Influence of Corporate's Image and Service to Loyalty of Life Insurance Policy Holders in Indonesia

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Abstract

A life insurance company is a non-banking financial service company which customers must hold the life insurance policy. It is necessary for the company running the business in service such as life insurance company to take into account the corporate's image, product quality, service, trust and loyalty factors. The problem encountered in Indonesian life insurance world is among others high lapse rate during the insurance contract term, the sale of the policy during the insurance contract term. The hypothesis in this research are (1) How the corporate's image, service and loyalty of the life insurance policy holders in Indonesia are, (2) How the influence of corporate's image and service is to loyalty both partially and simultaneously.

The research is conducted through the questionnaire disseminated to 400 respondents from 5 (five) life insurance companies in DKI Jakarta territory. This research testing applies Structural Equation Model (SEM), therefore it can be described based on full model structural modification (standardized) and full model structural modification (T Value).

The findings of this research indicate that the corporate's image is considered high and the service is considered averagely satisfying. However, this research also informs that partially the corporate's image does not significantly affect the loyalty, while the service has significant influence to loyalty. Meanwhile it is proven that simultaneously the corporate's image, and service significantly affect the loyalty.

The conclusion of this research is that the corporate's image does not has influence to the loyalty. And it is proven that the simultaneous research result namely the variables of corporate's image and service influence significantly the loyalty.

Keywords: *Corporate's Image, Service, Loyalt*

Introduction

The development of insurance in Indonesia cannot be separated from the national economic growth supported by the growth of investment sector periodically escalating positively in some recent years. Meanwhile on the other side the growing investment climate will enhance the business world requiring the life insurance protection especially for the employees.

Based on the Insurance Affairs Statistic Data of 2013 issued by Financial Service Authority (OJK) that the number of life insurance companies holding the operation license in Indonesia are 51. The prospect of life insurance industry and general insurance in Indonesia is relatively stable. It is supported by the Indonesian economy which grows and develops from time to time. Indonesia is the fourth most populous country in the world, therefore the insurance industry in Indonesia particularly individual life insurance is very potential to be developed in the future.

Insurance industry sector business progress has not indeed yet contributed to Indonesian economy. The premium income from life insurance sector in the last 5 years (2010-2014) is presented in the following table:

Table 1
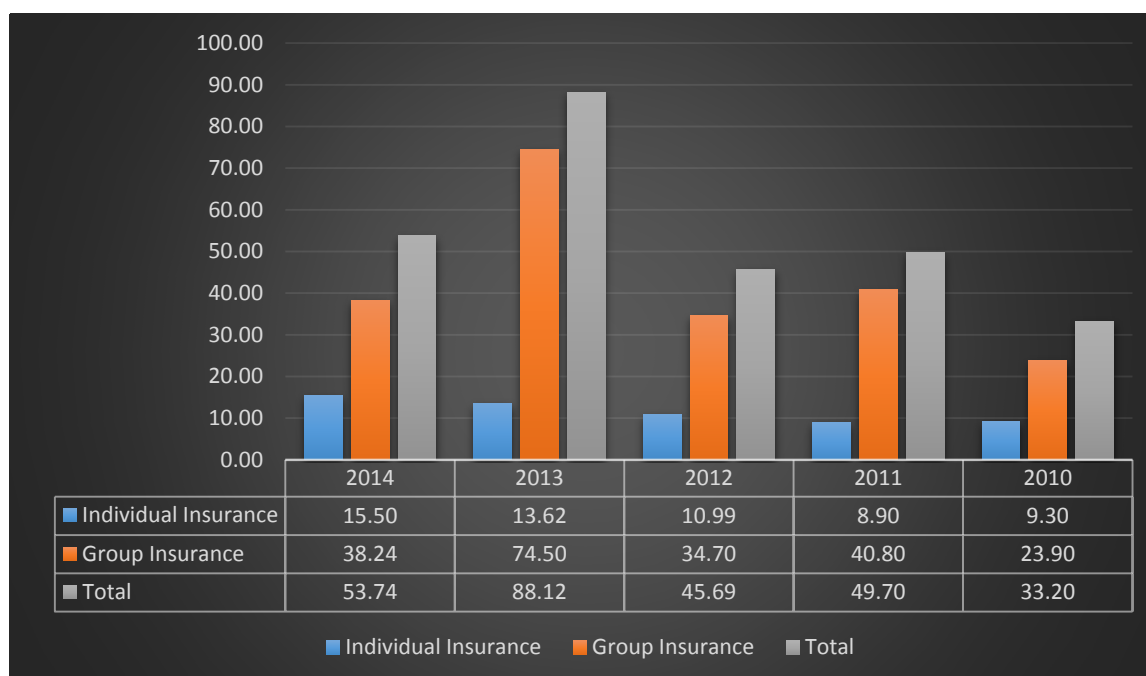**Life Insurance Premium Income of 2010-2014**
(In Trillion Rupiah)

Description	2014	2013	2012	2011	2010
Premium Income	167.76	113.93	107.73	94.43	75.98

Total life insurance policy holders can be categorized into 2 (two) groups namely individual and group life insurances. The number of life insurance policy holders of 2010-2014 is presented in the table as follows:

Table 2
Number of Life Insurance Policy Holders of 2010-2014
(In Million)

Policy Holders	2014	2013	2012	2011	2010
Individual Insurance	15.50	13.62	10.99	8.90	9.30
Group Insurance	38.24	74.50	34.70	40.80	23.90
Total	**53.74**	**88.12**	**45.69**	**49.70**	**33.20**

The number of the life insurance policy holders in Indonesia is graphically indicated in the graph below:

	2014	2013	2012	2011	2010
■ Individual Insurance	15.50	13.62	10.99	8.90	9.30
■ Group Insurance	38.24	74.50	34.70	40.80	23.90
■ Total	53.74	88.12	45.69	49.70	33.20

Graph 1.

Number of Life Insurance Policy Holders 2010 - 2014

It is proven that in period 2010-2014 not all policies were in force actively it being understood the lapsed policies were the new, inforce and lapsed ones.

Table 3
Total Lapsed Policies and Policy Redemption
Individual Life Insurance Policy (Asper) of 2010 – 2014
(In million)

Policy Holders	2014	2013	2012	2011	2010
1. New Policy	15,50	13,62	10,99	8,90	9,30
2. Lapsed Policy	3,98	3,41	2,58	2,20	1,95

3. Policy Redemption	2,36	1,97	1,51	1,15	1,16
Total	**9,16**	**8,24**	**6,90**	**5,75**	**6,19**

Source: Processed Life Insurance Association (AAJI)

Based on the information the researcher gathered, from both some insurance companies, Indonesian Life Insurance Association (AAIJ) and data from Financial Service Authority (OJK), not all policy holders are willing to pay the premium until the expiration of insurance contract.

There is an interesting phenomenon namely the preliminary research resulted in the general description on the corporate's image, product quality, service, trust and loyalty of the life insurance policy holders in the territory of Jakarta and its surroundings, as indicated in table 5 below.

Table 5
Perception of Policy Holders To The Corporate's Image, Product Quality, Service, Trust and Loyalty of the life insurance policy holders in the territory of DKI Jakarta of 2015
(Preliminary Survey on 100 Respondents)

Variable	Very Satisfied	Satisfied	Quite Satisfied	Not Satisfied	Highly Not Satisfied
Corporate's Image	3%	7%	25%	55%	10%
Service	3%	7%	15%	65%	10%
Loyalty	0%	3%	7%	75%	15%

Source: Processed Life Insurance Association (AAJI)

The description of the preliminary survey result indicates that the corporate's image, service and loyalty had not been taken into account by the life insurance companies in the territory of DKI Jakarta in particular and Indonesia in general because it was still dominated by the not satisfying and very unsatisfying factors which averagely reached 65%. The research problem here is namely 1) How the corporate's image, service and loyalty of the life insurance policy holders in Indonesia are, 2) How the influence of the corporate's image and service is to loyalty both partially and simultaneously.

Based on the phenomenon of this preliminary research results, the researcher intends to conduct a deeper research and more thoroughly on the influence of the corporate's image and service to loyalty of the life insurance policy holders in Indonesia.

Research Method

Based on the identification, formula, objective of research as well as frame of reference, the research method applied is descriptive one namely preparing a description, image or illustration systematically, factually and accurately on the facts, characters as well as the relation between the phenomenon investigated. The data is collected using the questioner technique from the life insurance policy holders as the respondents, and analysis technique using Structural Equation Modelling (SEM) to the investigated variables.

The application of SEM as the analysis instrument is based on two main reasons namely:
   a)   SEM is able to test the complex and complicated research model partially and simultaneously
   b)   SEM is able to analyze the unobserved variables and considers the measurement level error.

The data obtained and the respondents made as the research samples through the questioners disseminated will be analyzed using SEM based on LISREL 9.10 program. This program showed the structural problem measurement, and used to test the hypothesis model. The Structural Equation Modeling (SEM) has the main characteristic differing it from other multivariant

analysis technique. There is multiple dependence relationship estimation in SEM. It is also possible for SEM to represent the unobserved concept in the existing relationship and consider the measurement error.

The operational variables in this research are:
a)   Free (independent) variable namely corporate's image (X1), (X2) and Service
b)   Intervening (dependent) variable namely loyalty (Z).

The source of data is primary one obtained from the respondents of 5 (five) life insurance companies considered being able to represent the large, medium and small scales life insurance companies.

Table 6

Sample of Life Insurance Policy Holders in Territory of

DKI Jakarta of 2011-2014

No	Life Insurance Company	Remarks	Total Sample
1	AJB Bumiputera 1912	3.608.171/7.040.044 x 400	**205**
2	PT. As Jiwa Sraya (Persero)	1.312.725/7.040.044 x 400	**75**
3	PT. Prudential Life Assurance	1.207.729/7.040.044 x 400	**69**
4	PT. BNI Life Insurance	480.132/7.040.044 x 400	**27**
5	PT. Zurich Topas Life	431.287/7.040.044 x 400	**24**
	Total		**400**

Source: OJK Insurance Affairs Statistic of 2014 (processed)

Result and Discussion

Based on the research analysis and study, it is concluded some results of research and discussion as follows:

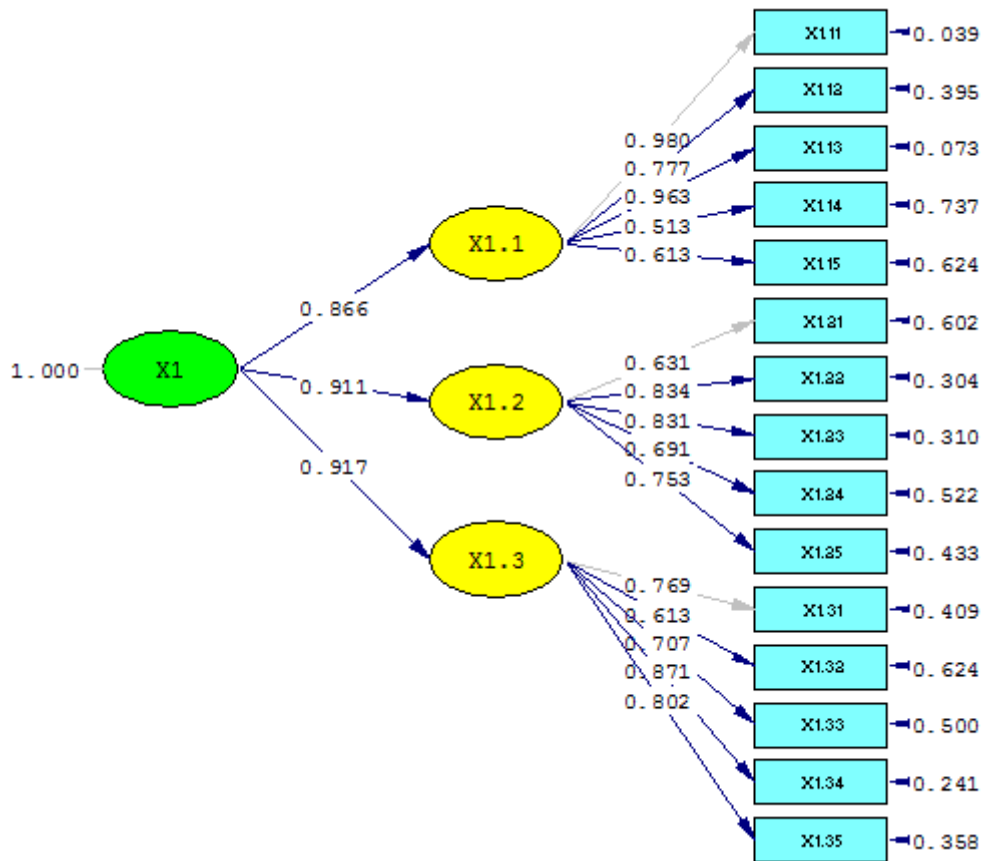1.   Variables of Corporate's Image

Figure 1
Confirmation Testing of variable of Corporate's Image (Standardized)

The loading factor result indicates that all dimensions of the corporate's image consisting of the company performance, company reputation and social responsibility have the loading factor above 0.5 therefore it can be concluded that each dimension of the corporate's image is already valid as the measuring devices of the variable of the corporate's image.
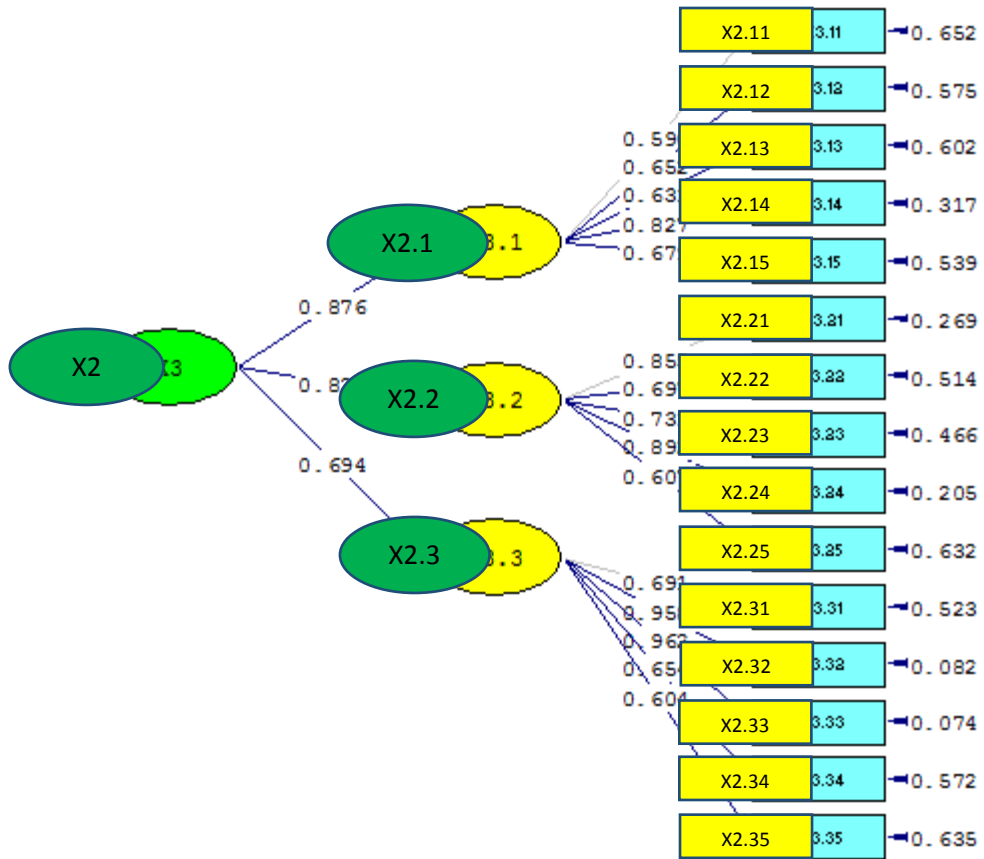

2. Variable of Service

Figure 2

Confirmation Testing of variable of Service (Standardized)

The loading factor result indicates that variable of Service (X2) has the sincere intention, responsiveness and empathy, all of them have the loading factor above 0.5 therefore it can be concluded that each indicator is already valid as the measuring devices of the variable of Service.
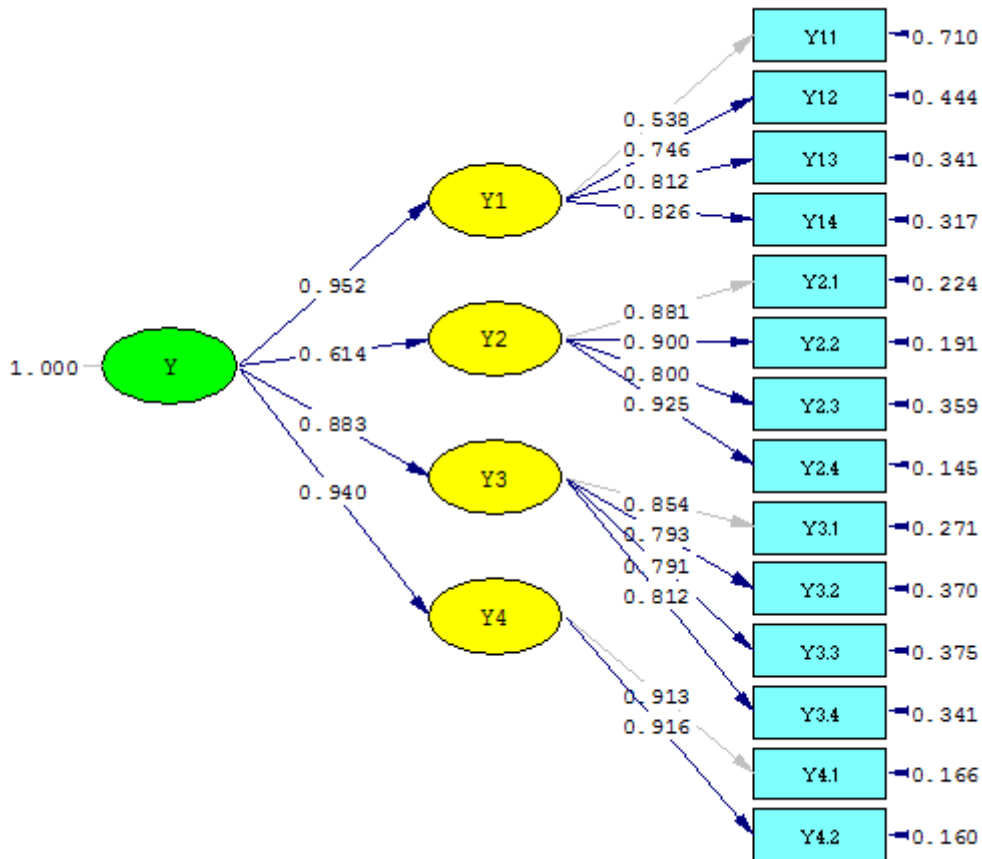
3.   Variable of Loyalty

Figure 3
Confirmation Testing of variable of Loyalty (Standardized)

loading factor result having the taking new product dimension is not affected, recommending and defending, all of such dimensions have the loading factor above 0.5 therefore it can be concluded that each indicator is already valid as the measuring devices of the variable of Loyalty.

The influence of the variable of the corporate's image and service to loyalty on line coefficient can be indicated as follows:

Table 7

Summary of estimated result of the Line Coefficient and Statistic Testing

Substructure	Relation	Line Coefficient	T-value	R-square
Variable	X1 → Y	0,092	1,621	0.485
	X2 → Y	0,201	2,979	

Source: Primary Data Processing Result (2017)

1. The research result indicates that the corporate's image does not partially affect significantly the loyalty.
   That from the line coefficient calculation it can be known that the line coefficient value of Corporate's Image (X1) to Loyalty (Y) is 0.092 with positive direction, it being understood that the higher or the better the Corporate's Image (X1), the

Loyalty (Y) will increase. From the $t_{calculate}$ value, the variable of Corporate's Image (X1) is 1.621, lower than t_{table} (1.96) because $t_{calculate}$ value (1.621) is lower than t_{table} (1.96). It indicates that the corporate's image variable affects insignificantly the loyalty. It is proven that this research result is not in line with the previous research. The previous one conducted by Cengiz and Ayidin in Turkey in 2007 titled: *Effect and Image and Advertising Efficiency on Customer Loyalty and Antecedents of Loyalty*, Turkies Bank Sample, indicates that the image of bank customers affects significantly the bank customer's loyalty. Likewise, the result of the research of Thomas A. Brunner, Markus Sochklin & Klaus Opwis titled *Satisfaction, Image and Loyalty: New Versus Experienced Customers* in 2008 to the railway passengers in Switzerland indicates that the image of railway passengers partially affects significantly the loyalty.

2. Based on the test result it can be concluded that partially there is significant influence of Service to Loyalty.
The line coefficient calculation indicates that the line coefficient value between the Service (X2) and Loyalty (Y) is 0.201 with positive direction. It means that the higher or the better the Service (X3) is, the Loyalty (Y) will increase. It indicates that the $t_{calculate}$ value of Service (X2) is 2.979, higher than t_{table} (1.96) because $t_{calculate}$ value (2.979) is higher than t_{table} (1.96). It is in line with the value of the research conducted by Serkan Aydin and Gokhan Ozer in Turkey in 2005 titled: *The Analysis of Antecedents of Customer Loyalty and The Turkies Mobile Telecommunication Market,* that the research result indicates that the service influences the loyalty of HP users in Turkey. The research conducted by Macaulay and Sarah Cook in 2007 titled How to improve your customer in Department Store results in the study that the service affects the loyalty.

3. Based on the testing result it can be concluded that simultaneously the Corporate's Image (X1) and Service (X2) significantly influence the Loyalty (Y). The research calculation indicates that simultaneously the influence of the Corporate's Image and service to loyalty is 0.485 or 48.5%, it being understood that this influence is significant to loyalty variable. Meanwhile the remaining is 51.5% affected by other factor for example product type, trust and so forth.

Conclusion and Suggestion

A. Conclusion

Based on the analysis and study as well as discussion already described, it can be concluded in this research result as follows :

1. From the preliminary survey most of the policy holders are not satisfied to the Corporate's Image, service and the loyalty.
2. The summary of estimated result of the line coefficient and statistic test it indicates that partially the variable of corporate's image has insignificant influence to loyalty.
3. The influence of Service (X2) variable partially gives significant influence to loyalty (Y).
4. The research result indicates that the Corporate's Image (X1) and Service (X2) simultaneously give significant influence to loyalty (Y).

B. Suggestion

Based on the analysis and study as well as the discussion as mentioned above, it is suggested as follows:
1. The academic societies who will conduct the research to the life insurance policy holders should add and or substitute the research variable to give better meaning and definition both for the knowledge in particular and for the life insurance science in general.

2. It is necessary for the practitioners in life insurance to really understand that the life insurance companies are those running the business in non-banking financial service therefore the matters related to the primary service speed is complete, it being understood that the best service must be provided for the customers before they become the policy holders, and after becoming the policy holders scale of priority should be given in handling them.

3. The practitioners in life insurance must give the policy holders the rights and obligations as contained in the general and special policy requirements.

4. Create the policy holders' loyalty by improving the corporate's image, service and trust for them on the life insurance products, because it is their loyalty which will make the life insurance company bigger and more advanced in the future.

5. Exercise the rights of the policy holders faster, appropriately and properly for example the timely payment of claim to the policy holders and no deduction whatsoever thereby the policy holders will receive their whole intact rights.

6. It is necessary for the practitioners of life insurances to design the anti-lapsed life insurance product therefore the insurance policy will always be in force throughout the insurance contract.

7. It is necessary for the practitioners of life insurances to design the multi-purpose product having the elements of risk-transferable, investment, hospital expenses and happy pension period.

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