

KEY DETERMINANTS OF PRIVATE LIFE INSURANCE POLICY PURCHASE – AN EMPIRICAL STUDY

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Abstract : This empirical study was primarily aimed to explore the key determinants of private life insurance companies such as, SBI Life and HDFC Life insurance companies of policy holders in the Chennai city. The researchers have adopted survey method for the exploration of its findings and structured questionnaire was circulated by applying convenience sampling technique. The statistical tools such as, percentage analysis, descriptive statistics, reverse weighted average mean ranking and factor analysis has been applied to draw meaningful answers to the research objectives. The result shows that twenty three policy purchase variables are meaningfully grouped into seven dominant factors and policy holders are opined that indifferent behaviour of life insurance companies administrative employees are brokers during the claim settlement and redtapism has to be eliminated to enhance the policy purchase perception of the private life insurance policy holders in the study area.

Key Words: *Life Insurance, Policy Purchase, Claims Settlement, Product and Price.*

I. INTRODUCTION

Insurance sector occupies an imperative position in nation's economy. It plays an important role for the economic development of a country and forms the core of the money market in our country. The insurance sector in India comprises of both public sector as well as private sector insurance. Presently in India, there is only one Public sector insurance company and twenty three other private sector insurance companies are functioning (Means, G. 2017). Insurance deals with many customers everyday and offered various types of products in the market. Insurance sector in India has witnessed remarkable changes and development since the onset of the processes of liberalization, globalization and privatization (Hiranandani, V., & Sonpal, D. 2010; Rajendran, R., & Natarajan, B. 2010; Kousadikar, A., & Singh, T. K. 2013). The challenges ahead for insurance sector have greatly increased with increasing competition and the growing demand for a greater variety and superior quality of insurance services (Hussels, S., & et al., 2005; Kjosevski, J. 2012; Hussain, K., & Prieto, E. 2016). The growth of the insurance sector has generated a lot of interest primarily because of the entry of many private sector insurance companies and also foreign insurance companies resulting in the availability of a wide variety of innovative products and services in the insurance market (Gadrey, J., & et al., 1995; Hipp, C., & Grupp, H. 2005). Insurance companies are recently undertaking many marketing strategies to attract new policy holders towards their purchase in the insurance industry (Roberts, M. L., & et al., 2005). This study primarily aims to explore the various determinants of private life insurance companies' policy purchase in the Indian context. However, present study also aims to explore the problems, perception and preference towards different life insurance products offered by the selected life insurance companies in India.

II. LITERATURE REVIEW

Triveni and Pushpa Bhatt (2011) have evaluated the endowment policy by actuarial method of Life Insurance Corporation of India. The researchers have adopted empirical research design and survey method for this marketing research. The result indicates that, the endowment policy was rightly priced by life insurance corporation of India. The researchers concluded that, mispricing of any life insurance product will lead the firm towards lesser performed firm the insurance industry.

Yiing Jia Loke and Yi Yuern Goh (2012) carried an empirical investigation among the Malaysians to explore the key determinants of demand for life insurance products. The researchers have adopted survey method for the exploration of findings. The structured questionnaire was employed to gather the primary information from the policy holders with respect to the demand of life insurance company products. The result shows that socio-demographic factors and economic factors are the major factors that determine the demand of the policy purchase among the Malaysians.

Deima Kiyak and Linara Prackevciute (2014) conducted survey non-life insurance products for Lithuanian consumers market. The researchers have adopted questionnaire method to gather the responses from non-life insurance policy holders. The result shows that high product cost and unclear rules and regulations are the major causes for non-purchase of life insurance products. Finally, the researchers concluded that life insurance companies should focus on the price aspect to attract more potential customers towards firm.

Ostrpwska Dankewicz (2018) carried an empirical study to examine the consumer advocacy solutions in the Poland Insurance industry with respect to information and protection of life insurance policies. The researchers found that lower value of the policy, improper policy management, dispute on claim settlement and procedures used by the company are the predominant aspects needs to be improved by the company to enhance the policy holders perception on policy performance.

Thomas Poufinans and Gina Michaelide (2018) have conducted an exploratory study to examine the determinants of life insurance policy surrenders in the study area. The researchers have selected Greece Insurance company for the study and they have also collected the secondary sources from the years 2005 to 2017 to understand the trend in the Greece insurance industry. The result proves that pension schemes such as, term life, whole life and unit linked policies are the most preferred insurance products in the Greece insurance industry.

III. SIGNIFICANCE AND SCOPE OF THE RESEARCH

This empirical research will help the private life insurance companies to understand the policy holders' behaviour, preference and perception towards their life insurance policies. In the study area and this study provides various insights to effectively determine the various policy purchase of the insurers in the highly competitive market conditions. This study is only limited to investors residing in Chennai city and scope of the findings of this research is limited since; non-probability convenience sampling technique was adopted for the data collection. Financial knowledge and investment decision are alone considered for this behavioural research. The private life insurance companies such as, SBI life and HDFC Life insurance companies alone considered for the study.

IV. STATEMENT OF THE PROBLEM

The present marketing research was aimed to explore the key dimensions of determinants of private life insurance companies' policy purchase. This study is need of the hour to explore the policy holder's preference in the private life insurance companies.

V. RESEARCH OBJECTIVES

1. To study the demographic profiles and policy profiles of the private life insurance policy holders in the study area.
2. To identify the underlying dominant dimensions of determinants of Policy Purchase (PP) variables.
3. To explore the perception of policy holders towards the reasons of policy purchase and problems in claims settlement of private life insurance companies.

VI. RESEARCH METHODOLOGY

Research Design: This research was descriptive and empirical in nature. The convenience non-probability sampling method was adopted for the purpose of primary data collection.

Data Collection: The target population of the study was private company life insurance policy holders residing in Chennai, India. The total 600 questionnaire were distributed to the respondents in the one wave during the month of December 2018 to March 2019 and only 612 filled questionnaires were returned by them. In that 112 responses, incomplete and response possess extreme values were rejected and finally 500 responses are considered for this empirical study.

Statistical Software and Tools Usage: The data collected were subjected to analysis using PSPP Version 1.0.1 which is free alternative software for IBM SPSS Statistics. The statistical tools such as, percentage analysis, reverse weighted average mean ranking and factor analysis were used to draw meaningful answers to research objectives.

Research Instrument Design: The questionnaire with four parts has been finalised to collect responses from individual investors in the study area. Section one deals with demographic profiles of the respondents. Section two contains policy profiles of the respondents. Sector Three consists of policy purchase and problems in claim settlement variables. Section four contains twenty three variables related to determinants of policy purchase variables.

Reliability: In order to measure the internal consistency of the questionnaire the variables were measured using 5 point Likert scales such as, determinants of policy purchase variables were subjected to Cronbach's Alpha reliability coefficient. The value is being 0.900 for policy purchase variables indicate that scale is more consistent and highly reliable suggested by Cavana & et al., (2001).

VII. RESULTS AND DISCUSSION

Percentage analysis has been applied to understand the demographic profiles of the respondents and the results are presented in table 1.

Table 1: Demographic Profiles of the Respondents

Demographic Characteristics	Frequency	Percent
Gender		
Male	295	59.0
Female	205	41.0
Marital Status		
Married	359	71.8
Unmarried	141	28.2
Educational Qualification		
School	35	7.0
Diploma	53	10.6
UG	123	24.6
PG	209	41.8
Professional	80	16.0
Occupational Status		
Pensioner	35	7.0
Employed	258	51.6
Self employed/Professional	207	41.4
Nature of Family		
Nuclear Family	260	52.0
Joint Family	240	48.0

Monthly Family Income (In Rs.)		
< 20,000	92	18.4
Between 20,000 - 40,000	117	23.4
Between 40,000 - 60,000	179	35.8
>60,000	112	22.4
Age (Minimum = 24 Years; Maximum = 70 Years)		
Mean (SD = 10.048)		38 Years
Median		36 Year
Mode		35 Years

Table 1 indicates that majority of the respondents are male (55.0%), Married (71.8%), Belongs to nuclear family (52.0%) and employed persons (51.6%). Sizable portion of the respondents are post graduates (41.8%) and earning Rs.40K to Rs.60K as monthly family income (35.8%). Descriptive statistics shows that average age of the respondents is 8 years with the median and model value of 36 years and 35 years respectively. The age of the respondents ranges from 24 years to 70 years.

Table 2: Policy Profiles of the Respondents

	Frequency	Percent
Source of Information		
Agent	124	24.8
Bank	83	16.6
Corporate Agent	131	26.2
Advertisement	86	17.2
Internet	48	9.6
Word of Mouth	28	5.6
Procurement of Policy		
Self	106	21.2
Insurance Agents	115	23.0
Development Officer	117	23.4
Financial Advisor	75	15.0
Bank Assurance	87	17.4
No. of Insurance Policies		
One Policy	155	31.0
Two Policy	234	46.8
Three and above	111	22.2
Policy Amount (In Rs.)		
Upto Rs.1,00,000	153	30.6
Between Rs.1,00,001 - Rs. 5,00,000	118	23.6
Between Rs.5,00,001 - Rs. 10,00,000	147	29.4
Above Rs.10,00,000	82	16.4
Duration of Policy		
Upto 7 years	119	23.8
10 years	100	20.0
15 years	164	32.8
20 years and above	117	23.4
Premium Payment		
Monthly	87	17.4
Quarterly	153	30.6
Half yearly	98	19.6
Annual	90	18.0
Single Premium	72	14.4
Mode of Payment		
Cash	142	28.4
Salary Deduction	54	10.8
DD	90	18.0
Cheque	93	18.6

Bank transfer	77	15.4
Online payment	44	8.8
	Frequency	Percent
Duration for Claim Settlement		
Within 3 days	62	12.4
Week	107	21.4
Two weeks	203	40.6
A month and more	128	25.6
Loan on existing policy		
Yes	244	48.8
No	256	51.2
Affordability on Interest		
Yes	252	50.4
No	248	49.6

Table 2 indicates that maximum number of the respondents are came to know about life insurance policy through corporate agents (26.2%), Banks (16.6%), Internet (9.6%) and Word of Mouth (5.6%). Maximum number respondents are made procurement of policy through development officers (23.4%) followed by Insurance agents (23.0%) self procurement (21.2%), bank assurance (17.4%) and financial advisor (15.0%). Sizable portion of the respondents possess two policies (46.8%) followed by one policy (31.0%) and more than three polices (22.2%). Maximum number of respondents has policy upto Rs. 1 Lakh followed by Rs. 5 Lakhs – Rs.10 Lakhs (29.4%), between Rs. 1 Lakhs – Rs. 5 Lakhs and above Rs. 10 Lakhs (16.4%). Maximum number of the respondents has poliy upto 15 years (32.8%) followed by upto 7 years (23.8%), above 20 years (23.4%) and upto 10 Years (20.0%). Sizable portion of the respondents made premium payment on quarterly bass (30.6%), followed b half yearly (19.6%), annually (18.0%), monthly (17.4%) and through single premium (14.4%). Maximum number of the respondents is made premium payment through cash (28.4%), followed by, cheque (18.6%), demand draft (18.0%), bank transfer (15.4%), salary deduction (10.8%) and online payment (8.8%). Maximum number of the respondents can receive their claim settlement within two weeks (40.6%) followed by more than one month period (25.6%), within week stipulated period (21.4%) and within 3 days of short period (12.4%). Majority of the respondents are not procured any loan (51.2%) and their existing policy.

Table 3: Reasons for Life Insurance Policy Purchase of the Respondents

Reasons For Life Insurance Policy Purchases	Mean	Rank
Life Insurance cover	4.57	1
Savings for Children's education, Marriage etc.,	4.13	2
To avail Income Tax benefit	3.90	3
Savings for Old age, Pension	3.67	6
Agent's recommendation	3.73	5
Recommendation from Friends/Relatives	3.83	4
Housing Loan Cover	3.60	7

Table 3 indicates that the respondents are agreed that life insurance cover is the major reason for the policy purchase (Mean = 4.57), followed b savings for children's education, marriage and etc., (Mean = 4.13), to avail tax benefits (Mean = 3.90), recommendation from friends / relatives (Mean = 3.83), agents recommendation (Mean = 3.73), savings for old age - pension (Mean = 3.67) and housing loan cover (Mean = 3.60) in the order of importance.

Table 4: Policy Holders Perception on Policy Performance

Perception on Performance	Mean	Rank
Price/ Products features of the policy are effective	4.36	1
Promotional activities are effective	3.99	2
Channels are performing better	3.80	3
Deliverance in services are satisfactory	3.70	4
Physical evidence mix is utilized effectively	3.70	4

Table 4 indicates that the respondents have gave importance to price / product features and benefits of the policy (Mean = 4.36) in order to measure the performance of private life insurance policy followed by promotional activities (Mean = 3.99), channels performance (Mean = 3.80), deliverance of service (Mean = 3.70) and physical evidence mix utilisation (Mean = 3.60) in the order of importance.

Table 5: Difficulties on Settlement of Claims

Difficulties on Settlement of Claims	Mean	Rank
Demanding more documents	4.22	1
Redtapism	3.66	2
Indifferent behaviour of the administrative and legal officers	3.62	3
Purposively delaying	3.45	4

Table 5 shows that respondents are opined that during the claims settlement prate life insurance companies are demanding more documents (Mean = 4.22) followed by red tapism (Mean = 3.66), administrative and legal officers indifferent behaviour (Mean = 3.62) and purposive delay (Mean = 3.45) in claim settlement n the order of importance.

Table 6: Factorisation of Policy Purchase Variables

Dimensions	Items	Mean	Communalities	MSA	Variance (Eigen Value)	Loadings
Product Factor	Website portals are informative	3.85 (1.011)	0.613	0.821	8.040 (1.849)	0.723
	Additional Benefit offers adequate risk cover	3.85 (1.069)	0.559	0.849		0.551
	Frequent interaction with the policyholders	3.87 (1.063)	0.409	0.865		0.527
	Promptness in sanctioning the loans	3.79 (1.038)	0.519	0.819		0.484
Performance Factor	Co- operation to buy the new policy	3.8 (1.07)	0.587	0.832	8.008 (1.842)	0.652
	Premium is fair	3.86 (1.051)	0.556	0.844		0.643
	Claim settlement on maturity is fair	3.79 (1.01)	0.427	0.878		0.505
	Updated technologies are beneficial	3.81 (1.042)	0.523	0.833		0.498
Benefits Factor	Adequate returns	3.86 (0.953)	0.604	0.832	7.354 (1.691)	0.717
	Advertisement visual appeals are effective	3.85 (1.041)	0.470	0.861		0.545
	Tax relief purpose	3.68 (1.185)	0.587	0.867		0.525
	Assistance in grievance solvency	3.87 (1.031)	0.537	0.848		0.513
Counseling Factor	Helpfulness in claim settlement	3.85 (0.992)	0.583	0.822	6.814 (1.567)	0.744
	Pamphlets are informative about the schemes	3.79 (0.992)	0.453	0.889		0.497
	Intermediaries information are reliable	3.79 (1.05)	0.481	0.836		0.447
Information Factor	Updated accurate records were maintained	3.66 (1.108)	0.464	0.807	6.770 (1.557)	0.582
	Insurance company provides assistance in reviving policy	3.88 (1.008)	0.443	0.898		0.499
	Advertisements are more informative	3.86 (1.029)	0.504	0.891		0.497
	Bonus is adequate	3.84 (0.991)	0.579	0.847		0.434
Risk Factor	Risk coverage	4.01 (0.804)	0.703	0.760	6.664 (1.533)	0.797
	Fulfillment of specific requirements	3.72 (1.103)	0.534	0.811		0.517
Knowledge Factor	Adequate knowledge about the products	3.79 (1.034)	0.604	0.772	5.456 (1.255)	0.7
	Security for the future	4.55 (0.733)	0.752	0.518		5.210 (1.198)

Total Variance = 54.315%

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy = 0.839

(Bartlett's Test of Sphericity Approx. Chi-Square 1595.007; Df: 253; Sig. 0.000)

Table 6 shows that Policy Purchase variables with their communality values ranging from 0.409 to 0.752 have goodness of fit for factorization. Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO-MSA) value of 0.839 and chi-square value of 1595.007 with df 253 and P-value of 0.000 reveal that factor analysis can be applied for factorization of twenty three Policy Purchase variables. Seven dominant independent Policy Purchase (PP) factors explaining 54.315% of total variance have been extracted out of 23 PP Variables. Of them the most dominant factor is Product Factor is the most dominant one followed by Performance Factor, Benefits Factor, Counselling Factor, Information Factor, Risk Factor and Knowledge Factor in the order of their dominance.

VIII. IMPLICATIONS AND CONCLUSION

This marketing research was carried to explore the various determinants of policy purchase among the private life insurance policy holders towards various life insurance products. This study proves that policy purchase was determined by seven aspects such as, Product Factor is the most dominant one followed by Performance Factor, Benefits Factor, Counselling Factor, Information Factor, Risk Factor and Knowledge Factor. So, the life insurance firms should focus on these following aspects to attract the policy holders towards the procurement of new life insurance products. Policy holders are opined that during the claims settlement private life insurance companies are demanding more documents administrative and legal officers indifferent behaviour are the major problems with respect to claims settlement of private life insurance policy purchase. So, the insurance firms are suggested to mitigate these problems to enrich the perception of the policy holders towards the performance of the firms.

Policy holders are agreed that life insurance cover is the major reason for the policy purchase followed by savings for children's education, marriage and etc., to avail tax benefits, recommendation from friends / relatives, agents recommendation, savings for old age - pension and housing loan cover to purchase the life insurance products. Therefore, the insurance firms are suggested to focus on these aspects and Government should come forward to provide special tax deduction in their earning to attract more positive intend to purchase the life insurance policy.

IX. LIMITATIONS AND FUTURE DIRECTIONS FOR RESEARCH

Due to time and cost constraint this marketing research was restricted its sample size to 500 life insurance policy holders in Chennai city. Behavioral researches are cannot give long lasting and enduring findings over a period of time due to behavioral, cultural and socio-economical changes among the society. This study is adopted convenient non-probability sampling for the study. Non-probability sample cannot yield valid representation for the target population. This behavioral research can be extended to other cities, states and even country as a whole in near future to understand the geographical segmented behavior of policy holders in India. This study may be conducted among public life insurance company only or comparative study between private and public sector insurance companies can be explored in near future.

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