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A Critical Study of Customer Satisfaction in Selected Private Life Insurance Companies in North India

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Abstract:

Customer satisfaction is the backbone of any service industry. It is the customer that can bring prosperity and success to any organization. So, it is important to satisfy the myriads needs of the customers. Life insurance industry is one such industry where customer satisfaction is of utmost importance. There are various players in the private life insurance & all of them are offering almost similar products. So, it becomes important to meet the specific requirements of the customers. It is necessary to identify the key success factors in the life insurance industry, in terms of customer satisfaction, so as to survive the intense competition and increase insurance penetration. There are many attributes of customer satisfaction in insurance industry such as timely settlement of claims, services offered by the insurance agents, general ambience of the insurance company etc. This research is based on the critical study of customer satisfaction among four leading private life insurance companies.

Keywords: Customer satisfaction, life insurance and service quality

1. Introduction

Customer's needs and requirements have been changed substantially over the last few decades. With the increase in complexities of life, the requirements of customers have also become complex and diverse. Customers not only buy the products, but also the bundle of needs and emotions. 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. It cannot be denied that insurance is the backbone of a country's risk management system. Risk is inherent part and parcel of our lives. None of us know what is going to happen to us in the future, but what we do know is that accidents happen. This is the simple idea that the insurance industry is founded on. There was a time that customer's satisfaction was not so important. Customers were purchased goods or services according to the choice of business owner. Today customers have lots of choice on where and who to If they feel, they are not satisfied they will simply go to another place to fulfill their expectation. Measuring customer satisfaction is extremely important in every business, particularly service industry in order to maintain existing customers and to bring new customers. Now a-days customers are the most valuable asset because happy and satisfied customers are like free advertising of the business. Customer satisfaction has been an intensively discussed subject in the areas of consumer and marketing research. In recent times, customer satisfaction has gained new attention within the context of the paradigm shift from transactional marketing to relationship marketing. In numerous publications, satisfaction has been treated as the necessary premise for the retention of customers, and therefore has moved to the forefront of relational marketing approaches. The importance of customers in service sector business is unquestionable, because the success of service sector business is mostly depending on customers, the future and the financial security of this business is in the hands of customers. Therefore, service sector industry like insurance industry give proper emphasis on customer satisfaction. Customer satisfaction has a positive effect on service sectors. The insurance industry becomes an integral part of Indian market, with insurance companies being significant institutional investors.

2. Review of Literature

Research has shown that the quality of services and the achievement of customer satisfaction and loyalty are fundamental for the survival of insurers.

Dr. V.N. Partibhan (2014) in his research has observed that service quality dimensions influence on overall customer satisfaction directly. The model also postulated that service quality has a positive relationship with overall customer satisfaction. The results show that the service quality dimensions of tangibles, responsiveness, reliability and assurance are positively and significantly influencing the life insurance customers overall satisfaction, while the empathy is negatively and significantly influencing the customers overall satisfaction at one per cent level in private sector life insurance companies in Chennai city .

Dr. N. Kathirvel and S. Radhamani (2013) observed that, most of the customers are satisfied with the services offered by private Life Insurance Companies. The satisfaction is a strong predictor of the private life insurance, and hence it is recommended that insurance

service providers should endeavour to satisfy and delight their customer's satisfaction. They also observed that policyholder who holds two policies have a high level of satisfaction and policyholder who holds one policy has a low level of satisfaction. There exists a significant relationship between number of policies and satisfaction.

Borah (2012), analyze the service quality perception of 50 customers in Jorhat chosen from Kotak Mahindra Life Insurance Company to access their satisfaction level and also identify service factors which have the maximum impact on customers' satisfaction. He used non probabilistic judgment-cum-convenience sampling technique to choose the sample; the finding shows that most of the customers are satisfied.

2.1. Objectives of the Study

- i. To identify the factors affecting customer satisfaction in life insurance sector.
- ii. To evaluate the level of satisfaction of customers of the insurance companies under study.

2.2. Research Design

The research design used in the study is of Descriptive in nature. The adopted research was descriptive in nature as it describes the determinants of policyholder decision making in general and policyholder behavior more particular.

2.3. Population & Sample Design

For the purpose of the study, the population consists of all the policyholders of ICICI Prudential, HDFC Life, SBI Life Insurance & Bajaj Allianz Life Insurance in North India. The sample of 515 is taken from the four capital cities of North India viz, New Delhi (135), Jaipur (132), Lucknow (136) and Chandigarh (112) on the basis of Convenience Sampling method.

The top four companies have been selected on the basis of premium collection up to 31st March 2014.

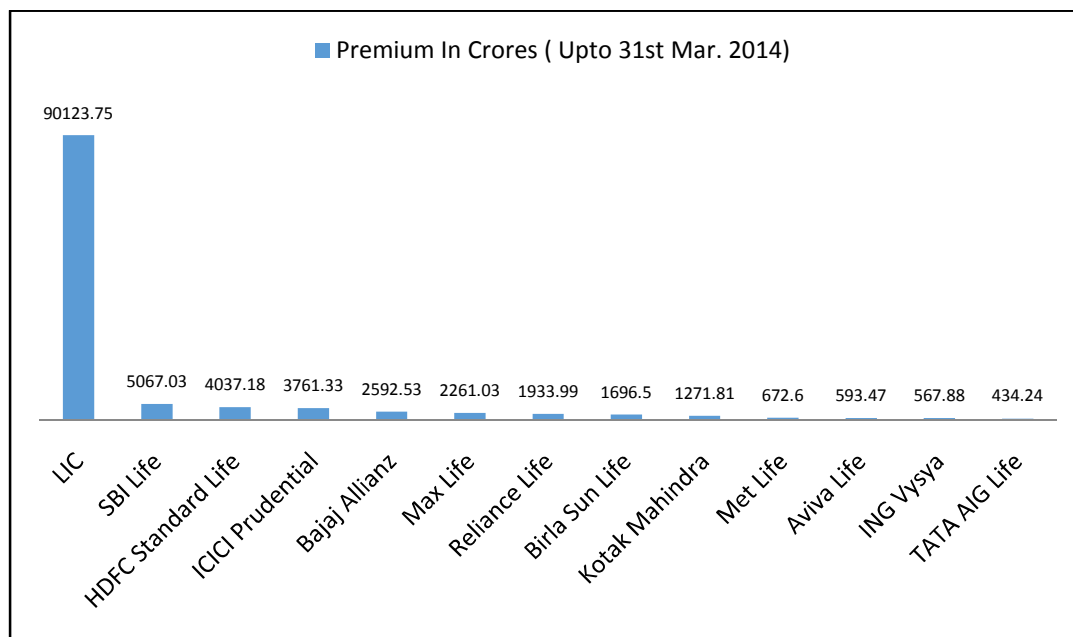


Figure 1: Premium in Crores (Upto 31st Mar. 2014)

Source: Department of Financial Services, Ministry of Finance, Insurance Statistics.

2.4. Methods of Data Collection

Both primary and secondary data have been used for research. Primary data was collected from policy holders through electronic questionnaires while the secondary data was collected from books, magazines, news papers, journals, IRDA annual reports, statistical abstracts, websites of the insurance companies and so on.

2.5. Hypothesis of the Study

- i. The product attributes have no significant relationship with customer satisfaction.
- ii. The qualities of the agent have no significant relationship with customer satisfaction.
- iii. The service attributes have no significant relationship with customer satisfaction.
- iv. There is no difference in levels of customer satisfaction of selected companies.

2.6. Tools of Hypothesis Testing

Bi-variate correlation, chi square & cross-tabs have been used for hypothesis testing.

3. Data Analysis

- H0: The product attributes have no significant relationship with customer satisfaction.
- H1: The product attributes have a significant relationship with customer satisfaction.

| Correlations | | | |
|--------------|---------------------|---------|----------|
| | | Product | VAR00001 |
| Product | Pearson Correlation | 1 | .119** |
| | Sig. (2-tailed) | | .007 |
| | N | 515 | 515 |
| VAR00001 | Pearson Correlation | .119** | 1 |
| | Sig. (2-tailed) | .007 | |
| | N | 515 | 515 |

** . Correlation is significant at the 0.01 level (2-tailed).

Table 1: Correlation between Product Related Attributes & Customer Satisfaction

The null hypothesis is rejected since p value (0.007) is less than 0.01. The above table shows that product attributes like risk cover, tax benefits, attractive ROI etc. have a significant relationship with customer satisfaction. Correlation coefficient is arrived at comparing average mean score of product attributes with the customer satisfaction variable.

- H0 : The qualities of the agent have no significant relationship with customer satisfaction.
- H1 : The qualities of the agent have a significant relationship with customer satisfaction.

| Correlations | | | |
|--------------|---------------------|-------|----------|
| | | Agent | VAR00002 |
| Agent | Pearson Correlation | 1 | .053 |
| | Sig. (2-tailed) | | .228 |
| | N | 515 | 515 |
| VAR00002 | Pearson Correlation | .053 | 1 |
| | Sig. (2-tailed) | .228 | |
| | N | 515 | 515 |

Table 2: Correlation between agent qualities and customer satisfaction

The null hypothesis is accepted because p value (0.228) is greater than 0.01 & the qualities of the agent have no significant relationship with customer satisfaction. Agent qualities like reminder about premium, good communication, maintaining database etc. have no significant relationship with customer satisfaction. Correlation coefficient is arrived at comparing average mean score of agent qualities with the customer satisfaction variable.

- H0: The service attributes have no significant relationship with customer satisfaction.
- H1: The service attributes have a significant relationship with customer satisfaction.

| Correlations | | | |
|--------------|---------------------|----------|----------|
| | | Services | VAR00003 |
| Services | Pearson Correlation | 1 | .136** |
| | Sig. (2-tailed) | | .002 |
| | N | 515 | 515 |
| VAR00003 | Pearson Correlation | .136** | 1 |
| | Sig. (2-tailed) | .002 | |
| | N | 515 | 515 |

** . Correlation is significant at the 0.01 level (2-tailed).

Table 3

The null hypothesis is rejected because p value (0.002) is less than 0.01 & so, The service attributes have a significant relationship with customer satisfaction. Service qualities like post purchase satisfaction, timely settlement of claims etc. have a significant relationship with customer satisfaction. Correlation coefficient is arrived at comparing average mean score of service qualities with the customer satisfaction variable.

- H0: There is no difference in levels of customer satisfaction of selected companies
- H1 : There is difference in levels of customer satisfaction of selected companies

| Services * Preferred Insurer Cross Tabulation | | | | | | | |
|---|---------------------|---------------------------------|--------------------|------------------------------|---------------|-------|-------|
| Count | | | | | | | |
| | | Preferred Insurer | | | | | Total |
| | | ICICI Prudential Life Insurance | SBI Life Insurance | HDFC Standard Life Insurance | Bajaj Allianz | Other | |
| Services | Highly Satisfied | 29 | 40 | 45 | 40 | 12 | 166 |
| | Satisfied | 58 | 56 | 56 | 57 | 20 | 247 |
| | Neutral | 14 | 18 | 17 | 17 | 6 | 72 |
| | Dissatisfied | 4 | 4 | 9 | 6 | 2 | 25 |
| | Highly Dissatisfied | 2 | 1 | 1 | 1 | 0 | 5 |
| Total | | 107 | 119 | 128 | 121 | 40 | 515 |

Table 4

| Services | | | |
|---------------------|------------|------------|----------|
| | Observed N | Expected N | Residual |
| Highly Satisfied | 166 | 103.0 | 63.0 |
| Satisfied | 247 | 103.0 | 144.0 |
| Neutral | 72 | 103.0 | -31.0 |
| Dissatisfied | 25 | 103.0 | -78.0 |
| Highly Dissatisfied | 5 | 103.0 | -98.0 |
| Total | 515 | | |

Table 5

| Test Statistics | |
|-----------------|----------------------|
| | Services |
| Chi-Square | 401.495 ^a |
| Df | 4 |
| Asymp. Sig. | .000 |

Table 6

The table value of Chi square at 5% (0.05) level of significance & 4 degree of freedom (5-1) is 9.48 whereas Calculated value is 401.495 which clearly indicates that Null hypothesis is rejected, Hence there is difference in levels of customer satisfaction of selected companies.

4. Limitations of the Study

- For the sake of convenience, the study is confined to only four capital cities of North India namely, Jaipur, Lucknow, Chandigarh & Ahmedabad
- The results of the proposed study is based on the information given by the Life Insurance Policyholders, being Individuals, Such information is based on an element of bias.
- The study focused only on the three aspects of life insurance companies namely, product attributes, agent qualities and overall services

5. Conclusion & Suggestions

Customer service is an integral part of any life insurance company. It is necessary to identify the key success factors in the life insurance industry, in terms of customer satisfaction, so as to survive the intense competition and increase insurance penetration. There was a time where customers were less critical and vocal if not satisfied when dealing with a business. This is not the case today. Today, customers are becoming increasingly more demanding, less tolerant and very critical when not having their expectation met. The private life insurance companies have to focus on satisfying the different requirements of the customers and at the same time help in retaining them. Product attributes of the insurance policy, the overall service experience affects customer satisfaction.

6. References

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