

PARTICIPANTS' SATISFACTIONS ABOUT TAKAFUL PRODUCTS & SERVICES: AN EMPIRICAL STUDY ON SAUDI ARABIA

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ABSTRACT

Takaful (Islamic insurance) is one of the fastest-growing developing segments in the Islamic financial industry. The *takaful* market in Saudi Arabia remains the largest among the GCC countries with a contribution of US \$2.9 billion in 2008 (E & Y, 2010). However, given the newness of the industry the information gap about the sector among the policyholders or participants who require the service and suppliers who provide it is large. One possible reason of this gap may be due to lack of information dissemination or a shortfall of disclosing the required information to participants by the *takaful* operators (TOs). Various international standard-setting bodies such as the Islamic Financial Services Board (IFSB) and national regulators require proper dissemination of relevant information by TOs to policy holders. This is particularly true in *takaful* as the participants are the main stakeholders and their equity consists of ownership of the underwriting activities and the investment funds. However, the only right that participants can exert on the *takaful* scheme is to vote with their feet by discontinuing their contractual relationship with the company in case of dissatisfaction. No studies have been conducted to systematically document *takaful* participants' satisfaction level about the services and products presented by the TOs. This paper attempts to fill the gap. The paper reports results on the perceptions of 420 participants of *takaful* companies in Saudi Arabia on seven satisfaction dimensions. The research findings indicate that participants have shown some moderate satisfaction in almost all satisfaction variables, with an exception for profit return and charged fees which show a weak satisfaction level. The results indicate that there is a need for the TOs to spend more efforts to educate their participants about their rights and obligations in the *takaful* fund. The future of the *takaful* industry is dependent on proper understanding of the business and rights of participants by different industry stakeholders which includes the customers, TOs and the regulators.

Keywords: Saudi Arabia, Islamic Insurance "*Takaful*", Participants and Operators, Satisfaction.

1. INTRODUCTION

While the conventional way of satisfying a customer is accomplished by fulfilling their material or worldly needs with benefits such as low prices, higher returns, faster delivery or even benefiting the deceased's family members after his death in the form of life insurance, this service goes from cradle to grave only. However, it does not mean that customer satisfaction in terms of price, quality, delivery and precision are not important to the TO, in fact they are important as along with the customer's spiritual needs satisfaction. So when Muslims buy *Islamic* insurance they can combine two benefits; (i) They receive *Islamic* protection that complies with *Shari'ah* rules against financial loss, in the same way as conventional insurance, (ii) Customers can distance themselves from the possibility of the prohibition incurred by purchasing conventional insurance in line with Islamic law (Alnemer, 2013).

In 2007 AAOIFI¹ defined Islamic insurance as per its *Shari'ah* Standard 26 (2) 2007: "Islamic insurance is an agreement between persons who are exposed to risks to protect themselves against harm arising from risk by paying contributions on the basis of a commitment to donate (*iltizam bi al-tabarru*). Following from that, the insurance fund is established and it is treated as a separate legal entity (*shakhsiyyah i'tibariyyah*) which has independent financial liability. The fund will cover the compensation against harms that befall any of the participants due to the occurrence of the insured risks (perils) in accordance with the terms of the policy." Additionally, IFSB² and IAIS³ (2006) described *takaful* as the Islamic counterpart of conventional insurance which can exist in either life (or family) and general forms. It is based on concepts of mutual solidarity and a typical *takaful* undertaking will consist of a two-tier structure that is a hybrid of a mutual and a commercial form of company. Unlike *takaful*, the spiritual mutual support is not a requisite of commercial insurance. Commercial insurance is based on the exchange whereby the insured pay a premium in exchange for protection in case of calamity exposure, thus it is common in conventional insurance not to compensate the insured in a case of no loss. In other words, the insurer's promise to provide security to the insured will be so intangible that its value cannot be appreciated (Alnemer, 2013). However, the *takaful* mechanism is based on the concepts of *tabarru* (donation) combined with the intention (*niah*) to participate in the pooling aid mechanisms (Alnemer, 2013). Thus those who participate in the *takaful* mechanism will be less likely to encounter the feeling of receiving nothing if no claim occurs, the complete opposite will happen. They will be satisfied enough to help their colleague at the same pooling group in his loss, and they will feel grateful that no one has encountered any real loss (Alnemer, 2013). The concept of donation is considered to be the backbone of *takaful* in supporting the real meaning of mutual cooperation, as per *Quran* (5:2), "*Help one another in furthering virtue and God-consciousness, and do not help one another in furthering evil and enmity*". Prophet Muhammad, peace be upon him (P.B.U.H.) also said, "*Verily a believer is one who can give security and protection to the life and property of mankind*".

Accordingly, this paper will reflect the real feeling and satisfaction level of participants who participate on the *takaful* fund. This paper is organized as follows: Section 1 explains the definition of Islamic insurance and the real meaning behind implementing such system to individuals and society. Section 2, presents background of satisfaction and meaning from different author's point of view. Section 3, highlights the importance of understanding what participant's needs and wants, in order for them to be satisfied. Section 4, discusses the need of workable service quality mechanisms to guarantee participants satisfactions. Section 5, gives a brief discussion on how investments return can impact on participants' claim situations and satisfactions. Section 6, highlights the process of sampling framework and the empirical method. Section 7, review the actual satisfaction level of the policyholders who participates in the *takaful* fund in Saudi Arabia. Finally, section 8 draws conclusions.

2. SATISFACTION CONCEPTUALIZED

Although the subject of satisfaction has received considerable attention in various disciplines, there is no consensus on the definition of the concept, which is admittedly difficult to define (Oliver, 1997). If the customers perceive the performance of products (goods or services) being below their expectations then dissatisfaction results. Alternatively, a consumer is happy or satisfied if the benefits received or performance after purchase either matches or exceeds expectations (Jobber, 1998; Adcock *et al.*, 2001; Kotler *et al.*, 2001). In other words satisfaction will depend on the evaluation or judgment of customer-perceived performance against their expectations. However, Gorst (2000) asserts that in today's competitive business world, it is no longer enough to merely satisfy customers,

¹ Accounting Auditing and Governance Standards for Islamic Financial Institutions.

² Islamic Financial Service Board.

³ International Association of Insurance Supervisors.

because a 'satisfied' customer remains a customer so long as there is no better offer; whereas a 'delighted' customer is more than likely to remain loyal. Donovan *et al* (1994), McNealy (1994), Jobber (1998), Kotler *et al* (2001) also support this view, that companies should not only satisfy their customers but rather delight them. In simplest terms, a satisfaction is the customer's evaluation of a product or service in terms of whether that product or service has met their needs, wants and expectations (Zeithaml *et al*, 2000). Hence dissatisfaction will be a consequence of failure to meet the customer's needs and expectations. In the case of financial services, where the products are intangible and are sampled only rarely, the services accompanying the product will often form the main determinant of overall customer satisfaction (Krishnan *et al.*, 1999).

Geyskens *et al.* (1999) distinguish between two kinds of satisfaction which are required to provide insight into the role of satisfaction in the development and maintenance of a long-term relationship: (i) economic satisfaction, which is described as a member's evaluation of the economic outcomes that flow from the relationship with its partner such as sales volume, margins, and discounts and (ii) social satisfaction, which is described as a member's evaluation of the psychological aspects of its relationship, in interaction with the exchange partner are fulfilling, gratifying, and facile. In fact the importance of customer satisfaction and how it can negatively impact financial institutions' sales opportunities has led scholars and organizations to do more research to enhance customer satisfaction levels. The University of Michigan's ongoing American Customer Satisfaction Index shows that between 1994 and 2002, the average customer satisfaction had gone down by 2.5% for life insurance and 6.1% for personnel property insurance. The same rating index has shown that American Customer Satisfaction for year 2010 has dropped by 2.7 % for health insurance; however, life insurance made a small improvement in customer satisfaction, while property & casualty insurance was unchanged.⁴

3. CUSTOMERS' NEEDS AND SATISFACTION

It is vital to reflect on the idea of needs or preferences because customer satisfaction fulfils the concept need and preference. Kotler *et al* (2001) define human needs as states of felt deprivation, which include basic physical needs for food, clothing, warmth, and safety; social needs for belonging and affection; and individual needs for knowledge and self-expression. Chinyio (1999) also concurs that a 'need' is 'a deficiency of some kind', but goes further to argue that it ought to be desired on a regular basis in order to be regarded as being part and parcel of one's personality. Blythe (1997) argues that need goes beyond lack and describes need as a *perceived* lack, *i.e.* the individual must realize (preference) their need in order for it to be described as need. This recognition (perception) of lack (unfulfilled need) has been linked to a series of resultant activities in the mind of the consumer. Closely related to the term 'need, is the term 'want'. Want has been defined as the form assumed by human needs as they are shaped by culture and personality (Kotler and Armstrong, 2001). Kotler (1997) also defined want as desires for specific satisfying of needs. Based on the two definitions put forward by Kotler (1997) and Kotler *et al* (2001), it seems that 'wants' are 'needs' modified by preference, whether it be motivated/influenced by culture and/or individual personality, which was illustrated by Samwinga (2009: 64):

"An individual may need (*i.e.* requires or lacks) food but wants (*i.e.* prefers to satisfy his need with) a hamburger, French Fries, and a soft drink. In contrast, another person may need food but want mango, rice, lentil stew and vegetarian sausage".

The above illustration implies an element of preference and prevailing cultural practice in the definition of wants whereas needs seems to be linked to necessity. Such a conclusion was made by Chinyio (1999) who indicated that observed often suggest 'necessities', whereas wants are associated with individual preferences. In short, it is essential for businesses to have an understanding of what their customers' needs, wants or preferences are and to tailor their services to meet and/or exceed them, in order to gain customers' satisfaction.

4. SERVICE QUALITY AND SATISFACTION

The service industry is an important sector and makes a significant contribution to both national GDP and employment figures in many countries. In the UK for instance the service sector has been on an upward trend from 1960 to 1995, increasing in terms GDP share from 57% to 70%, as well as in terms of percentage of employment

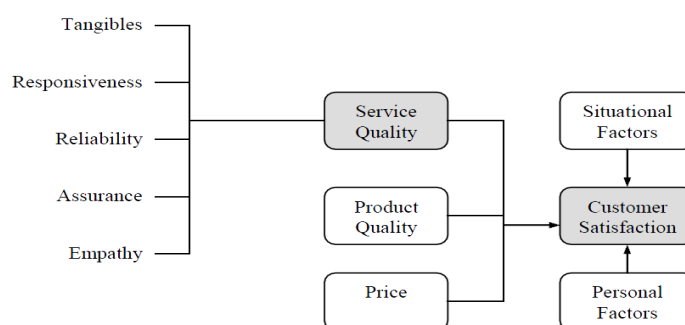
⁴ The American Customer Satisfaction Index (www.theacsi.org).

which rose from 51% to 71% (OECD, 1997). Previous OECD figures supported Shepherd *et al* (2000) conclusions, that there are strong relationships between service quality improvements, customer satisfaction and economic success. Services have a number of characteristics including: intangibility, inseparability, variability and perishability (Kotler, 1997; Gabbott *et al*, 1998). Unlike physical products, services are by nature intangible, they cannot be seen, tasted, felt, heard, or smelled before they are purchased. Hence a person getting counselling service, for instance, cannot know exactly what the outcome will be (Kotler, 1997; Gabbott *et al*, 1998). Similarly a person insuring in a conventional or *takaful* company cannot evaluate the company claims and indemnities services procedures, unless he/she encounters a loss. It has been said that the insurance industry services are falling behind other financial services business in satisfying the customer and must thus recognize that quality is critical (Deragon, 1997).

The link between satisfaction and quality exists because quality has a direct impact on the performance of a product and consequently upon customer satisfaction (Kotler *et al*, 2001). Brady (2001) asserts that the foundation of service quality theory lies in the product quality and customer satisfaction. Jamal *et al* (2002), Levesque *et al* (1996), Taylor *et al* (1994), Anderson *et al* (1993), Oliver (1993), Cronin *et al* (1992), Bitner (1990), Woodside *et al* (1989), and Kim *et al* (1979) assert that the service quality of any financial institution is the primary motivator in improving customer satisfaction, which reflects the organization’s ability to obtain repeat business from its existing customers and to obtain referrals from these customer to potential and new customers. Accordingly, ongoing satisfaction measurement is required over time in order to keep the existing customers (Oliver, 1980). Bruhn *et al* (1998) also state that satisfaction comes as an initial stage in causal links. While Ndubisi (2006) states that overall customer satisfaction is a key determinant of relationship quality and that service quality, communication, trust, commitment, and conflict handling are considered customer satisfaction indicators that support repurchase behaviour resulting from enhancement of the relationship quality. Thus, service quality is a prerequisite for being in business and providing services; businesses who do not produce quality products will not survive in the years to come (Hasksever *et al.*, 2000). Stafford *et al.* (1998) indicate that service quality and customer satisfaction are critical aspects in many service industries. As a result, many organizations regularly measure and record the level of service quality, as perceived by their customers (Zeithaml *et al.*, 1990). Parasuraman *et al* (1988) define perceived service quality as a global judgment, or attitude, relating to the superiority of the service. Similarly, Bitner *et al* (1994) define service quality as the consumer’s overall impression of the relative inferiority/superiority of the organization and its services. Cronin *et al* (1992) and Boulding *et al.* (1993) seem to support this description of service quality.

Parasuraman *et al.* (1988) have elaborated on whether customer satisfaction leads to service quality or vice versa. They pointed out that perceived service quality is a long-run overall evaluation of a service, whereas satisfaction is transaction-specific evaluation. In other words customer satisfaction leads to service quality in the sense that incidents of satisfaction over time results in customer perceptions of service quality. However, Lee *et al.* (2000) found that service quality is in fact an antecedent of customer satisfaction; satisfaction exerts a strong influence on customers purchase intention than doe’s service quality. Accordingly, Parasuraman *et al.* (1988) identify the standards by which customers evaluate their satisfaction, perceived service quality and the basis of expectation that drive satisfaction is prediction of what is likely to happen during the transaction. Whereas the basis for service quality evaluations is customers’ wants or desires and this is driven by the customers’ perceptions of what they should receive from the service provider. Zeithaml *et al* (2000) have made a scheme to reflect the relationship between service quality and satisfaction as shown in Figure 1.

Figure 1 Service Quality and Satisfaction Perceptions



Source: Zeithaml and Bitner (2000: 75).

Although, there have been several studies on the issue of service quality and satisfaction, there is still a call and a need for greater understanding of the relationship between perceived service quality and satisfaction (Spreng *et al.*, 1996). Stafford *et al.* (1998) attribute the apparent confusion about the nature of the service quality/satisfaction relationship to the common link with the disconfirmation paradigm⁵. While Carman (1990), Gravin (1983), Parasuraman *et al.* (1985, 1988) and Rathmell (1996) assert that service quality remains an abstract and elusive construct that is difficult to define and measure.

4.1 Service Quality in the Insurance Industry

In recent years the world has suffered from a widespread financial crisis, which has impacted the service sector. The insurance industry has also been affected by these cyclical economic consequences. The negative cycle has created a decrease in the productivity of the industry and a fall in policy purchase thereby reducing the industry income as well as its ability to compensate claims (Bollini, 2002). These factors have further compromised service quality in the industry, exposing the industry to further criticisms and thereby seriously denting the image of the industry in the eyes of the insurance public (Bollini, 2002) since the insurance public believe that the industry is bent on over-promising yet under-delivering what they have promised to their customers (French, 2002). Accordingly, a number of policyholders have withdrawn from long-term commitments before their contract has expired, and have consequently received poor value of money. The poor persistency rates⁶ associated with these long-term savings contracts provide tangible evidence of widespread customer dissatisfaction and poor service quality (Marwa, 2005). Persistency rates in long-term insurance contracts remain low in spite of the penalties that customers, intermediaries and product providers incur from early withdrawal from the contract. Policyholders who effect early withdrawal from their contracts may suffer a financial penalty because the policy proceeds received (the surrender value)⁷ may be less than the premiums paid, particularly if withdrawal occurs in the early years of the contract. Similarly salesmen and intermediaries will also suffer, as low persistency means lower renewal commissions (Diacon *et al.*, 2002).

The insurance industry worldwide is being penalized for the heavy legacy of poor standards, *i.e.* poor standards of selling especially selling through agencies, poor standards of product design, small print syndrome and excessive product complexity and equivalent offering with rare service quality measurement especially in the life insurance field (Francis, 2002). Therefore, a better service quality may be the only way to differentiate the insurance industry from other service sectors (Sherden, 1987; Siddiqui *et al.*, 2010). Meltzer (1997) also asserts that quality in insurance means providing customers insurance products/service that they want when they want them, a requirement that demands insurers' understanding of their business, and being attentive to their customers needs by providing products and services that meet their needs. Similar to insurance poor standardization, *takaful* companies have not adopted a single financial reporting framework, and this has resulted in a lack of transparency and comparability of financial statements (Hassan *et al.*, 2008). Hence, more collaborative efforts are required from the industry players and the international regulatory bodies such as AAOIFI, IFSB, ITA⁸, IAIS, *etc.* to unify the *takaful* standards. The public criticism and outcry about the insurance industry after all is justifiable and the reasons exist, therefore, to believe that the industry (worldwide) has not left behind a quality legacy (Marwa, 2005).

5. INVESTMENTS RETURN AND ITS IMPACT ON PARTICIPANTS' CLAIM SITUATIONS AND SATISFACTIONS

TO should spend more effort towards claim coverage strategies, *i.e.* how the TO is going to cover the participant risk fund PRF⁹ claims – is it from participants investments return fund of the PIF, or does the TO strategies imply that investment return of a certain PIF should cover a deficit of other business lines of the same *takaful* company for

⁵ Disconfirmation paradigm is a comparison between consumers' expectations and their perceptions of service actually received.

⁶ Percentage of life insurance or other insurance policies remaining in force .The higher the percentage, the greater the persistency; most companies extend every effort to increase persistency (Rubin, 2000).

⁷ Action by the owner of a cash value policy to relinquish it for its cash surrender value or fee charged to a policy-owner insured when a life insurance policy or annuity is surrendered for its cash value (Rubin, 2000).

⁸ International *Takaful* Association.

⁹ TOs should explain the difference between PIF and PRF accounts and the expected investment return on each account, with a brief on the type of assets instruments used on each account and the expected time horizon to gain profit on their investment fund.

later compensations (Alnemer, 2015). Such information, which should be clearly disclosed to the public, will have a great effect on participants' expectations to receive investments return and profit in due time or not, and hence a proper decision can be made by participants to either do business with these *takaful* companies or not.

TO obligations to pay participants indemnity for their claims can also be affected by TOs behaviour in conducting investment. Some TOs might have a high-risk appetite by investing in high volatile assets such as equity which may lose value when the market faces severe economic changes (Alnemer, 2015). When these negative scenarios are encountered then participants' rights to receive claims will be affected since TOs will have no back-up to offset any shortage on underwriting activities, which causes participants dissatisfaction condition. TO indemnity obligations can also be affected by operator investments fees, or by the remuneration that the operator requires for the effort spent to generate profit (Alnemer, 2015). As these require charging fees increase participants' investment return decreases. Accordingly, TO promises to cover participants' claims will decrease and result in underwriting deficit. The lower return on profit may not be able to cover the encountered deficit, which in away cause's participant's dissatisfaction scenarios toward the services and products produced by the TO (Alnemer, 2015). When participants' claim issues are affected, then underwriting activities will be affected as well. This can cause a delay in providing indemnity to participants. As the TO fails to generate investments return for participants as a result of economic changes which may cause assets to lose value, it is possible for the TO to encounter a huge amount of unpaid claims that will lead it to ask shareholders for *qard hasan*. However, paying back the *qard hasan* will require the TO to increase participants' *taburru* or premium rate, or delay or stop their future investments return to an unknown time in the future until they pay back the *qard* or build up participants' reserves. In either case this will affect participant's rights to receive investments return or getting the required indemnity at the required time, which will lead to dissatisfaction conditions (Alnemer, 2015).

In an effort to regulate the investment technicalities and administrations of the Saudi insurance industry and to protect stakeholders' financial benefits, SAMA¹⁰ (2011d) has issued the investments regulation. In this regulation SAMA has stressed the importance of the insurance company to adopt an investment policy that complies with the SAMA regulations. All insurance companies operating in Saudi Arabia shall establish an investment policy and submit the policy to SAMA on a quarterly and yearly basis for approval. The investment policy shall include the company's investment strategy, rationale for asset allocation and values, investment management and governance structure, segregation of investment assets with described details of assets classes, policyholders' and shareholders' funds segregation, asset portfolio testing and valuation analysis, investment performance measurements, audit and internal procedures to control investments procedures and encountered investments risk. SAMA stresses the importance of communicating the investment policy to all company departments and staff members for transparency and easiness of information transference among the whole of the employees. SAMA also requires that the insurance company assign a qualified and expert employee who will be responsible for implementing, conducting, monitoring, controlling and reporting investment activities.

6. SAMPLING FRAMEWORK AND EMPIRICAL METHOD

Takaful participants are considered the main source of accumulating surplus in the *takaful* fund as they are the main stakeholders and their equity consists of ownership of the underwriting activities and the investment funds. However, participants in the *takaful* industry have a very weak position in managing or controlling their fund. Such a situation may be due to the complicity structure of the *takaful* industry. The vast majority of *takaful* undertakings have a two-tier hybrid structure in which the risk funds operate on a mutual basis but are managed by (TOs) which are companies with shareholders (IFSB, 2010). This hybrid structure involves complexities and it raises the fundamentals of the true identity of the *takaful* scheme. Thus, at least as far as the regulators are concerned, the *takaful* scheme is not a mutual (Hussain, 2009). Accordingly, it was necessarily to review participant's satisfaction level in accordance with the presented products and services of the TOs in the Saudi insurance market. Saudi Arabia was identified to be the main research population for this study. The targeted populations were clients of all TOs in Jeddah, Saudi Arabia, since a number of large TOs have their headquarters in Jeddah. The researcher, with the support of an 8-survey distributor team, has managed to distribute the questionnaires among 9 branches of 3 TOs in Jeddah. The targeted participants are those with a family *takaful* policy. Thus policyholders are expected to have a long-term contract with the TOs and expected to have periodic financial returns. The participants should not possess *takaful* contracts that belong to corporations, *i.e.* the *takaful* contracts are between the TOs and the participants' directly. Participants chosen conditions were identified to

¹⁰ Saudi Arabian Monetary Agency.

guarantee participants with satisfied knowledge about different aspects of the *takaful* fund. Therefore, questionnaire was chosen as the method by which the survey was completed. Questionnaires are a useful tool for investigating patterns and trends in data and are frequently used with success in management, marketing and consumer research (Easterby-Smith *et al.*, 1999; 2008). Most of the survey questionnaire was designed with close-ended type questions. The closed-ended or forced-choice type of question is preferable in this research because it will increase the response rate, since it is easier and faster to be answered by the prospective respondents, especially when using a phone-call approach. A drop-off of a self-administered survey questionnaire and telephone calls techniques were used to collect participants' responses. Accordingly, a total of 500 questionnaires were distributed, of which 420 completed questionnaires were received, where 120 questionnaires were rejected, leaving 300 completed and usable questionnaires for the research, yielding a usable response rate of 60 %. The responses yielding a usable rate reflected the success of using these types of questionnaires to attain the aims and objectives of the study. The survey questionnaire consists of 18 questions which are divided into 7 Satisfaction dimensions¹¹. A statistical description with frequency distributions together with the measurement of mean, standard deviations and a chi-square test has been used in this research. The purpose of the Chi-Square test is to identify whether there is difference in proportion in each category (50%/50%), *i.e.* it will find out if the discrepancy between categories (possible responses) is small, and whether that discrepancy is statistically significant or not. In short, the larger the Chi-Square test statistic, the greater the discrepancy, and the significant between categories, for example; "yes" and "no" responses (Pallant Julie, 2010). The data has been analyzed by using SPSS version 17 software.

7. PARTICIPANTS' SATISFACTION LEVELS

This section will explore participants' satisfaction levels with the products and services presented by the TOs in Saudi Arabia. Accordingly, participants were asked to clarify if they are satisfied with the services and products offered by the TOs. In other words, participants' satisfaction level can be considered a reflection to the services that were presented by the TOs. The participants' satisfaction variables have been categorized into seven types which are described next.

1. Satisfaction with the TOs' Disclosure Mechanisms (SDM)

Table 1: Satisfaction with the TOs' Disclosure Mechanisms

1-Are you satisfied with the company disclosure in regards to any changes on the contracts terms?					
	Options	Frequency	Percent	Chi-square test	
				Chi-square	Sig.
Valid	Strongly Not Satisfied	2	.7	202.267	0.000
	Not Satisfied	104	34.7		
	Neutral	70	23.3		
	Satisfied	120	40.0		
	Strongly Satisfied	4	1.3		
	Total	300	100.0		
2-Are you satisfied with the disclosure mechanisms of informing participants of their rights related to "investment return/underwriting surplus"?					
Valid	Strongly Not Satisfied	4	1.3	210.167	0.000
	Not Satisfied	106	35.3		
	Neutral	65	21.7		
	Satisfied	123	41.0		
	Strongly Satisfied	2	.7		
	Total	300	100.0		
3 -Are you satisfied with the disclosure mechanisms that make participants eligible to receive <i>qard</i> loan in cases when their account encounters a financial loss?					

¹¹ The selection of the 7 satisfaction dimensions and their questions were based on the researcher's readings of comprehensive topics, which address several researchers suggestions and findings and are based on the on the imposed polices and standards by the international *takaful* and insurance regulators such as AAOIFI, IFSB, IAIS, OECD, *etc.* These policies and standards have one main goal which is to provide proper protection to insurance policyholders, whether the insurance contract is Islamic or conventional. Participant protection will be achieved by satisfying customer perceptions, needs, wants and preferences which in a way enhance customer satisfaction levels.

Valid	Strongly Not Satisfied	3	1.0	209.500	0.000
	Not Satisfied	100	33.3		
	Neutral	72	24.0		
	Satisfied	124	41.3		
	Strongly Satisfied	1	.3		
	Total	300	100.0		
4 -Are you satisfied with the <i>takaful</i> company in conveying your rights and obligations of receiving benefits?					
Valid	Strongly Not Satisfied	3	1.0	241.233	0.000
	Not Satisfied	96	32.0		
	Neutral	58	19.3		
	Satisfied	141	47.0		
	Strongly Satisfied	2	.7		
	Total	300	100.0		

Table 1, represents participants' satisfaction with different issues relating to TOs' disclosure mechanisms and 124 (41.3 %) participants replied 'satisfied' and 'strongly satisfied' for the disclosures of contract terms changes, while 106 (35.4 %) participants replied with 'strongly not satisfied' and 'not satisfied', respectively. Similarly, 125 (41.7 %) participants replied with 'satisfied' and 'strongly satisfied' regarding disclosure of informing participants of their rights related to investment return and underwriting surplus, while 110 (36.6 %) participants replied with 'strongly not satisfied' and 'not satisfied', respectively. 125 (41.6 %) participants' replied 'satisfied' and 'strongly satisfied', respectively, for the disclosure of making participants eligible to receiving *qard* loan in case of deficits, while 103 (34.3 %) participants' replied with 'strongly not satisfied' and 'not satisfied', respectively. Furthermore, participants were asked to clarify if they are satisfied with the company effort in conveying their rights and obligations of receiving their benefits; accordingly, 143 (47.7 %) participants replied with 'satisfied' and 'strongly satisfied', respectively, while 99 (33 %) participants replied with 'strongly not satisfied' and 'not satisfied', respectively. The Chi-square tests revealed that the variations of responses for all four questions are statistically significant (Asymp. Sig. < 0.05).

2. Satisfaction with the Investment Return (SIR)

Table 2: Satisfaction with the Investment Return

5-Are you satisfied with the income and profits generated from participant's investment accounts?					
	Options	Frequency	Percent	Chi-square test	
				Chi-square	Sig.
Valid	Strongly Not Satisfied	13	4.3	266.067	0.000
	Not Satisfied	161	53.7		
	Neutral	57	19.0		
	Satisfied	68	22.7		
	Strongly Satisfied	1	.3		
	Total	300	100.0		
6-Are you satisfied with the ways and methods used to distribute investment returns among participants?					
Valid	Strongly Not Satisfied	6	2.0	205.767	0.000
	Not Satisfied	128	42.7		
	Neutral	70	23.3		
	Satisfied	95	31.7		
	Strongly Satisfied	1	.3		
	Total	300	100.0		

Table 2, represents participants' satisfaction with the TOs financial position and performance considered an important factor in enhancing and developing insurance business as well as reflecting the company ability to satisfy its promises and strength to meet participants' obligations. Accordingly, 174 (58 %) participants replied with 'strongly not satisfied' and 'not satisfied', respectively with the profits and income generated from participants investment accounts, while 134 (45 %) participants replied 'strongly not satisfied' and 'not satisfied', respectively with the ways and methods used to distribute investment returns among them. On the other hand, the Chi-square tests reveal that the variations of responses for both questions are statistically significant (Asymp. Sig. < 0.05).

3. Satisfaction with the Underwriting Surplus (SUS)

Table 3: Satisfaction with the Underwriting Surplus

7-Are you satisfied with the amount of underwriting surplus distributed by the company?					
	Options	Frequency	Percent	Chi-square test	
				Chi-square	Sig.
Valid	Strongly Not Satisfied	3	1.0	192.467	0.000
	Not Satisfied	95	31.7		
	Neutral	88	29.3		
	Satisfied	113	37.7		
	Strongly Satisfied	1	.3		
	Total	300	100.0		
8-Are you satisfied with the way and methods used in disclosing and allocating underwriting surplus?					
Valid	Strongly Not Satisfied	2	.7	224.267	0.000
	Not Satisfied	99	33.0		
	Neutral	67	22.3		
	Satisfied	131	43.7		
	Strongly Satisfied	1	.3		
	Total	300	100.0		

Table 3, represents participants' satisfaction about underwriting surplus. As has been explored previously, participants are eager to get an underwriting surplus even when they made a claim. As a result, participants were asked to clarify if they are satisfied with the amount of distributed surplus. The participants were divided almost equally in their opinion, with 98 (33 %) participants answering with (strongly not satisfied and not satisfied) respectively, while 114 (38 %) participants replied with 'satisfied' and 'strongly satisfied' with the notion. Participants also have shown their satisfaction with the methods used in disclosing and allocating underwriting surplus, that 132 (44 %) participants answered with 'strongly satisfied' and 'satisfied' respectively, while 101 (34 %) participants replied with 'strongly not satisfied' and 'not satisfied', respectively. The Chi-square tests indicate that the variations of responses for both questions are statistically significant (Asymp. Sig. < 0.05).

4. Satisfaction with Shari'ah Compliance (SSC)

Table 4: Satisfaction with Shari'ah compliance

9-Are you satisfied with the company Shari'ah compliance mechanisms?					
	Options	Frequency	Percent	Chi-square test	
				Chi-square	Sig.
Valid	Strongly Not Satisfied	3	1.0	333.000	0.000
	Not Satisfied	33	11.0		
	Neutral	93	31.0		
	Satisfied	168	56.0		
	Strongly Satisfied	3	1.0		
	Total	300	100.0		
10-Are you satisfied with the way and method used by the Shari'ah scholars to allocate underwriting surplus?					
Valid	Strongly Not Satisfied	9	3.0	219.767	0.000
	Not Satisfied	50	16.7		
	Neutral	115	38.3		
	Satisfied	124	41.3		
	Strongly Satisfied	2	.7		
	Total	300	100.0		

Table 4, represents participants' satisfaction with TOs' Shari'ah compliance, since Shari'ah compliance is considered the main pillar that differentiates *takful* from the conventional insurance. Participants were asked if they were satisfied with the TOs' Shari'ah compliances and 171 (57 %) of participants replied with 'strongly

satisfied’ and ‘satisfied’, respectively, while 36 (12 %) of participants’ replied with ‘strongly not satisfied’ and ‘not satisfied’, respectively. Participants also have shown their satisfaction with the way and method used by the *Shari’ah* scholars to allocate underwriting surplus in that 126 (42 %) of participants’ replied with ‘strongly satisfied’ and ‘satisfied’, respectively. On the other hand, the Chi-square tests reveal that the variations of responses for both questions are statistically significant (Asymp. Sig. < 0.05).

5. Satisfaction with Claims & Indemnities (SCI)

Table 5: Satisfaction with Claims and Indemnities

11-Are you satisfied with the terms and conditions of the required claim notice?					
	Options	Frequency	Percent	Chi-square test	
				Chi-square	Sig.
Valid	Strongly Not Satisfied	2	.7	319.033	0.000
	Not Satisfied	84	28.0		
	Neutral	43	14.3		
	Satisfied	168	56.0		
	Strongly Satisfied	3	1.0		
	Total	300	100.0		
12-Are you satisfied with the prompt and permanent indemnity payments terms and conditions?					
	Strongly Not Satisfied	4	1.3	394.233	0.000
	Not Satisfied	56	18.7		
	Neutral	49	16.3		
	Satisfied	190	63.3		
	Strongly Satisfied	1	.3		
	Total	300	100.0		
13-Are you satisfied with the claim settlements procedures indicated in the policy contract?					
	Strongly Not Satisfied	3	1.0	297.400	0.000
	Not Satisfied	81	27.0		
	Neutral	52	17.3		
	Satisfied	163	54.3		
	Strongly Satisfied	1	.3		
	Total	300	100.0		
14-Are you satisfied with the time giving to participants to indemnify and recover the encountered loss?					
	Strongly Not Satisfied	2	.7	127.547	0.000
	Not Satisfied	102	34.0		
	Neutral	63	21.0		
	Satisfied	133	44.3		
	Strongly Satisfied	0	0		
	Total	300	100.0		

Table 5, represents participants’ satisfaction with TOs’ claims and indemnities procedures, since it is the main principle that distinguishes insurance business from other financial institutions. Accordingly, participants were asked a couple of questions to clarify their satisfaction levels with the TOs’ claims and indemnities services and their answers are as follows:

(i) 171 (57 %) of participants replied with ‘satisfied’ and ‘strongly satisfied’ for the terms and conditions of the required claim notice. (ii) 191 (63.6 %) of participants replied with ‘satisfied’ and ‘strongly satisfied’ for the prompt and permanent indemnity payments terms and conditions. (iii) 164 (54.6 %) of participants replied with ‘satisfied’ and ‘strongly satisfied’ for the claim settlements procedures indicated on the contract. (iv) 133 (44.3 %) of participants replied with ‘satisfied’ and ‘strongly satisfied’ against 104 (34.7 %) participants who reply with ‘strongly not satisfied’ and ‘not satisfied’, for the time given to participants to indemnify and recover the encountered loss. The Chi-square tests reveal that the variations of responses for all four questions are statistically significant (Asymp. Sig. < 0.05).

6. Satisfaction with Charged Fees, Deficits and *Qard Hasan* (SFDQ)

Table 6: Satisfaction with Charged Fees, Deficits and *Qard Hasan*

15-Are you satisfied if the operator called on you for additional contribution to recover a deficit on the participant's fund?					
	Options	Frequency	Percent	Chi-square test	
				Chi-square	Sig.
Valid	Strongly Not Satisfied	18	6.0	216.240	0.000
	Not Satisfied	183	61.0		
	Neutral	48	16.0		
	Satisfied	51	17.0		
	Strongly Satisfied	0	0		
	Total	300	100.0		
16-Are you satisfied with the amount of incentives that the company is deducting from participants' fund for good performance in generating underwriting surplus and investment return?					
Valid	Strongly Not Satisfied	18	6.0	68.667	0.000
	Not Satisfied	117	39.0		
	Neutral	79	26.3		
	Satisfied	86	28.7		
	Strongly Satisfied	0	0		
	Total	300	100.0		

Table 6, represents participants' satisfaction with fees, deficits and *qard hasan*. As explained previously, there is a strong relationship which links company charged fees and expenses, with the encountered deficits and the availability of *qard*. Accordingly, participants were asked to clarify whether will be satisfied if the Operator calls on them to pay an additional contribution to recover a deficit on the participant's fund. 201 (67 %) of participants replied with 'strongly not satisfied' and 'not satisfied', while only 51 (17 %) of participants replied with 'satisfied' and zero score for strongly satisfied with the notion. Participants have also shown their dissatisfaction with the incentives deduction from participants fund for good performance in generating underwriting surplus and investment return. 135 (45 %) of participants replied 'strongly not satisfied' and 'not satisfied', while 86 (28.7 %) of participants answered 'satisfied' and again none indicated 'strongly satisfied'. On the other hand, the Chi-square tests revealed that the variations of responses for both questions are statistically significant (Asymp. Sig. < 0.05).

7. Satisfaction with the Company's Key Personnel Power and Activities (SKP)

Table 7: Satisfaction with the Company's Key Personnel and Activities

17-Are you satisfied to let the operator share underwriting surplus and investment return with you?					
	Options	Frequency	Percent	Chi-square test	
				Chi-square	Sig.
Valid	Strongly Not Satisfied	11	3.7	263.567	0.000
	Not Satisfied	67	22.3		
	Neutral	60	20.0		
	Satisfied	160	53.3		
	Strongly Satisfied	2	.7		
	Total	300	100.0		
18-Are you satisfied with the shareholders ownership share in company?					
Valid	Strongly Not Satisfied	6	2.0	377.433	0.000
	Not Satisfied	39	13.0		
	Neutral	186	62.0		
	Satisfied	67	22.3		
	Strongly Satisfied	2	.7		
	Total	300	100.0		

Table 7, represents participants' satisfaction with TOs' key personnel. Participants were asked to clarify whether they are satisfied to let shareholders share underwriting surplus and investment return with them. The results indicate that 162 (54 %) of participants replied 'satisfied' and 'strongly satisfied' respectively, while 78 (26 %) of participants replied 'strongly not satisfied' and 'not satisfied', respectively. Participants were also asked to clarify whether they are satisfied with the shareholders ownership share in the company and 62 % of the participants' replied with neutral 23 % of the participants replied with 'satisfied' and 'strongly satisfied' against 15 % of the participants who replied with 'strongly not satisfied' and 'not satisfied'. The Chi-square tests revealed that the variations of responses for both questions are statistically significance (Asymp. Sig. < 0.05).

7.1 Participants' Overall Satisfaction Level

To reflect a useful interpretation and close insight into participants' responses, all questions that represent an individual variable were combined together, then recoded and divided into three levels to give a clear meaning of that variable, with the following scaling approach (0 - 0.33 = Weak Perceptions , 0.34 - 0.66 = Moderate Perceptions, 0.67 - 1 = High Perceptions).

Table 8 below reflects participants' overall satisfaction with the seven satisfaction dependent variables (SDM, SIR, SUS, SSC, SCI, SFDQ, and SKP).

Table 8: Participants' Overall Satisfaction

Variables	Weak or no satisfaction	Moderate satisfaction	High satisfaction	Chi-square & Sig.
SDM	91 (30.3 %)	81 (27 %)	128 (42.7 %)	34.978 (0 %)
SIR	152 (50.7 %)	76 (25.3 %)	72 (24 %)	40.64 (0 %)
SUS	105 (35 %)	66 (22 %)	129 (43 %)	20.22 (0 %)
SSC	46 (15.3 %)	83 (27.7 %)	171 (57 %)	82.46 (0 %)
SCI	79 (26.3 %)	52 (17.3 %)	169 (56.3 %)	75.06 (0 %)
SFDQ	167 (55.7%)	82 (27.3%)	51 (17.0%)	72.14 (%)
SKP	76 (25.3%)	69 (23.0%)	155 (51.7%)	45.62 (0 %)

Participants' Overall Satisfaction with TOs' Disclosure Mechanisms (SDM)

Participants' overall satisfaction with TOs disclosure mechanisms revealed that 128 (42.7 %) of participants reported high satisfaction, followed by 91 (30.3 %) of participants with weak satisfaction, then 81 (27 %) of participants with moderate satisfaction. Furthermore, the Chi-square test revealed that participants' overall satisfaction on the TOs disclosure mechanisms is statistically significant (Asymp. Sig < 0.05).

Participants' Overall Satisfaction with TOs' Investment Returns (SIR)

Participants' overall satisfaction on the distributed investment returns revealed that 152 (50.7 %) of participants reported weak satisfaction, followed by 76 (25.3 %) of participants with moderate satisfaction, then 72 (24.0 %) of participants with high satisfaction. The Chi-square test reveals that participants' overall satisfaction with the TOs investment returns are statistically significant (Asymp. Sig < 0.05).

Participants' Overall Satisfaction with TOs' Underwriting Surplus (SUS)

Participants' overall satisfaction with the distributed underwriting surplus revealed that 129 (43%) of participants reported high satisfaction, followed by 105 (35%) of participants with weak satisfaction, then 29 (9.7 %) of participants with moderate satisfaction. Furthermore, the Chi-square test revealed that participants' overall satisfaction on the TOs underwriting surplus is statistically significant (Asymp. Sig < 0.05).

Participants' Overall Satisfaction with TOs' Shari'ah Compliance Systems (SSC)

Participants' overall satisfaction with the *Shari'ah* compliance system used by the TOs revealed that 171 (57.0 %) of participants reported high satisfaction, followed by 83 (27.7 %) participants with moderate satisfaction, then 46 (15.3 %) participants with weak satisfaction. Furthermore, the Chi-square test revealed that participants' overall satisfaction on the *Shari'ah* compliance system is statistically significant (Asymp. Sig < 0.05).

Participant Overall Satisfaction with TOs' Claims and Indemnities (SCI)

Participants' overall satisfaction with TOs' claims and indemnities procedures revealed that 169 (56.3 %) participants reported high satisfaction, followed by 79 (26.3 %) of participants with weak satisfaction, then 52 (17.3

%) of participants with moderate satisfaction. Furthermore, the Chi-square test revealed that participants' overall satisfaction with the *Shari'ah* compliance system is statistically significant (Asymp. Sig < 0.05).

Participants' Overall Satisfaction with Fund Fees, Deficits and *Qard* (SFDQ)

Participants' overall satisfaction on the charged fees, encountered deficits and the availability of *qard* revealed that 167 (55.7 %) of participants reported weak satisfaction, followed by 82 (27.3 %) of participants with moderate satisfaction, then 51 (17%) of participants with high satisfaction. The Chi-square test revealed that participants' overall satisfaction with the charged fees, encountered deficits and the availability of *qard* is statistically significant (Asymp. Sig < 0.05).

Participants' Overall Satisfaction with TOs' Key Personnel (SKP)

Participants' overall satisfaction with the key personnel power and activities on the participants' fund revealed that 155 (51.7 %) of participants reported a high satisfaction, followed by 76 (25.3 %) of participants with a weak satisfaction, then 69 (23%) of participants with a moderate satisfaction. Furthermore, the Chi-square test revealed that participants' overall satisfaction with the key personnel power and activities on the participants fund is statistically significant (Asymp. Sig < 0.05).

8. CONCLUSION & CLOSING REMARK

This paper has one main objective, to reflect participant's satisfaction level about the services been produced by the TOs. Accordingly, 7 satisfaction dimensions with 18 questions were introduced and distributed to 500 *takaful* participants. 420 participants successfully answered the survey. The seven satisfaction dimensions addresses the most important issues that touches the needs and wants of participants participating in the *takaful* fund, such as "Investment return, Underwriting surplus, *Sharia'h* compliance, Deficits of fund, Claims and indemnities, Knowledge about the power of company key personnel, and Mechanisms that discloses participants benefits in the *takaful* fund". Participants have shown some moderate satisfaction in almost all satisfaction variables, with an exception for investment returns, charged fees, encountered deficits and availability of *qard*, which shows a weak satisfaction. Such findings agree with the suggestion that when participants' claim issues are affected, it means that TO will fail to generate investments return for participants as a result of economic changes which may cause assets to lose value. Consequently, it is possible that the TO will encounter a huge amount of unpaid claims that will lead it to ask shareholders for *qard hasan*. However, paying back the *qard hasan* will delay or stop the expected future investments return to an unknown time in the future until they pay back the *qard* or build up participants' reserves. In either case this will affect participant's rights to receive investments return or getting the required indemnity at the required time, which will lead to dissatisfaction conditions. Therefore, as it benn stressed by SAMA that all insurance companies operating in Saudi Arabia shall establish an investment policy which include the company's investment strategy, rationale for asset allocation and values, investment management and governance structure, segregation of investment assets with described details of assets classes, policyholders' and shareholders' funds segregation, asset portfolio testing and valuation analysis, investment performance measurements, audit and internal procedures to control investments procedures and encountered investments risk. It is also requires that the TO to adopt an active disclosure system that allow participants to review the company financial profile, such as the rate of investments return and underwriting surplus, amount of loan available in the shareholders balance sheet to support the *takaful* fund whenever a deficit encounters. Such system can improve participant's knowledge and awareness about their rights and obligations in the *takaful* fund. In short, in order for the TOs to satisfy their participants, they need to disclose more detailed information about different sorts of financial returns (investment return and underwriting surplus), as participants are financially motivated and there is no effect at all for religious motivation.

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