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Customer Satisfaction in Life Insurance: An Empirical Study On Life Insurance Customers In Three Districts Of Barak Valley, Assam

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ABSTRACT

Life insurance being a social provision to partially compensate for financial losses of an individual needs up gradation and innovation to suit the complex needs of customers in 21st century. The growth of life insurance market is directly linked to the present perception and satisfaction of customers with their life insurance policies. It is always wise to periodically judge the changing needs and requirements of customers to further innovate products. Previously, the main objective of buying insurance was protection for dependents. However, insurance now has become more than just a hedge. Customers are now beginning to incorporate insurance plans while drawing up their financial plans. Companies should plan and offer products which can assist their customers in fulfilling their exact set of needs. Hence, insurance companies must move from selling insurance to changing need identification and offering suitable products to satisfy those. The present empirical study is an attempt made to find the satisfaction level of Customers towards their present life insurance policy/s.

Keywords : Life insurance, customer satisfaction, attributes.

Introduction:

Customers' needs and requirements have changed substantially over last few decades. With the increase in complexities of life the requirements of customers have also become complex and diverse. Consumers buy not only the products but also the bundle of needs and emotions. Modern goods and services are recognized as essentially psychological things which are symbolic of personal attributes, needs, goals and social patterns of strivings (Sidney Levey, 1959)[1]. The Indian industry, taking advantage of positive conditions in the economy, has seen a spectacular growth in recent years. Against this backdrop, the insurance industry in India has undergone a significant transformation and emerged with noticeable trends. However, it faces increasingly tremendous challenges because of changing customer demographics, technology etc. Previously, the main objective of buying insurance was protection for dependents. However, insurance now has become more than just a hedge. Customers are now beginning to incorporate insurance plans while drawing up their financial plans. Companies should plan and offer products which can assist their customers in fulfilling their exact set of needs. Hence, insurance companies must move from selling insurance to changing need identification and offering suitable products to satisfy those (Rao D Venkoba, 2006)[2]. According to G Dhananjayan (2005)[3], the service sector has fueled worldwide economic growth and it now accounts for 58% of the worldwide GNP. However, along with this tremendous growth comes the challenge to the service industry to live up to the growing demands and changing tastes and preferences of the customers, who are continuously benchmarking one experience against another and are expecting improved services in every area.

In Indian insurance market, the new entrants have a tendency to target the business of the existing companies rather than expanding the market. Thus, much of their effort is lost in capturing the existing customers rather than providing better and innovative products/services. They should indeed develop new products and target the potential niches, which are poorly served or not served at all (Jawaharlal U and S K Rath, 2007)[4].

Objective of the study:

The present empirical study is an attempt made to find the satisfaction level of Customers towards their present life insurance policy/s.

Methodology:

300 customers from three life insurance companies (LICI, TATA-AIG and ICICI Prudential) across three districts of Barak valley selected through multi stage stratified random sampling with replacement were interviewed using a structured schedule. Out of the total respondents 83 were between 25- 35 years of age, 118 were between 35- 45 years of age, 82 were between 45- 55 years of age and 17 were above 55 years of age.

Further, out of total respondents 208 were males and 92 were females. The annual income of 74 respondents, out of total, was below 2 Lakhs, income of 177 respondents were between 2 to 5 Lakhs, 41 were having income between 5 to 10 Lakhs and 8 respondents were having annual income above 10 Lakhs.

Vital attributes of life insurance and relative customer satisfaction:

With a view to ascertain the level of customer satisfaction with their present life insurance policy/s, six vital attributes or features of life insurance namely, risk coverage, partial withdrawal facility, multiple benefits from single policy, premium, regular returns or income and specific or special benefits like pension, child marriage, education etc. Were listed and respondents were asked to rate them in terms of importance they attach to the attributes and also the level of satisfaction they have on a rating scale of 1 to 5. With relation to importance of the attributes, 1 stands for 'not at all important', 2 stands for 'not very important', 3 stands for 'somewhat important', 4 stands for 'important' and 5 stands for 'extremely important' whereas, with relation to satisfaction level of the customers with the attributes, 1 stands for 'very dissatisfied', 2 stands for 'somewhat dissatisfied', 3 stands for 'neutral', 4 stands for 'somewhat satisfied' and 5 stands for 'very satisfied'. The presentations of the results are given below:

Table 1
Importance of various attributes of life insurance to customers

Attributes	Responses			Mean of means
	Policy holders of LICI Mean	Policy holders of TATA- AIG Mean	Policy holders of ICICI Prudential Mean	
Risk coverage	5	5	5	5
Partial withdrawal facility	5	5	5	5
Multiple benefits from single policy	4.78	4.86	4.96	4.87
Premium	5	5	5	5
Regular returns/ income or money back	4.84	4.98	5	4.94
Specific or special benefits	3.55	3.34	3.64	3.51

As understood from table 1, risk coverage, partial withdrawal facility and premium are considered to be most important attributes of any life insurance policy by the respondents with the highest mean of 5. Regular returns, with a mean of 4.94 are considered to be the next important attribute by the re-spondents. Multiple benefits from single policy, with a mean of 4.87 is also considered to be a important attribute, if not most. However, specific benefits like pension, marriage of children, education of children etc. is given least importance by the respondents with the lowest mean of 3.51.

Table 2
Customer satisfaction with relation to attributes of life insurance

Attributes	Responses			Mean of means
	Policy holders of LICI Mean	Policy holders of TATA- AIG Mean	Policy holders of ICICI Prudential Mean	
Risk coverage	4.7	4.61	4.58	4.63
Partial withdrawal facility	4.82	3	3.58	3.8
Multiple benefits from single policy	3.53	2.88	3.08	3.16
Premium	3.14	3.6	3.28	3.34
Regular returns/ income or money back	3.55	3.01	3.34	3.3
Specific or special benefits	2.8	2.8	3.04	2.88

Table 2 clearly depicts the satisfaction level of the respondents regarding these attributes. Highest satisfaction is expressed by the respondents in case of 'risk coverage' with the highest mean of 4.63 as is considered to be of highest importance. 'Partial withdrawal facility' and 'Premium', which is also considered to be of highest importance in the previous table (table 7), are however, having a mean of only 3.8 and 3.34. 'Regular returns' and 'multiple benefits from single policy' have received a mean of 3.3 and 3.16 respectively. Specific or special benefit has a mean of 2.88 which is lowest as in the previous table. The responses of table 8 indicate a low satisfaction level of the customers with relation to the attributes with only one having a mean above 4.

GAP analysis focused on 'TOP BOX' with the above six attributes is done to find out the gap between percentage of customers rating the attributes as 'extremely important' and the percentage of customers who reported to be 'very satisfied' with these attributes. The analysis is done on three bases namely, on the basis of age group, on the basis of gender and on the basis of income group.

Table 3
Age wise GAP

Attributes	25- 35 years			35- 45 years			45- 55 years			Above 55 years		
	Extremely Important (%)	Very Satisfied (%)	GAP	Extremely Important (%)	Very Satisfied (%)	GAP	Extremely Important (%)	Very Satisfied (%)	GAP	Extremely Important (%)	Very Satisfied (%)	GAP
Risk Coverage	100	100	0	100	95.21	4.79	100	69.80	30.2	100	40.97	59.03
Partial withdrawal facility	100	—	—	100	25.56	74.44	100	51.18	48.82	100	22.22	77.78
Multiple benefits from single policy	93.33	29.53	63.8	100	24.67	75.33	82.59	27.82	54.77	48.61	0	48.61
Premiums	100	71.3	28.7	100	56.84	43.16	100	31.76	68.24	100	0	100
Regular income	96	41.56	54.44	94.44	33.48	60.96	96.3	41.68	54.62	55.56	15.74	39.82
Specific or special benefit	25.24	19.29	5.95	16.77	8.28	8.49	28.36	17.38	10.98	54.17	12.04	42.13

Table 4
Gender wise GAP

Attributes	Male			Female		
	Extremely Important (%)	Very Satisfied(%)	GAP	Extremely Important(%)	Very Satisfied (%)	GAP
Risk Coverage	100	91.06	8.94	100	81.21	18.79
Partial withdrawal facility	100	45.50	54.5	100	47.95	52.05
Multiple benefits from single policy	89.52	25.45	64.07	93.65	25.47	68.18
Premiums	100	53.32	46.68	100	48.34	51.66
Regular income	96.62	35.76	60.86	91.92	35.5	56.42
Specific or special benefits	29.37	15.57	13.8	17.99	9.91	8.08

Table 5
Income wise GAP

Attributes	Below 2 Lakhs/ annum			2- 5 Lakhs/ annum			5- 10 Lakhs/ annum			Above 10 Lakhs/ annum		
	Extremely Important (%)	Very Satisfied (%)	GAP	Extremely Important (%)	Very Satisfied (%)	GAP	Extremely Important (%)	Very Satisfied (%)	GAP	Extremely Important (%)	Very Satisfied (%)	GAP
Risk Coverage	100	87.95	12.05	100	89.69	10.31	100	85.61	14.39	100	61.11	38.89
Partial withdrawal facility	100	53.13	46.87	100	42.92	57.08	100	42.93	57.07	100	33.33	66.67
Multiple benefits from single policy	91.34	42.38	48.96	90.16	21.38	68.78	96.3	18.52	77.78	100	16.67	83.33
Premiums	100	53.63	46.37	100	53.78	46.22	100	47.56	52.44	100	66.67	33.33
Regular income	93.33	38.39	54.94	94.86	36.60	58.26	100	31.31	68.69	100	16.67	83.33
Specific or special benefit	35.86	21.4	14.46	25.73	14.12	11.61	30.39	14.14	16.25	16.67	0	16.67

The tables clearly depicts that the 'risk coverage' is considered to be 'extremely important' by all respondents across various age groups, genders and income groups. The satisfaction level decreases with the increase in age of the respondents. This is because of the very fact that 'risk coverage' attribute of life insurance decreases with the increase in age. So, the gap is significant in higher age groups. With relation to gender, it is observed that gap among the males are marginal (8.94%) and females are more (18.79%). Among the income groups, the gap is highest in case of last group with highest income (38.89%) whereas, others are insignificant.

'Partial withdrawal facility' like 'risk coverage' is considered as 'extremely important' by 100% of respondents across various age groups, genders and income groups. The first age group is silent about their satisfaction level related to this attribute however, the gap is significant among second age group (74.44%), third (48.82%) and fourth age group (77.78%). The gap is observed to be significant gender wise with 54.5% gap among males and 52.05% among females. With relation to income groups, the gap is found to be consistent and significant with 46.87%, 57.08%, 57.07% and 66.67% among first, second, third and fourth income groups.

'Multiple benefits from single policy' is considered to be 'extremely important' by first three age groups barring fourth group where 48.61% of respondents only considers it as 'extremely important'. The gap in this case is significant with 63.8%, 75.33%, 54.77% and 48.61% among first, second, third and fourth age groups. Gender wise also it is considered to be 'extremely important' and the gap is significant (64.07%, 68.18% among males and females respectively). 91.34%, 90.16%, 96.30% and 100% of first, second, third and fourth income groups considered it to be 'extremely important' whereas, only 42.38%, 21.38%, 18.52% and 16.67% are

found to be 'very satisfied' thereby, showing a very significant gap of 48.96%, 68.78%, 77.78% and 83.33% among first, second, third and fourth income groups.

'Premium' as the most important component of life insurance is considered to be 'extremely important' by all respondents across various age groups, genders and income groups. The gap increases with the increase in age with 28.7%, 43.16%, 68.24% and 100% in first, second, third and fourth income groups respectively. The gap are significant in case of gender too, 46.68% among males and 51.66% among females. The gap in first income group is 46.37%, second income group is 46.22%, third income group is 52.44% and fourth income group is 33.33%.

96%, 94.44%, 96.3% and 55.56% of first, second, third and fourth income groups considered 'regular income' as 'extremely important' but, only 41.56%, 33.48%, 41.68% and 15.74% are found to be 'very satisfied' thereby, showing significant gaps of 54.44%, 60.96%, 54.62% and 39.82% respectively. 60.86% gap is observed in case of males and 56.42% in case of females. All income groups have considered it as 'extremely important' whereas, significant gaps are observed (54.94%, 58.26%, 68.69% and 83.33%).

'Specific benefits' child education, marriage etc. are considered to be 'extremely important' by comparatively less proportion of respondents but, the gap is significant. Viz. 54.17% of fourth age group considered it as 'extremely important' and only 12.04% are 'very satisfied' and hence, there is a gap of 42.13%.

Conclusion:
It is clearly evident from the study that the satisfaction level of customers with various attributes of life insurance is low. There is ample scope of innovation and creativity to explore the vast untapped market of life insurance and also to satisfy customers.

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