INFLUENCE OF SERVICES FAIRNESS ON SERVICE QUALITY ON POLICY HOLDER'S SATISFACTION IN THE INSURANCE SECTOR IN CHENNAI CITY: AN EMPIRICAL STUDY

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Abstract

This research examined the influence of service fairness on service quality and the satisfaction of life insurance policyholders in Chennai's insurance sector. The research employed both primary and secondary sources to achieve its objectives. The data was collected from policyholders of multiple life insurance companies in Chennai. The study utilized a convenience sampling method. Direct communication was initiated with the life insurance policyholders on their visits to the insurers. A total of 400 questionnaires were issued. After excluding incomplete or inappropriate 39 questionnaires, the remaining 361 were considered complete and valid for analysis. The research indicated that the variables of service fairness—specifically Information fairness, Distributive fairness, Procedural fairness, and Interpersonal fairness—substantially affect the service quality of life insurance firms. The research demonstrated that the elements of service fairness favorably affect customer satisfaction.

Keywords: Life Insurers; service fairness, service quality, and customer satisfaction

INTRODUCTION

In the Indian insurance business, intense competition and rising customer expectations compel insurers to retain, recruit, and satisfy consumers consistently. The insurers acknowledge that customer retention is a sustainable competitive advantage for firms, a technique that rivals may find challenging to replicate (**Larsson, A., & Brostrom, E 2020**). Insurers respond to inquiries stemming from the evolving competitive environment by, among other tactics, increasing investments in IT-enabled services, prioritizing customer experience, and ensuring seamless service delivery. Insurance administrators must prioritize client convenience and service excellence while guaranteeing equitable and impartial services. Service encounters facilitate the exchange of value between customers and service providers, requiring clients to assess the fairness of these interactions (**Abdel**

Fattah et al., 2021). Their fairness evaluation significantly influences customers' perception of service providers and overall satisfaction. Insurance services require significant customer engagement, making it crucial to assess consumer perceptions of fairness, with most studies focusing on service quality. (**Sreedharan V, R., & Saha, R. 2021**). Marketing field scales have been devised and validated to assess service quality in the services sector (e.g., SERVQUAL) (**Parasuraman et al. 1985, 1988**) and SERVPERF (**Cronin & Taylor, 1992**). Consumers evaluate service impartiality and excellence, but service impartiality and quality are distinct concepts. Subpar service does not necessarily evoke feelings of injustice, while unjust service is likely deficient. (**Seiders & Berry 1998**). This study explores service equity in life insurance firms, focusing on service fairness, a customer's assessment of the fairness of a service firm's actions. (**Seiders & Berry, 1998**). A review of contemporary research on service fairness indicated that scholars have identified multiple elements of service fairness and have interpreted them in diverse ways. **Carr (2007)** The FAIRSERV scale, a four-dimensional instrument for assessing service fairness, was developed and expanded to various service contexts in the insurance sector.

REVIEW OF LITERATURE

Service fairness refers to how a client considers the conduct of a service firm to be equitable (**De Ruyter, K., & Wetzels, M. 2000**). Customers evaluate service encounters based on justice and impartiality, with partial and biased conduct leading to unfavorable perceptions. Following equity theory, understanding service fairness is crucial from the customer's perspective. (**Adams 1963, 1965**). Clients value equity in service interactions, seeking consistent, comparable treatment to other customers. They assess their experiences through this lens (**Carr, 2007**). Service fairness is a multidimensional service marketing concept encompassing informational, distributive, procedural, and interpersonal dimensions. FAIRSERV, a device by Carr, assesses fairness based on cognitive, affective, and behavioral responses. (**Cohen-Charash and Spector 2001**). Procedural fairness ensures uniform, impartial service provider rules, while interpersonal equity reflects care, esteem, and politeness in interactions. Fairness in information dissemination addresses customer concerns (**Greenberg, 1993**). On the contrary, prior research has documented various aspects of service fairness and posited that the dimensionality may vary substantially based on the service environment and culture. Additionally, research on insurance services has identified various dimensional structures of service impartiality (**Kwong et al., 2023; Giovanis et al., 2015).** Therefore, the multidimensional structure of service impartiality requires additional validation and research (**Chen et al., 2012**). Moreover, **Giovanis et al. (2015) and Carr (2007**) conducted additional research on the multifaceted aspect of service impartiality in various service sectors and countries with diverse cultures. Additionally, service impartiality in the Indian context has not yet been investigated. Therefore, this paper aims to investigate service impartiality concerning insurance services.

Service fairness and service quality

Service quality significantly influences consumer evaluations of service delivery, reflecting how well the service meets expectations. Although interconnected, service quality and impartiality are distinct concepts, with inadequate service often considered unjust.

Research shows a significant correlation between service impartiality and quality and concludes that positive service equity perceptions influence favorable service quality perceptions. Customers who perceive that a service provider treats them somewhat are more likely to positively evaluate the service quality, which refers to the overall level of excellence exhibited by the service.

Service fairness and customer satisfaction

A client's level of satisfaction is determined by the outcome of one or more interactions with customer service (**Yi, 1990**). Scholars have identified fairness as a crucial precursor to consumer satisfaction (**Dwidienawati, 2018; Ebrahimi et al., 2016; Zhu & Chen, 2012**). **Oliver and Swan (1989**) suggested that perceived justice plays a crucial responsibility in assessing customer satisfaction and, when combined with the expectancy disconfirmation paradigm of service quality measurement, can improve the ability to predict customer satisfaction. However, only two studies (**Ebrahimi et al., 2016; Narteh, 2016**) have studied the impact of service fairness on customer satisfaction in the insurance context.

PROBLEM OF THE STUDY

Policyholder satisfaction is crucial for business success and customer retention in the insurance sector. However, providers face challenges due to service fairness and quality concerns. Policyholders often experience dissatisfaction due to unfair treatment, delayed claim settlements, hidden charges, and lack of transparency, negatively impacting satisfaction and loyalty. Furthermore, service quality, which includes reliability, responsiveness, assurance, and empathy, significantly influences how policyholders perceive their overall experience with insurers. Poor service quality often results in policy lapses, reduced customer retention, and negative word-of-mouth, further challenging the sustainability of insurance companies. In Chennai City, where the insurance sector is witnessing rapid growth and increased competition, understanding the interplay between service fairness, service quality, and customer satisfaction becomes essential for insurance companies to differentiate themselves. However, empirical evidence examining the direct impact of service fairness on service quality and how these factors collectively shape policyholder satisfaction remains limited. This study aims to bridge this gap by empirically assessing the influence of service fairness on service quality and its subsequent impact on policyholders' satisfaction in Chennai City's insurance sector. By analyzing policyholders' perceptions, the study provides insights to help insurance providers enhance their service strategies, improve customer relationships, and foster long-term customer loyalty.

OBJECTIVES OF THE STUDY

1. To examine the influence of service fairness on the service quality of life insurers in the study region
2. To assess the impact of service fairness on customer satisfaction in the life insurance sector in the study area
3. To evaluate the relationship between service quality and customer satisfaction among life insurance policyholders in the study region

HYPOTHESIS OF THE STUDY

1. Service fairness positively influences the service quality of life insurers in the study region.
2. Service fairness positively influences customer satisfaction in the study area.

3. Service Quality positively influences customer satisfaction in the study area.

RESEARCH METHODOLOGY

The research evaluated the impact of service fairness on policyholder satisfaction in the insurance sector. The study also proposed attempts to test the proposed relationship between service fairness, service quality, and customer satisfaction. To accomplish this, a structured questionnaire integrating the measures for the aforementioned constructs was devised. **Carr (2007) and Chen et al. (2012)** implemented the service parity scale. Fifteen statements about four distinct dimensions were incorporated: information fairness, distributive fairness, procedural fairness, and interpersonal fairness. To determine the

ANALYSIS AND INTERPRETATION

perception of customers toward overall service quality, a 3-item measure of service quality was adopted by **Roy et al. (2016)**. Customer satisfaction was calculated using a 4-item scale adopted by **Gumussoy and Koseoglu (2016)**. Each statement was evaluated using a five-point Likert scale ranging from "SA=5" to "SDA=1." The information was gathered from policyholders of various life insurers in Chennai. The study used a convenience sampling method involving life insurance policyholders. After distributing four hundred questionnaires, 361 were considered valid, resulting in a 96.6% response rate, confirming primary constructs. Additionally, demographic information of respondents was collected. A sample profile is shown in Table 1.

Table 1
Demographic Profile of Policyholders   *(n=361)*

Category	Description	Frequency	Percent
Gender	Male	221	61.2
	Female	140	38.8
Age	Up to 30 years	118	32.7
	31-40 years	108	29.9
	41-50 years	88	24.4
	>50 years	47	13.0
Marital status	Married	251	69.5
	Unmarried	110	30.5
Educational Qualification	Up to HSC	32	8.9
	UG	122	33.8
	PG	86	23.8
	Professional	121	33.5
Annual Income	Up to Rs.5.0 Lakhs	70	19.4
	5.1 - 7.50 Lakhs	103	28.5
	7.51 - 10.0 Lakhs	86	23.8
	>10.0 Lakhs	102	28.3
Occupation	Salaried	120	33.2
	Business	94	26.0
	Professional	101	28.0
	Self-Employed	46	12.7

The study reveals that most life insurance policyholders are male (61.2%), with younger age groups being more proactive in securing insurance. Marital status is 69.5%, with married individuals more likely to invest in life insurance to ensure future security. Educational qualifications are significant, with 33.8% holding an undergraduate or postgraduate qualification and 33.5% possessing a professional qualification. Income levels are evenly distributed, with

middle-to-upper-income individuals making up a significant portion of life insurance policyholders. The occupational distribution is dominated by salaried employees (33.2%), followed by professionals (28.0%), business owners (26.0%), and self-employed individuals (12.7%). These demographic insights can help life insurance providers tailor their marketing strategies and policy offerings to cater to consumer segments.

Structural Equation Modelling

The paper proposes to assess the influence of service fairness on service quality on policyholder satisfaction in the

insurance sector in Chennai city: An empirical study. The research employed Smart PLS software version 4.0 for model evaluation.

Table – 2: Model fit measures

| Parameters	Saturated model	Estimated model
SRMR	0.081	0.088
d_ULS	2.301	2.723
d_G	0.824	0.872
Chi-square	2242.37	2299.226
NFI	0.676	0.668

Structural Equation Modeling

For SEM estimation and hypothesis testing, the PLS was utilized. Figure 3 exhibits the graphical representation of the structural model evaluation. The bootstrapping method was utilized to examine the study's effect and hypotheses. Findings of SEM presented in Table 5 show that the results indicated that service fairness has a significant and positive

impact on CS (t = 2.860 & p-value= <0.001); hence, H1 is accepted. Furthermore, findings revealed that service fairness has a significant and positive relationship with service quality (t = 20.599 & p-value=<0.001), and H2 is accepted. SQ is also significantly and positively related to customer satisfaction, and H3 is accepted.

Table-3
Hypothesis Results

Hypotheses	Original sample (O)	Sample mean (M)	SD	t- value	p-value	Inference
Service Fairness -> Customer Satisfaction	0.388	0.388	0.05	7.724	<0.001**	H1: Supported
Service Fairness -> Service Quality	0.683	0.685	0.033	20.599	<0.001**	H2: Supported
Service quality -> Customer Satisfaction	0.462	0.463	0.045	10.178	<0.001**	H3: Supported

Figure2
Structural Model Assessment
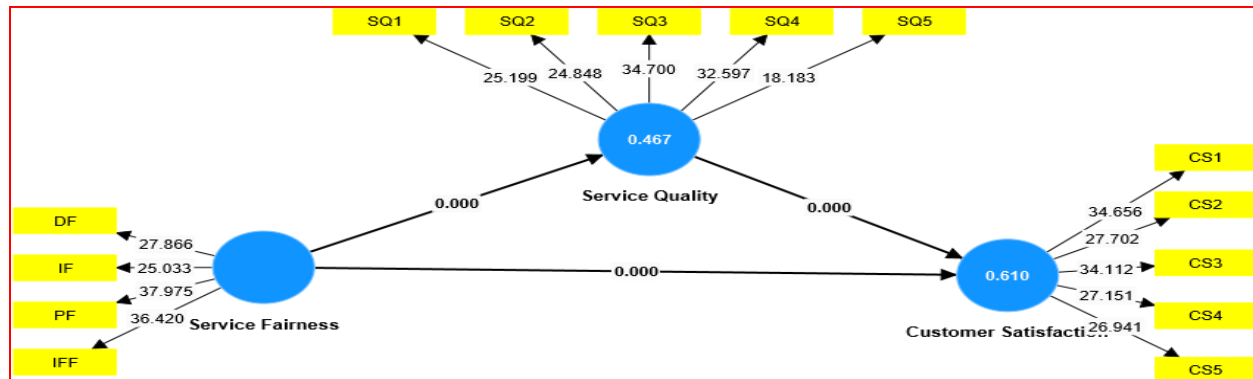
DISCUSSION AND IMPLICATIONS

The paper examines the impact of service fairness on policy holder's satisfaction in the insurance sector. This paper makes a scholarly contribution to service fairness by verifying the service fairness framework. This constitutes a significant theoretical contribution made in the paper. The hypothesized associations in the theoretical model were tested using structural equation modeling. The results indicated that service fairness significantly and strongly influences service quality and customer satisfaction. Previous studies have reported that service fairness strongly influences service quality (Carr, 2007; Zhu & Chen, 2012; Giovanis et al., 2015; Su et al., 2016) and customer satisfaction (Zhu & Chen, 2012; Fu, 2013; Hassan et al., 2013). These relationships are confirmed within the context of insurance services by the findings of this article. Moreover, this discovery validates the service fairness scale's nomological soundness. The paper additionally investigates the effect of the individual fairness dimension on service quality and client satisfaction, which is an important theoretical contribution. Distributional and interpersonal equity emerged as significant determinants of service quality among the four dimensions. Further, all four service fairness dimensions significantly impacted customer satisfaction. This is consistent with the findings of Wei and Lian (2015).

MANAGERIAL IMPLICATIONS

This paper highlights that insurers who provide equitable service are perceived as superior quality providers, highlighting the influence of fair customer treatment on service quality assessments. (**Giovanis et al., 2015**). The perceived fairness of service provider-consumer interactions positively impacts customer happiness. Insurers should use objective and equitable service delivery methods to create a positive perception of service quality and satisfaction. Staff interactions with clients are crucial for service marketers. Distributional and interpersonal equity are critical factors influencing service quality. Human interaction is vital for insurance services, and staff demeanor and communication can enhance consumer views of impartiality. Service fairness significantly influences consumer satisfaction, with interpersonal fairness being the most influential factor. Positive feelings arise when insurance business staff demonstrate attention, respect, and honesty. (**Ebrahimi et al., 2016**).

Customer satisfaction is influenced by distributive equity, procedural fairness, and the accuracy of service delivery. Dissatisfaction arises when services are biased or unfairly administered. Proper information about costs, insurance policies, and operational procedures increases satisfaction. Maintaining consistency and fairness across various jobs prevents dissatisfaction and irritation.

CONCLUSION

The present paper proposes to assess the influence of service fairness on service quality on policyholder's satisfaction in the insurance sector in Chennai city: An empirical study. The findings of this study provide empirical evidence supporting the significant influence of service fairness on service quality and customer satisfaction in the insurance sector of Chennai City. The results indicate that service fairness positively impacts customer satisfaction, as demonstrated by a strong path coefficient and a high significance. This suggests that when policyholders perceive fairness in service delivery, including transparency in policy terms, equitable treatment, and claim settlements, they are more likely to exhibit higher satisfaction levels. Additionally, the study confirms that service fairness has a strong and positive impact on service quality, with the highest path coefficient and significance. This finding highlights that those fair practices, such as ethical dealings, unbiased customer interactions, and consistency in service execution, enhance the perceived quality of services among policyholders. When insurers maintain fairness in their operations, customers experience improved reliability, responsiveness, and overall service efficiency. Moreover, the relationship between service quality and customer satisfaction is positive and significant, reinforcing that higher service quality leads to greater satisfaction among policyholders. This implies that service elements such as responsiveness, assurance, empathy, and reliability are crucial in shaping policyholders' satisfaction levels. Insurers who focus on delivering superior service experiences can foster positive customer perceptions and long-term loyalty. Overall, the study underscores the importance of service fairness and quality as key drivers of customer satisfaction in the insurance sector. The findings suggest that insurers should prioritize fairness in their service strategies to enhance service quality and, in turn, improve customer satisfaction. Insurance providers can strengthen customer trust, satisfaction, and retention by implementing transparent policies, streamlining claim processes, and ensuring consistent service delivery.

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