from being subject to a predetermined quality control process or marketed in traditional ways (Gronroos, 2000).

Services are perceived as performances, and these performances are "what" the service provides and "how" it is delivered, depending on front-line employees' interactions with customers, the organization and its facilities. A number of "peripheral" services facilitate the offering of the core service (Gronroos, 2000).

## **MODEL OF SERVICE QUALITY PERCEPTION**

The present study is based on the SERVQUAL/SERVPERF Model suggested by Parsuraman, Zeithaml, and Berry (1988), which explains the service quality on the basis of gap between perceived service quality and expected service quality.

This model is different from other models as it helps if finding out more than one aspect of service encounters.



Rust and Oliver in 1994 in their research showed that overall service quality perceptions are based on various dimensions of service encounters.

## **SERVICE QUALITY ENHANCEMENT SUGGESTIONS IN LIFE INSURANCE COMPANIES ODISHA**

There is need of hour for the insurance services to reaffirm themselves in view of the stiff competition. The insurance companies shall have to reorient themselves in terms of the customer service parameters to instill the concept of quality service in the intelligence of the customer and further in terms of growth.

In the language of strategy, the insurance companies in the public sector should focus more on improving the communications. The infrastructure not only involves the information technology input in the branches, regional offices and head office, but also the physical evidence, ambience and layout. This is due to the fact that like in other service organizations, in insurance services also the internal ambience of the organization has a positive impact on the customers.

The customers trust the public sector insurance companies since these insurance companies have existed in the marketplace for a longer period than the private sector insurance companies. The reliability factor is a positive factor for these public sector insurance companies. These public sector insurance companies should position themselves in the market on the basis of this dimension and promote themselves forcefully. This step will not only help them survive the present onslaught from private sector insurance companies, but also be able

to compete in the market.

Another observation is that the customer base of the public sector insurance companies is very large as compared to the private sector insurance companies; therefore it is significant to retain and satisfy those customers with insurance companies. It has become dire need of the hour for the public sector companies to train their employees to treat the customers with understanding. This can give the required leading edge and finally the competitive advantage to the public sector insurance companies.

However, in order to be winning in the market, the private sector insurance companies shall have to be more innovative in terms of the insurance product offers to customers and struggle with full strength in the market.

One important aspect which needs attentiveness is reliability. This aspect needs some relevant strategies. As indicated by the study, the private sector insurance companies lack dependability as compared to the public sector insurance companies. So these private insurance players should make relevant strategies for gaining dependability. They should highlight the recent achievements in terms of number of policies, premium collected etc. so that the customers are aware of these and trust more on these private sector insurance companies.

## CONCLUSION:

Life Insurance Companies in Odisha, there is found high negative service quality gap, which is certainly not a good sign for the company's ambitions. Customers of the company do not perceive the expected service quality levels. Company's service quality delivery gap is comparatively high on human element, social responsibility and systemization of service fronts which is a matter of concern for the company. Only respite for the company is customer perception on core product and tangibles of service front where customer service quality gap is comparatively better. So lesson here is that there is lot to do for the customers by the company and to improve customer service more efforts must be put to improve service quality on all selected dimensions. All life insurance service providers can take is; customers of life insurance services have very high service quality expectations and to meet these expectations, certainly required more improved customer service quality strategies.

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