

SERVICE QUALITY OF LIFE INSURANCE COMPANIES- A COMPARATIVE STUDY

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ABSTRACT

Life insurance industry contributes to the financial sector of an economy and also provides an important social security net in developing countries. The growth of the life insurance sector in India has been phenomenal. Privatizations of insurance sector has brought in new players in the market with almost all having foreign partners. For the last one decade of this liberalized era, Indian life insurance industry has been witnessing tremendous changes with private players having reasonable growth rate and market share. The emerging scenario provides the customers with choice of insurance, wider range of new and innovative products, competitive pricing of products and services. Life insurance companies are aiming to customize the services to improve the quality of service to meet the customers' expectations.

Key words: customer service, quality, perception, life insurance

Introduction

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Life insurance industry contributes to the financial sector of an economy and also provides an important social security net in developing countries. The growth of the life insurance sector in India has been phenomenal. The insurance industry has undergone a massive change over the last few years and the metamorphosis has been noteworthy. There are numerous private companies and government insurance (LIC) company in India that have become synonymous with the term insurance over the years. Offering a diversified product portfolio and excellent services the many insurance companies in India have managed to make their way into almost every Indian household.

Privatizations of insurance sector has brought in new players in the market with almost all having foreign partners. For the last one decade of this liberalized era, Indian life insurance industry has been witnessing tremendous changes with private players having reasonable growth rate and market share. The emerging scenario provides the customers with choice of insurance, wider range of new and innovative products, competitive pricing of products and services. Insurance business falls under the ambit of services and is widely used as a method of risk transfer. Services are benefits, which are sold to customers or clients such as hospitality, transport, and education. Service is an activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything.

Literature Review

Suresh (2006)¹ found that branding is the new challenge in the financial service. Brand equity's most trusted brand survey of 2005 shows that out of 150 top brands of 2005 only seven brands are there for the financial services. The brand building exercises done by LIC are, value added services, CRM, corporate advertising, targeted both rural and urban segments.

Dhalait (2007) has described the importance service in the insurance business. The paper highlight that now there are a large number of insurers and buyers, hence the need of serving the customers is of customer service in the insurance business. The paper buyers, hence the need of serving the customers is of utmost importance in the ever increasing, ever increasing, ever changing and highly competitive business scenarios. There are some customers who don't even give a chance to rectify the problems and walk over to the competitors, spreading bad words to their friends and relatives. This is really dangerous for insurance companies, as they will loose a large number of customers unintentionally.

Guillen et al. (2008)²⁴ noted that the number of empirical studies on customer loyalty in the insurance sector is low. They contended that it is important to monitor customer loyalty and business risk for the life insurance companies due to reasons such as access to information related to the quality of portfolio, effective handling of customer recruitment and retention strategies, evaluation of market's competitiveness in the insurance sector and company's position in that market.

Objectives and methodology of the study

The study is focused on the following objective:

- To compare customers' perception towards service quality of public and private insurance companies.

The study is based on primary data .Field survey was carried out at service counter of sample insurance companies, and study cover the people living in the sample regions. The interview schedule was used to collect the data from the respondents. Secondary data was also used and it is collected from the previous research done on this topic, ie the annual report of Insurance

Development Regulatory Authority (IRDA), research articles published in magazines, newspapers and research publications in journals.

On the bases of the office size and its operation the sample insurance companies were selected. It has been observed that there are 23 life insurance companies operating in India, and 15 life insurance companies in the Coimbatore district, of which only seven companies are leading. Thus, these seven companies were chosen as the sample for the survey and 1700 respondents were chosen by adopting convenient sampling method.

Policy Holding Status of the Respondents

An attempt has been made to know the company chosen by the respondents. The following table gives the names of the company of the respondents.

POLICY HOLDING STATUS OF RESPONDENTS

Sl. No	Insurer	No. of Respondents	Percentage
1.	LIC	860	50.59
2.	Bajaj Allianz	135	7.94
3.	HDFC Standard	85	5.00
4.	ICICI Prudential	160	9.41
5.	Birla Sun life	95	5.59
6.	Reliance Life	240	14.12
7.	SBI life	125	7.35
	Total	1700	100

Source: Primary Data

It has been clearly inferred from the above table that 50.59 per cent of the respondents have purchased their policy in Life Insurance Corporation of India and 14.12 per cent of the customers have purchased their policies in Reliance Life. Subsequently, 9.41 per cent of the policyholders have bought their policies in ICICI Prudential, 7.94 per cent of the respondents have invested in Bajaj Allianz's life

insurance policies and 7.35 per cent of the respondents are customers of SBI life. Followed by it, 5.59 per cent of respondents have owned policies in Birla Sun life. The remaining 5 per cent of respondents of the sample subjects have purchased life insurance policy in HDFC Standard. It is found from the above analysis that most of the respondents have purchased the policy in LIC.

Service quality of Public and Private insurance companies

In India, insurance industry is predominantly dominated by personal selling. It is important to meet the customers’ expectations for the entire sector across various industries. Quality of the product/ service plays a vital role in this process. To meet the demanding needs of various individuals, almost all the companies offer flexibility to their customers to choose the most suitable product for themselves by combining features of a number of products and services together. Thus, life insurance companies are aiming to customize the services to improve the quality of service to meet the customers’ expectations.

The study has made to compare and contrast the service quality of public and private insurers based on the customers’ perception analysis. Certain important factors which influence the service quality such as product, premium, response, and communications claim settlement and so on. The following table compares the service features of public and private life insurers operating in study area.

**COMPARISON OF LIC AND PRIVATE INSURANCE COMPANIES’
SERVICE FEATURES BY THE RESPONDENTS**

Variables	LIC			Private Life Insurance		
	Sum	Mean	Percentage	Sum	Mean	Percentage
Product	5008	2.95	73.75	4735	2.79	69.75

Premium amount	4792	2.82	70.50	4346	2.56	64.00
Response to enquiry at office	4507	2.65	66.25	4495	2.64	66.00
Agents response	4207	2.47	61.75	4658	2.74	68.50
Customer treatment	4700	2.76	69.00	4551	2.68	67.00
Communications	4574	2.69	67.25	4891	2.88	72.00
Claim settlement	4672	2.75	68.75	4647	2.73	68.25
Other services	4562	2.68	67.00	4724	2.78	69.50

Source: Primary Data

From the above table it has been clearly inferred that the product of the life insurance corporation is comparatively better than the private life insurance companies, premium amount given by the public sector is superior to the private sector. Followed by it, the policyholders have said that the officials of LIC are always responsive to their queries compared to the private life insurance company. The responsiveness of agents, communications and other services are better in private sector compared to the public sector. Customer treatment, claim settlements of public sector are comparatively better than private sector.

In insurance service marketing customers' perception on service quality tends to rely on a repeated comparison of the customer expectations about a particular service. As the government of India has opened the insurance sector for private sector, the competition has increased and the companies want to differentiate themselves from the competitors and stay ahead in the race. There was a time where customers were less critical on services provided by a company. But, today customers are becoming increasingly more demanding, less tolerant and very critical when not having their expectation met. In this situation it is rational to analyse and infer the customers' perceptions towards public and private insurers operating in India. Based on this concept the following hypothesis is framed.

There is rationality in the policyholders' behaviour in comparing the products and services offered by the LIC with that of private insurance companies.

PAIRED T TEST
RATIONAL BEHAVIOUR OF RESPONDENTS
IN COMPARING LIC'S SERVICES WITH PRIVATE INSURER

Variables	LIC		Private Insurance companies		Mean Differences	t value	Sig
	Mean	SD	Mean	SD			
Product	2.204	1.036	2.262	1.000	-.057	-1.503	.033
Premium amount	2.236	.994	2.385	.984	-.148	-3.476	.001
Response to enquiry at office	2.343	.967	2.357	1.102	-.014	-.366	.714
Agents response	2.521	.995	2.300	1.024	.221	5.395	.000
Customer treatment	2.295	1.025	2.342	1.025	-.046	-1.039	.299
Communications	2.336	.969	2.160	1.044	.176	4.566	.000
Claim settlement	2.274	1.023	2.276	1.015	-.002	-.049	.961
Other services	2.350	.980	2.246	1.033	.104	2.682	.007

Level of Significance: 5 per cent

From the above table it has been inferred that probability value of 't' value is observed to be significant at five per cent. Therefore the hypothesis framed stands accepted and it is concluded that the policyholders adhere rational behaviour compare the LIC with private insurance companies except in the case of Response to enquiry at office, Customer treatment and Claim settlement.

RELIABILITY STATISTICS
RATIONAL BEHAVIOUR OF RESPONDENTS
IN COMPARING LIC'S SERVICES WITH PRIVATE INSURER

Variables	LIC		Private Insurance companies	
	Correlation	Cronbach's Alpha	Correlation	Cronbach's Alpha
Product	.374	.808	.509	.799
Premium amount	.280	.814	.492	.800
Response to enquiry at office	.382	.807	.511	.798
Agents response	.409	.806	.375	.808
Customer treatment	.316	.812	.466	.802
Communications	.456	.803	.403	.806
Claim settlement	.399	.806	.535	.797
Other services	.399	.806	.374	.808

Level of Significance: 5 per cent

The result of the Cronbach's Reliability Analysis (0.687 and 0.773 i.e., 68.70 and 77.30 percent) and F-test value 11.279 and 6.620 significant at five percent establishes a significant reliability between the variables tested. Therefore, the hypothesis framed stands accepted.

Conclusion

The entry of private sector insurance companies into the Indian insurance sector triggered off a series of changes in the industry. Even with the stiff competition in the market place, it is evident from the study that the public sector giant LIC dominates the Indian insurance industry. From the data analysis it is observed that LIC is offering better services than that of private sector companies except in agent's response, and communications and other services and the policy holders are rational in the decision making. Private sector need to concentrate on the factors to improve their services. Hence The service providers have to work and concentrate on

Time based competition, quality, product range, timely advertisement, follow up, prompt and error free service are the key ingredients for the better service and it will boost up the sales.

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