

Executive Summary

Malaysia Insurance/Takaful Customer Satisfaction Index 2018

Project Chimera

In collaboration with:

- Malaysian Takaful Association (MTA)
- Life Insurance Association Malaysia (LIAM)
- General Insurance Association Malaysia (PIAM)

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Introduction

Service of high quality and transparent service by insurance/takaful operators (ITOs) is paramount to build customer's satisfaction, instilling peace of mind and instituting trust among consumers. In a business environment where products and services are very similar, it is critical for ITOs to build customer loyalty through provision of products/services that exceed customers' expectation, translating into sustainable, profitable business – leading to industry growth.

In order to continue to strengthen customer centric culture among the ITOs, Malaysian Takaful Association (MTA), Life Insurance Association of Malaysia (LIAM) and PIAM (General Insurance Association of Malaysia) (abbreviated as 'Associations'), in collaboration and consultation with Bank Negara Malaysia (BNM) , took the initiative to publish an enhanced Customer Service Charter(Charter) in early 2018. A Customer Satisfaction Index (CSI) survey on ITOs services in 2H 2018. This is in line with Recommendation 5.2.7 of the Financial Sector Blueprint 2011-2020 to publish customer charters by all finance service providers (FSPs), with all processes in place for measuring performance against the published charter.

Publication of Customer Service Charter

Insurance/Takaful is a low customer interaction business. Despite continuous improvement effort by all ITOs, customer continued to give less favorable feedback on operation efficiency and customer service.

In view of these cumulative customer assessments that reflect higher quality of service among financial consumers, Associations introduced new Charter that focuses on service quality based on four main pillars that is in line with ITOs customer journey (Diagram 1), namely:

- Pillar 1: Insurance/Takaful Made Accessible
- Pillar 2: Know Your Customer
- Pillar 3: Timely, Transparent and Efficient Service
- Pillar 4: Fair, Timely and Transparent Claim Settlement Process

It reaffirmed ITOs commitment to observe industry wide acceptable standards on turnaround time for key service delivery phases, from providing sufficient channels to access ITOs, claim processing and complaint handling.

Diagram 1: Four Pillars of Customer Service Charter

Pillars	Insurance Made Accessible	Know Your Customer	Timely Transparent & Efficient Service	Fair, Timely & Transparent Claim Settlement Process
Key Outcomes	Engagement	Build Trust	Customer Satisfaction	Peace of Mind
Description	<p>Offer an active engagement model wherein customer is aware of:</p> <ul style="list-style-type: none"> ▪ Multi-channel options & accessibility for purchase and enquiry ▪ Where and how to provide feedback, suggestions and to complain 	<p>To understand a customer profile adequately which enables the insurers to:</p> <ul style="list-style-type: none"> ▪ Know & anticipate customer's needs ▪ Ask for requisite information and documents to best advise the customer ▪ Offer suitable products and services 	<p>Deliver a seamless service wherein customers are aware of:</p> <ul style="list-style-type: none"> ▪ Insurers' responsibilities toward customers. ▪ Expected service standard and time taken to deliver these services ▪ Where and how to obtain information required 	<p>Deliver a seamless claims processing and settlement experience wherein customers are aware of:</p> <ul style="list-style-type: none"> ▪ Procedures, documentation and steps including various options for first notification of loss in an event of a claim. ▪ Expected service standard for claims processing and specific time taken for each step within the claims processing stages. ▪ Various redress mechanism for unsatisfactory claims payment.

Source: Associations

The Customer Satisfaction Index (CSI) Survey

The CSI survey was conducted by The Nielsen Company (Nielsen) to assess ITOs consumers' expectations and actual experiences with insurance/takaful services against the standards set in the new Charter. Forty seven members of Associations with a significant size of retail insurance/takaful business participated in the survey. It is envisioned that this survey will take place once in every two years.

Objective of CSI Survey:

- Determine **customer engagement experience** created by ITOs
- Assess **service delivery level** in accordance to CSC
- Assess the **level of trust** between customers and insurance/ takaful industry
- Determine the level of **customer satisfaction** toward products and services offered
- Determine the level of consumer **peace of mind** toward insurance/ takaful products and services

Respondent's criteria for this survey are as follow:

- Policy holders who are also Life Assured in their policies
- Those who purchased insurance/subscribed takaful within past 24 months; OR
- Those who purchased insurance/subscribed takaful within past 24 months AND made claim within the same period of time. The claim case were closed with final decision are mutually accepted by company and claimant within same period, EXCLUDING cases which are still in negotiations, investigations and/or disputes.

Limitation of this study:

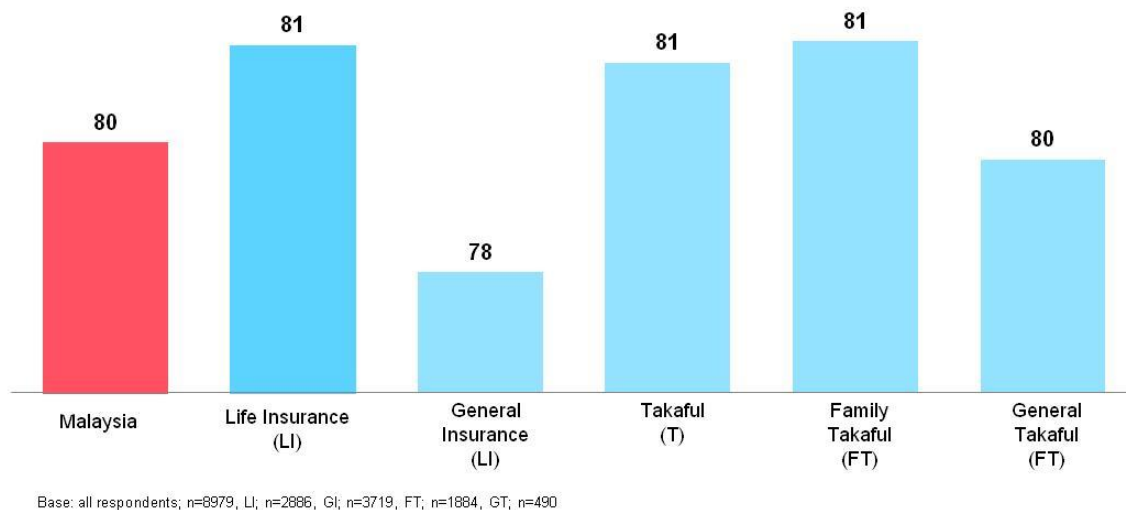
- Respondents' feedback may be formed by different experience by different ITOs across the sectors (i.e. Takaful, Life and General insurance).
- Differences on demographic representation and product volume of each ITOs are assumed to be not significant at individual ITOs level. This will be an area for further improvement in future survey.

Fieldwork for the survey took place between May to November 2018, covering a total of 8,952 respondents (targeted 200 respondents per Operators) across Malaysia. The CSI is measured on a scale of 0 to 100, assesses insurance/takaful customers' expectations and actual experiences on 16 indicators which build upon the four pillars of the new Charter.

Malaysia Insurance/Takaful Competitiveness

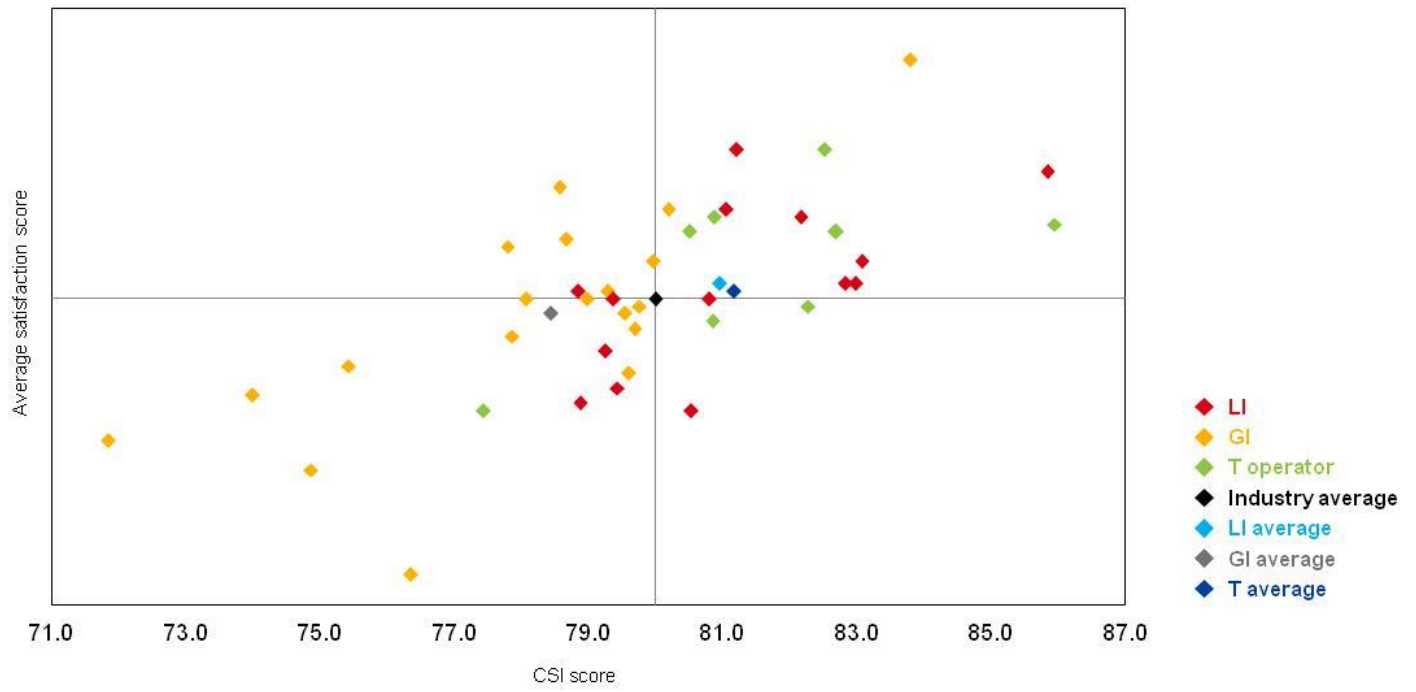
Against the global CSI benchmark for excellent insurance services at 85.0, the Malaysian insurance/takaful sector's CSI score for 2018 was 80.2 (Diagram 2), indicating satisfactory performance of the industry. The CSI score was driven by Life Insurance (LI) and Takaful (L) sector.

Diagram 2: Malaysia Insurance/Takaful Industry Customer Satisfaction Index (CSI)



Across individual ITOs, differences between the CSI scores were observed to be marginal among Life Insurance and Takaful operators, indicates close competition among these ITOs. However wider disparity was observed among General Insurance (GI) operators, ranging from 71.9 to 85.9, indicating a service efficiency gap among the top performers vs under performers among GI operators (Diagram 3).

Diagram 3: Competitiveness of ITOs based on CSI Score



Base: all respondents; n=8979, LI; n=2886, GI; n=3719, T; n=2374

Industry Performance by Key Performance Index and CSC Pillars

While the industry had performed relatively well on overall CSI score, Nielsen envisioned that the base score for satisfactory performance on key indicators (Diagram 4) to be 70.0. With this benchmark, the industry had performed relatively well on:

- Providing peace of mind (77.0), trust (75.0) and responsive services to customers
- Know Your Customer (KYC) by recommending right products (70.0) and overall service delivery (71.0)

On the other hand, area of improvement to be considered includes:

- Overall customer satisfaction (65.0)
- Provide wider accessibility of services (64.0), claim process (68.0) and complaint handling (54.0)

Diagram 4: Key Performance Index and CSC Key Pillars Performance

Key Performance Index



Performance By CSC Key Pillars

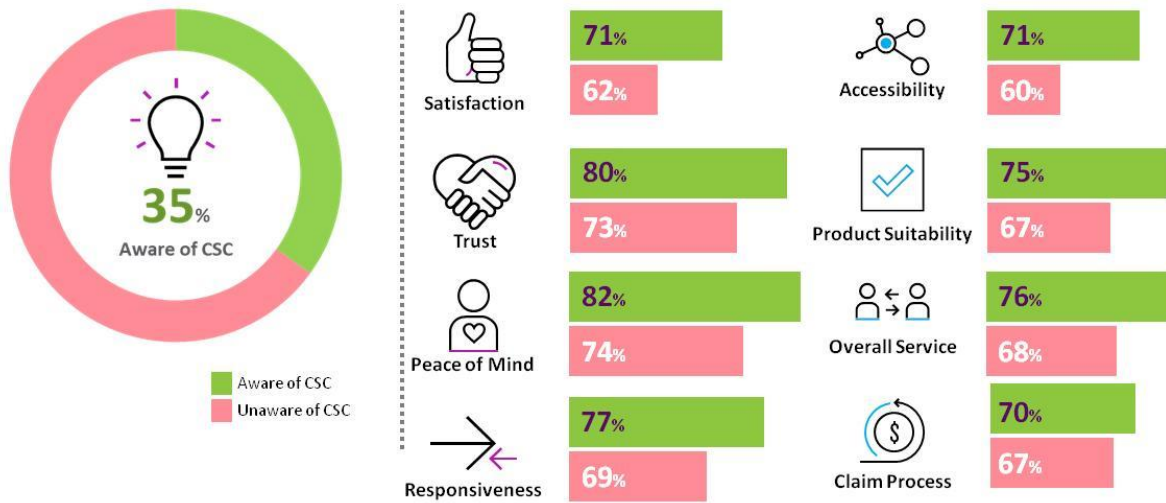


Base: all respondents; n=8979, LI; n=2886, GI; n=3719, FT; n=1884, GT; n=490

Customer Awareness on CSC

About one-third of respondents were aware of CSC (Diagram 5). These respondents who were aware of CSC reported significantly better customer experience, with higher score on all KPIs and Key Pillars Score compared to those who are not aware. The implication is that, consumer education on CSC is imperative to better manage their expectation and informing on service level that they deserved.

Diagram 5: Comparison Between Customer Who Are Aware/Not Aware on CSC



Base: all respondents; n=8979, aware of CSC; n=3143, unaware of CSC; n=5836

Overall Satisfaction Drivers

To understand further on drivers behind the customer satisfaction, we adopted Structural equation modeling (SEM), a combination of statistical techniques such as exploratory factor analysis and multiple regressions. The purpose of SEM is to examine 16 indicators within CSC relationships between one or more Independent Variables (IV) and one or more Dependent Variables (DV).

Two key themes emerged from top 5 factors (Diagram 6) that drive overall satisfaction from this analysis:

- Service efficiency especially on claim management (i.e. timely acknowledgement of claim submission and awareness of time of claim settlement)
- Personalized and professional interaction with customers (i.e. competent agents, staff understand and acknowledge the needs)

Diagram 6: Top 5 Drivers of Overall Satisfaction



Note: output based on Structural Equation Model

Identifying Areas of Strengths and Improvement

Based on the respondents’ feedback, areas that scored the highest on customer satisfaction were (Diagram 6):

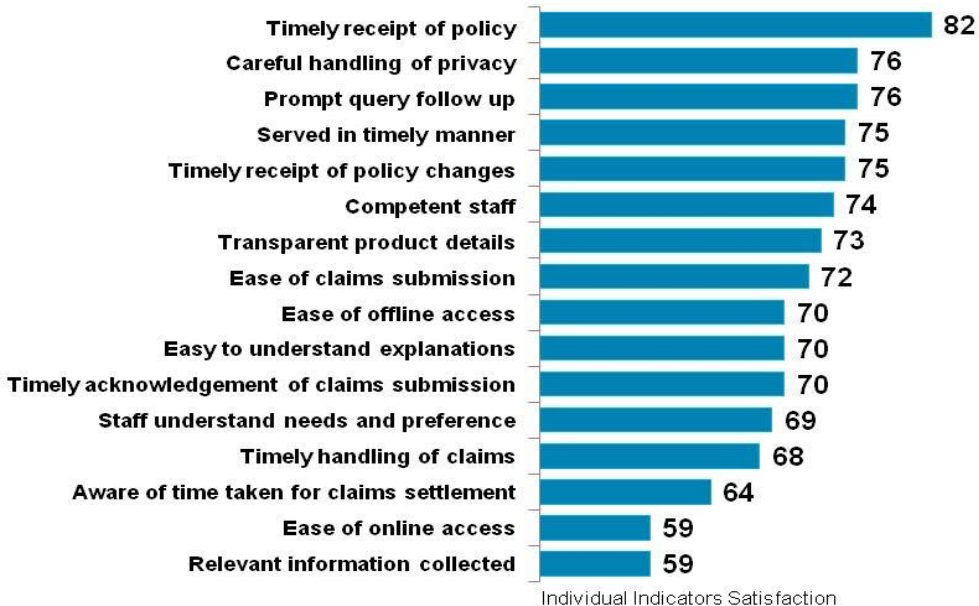
- Timely receipt of policy (82);
- Careful handling of privacy (76)
- Prompt follow up on query (76)

In contrast, areas which scored the lowest were:

- Relevant information collected (59);
- Ease of online access (59)
- Aware of time taken for claim settlement (64)

Despite the strength of the ITOs on service efficiency, it is mismatched with the top 5 satisfaction drivers of the industry. The industry need to identify and pursue collective measures that improve aspects of service quality that matters to customers. Concerted effort is needed to strengthen the claim process, at the same time, educating customers to manage their expectations on timing of claim settlement.

Diagram 7: Industry Performance of Satisfaction Indicators



Customer Experience – Satisfaction of Service Delivery Channels

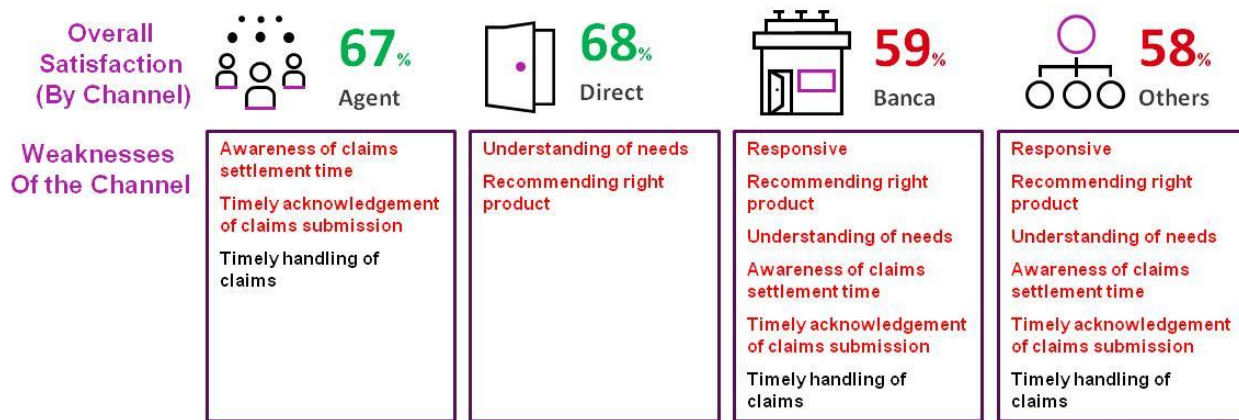
The CSI survey also sought to determine financial consumers’ experiences from various delivery channels provided by ITOs (Diagram 8).

The industry is continued to be driven by agents. While agents had performed well in the initial interactions (i.e. Pillar 1: Accessibility and Pillar 2: Know Your Customer), customer expect agents to take more proactive role and provide hand-on assistance on claim incidence.

Customers were reasonably satisfied with services provided through direct channels as activities in this channel are repetitive and transactional in nature

However, customers do expect a better service from bancassurance and other channels. This is due to perceived disjointed experience, where customers have limited clarity on responsibilities between banks and ITOs. Customers from other channels have reported similar experience.

Diagram 8: Overall Satisfaction and Weaknesses of Delivery Channel



*Top 5 satisfaction drivers

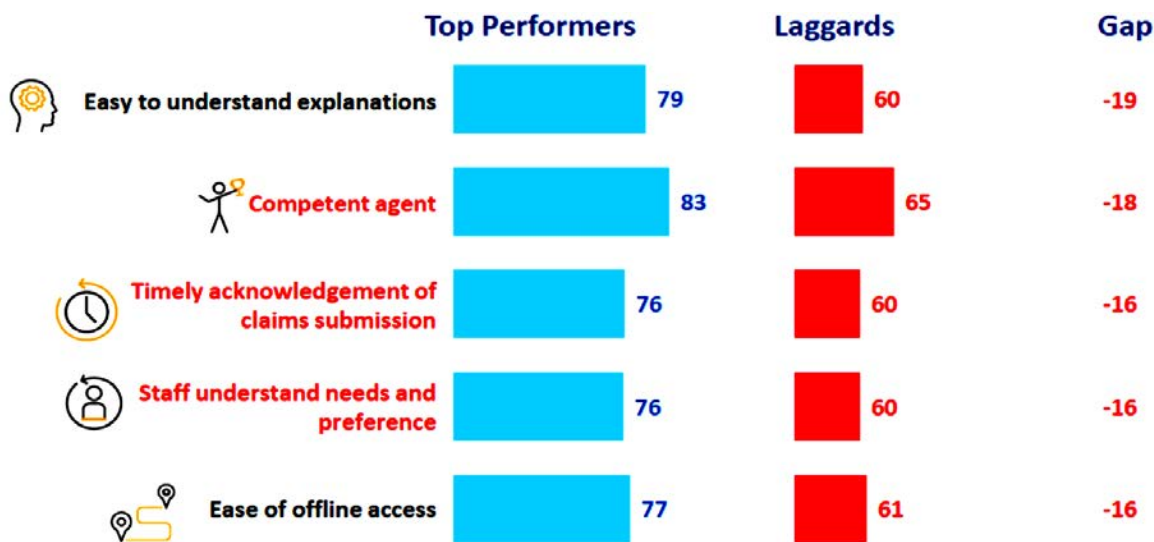
Comparison Between Top Performers vs Under Performers

It is interesting to note that top performers of the industry had outperformed significantly against the under performers on leading indicators and key drivers of satisfaction. Under performers need to strengthen their initial interaction with customers (Pillar 1: Accessibility and Pillar 2: Know Your Customer process) that forms perception on the company and key satisfaction drivers.

Insurance/ Takaful is a low interaction business where mundane touchpoints are the entire experience. As such, initial interaction and claim experience are the key opportunities to deliver superb customer experience. It is interesting to observe that top performers of industry create memorable peaks in experience on top of typical service delivery channels that strengthening customer engagement i.e. social media and events.

Thus, by addressing these satisfaction drivers and investment into initial interaction are likely to lead to higher levels of customer satisfaction and loyalty.

Diagram 9: Top Performers vs Under Performers on Leading Indicators of Satisfaction



Key Takeways

Feedback from the survey suggests a number of important implications for ITOs' strategies to improve service quality.

- **Increasing customer awareness on CSC is imperative to manage their expectations and improve satisfaction.** Customers who are not aware on CSC tend to set their expectations without reasonable understanding on various process and rational of actions/decisions by Operators will lead to lower satisfaction. As such it is necessary for the customers to be educated on the service level that they deserved.
- **Customers often view their experience as single journey, rather than single way phase-by-phase, step-by-step process.** To them, speed of service and resolution must go hand-in-hand with employees' professionalism and empathy. Thus, ITOs may need to establish cross-functional, multichannel customer experience as broad level priority
- Claim is the "moment-of-truth" for customer on insurance/takaful product. **A seamless claim experience will boost customer's confidence on the ITOs**, especially on timely acknowledgement of claim submission and awareness on time for claim settlement.
- The industry is still driven mostly by agent. By nature, insurance is a push-driven product/service that requires intense servicing especially during the initial contact with customer and claim. Thus, the industry need to **rethink and redesign agent's role as protection aggregator** and servicing customer needs, which is more than just a product distributor.
- **Top performers tend to outperformed on initial interaction with customers and key satisfaction drivers** (Pillar 1: Accessibility and Pillar 2: Know Your Customer process) that forms strong, positive perception on the company. By addressing these satisfaction drivers and investment into initial interaction are likely to lead to higher levels of customer satisfaction and loyalty.

Conclusion

The new Customer Service Charter and this CSI study aim to direct and sustain strong focus of ITOs on continuous improvement on service delivery to their customers. It is envisioned that the Charter serves to empower consumers and reaffirm ITOs commitment for meeting their service standards. Findings from this study offer valuable insights for ITOs to realign their execution strategies to exceed customers' expectation.

In view of disruptive innovations from non insurance/takaful industry, to deliver superior customer experience will require fundamental changes within the industry, which may go beyond the scope of CSC service delivery.

About Nielsen

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