

The Attitudes of Consumers and its Effect over the Business in Life Insurance Companies

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Abstract

The current study defines the effect of services provided by the insurers and its role in building customer attitude. Every business these days of cut throat competition need to focus on their customer to maintain themselves in the market. Moreover their competence depends more on the attribute that how they treat their customers their needs, demands and attitudes. The current study is conducted in the city of Lucknow – India concerning about 150 respondents all of which are the insurance customers. This study tries to analyze the attitudes of the customers regarding the services especially after sale services provided by their insurers and also tries to give results accordingly.

Key Words: Customer expectations, Customer Satisfaction, Insurance Companies, Insurance Services

Customer expectations are rising. They want individual attention, responsiveness, customization and other value additions without any premium for these services. There is therefore an urgent need to improve and increase the convenience and comfort level of the customers. It is possible to meet these challenges through CRM initiatives. While it is very important to retain customer, no retention strategy can be 100% success. Customer acquisition becomes vital to ensure growth in customer base.

The current scenario in the insurance industry is a complex and competitive environment tinged with little stability. The major hassle the industry faces is obtaining clients. This is due to the fact that the big fish in the insurance industry dominate the sector. It has become increasingly difficult for this particular sector to gain profits while curtailing costs. Acquisitions, mergers, have all contributed to the difficulty insurance agents and other professionals from this industry face.

Long considered a job only restricted to insurance companies, selling insurance policies has now become an option for banks as well. This has resulted in a lot of increased as well as unwelcome competition. Customers tend to lose out as they are not buying from the right provider. In addition to this the Internet has increased the pressure for insurance companies in capturing the market. All this has succeeded in making the insurance world more complicated

The consumer in this immense competition are demanding something always more than their expectations and so it is necessary to develop such a mechanism that helps the service providers to have access to these changing needs, demands and expectations of the consumers, Customer Relationship Management (CRM) is one of the tool to achieve the desired level of customer satisfaction. CRM involve high level of customer research and is the only way to reduce customer dissatisfaction and to achieve a level of loyalty and satisfaction among customers.

Customer Relationship and Insurance

Since most insurance companies are not adequately equipped to help their agents deal with customer centered problems CRM insurance enables insurance organizations to survive in a tough economic climate by using the data the insurance company has on the existing customers and then use it to increase the level of profitability. It manages to enhance the customer relationship based on consumer's unique requirements.

A wealth of customer data is available but insurance companies do not have it readily assessable nor is it coherent. CRM insurance software creates a holistic view of the customer which helps eliminate customer irritation experienced due to this, when they need to identify themselves repeatedly. Insurance CRM assists Customer Service Representatives when they are not able to properly access customer data. Having ample customer information on hand enables a CSR to be more confident of dealing with the client. It removes the chance of errors.

CRM enables customers themselves to do research on products, have answers to their questions etc. In addition to this policyholders or beneficiaries can check their claim status, change their account information, submit complaints etc. Insurers find that CRM is assisting them in their marketing efforts as well through a comprehensive understanding of the client base. CRM aids the insurance companies by ensuring that campaigns are more affective

Objective of the Study

- To study the effect of intermediary on the customer attitude while taking an insurance policy
- To study the customer satisfaction in regard to various services provided to them by their insurers.
- To analyze the effect of services, safety, risk, return and various attributes of insurance on the investment attitude of consumers regarding insurance
- To analyze the effect of assistance provided by the insurers after on the satisfaction level of customer at the time of taking insurance

Research Methodology

The data used in this study is primary in nature and has been collected by survey (questionnaire) method during the time frame of 3 months ranging from March 2011 to June 2011 from 150 respondents (Insurance Customers – already having insurance policies at different insurance companies in Lucknow as well as from general public prospective consumers of insurance). All the respondents belong to Lucknow region. To prove the hypothesis Chi-square test had been conducted in order to bring out more accuracy in the findings and conclusion.

The secondary data is been collected from various journals, books and internet links and websites of IRDA, RBI and various insurance companies the details of which can be found at the last page in the reference section of this research paper.

Hypothesis

1. There is no difference in the business done by agents, corporate agents and brokers in private and public sector insurance
2. The satisfaction level of customers is same in regard to various services provided by the insurers
3. Customer attitudes are not influenced by the assistance facilities provided at the time of taking insurance
4. Investment attitudes of customers are not influenced by the services, safety, risk and return attribute of the insurance

Data Analysis

The data is collected through questionnaire method, a questionnaire is prepared for knowing the attitudes of customers regarding the insurance policy they have taken and of which company and the facilities provided to them by their insurers. The data is collected from 150 respondents from the city of Lucknow during the three months period ranging from March 2011 to June 2011. The data is collected mostly from the age group of 20 to 40 years, the educational qualification of 75 per cent respondents are senior secondary to post graduate and rest 25 per cent of the respondents bear professional qualification and are employed, most of whom have an insurance policy, 85 per cent of the respondents are employed while 15 per cent are self-employed or entrepreneur.

Test of Hypothesis

1H₀: There is no difference in the business done by agents, corporate agents and brokers in private and public sector insurance

1H₁: There is a difference in the business done by the agents, corporate agents and brokers in private and public sector insurance

Table 1 New Business Premium Generated by the Various Insurance Intermediaries

| Life Insurers | Individual Agents | Corporate Agents | Brokers |
|---------------|-------------------|------------------|---------|
|---------------|-------------------|------------------|---------|

| | | | |
|----------------|-------|-------|------|
| Private | 54.94 | 31.70 | 2.00 |
| Public | 97.34 | 2.19 | 4.47 |

Source: IRDA Annual Report 2008-09

Description of Table 1: To analyze the effect of different intermediaries on the customers while taking insurance policy I had taken the new business premium generated by different intermediaries in the over all insurance industry the data is classified in to private and public sector life insurance business. I had taken the business figures done by various intermediaries namely individual agents, corporate agents and brokers because the business figures generated by these intermediaries shows the real scenario and attitude of the customer that is from whom they would like to buy the insurance policy most of the time and what is most feasible way of promoting insurance business. The table is been taken form the annual report of IRDA from the website of IRDA and the data represented here depicts the exact business figures generate by the respective intermediaries in the financial year 2008-09.

The Chi-square test is applied to test the hypothesis.

Applying Chi-square

Table 2 Table of Expected Frequencies

| Life Insurers | Individual Agents | Corporate Agents | Brokers | Total |
|----------------------|--------------------------|-------------------------|----------------|---------------|
| Private | 70.07 | 15.59 | 2.98 | 88.64 |
| Public | 82.21 | 18.3 | 3.49 | 104 |
| Total | 152.28 | 33.89 | 6.47 | 192.64 |

$$X^2 = \sum \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$$

$$X^2 = \{[(54.94 - 70.07)^2 / 70.07] + [(31.70 - 15.59)^2 / 15.59] + [(2.00 - 2.98)^2 / 2.98] + [(97.34 - 82.21)^2 / 82.21] + [(2.19 - 18.30)^2 / 18.30] + [(4.47 - 3.49)^2 / 3.49]\}$$

$$X^2 = (3.27 + 16.65 + 0.32 + 2.78 + 14.18 + 0.27) = 37.47$$

$$X^2_{cal} = 37.47 \text{ and } X^2_{Tab} = 7.815 \text{ at } 5\% \text{ level of significance at } 2 [(c-1) (r-1)] \text{ degree of freedom}$$

Therefore, reject the Null Hypothesis

Since the calculated chi-square is 37.47 which is more than the tabulated value of 7.815 it falls in the rejection region. Hence the null hypothesis is rejected, and alternated hypothesis is accepted that there is a difference in the business done by various intermediaries.

2H₀: The satisfaction level of customers is same in regard to various services provided by the insurers

2H₁: The satisfaction level of customers is different in regard to various services provides by the insurers

Table 3

| Services and Facilities | Customers Satisfied in the sample of 150 |
|--------------------------------|---|
| Claims Settled | 46 |
| Premium Notification in time | 26 |

| | |
|--|----|
| Policy Status Notification | 03 |
| Loan Receiving on policy | 03 |
| Editing and Alteration in Policy | 19 |
| Disclosure of new plans | 17 |
| Services provided by the agents and employees | 42 |
| Officer Response to the queries of customers | 41 |
| Problems with depositing premium at cash counter | 49 |

Description of table 3: This table is generated on the behalf of the responses of the respondents to the questionnaire generated for the purpose among the sample of 150 and the respondents are free to choose more than one option for defining their level of satisfaction for each services provided by the insurers or the insurance companies.

Applying chi-square

$$X^2 = \sum \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$$

$$E_{ij} = 246/9 = 27.33$$

$$X^2 = \{[(46-27.33)^2 \div 27.33] + [(26-27.33)^2 \div 27.33] + [(3 - 27.33)^2 \div 27.33] + [(3 - 27.33)^2 \div 27.33] + [(19 - 27.33)^2 \div 27.33] + [(17 - 27.33)^2 \div 27.33] + [(42 - 27.33)^2 \div 27.33] + [(41 - 27.33)^2 \div 27.33] + [(49 - 27.33)^2 \div 27.33]\}$$

$$= 12.75 + 0.06 + 21.66 + 21.66 + 2.54 + 3.90 + 7.87 + 6.84 + 17.18$$

$$X^2_{cal} = 94.46$$

The X^2_{Tab} for 5 per cent level of significance at 8 (n-1) degrees of freedom is 7.344

Therefore, reject null hypothesis 2 and accept the alternate hypothesis

3H₀: Customer attitudes are not influenced by the assistance facilities provided at the time of taking insurance

3H₁: Customer attitudes are influenced by the assistance facilities provided at the time of taking insurance

Table 4 Response of the Customers regarding the attitude of customers while taking insurance in respect to the services provided by the insurers at the time of taking insurance

| | Assistance Provided | Assistance not Provided |
|---------------------|---------------------|-------------------------|
| Insurance Taken | 72 | 38 |
| Insurance not Taken | 18 | 22 |

Description of table 4: This table describes the attitudes of the customers while taking insurance in they are provided the assistance at the time of taking insurance or if they are not provided with any such assistance for taking insurance, this table is also generated on the responses of the customers during the survey and filling of questionnaires.

Table 5 Expected Frequency Table

| | Assistance Provided | Assistance not Provided | Total |
|-----------------|---------------------|-------------------------|------------|
| Insurance Taken | 66(AB) | 44(Ab) | 110 |

| | | | |
|----------------------------|-----------|-----------|------------|
| Insurance not Taken | 24(aB) | 16(ab) | 40 |
| Total | 90 | 60 | 150 |

Applying Qui-square

$$X^2 = \sum \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$$

Table 6

| Groups | O_{ij} | E_{ij} | O_{ij} - E_{ij} | (O_{ij} - E_{ij})² | (O_{ij} - E_{ij})²/E_{ij} |
|---------------|-----------------------|-----------------------|--|--|---|
| AB | 72 | 66 | 6 | 36 | 0.54 |
| Ab | 38 | 44 | -6 | 36 | 0.81 |
| aB | 18 | 24 | -6 | 36 | 1.50 |
| ab | 22 | 16 | 6 | 36 | 2.25 |
| | | | | | X² =5.10 |

X²_{Cal} is 5.10 which is greater than the X²_{Tab} for 5 per cent level of significance at 1[(C-1) (R-1)] degree of freedom is 3.841

Therefore, reject the null hypothesis and accept the alternate hypothesis

4H₀: Investment attitudes of customers are not influenced by the services, safety risk and return attribute of insurance

4H₁:

Investment attitudes of customers are influenced

| | Service and Safety | Risk and Returns |
|------------------------------------|---------------------------|-------------------------|
| Investment in Insurance | 40 | 60 |
| Investment in other options | 32 | 18 |

by the services, safety risk and return attribute of insurance

Table 7 Response of the Customers Regarding the investment preference of the customers in insurance industry with respect to services, safety and returns and risk provided in the insurance sector and not any other sector

Description of Table 7: this table is also generated on the responses of the customer to a question regarding their choice for investment in the insurance depending on the various attribute present in the insurance policy which might not be there in other investment option available to the investors these attributes of insurance cover risk return and safety of the funds of the investors.

Note:

1. *Other investment options (includes traditional investments – like banks fixed deposits, savings accounts or post office deposits, the mutual funds, asset management companies, chit funds etc.)*
2. *services provided by insurance (includes part payment – insurance premiums, loaning facility on insurance policy, health insurance claims and benefits, death claims, pension benefits, tax savings, better customer services, safety of funds, secured and fixed amount on maturity etc.)*

Table 8 Expected Frequency Table

| | Safety and Service | Risk and Return | Total |
|------------------------------------|---------------------------|------------------------|--------------|
| Investment in Insurance | 48 (AB) | 52 (Ab) | 100 |
| Investment in other options | 24 (aB) | 26 (ab) | 50 |
| Total | 72 | 78 | 150 |

Applying Qui-square

$$X^2 = \sum \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$$

Table 9

| Groups | O_{ij} | E_{ij} | O_{ij} - E_{ij} | (O_{ij} - E_{ij})² | (O_{ij} - E_{ij})²/E_{ij} |
|---------------|-----------------------|-----------------------|--|--|---|
| AB | 40 | 48 | -8 | 64 | 1.33 |
| Ab | 60 | 52 | 8 | 64 | 1.23 |
| aB | 32 | 24 | 8 | 64 | 2.67 |
| ab | 18 | 26 | -8 | 64 | 2.46 |
| | | | | | X² =7.69 |

X²_{Cal} is 7.69 which is greater than the X²_{Tab} for 5 per cent level of significance at 1[(C-1) (R-1)] degree of freedom is 3.841

Therefore, reject the null hypothesis and accept the alternate hypothesis

Findings

Insurance as a service industry need to focus on the customer attitudes and attributes that are expected from them by their customers. A satisfied customer is one which is said to have got the things as per his/her expectations. In this sense it required a lot of personal touch rather than professional in the service industry that's why customers are more influenced by the individual agent who is more attached to a customer rather than the corporate agents or an insurance broker. The hypothesis one is rejected that shows that the business generated by the individual agents is more than any other insurance intermediary, which depicts the original picture of the preference of the customers while taking insurance (include both public and private sector).

I had taken the business figures done by various insurance intermediaries because that shows accurately the actual business done as well as by whom it is done, as if the business figures are true representative of the preference of investor regarding selection of intermediaries at the time of taking insurance.

Investors prefer more personal touch regarding their money matter and investment pattern that is why most of the customers would like to go for individual agents which, tries to give them individual attention and the customers' expectations, queries, problems and solution to these problems can be availed by them within very short span of time in the mean time they develop a sense of belonging and trust to the agents involved in their money matters and investment.

A mere investment will not get the game over but it takes a lot from it especially in the case of insurance services because it is an ongoing contract unlike a fixed deposit, the customer is likely to give premiums every year and is likely to get in continuous touch with the insurance companies, the agents and the employees of the company, the services provided by then which is very much described in the **table 3** that shows that 49 customers are satisfied by the claim settlement services provided by their insurers whether in public or in private sector, but the satisfaction level of the customers is not same for all the types of services provided to

then by their insurers as in this case where as many as 49 customer out of a sample of 150 are satisfied by the claims settlement procedure, only 03 out of 150 customers are satisfied by the policy status notification and loan receiving on the insurance policy services whereas the other services like alterations, editing in the policy, disclosures of new plans and receiving premium notices on time has low satisfaction rate of the customers.

In this part of the questionnaire I had given the respondents the freedom to choose more than one or two options from the given alternative regarding their satisfaction of the services provided by their insurers whether private or public.

In the next phase of the questionnaire I asked the respondents regarding their conception of insurance that how well are they known of the procedures and formalities to be done while taking up for insurance policy and is there is any need for them to render assistance at the time of taking insurance policy, 140 respondents out of 150 need assistance and special attention by their respective intermediary while taking insurance. There for the number of respondents who will take insurance while assistance provided is 72 out of 150 almost 50 per cent of the total sample as depicted in the **table 4**, therefor it is the right approach to have employees get trained for customer assistance especially at the time of taking insurance as it motivates more customer to buy insurance who are not investing in insurance just because they do not have proper knowledge on insurance formalities and procedures to be followed at the time of taking insurance.

The last finding in my research is about the investment pattern of the customers or investors, that is in what form they would like to held their money, do they like to go for insurance or any other investment options (includes traditional investments – like banks fixed deposits, savings accounts or post office deposits, the mutual funds, asset management companies, chit funds etc.) as presented in **table 7**, 40 out of 150 respondents would like to invest in insurance because of the services provided by insurance (includes part payment – insurance premiums, loaning facility on insurance policy, health insurance claims and benefits, death claims, pension benefits, tax savings, better customer services, safety of funds, secured and fixed amount on maturity etc.). 60 out of 150 respondents would like to invest in insurance because of its unique features of dealing risk with appropriate return. So it has been proved that 100 out of 150 respondents would like to buy an insurance policy as it gives a blend of customer services, tax savings, risk reduction and return prospects, which might not be with any other option of investments for the investors or customers of insurance. So it can be rightly sighted that an investment in insurance can be the first choice of the customer provided they are having or provided with proper guidance and knowledge of insurance.

Conclusion

In order to conclude my discussion on the customer attitude and life insurance services and business I would like to say that insurance is the booming industry that needs to care a lot of the customer as being a player in the service industry the insurance companies would like to draw more attention and focus on the customer attitudes and change in their preferences for the services to rendered.

This is not the era of monopoly where only one exist and rule over the market, rather, this is the phase of globalization, liberalization, and privatization where the doors are opened for all to enter in to the domestic market and operate freely with certain regulations, which gives rise to immense competition in the market and creates anomalies in market, so in order to survive in this phase any firm has to focus on driving desired amount of satisfaction from their customers. In this era not the private sector but the public sector – big fish (LIC) as well has a lot of problem in maintaining customer satisfaction as due to intense completion and huge amount of alternative present in the market the customers' expectations are rising, to meet up these expectation the insurers has do develop a 'X' factor in their products and services, because a customer is said to be satisfied when he/she gets more than their expectations.

Insurance penetration in India is very low therefore there is a need to develop more insurance education among the masses that will help the insurance industry to grow. In my study the attitudes of the customers are very positive regarding in insurance most of the respondents from the sample would like to invest in insurance because of various reasons and unique features of insurance which is not there in any other investment options, and most striking feature is that the most of the people do not a fixed or heavy lump sum amount to be deposited in the traditional investment option like fixed deposit, therefore insurance provided them the ease of depositing money in part that is in premium to insurance policy on their convene any time in the time i.e. half

yearly, monthly, yearly, or quarterly as well as it also benefits for tax savings which is also not the features of ant traditional investment options. So there is a much wider scope of insurance in India with regard to customer attitudes.

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