SERVICE QUALITY IN GENERAL INSURANCE INDUSTRY

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ABSTRACT

The main purpose of this study is to investigate service quality of the general insurance industry using the service performance gap model. Under the service performance gap model a service performance gap is defined as the discrepancy between service performance expectations of customers and actual service delivered (A Parasuraman, Valeria A. Ziethaml, Leonard L. Berry, 1988). An ANOVA and Independent Sample T-Test were deployed to explore on the variables data. Factor Analysis using Principal Component Analysis approach had been deployed in looking for the "clumps" among the inter correlations of a set of variables. Result had indicated that even though the gap between the perception and expectation was nominal, continuous effort need to be taken by the insurance company in order to increase the level of satisfaction. Assurance is known to be the priority in the service dimensions irrespective of the general insurance agents' demographic. Empathy dimension however is not a priority in this study.

ABSTRAK

Tujuan utama kajian ini adalah bagi mengenal pasti tahap kualiti perkhidmatan syarikat insurans dari perspektif wakil insurans am. Di dalam kajian ini, model yang diperkenalkan oleh (A Parasuraman,Valeria A. Ziethaml, Leonard L. Berry, 1988) telah digunapakai bagi mengukur tahap kepuasan wakil insurans am. Di dalam model ini, perbezaan tahap kepuasan diukur melalui lima dimensi servis. Didalam model ini, keupayaan servis di definisikan sebagai perbezaan di antara tanggapan pengguna servis dengan servis sebenar yang diterima.
Perisian Statistik (SPSS) telah diguna pakai bagi menganalisa data menggunakan kaedah ANOVA (Analisa Variansi) dan "Independent Sample T-Test". "Factor Analysis" menggunakan pendekatan "Principal Component Analysis" telah digunakan untuk melihat sejauh mana soalan soalan didalam soal selidik mendukung antara satu sama lain. Keputusan SPSS menunjukan ada perbezaan diantara tanggapan dan servis sebenar yang diterima. Walaupun perbezaan ini kecil, perhatian harus diberikan untuk meninggikan tahap kepusaan wakil insurans am. Servis dimensi "Assurance" dikenal pasti sebagai dimensi yang utama dan harus diberikan perhatian tanpa mengira demografi wakil am insurans. Servis dimensi " Empathy' merupakan dimensi tercorot yang harus diberi perhatian.

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When the Going Gets Tough, the Tough Get Going. Humbly from my deepest heart, with gratitude and love, May Allah blessed them all.

DECLARATION

I hereby declare that the thesis is based on my original work except for quotations and citations which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted for any other degree at UTeM or other institutions.

Signature : ....

Name : Ahmad zawawi bin Jamal ....

Date : 1-10-2012 ....

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CHAPTER 1

INTRODUCTION

1.1   Introduction

In today's world of global competition, providing quality service is undeniably a key ingredient for success. Many industry experts acknowledged that service quality is the most powerful and effective competitive trend currently shaping the marketing and business strategy. This trend had been supported with the emergence of customer relationship management in almost every organization. The creation of this department within the organization is with the view to specifically listen to what their customer wants and also to gauge their level of service delivery. Most of the company vision and mission stated that one of their visions is providing quality service to their customer.

The origin of insurance in Malaysia can be traced to the colonial period between the 18th and 19th centuries when the British trading firms or agency houses established in this country acted as agents of the insurance companies incorporated in the United Kingdom. Some prominent insurance agent or some may called as settling agents companies were Harrison & Crossfield and Boustead. Boustead, for example was modestly established, as a trading company in Singapore in 1828 by Edward Boustead, shortly after Sir Stamford Raffles established the British Settlement in 1819. Its core business during those pioneering days was primarily import and export, as well as shipping and insurance agents. It is common during those days that the shipping agent acted as insurance agent and vice versa. The insurance

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industry in Malaysia was largely influenced by the British System. This was natural as insurance was originated from Britain and it was further compounded that Malaysia was being colonized by British for considerable period. These influences still continue until today. Even as late as 1955, the foreign insurer's domination of the local insurance market was as much as 95% of the total transacted. After independence in 1957 or known as post-colonial, conscious efforts were made to introduce domestic insurance companies. The early 1960's witnessed the growth of few life insurance companies, which wound up soon due to the lacking in sound operations and inadequate technical background. This unpleasant scenario had compelled the government's invention through the enactment of the Insurance Act 1963 with the view to regulate the insurance industry. The general supervision and control of the insurance was then administered under the Ministry of Finance. As the insurance operation becoming complex and complicated in tandem with the nature of risks underwritten, the Insurance Act 1996 or also known as Act 553 had been introduced to replace the previous Insurance Act 1963. The new legislation which came into force on 1st January 1997 made a significant change on the legislative framework for improving the supervision and regulation of the industry in terms of operational and financial discipline, transparency of policies and practices and protection of the policy owners.

The financial reform exercise initiated by the Bank Negara Malaysia recently shaken up the financial sector and had made the financial sector to be more agile towards the real needs of their customer. Some experts in the insurance industry agreed that service quality had become an important vehicle of differentiation and path to achieve business success and its sustainability. This can be seen from the insurance company's vision and mission. Most of them had emphasized in providing a quality service. As the number of insurance player getting smaller, there is an intense competition among them to seize the market share. The

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differentiation based on service quality can be a key source of competitiveness for insurance companies.

With the increasing demands of customer, insurance sector has become competitive. At the speed that the data is being produced and the speed at the business is changing, customers nowadays armed with information, expect better products, faster service, consistent responses and lower prices. Customers are becoming increasingly aware of their rights and demand higher standards of services, as technology is enabling them to make comparisons quickly and accurately. Their expectations and perceptions as the customers or the end user are continually changing. This was further compounded with the emergence of social media such as Facebook and other social media portal making it difficult for the service providers to measure and manage services effectively. With just a single click of "mouse", complaint on their services can reach the service provider within a short span of time. The strong movement of consumerism also had influenced the consumerism nowadays.

The trend of insurance companies shifting from a product-focused view to a customer-focused one has become phenomenal event. As insurance products had become increasingly hard to differentiate in fiercely competitive markets, insurance companies appeared to have directing their strategies towards increasing customer satisfaction and loyalty through improved service quality. There is a need for the insurance companies to shift from the policy centric to becoming customer centric. Many articles had advocated that it is timely for insurance companies to follow other service organization to develop a customer centric approach for future survival and growth. The customer centric approach espoused that prompt, efficient and speedy service alone will entice the existing customers continuing to subscribe to the organization service whilst inducing potential customers to try the services of the company.

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In the general insurance sector, most of the companies offered identical product. In Malaysia itself, new products offering will be subjected to the Bank Negara Malaysia's approval. For motor, fire and workmen compensation insurance policy as these policies are tariff-rated, thus the insurance company has to offer an identical policy. As the insurance industry is considered small and 'people knew each other', even though for some insurance policies that are not falls within the ambit of tariff-rated, the product offering is identical. Thus, the words of 'best service wins' always been advocated by the insurance marketers. Service marketers have realized that over past few years that competition can be well managed through quality. Thus service quality is imperative to achieve competitive advantage. Poor quality places a firm at a competitive disadvantage. Service quality offers a way of achieving success among competing services, particularly in case of firms that offer nearly identical services, such as insurance, where establishing service quality may be the only way of differentiating oneself. Such differentiation can yield a higher proportion of consumer's choices, and hence mean the difference between financial success and failure.

1.2   Background of Study

Globalization, liberalization and merger and acquisition of financial institutions which included insurance industry accelerates, competition among insurance companies in offering products and services becomes more intense. Today globalization and liberalization are affecting economies of not only developing but also developed countries. The focus areas for organizations are also changing from profit maximization to maximizing profits through increased customer satisfaction (Nitin Seth, S.G. Deshmukh, 2005). With the recent news on the insurance giant conglomerate, ING Insurance where they are losing business in the Asian

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region, there is a need to have a quick look into the insurance industry. This may provide some signals on the direction on how the insurance business should be conducted. With the speed of data and information, customers had become more educated, well informed and more selective. It is well accepted that as Malaysian economy becomes more and more knowledge based, the demand for high quality services expands with increases in customers' buying power (Izah Mohd Tahir, Nor Mazlina Abu Bakar, 2007).

There is an urgent need for the financial sectors which are the pillars of the economy to improve their services towards their customer. In addition, the entry of foreign insurers into the market will require them to improve the operational efficiency in order to keep them sustainable and competitive. With multi-dimensional demand and challenges of globalization; organizations are forced to re-engineer their operations and systems to be more customer centric to improve the service quality to remain competitive (Wui-gee tan, Aileen Cater -Steel, Mark Toleman, 2009). Customers are the ultimate judges of service or product quality (P.B. Sakthivel, G. Rajendran, R. Raju, 2005). Customer does not necessarily know what they want until they have used the product or received the service.

The purpose of this study is to examine the level of service quality in Malaysia's general insurance industry from the perspective of general insurance agents in Malacca.

1.3   Statement of Problem

Liberalization of the financial institutions under the Malaysia Financial Reforms had resulting the financial institutions either banking or insurance industry to improve their performance. Efficient service delivery system will shield the domestic insurance companies from the intense competition. Insurance is one of the pillars of the nation's economy and it is

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thus imperative for the insurance industry to improve their services. Customer satisfaction is important in service sector and services can become the basis of competition (Robert F. Lusch, Stephen L. Vargo, Matthew O'Brien, 2007). As every nation in the Asia Pacific region raced to become the financial hub, insurance players need to improve their service performance. In insurance sector, service quality relates to the following aspects: quality of decisions at all level; quality related to underwriting aspect (rate and premium); quality related to business processes; quality of performance of employees at all levels; quality of performance of technology and system and quality related to claim processing and settlement. In Malaysia, except for Fire Insurance Policy, Motor Insurance Policy and Workmen Compensation Policy which is tariff rated, the rate of premium is determined by the nature of exposure to the risk, maximum probable lost and risk population as against to the non-tariff- rated policy in which, the premium rate has been determined by the respective Committee. All insurance companies need to diligently complied with the Bank Negara Malaysia regulations and they are subjected to penalty if found to have breached the regulations. In this particular instance, the competency of the Underwriters (a person who underwrite the risk) is at stake. The quality related to the business process relates to the issuance of the cover note. A cover note is a piece of initial document to confirm the acceptance of the risk by the insurance companies. Normally, the cover note was issued immediately upon acceptance of the risk by the Underwriter followed by the issuance of the insurance policy and certificate at later stage.

Based on the analysis, the insurance business distributions channel for 2009, insurance agents garnered 60% or RM 7.079.8 million of the total business in comparisons to other distribution such as direct business, insurance brokers and others (PIAM, 2010). At present, there were 35,236 and 87,163 registered general and life insurance agent respectively and 42,698 family and 31,391 general takaful agents serving thirty (21) conventional insurance

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companies (as at time of writing this report) and nine (9) takaful operators (Bank Negara Malaysia, 2010). Insurance agents played a vital role in linking between the policyholder (customer) and the insurance company. In Malacca state alone, there are 1395 registered insurance agent (PIAM, 2010).

It has been widely argued that best service always win the game. Liberalization has always associated with the open up of the business with foreign companies with strong capital and expertise. These companies, with strong financial strength and muscle will bring in together their experience and expertise as they have been very long in the business compared to the local. There is therefore, the other way to compete with these foreign companies will be inevitably continuously improving the service delivery. Bank Negara Malaysia had always reminded the insurance players to perform to the benchmarking or otherwise they will become subject of merger and acquisition by the larger, efficient and competence insurance companies. The recent merger and acquisition was Kurnia Insurans Berhad by Australia Financial Group (AFG). With the enlarge capital base and foreign expertise, this company offer better and attractive insurance rate and customer service. The relationship between their intermediaries also will improve. Quality service has been becoming the issues in the insurance sector especially in their claim service. This bad service image has made the insurance company struggling in maintaining their insurance agents. This study involved survey on the level of satisfaction of the insurance company amongst the insurance agent.

1.4   Research Objectives

The research objectives of this study are as below;

1.4.1   To investigate the service quality expectations among the registered general insurance agent in Malaysia.

1.4.2   To examine whether the quality dimensions included in the SERVQUAL model apply in the insurance company environment.

1.4.3   Search for additional dimensions, identified by the insurance agents that should be included in the service quality construct.

1.5   Significant of Study

This study will explore on the service quality of the insurance company from the perspective of the general insurance agent in Malacca. It is hoped that this study will provide insight view on the level of service rendered by the insurance company. Analyzing the 'gaps' will enable the insurance company to establish areas of weakness in their delivery system. Consequently, they can concentrate on the dimensions that need to prioritise in order to improve their overall operational efficiency. Statistic showed that in Malaysia, insurance agents garnered 60% or RM 7.079 billion of the total business in comparison to other distribution channel. An insurance policy is almost always sold by an agent who, in 80% of the cases, is the customer's only contact (Michael D. Richard, Arthur W. Allaway, 1993).

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1.6 Key Concepts

This section provides the operational definition for the purpose of clarity of the key terms as contained and related to the title of the thesis that will be used throughout the thesis. Details discussions on these concepts are presented in the following chapter of this thesis.

1.6.1 Service Quality

Service quality can also be defined according to both what and how of a product or service delivered. Christian Grönroos distinguishes between technical quality' and functional quality. Technical quality is concerned with the outcome of the delivered product or service whilst 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 (Grönroos, 1982).

Grönroos also modelled service quality as consumers' comparison between their expectations regarding service with their perceptions of the service they received. Many authors had built on this conceptualization and developed a literature dedicated to defining and measuring service quality (J. Joseph Cronin,Steven A. Taylor, 1992); (A Parasuraman,Valeria A. Ziethaml, Leonard L. Berry, 1988) (Festus Olorunniwo, Maxwell K. Hsu, Godwin J. Udo, 2006). Based on these studies, perceived service quality is defined as the customer's assessment of the overall excellence or superiority of the service (A Parasuraman,Valeria A.

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Ziethaml, Leonard L. Berry, 1988). There are differences between services and goods in terms of how they are produced, consumed, and evaluated.

The differences can be illustrated as below:

Table 1- Differences between Product and Service

Product	Service
• The customer owns the object	• The customer owns the memory with experiences which cannot be sold or passed on
• The goal is to produce uniformity in product	• The goal of service is uniqueness
• A product can be put into inventory	• A service cannot be stockpiled
• The customer is an end user who is not partner involved in the production	• The customer is a co-producer who is a partner in process creating the service
• One conducts quality control by comparing output and specifications	• Customers conduct quality control by comparing expectations to experience
• A defective product can be recalled or rejected	• A bad or defective service cannot be recalled

Source: Adapted from Service Quality: Implications for Management Development by Atul Gupta and Injazz Chen, International Journal of Quality & Reliability Management, Vol. 12 No. 7, 1995, pp. 28-35

1.6.2 General Insurance Agent

In Malaysia, insurance agent is defined as a person who does all or any of the following a) solicits or obtains a proposal for insurance on behalf of an Insurer b) offers or assumes to act on behalf of an Insurer) does any other act on behalf of an Insurer in relation to

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the issuance, renewal, or continuance of a policy (Insurance Act 1996). Thus, insurance agents hold an important position as matchmakers between the supply and demand sides on insurance markets. They provide distribution and marketing services for insurance companies, but on the other hand they also supply informational and advisory services for the consumers. Thus, insurance agents assist in concluding insurance contracts by providing low-cost information to consumers regarding their risk profiles, insurance needs and suitable insurance products. These on one hand had reduced complexity for consumers and transaction costs for insurance companies. In return, the general insurance agents will earn a commission ranging from 10% to 30 % depending on the types of insurance products. In Malaysia, the general insurance agents are required to pass the Pre-Contract Examination for General Insurance Agents (PCEIA). The PCEIA is a compulsory entry requirement for all those who intend to be registered as insurance agents with Persatuan Insurans Am Malaysia (PIAM) and with the Life Insurance Association of Malaysia (LIAM) respectively.

As at 31st December 2010, the number of registered general insurance agents was 34,322. Based on the analysis of business by distribution channels for 2009, agents garnered 60% or RM 7.079 billion of the total business in comparison to other distribution channels. Of the business acquired by the agency force, only 6% of total business is acquired via motor vehicle franchise holders. The analysis indicates that insurance agents continue to play a significant role in the overall distribution channels in this market. The insurance agents need to maintain a Minimum Maintenance Contract of RM 20,000 gross premium per agency per annum or for non-compliance with cash-before-cover (CBC) requirements.

1.6.3 Reliability

Reliability refers to the ability to perform the promised service dependably and accurately. (Johnston, 1995) defined reliability as the reliability and consistency of performance of service facilities, goods and staff. This includes punctual service delivery and an ability to keep to agreements made with the customer.

1.6.4 Responsiveness

Responsiveness reflects the willingness to help customers and provide prompt service. It also advocates on the speed and timeliness of service delivery. This includes the speed of throughput and the ability of the service providers to respond promptly to customer requests, with minimal waiting and queuing time in terms of service counter. It is also incorporates speed and timeliness of service delivery. This includes the speed of throughput and the ability of the service providers to respond promptly to customer requests, with minimal waiting and queuing time (Johnston, 1995).

1.6.5 Assurance

Assurance refers to the knowledge and courtesy of employees and their ability to convey truth and confidence (competence, courtesy, credibility and security). In this context, assurance refers to knowledge and courtesy of employees and their ability to inspire trust and confidence.

1.6.6 Empathy

Empathy is defined as a capacity to recognize, to some extent, share feelings (such as sadness or happiness) that are being experienced by another sentiment or semi-sentiment. Empathy denotes, at a phenomenological level of description, a sense of similarity between the feeling of one experience and those expressed by others. This sharing of the feelings of another person does not necessarily imply that one will act or even feel impelled to act in a supportive or sympathetic way. In this research, empathy is defined as caring, individualized attention provided to customers (Zeithaml Valarie A, Berry, Leonard L. Parasuraman, A. 1988).

1.6.7 Tangibles

Tangible relates to physical facility, equipment, personnel and communication, material on customers. The effect of these attributes is popularly known as servicescapes. Tangible cues in a firm's physical environment play an important role in affecting consumer attitudes and behaviour (Valarie A. Zeithaml, Leonard L. Berry, A Parasuraman, 1985) & (Bitner, 1992).

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CHAPTER 2

LITERATURE REVIEW

2.1   Service Quality

Service quality has been recognized as an important strategic retailing weapon, particularly in developing defensive marketing strategies. (Grönroos, 1984) defines service quality as a perceived judgment, resulting from an evaluation process where customers compare their expectations with the service they perceive to have received. The author also suggests that service quality issues can be split into technical quality (what is done) and functional quality (how it is done). (Grönroos, 1984)) further declares that the quality of a service is dependent on two variables: expected service and perceived service, and that any previous experience with a service could influence the expectations of a consumer, whereas the perceived service is the result of a consumer's perception of the service itself. (A Parasuraman, Valeria A. Ziethaml, Leonard L. Berry, 1988), based on exploratory research to understand the construct of service quality and its determinants, defined service quality as "the degree of discrepancy between customers' normative expectations for the service and their perceptions of the service performance". Perceived service quality is then interpreted from the differences in degree and direction between perceptions and expectations. The authors described service quality as consisting of dimensions such as reliability, assurance, tangibles, empathy, and responsiveness.

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(Zeithaml Valarie A, Berry, Leonard L. Parasuraman, A., 1988) argues that service quality has become a great differentiator and the most powerful competitive weapon which many leading service organizations possess. Delivering superior quality to customers is central to the formation of customer loyalty (Valerie A. Zeithaml, Leonard L. Berry, A Parasuraman, 1996) therefore, the competitive advantage of a service organization is essentially determined by its ability to expand and maintain a large and loyal customer base.

Service has unique characteristics that are not found in manufacturing. The most notable characteristics are customer contact, intangibility, inseparability of production and consumption, heterogeneity, perishability, and labour intensity. Each of these is described briefly below:

- The presence of customers, commonly termed as contact, interaction, encounters, participation, or involvement, brings complexity to the management of service operations. The customer's presence can, to a certain degree, influence the outcome of operations. In addition, it makes the firms pay attention not only to "end services", but also to the process of rendering and delivering those services.

- Intangibility is another key characteristic that differentiates services from manufacturing goods. The implication of this characteristic is that services are more difficult to control and monitor. A further complexity of services is heterogeneity whereby there is a high chance of idiosyncratic customer expectations and perceptions. By the same token, the output of services can vary from one provider to another.

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- Unlike manufacturing goods that can be produced, sold, and consumed by customers in a separate place and time, in the service industry these three processes commonly occur simultaneously at the same place and time. In other words, management cannot prepare a buffer between the production and the consumption stage.

- Services are also perishable. This means that any unused capacity is lost and cannot be stored. This leads to difficulty in reconciling demand and capacity in service operations.

- Finally, many services are more labour intensive than manufacturing. In many cases, "high-touch" cannot be replaced by "high-tech" as in manufacturing. This makes managing people more prominent in the service sector than in manufacturing.

Service quality has been recognized as an essential strategic component for organizations attempting to succeed and survive in today's fierce competitive environment. Service firms across the types and nature, just like the manufacturing sectors did a generation ago, need to start defending themselves from this fierce and shrewd competition by changing their business strategy from product centric to customer centric via service quality. The task requires proactive, far-reaching, drastic changes, focusing on customer preference, quality, and technological interfaces (Karmarkar, 2004) & (A. Parasuraman, Valarie A. Zeithaml, Leonard L. Berry, 1985) argued that the key strategy for the success and survival of any business institution is the deliverance of quality services to customers. Based on the voluminous studies, Parasuraman et.al (1985) had proposed three underlying themes on service quality (1) it is more complicated and difficult for customers to evaluate as compare to

tangible goods quality (2) the perceptions of service quality are the outcomes of the actual service performance versus consumer perceptions; (3) the evaluations of the quality are not solely focus on the outcome of the service as they will also involve evaluation of the process of service delivery. Parasuraman et.al (1985) had thus developed conceptual models of service quality and identified possible determinants of perceived quality. Parasuraman et.al suggested that consumer's perception of service quality offering is a function of the following five separate quality perceptions (1) tangible (2) reliability (3) responsiveness (4) assurance and (5) empathy. They furthered argued that regardless of the service being studied, reliability was the most important dimension, followed by responsiveness, assurance and empathy. The intangibles were of least concern to service customers.

2.2   The SERVQUAL model

SERVQUAL stand for service quality as the discrepancy between a customer's expectations for a service offering and the customer's perception of the service received, requiring respondents to answer questions about both their expectations and their perceptions (A Parasuraman,Valeria A. Ziethaml, Leonard L. Berry, 1988). The purpose of SERVQUAL is to serve as a diagnostic methodology for uncovering wide areas of an organization service quality weaknesses and strengths. The SERVQUAL instrument produces a systematic, multi stage and interactive process that evolves from the identified dimensions and items within that correspond to the specific companies and industries (Zeithaml Valarie A, Berry, Leonard L. Parasuraman, A., 1988). The SERVQUAL instrument is designed for use in any kind of service business and provides a basic skeleton though its expectations/perceptions format,

encompassing statement for each of the five dimensions (A Parasuraman,Valeria A. Ziethaml, Leonard L. Berry, 1988).

The SERVQUAL model developed by (A. Parasuraman, Valarie A. Zeithaml, Leonard L. Berry, 1985) has become almost the standard way of measuring service quality. The SERVQUAL model, employs 22 Likert-scale items, focus on the gap between the consumer's performances perceptions of the service and his or her expectations for that service (A Parasuraman,Valeria A. Ziethaml, Leonard L. Berry, 1988). They measure both customers' expectations of service based on what customers believe excellent companies should offer, and their perceptions of the service received. Through the use of gap scores, a set of five service quality dimensions (namely: tangibles, reliability, responsiveness, assurance, and empathy) across a broad spectrum of service industries are identified. Many of the researches on service quality widely accepted service quality model (SERVQUAL instrument) developed by extensive research by (A. Parasuraman, Valarie A. Zeithaml, Leonard L. Berry, 1985), (A Parasuraman,Valeria A. Ziethaml, Leonard L. Berry, 1988) & (A. Parasuraman, Leonard L. Berry, Valarie A. Zeithmal, 1991). SERVQUAL instrument has been accepted as a standard for assessing different dimensions of services quality (Foster, 2010). Many researchers have used this 22-item scale to study service quality in different sectors of the services industry including financial institutions (Huseyin Arasli, Salime Mehtap-Smadi, Salih Turan Katircioglu, 2005), ((Huseyin Arasli, Salime Mehtap-Smadi, Salih Turan Katircioglu, 2005), (Izah Mohd Tahir, Nor Mazlina Abu Bakar, 2007), (Mohammed N. Chaker, Naceur Jabnoun, 2010) & (Shahril Shafie,Wan Nursofiza Wan Azmi, Sudin Haron, 2004).

The service quality model was derived from the magnitude and directions of five gaps as follows:

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- Gap 1 (Understanding): the difference between general insurance agent expectations and management perceptions of general insurance expectations

- Gap 2 (Service standards): the difference between management perceptions of general insurance expectations and service quality specifications

- Gap 3 (Service performance): the difference between service quality specifications and the service actually delivered

- Gap 4 (Communications): the difference between service delivery and what is communicated about the service to the general insurance agents

- Gap 5 (Service quality): the difference between general insurance agents' expectations of service quality and general insurance agent's perceptions of the organization's performance

Gaps 1 to 4 affect the way in which service is delivered and these four gaps lead to Gap 5. Therefore, the extent of Gap 5 depends on the size and direction of these four gaps (Gap 1, Gap 2, Gap 3 and Gap 4)
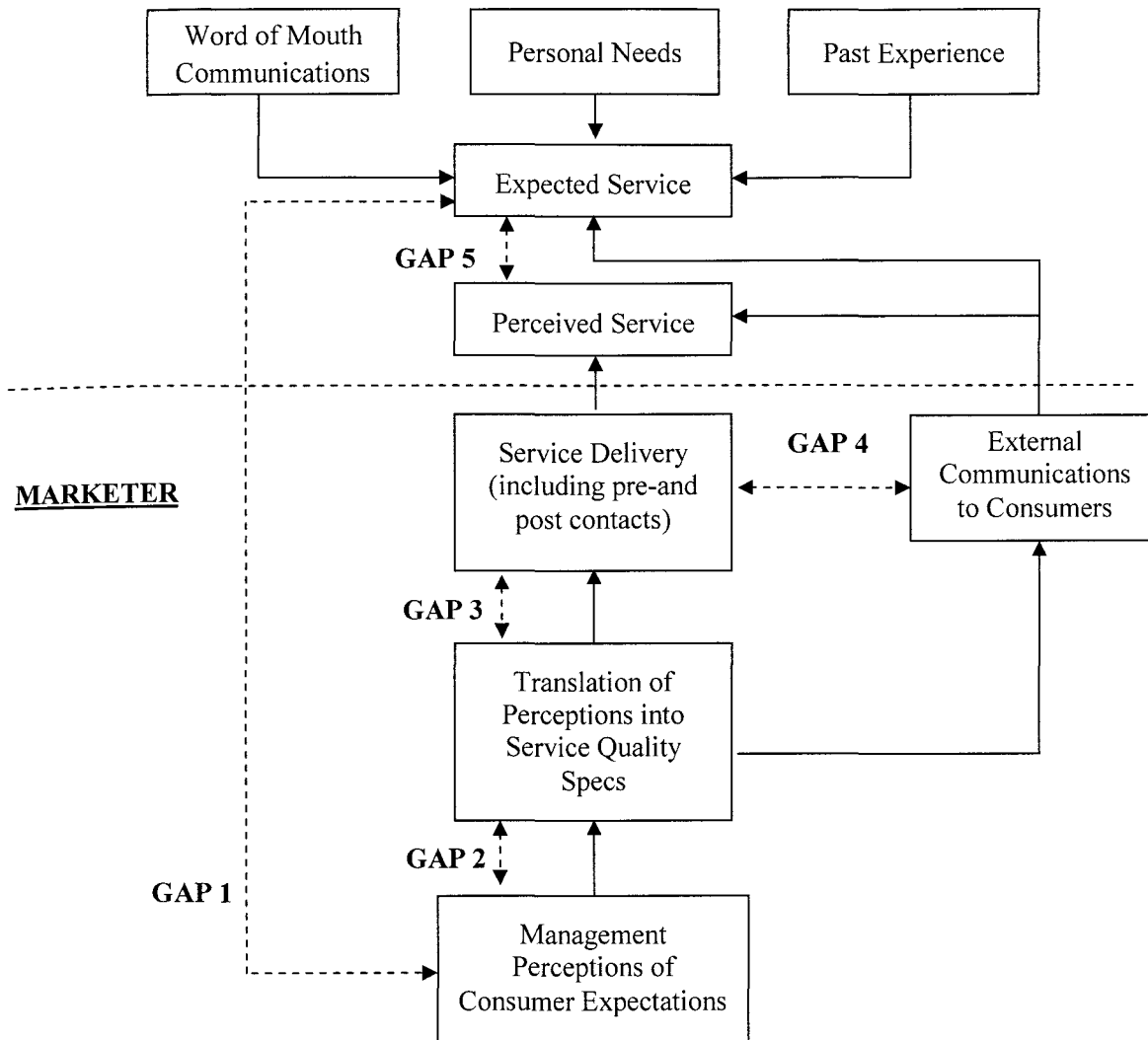
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CONSUMER

Figure 1 - Service Quality Gaps

SERVQUAL instrument has undergone rigorous testing and serves as an important platform for exploratory contextual investigations in service quality measurement. Emergence of technology as a factor clearly indicates towards the growing sophistication of customers. (Masoood H Siddiqui, Tripti Ghosh Sharma, 2010) some have criticized the methodology used to identify them (Buttle, 1995) & (Alexandria Brysland, Adrienne Curry, 2001). It is important

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to remember, however, that the list is intended to describe dimensions of service quality common to all services, and is therefore unlikely to encompass all the properties of any particular service industry. Nonetheless, the five dimensions have been well accepted.

The scale consists of the following dimensions (A Parasuraman,Valeria A. Ziethaml, Leonard L. Berry, 1988):

1. Tangibles which include the physical facilities, equipment, and appearance of personnel.

2. Reliability which reflects the ability to perform the promised service dependably and accurately.

3. Responsiveness which include the willingness to help customers and provide prompt service.

4. Assurance which is an indication of the knowledge and courtesy of employees and their ability to inspire trust and confidence.

5. Empathy which includes caring and individualized attention that the service firm provides to its customers.

2.3   Customer Satisfaction

The sole purpose of a business Peter Drucker, once famously claimed was "to create a customer". However, keeping the customer has become regarded as equally, if not more important. (Peter M. Dawkins, Frederick F. Reicheld, 1990) reported, that a 5 per cent increase in customer retention generated an increase in customer net present value of between 25 per cent and 95 per cent across a wide range of business environments.

Customer satisfaction is generally described as the full meeting of one's expectations. Customer satisfaction is the feeling or attitude of a customer towards a product or service after it has been used. A review of the existing literature indicates that there can be potentially many antecedents of customer satisfaction, as the dimensions underlying satisfaction judgments are global rather than specific (Steven A. Taylor, Thomas L. Baker, 1994) & (Paul G. Patterson, Richard A. Spreng, 1997).

Customer satisfaction is fundamental to the marketing concept, which espoused that satisfying customer needs is the key to generating customer loyalty. Customer satisfaction depends on a products' perceived performance in delivering value relative to the buyer's expectations. Customer satisfaction is closely linked to quality. (Philip Kotler, Stewart Adam, Linden Brown and Gary Armstrong, 2006) Customer satisfaction can be defined as a person's felt state; either pleasure or discontent, ensuing from comparing a product's perceived performance (or outcome) in relation to the person's expectations. Customer satisfaction is generally described as the full meeting of one's expectations.

Customer satisfaction is the feeling or attitude of a customer towards a product or service after it has been used. Satisfaction thus can be defined as an experience of fulfilment of an expected outcome.

It has been acknowledged that establishing and achieving customer satisfaction is seen to be the ultimate goal of every organization (Keng-Boon Ooi, Binshan Lin, Boon-In Tan, Alain Yee-Loong Chong, 2011). To achieve a customer's satisfaction, it is necessary to be aware of his/her expectations and to be knowledgeable at what he/she likes and does not like. It is not uncommon for companies to hold the satisfaction of a customer to be self-evident, or for them to exactly know their level of satisfaction (Gerhad Raab, Riad A. Ajami, Vidyaranya B. Gargeya, G. Jason Goddard, 2008). For many years customer satisfaction has been a major

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goal of business organizations, since it has been deemed to affect customer retention and companies' market share (Ove C. Hansemark, Marie Albinsson, 2004). Customer satisfaction has been deemed directly to affect customer retention and companies market share. In study on banking sector, the study showed that service quality, service features, and customer-complaint in imperative in determine the customer satisfaction. Service offerings such as extended hours of operation and competitive interest rates also play a role in determining satisfaction (Terrence Levesque, Gordon H.G. McDougall, 1996).

Customer satisfaction is one of the most important factors in ensuring the long-term financial success of any organization. Previous marketing research suggests that customer satisfaction is influenced by the quality of an organization's core offerings. Customer satisfaction is developed by ensuring product quality in goods based industries, and it is facilitated by delivering quality services in service based industries.

2.4 Perceived Value

Perceived customer value is defined as "the difference between total benefits and total sacrifices perceived by consumers in purchasing a product or service". Indeed, understanding and delivering customer value is seen as a cornerstone of marketing, competitive strategy (Khalifa, 2004). Total benefits include the functional, social and psychological benefits (Jillian C. Sweeneya, Geoffrey N. Soutarb, 2001), and total costs include the monetary (Dhruv Grewal, Kent B. Monroe, Krishnan, 1998) and non-monetary costs (Eugene W. Anderson, Mary W. Sullivan, 1993), namely energy, time and effort (Brand RR, Cronin JJ, Routledge JB, 1997).

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From the search of literature reviews, study on the service quality majority confined to banking industry (Izah Mohd Tahir, Nor Mazlina Abu Bakar, 2007), (V. Kumar, P.A. Smart, H. Maddern, R.S. Maull, 2008) & (Shahril Shafie,Wan Nursofiza Wan Azmi, Sudin Haron, 2004), and information technology services (Helen Kang, Graham Bradley, 2002), hotel industry (Akbaba, 2006), non-government university (Ahmad Ali Foroughi Abari, Mohammad Hossein Yarmohammadian, Mina Esteki, 2011), telemarketing (Norizan Mohd Kassim, Jamil Bojei, 2002), life insurance from the perspective of policy holders (Wong Foong Yee, Samsinar Md. Sidin, Alvin Yong Onn Soon, Ching Kim Luan, 2001).

(Gera, 2011) researched on the service quality in life insurance established that Sales Agents are the key links between the service provider and the customer. Thus, they need to adequately trained in product knowledge, error-free service (reliability), relationship building (trust) and interpersonal behaviour (empathy), as all these service quality attributes had significant loadings on overall service quality, which then was a significant antecedent of customer satisfaction and value perceptions about the service provider.

2.5   Insurance industry in Malaysia

In Malaysia, the insurance company is licensed and regulated by Bank Negara Malaysia (BNM). Currently, there are twenty one (21) licensee of general insurance business, six (6) licensee of life and general business or known as composite insurers and nine (9) takaful operators. As at year of 2010, there were 35,236 general insurance agents and 87,163 life insurance agents, 42,698 and 31,391 family and general takaful agents serving the insurance market (Bank Negara Malaysia, 2010). The insurance business is normally sold via the insurance intermediaries. An insurance intermediary is a person or company that helps in

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