An Assessment on Service Quality in Malaysia Insurance Industry

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Abstract

The purpose of this paper is to evaluate customers' general expectation and perception of insurers in terms of services offered at the insurance service counter (ISC). Other than that, this paper also examines the relationship between the demographic factors and SERVQUAL mean score. The study utilized the survey approach. The sample consisted of 319 respondents. The result shows huge gap for reliability, responsiveness and empathy, which reliability shows highest gap between customers' perception and expectation. This research illustrates reliability emerged as the most critical determinant of SERVQUAL measure for service quality. The other dimensions (tangible, responsiveness, assurance and empathy) appear important but reliability dominates. Thus, results of this study underscore the need for insurance providers to gear customer service and quality improvement efforts towards components of reliability. The study intends to promote a better theoretical understanding and recognition of the complexities to service quality and its measurement. Nowadays, insurance companies in Malaysia compete each other to be a strong and good reputation. The challenge for insurance sector in Malaysia remains the same that is to bring innovative solutions to client while making them realize the value of those services provided. When clients realize that quality is something that cannot be compromised, an organization has to survive in the competitive market while managing high value service.

Keywords: service quality, Insurance, Malaysia.

1. Introduction

The beginning of insurance in Malaysia can be traced to the colonial period between the 18th and 19th centuries when the British trading forms or agency houses established in this country acted as agents of the insurance companies incorporated in the United Kingdom. Some prominent insurance companies were Harrison & Cross and Boustead.

The insurance industry in Malaysia had been largely patterned on the British System whose influence still continues until today. Even as late as 1955 it was reported that foreign insurer's domination of the local insurance market was as much as 95% of the total transacted.

After independence in 1957, however, conscious efforts were made to introduce domestic insurance companies. The early 1960's witnessed the growth of quite few life insurance companies, which wound up soon after due to their sound operations and inadequate technical background. This unsavory feature culminated in the government's invention through the enactment of the insurance Act 1963 to regulate the insurance industry. The general supervision and control of the insurance, functioning under the Ministry of Finance.

Hence the Insurance Act 1996 (replacing the previous insurance Act 1963) 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.

Insurance Industry and the Consumer

In the past, the insurance industry has avoided pressures mainly because insurance is a very complex product which only a handful could understand. This was probably the reason why the majority of the insurance consumers were quite 'blissfully ignorant' about insurance. The situation however has changed in recent years and the insurance industry has become the target of consumer pressures. The change in attitude towards the insurance industry can be attributed to several developments. In the first place, the Malaysian consumers are now more educated and knowledgeable. Furthermore, they are more aware the occasion arises. According to the International Consumer Movement, consumers have eight basic rights which include: right to satisfaction; right to information; right to choose; right to basic goods and services; right to be heard; right to redress; right to consume education; and right to a safe and clean environment.

Other factors that have contributed to the change in attitude are the problem of insolvent insurers and unfair trade practices. In 1987, a total of nine insurance companies were found to have failed to meet the minimum solvency requirements. This figure has since 1998 been reduced to one insurance company. The one insurer is in the process of

providing Bank Negara Malaysia (BNM) its proposed business plan to restore its margin of solvency.

The solvency issue coupled with the problems of unfair trade practices and inefficient operations has generated adverse publicity for the industry and subsequently fueled consumer criticism and pressures against the insurance industry. In this regard, the industry has, among other things, been criticized for unfair and unreasonable delay in settlement claims, collusion and price fixing, poor service, providing incomplete and false information, and lack of professionalism.

Clearly, there is considerable consumers' satisfaction with local insurance industry and the number of complaint against insurance companies received by BNM merely confirmed this state of affairs. In this regard, it is interesting to note that 1325 written complaints received by BNM in 1999, 82.9% were related to general insurance business and 17.1% were related to life insurance business. In 1997, the total number of written complaints totaled 1259 the lowest received by the authority since BNM assumed supervision of the insurance industry in 1998.

BNM established a dedicated Customer Service Bureau (CSB) on 1 July 1998 within the Insurance Regulation Department to act as a central point of reference for all complaints and inquiries insurance matters received from the public.

Apart from working with insurers and insurance associations to resolve complaints, the CSB analyses significant trends to identify and address persistent problems in insurance practices in an effort to raise the standard of service provided by insurers.

2. Literature Review

Quality is an elusive and difficult to define objectively. According to Gummesson (1992), regarding in service there is a humanistic quality approach, at the one extreme stressing customers, personnel, leadership and culture, whereas at the other end lies a technical approach concerning operations management, statistics and methods of measurement. Gummerson divided quality into services, tangibles and software, but he stresses the importance of a total service offering. Lehtinen and Lehtinen (1991) discussed about physical quality, interactive quality and corporate quality, and, on the other hand, about process and output quality.

Lehtinen and Lehtinen (1991) divided quality into input and output. The output consists of total service offering in terms of quality, and the input includes both tangibles and intangibles elements. The output in the form of quality is what the customer in fact pays for, which is to a large extent intangible and may be difficult to quantify (Adam et al., 1995).

Service quality is not the slippery, mystical, or amorphous concept it is often thought to be. Customers will give an institution high mark for its service when it meets or exceeds their service desires. The five dimensions of service performance (tangibles, reliability, responsiveness, assurance and empathy) give direction to the service quality journey. Although these dimensions will be differently important to various market segments, on an overall basis, they all are important. As a group, they frame the essence of the service quality mandate to be excellent in service, seek to be excellent in tangibles, reliability, responsiveness, assurance and empathy (Berry et al., 1989).

Service quality is generally defined as customer perceived quality which stresses the individual's assessment of the value of the total service offering (Gummesson, 1992). Practically, Gronroos (1998) described perceived service quality as the difference between expected service quality and experienced service quality. This has a link to the gap model (Parasuraman et al., 1985) and other service quality models (e.g. Bitner 1990). On the other hand, Berry et al (1985) divided service quality into two types: regular services, and handling of exceptions or problems to ensure that appropriate procedures are taken to deal with inevitable failures.

As regards to service quality, the individual's experience of a service forms the basis of an assessment of its quality. It is great to listen to customers and study their reactions. When purchasing services, customers' attention is often limited to a small number of tangible inputs (Zeithaml, 1984). Physical environment include buildings, offices and interior design affects customer beliefs, attitudes and satisfaction Zeithaml and Bitner, 2000), and provides an opportunity to tell the 'right' story about a given service (Berry et al., 1989). Matters such as how contact personnel dresses, articulates, writes, designs and presents proposals are likewise not without meaning (Levitt, 1981). Tangibilising the intangibles is important, because customers do not usually know what they are getting until they do not get it (Levitt, 1981).

As tangible input, the service personnel represent the service, the organization and the marketers in the customers' eyes (Zeithmal and Bitner, 1996). The quality management of personnel includes such things as motivating, managing information, training, career planning and recruiting and retaining of right people (Normann, 1991); Zeithaml and Britner, 1996). It is true that service business is personnel-intensive, meaning that quality supplied to the customer is essentially a result of the way personnel perform (Normann, 1991). Schneider (1990) showed that both employees and customers will experience more positive outcomes when the organization

operates with a customer service orientation and management supports it. This may be linked to the external service value within the service-profit chain by Heskett et al. (1994), which described employee satisfaction as the underlying factor in the formation of customer perceived quality.

The other important tangible element is service culture, and by participating in the production process, customers influence and even create perceived service culture (Lethtinen, 1985). High levels of intangibility call for image building and maintenance to attain reliance based on reputation and subjective impressions of the service (Cowell, 1998). In the long run, image depends mainly on what the company actually provides, but in the short run, image can be used as a tool for the creation of new reality (Normann, 1991).

Service Quality Measurement
In deploring the inadequacy of measurement procedures used in the marketing discipline Jacoby (1978) has mentioned that many of measures are developed at the whim of a researcher with nary a thought given to whether or not it is meaningfully related to an explicit conceptual statement of the phenomena or variables in question. In most instances, concepts have no identify, apart from the instrument or procedures used to measure them.

Other scholars have emphasized the need for scale development to be preceded by, and rooted in, a sound conceptual specification of the construct being scaled as well. The conceptual foundation for the SERVQUAL scale was derived from the works of handful of researchers who have examined the meaning of service quality (Sasser et al., 1978; Gonroos, 1984; Letinen and Letinen, 1985). The SERVQUAL scale also derived from a comprehensive quantitative research study that defined service quality and illuminated the dimensions, along which consumers perceive and evaluate service quality (Parasuraman et al., 1985).

The construct of quality as conceptualized in the service literature and as measured by SERVQUAL, the scale that is the focus of this study, involves perceived quality. Perceived quality is the customer's judgement about an entity's overall excellence or superiority (Zeithaml, 1984). It differs from objective quality (as by Garvin 1988); it is a form of attitude related but not equivalent to satisfaction and results from a comparison of expectations with perceptions of performance.

Parasuraman, Zeithaml and Berry (1996) defined service quality from the customer's view rather than based on internal performance measures. From this perspective, service quality is the customer's perception of the superiority of the service. Satisfaction is defined as a customer's perception of a single service experience, whereas quality is the accumulation of the satisfaction for many

customers over many service experiences. A quality service provider is one that is able to consistently provide a satisfying service experience over a long period of time.

3. Research Methodology
This research begins on November 2007, which took three months to be completed. There are several method and procedures used in this study which presented under the following subheading: research design, data collection, sampling and data analysis.

Research Design
Quantitative research design was employed in this study. This research steps applied were in accordance with scientific research design. According to Bodgan and Biklen (1982), under this design, data collected was based upon a predetermined instrument and the objectives developed prior research.

The purpose of this research project is to determine the importance of five service quality dimensions from the customer viewpoints. Service dimensions (tangibles, reliability, responsiveness, assurance and empathy) as independent variables and service quality as dependent variable. This research is to identify the gap between perceptions and expectations of external customer on service dimensions.

The research is a field study because it will examine perception and expectation of customers in their natural transaction. The variables under study are neither controlled nor manipulated, and no artificial setting is crated for this study. The unit of analysis for this study is customers as respondents.

Data Collection
In the process of collecting data, a questionnaire was developed to ensure that all the information required for analysis would be obtained. This survey was appropriate and since it was the least expensive, least time consuming and requires fewer skills as compares conducting interviews (Sekaran, 2000).

As for objectives 1, list of service attributes based on different service dimensions are ranked and rated by the customer to identify the importance of each service attributes. This ranking and rating questionnaire was personally delivered to the respondents by the researcher.

Primary Data
Primary data is important for this study. The researcher gathered the prime data through sets of survey questionnaire.

Secondary Data
Secondary data usually includes some printed pertaining to previous researchers and studies in the related study area. In this study several sources of external data, including periodicals and government publications of economic indicators such as The

Malaysian Insurance Institute, Bank Negara Report, Economic Report from Ministry of Finance, Bulletin of Life Insurance Association Malaysia (LIAM) and annual report from various insurance companies.

Sampling
Sampling design decisions are important aspects of research design and include both the sampling plan to be used and the sample size that will be needed (Sekaran, 2000). Hayes (1998) pointed out three types of sampling used in the service quality study based on customer satisfaction as decisive factor. There are census sampling, judgment sampling and statistical sampling. Statistical sampling is a very useful method of gathering data and providing useful information about population.

Population and sample
This research was carried out at service counter of insurance companies, and any respondents which cover unlimited areas in Kuala Lumpur and Selangor. The study population comprised the insurance policyholders in experience using service provided by any insurance companies.

Structure of Research Questionnaire
In this study, the structure of questionnaire enabled to measure the customer satisfaction on insurance services. Ary et al. (1990) stated that questionnaire assures confidentially of the respondents that further elicit more truthful responses. Furthermore, this method is less time consuming and inexpensive compared to personal and telephone interviews (Singleton et al., 1988). The questionnaire used to presents the services quality provided by insurance companies. As such, the questionnaires are divided into three sections:

Section A: Personal Information
Section B: Customers' Expectations
Section C: Customers' Perceptions

Section A of the questionnaire is used for statistical only. The first section consists of thirteen questions to find out the demographic features of the respondents such as gender, age, race, marital status, career, academic qualification, and annual household income. This part also enquires the category of service when the last time respondents visited service counter. This section was very essential to find out the relationship of respondents towards the expected service.

Section B and C used to evaluate service quality in insurance service counter by define the gap between section. The SERVQUAL instrument was selected to measure service quality. SERVQUAL developed by Parasuraman et al. (1998) focuses on the service attributes. The continual research by Parasuraman and his research team has produced well-received conceptual framework and a

measurement instrument, SERVQUAL for assessing service quality (Brown et al., 1994)

SERVQUAL can be operationalised by both qualitative and quantitative research. However, SERVQUAL model is commonly used in quantitative research and consisting questionnaire (Kasper et al., 1999). According to Kasper et al., (1999) pointed out the wording of the question asks should be state positively or the negatively worded question to avoid artificial results. In this study, SERVQUAL ask the respondents to evaluate 56 items using the rating of a seven-point scale worded positively in short statements. The seven-point scale used for the SERVQUAL was 1-Strongly Disagree, 2-Disagree, 3 -Slightly Disagree, 4 - Neutral, 5-Slightly Agree, 6-agre and 7- Strongly agree. These items were customized to evaluate the customers' perception and expectation of service quality and service encounter in insurance industry.

Section B of the questionnaire is to identify policyholders' expectation on the service provided by the insurance companies. The Expectations are measured by the 28 service attributes use seven-point interval scale, worded positively in short statements.

Section C or the last section of the questionnaire is on the perception of policyholders on the services provided by the insurance companies. The entire questions are on seven-point interval scale. The questionnaire has five parts which related to the variables recommended by Parasuraman et al. (2000): tangibles, reliability, responsiveness, assurance and empathy. This section focused on appearance of service provided, claim process, supportive customer service, trustworthiness of the insurer and insure attention. This part has 28 items on the services, worded positively in short statements that meet customer satisfaction.

Method of Analysis
In the analysis part, the statistical named SPSS 11.5 was used. Data will first of all be keyed in on the SPSS worksheet before the analyzing steps begin. SPSS program provides an easy task for researchers in evaluating and managing information gathered from primary data. In addition, it provides a lot of useful statistical tools for evaluating data in testing the study hypothesis. Three major statistical analysis tools used in this study can be easily calculated which are reliability analysis, descriptive analysis and statistical inference analysis.

Frequencies and descriptive statistic (mean and percentage) were used to explore information about the distributions of variables. Variance and standard deviation were obtained to measure variability around the mean of a distribution.

The variables were tested through the Independent Sample Test (T-test), and analysis of variance (F-Test) or ANOVA to analyze and conclude the

relationship between the social demographic of respondents and SERVQUAL mean score.

Independent samples t-test is used to test the individual coefficient that can allow researcher to determine a linear relationship exist between dependent and independent variables. One-way ANOVA is nothing more than a combination of T-test. However, in many cases, the F-test is more reliable. When numerous tests are performed, a certain percentage of the true hypothesis will be rejected. The F-test, on the other hand, is performed only one, therefore there is a chance of erroneous conclusions that the model is more useful when tested with the F-test than with a t-test. Standard deviation of the coefficient may be overestimated when co linearity occurred, resulting in t-test that is smaller than they are. This problem does not affect the F-test.

The rejection region is a range of values such that, if the test statistic falls into that range, null hypothesis will reject. The rejection region can be implemented with p-value. A critical value of p value equal or less than 0.05 is often used as a thumb to judge the significant of a test statistics at five percent level of significant. To find the service quality gap, mean of each variables i.e. tangible, reliability, responsiveness, assurance and empathy dimensions between perception and expectation were compared and analyzed.

Reliability Analysis
A reliability of the instruments was one of the concerns to this study. The reliability scale text will be utilized to evaluate the validity of the five dimensions of SERVQUAL. According to Sage et al. (1980), measurements are reliable if they true rather than chance aspects of the trait measured. Thus this implies that the instrument must be reliable to the extent that the scores made by the respondents remain approximately the same in repeated measurement.

Indetermining the reliability of the instruments, the Cronbach's Alpha was used to measure reliability of the underlying dimensions i.e. tangible, reliability, responsiveness, assurance and empathy. The Cronbach's Alpha estimate indicates how highly the items in the questionnaire are interrelated in order to determine reliability of the instrument (Hayes, 1998). Nunnaly (1978) said that the Alpha which is more than 0.7 indicated a high liable.

In this study, 69 items were tested on its reliability. Table 6 shows the component and total reliabilities of SERVQUAL scores. The findings show that the reliability coefficients for all dimensions are above 0.70. The reliabilities are consistently high score all dimensions on expectation, which are 0.956 for tangibles, 0.963 for reliability, 0.912 for responsiveness, 0.873 for assurance and 0.948 for

empathy. The reliabilities of dimensions on expectation are as stated in the table below which the total scale of reliability is 0.9298.

Table 1: Result of reliability analysis for five dimensions.

Dimensions	Number of Attributes	Expectation (Desired)	Perception (Actual)
Tangibles	4	0.9560	0.8393
Reliability	7	0.9625	0.9218
Responsiveness	7	0.9115	0.8925
Assurance	5	0.8733	0.8809
Empathy	8	0.9477	0.9197

4. Analyzing Data
Profile of Respondents
The profiles of the respondents are shown in the Table 7. The profiles focus on the demographic and economic of respondents. From the table, it shows that out of 319 respondents, 50.8% of the respondents are female and 49.2% are male. Malay and Chinese have same percentage i.e. 38.9% followed by Indian (16.3%) and other ethnic group (6%). Most of the respondents are married (52%) and age 26-30 (28.5%). This range shows that married group always feels the importance of insurance policy to complement with their life and families. The highest education level attained by most of the respondents was degree level (52%), followed by master (25.7%) and diploma (14.4%). It shows that majority of respondents were educated with high qualifications. The occupations of respondents were varied. The majority of the respondents were in professional group (48.6%) included manager, executives, engineers and government officers, follows by students (29.2%), other white collar (9.7%), businessman (9.4%) and skilled or semi-skilled workers (3.1%). In term of household income, almost half of the respondents earned less than RM20,000.

Table 2: Profile of Respondents

Characteristics	Frequency	Percentage (%)
Gender:		
Male	157	49.2
Female	162	50.8
Race:		
Malay	124	38.9
Chinese	124	38.9
Indian	52	16.3
Others	19	6.0
Marital Status:		
Single	133	41.7
Married	166	52.0
Separated	20	6.3
Age:		
21-25	75	23.5

26-30	91	28.5
31-35	75	23.5
36-49	78	24.5
Highest level of Education:		
Master Degree	82	25.7
Professional	38	11.9
Degree	134	42.0
Diploma	46	14.4
STPM	10	3.1
SPM/MCE	9	2.8
Occupation:		
Professionals	155	48.6
Businessman/Self-employed	30	9.4
White Collar	31	9.7
Skilled/Semi-skilled jobs	10	3.1
Students	93	29.2
Total annual household income:		
Under RM10000	76	23.8
RM10k-RM19,999	87	27.3
RM20k-RM29,999	45	14.1
RM30k-RM39,999	50	15.7
RM40k-RM49,999	32	10.0
RM50k-RM59,999	29	9.1

Customer Usage of Insurance Counter

This study elaborates respondents as customers in using services offered by insurance counter. The focus on the duration of last visited insurance counter, category of service, type of insurance policy related to the last visited, name of the company and any problems at the time last visited.

Table 3 shows that majority of the respondents have visited insurance service counter more than six month but less than a year ago (24.8%). In term of category of service, 55.8% of the activities are process of payment, 30.7% are applying one year payment record, 9.1% are claim process and 4.4% are renewal policy. Claim process as 9.1% and other activities such as renewal the policy was 4.4%. Majority respondents which using the service counter engaged with whole life policy (42.6%) followed by motor insurance (16.3%), endowment (10%), and investment linked (9.7%), term (8.5%) critical illness (7.5%), and fire policy (5.3%). It shows that most of them were engaged with life insurance policyholder compared to general.

The result showed that the majority of the respondents visited service counter in Great Eastern Life Assurance Bhd (23.5%), followed by Maybank Life Assurance Bhd and Takaful in same percentage (15.7%), Kurnia Insurance Bhd and American International Assurance (13.8). others (12.2%) and Prudential (5.3%). Others (12.2%) include Pan Global Insurance Bhd, RHB Insurance Bhd and Hong Leong Assurance Bhd.

Majority respondents felt that 'no problem' during transaction activity at service counter, the percentage 73.4%. Most of them stated that they satisfied with insurance company solve their problems (60.5%).

Table 3: Usage of insurance counter

Characteristics	Frequency	%
Duration of last time visited ISC:		
A month ago	44	13.8
More than a month but less than 3 months ago	20	6.3
More than 3 months but less than 6 months ago	41	12.9
More than 6 months but less than a year	79	24.8
More than a year but less than two years ago	61	19.1
More than two years ago	74	23.2
Category of service:		
Applying one year payment record	98	30.7
Process of Payment	178	55.8
Claim Process	29	9.1
Others	14	4.4
Types of Insurance:		
Life Insurance:		
Whole life insurance policy	136	42.6
Endowment policy	32	10.0
Term insurance	27	8.5
Investment Linked Life	31	9.7
Critical Illness/Dread disease	24	7.5
General Insurance:		
Motor insurance	52	16.3
Fire policy	17	5.3
Name of insurance company:		
Great Eastern	75	23.5
AIA	44	138.
Prudential	17	5.3
Kurnia	44	13.8
Maybank	50	15.7
Takaful	50	15.7
Others	39	12.2
Problem faced in last service encounter:		
Yes	85	26.6
No	235	73.4
If have problem, was the solution satisfied?		
Yes	193	60.5
No	126	39.5

Study of Demographic Factors on Service Quality

Independent samples Test and ANOVA have been used to determine the effect of social-demographic factors on service quality in insurance counter service. The hypothesis:

H1o: Social demographic factors have no influence on the SERVQUAL mean score of insurance service counter.

H1$_A$: Social demographic factors have influence on the SERVQUAL mean score of insurance service counter.

Independent samples test is the T-test which has been used in determining the SERVQUAL dimensions perceived by the gender in assessing the service quality. On the other hand, ANOVA has been used in determining the SERVQUAL dimensions for the other demographic factors such

as: race, marital status, age, education, occupation and household income.

Table 4 indicates that the analyses of independent sample test in determining the differences of SERVQUAL dimensions perceived by the gender in assessing service quality. The F-value for empathy indicates significant difference at level $p \leq 0.05$. Alternate hypothesis can be accepted which means that the gender has influence empathy dimension. Male and female perceptions in empathy dimension are significantly different.

Table 4: Independent Sample Test of Gender and Actual Service Quality Assessment

Variables		Dimensions (mean)				
		Tangible	Reliability	Responsiveness	Assurance	Empathy
Gender	M	4.6019	3.8144	4.2373	4.1643	4.0732
	F	4.9121	3.9506	3.8194	4.2679	4.1752
F		2.2920	0.5710	1.419	1.4540	4.2090
Sig.		0.1310	0.4500	0.235	0.2290	0.0410*

Table 5 indicates the analysis of variance in determining the differences of SERVQUAL dimensions perceived by the race, marital status, age, education, occupation and household annual income. The race divided into Malay, Chinese, Indian and others. The F-value for tangibles, responsiveness and assurance indicated significant differences at level $p \leq 0.05$. Null hypothesis can be rejected whereas the alternate hypothesis is substantiated. Indian compared to other races scores the highest level of consensus in relation to ISC tangibility. The Chinese with high mean score shows that the group almost believes the responsiveness of ISC. The Malay on the other had scores the highest in terms of belief that ISC provides service assurance.

The F-Value of marital status for tangible, responsiveness, assurance and empathy indicates significant differences at level $p \leq 0.05$. The married group compared to single scores highest mean in terms of belief that ISC provides tangibles, responsiveness, assurance and empathy.

Group of age divided into 21 to 25 years old, 26 to 30 years old, 31 to 35 years old, and 36 to 49 years old. This study involves customers who still engage with job and college students, and no retired respondents. As shown in table 5, there is significant different (p<0.05) indicates null hypothesis can be rejected and alternate hypothesis is substantiated. The age of 31 to 35 scores the highest on all dimensions believe that ISC providing tangibles, reliability, responsiveness, assurance and empathy.

Education grouped in qualification such as Master, Professional, and degree, Diploma, STPM and SPM. The F-value for tangibles, reliability and

responsiveness indicates highly significant at level $p \leq 0.01$. Null hypothesis can be rejected and alternate hypothesis is substantiated. Group of Degree level compared to other education level scores the highest level of consensus in relation to ISC reliability and responsiveness. The STPM on the other hand, scores the highest in term of belief that ISC provide tangibles.

Occupation grouped into professionals (executive, engineer, and government officer) businessman, other white collar (teacher, clerk, nurse) skilled and semi-skilled and students. As shown in table 5, the dimensions of tangibles, reliability, responsiveness and assurance indicates significant differences at level $p \leq 0.05$. Alternate hypothesis is substantiated. The businessman compared to other occupation group scores the highest level of consensus in relation to ISC reliability, responsiveness and assurance. On the other hand, the skilled and semi-skilled score the highest in term of belief that ISC provides tangibles.

Household annual income grouped into under RM10000, RM10000-RM19999, RM20000-RM29999, RM30000-RM39999, RM40000-RM49999 and RM50000-RM59999. Table 5 shows the F-Value for tangibles, reliability and empathy indicated significant differences at level $p \leq 0.05$ implies that alternate hypothesis is substantiated. The group of household income under RM10000 compared to other level income scores the highest level of consensus in relation to ISC tangibles and

reliability. On the other hand, group of income RM50000-59999 scores the highest in terms of belief that ISC provides empathy. The possibility of ISC employees give good intention to the group

because they have high income and insurers need to keep their good customer to gain profit.

Table 5: One Way ANOVA of social demographic and actual service quality assessment.

Variables		Dimensions (mean)				
		Tangible	**Reliability**	**Responsiveness**	**Assurance**	**Empathy**
Race	**Malay**	4.8185	4.0876	3.7903	4.3242	4.3458
	Chinese	4.5422	3.8767	4.3226	4.3016	3.7954
	Indian	5.2404	3.8297	3.9231	3.9773	4.2644
	Others	4.4737	3.8835	3.8947	3.6316	4.4539
F		3.5500	1.1490	3.5960	2.9750	0.6310
Sig.		**0.0150***	0.3290	**0.0140***	**0.0320***	0.5950
Marital status	**Single**	4.6635	3.6767	3.5263	4.2857	4.2105
	Married	4.9277	4.1816	4.0843	4.3675	4.4639
	Separated	4.0000	2.7857	3.0000	3.5000	3.5000
F		3.7090	1.8880	7.8780	4.4000	5.3370
Sig.		**0.0260***	0.1530	**0.0001***	**0.0130***	**0.0050***
Age	**21-25**	4.8500	3.9886	4.0400	4.4480	4.0800
	26-30	4.5879	3.2480	3.4286	3.8418	3.5591
	31-35	5.1100	4.2094	4.5367	4.6827	5.0383
	36-49	4.5353	4.0073	4.2148	3.9846	3.9503
F		6.9330	3.6150	2.9170	5.491	8.2720
Sig.		**0.0001***	**0.0140***	**0.0340***	**0.0010***	**0.0001***
Education	**Master**	4.6738	3.6394	3.5884	4.1317	3.6860
	Professional	4.1842	3.0226	4.3553	4.0526	4.0889
	Degree	4.7929	4.4947	4.5858	4.4493	4.4692
	Diploma	5.1196	3.4721	3.0326	3.9826	3.8974
	STPM	5.7500	2.5714	3.5000	3.4000	4.1250
	SPM	4.5278	4.2064	3.9167	4.3333	4.33334
F		3.3670	7.8560	6.6070	1.6160	0.6600
Sig.		**0.0050***	**0.0010***	**0.0010***	0.1550	0.6540
Occupation	**Professional**	4.5484	3.7244	3.8807	4.0503	3.9508
	Businessman	5.3167	4.9809	4.8917	4.9800	4.9333
	White collar	4.7419	3.2581	2.2903	3.6839	3.8669
	Skilled/Semi-skilled	5.7500	2.5714	3.5000	3.4000	4.1250
	Students	4.8306	4.1444	4.6210	4.5140	4.2406
F		5.5930	5.1710	5.4590	4.6880	2.2180
Sig.		**0.0001***	**0.0001***	**0.0001***	**0.0010***	0.0670
Household annual income (RM)	**Under 10000**	5.0360	4.3308	4.0921	4.4026	4.6447
	10000-19999	5.0230	3.9475	3.7902	4.1816	3.5287
	20000-29999	4.4222	3.5270	4.0333	4.2045	4.0972
	30000-39999	4.8550	2.6457	3.7200	3.9120	3.9550
	40000-49999	3.7656	3.8129	4.6563	4.3750	4.7213
	50000-59999	4.6983	4.3005	4.3707	4.2069	4.1739
F		4.3000	3.4410	1.3940	0.6710	5.8920
Sig.		**0.0010***	**0.0050***	0.2260	0.6460	**0.0010***

Analysis of Demographic in Expectation and Perception.

The conclusion on the service quality gap between customers' expectation (desired service) and customers' perception (actual service) of five service dimensions summarized in this section. Table 6 shows the comparison between expectation and perception by dimensions which significant to demographic factors. The conclusion will be discussed by vertical and horizontal approach. The

D4 or Assurance is the most significant between the almost demographic factors and mean in expectation. Meanwhile, the D3 or Responsiveness is the most significant between the almost demographic factors and mean in perception.

The analysis of vertical approach based on the flow of customers' expectation and perception in relation to the five dimensions. In terms of expectation, Chinese scores highest level of desire that ISC

should provide assurance and empathy. Married desires most on tangibles and single desires most on assurance and empathy. The group of age 26 to 30 compared to age 31-35 scores highest level of desire that ISC should provide reliability, responsiveness, assurance and empathy. In contrast age 31-35 prefer more on ISC tangibles. Professional compared to degree holder scores highest level of desire that ISC should provide tangibles, responsiveness and empathy. On the other hand, degree level scores highest level of desire that ISC should provide assurance. In terms of occupation, student scores highest level of desire that ISC should provide tangibles, reliability and empathy. Meanwhile, businessman looking more on responsiveness and professionals desire ISC assurance. The respondents in this study majority earn annual income under RM20000 scores highest level of desire that ISC provide tangibles, reliability, responsiveness and assurance.

Table 6: Demographic in Expectation and Perception

Demographic factor:	Expectation	Perception
Gender	D1	D5
Race	D4, D5	D1, D3, D4
Marital status	D2, D4, D5	D1, D3, D4, D5
Age	D1, D2, D3, D4, D5	D1, D2, D3, D4, D5
Education level	D1, D3, D4, D5	D1, D2, D3
Occupation	D1, D2, D3, D4, D5	D1, D2, D3, D4,
Household income	D1, D2, D3, D4, D5	D1, D2, D5

Note: D1= Tangible, D2= Reliability, D3= Responsiveness, D4= Assurance, D5= Empathy

In terms of perception, Malay compared to Chinese scores highest level of belief that ISC provides tangibles and assurance. In contrast, Chinese scores highest level of belief that ISC should provide responsiveness. The group of age 31-35 scores highest level of belief that ISC has all dimensions: tangible, reliability, responsiveness, assurance and empathy. Degree level scores highest level of belief that ISC provides tangibles, reliability and responsiveness. Businessman scores highest level of belief that ISC provides tangibles, reliability, responsiveness and assurance. Household annual income of RM40000 to RM49999 scores highest level of belief that ISC provides tangibles and empathy.

Based on horizontal approach, the demographic factors such as age, occupation and household income are significant to mean expectation in all five dimensions, however only age group which significant difference to mean perception in all dimensions. Generally, the social demographic

based on theory age, occupation and income has differed expectation on services that ISC should provide as discussed before. The age may influenced by their experience before in using any services in banks or financial institutions and they desires the same facilities, good performance, fast service, competent and attention from insurance service. The advanced consumer may intent the best services from ISC. Furthermore, the age group has different kind of rating the ISC performance and believed the different type of service that ISC performed currently.

Level of education, occupation and household income also influence their expectation and perception on ISC. High education such as Master level and professional are very common with any services provided by many financial institutions. The professionals and businessman with high household income may also familiar in using services for savings or investment. Therefore, they expect high on quality of service on ISC compared to other white collar such as nurse, teacher and clerk.

The Actual and Desire Service Quality
This section present the finding of the actual (perception) and desire (expectation) on service quality of five dimensions based on SERVQUAL model.

The Perception and Expectation on Tangibles
Table 7 illustrates the mean score of attributes in tangible dimension in term of perception and expectation. In term of expectation, attribute 3 or 'employees appear neat' scores highest and the lowest is attribute 1 or 'moderns of office surroundings'. The attribute 3 also scores highest on perception and the lowest attributes 2 or 'moderns of physical facilities'. The selection of employees is in a neat appealing as the highest mean score due o employees of insurance companies are with neat and attractive uniforms. Even perception and expectation score highest on same attribute but each scores show the huge gap between perception and expectation.

Table 7: Means of Perception and Expectation on Tangibles.

Attributes	Customers' Perception	Customers' Expectation	Gap
1. Moderns of office surroundings	4.5893	5.3354	0.7461
2. Moderns of Physical facilities	4.5329	5.5455	1.0126
3. ISC's employees appear neat	5.1223	5.7210	0.5897
4. Appropriate of the office's appearance in relation to the type of services provided.	4.7931	5.6834	0.8903

The Perception and Expectation on Reliability
As shown in table 8, the highest score on expectation is attribute 7 or 'ISC provides its customers guarantee to the service performed and the lowest is attribute 1 which refer to ability to fulfil promises in a timely manner. In terms of perception, the attributes 3 or 'ISC performs the service right the first time' score highest and attribute 4 which refer to 'customer can fully depend or rely on employee 'scores lowest. It shows that customer perceived that employees perform the service right the first time but not fully depend on the employees.

Table 8: Means of Perception and Expectation on Reliability.

Attributes	Customers' Perception	Customers' Expectation	Gap
1. Ability to fulfil promises in a timely manner.	3.9467	6.1348	2.1881
2. Sympathy offered when a customer has a problem.	3.6928	6.2038	2.5110
3. ISC performs the service right the first time.	4.3260	6.2978	1.9718
4. Customer can fully depend or rely on employee.	3.3918	6.2947	2.9029
5. ISC provides services at the time it promises to do so.	3.7053	6.3197	2.6144
6. ISC provides accurate records such as claim form, payment record ort any to customer.	4.2288	6.3981	2.1693
7. ISC provides its customers' guarantee/warranty of the service performed.	3.8934	6.4922	2.5988

The huge gap exists between perception and expectation and the highest gap is on attribute 4 or 'customer can fully depend or rely on employee' It relies that customers not fully depend on the employees because the employees are always busy to respond to customer immediately. The result indicates that those issues most highly correlated with overall satisfaction involved problem or compliant management. This factor is consistent with findings by Anonymos (1997) which reported

that finance company's responses to customer can be critical importance. Attribute 3 or 'ISC performs the service right the first time' indicates small gap between customers' perception and expectation. It implies that the ISC performance as right the first time nearly meet what customers' desire.

The Perception and Expectation on Responsiveness
As illustrated in Table 9, attribute 4 or 'ISC gives their customer short waiting time or fast service turnaround' score highest on expectation but defined as lowest on perception. The huge gap on attribute 4 between perception and expectation summarizes that many insurance companies are not performing as fast service during transaction. The huge gap also can be found in attribute 2 which prefer to 'employees in ISC give their customers prompt service' shows that customers point the less of ISC efficiency in deliver services.

Table 9: Means of Perception and Expectation on Responsiveness.

Attributes	Customers' Perception	Customers' Expectation	Gap
1. Employee in ISC telling customers exactly when services will be performed	4.1223	6.2947	2.1724
2. Employees in ISC give their customer prompt service.	3.7837	6.3699	2.5862
3. Employees in ISC are willing to help their customers.	4.5266	6.3448	1.8182
4. ISC gives their customer short waiting time or fast service turnaround.	3.6677	6.6301	2.9624

The Perception and Expectation on Assurance
Table 10 illustrates the mean scores of five attributes selected in assurance dimension in term of perception and expectation. The huge gap exists between perception and expectation and the highest gap is on attribute 1 which is 'employees in ISC are trustworthy and honest'. Trustworthy and honest considered important because the transaction are deals with money. The customers need employees who are honest and skilled to handle their transactions.

Table 10: Means of Perception and Expectation on
Assurance.

Attributes	Customers' Perception	Customers' Expectation	Gap
1. Employees in ISC are trustworthy and honest.	4.2790	6.4608	2.1818
2. The behaviour of employees in ISC instils confidence in their customers.	4.5266	6.1379	1.6113
3. Employees in ISC are consistently courteous with their customer.	4.2038	6.2508	2.0470
4. Employees in ISC have knowledge and competent to solve customers' problem.	4.2194	6.0752	1.8558
5. Employees in ISC are very experience in solving or diagnose the customers' problem	3.8558	5.9592	2.1034

he huge gap also can be found in attribute 5 or 'employees in ISC are very experience in solving or diagnose the customers' problem', which shows that customers belief that employees are less experience in solving the customers' problem.

Factor that considered important is employees have the knowledge and experience to solve problems. In terms of expectation, customers expect high on the experienced employee because it is important in transaction efficiency. It is supported the study of Anonymous (1997), which reported that handling problem efficiency and solving problem are clearly of key importance to customers.

The Perception and Expectation on Empathy
As shown in Table 11, the huge exist between perception and expectation and the highest gap is on attribute 3 or 'employees of ISC understand their customer specific needs'. The table also shown attributes 3 scores low on perception. It proves that employees did not understand the specific needs of their customers may be

considered as the lack of individual attention by the insurance company personnel.

The highest score on perception is attribute 7 or 'ISC has convenient business hours' and the lowest is attributes 5 or 'insurer has their customer best interest in heart'. It shows that customer perceived that insurance service counter operates in convenient business hours but insurer may not their customers' best in heart. Regarding empathy dimension, the important issues are customers need attention from employees, and insurance service counter personnel should handle and offer services that indicate good quality of service.

Attribute 1 and 2 which described insurer and employees provide their customer individual attention indicates small gap between perception and expectation. It implies that the attention given by insurer and employees are nearly meet to customers' expectation.

Table 11: Means of Perception and Expectation on
Empathy.

Attributes	Customers' Perception	Customers' Expectation	Gap
Insurer provide their customer individual attention (caring and empathetic nature regarding claim).	4.2978	6.0063	1.7085
ISC has employees who give their customer individual attention.	4.3950	6.2194	1.8244
Employees of ISC understand their customer specific needs	3.7085	6.3292	2.6207
ISC keeps customers informed about services that have been performed and priced charged.	4.1630	6.5455	2.3825
Insurer has their customer best interest in heart.	3.5987	6.1850	2.5863
Employees in ISC always communicate well with its customer.	4.0909	6.1975	2.1066
ISC has convenient business hours.	4.5925	6.2947	1.7022
ISC is located at customer convenient reach.	4.1536	6.2382	2.0846

5. *Discussion*

These research results suggest a need to better understand how the customers' perception and expectation for service quality differ and how these affect customer satisfaction (refer to table 12). The satisfaction derived from the comparison of customers' perception and expectation as mentioned earlier in literature reviews. According to Parasuraman et al (1991), satisfaction equals to perception minus expectation. When the perception were poor on service and the expectation on the service quality were high, customers were deemed to be dissatisfied with quality of service given or provided by the ISC.

Table12: Means of Perception and expectation on Five Dimensions.

Dimensions	Customers' Perception	Customers' Expectation	Gap
Tangibles	4.7594	5.5713	0.8119
Reliability	3.8835	6.3059	2.4223
Responsiveness	4.0251	6.4099	2.3848
Assurance	4.2169	6.1768	1.9599
Empathy	4.1250	6.2520	2.1270

Responsiveness score highest on expectation (6.41) and tangibles score highest in perception (4.76). It means that customer expect highest on responsiveness whereas the actual service quality perform tangibles onward. The reliability scores lowest on perception (3.88) whereas tangibles scores lowest on expectation (5.57). It is clear that customers are not really satisfied with reliability provided by ISC, and tangibles indicate customers' low expectation on the service performance by ISC.

The service quality gap for tangibles dimension indicates small gap between customers' perception and expectation. It means that tangibles perceived by the customers are nearly meet customers' expectation. Reliability shows the highest gap (2.42) which means that almost the actual service in ISC were not satisfied in term of fulfill promise, provide accurate record and provide customers' guarantee.

The result obviously shows huge gap for reliability, responsiveness and empathy, which reliability shows highest gap between customers' perception and expectation. This research illustrates reliability emerged as the most critical determinant of SERVQUAL measure for service quality. The other dimensions (tangible, responsiveness, assurance and empathy) appear important but reliability dominates. Thus, results of this study underscore the need for insurance providers to gear customer service and quality improvement efforts towards components of reliability. Something or someone cannot be described as reliable unless the customer relationship extends over some time and involves several encounters. In short, customer can be satisfied with the service received without being able to express an opinion about the reliability of that service.

6. *Conclusion*

As described earlier, the main goal of this study is to evaluate customers' general expectation and perception towards the current performance on insurers in terms of the services offered at ISC. The insurance industry faces numbers of challenge and a unique roadblock to build loyal and quality customer relationships. The biggest challenge the insurance industry face is meeting customer expectations for faster, better service in the face of rising loss cost and increasing price competition.

According to Benchmark Portal, customer service operations in the insurance are a liability to their organizations, operating neither efficiently nor effectively. Bad experience with a customer service counter employee lead to public terminates their relationship with the company. According to any reports about services, increasing self-service capabilities in the insurance industry leads to an increase in customer service counter activity. There is a statistical link between employee behaviour and customer satisfaction. These facts are beginning to resonate with insurance companies, who are investing in customer relationship management and self-technologies designed to build customer loyalty and customer centricity.

Whether the 'customer' is defined as the selling agent, the group benefits manager or the policyholder, the customer service is quickly becoming the critical channel for proactive marketing, sales and customer retention as well a service. Today's fiercely competitive environment means that player in the insurance industry is looking for revenue momentum, improved profitability and increased customer retention. All three of those goals depend greatly on the customer experience: the customer service counter representatives as part of the customer service centre's daily operations.

Customers expect to be able to reach their insurance company at any time, by phone, online or face-to-face. Customers expect complete, consistent, accurate answers to their entire question, whether they are inquiring about the status of claim or the cost of new insurance. The insurance industry is beginning to realize the importance new insurance, whether they are inquiring about the status of claim or the cost of new insurance. The insurance industry

is beginning to realize the importance of building an excellent customer experience. Service improvement is supporting a strong trend in which many insurance companies are adopting a customer focus versus a product focus. As a result, insurers are investing heavily in customer relation management (CRM) and customer interaction software. Superior service quality on basic customer-service transactions provides a competitive edge for insurers. It is necessary, therefore, to insure that employees are well prepared, knowledgeable and have superior skills to meet customer expectations.

The need for striving for service quality lies in its ability to result in economic success. In the modern, highly competitive business world, the key to winning new clients, retaining current customers, and sustainable competitive advantage lies in delivering high quality service that will, in turn, lead to satisfied customers. Customer satisfaction is considered a prerequisite of customer retention and loyalty, and obviously helps in realizing economic goals like profitability, market share, return on investment (ROI), etc. Insurers that failed in satisfying customers will have a more difficult time convincing customers to come back even though consumer spending is very high right now. These facts show the techniques for ensuring customer satisfaction in the service industries are not as mature or pervasively applied as they are in the manufactured goods sectors. Companies that distinguish themselves by creating customer satisfaction will reap the rewards of repeat business while those that don't will have to spend time and money luring new customers.

Investments in the right technology can provide a huge ROI by improving service, increasing cross-selling opportunities and building deeper bonds of trust and loyalty. Insurance companies should believe the word "Today's satisfied customer is tomorrow's revenue", have to gained insights into implementing customer management strategies that differentiate their organizations from their competitions and provide ROI. However, building a customer-focused organization takes time, money and commitment from the highest ranks of both business-side and technology executives.

Since the globalization of financial institutions is encourage by the government and the increasing international competitive markets especially in the insurance market, consumers in this region have a wide range of choices in order to make decision. However, Malaysians nowadays in majority are unhappy with insurance companies depending on what type of policy they have. Too often, insurance companies fail to look beyond of their front-line employees who can build customer relationship, particularly the customer service counter representatives.

Top management in the insurance sector should realize that the industry is moving towards a dramatic era. In this ever-changing competitive market, insurance companies have to use their efforts expand their market in facing their competitors. The insurance companies who can take their employees from their employees from their current skills level to where they need to be fast to deliver a consistent, quality customer experience, will enjoy a significant competitive advantage and will be in a position to break away from their competition. It is not sufficient for ISC employee to casually learn and gain knowledge. To survive and win, they must do it purposefully, do it fast and do it continuously.

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