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Understanding Customer Satisfaction in the General Insurance Industry: A Theoretical Perspective

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Abstract

In a more competitive, digitally advanced and trust-poor market, customer satisfaction has become a key performance measure in general insurance. Unlike goods business, general insurance is intangible: its customers gauge it based on many indirect factors, including service, claim settlement experience, communication, and pricing transparency, and digital convenience. This article reflects the theoretical analysis of customer satisfaction in the service of general insurance and the various models of service quality like SERVQUAL, expectancy disconfirmation paradigm and service profit chain along with the latest findings from the Indian and international markets. The article explores the factors that drive policyholder satisfaction, highlights the performance gap between public and private sectors, explores the role of insurtech and digital transformation, and addresses some of the challenges that continue to exist in the sector, including claim settlement delays, premium predictability, and lack of trust. The review concludes that service quality, clear claims processes and a digital responsiveness are all integral elements of sustainable customer satisfaction, loyalty and competitive edge for general insurers.

Keywords: Customer satisfaction, General insurance, Service quality (SERVQUAL), Claims settlement, Insurtech, digital transformation

1. Introduction

General insurance, which covers other non-life insurance risks, such as motor, health, fire, marine and property insurance, sits in a special position in the services sector. It is selling what is called a promise, not a physical product; and only when a claim is made is it tested. The so called ‘moment of truth' in insurance is postponed and unclear and the customer satisfaction is highly reliant on perception and trust and on the quality of interactions that have accumulated long before any insurance claim is made. Insurers around the world are increasingly facing competitive, deregulated, and technologically driven insurance markets, making it more important than ever to understand what influences policyholders to be satisfied.In a more competitive, deregulated, and technologically mediated world of insurance, the drivers of policyholder satisfaction have become a focal point of insurer strategy, regulatory policies, and academic research.

Customer satisfaction is not just a marketing metric, it has a close link with policy renewal, cross-selling, word of mouth referral, brand equity and profitability. This is consistent with past evidence: JD Power's 2024 studies showed that customers who were strongest on Trust of their Commercial Insurer were almost 180 points more satisfied (on a 1,000-point scale) than the average customer, and were significantly more likely to renew and recommend their carrier (JD Power, 2024a). The same was true with auto insurance, where trust (over price) proved to be the most significant factor in loyalty and advocacy (JD Power, 2024b). Meanwhile, premium increases, longer claim delays, and cold, digital communication remain a challenge for many markets (Insurance.com, 2026).

The aim of this article is to conduct a theoretical analysis of Customer Satisfaction in the field of General insurance. This combines classic service-marketing theory and recent empirical research to develop a conceptual framework for the formation of satisfaction, the role of satisfaction drivers and the possible strategic actions of insurers. The key topics covered in the discussion include: theoretical foundations of satisfaction, determining factors of general insurance, the comparative experience of public and private sector insurers, and the role of digital technology and insurtech in transforming insurers.

2. Conceptual Understanding of Customer Satisfaction

Customer satisfaction is a very general term that refers to how well a product or service's performance compares to or meets customers' expectations. For services marketing, satisfaction is defined as an evaluative judgment made after consumption, which is separate from but closely related to service quality. Service quality is a customer's general judgment of a firm's level of excellence or superiority, whereas satisfaction is more transaction specific and cumulative, a feeling caused by the ups and downs of a customer's experiences in the firm's service offerings (Cronin & Taylor, 1992).

This is especially true in insurance, where customers make satisfaction decisions on several points: at the time of sign up and onboarding, when they are paying their premiums, renewing their policies, experiencing issues with queries, and when they make claims. Satisfaction during the ‘non-claim’ period is more about the quality of communication, ease of access digitally and the fairness of pricing, whereas satisfaction at the claims stage is more about speed of response, transparency and what has been achieved compared to expectations.

3. Overview of the General Insurance Industry

The non-life covers include general insurance products like motor, health, property, fire, marine, liability and travel insurance. In general, the industry has seen premium growth in markets around the world, while losing some ground to traditional and insurtech players. The climate-related claims, inflation in repair and medical costs, and increased customer demands, stemming from retail and banking experiences provide structural pressure for markets as well (Zhai et al., 2024). Public-sector and private-sector general insurers exist simultaneously in some markets, such as India, which affords a natural opportunity for comparison of service quality and satisfaction outcomes, as both are regulated in similar ways, but may have different service cultures, technology adoption and responsiveness (James & Kavitha, 2026).

4. Theoretical Frameworks of Customer Satisfaction

4.1 The SERVQUAL Model

As pointed out by Parasuraman, Zeithaml, and Berry (1988), the SERVQUAL instrument is the most widely used tool to measure service quality and satisfaction. It defines service quality as the difference between the customer's expectation and perception based on the five dimensions of service: Tangibles, Reliability, Responsiveness, Assurance and Empathy. A number of studies in the insurance industry have shown that many policyholders attribute reliability and responsiveness – which means that insurers are fulfilling their obligations in an accurate and timely manner – as the most defining factors in their satisfaction with insurance services (Przybytniowski, 2023; Bențe, 2021).

4.2 Expectancy–Disconfirmation Theory

Satisfaction is the result of comparing pre-purchase expectations with post-purchase performance and this is the reason for the expectancy–disconfirmation paradigm. Positive disconfirmation (performance better than expected) results in satisfaction and negative disconfirmation (performance worse than expected) results in dissatisfaction. In general insurance, this theory is especially relevant for claims-related satisfaction: If the policyholder thinks the claims process will be lengthy and cumbersome, but it is streamlined and digitized, he or she is likely to rate the process a lot higher than the policyholder who had only a moderately high expectation for the claims process and had a reasonably quick settlement. Recent research by Emerald Publishing has shown that the digital processes can create just such a positive disconfirmation, at least in the eyes of younger consumers, those who are tech-savvy consumers of insurance policies.

4.3 The Service-Profit Chain

The service-profit chain connects internal service quality with employee satisfaction, and then external service value, customer satisfaction, customer loyalty, and revenue growth and profitability. In the field of general insurance, this model implies it is the investment in employee training, claims-handling skills, and empowering the front line that indirectly but significantly influences the policyholder experience. Motivated, well-trained claims personnel and empowered agents can help insurers provide more stable levels of service quality, helping to establish the reliability and assurance aspects of SERVQUAL.

4.4 Customer Satisfaction–Loyalty Linkage

A series of other studies in the insurance industry has built on Oliver's original work on consumer loyalty, and has found that satisfaction is a prerequisite, but not a sufficient factor for loyalty, with trust and perceived fairness falling in between. In the study by Ramamoorthy et al. (2018) on Indian life insurance industry, they found that the dimensions of service quality have an impact on customer satisfaction and in turn on customer behaviour, in particular, renewal and word of mouth, reliability and responsiveness were found to be the most important dimension of service quality.

5. Determinants of Customer Satisfaction in General Insurance

5.1 Service Quality and Claims Settlement Experience

In general insurance, claims settlement is considered as the single most important factor which directly affects satisfaction, as it is the actual manifestation of the insurance company's promise. Customers' satisfaction with the repair cycle and any premiums paid after a claim tend to be a significant factor in how much satisfaction they express, as customers are less satisfied when the repair is delayed without explanation or their premium increases after a claim (JD Power, 2024c). Empathetic, transparent and timely claims handling is thus the most powerful tool that insurers can use to increase customer satisfaction.

5.2 Trust and Transparency

Trust is a precursor and a booster to satisfaction. When premiums are comparable, customers' satisfaction, levels of loyalty, and likelihood to recommend their insurance company are significantly higher when their level of trust in their insurance company is high, according to JD Power (2024a, 2024b). This trust can be earned over time by providing transparency in pricing, policy wording, and claims decisions, and lost rapidly by vague exclusions or hidden or inexplicable premium increases.

5.3 Pricing and Premium Fairness

Perceptions of pricing changes have a significant impact on sentiment and price is not always the only indicator of satisfaction. The increase in premiums is not the issue that reduces policyholders' satisfaction with their insurance, the problem is that they don't fully understand the reason for the increase, according to survey data (Insurance.com, 2026). When premiums do increase, as may be the case, a proactive and open dialogue about rating factors can help alleviate customer dissatisfaction.

5.4 Digital Experience and Convenience

Modern policyholders have come to expect that their insurer is as "digital" as the sectors they look at for their reference, such as retail and banking. Many users who try to subscribe to, or administer, insurance online face friction, and a significant proportion want more personalised digital insurance products (Reports, 2024). Intuitive self-service portals, mobile claims submission, and AI-driven query resolution can boost insurers' performance on both responsiveness and convenience, two key aspects of SERVQUAL.

5.5 Agent and Intermediary Role

Human intermediaries (agents & brokers) continue to have a significant influence on satisfaction, especially for complex commercial and health covers, even with digitalisation. The study also found that the difficulty agents are having to effectively serve their clients due to increased underwriting standards and decreased flexibility in onboarding, and that this is likely to lead to decreased end-customer satisfaction if it remains unaddressed (JD Power, 2024d).

5.6 Communication and Empathy

Empathetic communication is directly related to the dimensions of empathy and assurance of SERVQUAL, especially in regard to claims and renewals. Research on empathetic engagement and clear communication in various lines of insurance and in different cultural contexts in Iran revealed the importance of these dimensions for the policyholder satisfaction (Hamzeh et al., 2023).

6. Public-Sector versus Private-Sector Insurers: A Comparative View

One thing that has been discussed with a great frequency in the emerging market space is the satisfaction gap between public-sector and private-sector general insurers. A recent study of general insurance customers in Kerala, India, showed that customers in the private sector were much more satisfied than those in the public sector, and that service quality accounted for almost 70 percent of the differences in overall customer satisfaction. The same study showed no difference in satisfaction between males and females, young and old, or education and occupation, but did reveal a difference by income level and area of residence, meaning that access and perceived value of premium paid are more important than the demographic profile of the household (James & Kavitha, 2026). The results suggest that there is still a lot of room for public-sector insurers to work on their responsiveness, digital convenience and messaging to meet the satisfaction expectations of newer, private, and digitally native rivals.

7. Digital Transformation and Insurtech: Reshaping Satisfaction

The introduction of insurtech has completely changed the expectations of the general insurance customer. AI and big data analytics, telematics, and blockchain technologies are now being applied throughout the insurance value chain—from underwriting and pricing, to fraud detection and claims automation—and have a direct impact on customer experience (Eling et al., 2021). A systematic review of literature published between 2020 and 2025 revealed that trust in data protection and algorithmic fairness has come to the fore in digital adoption in the insurance industry, with seamless, secure and personalised digital experiences becoming major drivers of customer satisfaction and engagement (Ghosh ET AL., 2025).

The same has been observed in a qualitative study of the South African insurance market, which identified that personalisation, driven by insurtech, has the potential to boost operational efficiency, and that customers now expect personalisation to boost their satisfaction, but that SA insurers are confronted with a number of challenges to develop customer trust and prove their relevance in the digital era by implementing legacy processes (Mutuwa, 2024). Adoption of InsurTech has proven to enhance customer satisfaction, especially in the area of faster policy issuance and simplified documentation, as well as through the use of AI-powered customer support systems (The TQM Journal, 2023), though this is tempered by digital literacy and trust in automated decision making.

There's also a risk of over-optimistic sentiment across the insurance industry: Sentiment toward products and services across the insurance industry was slightly lower in January 2025 compared to January 2024, despite rising digital investment (Nyunt, 2025), and customer satisfaction scores in this area were slightly lower than in sectors like retail and banking.

8. Challenges in Achieving Customer Satisfaction

The general insurers are also facing few structural hurdles for maintaining their satisfaction scores. First, claim costs are increasing for all markets due to inflation, catastrophe losses, and increased repair and medical costs, which directly affects the price-fairness component of satisfaction (JD Power, 2024b). Second, claims-handling complexity is still a bugbear, especially in property and health claims, where there is a lot of detailed paperwork involved; customers are used to getting retail-style simplicity. Third, although digital transformation holds promise, there are friction points that can arise, including poor user-interface design, opacity of algorithms, and issues around data privacy, that can cancel out the convenience benefits of automation (Gosh et al., 2025). Fourth, there are also workforce and intermediary-side issues that can indirectly impact end-customer experience, such as the tougher underwriting standards and the decreased flexibility when hiring agents (JD Power, 2024d). Finally, there has been a consistent lack of trust in the insurer from survey respondents, with a significant percentage voicing low level of trust, highlighting the importance of ongoing transparency and relationship management for insurers, not just service improvement efforts (JD Power, 2024b).

9. Strategic Implications for General Insurers

The discussion of the evidence (both theoretical and empirical) presented here suggests some policy priorities. The claims settlement journey should be the first place insurers invest in to better satisfy the customer, with a focus on quicker cycle times, clear communication on the status of the claim, and claims staff who are compassionate. Pricing communication should be open and clear, avoiding the suggestion of unfairness and educating customers on the factors that affect premiums. While it is important to introduce the concept of the digital investment, it should be one that is customer-centric and simplifies and not digitises existing journeys, with human support channels remaining available for anyone with complex or emotionally charged interactions, including claims after an accident, illness or loss. Last but not least, insurance companies, especially public companies, should measure the dimensions of the services systematically to find out and fill specific gaps of reliability, responsiveness and empathy with instruments like SERVQUAL.

10. Conclusion

Overall satisfaction is a multi-dimensional construct that is influenced by service quality, trust, fairness of price, claims experience, and more recently, digital convenience in the general insurance field. However, despite the evolution of the industry and the rising expectations of customers, existing theories like the service-profit chain, expectancy-disconfirmation theory and SERVQUAL still have good theoretical foundation for their understanding of how customer satisfaction is created and maintained. The empirical data from both established and developing markets point to a single key takeaway: reliability, responsiveness, and trust continue to be the biggest drivers of satisfaction, while unresolved claims lead to delays, unclear pricing, and lackluster digital experience. In the case of general insurance firms, winning sustainable competitive advantage will come from combining technological innovation with real service quality improvement, helping to ensure that digital convenience does not take the place of trust and empathy, which will remain the hallmark of the customer relationship.

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