Customer Satisfaction and Service Quality Issues in Life Insurance Companies

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ABSTRACT:

The life insurance industry like many other financial services industries is facing a market which is dynamic in characteristics. New technologies, Economic uncertainties and lack of stability, fierce competition and more demanding customers and the changing climate has presented a set of challenges. Life insurance providers increasingly recognize that today's customers have many alternatives and, therefore, may more readily change service providers if not satisfied. The decrease in customer loyalty has made management of service quality and customer satisfaction critically important issues.

Keywords: Customer Satisfaction, Service Quality, Insurance Regulatory Development Authority (IRDA), Financial Services.

I INTRODUCTION

The life insurance industry like many other financial services industries is facing a market which is dynamic in characteristics. New technologies, Economic uncertainties and lack of stability, fierce competition and more demanding customers and the changing climate has presented a set of challenges. Like other industries, life insurance companies also consider their customers as the most important asset.

Life insurance providers increasingly recognize that today's customers have many alternatives and, therefore, may more readily change service providers if not satisfied. The decrease in customer loyalty has made management of service quality and customer satisfaction critically important issues. The life insurance providers need to change their strategy and business for competitive advantage, and for this they first need to consider in creating a satisfied customer base.

Life insurance providers offer services that are credence products with very few cues to signal quality. Due to big population base and huge untapped market, life insurance industry is a big opportunity area in our country for national as well as foreign investors.

II CUSTOMER SATISFACTION

The issue of client satisfaction in service industries is difficult to define, because of the characteristics of intangibility, heterogeneity and inseparability of the service. It has become clear that in the insurance market, revolution has led to changes in the market, strategies of companies, offering products. The introduction of new technologies in the insurance sector has led to modification of both the internal processes and to external ones for the companies, especially to service industries. In fact, companies are aware of the fact that the real competitive challenge in the insurance sector is to play on the distribution front and on the ability of firms to coordinate the traditional channels with the innovative ones. Customer satisfaction provides a leading indicator of consumer purchase intentions and loyalty."

Within organizations, the collection, analysis and dissemination of these data send a message about the importance of tending to customers and ensuring that they have a positive experience with the company's goods and services.

Although sales or market share can indicate how well a firm is performing currently, satisfaction is perhaps the best indicator of how likely it is that the firm’s customers will make further purchases in the future. Much research has focused on the relationship between customer satisfaction and retention. Studies indicate that the ramifications of satisfaction are most strongly realized at the extremes."

III RELATIONSHIP BETWEEN SERVICE QUALITY AND CUSTOMER SATISFACTION IN INSURANCE INDUSTRY

Research has shown that the quality of services and the achievement of customer satisfaction and loyalty are fundamental for the survival of insurers. Taylor (2001) concluded that the quality of after sales services can lead to very positive results through customer loyalty, positive WOM, repetitive sales and cross-selling. Lawrence A. Crosby, Nancy Stephens (1987) explained that life insurance consists largely of credence properties & insurance providers should engage themselves in relationship-building activities that emphasize buyer-seller interaction and communication. Leonard L. Berry (1995) said that because of the amount of money that is typically invested in an insurance policy, customers seek long-term relationships with their insurance companies and respective agents in order to reduce risks and uncertainties. Raj Arora, Charles Stoner, (1996) found that perceived service quality has a significant effect on the attitude towards obtaining insurance. Marla Royne Stafford and Brenda P. Wells (1996) suggest that males and females are, overall, identical in their perceptions of claims service quality. Westbrook and Peterson (1998) found that professional customers evaluate the quality of services in the same way as retail customers. Clare Chow Chua, Geraldine Lim, (2000) found that insurers are widely disliked by customers, and insurance agents talked to clients on average once every eight years. Jackie L.M. Tam, Y.H. Wong, (2000) concluded that as the salespersons are able to enhance their relationships with the clients, clients are more satisfied and are more willing to trust, and thus secures the long-term demand for the services.

Mehta, S.C., Lobo, A. and Khong, H.S. (2002) recognized the six dimensions of service quality: Assurance, Personalized Financial Planning, and Relationship with Agent, Tangibles, Corporate Image and Competence and also said that expectations guide the customers' assessment of the quality of services and managers cannot ignore this factor when deciding and designing quality programs in their companies. Gayathri, H., Vinaya, M.C. and Lakshmisha, K. (2005) identified that the service quality dimensions could be a basis for differentiation of the insurance players that could be developed into a sustainable competitive advantage for the players in the long run and they also concluded that nonprice differentiation instruments have a better potential than price differentiation, because any reaction from the competitors to match non-price differentiation may require changes in the entire service strategy. Evangelos Tsoukatos, Graham K. Rand, (2006) found that tangibles dimensions does not affect customer satisfaction while word of mouth (intangible dimension) is an antecedent of customer repurchasing intentions and customer satisfaction does not directly influence the customer loyalty.

Evangelos Tsoukatos, Graham K. Rand, (2007) developed and tested the hypotheses on all 25 possible relationships between the dimensions of culture and of service quality and also found that out of the 25 hypothesized relationships between the dimensions of culture and of service quality, 23 are confirmed and the remaining two are directionally supported. Sonia Chawla and Fulbag Singh (2008) revealed that the accessibility factor has a higher mean satisfaction as compared to mean satisfaction of reliability and assurance factors. Masood H Siddiqui (2010) revealed that in all the service quality dimensions of life insurance industry in India, the gap-scores are negative and for each of six factors, the gap scores were statistically significant (sig.

Services quality is the whole investigation of the services which are less considered and customers' satisfaction shows the result of the transaction servicing the customers. Indeed customers' satisfaction is the prediction of customers' expectations and services quality and the examination of ideal standards expected by the customers (Jun, 2004). Although, satisfaction and services quality have common points, in general, satisfaction is a more extensive concept than quality, since quality focuses on services dimensions and services quality is considered as a part of satisfaction. Services quality indicates customer's understandings of the services, while satisfaction is more extensive including service quality, Product's Quality, price, situational factors and immediate ones (Javadeyn and Keymasi, 2005). Therefore, according to the fact that the surveillance of the organizations depends on making satisfaction in the customer, considering quality in order to increase customer's satisfaction and loyalty is assumed as an important and necessary issue (Karimi, 2005).

Service quality → understanding product's value → customer's satisfaction → customer's loyalty Quality and customer satisfaction have long been recognized as playing a important role for success and survival in today's competitive market. Considerable and significant research already conducted on these two concepts.

Whereas there exists a widespread agreement that understanding what contributes to customer satisfaction could be the key to achieving competitive advantage, an overview of the literature shows that as a theoretical construct, customer satisfaction is problematic to define and operationalize, especially in relation to perceived service quality. Some authors have suggested both that perceived service quality and customer satisfaction are distinct constructs, and that there is relationship between the two. By defining perceived quality as the customer's long-term, cognitive evaluations of a company's service delivery, and customer satisfaction as a short-term emotional reaction to a specific service performance, Lovelock and Wright brought the time dimension into discussion. They argue that satisfaction is by default experience-dependent as customers evaluate their levels of satisfaction or dissatisfaction after each service encounter. In turn, this information is used to update customer perceptions of quality. However, quality attitudes are not necessarily experience-dependent (for example they can be based on word of mouth or advertising).

IV INDIAN LIFE INSURANCE SECTOR

The US$41-billion Indian life insurance industry is considered to be the fifth largest life insurance market in the world. It is growing at a rapid pace of 32–34 per cent annually; according to the Life Insurance Council. The total number of life insurers registered with the Insurance Regulatory Development Authority (IRDA) has gone up to 23. Since the opening up of the insurance sector in India, the industry has received Foreign Direct Investment (FDI) to the tune of $525.6 million.

Life Insurance Corporation's (LIC) new premium collection touched $ 9.58 billion in the April–December 2009 period while the combined business of the 22 private insurers grew to US$5.07 billion from the previous year, as per data collated by IRDA. The LIC posted a 50 per cent growth in new premium collection in the first 9 months of the 2010 fiscal, increasing its market share to 65 per cent from 56 per cent a year ago. In 2010 fiscal year, it crossed the $54.1 billion mark in total premium income by the end of March 2010, showing a growth of 29 per cent.

The potential for expansion of the market is huge as India is far behind world averages in terms of insurance penetration, and insurance density. Therefore, there is a tremendous opportunity in a vast untapped market. Add to this the rising per capita income and a growing middle class, and the picture is all the more promising. Insurance companies in the developed world, where insurance has much higher penetration, realize the huge potential of insurance industry in India. The government is likely to reintroduce the Insurance Bill that proposes to increase the FDI cap in private sector insurance companies from 26 per cent to 49 per cent. This would increase the entry of many more business houses in the industry.

But, as an increasing number of business houses enter the life insurance industry, even survival is going to be difficult for many companies. In the face of such stiff competition, organizations need to make sure that they put their efforts in the right places.

Previous research indicated that a comparison of mean scores on the importance of service attributes provides a very effective method of measuring the ability of services to meet the needs of the customers. Perceived service quality has a significant effect on the attitude towards obtaining insurance. Moreover, the degree of success in the implementation of enterprise mobilization in the life insurance industry is positively correlated to the management performance of external aspects like providing increased customer satisfaction.[39]It has been observed that insurance agents should constantly monitor the level of satisfaction among his/her customers to keep themselves close to the customers for fulfilling their needs. Customer satisfaction and the salesperson's relation orientation significantly influences the future business opportunities and as the salespersons are able to enhance their relationships with the clients, clients are more satisfied and are more willing to trust, and thus secures the long-term demand for the services. The company and agent's service quality as well as recommendations of friends are factors that significantly affect decisions of purchasing life insurance policies.

To enhance customer satisfaction, life insurance providers ideally should measure and improve the approaches to delivery of service. In addition, it is mandatory that they commence a search for the important quality dimensions in the life insurance sector. The service quality dimensions could be a basis for differentiation for the players, which could be developed into a Sustainable Competitive Advantage in the long run. These non-price instruments are usually ascribed more potency than price changes, because they are hard to match. Any reaction from the competitors to match any of these may require a change in the entire service strategy.[43]

On a five-point scale, "individuals who rate their satisfaction level as '5' are likely to become return customers and might even evangelize for the firm. (A second important metric related to satisfaction is willingness to recommend. This metric is defined as "The percentage of surveyed customers who indicate that they would recommend a brand to friends." When a customer is satisfied with a product, he or she might recommend it to friends, relatives and colleagues. This can be a powerful marketing advantage.) "Individuals who rate their satisfaction level as '1,' by contrast, are unlikely to return. Further, they can hurt the firm by making negative comments about it to prospective customers. Willingness to recommend is a key metric relating to customer satisfaction."

Satisfaction, as discussed by Oliver, involves 'an evaluative, affective, or emotional response'. In his book, Oliver provided a definition that he thought was consistent with theoretical and empirical evidence available to him at the time. He defined satisfaction/dissatisfaction as 'the consumer's fulfilment response, the degree to which the level of fulfilment is pleasant or unpleasant'. Therefore, satisfaction is the customer's overall judgment of the service provider. Crompton and MacKay stated, 'Satisfaction is a psychological outcome emerging from an experience, whereas service quality is concerned with the attributes of the service itself'. "Customer Satisfaction" is a frequent phase in CRM, and now it becomes a new concept of marketing strategy which is noticed by more and more enterprises. Kotler considers that "Satisfaction is a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations". So, the objective of the company's marketing is to enhance the product's perceived outcome to advance the customer's expectation for aspire after the "Total Customer Satisfaction". (Kotler 2000, 36) Because "Satisfaction" is a feeling and "Customer Satisfaction" is an abstract concept, it means that the "degree of satisfaction" is difficult to measure, but the situation of customer satisfaction can be measured by research and survey with a set of statistics using a Likert2 Technique or scale (Kessler, 2003, 39-51). Like the "Correlation curve of Customer Satisfaction" which was made by Schwenk, it is the final statement of customer satisfaction statistics. In the "Correlation curve of Customer Satisfaction", when the customer service of an enterprise in a general level, the customer's reaction is not strong, but when the service quality of the enterprise rises or reduces to a certain extent, the praise or complaint will increase several-fold. (Zhu, 2004) Therefore, "Customer Satisfaction" is a direct factor that affects the customer behavior and customer loyalty. Attaching the importance to the Customer Satisfaction in CRM is a good way for the enterprise to understand customer behavior and build customer loyalty. Moreover, through the implementation of CRM, the enterprise can analyze the customer data and information to know and hold the trend of reputation correlation curve to benefit for improving and enhancing Customer Satisfaction. (Zhu, 2004)

V PERCEIVED SERVICE QUALITY

Perceived quality can be defined as the customer's perception of the overall quality or superiority of a product or service with respect to its intended purpose, relative to alternatives. Perceived quality is, first, a perception by customers. It thus differs from several related concepts, such as:

a) Actual or objective quality: the extent to which the product or service delivers superior service

b) Product-based quality: the nature and quantity of ingredients, features, or services included

c) Manufacturing quality: conformance to specification, the "zero defect" goal

Perceived quality cannot necessarily be objectively determined, in part because it is a perception and also because judgments about what is important to customers are involved. An evaluation of washing machines by a Consumer Report expert may be competent and unbiased, but it must make judgments about the relative importance of features, cleaning action, types of clothes to be washed, and so on that may not match those of all customers. After all, customers differ sharply in their personalities, needs, and preferences.

Perceived quality is an intangible, overall feeling about a brand. How-ever, it usually will be based on underlying dimensions which include characteristics of the products to which the brand is attached such as reliability and performance. To understand perceived quality, the identification and measurement of the underlying dimensions will be useful, but the perceived quality itself is a summary, global construct.

VI SERVICE QUALITY IN LIFE INSURANCE

Life insurance providers offer services that are credence products with very few cues to signal quality. It has been suggested that consumers usually rely on extrinsic cues like brand image to ascertain and perceive service quality (Gronroos, 1984). This factor is especially true for a "pure" service such as insurance, which has minor tangible component of its quality and is highly relational during most transactions. There is also a lack of price signal in the market due to specialized customer needs and difficulty in comparing prices; thus, consumers cannot rely solely on price as an extrinsic cue to signal quality.

The outcomes of life insurance purchase are often delayed, and thus do not allow immediate post-purchase valuation. As such, the consequences of a purchase do not produce an immediate reaction towards overall satisfaction. This situation is more apparent as the future benefits of the "product" purchased are difficult to foresee and take a long time to "prove" its effects (Crosby and Stephens, 1987). Infrequent purchase and "usage" of such credence products by consumers would mean an inability or difficulty in forming service expectations due to limited understanding of and familiarity with the service (Johnston *et al.*, 1984). At the same time, because of the amount of money that is typically invested in an insurance policy, customers seek long-term relations with their insurance companies and respective agents in order to reduce risks and uncertainties (Berry, 1995). Pure services like insurance may, therefore, conjure different expectations than that of services that include tangible products (Toran, 1993). An insurance policy is almost always sold by an agent who, in 80% of the cases, is the customer's only contact (Richard and Allaway, 1993; Clow and Vorhies, 1993; Crosby and Cowles, 1986). Customers are, therefore, likely to place a high value on their agent's integrity and advise (Zeithaml *et al.*, 1993) The quality of the agent's service and his/her relationship with the customer serves to either mitigate or aggravate the perceived risk in purchasing the life insurance product. Putting the customer first, and, exhibiting trust and integrity have found to be essential in selling insurance (Slattery, 1989). Sherden (1987) laments that high quality service (defined as exceeding "customers' expectations") is rare in the life insurance industry but increasingly demanded by customers.

Toran (1993) points out that quality should be at the core of what the insurance industry does. Customer surveys by Prudential have identified that customer want more responsive agents with better contact, personalized communications from the insurer, accurate transactions, and quickly solved problems (Pointek, 1992). A different study by the National Association of Life Underwriters found other important factors such as financial stability of the company, reputation of the insurer, agent integrity and the quality of information and guidance from the agent (King, 1992). Clearly, understanding consumers' expectations of life insurance agent's service is crucial as expectations serve as standards or reference points against which service performance is assessed (Walker and Baker, 2000). Technology has also become an important factor in how the agent operates in the field including other functions such as distribution, claim costs and administration (Anonymous, 2004).

Research has shown that the quality of services and the achievement of customer satisfaction and loyalty are fundamental for the survival of insurers. The quality of after sales services, in particular, can lead to very positive results through customer loyalty, positive WOM, repetitive sales and cross-selling (Taylor, 2001).

However, many insurers appear unwilling to take the necessary actions to improve their image. This creates problems for them as the market is extremely competitive and continuously becomes more so (Taylor, 2001).

Previous studies, notably those of Wells and Stafford (1995), the Quality Insurance Congress (QIC) and the Risk and Insurance Management Society (RIMS) (Friedman, 2001a, 2001b), and the Chartered Property Casualty Underwriters (CPCU) longitudinal studies (Cooper and Frank, 2001), have confirmed widespread customer dissatisfaction in the insurance industry, stemming from poor service design and delivery. Ignorance of customers' insurance needs (the inability to match customers perceptions with expectations), and inferior quality of services largely account for this. The American Customer Satisfaction Index shows that, between 1994 and 2002, the average customer satisfaction had gone down by 2.5% for life insurance and 6.1% for personal property insurance respectively (www.theacsi.org). In Greece, for example, 48% of consumers consider that the industry as a whole is characterized by lack of professionalism.

It is therefore not surprising that measurement of service quality has generated, and continues to generate, a lot of interest in the industry (Wells and Stafford, 1995). Several metrics have been used to gauge service quality. In the United States, for example, the industry and state regulators have used "complaint ratios" in this respect (www.ins.state.ny.us). The “Quality Score Card”, developed by QIC and RIMS, has also been used. However, both the complaints ratios and the quality scorecards have been found to be deficient in measuring service quality and so a more robust metric is needed.

Although service quality structure is found rich in empirical studies on different service sectors, service quality modeling in life insurance services is not adequately investigated. Further, for service quality modeling, a set of dimensions is required, but there seems to be no universal dimension; it needs to be modified as per the service in consideration. Thus, the dimensions issue of service quality requires reexamination in context of life insurance services Since the Service Industries are characterised by – Intangibility, Inventory (Perishability), Inseparability and Inconsistency (Variability), it becomes much more demanding to uphold and endure the same level of quality of service every time a service has been rendered. The Indian Life Insurance Industry is no exception to it. 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. Today relationships with customers have undergone a paradigm shift and all the private players are competing with each other to provide quality service to customers as customer satisfaction, customer loyalty and customer delight have become the success mantra of cut throat competitive scenario (Vannirajan, 2008) . Presently only those insurance companies can survive and sustain their growth and profitable that believes in delivering the highest delivered value to the customers (Chattoraj, 2005). As a result maintaining service quality in Indian Insurance sector is of colossal significance.

Service quality is more difficult for the consumer to evaluate than goods quality. Perceptions of service quality result form a comparison of consumer expectations with actual service performance. Quality evaluations are not made solely on the outcome of a service; they also involve an evaluation of the process of service delivery (Sesser et al. 1978). Service quality has

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been described as a form of attitude, related but not equivalent to satisfaction, which results from the comparison of expectations with performance (Parasuraman, Zeithaml and Berry 1988).

Service quality involves a comparison of expectations with performance: it is a measure of how well the service level delivered matches customer expectations of a consistent basis. Service quality has been conceptualized as a function of consumer expectations towards the service situation and process, and of the output quality they perceived themselves to have received.

On SERVQUAL Model Carman (1990) was the first to criticize the perceptions-minus-expectations operationalization of SERVQUAL. His criticisms were based on theoretical considerations rather than empirical evidence, which supported the SERVQUAL measure. He attempted to answer these criticisms from within the framework of the original service quality model with important extensions to the SERVQUAL measure.

Cronin and Taylor (1992) also criticized the perceptions-minus-expectations operationalization of SERVQUAL. They argued that the theoretical considerations‟ evidence suggests that the underlying service quality model developed by Parasuraman et al. (1985) is flawed. Therefore, using their own service quality model, they developed an alternative measurement scale based on service performance (or perceptions) rather than perceptions minus expectations. They tested this alternative scale empirically, along with the SERVQUAL scale, in four previously untested service settings and argued that the results proved the superiority of their performance-based measures of service quality.

Specifically, Cronin and Taylor (1992) tested the ability of their performance-only measurement scale, SERVPERF (1) compared to SERVQUAL (2).

Service quality = (perceptions) (1)

Service quality = (perceptions - expectations (P - E)) (2)

Measuring Life Insurance Service Quality

Quality is one of the competitive priorities which have migrated from the literature of manufacturing strategy to the service arena (Pariseau and McDaniel, 1997). In the service sector, the quality of service, one of the most dominant themes of research in services, has become a strategic instrument for firms since 1990s (Fisk *et al.*, 1993; Donnelly *et al.*, 1995). Customer perceives services in terms of its quality and how satisfied they are overall with their experiences (Zeithaml, 2000). According to Timmers and Van Der Wiele (1990), satisfying the customer is not enough: there is a compelling need to delight the customer if a competitive advantage is to be achieved. The key to sustainable competitive advantage in today's competitive environment lies in delivering high-quality service that result in satisfied customers (Shemwell *et al.*, 1998). In fact, service quality has become a great differentiator, the most powerful competitive weapon which many leading service organizations possess (Berry *et al.*, 1985). Service sector has produced approximately two-thirds of worldwide GNP from twenty first century (Kara *et al.*, 2005).

In the huge service sector, insurance sector is one of the most important entities which has been growing relatively fast in India. In a period of half century or less, the insurance sector in the country has undergone roundabout movement, from being an open competitive market to full nationalization, and then back again to a liberalized market, in which private players and public sector companies are operating on a level playing field. At present there are twenty three players in the Indian life insurance industry out of which Life Insurance Corporation (LIC) is one of the leading public companies, holds largest number of policies in the world to suit different financial requirement of an individual. LIC stands for trust and is servicing 270 million policyholders in India and abroad (www.licindia.in).

With a greater choice and an increasing awareness, there is a continuous increase in the customers' expectations and they demand better quality service. As a result, LIC and private players are competing with each other in each and every aspect of their functioning i.e. from product designing to the settlement of claims and ensuring benefits to the Indian customers. Sherden (1987) laments that high quality service (defined as exceeding "customers' expectations") is rare in the life insurance industry but increasingly demanded by customers. According to Siddiqui *et al.* (2010) in the life insurance sector, most of the companies have equivalent offerings and establishing better service quality may be the only way of differentiating itself from the others. Such differentiation can yield a higher proportion of consumers' choices, and hence mean the difference between financial success and failure.

In spite of the growing importance of service quality (Qualls and Rosa, 1995), it remains an abstract and elusive construct that is difficult to define and measure (Carman, 1990; Crosby, 1979; Gravin, 1983; Parasuraman *et al.*, 1985, 1988; Rathmell, 1966). In the empirical literature, there are many alternative service quality models and instruments developed for measuring service quality. SERVQUAL instrument developed by Parasuraman *et al.* (1988) is one of the most pre-eminent and widely used instruments for measuring the service quality as perceived by the customers.

Numerous scholars (Ovretveit, 1993; Yang, 2003; Sinclair and Zairi, 1995; Silvestro *et al.*, 1990) have emphasized the importance of service quality measurement, as it judges not only the external perceptions but also the real effectiveness of an organization operation. As a matter of fact, the invaluability of service quality as a marketing force in the ever-growing competition in the life insurance sector can never be overemphasized. Although, service quality is found rich in empirical studies on different service sectors hardly any study has yet been conducted to assess the dimensionality of SERVQUAL instrument in the life insurance sector from the Indian context. Hence, to make up for this lack, the present study is conducted to test the reliability and to examine the dimensionality of SERVQUAL instrument in order to better approach this instrument to measure service quality of LIC of India. Furthermore, using data from customers, specific areas have been identified in which quality improvement is an essential requisite.

Consequently, quality improvement strategies have been recommended for LIC to improve its services productively. Several metrics have been used to gauge service quality. In the United States, for example, the industry and state regulators have used "complaint ratios" in this respect (www.ins.state.ny.us). The "Quality Score Card", developed by QIC and RIMS, has also been used. However, both the complaints ratios and the quality scorecards have been found to be deficient in measuring service quality and so a more robust metric is needed."

Although service quality structure is found rich in empirical studies on different service sectors, service quality modelling in life insurance services in India is not adequately investigated.

Further, for service quality modelling, a set of dimensions is required, but there seems to be no universal dimension; it needs to be modified as per the service in consideration. Thus, the dimensions issue of service quality requires re-examination in context of life insurance services.

The Indian Insurance Sectors has a large geographic and functional coverage. Today the need for quality is feel everywhere by every organisation, whether it is public or private. Total quality management is structured system for satisfying customers and suppliers by integrating the business environment through quality circles continues improvement and breakthroughs with development while charging organizational culture. Recognition of service quality as a competitive weapon is relatively a recent phenomenon in the Indian Insurance Sector.

According to the SERVQUAL scale, service quality can be measured by identifying the gaps between customers' expectations of the service to be rendered and their perceptions of the actual performance of the service. It is the most frequently used model to measure service quality (Mattson, 1994) and made to be used by services organizations or industries to improve service quality (Parasuraman *et al.*, 1988). Obviously, the SERVQUAL instrument has been used to measure service quality in various service industries which included health sector (Babakus and Boller, 1992; Carman, 1990; Bowers *et al.*, 1994; Headley and Miller, 1993; Lam, 1997; Kilbourne *et al.*, 2004); retailing (Teas, 1993; Finn and Lamb, 1991; Tsai and Huang, 2002; Naik *et al.*, 2010); banking (Lam, 2002; Zhou *et al.*, 2002); hospitality (Mey *et al.*, 2006; Spreng and Singh, 1993); sports (Kouthouris and Alexandris, 2005); telecommunications (Van Der Wal *et al.*, 2002); and information system (Jiang *et al.*, 2002; Carr, 2002). In addition, there have been several contextual studies (Stafford *et al.*, 1998; Leste and Vittorio, 1997; Westbrook and Peterson, 1998; Mehta *et al.*, 2002; Evangelos *et al.*, 2004; Goswami, 2007; Gayathri *et al.*, 2005; Siddiqui *et al.*, 2010) regarding the insurance industry.

Parasuraman, Zeithaml and Berry (1985) [3] opined that, regardless of the type of service, consumers basically use the same criteria to assess quality. Service quality is nothing but a general customer outlook that the patron perceives regarding its delivery, which is established by a chain of positive or disastrous experiences. Thus it can be easily inferred that by managing those gaps in service delivery a particular service provider can improve its quality. But no such model was available based on which a customer can give a general feedback on the service they have experienced. With an objective to decipher this problem, Parasuraman, Zeithaml and Berry (1985) developed a methodology commonly known as SERVQUAL where a customer can compare between several orders of expectations and perceptions of service quality regarding the service delivered. This SERVQUAL model pursues to aid managers to comprehend and recognise the sources of problems in quality of service delivered and how to improve those glitches. SERVQUAL is an instrument to measure quality of service perceived by the customer and works with the difference in scores or gaps in the form of a questionnaire. The original SERVQUAL scale uses 22 questions to measure customer's perception of the quality of service delivered based on the five dimensions of service quality: reliability, tangibility, security, empathy and responsibility. These questions are then scored on a Likert scale either from 1 to 5 or 1 to 7. The extremes are marked as strongly disagree (1) and strongly agree (7).

VII SERVICE QUALITY ASSESSMENT

Accepting the definition of perceived service quality as the result of comparing actual service delivery with prior experience (Gro¨nroos, 1982; 1984; Lehtinen and Lehtinen, 1982; Lewis and Booms, 1983; Parasuraman et al., 1985), researchers have generally followed two main theoretical perspectives. The Nordic (European) (Gro¨nroos, 1982, 1984) perspective views service quality as having two dimensions: "technical" and "functional" quality, reflecting the service outcome and the service process respectively. Customers' perceptions of these two dimensions are filtered through the service firm's image.

The American model defines service quality as the discrepancy between expected and perceived service through five core.

Components of Service Quality:

Reliability – performing the promised service dependably and accurately;

Responsiveness – helping customers and providing prompt service;

Assurance –inspiring trust and confidence;

Empathy – providing caring, individualized attention to customers; and

Tangibles – the tangible elements of service (Parasuraman et al., 1988).

Although the American model dominates the literature there is no unanimity between researchers on which of the two, or some other, better reflects perceived service quality (Brady and Cronin, 2001). However, another service quality model which was used by Sureshchandar et al. (2001) have stated that the customer's perceived quality depends upon five factors:

(1) Core service.

(2) Human elements of service delivery.

(3) Non-human element of service delivery.

(4) Tangibles of services.

(5) Social responsibility.

The core service refers to the essence of a service. In a service sector the service features offered are as important as how they are delivered. Human element of service delivery refers to all aspects (reliability, responsiveness, assurance empathy, moments of truth, critical incident and recovery) that will fall under the domain of the human element in the service delivery. The non-human element in the service delivery is in contrast to the human element. Service delivery processes should be perfectly standardized, streamlined, and simplified so that customers can receive the service without any hassles. The tangible of the service facility refers to the equipment, machinery, employee appearance, etc., or the man-made physical environment, popularly known as the "servicescapes". The social responsibility is the obligation of organization management to make decision and take actions that will enhance the welfare and interests of society as well as the organization. When an organization shows enough evidence on its Social responsibility it is natural to attract more customers.

Servicescape is a model developed by Booms and Bitner to emphasize the impact of the physical environment in which a service process takes place. The aim of the servicescapes model is to explain behavior of people within the service environment with a view to designing environments that accomplish organizational goals in terms of achieving desired behavioral responses. For consumers visiting a service or retail store, the service environment is the first aspect of the service that is perceived by the customer and it is at this stage that consumers are likely to form impressions of the level of service they will receive.

Booms and Bitner defined a servicescape as "the environment in which the service is assembled and in which the seller and customer interact, combined with tangible commodities that facilitate performance or communication of the service". In other words, the servicescape refers to the non-human elements of the environment in which service encounters occur. The servicescape does not include: processes (e.g. methods of payment, billing, cooking, cleaning); external promotions (e.g. advertising, PR, social media, web-sites) or back-of-house (kitchen, cellars, store-rooms, housekeeping, staff change rooms), that is; spaces where customers do not normally visit.

The servicescape includes the appearance, equipment, signage and layout of a service outlet.

VIII CONCLUSION:

The servicescape includes the facility's exterior (landscape, exterior design, signage, parking, surrounding environment) and interior (interior design and decor, equipment, signage, layout) and ambient conditions (air quality, temperature and lighting). In addition to its effects on customer's individual behaviors, the servicescape influences the nature and quality of customer and employee interactions, most directly in interpersonal services. Companies design their servicescapes to add an atmosphere that enhances the customer experience and that will affect buyers' behavior during the service encounter.

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