

A STUDY ON FACTOR AFFECTING CUSTOMER PREFERENCE TOWARD LIFE INSURANCE POLICIES

¹Bhavna Devgan, ²Kamaldeep Kaur, ³Amandeep Kaur
¹Assistant Professor, ²Assistant Professor, ³Assistant Professor
¹Department of Management
¹Gulzar Institute of Engineering & Technology, Khanna, INDIA

Abstract: Human life is a most important asset and life insurance is the most important type of insurance which provides financial protection to a person and his family against any uncertain risks or damage. Life insurance provides both safety and protection to individuals and also encourages savings among people. The Present study is conducted to find out “Factors Affecting the Customer Preference toward life insurance policies” and data is collected from khanna town, of Punjab and sample size is 150 policyholders of LIC and different private life insurers have been selected through *Convenience* sampling method. The result of study reveal that the consumer decision to purchase insurance product from different insurance companies can be affected by several factors like age, gender and income level and company reputation, money back guarantee, risk coverage, low premium and easy access to agents policy are the main factor which attract policyholders in buying life insurance policy.

Index Terms – Life insurance, Consumer

I. INTRODUCTION

Human life is a most important asset and life insurance is the most important type of insurance which provides financial protection to a person and his family at the time of uncertain risks or damage. Life insurance provides both safety and protection to individuals and also encourages savings among people.

Individuals are uncovered of different sorts of danger of unsure, startling and unexpected occasions, for example, untimely death, loss of properties by flame, robbery and mishappening and so on which cause the money related misfortunes. Risks and events are uncertain. They cannot be eliminated but can be divided, managed and reduced significantly with the help of insurance. Insurance is the way of transferring a loss from one person to another person or institution in exchange of payment. Insurance company who sells insurance policy is insurer and policy holder is the insured that purchase insurance policy and shift the risk to the insurer (Singh, 2010). Insurance is a means to minimize future uncertainty and financial losses. Acting as a risk transfer mechanism is the primary function of insurance (Holyoak & Weipers, 2002). Rejda (2008) stated that sharing or pooling of losses is the heart of insurance, pooling is the spreading a losses incurred by the few over the entire group so that average loss is substituted for actual loss. Therefore, insurance is a co operative device to spread the loss caused by particular risk over a number of persons who are exposed to it and who agree to insure themselves against the risk.

Life insurance concept is very old & deep rooted in the history of India. In the ancient Vedic times, a mention of insurance concept can be traced in the writings of Manu. Insurance concept in the past existed as a tool to re-distributes vital recourses in times of natural calamities. But as time evolved insurance concept also underwent evolution in terms of product, which was developed and modified by human race from time to time as a tool to counter the various risk faced by human beings in their life time.

II. REVIEW OF LITERATURE

Narayan. H. Jai (2009), in an article has made an emphasis on importance of customer in the business of insurance. He explained in phase of growing market competition, there is an intense need to go beyond mere efficiency in designing products. To understand the customer’s needs and to convey what they have to offer would perhaps bring in higher efficiencies in customer service. Insurance business revolves around the customer and fair treatment to customers is need of an hour to win their loyalty and trust. In a service based organizations, customer service is the most dominating feature that differentiate and gives good return to the insurers. Proper dealing with customer complaints, effective customer grievances handling mechanism and fast claim settlement procedure are some of the ways through which satisfaction level of customers can be increased. Hence to serve the customers promptly and effectively is the key success of a life insurance business.

Girish Kumar and eldhose (2008), published in insurance chronicle ICFAI monthly magazine august 2008 in their paper titled "customer perception on life insurance services: a comparative study of public and private sectors", well explained the importance of quality services and its significance in raising customer satisfaction level. A comparative study of public and private sectors help in understanding the customer perception, satisfaction and awareness on various life insurance services.

Praveen Kumar Tripathi (2008), in his summer training project report titled “customer buying behavior with a focus on market segmentation” conduct a research based study on buying pattern in the insurance industry with a special focus on HDFC standard life insurance. The various segments of the markets divided in terms of insurance needs, age groups, satisfaction levels etc were taken into account to know the customer perception and expectation from private insurers.

Athma.P and Kumar. R (2007) in the research paper titled “an explorative study of life insurance purchase decision making: influence of product and non-product factors”. The empirical based study conducted on 200 sample size comprising of both rural and urban market. The various product and non-product related factors have been identified and their impact on life insurance purchase decision-making has been analyzed. Based on the survey analysis; urban market is more influenced with product based

factors like risk coverage, tax benefits, return etc. Whereas rural population is influenced with non- product related factors such as: credibility of agent, company's reputation, trust, customer services. Company goodwill and money back guarantee attracts many people for life insurance.

Jayakar (2003) in his study emphasized that new products innovation; distribution and better use of technology are helping the new private life insurers to take market share away from LIC, an only company before liberalization of insurance industry. With the privatization of insurance sector and with the entrance and cut throat competition with the private sectors gaining an ever increasing edge over the public sector

Objectives

1. To explore the various factors influencing customer preference decision in life insurance policy.
2. To study and analyze the impact of various demographic factors on customers life insurance investment decision.
3. To evaluate preferences of the customers while taking life insurance investment decision.

Hypothesis

1. Age and income has no significant impact on the customer preference in choosing life insurance policy.
2. Occupation and gender are independent of the customer life insurance investment decision.
3. There is an immense need to focus on product innovation and customers need based policies for market expansion.

Research Methodology

Data Collection

The data for the study has been collected from both primary and secondary sources. The primary data has been collected through a well-drafted Questionnaire. The secondary data has been collected from IRDA annual reports, insurance journals, magazines and insurance website.

Area of Study

The study area is limited to khanna town, of Punjab and sample size is 150 policyholders of LIC and different private life insurers have been selected through *Convenience* sampling method.

RESEARCH PLAN

Target population and universe: khanna town,
Punjab
Sampling unit: life insurance policyholders
Sampling method: *Convenience* sampling
Sample size: 150

TABLE 1: Demographic Details of The Respondents (In Percentage)

Basis	Respondents	Percentage
Age		
20-30	39	26
30-40	78	52
40-50	30	20
Above 50	03	2
Total	150	100
Monthly income		
5,000-10,000	18	12
10,000-15,000	29	19.3
15,000-20,000	48	32
20,000-25,000	32	21.3
Above 25,000	23	15.3
Total	150	100
Occupation		
Govt. Class employee	66	44
Businessman/private	28	18.6
Professionals	22	14.6
agriculture	34	22.8
Total	150	100

Age and customer investment decision in life insurance

H1: age and income has a significant impact on the customer life insurance investment decision.

DEMOGRAPHIC PROFILE OF THE RESPONDENTS

Socioeconomic factors such as age, income, occupation and gender are some of the important determinant in the decision of life insurance. The demographic profile of the respondents is analyzed on the basis of age, monthly income, gender and occupation. The distribution of sample respondents is shown in table no. 1 and it is quite evident from the table that a majority of the respondents (52%) fall in the age band of 30-40 years. Out of 150 sample drawn, 108 (72%) are male and it depicts the domination of male in the life insurance sector. Occupation-wise, around 44% respondents are govt. Employee followed by private/businessman, professionals, agriculture occupied respondents with 18.6%, 14.6% and 22.8% respectively.

TABLE 2: Calculation of Coefficient Correlation between Ages of Respondents & Life Insurance Preference Policy.

Age	X	Dx=(x-40)	Dx ²	Y	Dy=(y-38)	Dy ²	Dxxdy
20-30	25	-15	225	39	1	1	-15
30-40	35	-5	25	78	40	1600	-200
40-50	45	5	25	30	-8	64	-45
Above 50	55	15	225	03	-35	1225	-525
Total	160/4=40	0	500	150/4=37.5	0	2890	785

Here, the value of correlation (r)

Correlation (r) = 785/1202.08=0.65

Since the calculated value of r is positive, it is concluded that there is a significant relationship between age and customer insurance investment decision. Hence age affects the customer life policy buying decision.

TABLE 3: Calculation of Coefficient Correlation Between Monthly Incomes Of Respondents & Life Insurance Investment Decision

Monthly Income	X	Dx(x-175)	Dx ²	Y	Dy(y-30)	Dy ²	Dxxdy
5000-10,000	7500	-100	10000	14	-16	256	-1600
10,000-15000	12500	-50	2500	37	07	49	-350
15,000-20000	17500	0	0	54	24	576	0
20,000-25000	22500	50	2500	29	-1	1	-50
Above 25000	27500	100	10000	16	-14	196	-1400
Total	87500/5=17500	0	25,000	150/5=30	0	1078	3400

Here, the value of correlation (r) correlation (r) = 650/3612.4= 0.65

Since the calculated value of r is positive, it is concluded that there is a significant relationship between monthly income and customer insurance investment decision. Hence income is one of the important determinants in customer life policy buying decision.

H2: occupation is independent of the customer life insurance investment decision.

TABLE 4: Calculation of Association between Occupation Of Respondents And Life Insurance Preference And Investment Decision

Occupation	Investment decision			Total
	High	Medium	Low	
Govt. Service	38	22	6	66
Businessman/private Services	18	8	2	28
Professionals	14	6	2	22
Agriculture	21	9	4	34
Total	91	45	14	150

CHI-SQUARE TEST: chi-square test is applied to test the goodness of fit, to verify the distribution of observed data with assumed theoretical distribution. Therefore it is a measure to study the divergence of actual and expected frequencies; Karl Pearson’s has developed a method to test the difference between the theoretical (hypothesis) & the observed value. The researcher has used chi-square test to test the impact of occupation and gender on customer investment decision.

Chi – square test $(x^2) = (o - e)^2 / e$

Degrees of freedom = v = (r - 1) (c - 1)

here x^2 calculated = $(o - e)^2 / e = 14.09$

at 5% level of significance for 6 df, the calculated value of chi-square is 12.59

Since the chi-square calculated > chi-square tabulated, it is concluded that there is a no significant association between occupation and customer insurance investment decision. Hence occupation does not influence the customer life policy buying decision.

PREFERENCE TOWARDS LIFE INSURANCE COMPANIES

It is revealed from the table no. 6, a majority (55%) of the respondents preferred to buy policy from LIC followed by the 14.6% and 10.6% of respondents preferred to buy from SBI life insurance, ICICI prudential life respectively. Remaining 8% and 10.6% of the

respondents preferred Bajaj Alliance and HDFC standard life insurance respectively. The left 5.3% respondents preferred other than these life insurance companies. Thus it can be inferred that LIC of India is the most preferred life insurance company and majority of them prefer government-owned LIC for getting insured because of security. The other private life insurance companies are having less percentage of share and those who prefer private insurers are because of better customer services and high returns.

TABLE 6

Response	No. Of respondents	Percentage
LIC	82	54.6
HDFC standard life insurance	10	6.6
ICICI prudential	16	10.6
SBI life	22	14.6
Bajaj Allianz	12	8.0
Others	08	5.3
Total	150	100

TYPE OF POLICY

It is quite evident from the table no. , there are various types of life insurance policies with customized features and value additions catering to the needs of specific target segments. That a majority (38%) of the respondents preferred money back policy, followed by 31.3% of the respondents preferred unit linked plans and 15.3% preferred endowment plans. Out of 150 samples drawn, only 10% of the respondents preferred term plans. Thus it can depict that among many plans available, the most preferred one among the mass is money back plan. This plan helps you to withdraw your money at regular intervals and still staying insured. This plan is famous for its high liquidity advantage. The other product gaining popularity is ulip's (unit linked insurance plan), as its serve multiple purpose, it give high returns, tax benefit, life insurance , critical illness cover and is admired for its flexibility for paying premium amount.

TABLE 7

Policy types	No. Of respondents	Percentage
Endowment	23	15.3
Term plan	15	10.0
Unit linked	47	31.3
Money back	56	37.3
Others	09	6.0
Total	150	100

THE MOST ATTRACTIVE FEATURES OF POLICY

It is evident from the table no. 8, when the policyholders were asked to rank the features of policy that attracts the most their order of their preference as 1, 2, 3, 4, 5 and 6. A majority (28%) of the respondents believes that company reputation is the most influencing factor in policy buying decision, followed by the 26% of respondents influenced with money back guarantee, 18.6% influenced with larger risk coverage. Remaining 15.3% and 12% of the respondents are influenced with low premium rates and easy access to agents respectively. Hence reputation of company is the main influencing factor during policy purchasing decision.

TABLE8

Responses	No. Of respondents	Percentage (%)
Money back guarantee	39	26
Larger risk convergence	28	18.6
Easy access to agents	18	12
Low premium	23	15.3
Company's reputation	42	28
Total	150	100

PEOPLE WOULD LOOK FOR INSURANCE COMPANY

It is revealed from the table no. 9 and graph no. 4 , that a majority (48%)of the respondents look for a trusted name in a company for insurance. 30% respondents look for a good plans and 18% looks for a friendly service and responsiveness. Remaining 4% respondents looks for an ease of accessibility in a company for insurance. Hence it can be inferred that trust is very important factor, which a majority of customers looks before buying policy from an insurance company.

TABLE 9

Responses	No. Of respondents	Percentage
A trusted name	72	48
Friendly service & responsiveness	27	18
Good plans	45	30
Accessibility	06	4
Total	150	100

RANKING VARIOUS FACTORS RESPONSIBLE FOR INVESTMENT IN LIFE INSURANCE PRODUCTS

During the study, it was found that the investors generally invested in life insurance due to the reasons like tax benefit, risk coverage, saving, return, insurance services, premium charges, security. During the survey, the respondents were asked to rank these factors and the data obtained is presented in table no. 10. It is revealed from the table no. 10, which among the surveyed people, majority of the respondents invest in life insurance for tax benefit, followed by the risk coverage & saving, premium charges, security with high return and insurance services can be ranked as 1st, 2nd, 3rd, 4th and 5th respectively. Thus it can be depicted that tax benefit is the main concern of customers while making investment in insurance policy.

TABLE 10

Factors	Weighted score	Ranking of various factors	
		Mean value	Rank
Tax benefit	695	4.63	1
Risk coverage & saving	453	3.02	2
Security with high return	348	2.32	4
Insurance services	302	2.01	5
Premium charges	438	2.92	3

IV. SUMMARY OF FINDINGS

- The consumer decision to purchase insurance product from different insurance companies can be affected by several factors like age, gender and income level. From the analysis, it is inferred that respondents belonging to the age group between 30 to 40 years (which contribute 52% to the total respondents) found to be more interested in buying a life insurance policy as compare to other age group.
- Out of 150 samples drawn, a majority (54.6%) of policyholders have shown preference towards LIC followed by SBI life insurance with (14.6%) among the private players. Therefore LIC has the maximum no. Of policyholders and rank as 1st among other insurance companies, followed by SBI life (14.6%), ICICI prudential (10.6%), Bajaj Allianz (8.0%) and HDFC standard life with 6.6%.
- The features of policy that attracted policyholders can be ranked as follows: company reputation, money back guarantee, risk coverage, low premium and easy access to agents as 1st, 2nd, 3rd, 4th and 5th respectively. Thus it can be inferred that goodwill of the company is the most influencing factor while policy buying decision.
- It is found from the analysis that out of 150 respondents, majority (37.3%) respondents preferred money-back policy of LIC. This is followed by the unit linked plan of private insurers (31.3%) and endowment plans (15.3%). Only 10% of the respondents have shown interest towards term plan. Hence in present days people are more interested in such policy which gives higher return along with the risk coverage benefit.
- It is evident from the above study that most (54.6%) of the respondent's have opted for LIC policies because of safety and rest of the respondent's opted for private players for higher returns. Among private insurers, SBI life insurance holds 14.6% market share, followed by the ICICI Prudential and Bajaj Allianz with 14.6% and 8.0% respectively. The study reveals the fact that LIC still holds the major share of the life insurance market.
- A large no. Of the respondents (48%) said that they look for trusted name in a company for insurance, followed by good plans, friendly service and accessibility with 30%, 18% and 4% respectively.

V. SUGGESTIONS

- In present competitive world, customer satisfaction has become an important aspect to retain. The customers, not only to grow but also to survive. Customer service is the critical success factor and private insurers through their best services would be able to reposition and differentiate itself from LIC.
- Private insurers should emphasize more on advertising and building brand awareness through different modes of communication. This will help in spreading insurance awareness among the common man.
- To achieve greater insurance penetration, the healthier competition has to be intensified by both the sectors and they should come up with new innovative products to offer greater variety or choice to the customers and also make improvement in the quality of services and sell products through appropriate distribution channel to win-win situation for both the parties.
- Insurance companies should devise policies which provide effective risk coverage rather than focusing on the tax benefits and also encourages them for long term investment in insurance.
- Life insurance companies should come up with innovative tailor-made products with high risk cover, more return and low insurance premium to attract more number of customers.

VI. CONCLUSION

Life insurance is an important form of insurance and essential for every individual. Life insurance penetration in India is very low as compare to developed nation where almost all the lives are covered and stage of saturation has been reached. Customers are the real pillar of the success of life insurance business and thus it's important for insurers to keep their policyholders satisfied and retained as long as possible and also get new business out of it by offering need based innovative products. There are many more factors that affect customers preference toward life insurance policy and from the study it has been concluded that demographic factors of the

people play a major and pivotal role in deciding the purchase of life insurance policies.

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