Service Quality Measures in the Life Insurance Sector in Poland and the USA: Preliminary Comparative Assessment

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Abstract

The article presents the method of measuring the bancassurance quality of life insurance service offered to individual customers residing in Poland and in USA in the years 2018 and 2019. There exist inherent discrepancies between perceptions and expectations regarding the level of the service offered. Moreover, this study presents both pros and cons of this method. It is extremely important to know this service quality method in the context of systematically changing customer requirements and expectations. The popularity of this method makes it widely used. On the basis of the research conducted, we can conclude that it is possible to measure the level of customer satisfaction. High insurance service quality is a condition necessary to retain customer loyalty and satisfaction.

1. Introduction[1]

The relationships between banking and insurance exist practically all over the world. Both in Poland and in the USA this process started more or less at the same time, i.e., in the 90s. It is becoming a more and more popular solution used, particularly by commercial banks. Together with the development of the bancassurance service, there is a growing interest of the academic world in this issue both in the Polish and in the British market (Burdon, 1995; Genetay, Molyneux, 1998). However, there is still a shortage of detailed, complex studies of this phenomenon. Hence, in the light of the existing literature, it is reasonable to conduct a deeper analysis of the bancassurance[2] strategy in the Polish and USA situation, which allows us to determine the level of quality of the service offered and, in consequence, the intensity of opportunities and threats resulting from its implementation, as well as allowing a precise identification of the key determinants of success or failure. The analysis of this process as one of the innovations may, therefore, contribute significantly to a broader problem of understanding a long-term strategic change (Prettigrew, Whipp, 1991; Pettigrew, Ferlie i McKee 1992; Wilson 1992; Dunphy, Stace, 1993; Brinkerhoff, 2008, Myrgorodska, Mikhali, 2018).

The word "quality" derives from the Latin word "qualitas" and was introduced by Cicero in the 1st cent. BC to describe the features of an object. However, already in the 4th cent. BC Plato stated that "quality, like beauty, is an evaluative judgement, expressed by a user. If there is no user, there is no such judgement" (Skrzypek 2000), i.e., quality is a certain degree of perfection. Aristotle, in turn, claimed that "quality is connected with individual characteristics of a thing which distinguishes it from other things of a similar kind" (Jonas 2012). The American Society for Quality Control gave a more detailed definition of quality:

"quality is a sum of characteristics of a product or service that determines its ability to satisfy particular needs" (Szabłowski 2014). Whereas A. Gustafsson and M.D. Johnson (2003), in their paper "Competing in a Service Economy", defined service quality as a set of one-off benefits derived from services supplied by a responsible service provider, in close cooperation with his internal and external suppliers. A. Smith's book "The Wealth of Nations", (cited in: O'Rourke, 2006) published in Great Britain in 1776 r., distinguished between the results of "productive" and "unproductive" labor. On the basis of this, French economist Jean-Baptiste Say argued (cited in: Forget, 2002), that production and consumption are inseparable in services, which means „intangible products". In these definitions we distinguish tangible/product characteristics and service characteristics, as materials/products quality has much fewer attributes than service quality. First of all, in services a customer is an active participant in the process of service provision. (compare Karczewski 2001). It results mainly from the characteristics of service, i.e., its intangibility, perishability, heterogeneity, simultaneity of providing and using the service, inability to acquire the ownership right to a service. It makes insurance services subjective, relative, gradual, dynamic and variable (compare: Stoma 2012). Many qualitative features of services are only subjectively evaluated by customers during the process of their consumption. However, we can distinguish both "hard" and "soft" elements of the service provision process, which may build a set of criteria of service quality assessment (Zeithaml, Parasurman, Berry 1990). It is reflected in the dynamically changing environment of the property insurance market. This process requires using some management tools which are used to measure, improve and increase the level of service provision. It is the customer who plays the key role in this process because he is, first of all, the buyer who evaluates a service in terms of satisfying his needs, and, consequently, his expectations. Therefore, more and more often in the process of managing insurance institutions (compare: Neira, Bagus, Julián, 2012) (insurers), the management staff used the behavioral school based on achieving maximal efficiency and full harmony of its employees at work (Przybytniowski, 2018). Here, it

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[2] The term bancassurance corresponds to the term financial services, which means to undertake actions by banks and insurance institutions, including subjective and objective relations between those institutions.

must be remembered that the process of choosing insurance coverage is not easy, due to its complexity and specific characteristics of insurance service which is intangible, perishable, diversified, inseparable and heterogenic, which forces the insurer to use proper measurement tools. Hence, the main problem of the paper was to evaluate bancassurance service quality of an individual customer in the life insurance sector, living in the territory of Polish and USA, aged 18+, holding a property insurance agreement concluded, as well as at least one damage liquidated in the years 2018 and 2019. The results achieved allowed the author to conduct a detailed analysis of the level of service quality. In order to accomplish the adopted research problem, the author used the SERVQUAL method to study service quality. The main research tool used was a questionnaire survey.

2. Insurance service quality

Insurance service quality can be defined as a level at which the actions constituting insurance service meet the needs and expectations of a customer. These needs and expectations can be examined in the following areas (Rogowski 2004):

1) product quality (including General Terms and Conditions of Insurance in terms of insurance coverage, rights and obligations of parties of an agreement);

2) product price (expressed in the insurance premium; lower prices often cause a narrower insurance coverage, i.e., lower service quality),

3) level of the service (depends on functioning of service distribution network, damage liquidation procedures and compensation/benefit payment, commitment and honesty of employees of an insurance institution/company and insurance agents).

Insurance service has some characteristics which, on the one hand, makes it impossible to provide the service at the highest level and, on the other hand, makes it easier to achieve that level. One group of characteristics includes (Sangowski, 2001):

1. Non-insurability of some risks.

2. Threat of insolvency of some insurance institutions.

3. Lack of full compensation (generally full damage which occurred after an insurance event is not covered).

4. In practice, the "excessive length" of procedures establishing insurance benefits.

Whereas, the other group of characteristics includes:

1. Common availability of insurance to all interested parties.

2. Relative cheapness of insurance.

3. Non-conflicting character of redress procedures (most claims are dealt with by insurance institutions in a dispute-free way).

4. Relative assurance of compensation conditioned by the financial potential of an insurance institution.

5. Unlimited supply of insurance services.

Insurance service quality is determined by all the objects participating in the process of insurance service provision, i.e., insurance institutions, external offices and objects, the insurers, the insured and the entitled to insurance agreements. Besides the fact that insurance institutions develop and evaluate the services they provide, they should pay special attention to the evaluation of services done by the insurers/insured/entitled to insurance agreements, i.e., simply to customers and entities around them (compare: Neira, Bagus, Julián, 2012). Insurance quality assessment conducted in this way will be complex and will let them adjust the quality of those services to actual customer needs and expectations. Moreover, customer expectations will be fulfilled if the services offered meet fundamental principles of insurance cover, i.e., the principles of universal access, comprehensiveness, reliability, reality and speed (timeliness) of compensation and benefits payment.

Insurance services must meet clearly defined criteria which are much stricter than in case of other services due to a considerable degree of complexity of insurance products connected with the problem of insurance coverage (Pacholarz, 2017). It is generally assumed that insurance service quality is mainly determined by technical quality, i.e., what a customer receives, as a result of internal operational processes of an insurance institution, and functional quality based on its relationship (i.e., the impact on quality of insurance institution staff participating in the service in relation to a buyer). In the first case, it is generally difficult for a customer to assess the quality of the purchased insurance product due to its complexity, based on broad legal, economic and social knowledge. In these circumstances the most decisive opinion in insurance service quality is functional evaluation, i.e., the one which refers to the way a customer was served.

3. Research methodology

3.1. SERVQUAL method in studying insurance service quality

There are several gaps and discrepancies in the perception of service quality between a service provider and a customer, which causes that those gaps may constitute the main barrier in service provision. These are the gaps which are indicated by the service quality model prepared by V. A. Zeithaml, A. Parasurman, L. L. Berry (also called the "Servqual" method which is used to measure consumer's perception of service quality) (Zeithaml, Parasurman, Berry 1990). The first gap refers to a discrepancy between customer expectations and evaluations of these expectations by the management of an insurance institution, the second gap represents a discrepancy between the evaluation of customer expectations by an insurance institution and the normative service quality. The second gap appears between technical norms of service quality and the de facto service provided, the fourth gap is a discrepancy between the service provision and the content of communication with customers. The fifth gap, which arose on the basis of the four previous gaps, indicates the principal discrepancy between the service perceived and the service expected by a customer. It also determined customer's perception of the level of provision of an insurance service quality. This method enables us to measure and analyse the level of quality of the service offered in terms of selected characteristics, by stud-

ying the difference between customer perception and expectation, in accordance with the notation below:

$$S = \sum (P - O)$$

where:
S – SERVQUAL score
P – perceived service quality
O – expected service quality

This tool facilitates the development of management strategy for the studied sector. Using the SERVQUAL method, an insurance institution can foresee the expectations of their and potential customers, as well as identify the assessment of the service offered (Figure 1). This method verifies quality assessment and treats the quality as a difference between what buyers expect and their actual experience during the process of service provision (Stoma, 2010).
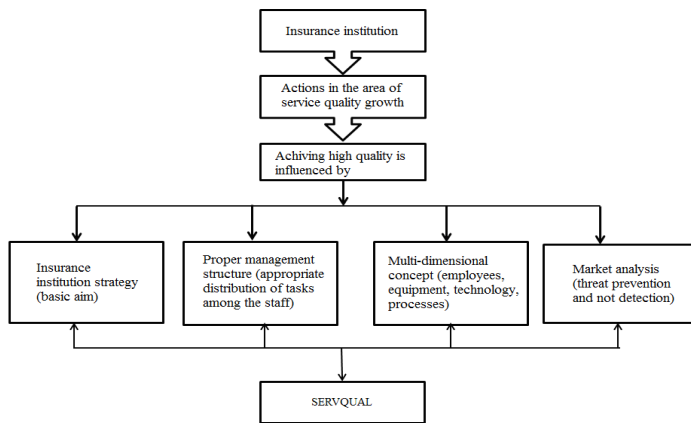

Fig. 1. Basic assumptions of the SERVQUAL strategy in an insurance institution
Source: prepared by the author

A customer completing the questionnaire, by indicating the figure from "1" to "6" (the scale will be discussed in the further part of this paper) related to his own experience, is to assess which level of service is acceptable for him, bearing in mind a given characteristic, which is perceived and which is expected. The statements are concurrently evaluated by a customer (compare Mazur, 2002).

The research of the quality of the service offered was conducted on the basis of a questionnaire which consisted of the demographics and a detailed part, conducted in three segments of the service, using the SERVQUAL method, including also the "tolerance zone". The first set measured users' expectations, the second set measured the "tolerance zone", whereas, the third one measured the perception of services, also in the scale from 1 to 6[3]. Additionally the questionnaire included some sections in which respondents were asked to allocate maximum 100 points characterizing indicated areas (infrastructure, assurance, speed, reliability

[3] The author of the paper did not use the 7-level Likert Scale, after the pilot research where according to the initial research results, the majority of respondents indicated the figure 4 (neither agree not disagree), which highly distorted the research results.

of insurance service and empathy of the employee of an insurance institution towards a customer).

2.2. Analysis of the studied population

Studies conducted in February, March and April in 2018 and 2019, of the service offered to individual customers residing in the territory of Polish and USA, met the following criteria: they had direct contact with an intermediary (agent or broker) or an employee of a property insurance institution, they had a life insurance agreement and were 18+. The questionnaire was addressed directly through pollsters towards individual customers.

The studied purposive sample came from Warsaw and amounted to 1026 customers in the research period, of which: in 2018 – 512, and in 2019 – 514, whereas, from the territory of USA, there were 1016 customers in total, of which in 2018 – 506, and in 2019 – 510, who completed the questionnaires correctly, ensuring the representativeness of results for the studied population, including the gender criterion (Table 1).

Table 1. Structure of respondents from the City of Polish and USA in 2018 and 2019 (N=2042)

Year	Total number of respondents	Polish				USA			
		Gender				Gender			
		Female		Male		Female		Male	
		Total	%	Total	%	Total	%	Total	%
2018	1018	41	7.9	471	92.1	34	5.9	472	94.1
2019	1024	44	8.6	470	91.4	42	8.2	468	91.8

Source: prepared by the author's

Due to an insufficient number a women (the number of women taking part in the survey was on average 7.7%, of which in 2018 – 6.9%, and in 2019 – 8.4%), the gender criterion was not analyzed in detail.

Table 2. Examples of questions about perceived and expected bancassurance service quality in the area of "insurance service speed".

	Assessment of customer's service perception								Assessment of customer's service expectation						
P5	Insurance intermediary whose services I use, promptly and timely serves a customer in the scope of bancassurance service	1	2	3	4	5	6	E5	A model insurance intermediary should promptly and timely serve a customer in the scope of bancassurance service	1	2	3	4	5	6
P6	Life insurance institution whose services I use, make it possible to report the damage via infoline or online and settles its obligations on time	1	2	3	4	5	6	E6	A model life insurance institution should make it possible to report damage via infoline or online and settle its obligations on time	1	2	3	4	5	6
P7	Insurance intermediary whose services I use allocates proper amount of time to listen to customer's feedback in the scope of bancassurance service	1	2	3	4	5	6	E7	A model insurance intermediary should allocate proper amount of time to listen to customer's feedback in the scope of bancassurance service	1	2	3	4	5	6
P8	Insurance intermediary whose services I use make sit possible to conclude a life insurance agreement in the scope of bancassurance service in any place, via the infoline or online	1	2	3	4	5	6	E8	A model insurance intermediary whose services I use should make it possible to conclude a life insurance agreement in the scope of bancassurance service in any place via the infoline or online	1	2	3	4	5	6

Source: prepared by the author

The research had exclusively a panel form, measured with the SERVQUAL method (Table 2). It was conducted among the same respondents giving answers connected with the discrepancy between customer's perception and expectation of bancassurance insurance service offered in

life insurance, including also a direct interview (respondents completed the questionnaire themselves). The respondents were available directly in insurance institutions or at home.

4. Polish and British market in the strategy of distribution of life insurance agreements through bancassurance – research results

4.1. Bancassurance customer loyalty

The British market, as well as the Polish market, has several strategies of distribution of life insurance agreements for its customers. They include both complex service offered via an insurance broker and individual agreements concluded with an insurance agent or online (direct). A

limited success of life insurance offered through bancassurance in the territory of Polish and USA is, first of all, due to the fact that such agreements are simple, uncomplicated and, mostly, connected with investment products and individual protection from risks of other banking products, e.g., mortgage. As the data in the table show, both markets offer insurance agreements traditionally, face-to-face, i.e., via an insurance agent or broker. This is confirmed by the results acquired where customers were to answer a question about customer loyalty in relation to their current insurer (Figure 2 and 3). Here, we can also see the similarity of both markets, however, in the British market this loyalty has slightly more importance than in Warsaw. Figure 2 shows customers having bancassurance service in life insurance who
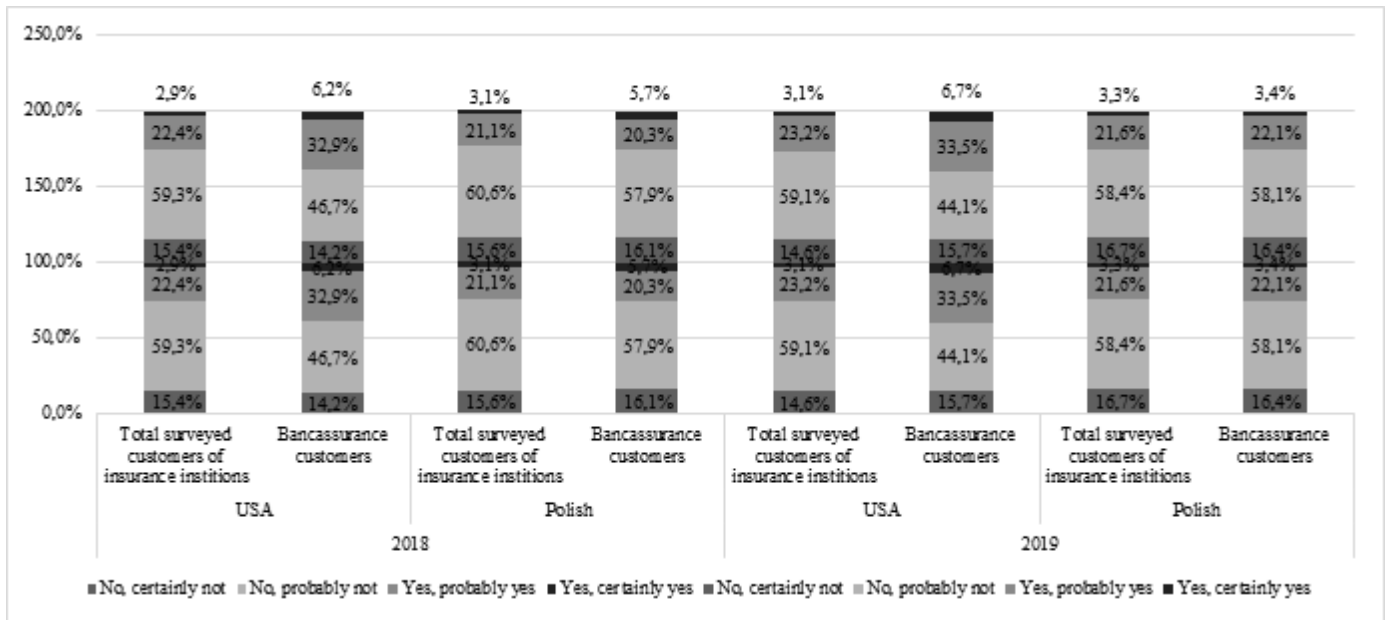

Fig. 2. Bancassurance customer loyalty – customer's willingness to pay a higher insurance premium for personalized advice or assistance in buying insurance services combined with the bank's offer
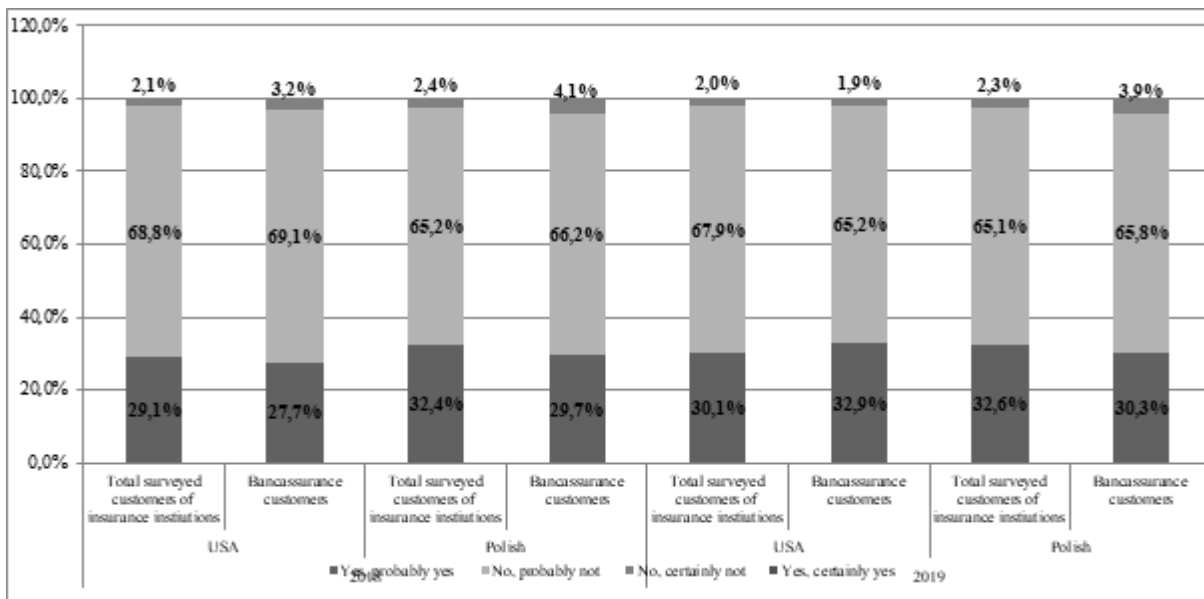Source: prepared by the author on the basis of research conducted

Fig. 3. Bancassurance customer loyalty – customer's willingness to buy their insurance products from another service distributor
Source: prepared by the author on the basis of research conducted

answered the question whether they would be willing to pay more in order to receive personalized advice or assistance in buying insurance services combined with the bank's offer. Whereas, Figure 3 presents customers who were willing to buy their insurance products from another service distributor. We can see that the data in Figure 2, as well as in Figure 3, in both countries exhibit high loyalty of customers in relation to their insurance intermediaries. Moreover, in both cases the number of loyal customers is growing systematically, however in USA this loyalty is higher than in Polish.

In Figure 2 and 3, we can see that in the opinion of customers, bancassurance services have some attractive features which make them a potentially very profitable segment of the life insurance market. For example, both in USA and in Polish, customers are more willing to pay an extra premium for personalized advisory service or assistance in buying agreements via bancassurance than customers who have no such service. Whereas customers who already have life insurance through their banks, are more willing to purchase such service than those who acquire it through another distribution channel.

The next stage of research was to evaluate relations between a life insurance agreement through bancassurance and the factors determining the quality of this service. Considering the respondents' assessment of this service, the most important factors were: professionalism of the entities offering bancassurance service, credibility of insurance intermediaries, on-time service provision and intermediary's assistance in damage liquidation (Table 3,4,5,6). The research shows that respondents assessed the factors related to empathy and infrastructure of customer service the lowest. Analysing the results acquired, both in Polish and in USA, which constituted the evaluation of contacts between a customer and insurance institution staff, insurance intermediaries (agent or broker) and other possibilities of purchase or damage liquidation, the first three positions were taken by the factors connected with personal contact between a service provider and a buyer, as well as with insurance institution staff and people cooperating with the insurer (insurance intermediaries, damage liquidators, etc.). Whereas the group of factors related to tangible elements, as well as empathy, was indicated as the least important area, placed in the last position by customers.

5. Conclusions

Customers in the insurance sector decide to safeguard themselves in the event that such a random event happens and conclude an insurance agreement (Przybytniowski, 2013). First of all, it is to ensure a sense of security in the event of an insurance accident, since it is possible to remove the effects of damage on the grounds of liquidation procedures prescribed by law. Thus, bearing in mind the object, as well as the aim, of the research presented in the introduction, one of the fundamental questions which was asked to customers referred to the general evaluation of insurance provided by insurance intermediaries in the territory of Polish and USA.

The theoretical analysis conducted in order to accomplish the research aim, which was to find and analyze the processes connected with offering life insurance through bancassurance, required adopting clearly defined stages of the research. In the first stage of the research the author focused on verifying the knowledge of quality, service quality and insurance service quality.

It was found that the value of life insurance services offered through bancassurance in the territory of Polish and USA in 2018 and 2019, in customers' opinion results from the full offer proposed by insurance intermediaries, understood as a product and service quality which accompanies it. The study of appropriate customer service in a life insurance institution, consists of three important analyses compatible with one another: customer loyalty, customer satisfaction and turning points in contacts with a customer. The research proved a systematic rise in bancassurance service quality both in Polish and in USA, however this quality looks better in USA.

To evaluate more deliberately the following three steps are in order. First, the capacity of the Polish and American market for life insurance expands through bancassurance, secondly, to increase an awareness of hazards connected with risks covered by life insurance for customers of insurance institutions and, thirdly, to what extent Poland and the USA are prepared to implement solutions already functioning not only in the world but also in Europe.

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