Chapter 17
Service Quality Perceptions of the Customers in the Insurance Sector in West Bengal

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ABSTRACT

The quality of the service is a pre-requisite for any service organization’s market performance and subsequently, economic performance. Managers in any service sector are under increasing pressure to demonstrate that their services are customer-focused and that continuous performance improvement is being delivered. Given the financial and resource constraints under which service organizations must manage it is essential that customer expectations are properly understood and measured and that, from the customers’ perspective, any gaps in service quality are identified. Measuring Service Quality becomes indispensable for any service organization to monitor and control the quality of service delivery and enjoy competitive advantage.

1. INTRODUCTION

Customer service is an integral part of life insurance organization. It is necessary to identify the key success factors in life insurance industry, in terms of customer satisfaction so as to survive in intense competition and increase the market share. (Upadhyaya & Badlani, 2011)

Indian insurance is a flourishing industry with several national and international players competing and growing at a rapid rate. During the initial phase of privatization of Insurance sector in India, the penetration was very low. Indian as well as foreign companies reaped the benefits of a low base and have reported high rate of growths in the last decade. But times have changed now and the way forward is...
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going to be tough. They have to start focusing on the different strategies like customer retention strategy, operational discipline, regulatory developments and opportunities for innovation to drive sustainable growth and profitability. The insurance sector in India is primarily divided into life and non-life, apart from a very small segment comprising re-insurance. Both the life and non-life insurance segments, which were nationalized in the 1950s and 1960s, respectively, witnessed an across-the-board liberalization process in 2000. After the reforms, the number of players has increased from one in life insurance and four in non-life insurance in 2000 to 24 players in life insurance and 27 players in non-life insurance sector till January 2013 (including one re-insurer in the non-life segment) (as per the IRDA website). Global integration of financial markets resulted from de-regulating measures and financial innovations. Liberalization and Globalization have allowed the entry of foreign players in the Insurance sector. With the entry of private and foreign players in the Insurance domain, people have got alternatives to choose from. Continuous changes are taking place in customer profile due to the dynamic life style and social perception, resulting in brand switchers. To sustain, the major objective of the modern insurers shifted to a customer-centric relationship. A consultant is willing to forego short-term gains to achieve greater long – term benefit to him and to the customers he serves. He builds relationships on a foundation of trust, respect and performance. Moreover, consultants don’t sell – they’re specialists who make recommendations to help the prospect to buy. They act as a professional and offer real–world solutions that make sense to the customer. Today, the insurers adopt this technique and thereby go on increasing their market share (Renugadevi & Vidhya, “Current Scenario of Insurance Sector”, 2009).

1.1. Customer Related Challenges

Low financial literacy and poor access to financial services in India pose a problem in penetration of the right kind of life insurance products - more in terms of the right mix of savings and protection. This is combined with the fact that consumers and distributors both lack understanding of the true purpose of life insurance. Consumers are not clued in about their life stage needs, and the product solutions suitable for such needs. The distributor, armed with an array of products is also unable to give proper insurance guidance to the consumer due to limited knowledge of the true purpose of each financial instrument. This leads to mis-selling, which is a huge negative factor for the life insurance industry. Another major challenge is posed by the media and influencers. Often, the life insurance industry is portrayed in a negative manner and hence the consumers become skeptical of the life insurance industry. The result is that, they may not purchase life insurance, even though a legitimate need exists. The fact that life insurance promotes a regular routine of small savings for long term savings and protection is not propagated. Sometime companies due to too much profit orientation mislead the customers by confusing advertisements. (Sud, 2011)

1.2. Strategies to Combat Challenges

To cope with the above challenges and to improve customer loyalty the insurance companies have to find ways to make their services more tangible. “To increase the productivity of providers who are inseparable from their products, to standardize the quality in the face of variability, and to improve the demand situation and supply capacities in the face of service perishability. Informing, educating, motivating,