



## Key Issues: Buying Behaviour of Life Insurance Products with special reference to Life Insurance Consumers

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### ABSTRACT

Objective of writing this paper is to know exactly what issues have been responsible in influencing the buying behaviour of the life insurance products by the individuals in the society. The hypothesis behind this proposition is that "howsoever it might be necessary for an individual to buy a life policy during his working life; he/she is refrained from doing so because of some key issues the buyer bears in his/her mind." Apart from that these key issues are discussed in this paper; these issues shall also act as guidelines for buying of life insurance product by the customers according to their specific needs.

### KEYWORDS

Buying behaviour, Product, Key issues, Customer satisfaction.

### Introduction:

Till 1999 LIC was the only life insurance player in Indian Life Insurance field, when Government of India decided to amend then prevailing act prohibiting the private life insurance player to enter the Indian market. It was Insurance Regulatory Authority (IRA), 1999 that gave the freedom the private players to play in the field. But such an act was not fulfilled as the amended act was meant for regulation purpose only and not as a development tool and hence the act was further modified to include the element of development to the concept and thus came the current prevailing act, Insurance Regulatory and Development Authority (IRDA), 1999.

After opening up of insurance in private sector, more than thirty new players have entered in the field. Some companies are in wholly own format and some as a joint venture with foreign companies or with Indian companies. Thus the insurance sector has become highly competitive with full of challenges. The market Share of private companies' in Life Insurance business is approximately 24 per cent today.

There is a common feeling that Insurance is a device to share financial losses, which might be a wrong perception when an unforeseen event of sudden death or permanent disability catches an earning member in the family. Nevertheless, many people's are not in favor of buying life insurance products, including those who are well aware of the benefits of insurance and are working in insurance company.

The customers buying behaviour is very important for making economic decision whether to or not to buy a product from market. His/her buying decision depends on a number of factors viz. social, economic, external environment and individual attitude. This list is not exhaustive but it is sufficient to have the deep understanding of the factors influencing the buying behaviour of the persons.

There are also the most influencing issues of the life insurance products buying behavior of customers that may provide satisfaction to the buyers of life policies.

### Research Methodology:

#### Objectives of study:

- To know exactly what issues have been responsible in influencing the buying behaviour of the life insurance products?
- To know what issues affecting customer satisfaction?

#### Sample Selection:

This study was conducted in the Dhule, Nandurbar and Jalgaon districts, which is commonly known as Khandesh in Ma-

harashtra. This study covered total 300 individuals of different background from six life insurance companies, including Life Insurance Corporation of India, State Bank of life Insurance, Reliance Life insurance, Postal Life insurance, ICICI prudential life insurance and Bajaj Allianz Life insurance.

#### Research method:

The method used to collect the information was through questionnaire issued to customers of life policies and personnel interview of development officers and agents involved in selling the product. The sampling method for selection of sample units was simple random method and sample size is fairly representative of the population. The data then collected and analyzed according to the need of this paper.

#### Issues Affecting customer satisfaction:

Here are the most influencing issues of the life insurance products buying behavior of customers that may provide satisfaction to the buyers of life policies.

#### Satisfaction from Insurance Product:

Because of the entry private companies in insurance sector, the competition in this business has become keen. Every agent/advisor is trying to make business. In practice, however, it is not easy to convince customers to purchase insurance policy. They need more and more efforts to convince to them and then the prospective policyholder agrees to buy a policy. Insurance policy offers benefits when he/she needed when son/daughter is due for higher education or marriage, happy life after retirement, medical treatment in older age, financial support when incidentally death or permanent disability of earning member in the family takes place. Such security against uncertainty absolutely furnishes satisfaction to the buyer of life policy.

#### Premium intimation:

Premium intimation to a busy customer is an important issue for customer's satisfaction who often fails to remember the due date and amount of premium due on his policy. Customer expected a reminder letter of premium due from insurance companies at least one month in advance, telephonic reminders two/three times within 15 days before the due date/send a couple of messages on mobile if available.

#### Quick response:

Quick responses whenever call by customer is the third important issue of customer satisfaction. Provide immediate support while he/she need and solve the problem or give proper information. At the time of maturity, immediately pay his/her claim with all the benefits assured in policy document. In case, death of insured, or any unfortunate event, grant claim

to their family immediately. In practice, however, claims are delayed leading to customers' dissatisfaction, whatever might be reasons behind.

#### **Income tax Benefit:**

In order to encourage savings and discourage wasteful expenses by the individuals and companies, Government of India provides Tax benefits to Life Insurance Policy holders. Most of the people feel that Insurance, though it is not a good outlet for investment, it is beneficial from the point of tax saving. Today, most of employed customers find their satisfied due to income tax saving. However, there is a limit up to which Income Tax saving is permitted. The over enthusiasm of the buyers make them buy policies beyond the limit of tax savings. The sellers of policies never warn their customers to keep investment within the limit of their expectations. This leads to customer dissatisfaction.

#### **Commitment and truth:**

Agent should always reveal only real information to customer. Today, customers attracted towards market based plans because in short period more returns are there while taking policy agent provides information regarding products, returns, premium amount but market position is always uncertain. If unfortunately market position is down, the investment amount will also in less but some time agent is considered as responsible for loss. It is expected of the Agents that they will keep the investors informed of the fluctuations in market gains of their product and that these investments are subject to market risk. Agents rarely reveal this fact before the customers. They only portray the rosy picture of the market situation. This leads to consumers' dissatisfaction when markets fail

#### **vi. Growth in NAV (Net Access Value):**

Appreciation of invested amount plays an important role in customer satisfaction. Previously, traditional plans offered plain life risk plans without any additional gains from the capital market. This trend has changed when unit linked life policies were promoted by insurance companies that offer market gains when market is up in addition to life cover. Such market based plans of life insurance are becoming popular in recent times. Their period is shorter and additional returns, subject to market risk, with a provision for life security. Such plans are in market to attract us but required proper information. Market has evaluated the NAV of each insurance product per day. The growth of NAV depends on market position. The customers need be warned of this market risk well before they buy such life policy products. Agents, however, deliberately hide this fact from the prospective customers, who later on get frustrated.

#### **Buying behaviour: Key Issues:**

Many customers do not make life insurance buying decision straightforwardly. The customers buying behaviour is very important for making marketing policy decisions. His/her buying decision depends on many factors viz. social, economic, external environment and individual behaviour. The list is not exhaustive but it is sufficient to have some idea of the issues influencing buying decision of the customers of life insurance products. Following are the key issues of buying behaviour of life insurance customers. These key issues are the basic guidelines for buying of life insurance product according to their specific needs.

#### **Saving:**

In North Maharashtra region, 60 per cent population is from middle level as per the statement of information officer. Most of the customers, therefore, give priority to saving and investment. About 71 percent customers has been given priority to saving and investment rather than life security because when they save their money in insurance, they think about how many returns will get at maturity? How much income tax will they save? What is the yearly growth in invested amount comparatively than other companies plan/other savings? They don't think about life security because they never think of unforeseen events in their personal life.

#### **Age:**

Age is contributory issue of buying decision. According to the age group 18-25, customers inclined to save for education and marriage purpose, another age group, the range of young period 26-45 is productive and they are self dependent and hence they are inclined towards short term period policies and while age group 46-60 is inclined towards family security. About 23 percent of insurance customers consider buying policies to provide security for their old age.

#### **Quality service:**

Companies with higher customer satisfaction and hassle free claims get maximum market share. Quality of service in case of insurance business can be explained in terms of providing true and reliable information to the customers, giving prompt receipts of amounts received, periodical reminders from premium payment notices, prompt replied to the queries raised by the customers, attending the needs of customers in time and to settle the claims of the customers when they are due. The promptness with which the insurance companies provide these services brings customer loyalty to them. Such companies get good response from customers buying behaviour. All 100 per cent customers required quality service.

#### **Relationship:**

Insurance companies have the different types of customers such as rural and urban. Most of the customers nowadays buy life insurance products from whatever area, either rural or urban, only out of personal relationship with the officers/ Agents of Insurance companies. Without such relationship, mere advertising or issue of information brochures can't influence customers to buy life insurance products. 50 percent customers buy life insurance by relationship issue.

#### **Policy Premium:**

Role of policy premium is directly affected on buying behaviour. Paying capacity depends on source and size of income. When policy premium is within the financial capacity of the customer, buying and later on paying periodical premiums on insurance product becomes easy. It is observed in this study that only 22 per cent of the customers purchase life insurance products by taking into account their current capacity to pay premia in time.

#### **Use of local language:**

Local language communication is directly affected on customers buying behaviour. Insurance Company must be providing information broacher in regional language and also give the information in a local/regional language. Agents/advisors must be talk in local or regional language while selling the insurance product. Absolutely more impact on customers buying behaviour. 14 percent customers said that they understand only local language hence they prefer agent/advisor who talk in local language.

#### **Role of Wife:**

The role of wife has undergone the greatest transformation in the past few decades because of the improved socio-economic status of women in the society. Company managers have noted this social change and are advising their development officers and agents to focus their marketing efforts on women in the families, weather working or house wives. Most of the customers don't believe on the agents /advisors but believe on the decision of wife. Hence wife plays an imperative and remarkable role in buying behaviour. 11 percent customers believed buying decision is depends on his wife.

#### **Actual investment:**

In early days, company focused on short term period plans. For a lot of share in market, companies give more commission to his agents/advisors for encouraging them. Insurance companies also charge some allotment charges for the infrastructure development, salary expenses, miscellaneous expenses and other expenses. In other words the said amount added in the first insurance premium. Perhaps the actual investment amount is 60-70 per cent of the amount paid through premia.

Hence customers think that his investment in insurance is shrinking. Only 9 percent customers are aware of this fact. They think of comparative pricing and increased bargaining power. In short, customers have become more sensitive, knowledgeable while deciding on buying life insurance products.

**Reputation of company:**

While buying life insurance products, the customer should consider the reputation gained over years by the Insurance Companies. Unfortunately, the customers from Khandesh are too indifferent about this issue. Only 0.3 per cent of total 300 sample customers consider market share of the company while buying a life insurance product. How much market share a company acquires is one of the determinants of reputation of the insurance company. However, the customers of Khandesh are not sensitive to the reputation of company as can be seen from a small number of customers caring for company's reputation.

**Table: Issues affecting buying behaviour of Life insurance customers:**

Sr. No.	Buying behaviour: Key issues	Number of respondents	Percentage
1	Saving	213	71
2	Age	69	23
3	Quality Service	300	100
4	Relationship	150	50
5	Policy Premium	66	22
6	Use of Local Language	42	14
7	Role of Wife	33	11
8	Actual Investment	27	09
9	Reputation of Company	01	0.3

**Figure: Issues affecting buying behaviour of Life insurance customers.**



Table presents the overall impact of the issues discussed above influencing buying behaviour of customers buying life insurance products arranged in order of their ranking.

It is seen from the above graph 100 per cent customers give top priority for quality service offered by the Insurance Companies, 71 per cent customers consider hold saving motive important, and 50 per cent of the total customers give priority to relationship with agents/development officers. Rest of the issues is relatively lesser important and only 1 customer (0.3 per cent) considered the reputation of company while purchasing life insurance products.

**Conclusion:**

This study showed the tendency in the buying behaviour of life insurance products by the customers in the three districts

of Khandesh in Maharashtra, who are highly sensitive to the object of quality of services offered by insurance companies to the investors, saving through life insurance products and the nature of relationship with the agents/ development officers of the companies. These customers are relatively less sensitive to other issues such as age of the investor at the time of buying a life insurance product, size of the insurance premia and negotiations with them in the local language. However, they are least sensitive to the reputation of the company from which they buy life insurance products. These findings about customers' buying behaviour may help the Insurance Companies in formulating their Marketing Policies in future.

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