

Customers' Evaluation of the Quality of Insurance Services in Lagos, Nigeria

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Abstract

This paper aims at evaluating customers' assessment of the quality of insurance services in Nigeria, with the objective of finding how this can be used to boost the demand for insurance which is presently low in Nigeria. Questionnaire was administered to wide spectrum of insurance customers who had insurance policies in Lagos State, in order to gather information related to their perception of quality. Descriptive analysis such as percentage and table presentations was used to analyze the collected data. The study revealed among other things that prompt claim settlements is the most important factor considered by the customers of insurance companies in Nigeria in their evaluation and measurement of quality of the policies they are holding. The study therefore recommended that the culture of delay in premium payment or non-payment should be stopped and organizations should look inward to see the reasons why the payment of premium is a problem.

Keywords: Service, Quality, Insurance, Customer, Lagos

1. Introduction

To be efficient and effective in today's business environment and market place, organizations have to evolve strategies, policies and practices that should be different from those used in the past; this is because of the continual changes in the business environment and the near unpredictable nature of the environment. However, this environment presents opportunities and threats which can be exploited or managed by prepared and forward looking organizations by crafting well-thought out strategies, policies and approaches (Kemelgor 2002, Osuagwu 2002). One of such strategies for a product like insurance will be the perceived quality of the product offered in the eyes of the customers. The insurance industry in Nigeria consists of companies that are small by most standards to underwrite most policies and characterized by low penetration and patronage compared to its population. Nigeria has an estimated population of 140 million people according to 2006 census with an estimated non-life insurance income receipt of \$787 million and life income receipt of \$147million in 2009 (Staib & Louis, 2010). This leads to low insurance penetration of mere 0.6% (Staib & Louis, 2010) much lower than other emerging markets even in Africa with a majority of the policyholder been corporate bodies. This unsavory feature culminated to poor perception, low technology leverage, low investment and asset management capabilities and poor regulatory framework (Ahmad & Sungip, 2008).

In recent years, insurance customers in Nigeria are increasingly aware of their expectations and standards of services required from their insurance companies. This is partly due to the fact that customers are more educated and knowledgeable about services provided by insurance companies. Therefore it is becoming desirable and important for insurance companies to come up with approach that will give customer a central role for future growth and survival. In the same vein, insurance companies in Nigeria have also recognized the fact that service

quality is imperative to achieve competitive advantage while poor quality brings about competitive disadvantage. Siddique & Sharma (2010) observed that quality insurance services help to differentiate one from others who are also offering identical services; also it offers a way of achieving success among competitors. Therefore, this study aims at evaluating the quality of insurance services in Lagos using customers' assessment, so as to come out with effective strategies that will offer best value to the customers, profitability to the insurance companies; and overall boost the demand for insurance in Nigeria.

2. Literature Review

2.1 Service Quality and insurance

A service has been described as an activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything with its production been or otherwise not tied to a physical product (Kotler & Armstrong 2008). Services however, can be distinguished from goods by the following characteristics namely; intangibility, inseparability, variability, perishability, and ownership. Quality has been defined as the degree to which a product meets the expectations of the customer (Stanton *et al*, 2001). There is no agreement as what should properly constitute a definition of a product's quality even though it is universally recognized as significant; but the following is said to influence it, the individual perception of quality, personal taste and individual expectations (Palmer and Cole 1995, Palmer 2005). Crosby (1984) defined Quality as conformity to requirement while Zeithaml *et al*, (1993) suggested that quality is capable of been assessed by three levels of expectation namely, the consumers expectation about the desired level of service; what the customer wants and the predicted service level.

Insurance services has been described as having the following features, intangibility, inseparability, variability, ownership of a thing of title that can be transferable, and for insurance it is usually issued to last for a year except for life assurance policies, highly regulated in some countries.(Ikupolati, 2008).The need for insurance and protection from risk arose from the need to provide for security needs both from natural and man made disasters, trading uncertainty for some level of reasonable certainty has been a basic human drive. Maslow (1970) in his work described human behavior to be dominated by five levels of need namely, physiological, safety, belonging and love, esteem and self actualization needs; saying that earlier needs will need to be filled before latter needs are met. Hence insurance can be defined as a risk management tool for coping with uncertainties associated with daily living whose possession gives a known cost to these uncertainties (Nwankwo *et al* 2009).

Swan and Comb (1976) in their study identified two important dimensions of service quality; 'Instrumental quality' - describing quality in terms of their physical aspect and 'Expressive' dimension relating to the intangible or psychological aspect of the service. This later developed to Grootenboer (1984) using a service's "technical" and "functional features" to measure it. Brady and Cronin (2001) said that quality is not really different from the satisfaction that a consumer can derive from the consumption of that service and hence, satisfaction can serve as a means of measuring quality. Walker and Baker (2000) opined that one of the crucial element of insurance quality is understanding of customers' expectation because their expectations serve as standards against which service performance is measured. Toran (1993) established that quality should form the basis of all the activities going in insurance industry because customer want more quality service through responsive agents with better contact and personalized communications from the insurer, also accurate transactions and quickly solved problems are kind of service expected by the customers (Pointek, 1992). Taylor (2001) in his study on service recovery analysis in insurance industry noted that quality of service and customer satisfaction and loyalty are fundamental for the survival of insurers. He further stated that development of close relation with the customers, quality after sales services and good customer relation can lead to very positive results for the insurers. King (1992) extracted four important insurance quality factors from the study conducted by the National Association of Life Underwriters. The factors are; financial stability of the company, reputation of the insurer, agent integrity and the quality of information and guidance from the agent.

3. Methodology

The aim of this study is to understand what customers of insurance in Nigeria perceive as measuring quality, which constitutes a basis for the purchase of insurance policies or renewal of existing ones when the agreed upon time for cover expires. The data for this study was collected through a self administered questionnaire from policy holders in Lagos State, Nigeria. The reason for choosing Lagos is because it is the commercial capital of Nigeria and a sizeable number of insurance companies and consumers are located here. The study used a descriptive survey research design with 300 questionnaires to obtain data from the respondents. These are those who had different types of insurance policies within Lagos Metropolis. Of the 273 questionnaires returned, 212 were found usable for analysis representing 77.66%.

4. Results and Discussions

4.1 Personal characteristics of the respondents

Gender, though was not an important variable for the study but meant to show that both sexes were covered as part of the study. And of the number of questionnaire collected from respondents and found to be useable for this study 156 were male representing 73.6% of the entire study population while 56 were female representing 24.6% of the entire study population.

4.2 Prompt claims settlement

One of the factors observed as positively contributing to customers' evaluation of the quality of insurance in Nigeria is prompt payment of claim by the insurance companies when the insured reports his loss. Table 2 showed that 71.2% agreed to a very high extent that this affects customers' evaluation of the quality of insurance in Nigeria, 14.1% to a high extent, 4.72% to an average extent, 5.1% to a low extent, 3.8% to a very low extent and 0.9% to no extent at all.

4.3 Staff attitude as affecting customers' evaluation of the quality of insurance in Nigeria.

Respondents were asked to evaluate the sector based on the attitude of staff employed by insurance organizations and their response is contained in table 3, and this shows that 36.3% believed that it affects to a very high extent, 38.2% choose high extent, 17.4% average extent, 3.3% low extent, 3.3% very low extent, while 1.4% choose no extent at all. In all it can be established that majority of the respondents believed that the attitude of employees of insurance companies highly affects the customer evaluation of quality of insurance services in Nigeria.

4.4 Advertisement as a factor that can change the customers' evaluation of the quality of insurance in Nigeria

As shown in Table 4, 32.1% of the respondents agreed that it will affect to a very high extent, 34.4% to a high extent, 19.8% to an average extent, 8% to low extent, 2.4% to a very low extent, while the remaining 3.3% agreed that it will affect to no extent at all. This implies that advertisement is a potent tool in changing the orientation of customers as far as evaluation of quality insurance services is concerned.

4.5 Premium charged will affect customers' evaluation of the quality of insurance in Nigeria

Table 5 indicated that 50.9% of the respondents' sampled said to a very high extent, 17.5% to a high extent, 13.2% to an average extent, 10.4% to a low extent, 6.6% to a very low extent and 1.4% to no extent at all. Premium charged by insurance companies is a very good parameter in measuring service quality in insurance industry. Unreasonably low premium due to competition can bring about poor service, while reasonably charged premium will bring high quality service to the customers and profitability to the company.

4.6 Ability to reach customers as a factor that may affect the customers' evaluation of the quality of insurance services in Nigeria.

Respondents' were asked whether ability to reach customers will be a factor that affects their evaluation of the quality of insurance in Nigeria and their responses given show that 39.2% believed to a very high extent, 25.5% to a high extent, 19.3% to an average extent, 9.0% to a low extent, 5.2% to a very low extent and 1.9% to no extent at all. Majority of the respondents believed that proper penetration of insurance service will greatly affect their quality judgment because it is widely acknowledge that you can only evaluate what you know.

4.7 Financial incentives to customers as a factor affecting customers' evaluation of the quality of insurance in Nigeria.

The data collected showed that 35.8% said to a very high extent, 22.2% to a high extent, 20.2% to an average extent, 10.8% to a low extent and 7.5% to a very low extent and 3.3% to no extent at all.

4.8 Premises where business is carried out as factor affecting customers' evaluation of the quality of insurance in Nigeria

A good number of the respondents placed aesthetics as influencing their evaluation of the quality of insurance in Nigeria with, 49.1% choosing a very high extent, 19.3% high extent, 14.6% average extent, 9.9% low extent, 4.7% very low extent and 2.4% to no extent at all. Neat, conducive and peaceful environment, and well arranged environment will attract customers, while littered and scattered premises will send customers away and will portray the company in bad light. Even if the best of insurance services are render there.

4.9 Association with other organizations will be a factor affecting customers' evaluation of the quality of insurance in Nigeria

Merger and acquisition was one event that took place in the insurance industry in Nigeria from 2006-2007. Respondents evaluation of the quality was now based on those that survived, those that were able to stand alone and those merged, the name of the organization they now adopted and how popular it is in the industry. 39.1% said to a very high extent, it determined quality, 22.6% to a high extent, 15% to an average extent, 13.6% to a low extent and 2.8% to a very low extent.

4.10 Caring for customers as factor affecting customers' evaluation of the quality of insurance in Nigeria

Table 10 shows that 45.3% of the respondents believed that proper care from the part of insurance company will affect their quality evaluation to a very high extent, 22.2% to a high extent, 19.3% to an average extent, 2.8% to a very low extent and 1.4% to no extent at all. The respondents preferred organizations that would like to be identified with them and be there for them at the time of loss and gain.

4.11 Deployment of technology

Technology usage has been one the innovative ideas that has the potentials of changing the fortune of the insurance industry in Nigeria. From Table 11, 36.8% respondents stressed that proper deployment of technology can enhance the quality of insurance services in Nigeria to a very high extent, 24.1% to a high extent, 17.9% to an average extent, 8% to a low extent, 8% to a very low extent and 5.2% to no extent at all. Technology has become a force to reckon with in any facet of human endeavour, including insurance. Therefore proper deployment can help in improving the service delivery to the customer and also enhance the performance of the company.

5. Conclusion and Recommendation

This study was concluded on the premise that for insurance companies in Nigeria to remain competitive and attract more business as well increase its acceptance by their current customers and potential one's they must understand the following:

- i. That quality is defined by customer and not by the producer or seller and
- ii. That customer assesses service quality by comparing their expectation to their perceptions of how the service will perform. And that since insurance provides for a futurist need which is the provision of security on the occurrence of a loss, no policyholder will be satisfied to be told that the claim cannot be paid.

The finding of the study show that prompt claims settlement is the most important factor considered by the customers of insurance companies in Nigeria in their evaluation and measurement of the quality of the policies they are holding. However, for the promotion of insurance as a sector that can really serve as a source from which investment fund can be sourced and an industry that can provide for security and welfare needs of citizens particularly for a developing country as Nigeria, where there are infrastructural inadequacy, and difficulty in raising fund required to grow the economy; a vibrant insurance sector is greatly needed to help in solving some of these problems. The quality of a product had been one thing that every customer will give a thought before arriving at a purchase decision or a repeat purchase decision, for insurance, the decision to buy a policy and renewal is predicated on Stanton et al's (2001) definition of quality which is the ability to meet the expectations. In insurance, this expectation is to restore the insured to his pre-loss position.

Hence for any organization to survive in this market the following recommendations should be put into consideration:

- a. Insurance company should desist from the culture of not paying premium
- b. Insurance company should look inward to see the reasons why the payment of premium is a problem.
- c. Insurance company should make wise investment decisions, so that there will be fund to meet the cost of claim when they arise.
- d. Insurance company should make sure that it's charging enough premiums, based on the risk brought before it by individual policyholder not just charging rate that will make it remain in business and when losses occur it will not be able to pay claims.
- e. Overall, marketing of insurance services should be step up so that more people will be favorably disposed towards the purchase of insurance in Nigeria.

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Table 1. Gender

Gender	Frequency	Relative frequency (%)
Male	156	73.6
Female	56	26.4
Total	212	100

Source: Field survey, June, 2010

Table 2. Prompt claims settlement will help in improving customer evaluation of the quality of insurance in Nigeria

Categories of response	Frequency N=212	Relative frequency (%)
Very high extent	151	71.2
High extent	30	14.1
Average extent	10	4.7
Low extent	11	5.1
Very low extent	08	3.7
No extent at all	02	0.9
Total	212	100

Source: Field Survey June, 2010

Table 3. Staff attitude will help in improving customers' evaluation of the quality of insurance in Nigeria

Categories of response	Frequency	Relative frequency (%)
Very high extent	77	36.3
High extent	81	38.2
Average extent	37	17.4
Low extent	07	3.3
Very low extent	07	3.3
No extent at all	03	1.4
Total	212	100

Source: Field Survey June, 2010

Table 4. Advertisement will improve customers' evaluation of the quality of insurance in Nigeria

Categories of response	Frequency	Relative frequency (%)
Very high extent	68	32.1
High extent	73	34.4
Average extent	42	19.8
Low extent	17	8.1
Very low extent	05	2.4
No extent at all	07	3.3
Total	212	100

Source: Field Survey, June 2010.

Table 5. Premium charged will improve customer's evaluation of the quality of insurance in Nigeria

Categories of response	Frequency	Relative frequency (%)
Very high extent	108	50.9
High extent	37	17.5
Average extent	28	13.2
Low extent	22	10.4
Very low extent	14	6.6
No extent at all	03	1.4
Total	212	100

Source: Field Survey June, 2010

Table 6. Ability to reach customers will improve customers' evaluation of the quality of insurance in Nigeria

Categories of response	Frequency	Relative frequency (%)
Very high extent	83	39.2
High extent	54	25.5
Average extent	41	19.3
Low extent	19	9.0
Very low extent	11	5.2
No extent at all	04	1.9
Total	212	100

Source: Field Survey June, 2010

Table 7. Financial incentives to customers will improve customers' evaluation of the quality of insurance in Nigeria

Categories of response	Frequency	Relative frequency (%)
Very high extent	76	35.8
High extent	47	22.2
Average extent	43	20.3
Low extent	23	10.8
Very low extent	16	7.5
No extent at all	07	3.3
Total	212	100

Source: Field Survey June, 2010

Table 8. Premises will improve customers' evaluation of the quality of insurance in Nigeria

Categories of response	Frequency	Relative frequency (%)
Very high extent	104	49.1
High extent	41	19.3
Average extent	31	14.6
Low extent	21	9.9
Very low extent	10	4.72
No extent at all	05	2.4
Total	212	100

Source: Field Survey June, 2010

Table 9. Association with other organization will improve customers' evaluation of the quality of insurance in Nigeria

Categories of response	Frequency	Relative frequency (%)
Very high extent	83	39.2
High extent	48	22.6
Average extent	32	15.1
Low extent	29	13.7
Very low extent	14	6.6
No extent at all	06	2.8
Total	212	100

Source: Field Survey June, 2010

Table 10. Caring for customers will improve customers' evaluation of the quality of insurance in Nigeria

Categories of response	Frequency	Relative frequency (%)
Very high extent	96	45.3
High extent	47	22.2
Average extent	41	19.3
Low extent	19	8.9
Very low extent	06	2.8
No extent at all	03	1.4
Total	212	100

Source: Field Survey June, 2010

Table 11. Deployment of technology will improve customers' evaluation of the quality of insurance in Nigeria

Categories of response	Frequency	Relative frequency (%)
Very high extent	78	36.8
High extent	51	24.1
Average extent	38	17.9
Low extent	17	8.0
Very low extent	17	8.0
No extent at all	11	5.2
Total	212	100

Source: Field Survey June, 2010