Measuring Customer Satisfaction on Life Insurance Products
Case Study: Lagos State, Nigeria

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ABSTRACT:
Modern societies belief life insurance scheme, which is designed to be backbone of man survival, ensure financial security and offers readymade source of long term capital financing for the infrastructural project is capable of combating the besetting problem of man so that life can be made easy and continuous. The dramatic increase in competition within the insurance sector and the needs of insurance by people has concurrently resulted in more policy options being available in Nigeria market. The different types and attributes of life insurance plans are to provide quality in the products, so as to satisfy human wants. This study is carried out to measure the buyers' trade-offs among multi-attributed products and services (utilities) that are derived from purchasing a particular life insurance plan using descriptive statistical analysis (Mean Score). The result show that the policyholders generally are not satisfied with the Life insurance products based on the attributes attached to each of the product.

Keywords: *Insurance product, Descriptive analysis, Mean score, Product attribute and Likert scale*

INTRODUCTION

From the beginning, man has always been beset with the problem of survival; one of the ways man has decided to combat this problem of survival is insurance (life).

Over the years, the insurance industry has provided succor to person and business that experience disaster in varying proportion. It played a positive role in stimulating activities in all areas of human life and investment with economic importance of reducing the financial implication of disasters, thereby, creating a sense of security which encourage people to engage in commercial activities irrespective of degree of uncertainty and provides a crucial service which has helped to place back life to better or last position before the advent of risk. It also helps to reinforce and facilitate trade, whether on national or international basis.

The dramatic increase in competition within the insurance sector and the needs of insurance by people has concurrently resulted in more policy options being available in Nigeria market. Also, individuals make decision each time relative to the perceived risk in similar situation due to differences in their attitudes towards risk, while in some cases two individuals facing the same situation may react differently but still behave rationally due to financial instability and some are different because of differences in opinion and interpretation of risks. These leads to the problems encounter by insurance consumers in making a rightful choice as well as satisfaction to be derived from a product or service provided by insurance companies.

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In today's competitive world, measurement of customer satisfaction has become a key performance indicator of an organization and valuable management tool for companies to expand their current customer relationships and remain competitive. It is a major concern within a company's customer relationship management strategy; it improves customers' engagement on product, compels development of new partnership with customer and business community and, serves a strong driver of customers trust and confidence in an organization.

Measurement of customer satisfaction assist the decision makers, policy-holders or the potential investors to measure preferences at individual level, estimate psychological trade-offs that consumers make when evaluating several attributes together and also use to make comparison among the various policies being offered by the insurance companies and the probabilities of selecting a product from a set of mutually exclusive alternative.

Insurance vendor needs to know the buyers' satisfaction level for an insurance product accurately. This research work is therefore carried out to measure the policyholder's satisfaction level and attitude towards life insurance plan and also identified customer improvement measures in order to have a view about the changing needs by policyholder. The research work also studied the preferences and problems of customers, since consumers do not make choices based on a single attribute, they examine a range of features or attributes and then make judgments or trade-offs to determine their final purchase choice.

Overview of Insurance Market in Nigeria

The Nigerian Insurance Industry has evolved over the past seven years after the announcement of the capitalization requirement for companies operating the sectors. It is a very key part of the financial sector and has always played a positive role in stimulating activities in all areas of investment ranging from capital, real estates and money markets. It also provides economic protection from identified risks occurring or discovered within specific period.

Insurance plays the most important role on Nigeria's economy in the promotion of all forms of investment, first as facilitators and secondly as institutional investors among all sectors of the Nigerian economy. It also provides reliable cover for risk to the citizens and stability by allowing large and small businesses operate with a lesser risk of failure. Further, it complements government security programs and its privatization processes.

It is extensively known as an imperative source of the basis of security for the policyholder and serves as a short and long-term investment. Activities in the insurance sectors have noticeably increased with; enhanced public awareness of the sector and their operations, rapid expansion and strategic business acquisition and improved visibility and strict supervisory regulations. Insurers are able to pull together, like no other institution, a large pool of funds that could be invested for short or long term period from the relatively small premium collected from individuals in the economy.

Nigerian insurance businesses are split mainly into Non-life and life. Non life insurance represent short term funds and life insurance which can be either payable at the moment of death or at the end of the year of death represents longer term funds. Life-based contracts tend to fall into two major categories:- Individual Life products (Continuous Education Plan, Dividend Plus Plan, Endowment Assurance (With or Without Profit), Integrated Benefit Plan, Mortgage Protection Assurance (More care), Multi-Investment Plan, Personal Pension and Annuity Plus Plan, Term Assurance Plan and Whole Life Assurance) and Group Life products (Group Pension Plan, Group Term Assurance, Life Gratuity Scheme and Staff Retirement).

The long term feature of life insurance makes it important for sustained economic growth which in turn broadens the domestic financial services by generating higher saving rates and greater economic development. It has the potential to stimulate individual patronage through innovative products, and carry fewer risks compared to the general business. Life insurance does not only accumulate wealth but also make the policyholder financially secured. It also has tax deduction benefit and long term capital gain in some cases.

Literature Review

The awareness of different insurance service providers in the determination of policyholder's

satisfaction for variety of insurance plans is a green-land area of study in Nigeria insurance market. There has been limited research on determination of buyer's satisfactions for insurance products.

Borah (2012), analyze the service quality perception of 50 customers in Jorhat by chosen from Kotak Mahindra Life Insurance Company to access their satisfaction level and also identify service factors which have the maximum impact on customers' satisfaction. He used non-probabilistic judgment-cum-convenience sampling technique to choose the sample; the finding shows that most of the customers are satisfied.

In the same vein, Gautam and Kumar (2012) attempt to illustrate the attitudes of Indian consumers towards the insurance services by collecting the responses of consumers through structured questionnaire on five point Likert scale. A total 377 responses were collected to assess the level of awareness about the insurance services and their attitude towards insurance services. Findings of the research show that basic socio demographic and economic variables have significant impact on consumers' attitudes towards insurance services in Indian scenario.

In addition, Parmjit and Meenakshi (2010) study explores factors which are important determinants of customer satisfaction in case of life insurance customers, to see how much effect the factors have on overall customer satisfaction; and identifies the common grievances of customers with regard to their life insurance policies. They restricted their study in the tricity of Chandigarh, Mohali and Panchkula. The factors identified for overall customer satisfaction are customized and timely service, Brand USP Considerate employees Price Immunity and their results indicate that satisfaction with product offerings is the primary driver of overall customer satisfaction in case of insurance policies, even if the after sale service is not up to the satisfaction level. Customers were satisfied with their insurance policies but they were not satisfied with the quality of agents.

Other research works have empirically measured satisfaction of policyholders in different contexts these includes: Kavitha et al. (2012), Arulsuresh (2011), Biswamohan and Bidhubhusan (2012), Gautam (2013), Jiang et al. (2011), Microfinance Opportunities et al.

(2007), Cadotte and Turgeon (1988), Cox and Dale (2001), Dabholkar (1996), Doll and Torkzadeh (1988), Kuhlemeyer and Allen (1999) and Ndubusi and Chan (2005). Other related studies includes: Richard (1974) examine "Trade-off Analysis of Consumer Values" and Jordan and Woodworth (1983), research on "Design and Analysis of Simulated Consumer Choice or Allocation Experiments".

RESEARCH METHOD
Data Collection

A typical adaptive questionnaire separated into section A and B were developed through which information on the satisfaction derived from the attributes attached to each type of the policies plan are gathered from policyholders. The section A contain demographic, employment status, educational level and annual income description information while section B is furnished with information's relating to the study with eight (8) attributes of the different plans/products of life insurance. The attributes/ features of each of this plan are clearly stated for easy description and recognition of the plan. This special attributes of each of the insurance plan are attracted with different weight for proper evaluation of the plan.

The questionnaires were randomly distributed for administering among self employed and salary earner policyholders including both private and public sectors in some strategic areas of Lagos state, Nigeria using stratified sample method. This gives the policyholders the opportunity to express their trade-offs among the product features.

The study employed a survey design with a sample of 300 respondents in order to obtain a well represented population result that is sufficient to provide reliable information about the policyholders. A 5-point likert scale was used and market research rules of thumb were applied with regard to statistical sample size and accuracy.

A number of preference values which reflect the trade-offs of each respondent were derived from the survey data. These values were used to measure how buyers of the policy plans choose among the competing products and how their choices are expected to change as product features and/or prices varied. Data analysis was

done using descriptive statistics (mean score).

DATA ANALYSIS AND RESULTS

Each of the policy plan owned or intended to be owned by policyholders are selected one after the other against each of the eight listed attributes/features of the life policy plans in order to generate the average mean rate in relation to the attribute per product/plan. To know the satisfaction derived by each respondent against each attribute, the numbers of respondents owning the same product that picked the same likert preference scale value against the same attribute are used to divide the sum of their likert preference scale values for the attributes to find the mean score value for each product plan against each attribute. This same process is repeated for all respondents owning the same policy plan and picked the same likert preference scale value of attributes for all the policy plans.

Each of the mean score values generated are summed and then divided by total number of the mean score values to obtain the overall satisfaction (Average Mean Score Value) derived by policyholders for owing life insurance policy in Lagos state, Nigeria.

Table 1: Mean score values of customer satisfaction on life insurance products

Attributes	Customer Satisfaction per attribute								
	Product Plan								
	CEP	DPP	EA	MPA	PPAPP	WLA	LGS	SR	AVG per attribute
Low price: How satisfied are you with the following characteristics of life/annuity/pension plan you currently own or intend to own?	4	4.5	2	2	3.92		3	3.3	3.25
Flexibility in payment structure: How satisfied are you with the following characteristics of life/annuity/pension plan you currently own or intend to own?	4.44	4	2.7	2.33	3.74	5	1	4.1	3.41
Tax reduction benefit: How satisfied are you with the following characteristics of life/annuity/pension plan you currently own or intend to own?	3.56	3	2.1	1.67	3.26	4	2	3.6	2.9025
Benefit on death: How satisfied are you with the following characteristics of life/annuity/pension plan you currently own or intend to own?	3.56	3	3.5	4.33	3.38	5	3	2.7	3.5525
Benefit on survival: How satisfied are you with the following characteristics of life/annuity/pension plan you currently own or intend to own?	3.56	4.5	3.6	3.67	3.31	5	3	3.8	3.81125
Good customer services: How satisfied are you with the following characteristics of life/annuity/pension plan you currently own or intend to own?	4	3	2.6	4.33	3.86	5	5	3.8	3.955

Bonus/profit sharing: How satisfied are you with the following characteristics of life/annuity/pension plan you currently own or intend to own?	3.11	3	2.9	4	3.4	5	1	3.5	3.24
Special scheme benefit (wan): How satisfied are you with the following characteristics of life/annuity/pension plan you currently own or intend to own?	2.11	3	2.6	4	2.92	4	3	3.3	3.11875
AVG per Product	3.54	3.5	2.8	3.29	3.474	4.71	2.63	3.5	
Overall satisfaction	3.41								

1.00-Very dissatisfied, 2.00-Somewhat dissatisfied, 3.00-Neither satisfied nor dissatisfied, 4.00-Somewhat satisfied, 5.00-Very satisfied

The above table 1 shows the result of the customers' satisfaction level on 5-point likert preference satisfaction of each product in relating to attributes and overall satisfaction level of the policyholders for the insurance products.

From the result of the analysis in table 1 above, Integrated Benefit Plan, Multi-Investment Plan Term Assurance Plan, Group Pension Plan and Group Term Assurance Plan have no respond at all from the respondents. Whole Life Assurance has the highest satisfaction with (4.71) mean score by the respondents; while Continuous Education Plan with (3.54) means score, Dividend Plus Plan and Staff Retirement both with (3.50) mean score were neither satisfied nor dissatisfied with by the respondents. Life Gratuity Scheme followed by Endowment Assurance with (2.68 and 2.8) means score values have the least satisfaction by respondent.

Considering various aspects of customer satisfaction on each of the attributes:- price, tax reduction, benefit offered on survival and death, service render, bonus/profit sharing and, special and additional benefit, perceived justice and expectations were measured. Findings showed that, customer service, benefits on survival and death benefit had the highest ranked mean score values with average mean score of (3.955, 3.81125 and 3.5525) respectively. Respondents stated that they were rather neither satisfied nor dissatisfied with those aspects. The findings further indicated that the aspect of tax reduction (2.9025) was least satisfactory with most respondents stating that they were dissatisfied. There were some aspects of special scheme and profit sharing that were also not satisfactory. Respondents however indicated that they would rather be indifference in recommending the product they had to their family and friends and that they would prefer depositing their money in fixed deposit account in the bank or invest on a viable and profitable business rather than obtaining another life insurance product. The reasons gave was due to insincerity and bad image of Nigeria insurance industries in paying claims when time due and some ambiguous conditions given when obtaining the policy.

Therefore, using 5 point likert preference scale of making decision, the overall mean score value (3.41) from the table1 above of all respondents on the insurance products satisfaction based on the giving attributes and some essential information asked for by the researcher, it indicates that the policyholders of life insurance products in Lagos state, Nigeria do not general satisfied with the insurance product offered for sale to Nigerian by the insurance companies.
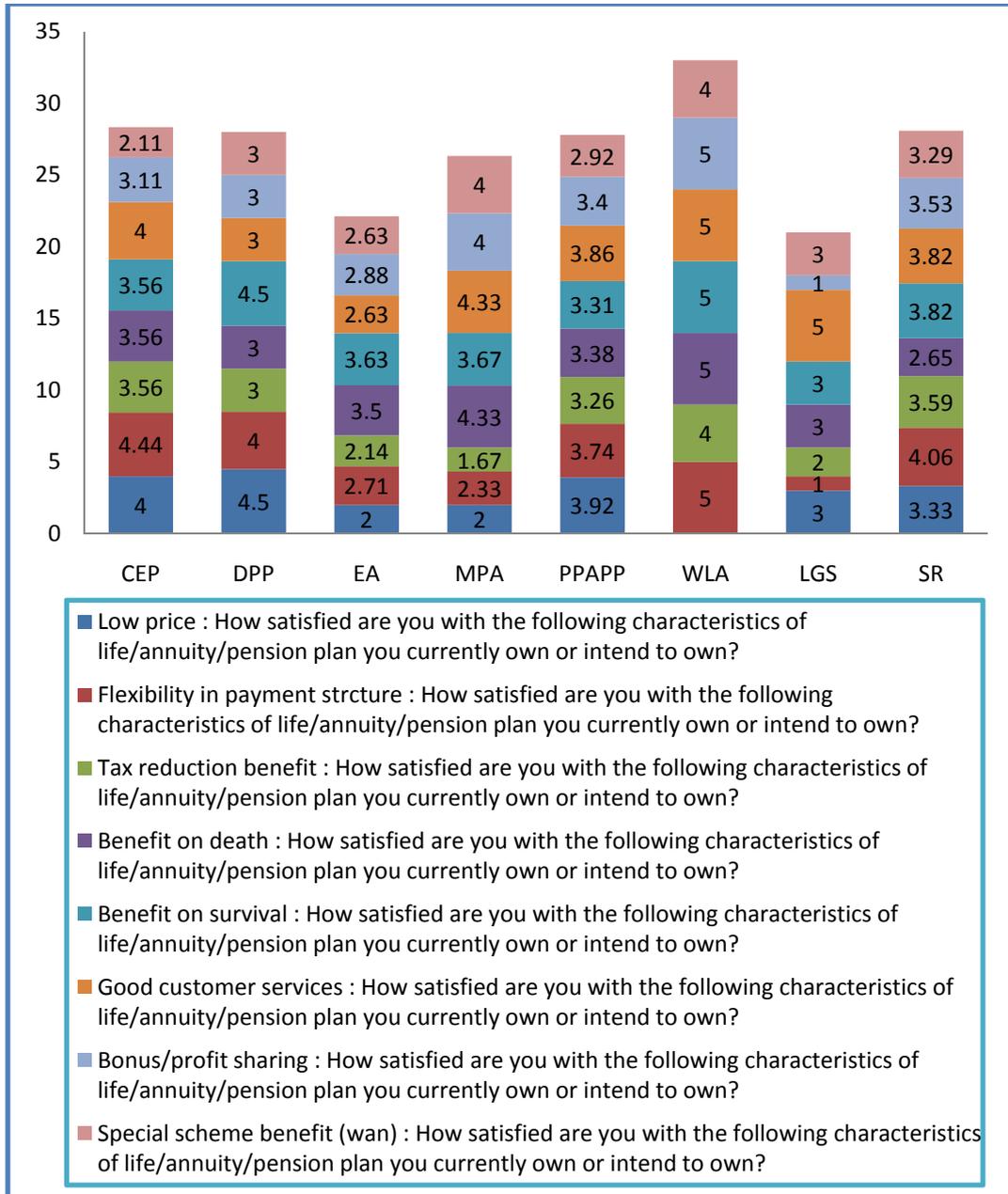
Figure 1: Chart of policyholders choices against each attributes for each plan

Figure 1 depicts the results of the respondents on each of the policy plan against their attributes with their corresponding means score values.

CONCLUSION AND RECOMMENDATION

Regardless of the line of business, customer's satisfaction is important to business success. Business organization must focus and force all the member of staff from the most senior to the least junior of the management hierarchy to take consumer satisfaction as their priority in all the frame work of policies, practices and information. It requires continual monitoring and experience examination, opinions and potential customers.

The study recommended the need for Nigeria insurance companies to conduct continuous customer satisfaction surveys on their product, and also put emphasis on the aspects of the product that seemed rather dissatisfying with a view to making an improvement on them. Seminar should be given in business conferences, educational institutions and public places to provide information about company and its products as well as educating them about the important of taking insurance policy especially life insurance plan and redeem their image by create a sense of security among the customers due to fear about the past image of insurance company. In addition installation of stalls should be regularly done in business exhibitions/ fair.

Finally, the study also suggests' further research to be carried out on the key driving factors of satisfaction from the aspects used.

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