

A STUDY OF CUSTOMER EXPECTATION AND SATISFACTION OF LIFE INSURANCE IN INDIA

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ABSTRACT: This study focus on the customer expectation and satisfaction level of life insurance policyholders, towards product, price and other services offered by selected 11 life insurance companies in India. Information on 5 point likert scale is collected through questionnaire from 330 respondents from 30 policyholders of each 11 life insurance companies. Demographic data was also collected from these policyholders. With the help of T-test and ANOVA data was analyzed to find out that is there any difference between customer expectation and satisfaction in terms of services offered by different life insurance companies. As per the analysis, each and every company is trying to launch different product but offering same kind of services in terms of death claim and grievances handling. It has been recommended that life insurance awareness should be spread and misperception towards life insurance should be cleared with the help of counseling and agent.

Keywords: customer expectation, satisfaction, life insurance, strategies.

JEL code: G 22

Introduction

The Indian insurance industry is up for grabs. Once the domain of the public sector, the much coveted market is being thrown open to private enterprise. A few private insurance companies have already launched their operations while some more are preparing themselves to start soon. The private parties are bringing with them international experience, new technology, new channels of distribution besides of course new products. Even the existing public sector players are gearing up with matching strategies to face tougher competition. A strong insurance sector is the key

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to well being of the economy. Insurance deals with a very basic human need – the need for security. Insurance helps to smoothen out the economic impact of sudden external shocks for households and enterprise. In that sense, it is the very core of economic activity. Additionally, there are many benefits of products of insurance, the most notable being mobilization of long-term savings. Also insurance, being a manpower intensive business, generates a lot of employment. A common man's view of insurance in most developing countries including our own, is that it entails regular premium payment for the policies taken as insurance against premature death, fire, accident, natural calamities, financial/property losses during riots, due to theft or burglary, hospitalization etc. Insurance premiums are often taken to be a given cost which cushion against uncertainties. Insurance, however, need not be confined into such a narrow view. Not only that the services can be extended to cover other non-financial sectors but also a number of volatile financial risks.

The Indian insurance industry which until now was a controlled sector, with only one player for the last five decades, has suddenly turned itself into a battleground. Though the sector remained in the strong clutches of the government enterprises, the growth has been slow. The industry is characterized by a number of players, both domestic and international, competing for the huge untapped market. Indian insurance is ranked 51 in the world with a low insurance penetration of 1.95 percent and less than 5 percent being spent on insurance out of the available 22 percent savings. This low penetration and huge growth potential has already attracted many multinational insurance giants like Allianz, royal insurance, etc. The customers are now looking at insurance as an area with complete financial solutions – stable returns coupled with total protection. The new millennium has exposed the insurance sector to new challenges of competition and struggle for survival. The era of privatization, liberalization, deregulation, and globalization has let lose a sense of urgency and neo-activism. Indian politico-economic think tank has realized the obsolescence of remaining insular and monopolistic policies in the insurance sector. Prior to liberalization the regulatory environment was primarily based on consolidated provisions of the Insurance Act 1938. The controller of insurance had wide ranging powers, which included directing, cautioning, advising, prohibiting, inspecting, investigation, searching, seizing, prosecuting, and penalizing, authorizing, registering, amalgamating and liquidating insurance companies.

Review of Literature

Customer Service Centre (2003) discussed the strategic importance of the customer service centre in building best performance for insurers. It was observed that between 1/5 and 1/3 Americans were unhappy with their insurance companies. The research within insurance industry indicated that customer loyalty was being challenged not by the product quality, but by the service quality.

Harris Interactive Inc. (2003) conducted a study to know the perception of respondents towards the life insurance policies and their satisfaction level. For this purpose a telephone survey was conducted among a nationally representative sample of 1009 adults comprising 505 men and 504 women living in private households in the continental United States. The margin of error for the total sample was plus or minus 3.1 %. It was observed that only 67 per cent of females and 57 per cent of males had positive attitude towards business practices of Insurance Corporation. Four per cent of male and female didn't have any idea about the business practices of the Insurance Corporations.

Gupta (2003) evaluated the branding strategies of the Indian life insurance players in terms of awareness, expectations of customers and the major industry challenges in India. In the wake of competition, LIC required a considerable brand building exercise, at least in urban areas. A sample of 1000 people across various cities was taken to find out the brand awareness of public and private insurance companies. The results showed that LIC was at the top of the mind in the life segment followed by other private life insurance companies. The study further revealed that the settlement of claims was the most important factor in the customer's mind, followed by quality services and security of investments.

Patil (2003) conducted a study to evaluate the LIC products and their performance in Gulbarg District. The objectives were to (i) study the history of LIC; (ii) make an attempt to measure and evaluate the performance of the LIC branches; (iii) critically evaluate the performance of existing products and evaluate the duties of agents; and (iv) know the transaction and precautionary motives of the people. The study covered a period of five years from 1994-95 to 1998-99.

The study revealed that the performance of children related policies was very poor except the children money back policy, which too had not been contributing significantly. The insurance products with lower premium and covering more risk were the most preferred policies by the people. The share of urban business was very high as compared to the rural segment. The study further revealed that the demonstration of product features by the

agents was not satisfactory. It was concluded that the rapport between the agents and development officers was not regular, which had an adverse effect on the business of agents in particular and on the Corporation in general.

Pathak and Singh (2003) empirically examined the impact of opening up of the insurance sector to the private players. An analysis was also done with respect to the marketing strategies adopted by LIC along with its strengths and weaknesses.

Objective of the study

It is with above references, Researcher thinks that as of now:

- Insurance, unlike other tangible products, is only a promise sold. The credibility of the company to keep its promise and meet customer's expectation is most critical.
- To build a large sales/agency and professionalize the insurance sales process. At the same time, the industry needs to explore alternative modes for selling insurance.
- It is necessary to have a strong regulatory framework to ensure licensing norms, establishing guidelines on the solvent margins.
- To meet high customer-service standards and internal control through a robust and integrated IT system.

But things are changing rapidly with the regulators in place and all hurdles in the path of private sector entry cleared; the size, structure and profile of the industry is ready to undergo a huge transformation.

Some private insurance companies have already launched their operations and some more are preparing themselves to start soon. The private parties are bringing with them international experience, new technology, and new channels of distribution and of course, new products. This is an indication of what can be expected in the near future. Even the existing public sector players are gearing up with matching strategies to face competition.

Therefore, researcher's focus is on the study of marketing strategies in presently changing life insurance sector, which strengthen the core of competence of a company. The researcher, by collection of data and opinion of experts in the field of life insurance, has tried to understand the marketing strategy of public and private insurance companies operating in India. Thereby the researcher focuses on an effective model of marketing strategies suitable for Indian life insurance in the fast changing environment. Secondly, the researcher has tried to understand the customers' changing

expectations and the satisfaction-levels in the post-liberalization scenario of life insurance industry. This endeavor is made with the following agendas in view:

- To study the challenges & trends in changing scenario of life insurance industry.
- To analyze the marketing strategies adopted by selected life insurance companies, (Public and private sector).
- To understand the expectation and perception of the policyholders and suggest effective marketing strategy model for improving efficiency and productivity of life insurance sector.

Research design

Research design is the plan, structure and strategy of investigation. Its purpose is to obtain answers to the questions proposed to be studied under research. This study, being exploratory in nature, will have detailed survey of the samples taken from selected life insurance companies. To make the study more meaningful and concrete, the researcher has selected life insurance of India (LIC) and private life insurance companies which have got approval from the government. The research design used in the present study involves the following steps:

Review of Existing Literature

In order to get a complete understanding of the marketing strategies in life insurance sector, the review of present literature was essential. Therefore, the first step of the research involves the collection of available articles, papers and books that directly or indirectly focused on the theme. Accordingly a literature scanning exercise was undertaken. Efforts were made to prepare a list of relevant material and procure them so that conceptual clarity could be achieved. Journals dating since the 1990s, the time when the liberalization process in India began, were scanned.

Among the Indian journals in which research was done with the purpose of collecting information on relevant marketing strategies included the following:

- Vikalpa
- Management Review
- Indian Management

The literature survey helped the researcher in identification of all relevant dimensions of the marketing strategies and the design of the

instrument that is administered on the sample companies to understand the marketing orientation of life insurance companies.

Sample

The study was aimed to understand the marketing strategies adopted by 11 life insurance companies in India. These companies are:

- Life Insurance Corporation of India
- Birla Sun Life Insurance Company
- HDFC – Standard Life Insurance
- ICICI Prudential Life Insurance
- Aviva Life Insurance India
- ING Vysya Life Insurance
- Met Life India
- Allianz Bajaj Life insurance Co.
- SBI Life Insurance Company Ltd.
- The TATA AIG Group
- Reliance Insurance

All of these above mentioned private life insurance companies have obtained the permission to run Life Insurance Company in India after year 2000.

Sample Size and Response

Of all the eleven companies selected for study, one was a public sector company while ten were private sector. The criteria upon which the companies were selected were that the selected companies should have availed the license to run life insurance business in India and should have been operating for more than 5 years in India. A total of three hundred and thirty respondents were selected to collect information regarding expectations and perceptions towards life insurance companies' products, their quality and the customer orientation. The targeted respondents of the survey were life insurance policy holders of selected life insurance companies.

Without studying the customer perception, the marketing strategies of no company can be correctly understood. The Researcher therefore, decided to collect information from the customers regarding their preferences. Their perception of the insurance products and services which flow from companies to the customer is a reliable reflector of "how they buy insurance". The sample size and the response rate achieved in each company are as follows:

Company	Sample/Response
1 Life Insurance Public Sector Company	30
10 Life Insurance Private Company	300 (30 each company)

The public sector Life Insurance Corporation itself is so big that it required a large sample size in comparison to private companies which are 10 in number but much smaller in size. The market shares of private companies are less than 10%. However the growth rate of private companies is very high which encouraged the researcher to consider new avenues of research.

Limitations of the study

Like other studies, this study is no final work on the subject. It is not an exhaustive and conclusive study, for the many limitations which confound it to be so. This is an exploratory investigation which is conducted under inescapable constraints of time and other resources. It seeks to get a peep into the subject which has attracted the attention of academicians and practitioners recently. Though Insurance sector has been liberalized, with more than twenty players launching their products, yet the larger chunk of population is still under-insured. Besides, a clear marketing strategy or model adopted by these companies is not in place. The present study is based on the available theoretical framework only. New dimensions and explanations may make the present understanding of the construct of marketing strategies appear weak and incomplete. Though the study does make effort to integrate all possible available literature on the topic, yet building an adequate model may not have been achieved by the vision of the researcher.

The other limitations of the study flow from the sampling used. First of all, the study is based on 11 companies in which postal life insurance are not taken into consideration. The inferences and conclusions drawn from such a small sample of 30 of customers of each company were sought to be taken as representative of each company and may not be generalized. The scope to perform a better analysis exists by improving the size of the sample.

Second, important limitation is that LIC, a government company is much elaborate in comparison with the private companies, the fresh entrants onto the arena. Judging both with the same yardstick is rather difficult.

- The important limitation in sampling is that the sample respondents are heterogeneous in nature.

- Limited sampling size: The geographical extent of the exercise was limited only to Delhi.
- Unwillingness of industry experts to participate in the study due to time and other constraints. The limited scope of questions that could be asked from the respondent.
- The study deals largely the perception of the industry experts interviewed and policyholders.
- Also the sample size of the study is small due to the large population of insurance industry.
- The study has reflected on the customer needs. Unwillingly customers share proper information.

Marketing Strategies: Proposition and Result

There is likely to be a significant difference between the products demanded by customers of different life insurance companies.

There is likely to be a significant difference between products of different life insurance companies.

There is likely to be a significant difference between products expected and perceived by policy holders of different life insurance companies.

There is likely to be a significant difference between the service qualities demanded by customers of different life insurance.

There is likely to be a significant difference between service qualities of different life insurance companies.

There is likely to be a difference between service quality expected and perceived by policyholders of different life insurance companies.

There is no significant difference between customer relationships expected by customers of different life insurance companies.

There is likely to be a difference between customer relationships of different life insurance companies.

There is likely to be a difference between life insurance customer relationship expected and perceived by policyholders of different life insurance companies.

Result Based on Questionnaire

Total 330 respondents (policy-holders) investigated across 11 life insurance companies in Delhi. The findings have been drawn with respect to marketing strategies – Product differentiation, productivity/quality of services, and customer relationship.

This questionnaire is also used to assess the customer satisfaction regarding life insurance policies. The research and analysis is carried out across age, income, profession and qualification.

Product Demanded by Customer

Analysis reveals that difference is significant between the means of policy-holders of different life insurance companies about, the products they were looking for. The reason could be that respondents studied in the research are from different backgrounds. Customers have different needs like education, retirement, investment etc for life insurance products. They demand products to fulfill their niche needs. Mostly customers are looking for high returns. But they are not able to define their need precisely, as to what are they looking for. Life insurance products are complex by nature. Understanding life insurance products are quite difficult for customers.

In order to develop greater understating of customer needs in the selected group of life insurance companies, an attempt was made to study the individual needs on different parameters like varieties of plan and premium rates. Customers are looking for large number of varieties of products with different premium options. The respondents of public company stated, that insurance firms rarely develop policy in response to identified needs while the respondents of private companies stated, that insurance firms sometimes develop policies in response to identified needs. They have same opinion regarding all the factors of product policy.

Product Offer by Life Insurance Companies

The company – wise analysis abstracted that there is significant difference between the means of respondents of life insurance companies, regarding the products offered by them. These life insurance companies are launching different products to satisfy each and every individual. Life insurance companies are attracting customers through attractive premium-rates and schemes. Customer is in dilemma, as to which product he should buy. They are not able to make comparison between products offered by different companies. Life insurance companies are offering variety of plans by different brand names with attractive premium rates.

Product – Expectation and Satisfaction

The company – wise analysis extracted that there is significant difference between the means of respondents of life insurance companies regarding their expectation and satisfaction towards life insurance products.

Due to heavy advertisement, the awareness level of life insurance is quite high. Customers have high expectations due to competition and attractive offers of life insurance companies. Life insurance agreement is a long term relationship where infant companies attract customer by different schemes like highest return etc. but when maturity of policy comes, companies don't give the value for money.

Quick Services

There is significant difference between the means of respondents of LIC and private life insurance companies regarding services demanded by them.

In a product like life insurance, after sale service plays an important role. Different customers are looking for different kind of services like hassle free service and quick claim settlement etc. customer of different life insurance companies have showed different preferences for services they are looking for. Each and every customer is looking for best service. The person who plays a crucial role in life insurance is Agent. Customer looks towards agent for his service needs.

Competitive Services

Analysis revealed that the respondents of different life insurance have different opinion regarding all dimensions of services offered by life insurance companies.

In a competitive scenario, life insurance companies are trying to provide competitive services to attract customers. Some companies promise for hassle free services, others offer quick claim settlement. On the basis of core competencies, companies are promising different services. Some companies are offering alternative distribution channel like internet and banking insurance to provide excellent services.

Productivity of Services

There is significant difference between the means of respondents of various life insurance companies regarding their service expectation and satisfaction. In services, claim settlement is the biggest hurdle in perceiving the quality of service.

Customer wants a quick and hassle free service. Customer expectations are high in comparison to satisfaction. At first when a customer buys a product, agent plays a very important role and he serves the customer. But, once a product is sold then agent is not able to perform as per

the requirements. It leads to dissatisfaction among policyholders. In service sector, meeting customer expectations is very difficult.

Customer Expect 24x7

There is no significant difference between the means of respondents of different life insurance companies regarding customer relationship.

Life insurance is a long term relationship agreement. There is a need to maintain customer relationship in future. Customers also concern about parking, operating hours and renewal notifications etc. Customers of different life insurance companies have same opinion about operating hours and online customer services. Mostly policy-holders of different life companies have same view regarding all dimensions of customer relationship.

Customer Facilities

The company – wise analysis abstracted that there is significant difference between the means of respondents of life insurance companies regarding the Customer relationship facilities offered by different life insurance companies.

Different life insurance companies are offering different facilities to serve a customer. Some are offering 24x7 facility and others are offering flexible operating hrs. These are extra services to give extra convenience to a customer. Some companies are offering Renewal notification through SMS and email and are also giving feedback form so that customer can feel free to express the problems.

Customer Convenience

The means of the public life insurance companies' respondents are significantly different regarding Customer convenience in terms of customer relationship expectations and satisfaction.

Customer's expectations are high in comparison to their satisfaction in terms of facilities offered by different life insurance companies. Though, customers do not have different views towards these facilities, their expectations are high in comparison to satisfaction.

Descriptive Findings

This survey on Life insurance threw up interesting results on the level of awareness about the subject, and the extent of life cover and the types of policies that are popular.

Life insurance is the most important component of a financial plan. Ironically, it is also the least understood of all financial products. Many policyholders don't even know what kind of policy they have or how much life cover these policies extend. All they know is how much premium they have to pay every year.

So, when researcher conducted this Survey, I wasn't prepared for the kind of response it would generate or the results it would throw up. But I was pleasantly surprised to note that the 330 respondents displayed a greater awareness about life insurance than the average policyholder.

**Here's what the survey revealed:
How well are you Insured?**

Many policyholders don't even know how much insurance they have or need. This is clear from the fact that almost a third of the respondents said, they were probably well covered. Only 15 per cent were definitely well covered. And 21 per cent didn't even consider the cover important.

Table No. 1: How well are you Insured?

Definitely not well-covered	21%
Definitely well-covered	15%
I don't insist on the cover	21%
May or may not be well-covered	13%
Probably well-covered	30%

How much are you covered for?

This is pretty clear from the information collected from the respondent that people give importance to life cover. Only 9% respondents have given option where they are not aware of their coverage. On the other hand, there are 31% respondents having life coverage more than Rs.500000. Second highest option is under 1 to 3 lake. In general middle class respondents have life coverage in this group.

Table No. 2: How much are you covered for?

Don't know	9%
Less than Rs 50,000	3%
Rs 50,001 – 1,00,000	7%
Rs 1,00,001 – 3,00,000	12%
Rs 3,00,001 – 5,00,000	9%
Rs 5,00,001 – 7,50,000	9%
Rs 7,50,001 – 10,00,000	9%
Rs 10,00,001 – 15,00,000	11%
Above 5,00,000	31%

What Kind of Life Insurance Policy do you have?

Unit-link plans were by far the most popular form of insurance among the respondents. On the other hand, very few people took whole life policy.

Perhaps this is because many people are not aware of such plans or don't know about their features.

Table No 3: What Kind of Life Insurance Policy do you have?

ULIP	38%
Term Insurance	9%
Money-back	19%
Endowment insurance	12%
Children policy	5%
Pension plan	10%
Whole life	7%

Awareness of Life Insurance Companies

Awareness about Life insurance concept is quite high in general. But awareness about new private companies is not very high in comparison to LIC. LIC has been working in life insurance sector for more than 50 years. That's why awareness about LIC is quite high. Private companies like ICICI, HDFC etc. had started business from year 2000 onwards. That's why

awareness about private company is low. These 21 private companies are investing a lot of money in advertisement, and brand building.

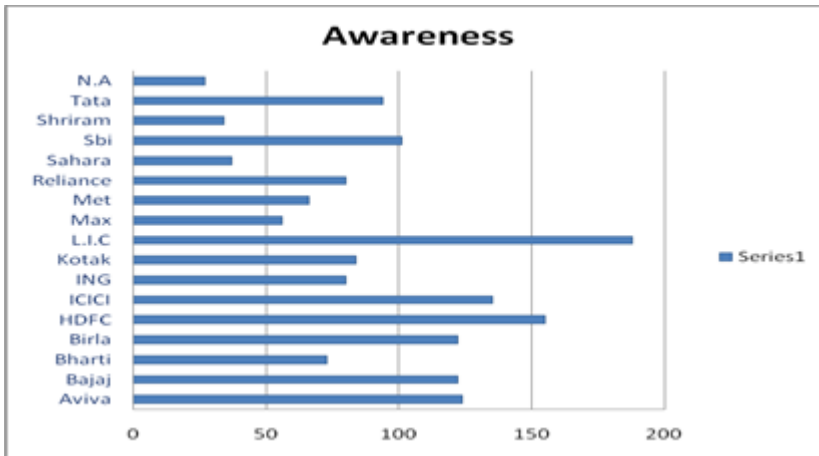


Figure No 1: Awareness

Source of Life Insurance

Life insurance agent plays important role in informing people about life insurance. Whenever an individual, search for information linked with life insurance he seeks life insurance agent who can guide him to take a product as per his need. He can also ask his friend and relatives for advice. Now-a-days, television has become an important source of information regarding life insurance products.

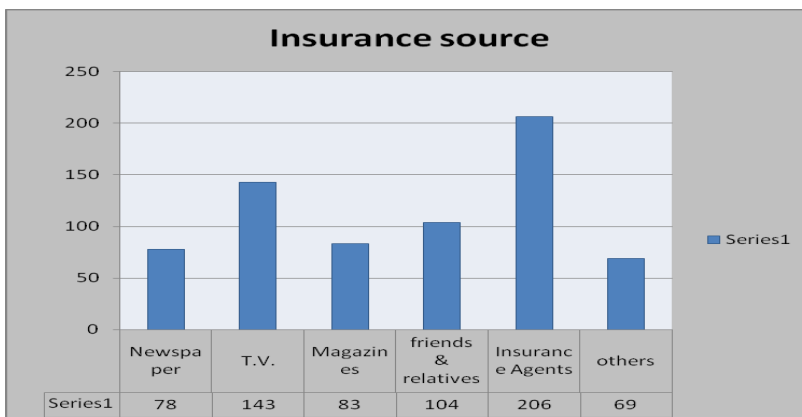


Figure No 2: Insurance Source

Criteria to take life Insurance

As per the survey, people buy life insurance mostly for investment purpose. Yet, main purpose of life insurance is risk cover. Second option as per the survey is risk cover of the life. Before liberalization, as per the literature reviewed, the main criteria to take life insurance were tax savings. But due to high awareness people are buying life insurance for investment and protection.

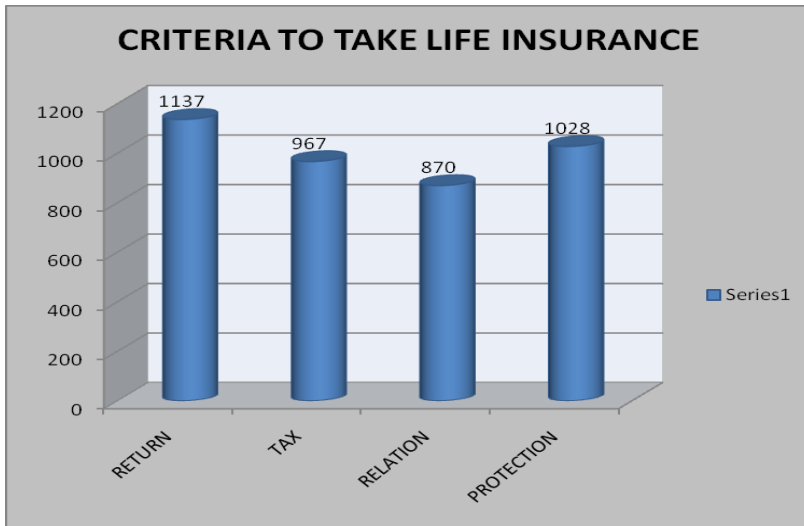


Figure No 3: Criteria to take Life Insurance

Marketing Strategies Model

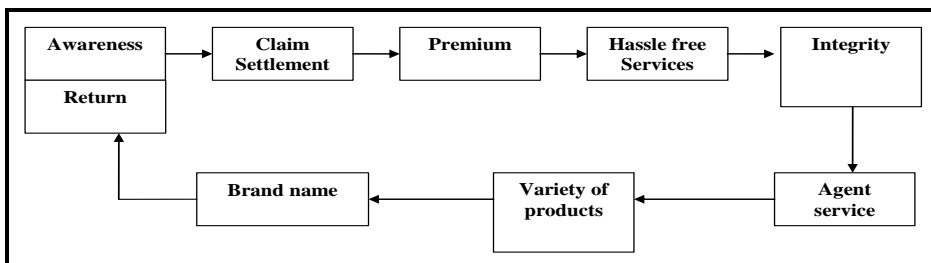


Figure No. 4 Insurance Model

There are many who question the need for life insurance. To most of us the meaning of life insurance can be summed up as “If I die, my family

gets money”. In an age of information, we must accept that this limited view will therefore lead to a lot of misconceptions. Some feel that in an age where relative incomes are steeply rising and inflation reduces the present worth of money, the future value of the sum assured under a life policy is rendered insignificant. Some also feel that they have accumulated so many assets that the value of a life policy will not match their accumulated assets. The decisions of a few are based on “it is not that time of the year”, or what is even more bizarre, “it is that time of the year?”! A lot of life insurance is bought on financial year-ends. Strangely enough, certain months in the calendar year are considered a bad time to buy life insurance. There is also another category, fortunately not too large though, that does not feel the need to secure the future of their dependants. Life insurance is a funny product. People buy it for the strangest reasons. In no particular order, I have listed a few:

Tax Benefits: Many buy life insurance for the tax benefits it provides. When tax becomes the overriding reason for the purchase the true benefits of life insurance are not brought to the fore.

The agent is my friend: With this purchase the customer has performed a favor for the agent and the company, but certainly not to himself. More often than not, the agent-friend is untrained, does not really care about his profession and in all probability would have given you a product that does not match your needs.

I finally got rid of the pest: Customers who purchase policies to “get rid of the pest” are victims of living in a false world. The pest has just created another customer dissatisfaction event. As in the previous case, you would probably have been saddled with the wrong product and even poorer advice.

Peer Pressure: Everybody in my office/society/club/association has; it hence I have it too.

The Agent’s Target: This is no real sale, or a commercial transaction. The agent has a target to complete, so he pleads and you agree. You have thrown a drowning man a life buoy and you may even feel good, but also end up with something you did not want in the first place.

I have to oblige my agent: This is similar to buying a TV because your vendor/boss /corporate/tax consultant/chartered accountant own a TV shop.

So why should one buy life insurance?

This question can be answered by an axiom: Life insurance does not substitute a person; it substitutes the economic value of a person. It is a

magical solution that allows a man to create his estate in advance by paying in installments.

Conclusion

Insurance stems on three pillars; consumers who are willing to buy insurance at an affordable price considering their needs, insurance companies who design the right products and attempt innovations in them besides managing the investment portfolio reacting to reforms in other financial sector segments and finally the regulator who should create an atmosphere for the smooth functioning of the market with a bias towards protecting the policyholders interest.

The satisfaction level of the policyholders as per the data collected in very low in comparison to expectation in terms of quality of services provided by selected life insurance companies. The highest dissatisfaction occurred in terms of services provided by agents of different life insurance companies in terms of information given by them related with life insurance policy to the policyholders. Each and every company is trying to offer different products but product itself in complex by nature to understand. Agents of life insurance companies those who play a very important role in selling a life insurance policy are not very highly educated and are not well trained. There is need to develop a mechanism through which these agents can be made accountable for their misrepresentation.

As per the analysis, companies are trying to offer different products but they are serving same kind of services like death claim, grievances handling, causation of policy etc. there is need to develop stringent rules and regulations for these companies so that they cannot cheat the customer. Claim settlement, premium and hassle free services dimensions are kept on top priority of the customers and the marketing strategy model has been developed taking into account these dimensions so that customer can be delighted.

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