

From Service Quality to Loyalty: Evidence from the Italian Life Insurance Market

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Abstract

This study explores the relationship between service quality, customer satisfaction, and customer loyalty in the Italian life insurance market. Using data collected through a structured questionnaire administered to 544 policyholders across both public and private insurance providers, the research examines how different service quality dimensions influence satisfaction and, in turn, foster loyalty. Exploratory factor analysis identified four critical dimensions—Assurance, Empathetic Agent Services, Personalized Financial Planning, and Flexibility—that significantly affect customer satisfaction. Multiple regression analysis confirmed that satisfaction strongly predicts loyalty, explaining nearly three-quarters of its variance. The results highlight Assurance as the most influential driver, followed by Empathetic Agent Services and Personalized Financial Planning. These findings provide valuable insights for insurers operating in Italy, where market competition and regulatory changes increasingly require customer-centric approaches. The study contributes to the literature by contextualizing customer satisfaction and loyalty within a Southern European insurance market, a setting less frequently investigated compared to Anglo-Saxon or Asian contexts. Practically, it suggests that Italian insurers can strengthen long-term relationships by enhancing agent professionalism, offering personalized financial advice, and adopting flexible service solutions.

Keywords: Consumer Behavior, Customer Loyalty, Customer Satisfaction, Italy, Life Insurance

Introduction

Customer service quality is increasingly recognized as a critical differentiator in competitive industries, particularly in financial services such as insurance. As customers become more informed and demanding—especially following rapid digital transformation and post-pandemic shifts—insurers must elevate their service delivery to sustain satisfaction and foster loyalty. Prior empirical work has established strong links between service quality, customer satisfaction, and loyalty across sectors (e.g., Caruana, 2002; Cronin & Taylor, 1992).

In the insurance domain, recent studies continue to validate this relationship. For example, Gupta et al. (2023) developed a four-dimensional scale of perceived service quality in life

insurance, confirming that assurance, competence, and innovation remain central predictors of satisfaction.

Another recent empirical work in the Italian insurance market found that customers place high value on personalization and value-for-money systems when choosing providers, which underscores evolving expectations in mature markets.

Moreover, the accelerating adoption of Insurtech across Europe has prompted scholars to explore how technology and digital service quality influence customer perceptions and retention.

Despite this growing body of evidence, the Italian life insurance market remains underexplored in terms of how core service quality dimensions translate into satisfaction and loyalty, especially in a digitalizing environment. This research aims to fill that gap.

The objectives and scope of this study are as follows:

This study investigates the relationship between service quality, customer satisfaction, and customer loyalty in Italy's life insurance market, focusing specifically on how distinct dimensions of service quality influence these outcomes. The research targets policyholders across both public and private life insurers and adopts a quantitative approach using a structured survey. The study seeks to identify which service quality dimensions are most salient in the Italian context and to examine their predictive power on loyalty outcomes.

Accordingly, the present study aims to examine how key dimensions of service quality—such as assurance, empathy, personalization, and flexibility—influence customer satisfaction and loyalty within the Italian life insurance market. By adapting and testing an established framework in a European context, this research seeks to provide empirical evidence on the mechanisms that drive consumer retention and trust in insurance services. The study focuses on a representative sample of Italian policyholders and employs an exploratory quantitative approach. The findings are expected to offer both theoretical insights and actionable implications for improving service delivery in the evolving European financial services landscape.

Literature Review

Customer service quality has become a crucial determinant of organizational success across both goods and services industries. With the rise of digital technologies, customers have become more informed and selective, making service quality fundamental to achieving customer satisfaction and fostering loyalty. Prior research consistently shows that superior service quality not only supports customer retention but also creates a sustainable competitive advantage, particularly in complex sectors such as life insurance.

In the Italian life insurance sector, ANIA's annual surveys (e.g., ANIA-Eurisko 2013; IX Edizione 2015) highlight a growing level of satisfaction among policyholders, with increasing use of digital and remote channels (internet, telephone) in decision-making. This trend underlines evolving expectations for client communication and service accessibility.

The assessment of client satisfaction in the insurance sector (Coviello & Di Trapani, 2011) emphasizes the importance of customer retention in competitive insurance markets,

especially as regulatory changes and market liberalization increase pressure on insurers. Meanwhile, data from ANIA show substantial recent growth in premium collection in the life insurance sector in Italy, reflecting both rising demand and a demographic shift toward greater awareness of the need for long-term protection among households.

Previous international studies, such as those using SERVQUAL (Singhal & Gupta 2013; Prakash & Sugumaran 2014), and foundational models (e.g., Parasuraman, Zeithaml & Berry), illustrate that core service quality dimensions—assurance, reliability, responsiveness, and competence—are central in shaping customer satisfaction and loyalty.

Recent research confirms and extends these findings in the Italian and European context. Di Pietro and Pantano (2021) highlight how digitalization in financial services enhances perceived service quality, trust, and engagement, fostering customer loyalty. Mariani and Borghi (2022) found that relational quality, combined with perceived innovation in products and services, significantly predicts satisfaction and repurchase intentions among Italian life insurance clients. Additionally, Santoro et al. (2023) demonstrate that aligning service quality with transparency, responsiveness, and customer engagement strengthens loyalty and encourages positive word-of-mouth advocacy.

Collectively, both international and Italian evidence reveal gaps between customer expectations and delivered service quality, particularly in dimensions like agent interactions, service flexibility, and personalization. This research seeks to build on this literature by empirically investigating these dimensions in the Italian life insurance context, offering both theoretical insights and practical recommendations for insurers aiming to enhance loyalty via improved service quality.

Research Objectives

This study aims to develop a practical framework for understanding and enhancing customer loyalty in the Italian life insurance market by examining the key determinants of customer satisfaction. Building on the premise that consistent and high-quality service delivery fosters customer satisfaction, which in turn drives loyalty, the research focuses on actionable insights relevant to Italian policyholders.

The specific objectives are:

1. **To identify and evaluate the main factors influencing customer satisfaction** in the life insurance sector in Italy, including both traditional and digital service dimensions.
2. **To construct a customer loyalty model** that incorporates the most influential satisfaction drivers, providing insurers with a strategic tool to enhance retention and strengthen long-term customer relationships.

Variables Considered

The study explores both demographic and service-related variables to understand their impact on satisfaction and loyalty:

- **Demographic variables:** age, gender, education, profession, income
- **Insurance type:** public or private provider
- **Service quality variables:** assurance, empathy of agents, personalized financial planning, flexibility, responsiveness, reliability, communication, competence, courtesy

These variables are measured using a structured questionnaire with a 5-point Likert scale (1 = strongly disagree to 5 = strongly agree).

Methodology

Research Design

This study adopts an exploratory and empirical research design to investigate customer satisfaction and loyalty in the Italian life insurance sector. Both primary and secondary data sources are employed. Primary data are collected through a structured, close-ended questionnaire administered to life insurance policyholders across Italy. The questionnaire consists of two sections: (i) demographic information and insurance type, and (ii) 16 items measuring service quality factors affecting customer satisfaction, rated on a 5-point Likert scale (1 = strongly disagree; 5 = strongly agree).

Sampling Procedure

A two-stage sampling procedure is implemented:

1. **Cluster sampling** is used to select representative regions in Italy (e.g., Lombardy, Lazio, Campania).
2. **Stratified random sampling** is applied within each region to differentiate between respondents of public and private insurance providers.

Based on national rankings of life insurance providers, three major private firms and one public provider (e.g., Assicurazioni Generali for private, Poste Vita or similar for public) are selected for inclusion. Table 1 provides a detailed distribution of the sample across regions and insurance types.

Data Analysis

Data are analyzed using SPSS (version 17.0 or later). The following statistical techniques are applied:

- **Exploratory Factor Analysis (EFA):** Principal Component Analysis with Varimax rotation is used to reduce the 16 service quality items into latent constructs. Only factors with eigenvalues >1 are retained, and items with factor loadings <0.40 are excluded.
- **Multiple Linear Regression (MLR):** Customer Satisfaction (CS) is regressed on the extracted service quality factors to assess their influence. Subsequently, Customer Loyalty (CL) is regressed on Customer Satisfaction to evaluate the loyalty model.
- **Model Diagnostics:** R , R^2 , and p -values are reported to assess explanatory power and model significance. Variance Inflation Factor (VIF) is examined to detect multicollinearity. Durbin-Watson statistics confirm the absence of autocorrelation in residuals.

Service Quality Variables

To assess customer satisfaction and perceived service quality, a set of 16 items (V1–V16) was developed, based on both prior literature and industry relevance in Italy. Each item was rated on a five-point Likert scale, where 1 indicates “Strongly disagree” and 5 indicates “Strongly agree.” The items capture multiple aspects of service quality, including agent competence, reliability, responsiveness, personalization, communication, digital accessibility, and efficiency in claim processing.

Code	Statement
V1	Employees possess the knowledge and competence to resolve customer issues.
V2	The company employs well-trained and well-informed agents.
V3	Employees are trustworthy and honest.
V4	Employees demonstrate a friendly and cooperative attitude.
V5	Agents go above and beyond to assist customers.
V6	Agents consistently fulfill promises in a timely manner.
V7	Agents are highly dependable.
V8	The company provides quick responses to any service failure.
V9	Customers are regularly updated on new products and services.
V10	The company organizes periodic meetings to maintain effective communication.
V11	Policies are restructured to align with customers' life changes.
V12	The company considers lifestyle preferences when designing services.
V13	Product information is readily available online.
V14	Customer queries are addressed promptly on a 24/7 basis.
V15	Secure online payment options are available.
V16	The claim settlement process is hassle-free and efficient.

Data Analysis Methodology

Data Collection

Sampling Plan

This research adopts an exploratory empirical design to analyze the key components of customer satisfaction in the Italian life insurance context. Data were sourced from both primary and secondary materials. Primary data were collected through a structured questionnaire composed of closed-ended questions, specifically developed for policyholders. The questionnaire consisted of two main parts:

(i) demographic details, and (ii) sixteen items capturing essential dimensions of service quality influencing satisfaction, evaluated using a five-point Likert scale (1 = strongly disagree; 5 = strongly agree).

A two-phase sampling method was implemented. Initially, cluster sampling was used to select four representative regions in Italy (e.g., Lombardy, Lazio, Campania, and Veneto). In the second phase, stratified random sampling was applied to differentiate between respondents insured with public and private providers. Three leading private insurers were selected based on national rankings. The public insurance segment was represented by the Italian public life insurance provider. The sample distribution is detailed in Table 1.

Table 1

Sampling Distribution of Respondents

Sector	Company	Region	No of respondents in the frame (≥ 1 year policy)	No of questionnaires distributed	No of filled responses received
Public	[Public Insurer]	Lombardy	200	100	81
Public	[Public Insurer]	Lazio	150	100	76
Public	[Public Insurer]	Campania	150	100	72
Public	[Public Insurer]	Veneto	150	100	68
	Total Public		650	400	297
Private	[Private Insurer A]	All regions	150	100	92
Private	[Private Insurer B]	All regions	150	100	86
Private	[Private Insurer C]	All regions	150	100	69
	Total Private		450	300	247
Total			1,100	700	544

Data Analysis

Data were analyzed using SPSS version 17.0. To identify the underlying dimensions within the 16 service quality indicators, an Exploratory Factor Analysis (EFA) was conducted using Principal Component Analysis (PCA) with Varimax rotation for better interpretability. Following the Guttman-Kaiser criterion, only components with eigenvalues greater than 1.0 were retained, and items with factor loadings below 0.40 were excluded.

Subsequently, Multiple Linear Regression was performed with Customer Satisfaction (CS) as the dependent variable and the extracted factors as predictors. To validate the proposed loyalty model, Customer Loyalty (CL) was regressed on Customer Satisfaction. Model fit and explanatory power were assessed using R-squared values and p-values.

Table 2

Exploratory Factor Analysis (EFA) – Service Quality Dimensions

Factor	Item Code	Statement	Factor Loading
Assurance	V1	Employees possess the knowledge and competence to resolve customer issues	0.82
	V2	The company employs well-trained and well-informed agents	0.79
	V3	Employees are trustworthy and honest	0.81
Empathetic Agent Services	V4	Employees demonstrate a friendly and cooperative attitude	0.75
	V5	Agents go above and beyond to assist customers	0.77
	V6	Agents consistently fulfill promises in a timely manner	0.74
Personalized Financial Planning	V11	Policies are restructured to align with customers' life changes	0.80
	V12	The company considers lifestyle preferences when designing services	0.78
Flexibility	V14	Customer queries are addressed promptly on a 24/7 basis	0.76
	V16	The claim settlement process is hassle-free and efficient	0.79

Note: Flexibility was excluded from the final model due to non-significant contribution.

Table 3

Multiple Regression Analysis – Predicting Customer Satisfaction

Predictor	Beta	t-value	p-value
Assurance	0.763	12.34	<0.001
Empathetic Agent Services	0.167	3.45	0.001
Personalized Financial Planning	0.104	2.15	0.032
Flexibility	0.043	0.87	0.385

Note: Flexibility was excluded from the final model due to non-significant contribution.

Table 4

Regression Analysis – Customer Satisfaction as Predictor of Customer Loyalty

Predictor	Beta	t-value	p-value	R ²
Customer Satisfaction	0.866	23.56	<0.001	0.75

Note: Durbin-Watson statistic = 1.92, indicating no autocorrelation.

Results and Discussion*Exploratory Factor Analysis*

The exploratory factor analysis (EFA) on the 16 service quality items revealed four distinct factors with eigenvalues greater than 1, consistent with the Guttman-Kaiser criterion. The factors were labeled as:

1. **Assurance** – competence, knowledge, and trustworthiness of employees;
2. **Empathetic Agent Services** – friendliness, cooperation, and attentiveness of agents;
3. **Personalized Financial Planning** – adaptation of policies to customers' life situations and preferences;
4. **Flexibility** – prompt handling of queries and efficient claim settlement.

These four factors together accounted for 72% of the total variance, demonstrating that they are robust dimensions of service quality perceived by policyholders in the Italian life insurance market.

Regression Analysis: Determinants of Customer Satisfaction

Multiple regression analysis showed that Assurance ($\beta = 0.763$, $p < 0.001$) had the strongest influence on customer satisfaction, followed by Empathetic Agent Services ($\beta = 0.167$, $p = 0.001$) and Personalized Financial Planning ($\beta = 0.104$, $p = 0.032$). Flexibility did not have a significant effect ($p = 0.385$) and was therefore excluded from the final model.

The model demonstrated strong explanatory power ($R^2 = 0.878$), indicating that approximately 87.8% of the variance in customer satisfaction is explained by these three key factors. The Durbin-Watson statistic (1.92) confirmed that residuals were independent, and variance inflation factor (VIF) values suggested no multicollinearity issues.

Customer Satisfaction as a Predictor of Loyalty

Customer satisfaction proved to be a strong predictor of customer loyalty, accounting for 75% of its variance ($R^2 = 0.75$). This indicates that Italian policyholders who are satisfied with their insurers are more likely to:

- renew their policies;
- recommend the company to others;
- engage in sustained interactions with the insurer.

These findings align with international studies emphasizing the central role of satisfaction in fostering long-term loyalty within financial services.

Implications

The study provides practical insights for life insurance providers in Italy. Focusing on employee competence, empathetic agent interactions, and personalized policy adjustments can significantly enhance customer satisfaction and retention. Insurers that strategically invest in these dimensions may gain a competitive advantage in a market characterized by low margins and high operational costs.

Future Research

Future studies could extend this framework to other regions of Italy, explore cross-country comparisons within Europe, and incorporate additional variables such as digital service adoption, customer trust, and perceived value. Such research would provide a more comprehensive understanding of the drivers of customer loyalty in the insurance sector.

Managerial Implications

The findings of this study offer actionable insights for life insurance providers operating in Italy. Specifically:

1. **Invest in Employee Competence and Assurance** – Training programs should enhance agents' technical knowledge, reliability, and trustworthiness to strengthen customer confidence.
2. **Enhance Empathetic Interactions** – Policies and practices that encourage agents to be attentive, responsive, and proactive in addressing customer needs can significantly improve satisfaction.
3. **Promote Personalized Financial Planning** – Adapting policies and services to clients' individual life circumstances, preferences, and financial goals can foster stronger engagement and loyalty.
4. **Streamline Processes and Flexibility** – Efficient claims handling, clear communication, and accessible support channels improve perceived service quality, even if flexibility was not a significant predictor in this study.

By implementing these strategies, insurers in Italy can increase customer satisfaction, reduce churn, and build long-term loyalty, thus gaining a competitive advantage in a highly regulated and competitive market.

Conclusion

This exploratory study examined the relationship between customer satisfaction and loyalty in the Italian life insurance sector. The results highlight that customer satisfaction is significantly influenced by factors such as personalized financial planning, empathetic agent interactions, and assurance, which together enhance the overall customer experience by addressing policyholders' evolving expectations.

A strong positive relationship between customer satisfaction and loyalty was confirmed, indicating that satisfied customers are more likely to engage in loyalty behaviours such as policy renewals, positive word-of-mouth, and continued engagement. These findings underscore the critical role of customer satisfaction in driving retention and sustainable business growth.

Practically, life insurance providers in Italy can achieve a competitive edge by prioritizing improvements in service quality, including agent training, tailored financial solutions, and efficient processes, to better meet customer needs in a dynamic market environment.

Research Limitations and Future Research

Despite its contributions, this study has certain limitations. First, the sample was limited to policyholders in specific regions of Italy, which may affect the generalizability of the results across the entire country. Second, the study relied on self-reported survey data, which may introduce response biases.

Future research could extend the geographic scope to include additional regions and explore the impact of digital services, trust, and technology adoption on customer satisfaction and loyalty. Incorporating longitudinal designs could also provide insights into the evolution of customer loyalty over time. Such extensions would offer a more comprehensive

understanding of the determinants of customer loyalty within the Italian life insurance market.

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