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CHANGING PERCEPTION OF CONSUMERS TOWARDS INSURANCE PRODUCTS

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ABSTRACT

The insurance sector is growing rapidly all over the world. The insurance industry is gaining key position in the world economy and playing a significant role to cover the life and business risk of millions. The LPG era has brought the insurance companies across the world closer and competitive to each other. At present, the insurance industry is in a nascent stage. The impact of privatization in risk business in India has shown its impact on transformation from the state of monopoly to mushrooming companies offering innovative products to the Indians. The growth in the life insurance sector has shown new heights and the functioning of private companies has given tough challenge to Life Insurance Corporation of India. Within a short span of time, private insurance companies have acquired more than 25 per cent of the life insurance market. Many changes have taken place in the processes and procedures of insurance business in terms of its format and products as well the mindset, motives, interests, and expectations on the part of the customers also. The customers have become more vigilant, calculative and calibrated not only in terms of risk coverage but look forward for safety of investment and higher rate of returns on the saving in insurance sector. In this paper an effort is made to analyze customer' perceptions towards the performance of public and private life insurance companies and the impact of opening up of industry.

KEYWORDS: *Customers perceptions, Insurance companies, Life Insurance Corporation of India .*

INTRODUCTION

India's rapid rate of economic growth over the past decade has been one of the most significant developments in the global economy. This growth has its roots in the introduction of economic liberalisation in the early 1990's which has allowed India to exploit its economic potential and raise the population's standard of living. Insurance has a very important role in this process. As well developed and evolved insurance sector is a boon for a country. It provides long term funds for infrastructure developments and concurrently strengthens the risk-taking ability of the country.

NEED FOR STUDYING CHANGING CUSTOMER PERCEPTION

The need for studying perception is simply because customer's behaviour is base on their perception of what reality is, not an reality itself. The world as it is perceived is the world that is behaviourally important.

Factors Influencing Customer Perception

1. Attitude
2. Motives
3. Interests
4. Past experiences

5. Expectations

OBJECTIVES OF THE STUDY

1. To analyze growth of Insurance business in India.
2. To study and analyze the changing perception of consumers for different types of insurance products offered by the companies.
3. To analyze and examine need and preferences of consumers in Life Insurance products in respect of changing income, education, needs, changing pattern of family, employment and awareness.
4. To analyze and understand consumer's perception towards the products of Private Insurance Companies.
5. To study consumers' perception towards various products offered by Public and Private Insurance Companies.

HYPOTHESES

The following hypotheses have been constructed for the research purpose:

Hypothesis – 1

H_0 : all insurance products offered by both public as well as private companies are considered equally well by the customers.

H_a : Customer perceives that insurance products offered by public companies are better than private companies.

Hypothesis – 2

H_0 : customers prefers to subscribe different products/ policies to optimize the mix of safety & return on investment irrespective of insurance companies whether it is public or private.
H_a : Customer prefers to subscribe insurance products of public companies considering better option as compared to private companies.

RESEARCH METHODOLOGY

Collection of Data

The collection of data consists of both primary data and secondary data.

The Primary data have been collected by floating a structured questionnaire. Before finalizing the structured questionnaire, the questionnaire was subjected to pilot testing. By removing the difficulties the final structured questionnaire was prepared which is given in (Annexure-1)

The secondary data were collected from the following sources:

1. The Annual Reports of different Life Insurance Companies.
2. The Annual Reports of IRDA.
3. Books and Journals relevant to the study conducted.
4. Published and unpublished research report.
5. Unpublished data that came to the knowledge from the records of the Life Insurance Companies.
6. Various Websites of Life Insurance Companies.

Processing of Data

The edited questionnaires were recorded. The recorded data were subjected to classification.
The data were classified on the following basis:

1. On the basis on Annual Earnings of customer.

2. On the basis of Annual Savings of customers.
3. On the basis of Customer preference of investment pattern.
4. On the basis of Risk coverage

   On the basis of Annual Premium.

6. On the basis of Choice of Insurance Product.
7. On the basis of Factors responsible for preference of customer.
8. On the basis of Investment pattern
9. On the basis of Return on Investment
10. On the basis of customers' attitude towards risk coverage etc.

Test of Hypothesis

The classified data were subjected to the statistical method of analysis. Simple percentage analysis and Chi Square test were used for testing Null Hypothesis.

COMPARATIVE ANALYSIS OF PERFORMANCE OF PUBLIC AND PRIVATE SECTOR LIFE INSURANCE COMPANIES

In the study an attempt is made to evaluate how the public and private sector life insurance companies in India are performing in the post-liberalized era of insurance sector by taking into account the total premium and market share of these companies from 2001-2013.

Insurance Penetration

The Indian life insurance market is fuelled in part by the fast expansion of its insurance markets and the fact that this growth potential is now available to all (subject to the regulatory restriction on foreign equity holding). India is the second most populous country of the world with more than one billion population. The economic growth record is more than 6% during the past one decade, but the life insurance market in India is extremely under-penetrated.

The sector has reported consistent increase in insurance penetration from 2.71 per cent in 2001 to 5.20 per cent in 2009 but declining and reached 3.96 per cent in 2012. This indicates that during the past three years, the growth in insurance premium is lower than the growth in national GDP. The life insurance penetration surged from 2.15 per cent in 2001 to 4.60 per cent in 2009. Since then, it has exhibited a declining trend reaching 3.17 per cent in 2012.

Insurance Density

A similar trend was observed in the level of insurance density which reached the maximum of USD 64.4 in the year 2010 from the level of USD 11.5 in 2001. During the year under review 2012-13 the insurance density was USD 53.2. The insurance density of life insurance business has gone up from USD 9.1 in 2001 to reach the peak at USD 55.7 in 2010. During 2012-13, the level of life insurance density was only USD 42.7

Table 1 :Business Performance

Indicators to measure performance	Life insurers	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Premium income (% growth over previous year	LIC	(17.19)	(5.01)	(18.30)	(9.35)	(-0.29)	(2.92)
	Private Sector	(82.50)	(25.09)	(23.06)	(11.08)	(-4.52)	(-6.87)
Market Share (%)	LIC	74.39	70.92	70.10	69.77	70.68	72.70
	Private Sector	25.61	29.08	29.90	30.23	29.32	27.30

Source : Various Annual Reports of IRDA.

Above table showed the various parameters that measures the business performance of life insurers. The LIC is registering a negative growth of 0.29 per cent in premium income in 2011-12 as against 17.19 percent in 2007-08 but increased to 2.92 in 2012-13. While private insurers posted 6.87 percent decline in 2012-13 as against accounted for 82.5 percent and 25.09 percent in 2008 and 2009 respectively.

Market Share of Life Insurers

In comparison to total the LIC has been losing its market share due to advent of new companies. If we look at total Rupee figures LIC has progressed on all fronts. LIC became aggressive after liberalisation and targeted the market with a new and different focus namely-target the young populace, caring for retired, venturing into new ventures like housing and then the ULIPs.

Total Investment of the Insurance Sector

The total investment of Insurance sector of the year 2011 and 2012 of both Public and Private sector. It rose from Rs. 1209824 to Rs. 1340174 crores in case of public insurer whereas it rose from Rs. 302413 to Rs. 340533 crores in case of private insurers. Analysis and Interpretation

In this research paper an empirical verification of this study is made. The sample size of 500 was taken out of which 328 males and 162 females where 269 are related to the public sector and 231 are related to private sector. The customers selected for the study belonged to different categories made on the basis of sex, age, occupation, annual income and policy. The study aims to have a comparative analysis of the public and private sector life insurance companies. The Chi-square test has been used to investigate the significant difference between the profile of the different categories of customers of both public and private sector life insurance companies.

Table – 1
Annual Earnings of the Respondents

Earning	Public		Private		Total	
	Freq	%	Freq	%	Freq	%
Below 100000	90	33.46	27	11.69	117	23.4
100000 – 300000	88	32.71	32	13.85	120	24.0
300000 – 500000	57	21.19	77	33.33	134	26.8
500000 & Above	34	12.64	95	41.13	129	25.8
Total	269	100	231	100	500	100

Chi-square value = 89.515, d.f. =3, P-value = 7.841

The study found that percentage of respondents taking their policy from public sector decreases as income increases. It is found that those who have annual income of more than 3 lakhs are more interested in taking policy from the private sectors.

Table – 2
Annual Savings of the Respondents

Savings	Public		Private		Total	
	Freq	%	Freq	%	Freq	%
Upto 60 k	76	28.25	33	14.29	109	21.8
60 k – 120 k	84	31.23	42	18.18	126	25.2
120 k – 240 k	63	23.42	79	34.2	142	28.4
240 & Above	46	17.10	77	33.33	123	24.6
Total	269	100	231	100	500	100

Chi-square value = 64.95, d.f. = 3, P-value = 7.815

It has been found from the study that the respondents those who save upto Rs1,20,000 prefer to buy public sector insurance product whereas the higher saving respondents prefer to buy private sector insurance product due to product diversity, customer centric approach, easy accessibility and technological advancement.

Table – 3
Customer's Preference of Investment Pattern

Investment	Public		Private		Total	
	Freq	%	Freq	%	Freq	%
Bank deposits	102	37.92	54	23.38	156	31.2
Provident fund	46	17.1	25	10.82	71	14.2
Capital Market Securities	67	24.91	94	40.7	161	32.2
Life Insurance Policies	54	20.07	58	25.1	112	22.4
Total	269	100	231	100	500	100

Chi-square value = 22.896, d.f. = 4, P-value = 7.815

The study reveals the buying behavior of the respondents. It has been found that the respondents who are associated with public sector life insurance companies wants to keep their funds safe and secure as they want to invest their fund in bank deposits and provident fund whereas the respondents who are associated with private insurance companies prefer to bear risk and want high return as they want to invest their funds in capital market securities.

Table –4

Good source of Risk Coverage & Investment

	Public		Private		Total	
	Freq	**%**	**Freq**	**%**	**Freq**	**%**
Yes	197	73.23	149	64.5	346	61.2
No	72	26.76	82	39.5	154	38.8
Total	269	100	231	100	500	100

Chi-square value = 17.47, d.f. = 1, P-value = 3.841

It has been revealed from the study that the respondents who prefer to buy the products of both the public and private sector insurance companies think that the insurance products are good source of risk coverage and investment.

Table – 5

Annual Subscription/Premium

		Public		Private		Total	
	Premium	**Freq**	**%**	**Freq**	**%**	**Freq**	**%**
1	Lakh	136	50.56	56	24.24	192	38.4
1	Lakh – 2 Lakh	93	34.57	97	42.0	190	38
2	Lakh – 3 Lakh	27	10.04	44	19.04	71	14.2
3	Lakh & Above	13	4.83	34	14.72	47	9.4
Total		269	100	231	100	500	100

Chi-square value = 44.23, d.f. = 3, P-value = 7.815

It has been found that the respondents who invest their funds in public sector insurance company pay upto 2 lakhs as annual premium due to tax saving whereas the respondents who invest in private sector insurance companies pay 1lakh to 3 lakhs due to attraction of higher returns.

Table – 6

Choice of Insurance Product

	Public		Private		Total	
	Freq	**%**	**Freq**	**%**	**Freq**	**%**
Government	178	66.17	95	41.13	273	54.6
Foreign/Private	91	33.83	136	58.87	227	45.4
Total	269	100	231	100	500	100

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It has been shown that the respondents who invested their funds in public sector insurance companies wants their funds to be invested in Govt. Securities with the view of security, fund safety and less risk whereas the respondents who invested their fund in private sector insurance companies wants to invest their fund in private and foreign securities through private sector insurance companies due to higher returns and ability to bear higher risk.

Table – 7
Factors Responsible for Preference of the Customer

Factors	Public		Private		Total	
	Freq	%	Freq	%	Freq	%
Higher return	12	4.46	47	20.35	59	11.8
Low Risk factors	96	35.69	23	9.96	119	23.8
Prompt dealing	23	8.55	36	15.58	56	11.2
Easy Settlement	47	17.47	28	12.12	75	15
Branch Network	56	20.82	34	14.72	90	18
Customer Service	15	5.58	45	19.48	60	12
Others	20	7.43	18	7.79	38	7.6
Total	269	100	231	100	500	100

Chi-square value = 91.786, d.f. = 6, P-value = 12.592

It has been observed that the most of respondents of public sector insurance company attract to invest their fund due to low risk and good branch network but the respondents of private sector insurance companies get attracted to invest their fund due to higher return, better customer services and prompt dealing.

Table – 8
Customer Preference of the Insurance Policy for Investment

Type of Policy	Public		Private		Total	
	Freq	%	Freq	%	Freq	%
Money Back	68	25.28	34	14.72	102	20.4
Endowment	117	43.49	29	12.55	146	29.2
Retirement Plan	49	18.22	82	35.5	131	26.2
Investment Plan	35	13.01	86	37.23	121	24.2
Total	269	100	231	100	500	100

Chi-square value = 91.83, d.f. = 3, P-value = 7.815

It has been observed from the study that the respondents who purchase public sector life insurance products prefer to invest in endowment and money back plans whereas the respondents who purchase the products of private sector companies prefer to invest in investment and retirement plan due to job insecurity and old age insecurity because they don't get pension after job expiration.

Table – 9
Expected Return on Investment

Return	Public		Private		Total	
	Freq	**%**	**Freq**	**%**	**Freq**	**%**
8 – 10	77	28.62	33	14.28	110	22.0
10 – 12	68	25.28	54	23.38	122	24.4
12 – 14	62	23.05	78	33.77	140	28.0
14 & Above	62	23.05	66	28.57	128	25.6
Total	269	100	231	100	500	100

Chi-square value = 46.11, d.f. = 3, P-value = 7.815

It has been found that the respondents of LIC expects the returns between 8-12% due to preference of fund security but the respondents of private sector insurance companies expect the returns more than 12%.

Table – 10
Customer's Attitude towards Risk Coverage

Risk	Public		Private		Total	
	Freq	**%**	**Freq**	**%**	**Freq**	**%**
Risk free	174	64.68	103	44.59	277	55.4
Risk Associated	95	35.32	128	55.41	223	44.6
Total	269	100	231	100	500	100

Chi-square value = 39.56, d.f. = 1, P-value = 3.841

It has been found that the respondents who purchased insurance products from public sector insurance company prefer to purchase risk free products whereas the respondents who purchased insurance products from private sector insurance companies prefers to purchase risk associated products.

FINDINGS AND SUGGESTIONS

This shows that young population are more interested in private sector. But aged group were more interested in taking policies from public sector because their mindset is already set to the feeling that security and safety is more in public sector than in private sector.

It has been found from the study that the respondents save upto Rs1,20,000 prefer to buy public sector insurance product whereas the higher saving respondents prefer to buy private sector insurance product due to product diversity, customer centric approach, easy accessibility and technological advancement.

The study reveals the buying behaviour of the respondents. It has been found that the respondents who are associated with public sector life insurance companies wants to keep their funds safe and secure as they want to invest their fund in bank deposits and provident fund whereas the respondents who are associated with private insurance companies prefer to bear risk and want high return as they want to invest their funds in capital market securities.

From the study has been revealed that the maximum number of respondents from both the companies feels that the life insurance products are good source of risk coverage and good from investment point of view.

It has been found that the respondents who invest their funds in public sector insurance company pay upto 2 lakhs as annual premium due to tax saving whereas the respondents who invest in private sector insurance companies pay 1lakh to 3 lakhs due to attraction of higher returns.

It has been found that there is significant difference in the choice of insurance products in the respondents of public sector insurance and private sector insurance companies in which they want to invest their invested fund through insurance companies. It has also been shown that the respondents who invested their funds in public sector insurance companies wants their funds to be invested in Govt. Securities with the view of security, fund safety and less risk whereas the respondents who invested their fund in private sector insurance companies wants to invest their fund in private and foreign securities through private sector insurance companies due to higher returns and ability to bear higher risk.

It has been observed that the most of respondents of public sector insurance company attract to invest their fund due to low risk and good branch network but the respondents of private sector insurance companies get attracted to invest their fund due to higher return, better customer services and prompt dealing.

It has been observed from the study that the respondents who purchase public sector life insurance products prefer to invest in endowment and money back plans whereas the respondents who purchase the products of private sector companies prefer to invest in investment and retirement plan due to job insecurity and old age insecurity because they don't get pension after job expiration.

It has been found that the respondents of LIC expects the returns between 8-12% due to preference of fund security but the respondents of private sector insurance companies expect the returns more than 12%.

It has been found that the respondents who purchased insurance products from public sector insurance company prefer to purchase risk free products whereas the respondents who purchased insurance products from private sector insurance companies prefers to purchase risk associated products.

The study found that Indian insurance sector is still unexplored and untapped. The vast potential is still waiting to be tapped. There is ample scope in Indian insurance market. The key to success lies in dissemination of information and learning. The more educated or literate a household is, the greater the likelihood of understanding the need for insurance protection. Therefore IRDA together with the industry participants need to work hard to improve awareness of insurance and its importance to society by and large through various effective publicity campaigns.

It has also been observed that large number of population lives in rural India. Therefore the government should take serious measures for the growth of insurance business in rural area.

It has also been stated that the insurance companies should also focus on the claim settlement mechanism as a company's financial health and reputation in the market depend on efficient and judicious settlement of claims.

It has been noted that the awareness level among the people about the life insurance products is low and distribution channels are not responsive to customer's need. Therefore, the officials should take steps to provide all details about policies to customer and write norms and conditions of policies in simple language understandable to common man.

LIC has a strong presence in life Insurance market and to retain its market leader status the LIC needs to acquire more competitiveness in terms of product innovation, customer awareness, customer services and technology.

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 and also make improvement in the quality of services.

People are aware of the private life insurers but still many hesitate to invest. Therefore it is important to create trust and confidence among the investors that private insurance is a safer option for investing through greater transparency in the system.

The main objective of life insurance company is to provide insurance against life risks. Hence private insurers should encourage selling more number of long term investment policy rather than short term unit linked products.

Private insurers require to shift their focus from urban to rural areas where majority population are poor and uninsured due to lack of awareness and inability to pay high premium rates.

Effective policy and action should be taken against parties involved in insurance fraud to safeguard the interest of the policyholders.

Operating cost as compare to premium underwritten should be controlled.
The LIC should invest in secured investments.

The rural market offers tremendous growth opportunities for insurance companies. To improve the market share, the insurance companies should understand the requirements of India's villagers, their daily lives and their peculiar needs and their occupational structures.

The insurance companies should develop viable and cost effective distribution channels and also build consumer awareness and confidence.

The various dimensions related to the products such as convenience responsiveness reliability, empathy, assurance are significant in the determination of consumer perception and play an important role in inducing positive behavioural outcome by reducing negative ones across public sector and private sector insurance companies.

As it has been observed from the study that the insurance market is very competitive, therefore it is suggested that the players should adopt customer centric approach.

It has been found that the percentage of population insured is much smaller than the potentials possessed by industry and can go for various areas of research like health insurance, various plans, innovations, expectation and fulfilment of customer satisfaction.

For the development of the life insurance sector, improvement in the insurance density and penetration is a must. Hence, efforts need to be instituted for such improvement. Development of insurance products including special group policies to cater to different categories should be priority, especially in rural areas.

Understanding the customer better will enable insurance companies to design appropriate products, determine price correctly and increase profitability.

Consumer awareness campaign should be encouraged to improve financial literacy/insurance literacy levels by conducting workshops, distributing leaflets, distributing literature etc. in both urban and rural areas.

Institutions like universities and colleges should be encouraged to spread insurance awareness and educating the students/customers on their rights and obligations.

Insurance companies adhere to fair trade practices and transparent disclosure norms while addressing the policyholders or the prospects.

The conduct of physical form of business may gradually be supplement by undertaking online business operation. This will improve the outreach of insurance coverage on the one hand and reduce the operating expenses at the same time.

Proper steps for promotion of Banc assurance are to be done.

Players need to offer a balanced mix of ULIPS and traditional products with the element of guaranteed return and flexibility in surrenders with low cost.

Leveraging the internet and other technology options to provide single window service so as to cross sell and retain customers. It will also be easier and cheaper for customers to process requests, complaints and payments online.

LIMITATIONS OF THE STUDY

1. Since it was study based on behavioural dynamics such as perception of customers subscribing insurance products it becomes difficult elicit the fact of the situation from once mind is a tedious job. The researcher could or will have to rely upon the expressions made by the respondents.
2. The researcher feels that the time available to the researcher for completing this research was not adequate enough to gather the responses of different subscribers extended to length and width of whole of the state of Rajasthan. Therefore, it is a hunch that the inferences drawn based on the data may be little lopsided.
3. The researcher feels that the insurance companies were little reluctant in giving their information/data under the pretext of confidentiality of records.

CONCLUSION

In the study it has been found that LIC is the giant of the insurance sector. The overall size of LIC is much more than that of all private insurance companies. Private insurers are in expansion mode and are increasing their size but are still much behind LIC. Total premium deposits in LIC are much higher than the private insurance companies. Total premium of LIC in FY 2012-13 is three times more than that of private insurance companies. The number of branches of private insurance companies is increasing as the new players are entering in this market. Also the established players are in expansion phase and hence are expanding their business.

LIC, being the oldest player in the existing insurance market, has the biggest market share of 73.9 % It has been found that private insurance companies are penetrating in the customer base of LIC and it has been seen that private insurance companies are giving a tough competition to the LIC and will certainly create a good business for themselves in the coming days. Thus it has been observed that LIC is very famous with huge market share but private insurance companies are growing at exceptionally fast pace. Private companies show due concern in grievance management and brings innovative schemes to attract the customers. Right now they are giving good competition to LIC and very soon they will give very tough competition to Life Corporation of India.

As we all know that excellence in customer service is the performance yardstick of any service organization. In this era, customer expectations and desires have increased and there is demand for faster and better service. Despite there is a fund of goodwill for existing public sector organizations the study showed that customer satisfaction has only been average in public sector.

insurance companies. To improve the customer satisfaction level public sector insurance companies need to provide the customers information about insurer's prices, products and financial strength to ensure good market performance. The public sector companies need to improve their systems and practice to the expanded levels, then only customers will prefer to them over the new players and the private sector insurance companies should ensure the prompt and efficient after sales service to its customers, so that it can retain its customer loyalty and prevent them from switching to other competitors.

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