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### Satisfaction of Customers with Life Insurance Agents: A Study for Hanoi

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#### Abstract

Like many other financial services industries, life insurance faces a rapidly changing market, new technology, economic uncertainties, fierce competition, and increasingly demanding customers. A changing climate has created a series of unprecedented challenges. Like companies in other business fields, life insurance considers customers the most

important asset. This study explores consumer satisfaction related to life insurance agents' consulting services through a small-scale quantitative survey in Hanoi city. The results were analyzed using SPSS software through descriptive statistical analysis, Cronbach Alpha, and factor analysis.

**Keywords:** Satisfaction, Agents, Life Insurance

**JEL Codes:** G00, G02, G20

#### 1. Introduction

In life insurance today, customer expectations for life insurance products have changed over time. Customers no longer passively purchase life insurance products and will make comparisons between the different policies on offer. Today, they expect life insurance agents to analyze their personal and family needs before designing the most suitable policies. Therefore, life insurance agents must fully understand their customers' needs and requirements and build trusting relationships between themselves and their customers to foster mutually beneficial long-term relationships (Crosby *et al.*, 1990) <sup>[3]</sup>. Furthermore, in life insurance marketing, insurance agents are considered to market complex services (Nik Kamariah, 1995) <sup>[11]</sup>. This is because insurance agents engage in long-term commitment and a continuous flow of interactions between buyers and sellers. After the sale, the agency provides follow-up services and helps customers make policy changes in response to changing needs. This will justify the importance of continuous research to satisfy customers in this dynamic marketing industry.

However, the overview of studies mainly focuses on examining satisfaction with the products you own or service quality in many aspects. However, research on satisfaction with distribution channels, such as agents in the insurance sector, still needs to be completed. Life insurance products are quite a unique form with the complex nature of the product and are characterized by risks, so they are often "sold" instead of "bought" in the market. Therefore, the distribution and delivery of these products to customers mainly rely on intermediaries such as personal insurance agents, corporate insurance agents, or insurance brokers. Durvasula *et al.* (2004) <sup>[4]</sup> and Tsoukatos and Rand (2006) <sup>[18]</sup> describe life insurance services as highly intangible. Crosby *et al.* (1990) <sup>[3]</sup> point out that life insurance is sold by insurance agents, who are the only point of contact for customers in most cases. According to Rai and Srivastava (2013) <sup>[14]</sup>, customer retention is essential for life insurance companies because long-term customer relationships lead to more cross-selling and positive referral intention formation. The insurance sector's satisfaction level is mainly driven through this distribution channel system.

There have yet to be previously objective consumer satisfaction standards with life insurance. The media, in general, and recent Gallup polls have often found that insurance salespeople score very poorly in the "most trusted" professions in today's consumer confidence landscape. Sales with insurance sales channels are becoming weaker than ever. Therefore, measuring the level of satisfaction with insurance agents is meaningful in improving the leading distribution channel system of life insurance businesses. With the above criteria, it is clear that researching customer satisfaction with the insurance agency force in the life insurance industry is necessary.

## 2. Literature review

### Life insurance

Life insurance is an important financial tool for allocating resources against uncertain life events (Yaari, 1964, Yaari, 1965) [19, 20] and an essential element in long-term financial planning (Carson and Forster, 2000) [2]. In the world, the penetration rate of life insurance products is relatively high; however, in Vietnam, this rate is still limited. There are many reasons for this situation, but most of them stem from the complex characteristics of the product as well as customers' limited understanding and interest in life insurance. However, in the context of digital transformation and the strong development of information technology, marketing and advertising forms for life insurance are also becoming increasingly diverse.

### Life insurance agent

In Vietnam, an insurance agent is an organization or individual authorized by an insurance enterprise based on an insurance agency contract to carry out activities related to the exploitation of life insurance, collection of insurance premiums, and other activities. Other actions within the framework of the agent's rights and responsibilities are stated in the agency contract. Agency activity is a method of selling insurance in which the agent is responsible for arranging the signing of insurance contracts between the insurance enterprise and the insurance buyer as authorized by the insurance enterprise based on the contract agent to receive insurance commission.

### Satisfaction

Satisfaction is a concept that has been introduced previously in the field of product and service business. Customer satisfaction results from positive experiences when using a product or service (Lee *et al.*, 2015) [10], and it has been defined in many different ways. For example, some researchers view customer satisfaction as a reflection of an emotional response based on the emotional and experiential expectations that result from shopping behavior (Oliver and Burke, 1999, Söderlund, 2006) [13, 16]. This definition implies that satisfaction can be determined by the difference a consumer perceives between expectations and the actual outcome of a transaction (Anderson and Sullivan, 1993, Spreng and Mackoy, 1996) [1, 17]. Satisfaction can, therefore, be defined as a perception derived from comparing an experience with associated expectations at the customer's expense (Edvardsson *et al.*, 2000) [5].

Customer satisfaction is achieved through consumption and purchase experiences (Sharma and Patterson, 2000) [15] and is influenced by expectations, perceived service, and perceived quality (Hu *et al.*, 2009) [8]. Satisfaction with an offer results from a subjective comparison between the consumer's expectations and the perceived performance of the offer. If performance meets or exceeds expectations, the customer is satisfied; If performance is lower than expected, then customers are unsatisfied (Oliver, 1980) [12].

## 3. Methodology

Based on the research overview and suggestions of (Kuhlemeyer and Allen, 1999) [9], this study has inherited the customer satisfaction scale with life insurance agents to test in the Vietnamese context.

Accordingly, based on the scale of (Kuhlemeyer and Allen, 1999) [9], with a 5-rank Likert scale, the research team

surveyed 200 life insurance customers in Vietnam but only received 192. required ballot. After being cleaned, the data was processed using SPSS 22.0 software with descriptive statistical analysis techniques, Cronbach alpha reliability analysis, EFA factor analysis, and ANOVA testing to analyze differences in Customer satisfaction with insurance agents in the current context.

**Table 1:** Scale measuring customer satisfaction with life insurance agents

Code	Items	Sources
SAT1	My agent fully met my needs with a life insurance product.	(Kuhlemeyer and Allen, 1999)
SAT2	My agent asked me about my goals and financial needs.	
SAT3	My dealership uses financial products that always meet my financial needs.	
SAT4	My agent explained product insurance exceptionally well.	
SAT5	My agent understands my goals and financial needs.	
SAT6	My agent always puts my goals and financial needs above his own	
SAT7	I am satisfied with my life insurance agent.	

## 4. Results

### Descriptive analysis

The results of descriptive statistical analysis show that there are not many differences in gender among the surveyed subjects. Among them, the age group with the highest survey participation rate is 31-40, and the second is the group over 50 years old. In addition, most survey subjects had college degrees or higher, and only 5.1% of customers did not have a university or college degree. In addition, customers' insurance participation period of 3 years or more accounts for a large proportion. Therefore, cumulative satisfaction ratings for insurance agents can be expected. The results of the statistical analysis are described in detail in the following table:

**Table 2:** Descriptive analysis

Variables	Category	Coding group	Frequency	Percentage (%)
Gender	Male	1	93	48.4
	Female	2	99	51.6
Age	20 – 30	1	28	14.6
	31 – 40	2	98	51.0
	41 – 50	3	47	24.5
	above 50	4	19	9.9
Educational level	High School Graduation	1	10	5.1
	College	2	28	14.6
	University Graduation	3	84	43.8
	Post graduate	4	28	14.6
Participation	Under 3 years	1	58	30.2
	3 – under 5 years	2	92	47.9
	5 – under 7 years	3	27	14.1
	Above 7 years	4	15	7.8

### Cronbach alpha

In order to conduct the reliability test, Cronbach's Alpha is used as the most popular and effective tool in SPSS analysis (Hair *et al.*, 2010) [7]. In this research, the Cronbach's Alpha test is applied for one dependent variable and two independent variables. Table 2 demonstrates the result of

Cronbach's Alpha test. Hair *et al.* (2010) [7] also note that the Cronbach's Alpha result should be equal to or higher than 0.7 ( $\geq 0.7$ ) to be reliable enough for research. The Cronbach's Alpha results in table 3 all meet these standard

requirements, which means that every item in the questionnaire has a good level of reliability and can be accepted to use for this research.

**Table 3:** Cronbach's Alpha Analysis

Item-Total Statistics						
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted	Cronbach's Alpha
SAT1	15.01	28.162	.718	.934	.843	
SAT2	14.94	28.379	.692	.927	.847	
SAT3	15.01	28.094	.728	.624	.842	
SAT4	15.07	29.450	.603	.467	.859	0.871
SAT5	15.05	30.416	.552	.774	.865	
SAT6	15.15	30.056	.609	.530	.858	
SAT7	15.11	29.061	.635	.780	.855	

**Exploratory Factor Analysis (EFA)**

George and Mallery (2016) [6] emphasize that one of the most crucial steps when analysing data with SPSS is Exploratory Factor Analysis (EFA), which identifies the correlation among observed variables and examine the validity of the set of items.

**KMO and Barlett's Test**

In this research, the KMO and Barlett's Test for dependent variable is conducted as the result is illustrated in the Table 3. As shown, the KMO value is 0.771 ( $0.5 < 0.771 < 1$ ) and the sig. value is 0.000 ( $< 0.05$ ), that means these values satisfied the conditions in the study (Hair *et al.*, 2010) [7]. In addition, after implementing the matrix, we got the followings: every determinant with factor load  $> 0.5$ , and the Variance explained = 80.538 %. It demonstrates that the factor analysis of the research data is appropriate. After implementing the rotation matrix, seven components of the satisfaction. These statistics demonstrate that research data analysis for factor discovery is appropriate.

**Table 4:** KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.771
Bartlett's Test of Sphericity	Approx. Chi-Square	1193.108
	Df	21
	Sig.	.000

**Table 5:** Total Variance Explained

Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.964	56.632	56.632	3.083	44.038	44.038
2	1.673	23.906	80.538	2.555	36.500	80.538
3	.512	7.308	87.846			
4	.402	5.740	93.586			
5	.293	4.189	97.775			
6	.119	1.702	99.477			
7	.037	.523	100.000			

Accordingly, the results of analyzing the current status of customer assessments regarding satisfaction with life insurance agents are shown through a statistical analysis table describing specific observed variables as follows:

**Table 6:** Discriptive statistics of satisfaction

Items	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
SAT1	192	1	5	2.55	1.201
SAT2	192	1	5	2.61	1.210
SAT3	192	1	5	2.55	1.197
SAT4	192	1	5	2.48	1.202
SAT5	192	1	5	2.51	1.153
SAT6	192	1	5	2.41	1.117
SAT7	192	1	5	2.45	1.205

Statistical analysis results show that most customer satisfaction rates have yet to reach the average score on the Likert scale of 3. In particular, the highest customer satisfaction rate focuses on the content "My agent asked me about my goals and financial needs.". This result is also one of the most common questions that life insurance agents often focus on when consulting customers. Meanwhile, for other criteria, the average score fluctuates at 2.5 points.

**5. Discussion**

Analysis results from survey data show that most customers are not satisfied with the consulting services that life insurance agents provide in the current context. This is also a common situation in Vietnam today when people need full knowledge and understanding of complex financial products such as insurance. Therefore, customer satisfaction will focus on evaluating the service quality of insurance agents. With long contract terms (usually 5 - 10 years), many insurance agents now skip the after-sales care phase and only focus on the exploitation process after signing the contract. Therefore, the level of customer satisfaction with this service is low.

Life insurance is a professional service characterized by close client engagement with agents, primarily due to the importance of tailoring to specific needs, the diversity of product availability, and the complexity related to policies and procedures. In addition, for customers, agents are the link and the means of contact connecting customers with insurance services. Therefore, customers seek long-term relationships with their insurance agents and service providers to provide consistent and efficient functional services that reduce risk and uncertainty.

Life insurance providers should ideally measure and improve service delivery methods to enhance customer satisfaction. Accordingly, insurance agents need to focus on clearly and thoroughly explaining the complex terms of the insurance contract. The customer's rights will be affected even if insurance is withdrawn before the deadline. How do we let customers know? This will help customers avoid future frustrations when terminating the contract ahead of time. In addition, it is necessary to promote supervision and professional inspection of agents during operations to ensure sufficient qualifications and capacity when consulting customers.

In addition, insurance businesses can apply technology in implementing a customer satisfaction measurement system to increase the quality of customer care services, thereby improving the ability to retain customers.

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