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A PRAGMATIC ANALYSIS AND PREDICTION OF CONSUMER PERCEPTION ON LIFE INSURANCE PRODUCTS AND SERVICES

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ABSTRACT

Consumer satisfaction is one the key dimension that is considered and processed by all the corporate giants to stay long in the market. Without having regular and unbiased feedback, it becomes difficult and complex for the organization to have true pattern on their existing roles, policies and products. Service sector is one of the prominent domains where customer satisfaction and feedback is very important because there is exponential growth of customers if the services are good and effective by the company. In this research paper, an effective and pragmatic analysis on the consumer satisfaction is implemented in the segment of life insurance. There are number of companies providing life insurance and related products and number of research reports are released still there is need to evaluate multiple dimensions and satisfaction level based on the specific model of service quality.

Keywords - Consumer Satisfaction, Life Insurance Product Satisfaction, SERVQUAL Model, Satisfaction Level in Service Sector

INTRODUCTION - LIFE INSURANCE AND RELATED ASPECTS

Life insurance refers to a contract between an insurance policy holder and an insurer or assurer, where the insurer promises to pay a designated beneficiary a sum of money (the benefit) in exchange for a premium, upon the death of an insured person (often the policy holder). Depending on the contract, other events such as terminal illness or critical illness can also trigger payment. The policy holder typically pays a premium, either regularly or as one lump sum. Other expenses (such as funeral expenses) can also be included in the benefits.

Life policies are legal contracts and the terms of the contract describe the limitations of the insured events. Specific exclusions are often written into the contract to limit the liability of the insurer; common examples are claims relating to suicide, fraud, war, riot, and civil commotion.
Life-based contracts tend to fall into two major categories:

- Protection policies – designed to provide a benefit, typically a lump sum payment, in the event of specified event. A common form of a protection policy design is term insurance.
- Investment policies – where the main objective is to facilitate the growth of capital by regular or single premiums. Common forms (in the U.S.) are whole life, universal life, andvariable life policies.

Life insurance may be divided into two basic classes: temporary and permanent; or the following subclasses: term, universal, whole life, and endowment life insurance.

LIFE INSURANCE COMPANIES IN INDIA

Public Sector - Life Insurance Corporation of India

Private Sector

- Aviva India
- Bajaj Allianz Life Insurance
- Star Union Dai-ichi Life Insurance
- Exide Life Insurance
- HDFC Standard Life Insurance Company
- ICICI Prudential Life Insurance
- IDBI Federal Life Insurance
- IndiaFirst Life Insurance Company
- Kotak Mahindra Old Mutual Life Insurance
- SBI Life Insurance Company
- Birla sun life

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CUSTOMER SATISFACTION

Customer satisfaction is a term frequently used in marketing. While it's often abbreviated as CSAT, it is more correct to abbreviate it as CSat. It is a measure of how products and services supplied by a company meet or surpass customer expectation. Customer satisfaction is defined as "the number of customers, or percentage of total customers, whose reported experience with a firm, its products, or its services (ratings) exceeds specified satisfaction goals." In a survey of nearly 200 senior marketing managers, 71 percent responded that they found a customer satisfaction metric very useful in managing and monitoring their businesses.

It is seen as a key performance indicator within business and is often part of a Balanced Scorecard. In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy.

The importance of customer satisfaction diminishes when a firm has increased bargaining power. For example, cell phone plan providers, such as AT&T and Verizon, participate in an industry that is an oligopoly, where only a few suppliers of a certain product or service exist. As such, many cell phone plan contracts have a lot of fine print with provisions that they would never get away if there were, say, 100 cell phone plan providers, because customer satisfaction would be far too low, and customers would easily have the option of leaving for a better contract offer.

Customer satisfaction is an abstract concept and involves such factors as the quality of the product, the quality of the service provided, the atmosphere of the location where the product or service is purchased, and the price of the product or service. Businesses often use customer satisfaction surveys to gauge customer satisfaction. These surveys are used to gather information about customer satisfaction.

Typical areas addressed in the surveys include:

- Quality of product
- Value of product relative to price - a function of quality and price
- Time issues, such as product availability, availability of sales assistance, time waiting at checkout, and delivery time
- Atmosphere of store, such as cleanliness, organization, and enjoyable shopping environment
- Service personnel issues, such as politeness, attentiveness, and helpfulness
- Convenience, such as location, parking, and hours of operation

SERVQUAL MODEL FOR EVALUATION OF SERVICE QUALITY

SERVQUAL Model is used for the evaluation and prediction of the results. It is one of the key models that is used for the quality assessment. Service firms like other organizations are realizing the significance of customer-centered philosophies and are turning to quality management approaches to help managing their businesses.

There are seven major gaps in the service quality concept

- Gap1: Customers' expectations versus management perceptions: as a result of the lack of a marketing research orientation, inadequate upward communication and too many layers of management.
- Gap2: Management perceptions versus service specifications: as a result of inadequate commitment to service quality, a perception of unfeasibility, inadequate task standardisation and an absence of goal setting.
- Gap3: Service specifications versus service delivery: as a result of role ambiguity and conflict, poor employee-job fit and poor technology-job fit, inappropriate supervisory control systems, lack of perceived control and lack of teamwork.

- Gap4: Service delivery versus external communication: as a result of inadequate horizontal communications and propensity to over-promise.
- Gap5: The discrepancy between customer expectations and their perceptions of the service delivered: as a result of the influences exerted from the customer side and the shortfalls (gaps) on the part of the service provider. In this case, customer expectations are influenced by the extent of personal needs, word of mouth recommendation and past service experiences.
- Gap6: The discrepancy between customer expectations and employees' perceptions: as a result of the differences in the understanding of customer expectations by front-line service providers.
- Gap7: The discrepancy between employee's perceptions and management perceptions: as a result of the differences in the understanding of customer expectations between managers and service providers.

NEED TO EVALUATE CUSTOMER SATISFACTION

With better understanding of customers' perceptions, companies can determine the actions required to meet the customers' needs. They can identify their own strengths and weaknesses, where they stand in comparison to their competitors, chart out path future progress and improvement. Customer satisfaction measurement helps to promote an increased focus on customer outcomes and stimulate improvements in the work practices and processes used within the company.

REVIEW OF LITERATURE

Pfeffer (1965) in this study makes an effort to measure the profit potential of the new life insurance companies. The five types of strategies available to new companies are: grandfather strategy; hit and run; captive; brokerage; and traditional strategy. Although the evaluation of profit potential in case of new companies is practically impossible due to various reasons such as paucity of useful published data about the actual performance, it is concluded that out of many entrants, only a few are capable of doing business in the long run.

Peterson et al (1972) study the effect of marketing innovations in life insurance sector. The results show that flow of innovation is a two-step flow i.e. it flows from innovator firms to large firms in the industry and then to others. The relative advantage of innovating firms is short lived when the offering in unprotectable. Therefore future research on diffusion of competitive innovation among sellers must consider industry characteristics such as "ability to protect innovations."

Meidan (1982) presents different marketing strategies for insurers, suggesting that the selection of an appropriate strategy should be based on the internal conditions and external forces facing the firm. The two broad categories of insurance marketing strategies exist: growth strategies; and competitive marketing strategies. Due attention should be given to the marketing organisational structure and its departmental responsibilities.

Fitzgerald (1987) develops a utility maximising model of a married couple choosing the amount of life insurance it wants on each of its earners. Social security survivor benefits are found to decrease the demand for life insurance on an earner, while social security benefits that are conditional on the earner's survival increase the demand. Husband and wife's future earnings are found to increase the demand for insurance on husband's life.

Browne and Kim (1993) identify the factors that lead to the variations in life insurance demand across nations. Important factors found to be dependency ratio, national income, social security provided by government, inflation, education level, average life expectancy, price of insurance and religion. The findings that life insurance is positively correlated with national income and negatively correlated with inflationary expectations, suggests that economic development and economic stability greatly increase life insurance consumption.

Outreville (1996) presents some empirical tests of the relationship between financial development and the development of the life insurance sector and provides empirical evidence of the negative effects of a monopolistic market on life insurance growth. Skilled human capital is a source of competitive advantage because industries in developing countries suffer from a major handicap of shortage of skilled personnel.

Zimmerman (1999) in this study concentrates on the insurance industry and on insurance firms' actions designed to cope with barriers to international trade. Thy find out that there are 26 barriers to insurance trade, which are discriminatory against foreign insurers. Respondents feel that barriers can become a critical factor if they create prohibitive costs or difficulties for the firm's entry. A new market entry decision model has been proposed based on the findings.

Saibaba et al (2002) study the perception and attitude of women towards life insurance policies. Nowadays many insurance companies are trying hard to woo the female population. The study finds that women feel that their lives are not as valuable as their husbands, they perceive insurance as a tool for risk coverage and not as a tax saving device, there is also lack of knowledge about suitable insurance plans.

Reddy (2005), in this article studies the customer perception towards life insurance companies' policies. This study is limited to Bangalore city only. The results are that, majority of respondents feel that policies offered by private companies are up to their expectations but when compared with public companies' policies very few policies are better alternatives. Sharma and Agarwal (2005) discuss the insurance sector in India in the pre-nationalisation era, post nationalisation era, post liberalisation era and emerging scenario. To be more competitive and responsive to the needs of the societies, the insurance players would be required to concentrate on the various strategies viz. environmental analysis, restructuring organisations, human resource development, efficient marketing strategies, distribution channels and corporate governance.

Rajesham and Rajender (2006) also discuss the changing scenario of the Indian insurance sector. They point out the challenges in the present scenario as increasing India's share in the global insurance market, having qualified, skilled actuaries, penetration in rural markets, developing customised policy for clients etc.

Barkur et al (2007) study the influence of five critical factors on service quality in the insurance sector and attempt to obtain a generic solution to enhance the quality of service. The research is based on system dynamics methodology, which involves sequential phases. The results of this research have indicated that the key parameters, e.g. past experience, personal needs, external communication, word of mouth, and active clients have significant influence on service quality of the insurance sector.

Outreville (2008) studies the international diversification of successful insurance companies. The results of this study have important implications. First, the results indicate that location-specific advantages such as size, education, regulatory barriers, competitiveness, and cultural distance do provide an explication of the internationalisation of insurance firms in some locations. Second, they show that good governance has a strong impact on the choice of countries by insurance firms.

Ma and Pope (2008) investigate the relationship shared by foreign market characteristics and the participation of international life insurers in those markets. The analysis reveals that the characteristics that are found to be statistically significant with respect to international participation include high levels of trade liberalisation and/or low insurer market share concentration, high levels of national wealth, and high levels of government expenditure on social security retirement benefits.

Zuasti (2008), in this article studies the interaction between insurance and dynamic financial markets. This is demonstrated using a general equilibrium model, where agents not only buy insurance but can also invest in shares of the companies that sell insurance. The central result shows that in equilibrium, risk-averse agents purchase full insurance coverage, despite unfair insurance prices. The three conditions that explain this result, are insurance contracts are priced competitively; financial prices include a risk premium only for undiversifiable risk, and financial markets are effectively complete.

Frank and Enkawa (2009), in this article purport to find out how economic processes influence customer satisfaction. The study examines the separate impacts of economic growth and economic expectations on perceived value, quality expectations and customer satisfaction. The analysis reveals that customer satisfaction is positively influenced by economic growth and negatively by current economic expectations. The results show a strong correlation between economic expectations and (overall and industry-specific) quality expectations.

MH Siddiqui (2010) - Life insurance players have started realizing that their business depends on customer service and customer satisfaction. This research, using confirmatory factor analyses, proposes a six dimensional service-quality instrument consisting of ‘assurance’, ‘personalized financial planning’, ‘competence’, ‘corporate image’, ‘tangibles’ and ‘technology’ in life insurance. A causal model, using structural equation modeling, is suggested to investigate the effects of the proposed service quality instrument on customer satisfaction (‘satisfaction with agents’, ‘satisfaction with functional services’, ‘satisfaction with company’ and finally with ‘overall satisfaction’). The proposed framework attempts to provide a blueprint for appropriate course of action (by life insurance service providers) to create a base of satisfied customers through quality services.

Prakash A. (2011) - Running a successful life insurance company is about right structuring the life insurance products, which calls for minimising the performance-expectation gap. The life insurance business is not just about paying claims, but involves multiple expectations from various stakeholders. A lot of research has been carried out in the area of service quality; however, there is a paucity of critical examination of service quality neural networks applicable to life insurance business. The study attempts to critically examine five possible combinations of neural networks as applicable to measure service quality. A survey instrument has been designed to collect data from various stakeholders in Indian life insurance business, and have been analysed by using neural networks. A comparative analysis of all neural networks for key stakeholders is presented.

Gullen (2012) - Insurance customers usually hold more than one contract with the same insurer. A generalization of classical survival analysis methods is used to examine the risk of losing a customer once an initial insurance policy cancellation has occurred. This method does not assume that the model parameters are fixed over time, but rather that the parameters may fluctuate. Our results suggest that the kind of contracts held by customers and the concurrence of an external competitor strongly influence customer loyalty right after that cancellation, but those factors become much less significant some months later. Our study shows how predictions of the probability of losing a customer can be readjusted and improves the way companies manage business risk.

Mittal (2013) - The article attempts to empirically test a multi-dimensional and multi-level hierarchical structure of service quality in Life Insurance services in India. The study draws evidence from India to develop and compare a second-order hierarchical model with a first-order model to draw better insight into the determinants and structure of perceived service quality in Indian Life Insurance services. Five component dimensions of perceived service quality were extracted through exploratory factor analysis from a list of initially generated 38 items of service quality from literature and expert review.

Picon (2014) - This study proposes a multiple mediation model to analyze the relationship between satisfaction and loyalty. The study's contribution to the literature is to examine, empirically, the main antecedents and determinants of this endogenous variable in greater depth. Thus, the research fills a gap in the literature through its analysis of the mediating role of perceived switching costs and the perceived lack of attractiveness of alternative offerings. This study applies variance-based structural equation modeling via partial least squares to a sample of 785 customers from 74 insurance companies in the service sector. The results show that perceived switching costs – to a greater extent – and the perceived lack of attractiveness of alternative offerings – to a lesser extent – are significant mediators in the relationship between satisfaction and loyalty.

Bansal (2015) - Because of the significant financial impact that customer switching can have on a service firm, it is important to understand why customers switch service providers. In this study, we investigate whether other variables besides service quality and satisfaction play a role in determining switching intentions. Data from a survey of 191 customers of three different services was used to assess the relative importance of the following variables: satisfaction, service quality, value, perceived switching costs, alternative attractiveness and propensity to seek variety. For all three services, service quality and satisfaction were superceded by other variables as influencers of switching intentions.

Sonwaney (2016) - The concept of Consumer value is becoming increasingly used in strategy and marketing literature in recent years. Consumer value is considered central to competitive advantage and long-term success of business organizations. Consequently, a great importance attached to this concept. This review paper attempts to build an integrative configuration of the concept of Consumer value that reflects its richness and complexity. The proposed study aims at researching the end value that the consumer derives from his Life Insurance.

PROBLEM DEFINITION

There are number of research analysis and reports performed by the academicians on the satisfaction level of life insurance consumers, still there is huge scope of research from assorted dimensions by which the satisfaction and overall contentment level should be evaluated.

RESEARCH OBJECTIVES

- To analysis the existing status of protocols, investment parameters and policies of Insurance Companies in India.
- To analyze the role of Life Insurance Companies in India and their modus operandi.
- To analyze the satisfaction level of clients or consumers of Life Insurance Products and Services.

SIGNIFICANCE OF STUDY

- The research work gives an insight into the practical aspects and parameters of satisfaction level towards customers of Life Insurance products and services.
- It also indicate how to combat the marketing aspects the companies with regards to the level of customer’s satisfaction. In addition, it will serve as a source of reference for similar research in future.
- Finally, it is also intend to facilitate the effort of policy makers to come out with policies that will embody effective customer satisfaction strategies.

RESULTS AND DISCUSSION

H_0 (Null Hypothesis): The Consumer Favored Policies are not followed and there is no key impact on the market analysis and related aspects

H_1 (Alternate Hypothesis): The Consumer Favored Policies are followed and there will be the major and significant impact on the market analysis and related aspects

Test Statistics

	Experience
Chi-Square	14.113[a]
Df	1
Asymp. Sig.	.000

INTERPRETATION AND EXPLANATION

The Hypothesis is hereby REJECTED because -

From the Chi-Square Analysis, for the degree of freedom 1, the value of Chi-Square (χ^2) is 14.113. Additionally, it indicates that the Significance Value (0.000) is less than the Threshold Value of 0.05 (or within the range or 0.05). This suggests that the Hypothesis is Rejected and it is evidently found that the organization is following the consumer favored policies for the overall segment

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DATA INTERPRETATION

Table 1 - Opinion on the Responsiveness towards claims

Opinion / Response	Respondents and Percentage
Highly Satisfied	90
Satisfied	2
Dissatisfied	0
Highly Dissatisfied	0
Others	8
Total	100

Source: Primary data

Table is formulated on the basis of the study on satisfaction of customers towards formalities in the satisfaction level of customers based on the swift response account. (90%) respondents were highly satisfied with the formalities, (2%) were satisfied, None (0%) were dissatisfied, None (0%) were highly dissatisfied and (8%) were did not disclose their satisfaction level.

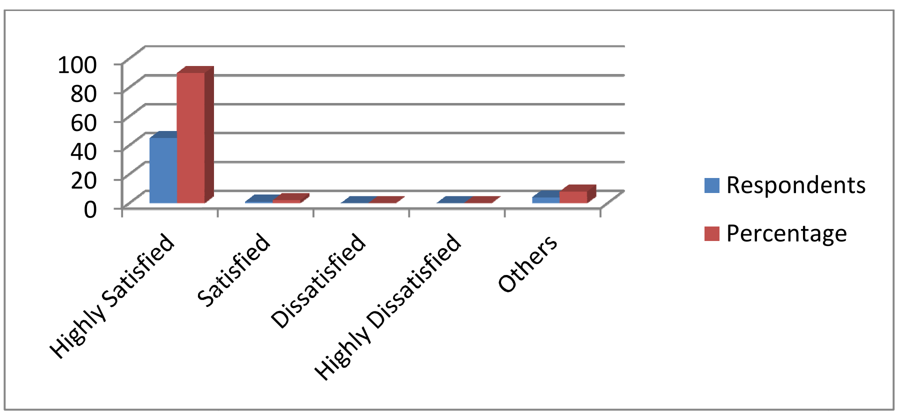

Figure 1 – Response from the General Public

The graph is formulated on the basis of the study on satisfaction of customers towards formalities in the satisfaction level of customers based on the swift response account. (90%) respondents were highly satisfied with the formalities, (2%) were satisfied, None (0%) were dissatisfied, None (0%) were highly dissatisfied and (8%) were did not disclose their satisfaction level.

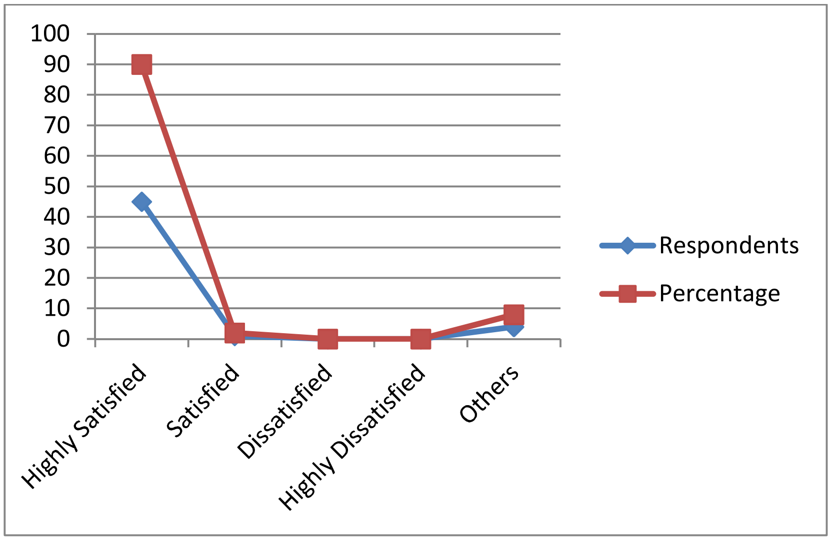

Figure 2 – Satisfaction Level from Assorted Segments

- The graph is formulated on the basis of the study on satisfaction of customers towards formalities in the satisfaction level of customers based on the swift response account.
- (90%) respondents were highly satisfied with the formalities, (2%) were satisfied, None (0%) were dissatisfied, None (0%) were highly dissatisfied and (8%) were did not disclose their satisfaction level.

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Table 2 - Opinion and Feedback on the Timely Approval

Opinion / Response	**Respondents and Percentage**
Highly Satisfied	80
Satisfied	10
Dissatisfied	0
Highly Dissatisfied	0
Others	10
Total	100

Source: Primary data

- Table is formulated on the basis of the study on satisfaction of customers towards formalities in the satisfaction level of customers based on the timely.
- (80%) respondents were highly satisfied with the formalities, (10%) were satisfied, None (0%) were dissatisfied, None (0%) were highly dissatisfied and (10%) were did not disclose their score.

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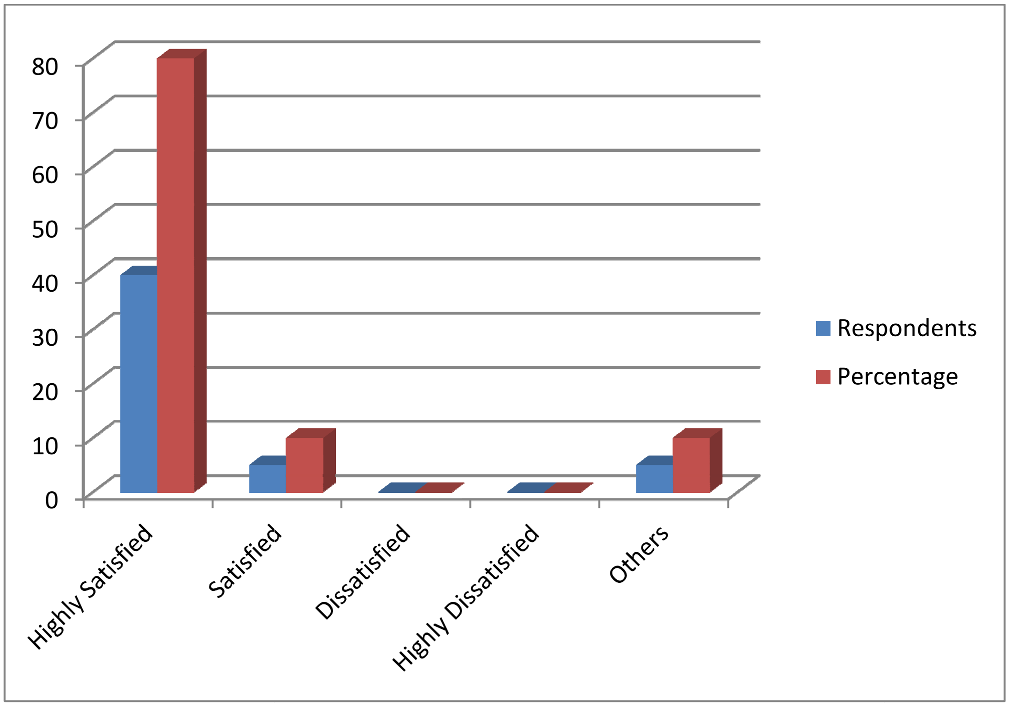

Figure 3 – Satisfaction Status of Rural Customers

- The graph is formulated on the basis of the study on satisfaction of customers towards formalities in the satisfaction level of customers based on the timely.
- (80%) respondents were highly satisfied with the formalities, (10%) were satisfied, None (0%) were dissatisfied, None (0%) were highly dissatisfied and (10%) were did not disclose their score.

Table 3 - Opinion and Feedback on the Claims

Percentage of Claims Approved on Time	90
Percentage of Claims Not Approved on Time	10

Source – Primary Data

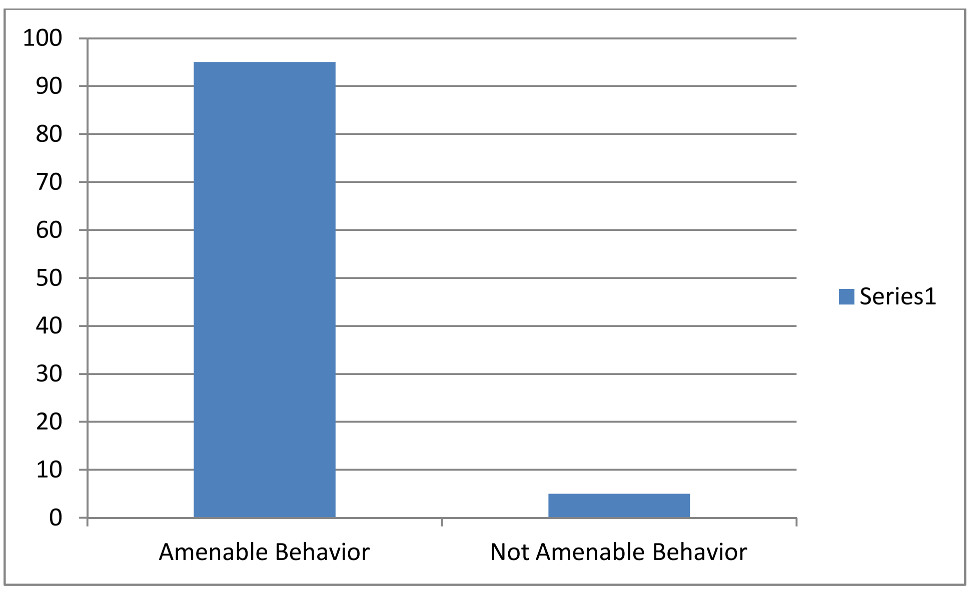

Figure 4 - Rural Customers and Insurance Behavioral Analysis

CONCLUSION

The overall feedback of the life insurance sector is favored in nature still there is scope of enhancement in the services and practices. The organization needs to embark on an intensive awareness programs such as proper and timely information to the new ventures about their rules and practices, which is also a good public relations tool. Through this the bank will become more involved with the public. The organizations should shorten its procedures with regards to transactions so that the time for going through enormous transactions can be reduced and getting claims can be effective.

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