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A STUDY OF THE CUSTOMER SERVICE MANAGEMENT OF LIFE INSURANCE COMPANIES IN INDIA

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ABSTRACT:

With the opening of the insurance sector, life insurance companies in India are facing the major challenge of how to satisfy the demanding customers of today. With too many companies in the market place many of the companies are not able to break even. There has been a dramatic shift in the customers wish to interact with the insurers. To achieve high performance in this environment, insurers need to have a deep understanding of their customers need. Customer service management has become a major challenge for the life insurers to strive in this competitive environment. This paper

attempts to study the consumer awareness and perception about the service quality of the selected life insurance companies. For the purpose of the present research study, a simple questionnaire consisting of 17 questions and sub questions were prepared and opinions were collected from 40 respondents. The customer awareness programme and service management of private life company is better than public life company. But still the market is dominated by public life insurance company because of the brand image it holds in the minds of the customers.

KEYWORDS: Customer, service, customer satisfaction, customer retention and service quality.

A. INTRODUCTION

The life insurance industry has travelled a full circle. Started with a private ownership activity in 1818; it got nationalized in 1956. With a view to promote socio economic development and with liberalization of Indian economy, insurance sector allowed the private and foreign insurance companies to increase their operation with international standards. The insurance sector has witnessed tremendous change in the last decade ever since the sector was opened for the private

players. Traditional life insurance products were sold through the individual agent and they accounted for the major chunk of the business. Gradually the industry moved from the traditional individual agents to new distribution channels with paradigm shift in creating awareness and not just selling life insurance products. With the entry of private players the market is flooded with new products and new means of marketing. Presently life insurance products are highlighted to be an attractive investment avenue and not just a security or a tax saving instrument. Private players and foreign insurance companies are strengthening their competitive position at par with

public life insurance company. The total number of life insurance companies registered with IRDA has increased to 24. With 23 private players and 1 public sector giant LIC the face of insurance industry is changing very rapidly. The customers are able to enjoy several innovations in the products and service standards as the companies are becoming more customer centric. In line with the emerging needs, companies are offering products targeted at diverse customer

segment (women, youth, etc.). Every stakeholder in the industry need to interact with customers, educate them on benefits of insurance products, focus on need based selling and draw in more customers into this industry.

B. RELEVANCE AND SIGNIFICANCE OF THE STUDY

For economic development, investments are necessary. Investments are made out of savings. A life insurance company is a major instrument of mobilization of savings of people particularly lower and middle income groups. These savings are channelized into investments for economic growth. Since privatization, the life insurance industry has made rapid strides as a key contributor for economic development of the nation.

The life insurance sector has added upto 4.1% of the GDP in 2009-2010, a considerable growth since the time the sector was opened up for private companies. But the ratio is still low as compared to developed nation which account for 6-9%. According to the survey done by Mc Kinsey, the life insurance penetration and coverage will increase new heights with companies introducing innovative products and multiple distribution channels.

Table 1
Growth trend in Life Insurance Companies in India

Year	Name of company
2000	<ul style="list-style-type: none"> Life Insurance Corporation of India
2000-2001	<ul style="list-style-type: none"> HDFC Standard Life Insurance Corporation Limited Max New York Life Insurance Company Limited ICICI Prudential Life Insurance Company Limited Kotak Mahindra Old Mutual Life Insurance Company Limited Birla Sun Life Insurance Company Limited Tata AIG Life Insurance Company limited SBI Life Insurance Company Limited ING Vysya Life Insurance Company Private Limited Bajaj Allianz Life Insurance Company Limited Metlife India Insurance Company Limited
2001-2002	<ul style="list-style-type: none"> Reliance Life Insurance Company limited
2003-2004	<ul style="list-style-type: none"> Sahara India Insurance Company Limited
2004-2005	<ul style="list-style-type: none"> Shriram Life Insurance Company Limited
2005-2006	<ul style="list-style-type: none"> Aviva Life Insurance Company Limited
2006-2007	<ul style="list-style-type: none"> Bharti AXA Life Insurance Company Limited
2007-2008	<ul style="list-style-type: none"> Future General India Life Insurance Company Limited IDBI Federal Life Insurance Company Limited
2008-2009	<ul style="list-style-type: none"> Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited AegonReligare Life Insurance Company Limited DLF Pramerica Life Insurance Company Limited Star Union Dai-ichi Life Insurance Co. Limited
2009-2010	<ul style="list-style-type: none"> India First Life Insurance Company Limited
2010-2011	<ul style="list-style-type: none"> Edelweiss Tokio Life Insurance Company Limited

(Source: <http://www.irdaindia.org/hist.htm>)

The trend shows that life insurance industry is one of the shinning stars of Indian economic engine. However it has been observed that the customer awareness about the life insurance products

are still low among the average countrymen. In spite of the fact that consumers are considering life insurance as an investment option but most of the customers do not read the annual reports of the life companies to analyse their performance.

C. OBJECTIVES OF THE STUDY

The important objectives of the study are

1. To study the consumer awareness and perception about the service quality of the selected life insurance companies.
3. To make a comparative analysis between service quality of public and private life insurance companies.
4. To make suggestions for improving the customer retention strategies for selected companies.

D. LIMITATIONS OF THE STUDY

The present study will suffer from the following limitations-

1. Area covered under the study is Navi Mumbai and hence other major cities in India which are also progressive will not be considered for geographical constraints.
2. The study is limited to the life insurance companies selected by the respondents.
3. The research study is partly based on secondary source of information which may suffer from accuracy.

E. CONCEPTUAL FRAMEWORK

The following terms are used for the study

1. **Customer**- It includes investors of public and private life insurance companies.
2. **Service** – It includes all services offered by life insurance companies right from creating awareness about life insurance, selling of insurance, settlement of claims and handling of grievances.
1. **Customer satisfaction**- It is well known fact that no business can survive without customers. Customers' satisfaction is a highly personal assessment that is greatly influenced by individual expectations and as well as what they experience from service institution.
2. **Customer retention**- The insurance company's ability to attract and retain new customers is a function of not only what it offers but also how it serves the existing customers.
3. **Service quality**- Service quality is very important for both customers and service providers. Delivery of quality service is an essential component of customer retention. The need, expectations and services received by the customers are crucial factors in assessing service quality. Service quality has been defined as the conformance of standards perceived by the customers. Parasuraman, Zeithamal and Berry professor at various American business schools has identified five criteria that customers rely on service quality: Reliability, Responsiveness, Assurance, Empathy, Competence and Tangibles.

F. REVIEW OF LITERATURE

Peter Drucker (1973) contended that the whole business is the final result of understanding the customers point of view. Company cannot stay in business if it does not attract and hold enough customers, no matter how efficiently it operates (**Levitt, 1974**). The rising customer awareness and aspiration of quality services and availability of alternative service providers in Indian market has made the customers more demanding (**Jha, 2002**). The service in insurance industry is different from that offered in other functional areas. While the interaction between financial companies is more or less continuous but it is not so with life insurance companies. They hear from their customers only when the event occurs. So building a good relationship with the customers, efficient and excellent services leading to customer satisfaction and increased profit are the major challenge life insurance industry face today (**Jawaharlal and Rath, 2015**).

G. RESEARCH METHODOLOGY

- I. Classes of respondent for the study
 Researcher has used Exploratory Research method based on empirical study which includes the following classes of respondents under the study
 - 1. Investors of public life insurance company
 - 2. Investors of private life insurance company

II. METHODS OF DATA COLLECTION

Primary data: Data pertaining to customer service, qualitative in nature will be collected through self developed structured questionnaire. The questionnaire will tailor made to meet the objectives of the study since no standard questionnaire is available. Likert-type five point scales will be used to obtain the degree of agreement or disagreement with regards to the services of the insurance companies. For the purpose of the present research proposal, a pilot study was conducted with a simple questionnaire consisting of 17 questions and sub questions and opinions were collected from 40 respondents. The respondents were selected on random basis.

Secondary Data: The secondary data will be collected from annual reports of the life insurance companies, annual reports of Insurance Development Regulatory Authority (IRDA), journals, periodicals, insurance chronicles and newspapers.

E- resources: The websites of individual life insurance companies and IRDA will be referred to for research work.

III. Techniques of analysis of data

The statistical tools used for analysis are

- 1. Comparative analysis
 - 2. Table, graphs, charts, diagrams.
- H. Empirical analysis of the study conducted on the investors of public and private life insurance companies

Table 2
Investor of Public and Private Life Insurance Company

	No. of respondents	%
Public Life Insurance Company	12	31.57%
Private Life Insurance Company	06	15.79%
Both	20	52.63%
Total	38	100.00

Out of 40 respondents, 38 had life insurance coverage. Even after opening of the insurance sector the trend is being noticed that people prefer to invest in both public and private life insurance companies.

Table 3
Nature of respondents

Profession	No. of respondents
Academicians	19
Business person	04
Service	12
Housewife	03
Total	38

(Source: Compiled from primary data)

For the present pilot study, 50% of the respondents are from teaching profession and followed by service holders.

Table 4
Relationship between number of family members and number of life policies

No. of family members	No. of life policies
87	85

(Source: Compiled from primary data)

It is evident from the table mostly all respondents have life policies for all family members and in some cases for an individual there is more than one policy.

Table 5
Reasons for purchasing Life Insurance policies

Reasons	Responses	%
Security	38	100%
Tax planning	15	53.58%
Investment	17	60.71%
All of the above	12	71.40%

(Source: Compiled from primary data)

From the table we find that 100% of the investor purchase life insurance policies for security purpose and so the life insurers should serve the customers keeping in mind that any wrong move on their part will result in loss of faith of investors. A trend can be noticed that life insurance is now increasingly viewed as an investment avenue for bringing safe and secured return.

Table 6
Relationship between Income Level and Premium paid

Yearly income (Rs)	Average yearly income (Rs)	Average premium paid (Rs)	% of premium to income (Rs)
Less than 1,20,000	1,20,000	2,500	2.08%
1,20,000-3,00,000	2,10,000	6,846	3.26%
3,00,000-6,00,000	4,50,000	35,571	7.90%
6,00,000-12,00,000	9,00,000	41,000	4.55%
Above 12,00,000	12,00,000	97,780	8.14%

(Source: Compiled from primary data)

It is observed from the table that those who are earning above Rs 1,00,000 per month spends the maximum on life insurance policies followed by those who are in monthly income range of Rs 25,000 -50,000.

Table 7
Sources of awareness about Life Insurance Companies

Source	No. of respondents	%
Financial Journals/Business magazines	06	10.71%
Friends/Relatives/Colleagues	13	23.21%
Television	14	25.00%
General /Business newspaper	07	12.50%
Broker/Agent/Professional Consultants	16	28.57%

(Source: Compiled from primary data)

From the table it is evident that maximum awareness about the life insurance is obtained from the brokers, agents and professional consultants followed by television media. Reference from the friends, relatives and colleagues also form an important source in creating awareness. It is evident that serving the existing customers in a better way will act as an important publicity tool for the life insurers.

Table 8
Preference for Life Insurance Companies

Name of Life Company	No. of respondents
Life Insurance Corporation of India	20
ICICI Prudential Life Insurance Company Limited	09
Reliance Life Insurance Company limited	03
Birla Sun Life Insurance Company Limited	01
HDFC Standard Life Insurance Corporation Limited	01
SBI Life Insurance Company Limited	01
Max New York Life Insurance Company Limited	01
Kotak Mahindra Old Mutual Life Insurance Company Limited	01
Tata AIG Life Insurance Company limited	01

(Source: Compiled from primary data)

From this table, we find the maximum number of respondents prefers public life insurance company LIC and in private ICICI Prudential Life Insurance Company tops the list.

Table 9
Rating of the life insurance companies

Parameters	Public Insurance Company	Life Insurance Companies	Private Insurance Companies	Life Insurance Companies
Reputation	1	4		
Customer relationship management	7	1		
Range of products	3	2		
Flexibility in the modes of payment of premium	4	3		
Advertisement & promotion technique	6	3		
Relationship with agents	2	4		
Settlement of claims	4	5		
Grievance handling mechanism	5	5		
Returns	5	6		
Communication	8	7		

(Source: Compiled from primary data)

From the table we find that reputation, relationship with agents and range of products are the main reasons for choosing public life policies. At the same time the communication about the various new products and schemes should be properly communicated by the public life company to maintain the brand image in the minds of the customers.

For private life companies, customer relationship management, range of products, flexibility in the modes of payment, advertisement and promotion techniques are the main tools for improved customer satisfaction.

It has been observed that for both public and private life companies communication should be placed more emphasis for improving the customer service management.

Table 10
Brand Loyalty among customers

Opinion about changing the brand	No. of respondents	%
Yes	08	21.05%
No	30	78.95%

(Source: Compiled from primary data)

83.37% of the investors are satisfied with present life insurance company and they do not want to change. One investor suggested that there should be portability of life insurance policies also.

FINDINGS AND CONCLUSION

The life insurance industry is dominated by public life insurance company LIC because of the brand image the investors have in mind about LIC. When it comes to life insurance people prefer to invest in companies which give security for the future and not just returns. Brokers, agents and professional consultant play a major role in creating customer awareness about insurance policies. At present it has been observed from the study that customer service management of private life companies is better than public company. The customers are more satisfied with the range of products, flexibility in the modes of payment of premium and advertisement and promotion techniques of private life insurance companies. The customer awareness programme of private life company is better than public company. The customer service management of public life companies should be made stronger to maintain their market share.

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