Periodic Research

Purchase Decision in Life Insurance Industry

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Abstract

The study is all about factors considered while buying insurance policies. The study is specific to life insurance policies purchase in India. The study is carried in Mumbai area and hence the results may be representing urban culture.

As anticipated, Indian people are saving money upto 10% of their income but most of them would go to government companies when it comes to insurance products. The literacy about insurance industry is little less even in case of educated, urban professionals. Purchase are mainly due to tax implications and not by financial planning or long term goals.

Keywords: Insurance, Purchase decision, Buying Behaviour.

Introduction

Life is full of risk and uncertainties. Since we are human being, we have certain responsibilities too. Indian consumers have big influence of emotions and rationality on their purchase decisions. People believe in future rather than the present and desire to have a better and secured future, in this direction life insurance services have its own value in terms of minimizing risk and uncertainties. Indian economy is developing and having huge middle-class societal status and salaried persons. Here the attempt has been made in this research paper to study the buying purchase decision of consumers towards life insurance services during this pandemic.

An entity which provides insurance is known as an insurer, insurance company and underwriter. A person or entity that purchases insurance is known as an insured or as a policyholder. The insurance transaction involves the insured have to pay a small guaranteed amount in the form of premium in exchange for the insurer's promise to compensate the insured in the event of a covered loss. The loss may or may not be financial, but it should be reducible to money terms, and frequently involves one thing within which the insured has an insurable interest it should consist of ownership, possession, or pre-existing relationship.

The insured receives an agreement, called the insurance policy, which gives the conditions and circumstances below which the insurance company will compensate to the insured. The amount charged by the insurer to the Policyholder for the cover the company provides in the insurance policy is called the premium. If the insured experiences a loss that is probably lined by the insurance, the insured submits a claim to the insurance firm for processing by the claim agent.

Aim of the Study

The aim of this study is to learn about the elements that are taken into account while purchasing insurance plans. The research focuses on the buying of life insurance policies in India.

Insurance Industry Market Growth

The insurance industry of India comprises of 57 insurance companies of which 24 are in life insurance and 33 are non-life insurers. Among the life insurance, Life Insurance Corporation (LIC) is the sole public sector company. Amongst the non-life insurers there are 6 public sector insurers. In addition to these, there is sole national reinsurer, namely, General Insurance Corporation of India (GIC Re). Other investors in Indian Insurance market include agents, brokers, surveyors and third-party administrators servicing health insurance claims.

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Market Size

Government's policy of insuring the uninsured has slowly pushed insurance penetration in the country and proliferation of insurance schemes.

1. Gross direct premiums of non-life insurers in India reached US$ 20.33 billion in FY20 (up to December 2019), gross direct premiums reached Rs 410.71 billion (US$ 5.87 billion), showing a year-on-year growth rate of 14.47 per cent.
2. Overall insurance penetration (premiums as per cent of GDP) in India reached 3.69 per cent in 2017 from 2.71 per cent in 2001.
3. In FY19, premium from new life insurance business increased 10.73 per cent year-on year to Rs 2.15 trillion (US$ 30.7 billion).
4. In FY20 (till February 2020), gross direct premiums of non-life insurers reached US$ 24.82 billion, showing a year-on-year growth rate of 14.03 per cent.
5. Private sector insurers saw a 17 per cent growth in premium collection; the state-owned non-life insurers registered a nine per cent growth in the same period.

Review of Literature

(Dr. N. Senthilkumar & K. Selvamani, 2016) As per the study presently there are 23 percent private companies and one public sector Company in insurance industry. There are 49 percent foreign direct investments allowed by the insurance sector. The insurance sector is divided into two i) Life insurance ii) General insurance. The growth rate as per the study is 26 percent by private sector and 22 percent by Life insurance Corporation (LIC). The insurance sector is control by insurance regulatory and development authority of India. As per the study Max life insurance has a good claim settle ratio it as rejected only 1.5 percent of claim ratio among 91.5 percent. Life Insurance Corporation holds 70.44 percent of market share while SBI holds 5.13 percent of market share which is the largest among the private players. The Life insurance plays an important role in improving the GDP of the country. The private insurance companies are coming up with new products and services to attract new customer. In the competitive era people are suffering from various health problems so the need of taking of an insurance policy increases. There is a need to create awareness among the people about the life insurance.

(T.Nisamudheen, 2013) As per the study the service organization is facing a lot of competition in India due to globalization and liberalization. Customer service is the most important part of Insurance industry. Financial safety and risk is the important criteria to influence customer. In life insurance industry customer utilize the service of the company over a long period of time. If the company fails to provide the financial help to its client when needed it will create a negative image among the customer which will hammer the brand image. There is tremendous growth of telecommunications nowadays which had made an illiterate person more known to product and service of the different companies. To know the service level perception of customer the researcher had taken 50 LIC clients and 50 HDFC Life clients into consideration. As per the study it is noted that HDFC life as 72 percent and LIC as 54 percent of male customer. Levels of income of HDFC Life customers are higher than the LIC. Reason for choosing insurance of HDFC Life is to get high returns whereas reason to choose LIC is under agent's pressure. Customer service of both LIC and HDFC life is good. It is observed that young generation have positive attitude towards insurance. Agent plays a vital role in insurance industry as most of the people get know about the new plans and product of the company through agents.

(Balaji, 2015) As per the study the Insurance sector in India has very low penetration. The penetration rate is only 2.3 percent as compared to the 9-15 percent in the developed nation. Apart from this there is not much awareness among the Indians about the benefits of insurance so that is the reason many private players are trying to increase their market share in the public. The researcher had conducted study through primary data from the current policyholder and the secondary data collected from journals, websites, books etc. As per the study 100 percent of the people are aware of LIC as an insurance company whereas 70 percent are aware of HDFC. So HDFC is the most known company among the private players. In the study about the awareness of the policy most of the people prefer Endowment and money back policy. The customer is satisfied with the company services like brand name, availability of product and services, advertisement, mode of payment etc. But customers are not aware of claim settlement, loan against policies, online services and rider clause. So, there is a need to create awareness.

(Kumar, 2011) The private companies bring with them international experience, improved technology, different channel distribution with new product. Insurance helps to reduce the impact of uncertain and unexpected events to the household and the enterprises. The insurance industry is the manpower intensive so the industry helps to generate lots of employment opportunity so it also helps in economic growth. Indian insurance is ranked 51 in the world with the penetration of 1.95 percent out of available 22 percent saving. The researcher has taken ten private companies and one public sector Company into study. The criteria for selecting the company is it should be licensed and doing business for more than 5 years. Total three hundred and thirty respondents are selected and interviewed to know the expectation and satisfaction from the product. The entire respondents are policy holder of any company. The market share of private company is less than 10 percent but the growth rate in this company is high.

As per the researcher the level satisfaction of policyholders is very low as compared to the expectation in terms of quality and services provided by selected insurance companies. The major

Periodic Research

dissatisfaction the customer has from the service provide by insurance agents by different companies. The customer feels that the agent hired by the companies are not highly educated and not proper trained. The stringent rules need to be form so that the customers are not cheated. Claim settlement, premium and hassle-free services should be priority.

(Gulati, Arvind Kumar, & V.Ravi, 2012) Today insurance customers are more aware and are more rational in approach than ever. The study is an attempt to find out the gap between expected and perceived satisfaction level of insurance company customers. In the study key five dimensions is identified reliability, Empathy, Assurance, Responsiveness, Tangibles. The data was collected through primary sources in the form of Questionnaire on the basis of SERVQUAL scale and review of literature. First part of questionnaire was to collect information related to expectation and perception while second part was related to the demographic profile. To analyze the collected data gap analysis and t-test was used. As per the study the customer is less satisfied by the service provided by insurance companies. There is huge gap between the desirability and availability. So, companies need to work on reaching customers' expectations.

(Anjor, Prof. S. H Ali, Mohnish Kumar, & Vijay Kumar Verma, 2014) The service quality has become a highly instrumental co-efficient in the aggressive competitive marketing. For success and existence in today's competitive environment, delivering quality service is of paramount importance for any economic enterprise. The underlying model of SERVQUA with five dimensions is used to evaluate the impact of service quality on customer satisfaction. The current study aims to measure customers' perception and expectation towards life insurance service quality. Data was collected from 500 customers from the five cities of Uttar Pradesh (progressive State of India). Also, the study investigates the relationship between customer expectation and perception of service quality dimensions and customers overall satisfaction of life insurance service quality.

(S.Subashini & Dr.R.Velmurugan, 2016) The insurance sector opened up and new players entered the space before 15 years. Currently the industry has 24 life insurance companies, 28 general insurance companies and 1 reinsurance company. Satisfaction is an important milestone in insurance products, especially at a time when the industry's reputation has been spoiled by selling and improper disclosures of returns by agents. In which LIC holds majority market share in life insurance industry. The objective of the study is to understand the satisfaction and the various factors contributing to the satisfaction level. The primary data was collected by using the structured questionnaire and secondary data was collected by using journals, newspapers and the internet. The study area was limited to Coimbatore District. The motive to conduct the study in Coimbatore district is

previously no researcher had done the satisfaction study in life insurance and IRDAI regulatory body had insisted all the insurance companies to disclose the lapsation of the policies. The population is not clear and it is infinite. Therefore, the sample size selected is 300 for the study.

(Kumar A. & Srivastava Medha, 2013) The present paper seeks to offer the most decipherable and widely applicable antecedents of customer loyalty. It discovers the extant literature on customer loyalty and brings out seven variables which are responsible for formation of customer loyalty. Further, the relative importance of these variables has ascertained through Multiple Regression Analysis which revealed that service quality and commitment are the strongest predictors of customer loyalty in the Indian life insurance industry. The paper also assesses the loyalty status of life insurance customers in India and draw a comparison between public and private sector life insurance companies in order to provide significant insights to the life insurance companies that may assist them in devising better loyalty practices. The findings advise that Indian customers do care about the public sector status of a financial service provider as it entails a sense of security and stability and thus creates a variance between customer loyalty of public sector life insurer and that of private sector life insurer. The paper holds substantial implications for academicians interested in dynamics of customer loyalty as well as the marketers of life insurance services who are concerned with customer relationships.

(Kannan, 2018) This study explores satisfaction level of customers towards Life Insurance Corporation in Chennai city. Due to increasing awareness among people about the uncertainty of life and increasing competition in Insurance sector, it is significant for Insurance Companies to understand the requisite of their customers. The main motive of this study is to know the consumer satisfaction towards LIC. This study is based on primary data which is collected through questionnaire among 150 policyholders in Chennai and data were analyzed with multi variety statistical tools like percentage, chi-square and ANOVA analysis were used to identify the factors responsible for consumer satisfaction towards LIC.

(Shilpa Agarwal, A. K. Mishra) Author in their research found that LIC has successfully created value for its policy holder. Author has analyzed both the pre - post-performance of the LIC which shows remarkable growth in the over-all business in the market. According to the author LIC have the potential for the growth and will be enjoying goodwill in India. But in today's market private insurance companies are giving tough competition, so it seems that LIC should put more efforts on increasing their business network through various ways such as adopting technology and innovations to build good client relationship

Periodic Research

Research Design

This project deals with insurance products and the various segments that cater to it. The study will help the individuals to make a wise decision in investing their savings such as how and where to invest. It will also be able to reveal the preferences, needs, perception of the customers regarding investment. Further this study will help insurance companies to understand the profile of Indian investors and their behavioral pattern. Thus, by knowing this, the company can develop strategies to create and maintain brand loyalty Life insurance and increase the market size in future.

The study then evaluate and analyze the findings so as to present a clear picture of trends in the Insurance sector. The company can also improve their products and can adopt appropriate strategy to tap unexplored market in a better way.

Objectives is to study the Insurance purchase decision of customers.

Hypothesis

1. Ho: There is no significant relation between Gender and the important factors related to buying an insurance.
2. Ha: There is a significant relation between Gender and the important factors related to buying an insurance.
3. Ho: There is no significant relation between Age and Satisfaction level while buying/having an insurance.
4. Ha: There is a significant relation between Age and Satisfaction level while buying/having an insurance.

Methodology of Study

Parameters	No. of Respondents	Percentage
BELOW 30	78	91.8%
31 – 40	4	4.7%
41 – 50	2	2.4%
ABOVE 60	1	1.2%
TOTAL	85	100%

Data collection method is Primary Data and review is based upon Secondary Data. Sampling Method is Systematic & Convenience method. Size of the Sample is 85 Respondents / Clients. Tools & Techniques of Sampling are Questionnaire.

The project is to understand the concept of insurance product. Hence study has to be done onthe basis of information and news available about the sectors i.e. secondary data by various modes. This research has completed by doing Fundamental analysis of the sector.

Internet was a major source of information while preparing the project as most of the datacollected was gathered from various websites.
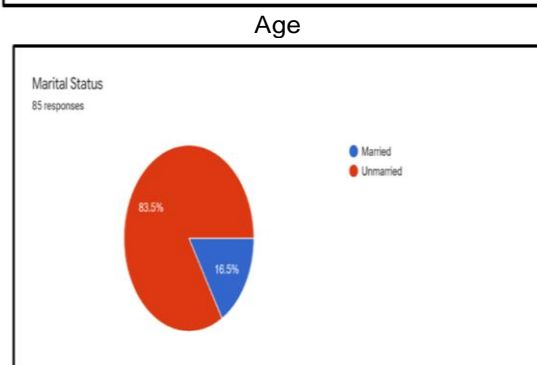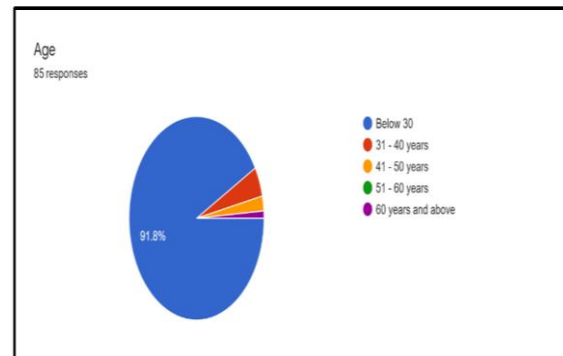
Due to covid-19 pandemic it was impossible to reach out to the prospects physically, so anattempt was made to conduct an online webinar wherein all the products were explained and presented.

Data Analysis & Interpretation
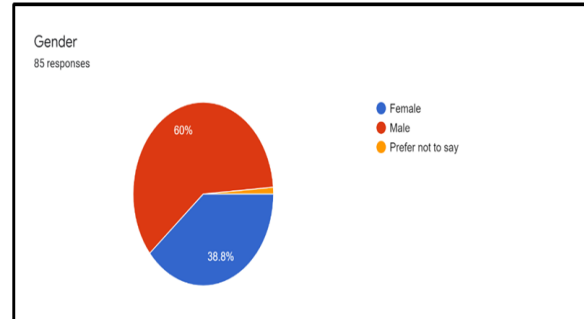
Gender

Parameters	No. of Respondents	Percentage
Male	51	60%
Female	33	38.8%
Prefer Not To Say	1	1.2%
Total	85	100%

Age

Marital Status

Parameters	No. of Respondents	Percentage
Married	71	83.5
Unmarried	14	16.5
Total	85	100

Periodic Research

Educational Qualification

Parameters	No. of Respondents	Percentage
Under Graduate	2	2.4%
Graduate	41	48.2%
Post Graduate	41	48.2%
Doctorate	1	1.2%
Total	85	100
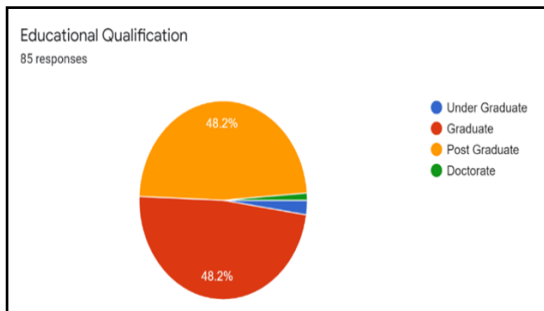
Occupation

Parameters	No. of Respondents	Percentage
Student	57	67.1
Service	14	16.5
Self – Employed	14	16.5
Total	85	100
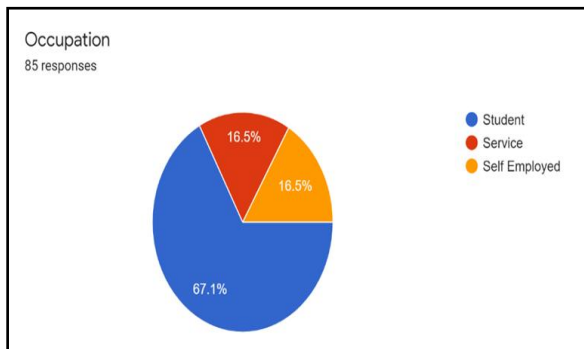
Annual Income

Parameters	No. of Respondents	Percentage
Below 1 Lac	37	43.5%
1 Lac – 5 Lac	22	25.9%
5 Lac – 10 Lac	13	15.3%
Above 10 Lac	13	15.3%
Total	85	10
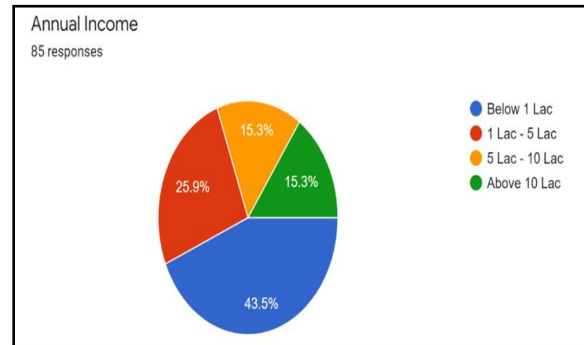
What Percentage of Monthly Salary do you save?

Parameters	No. of Respondents	Percentage
Upto 10%	34	40%
11 – 20%	28	32.9%
21 – 30%	8	9.4%
Above 30%	15	17.6%
Total	85	100

What Kind of Investment do you prefer?

Parameters	No. of Respondents	Percentage
Short Term	8	9.4%
Long Term	30	35.3%
Both	47	55.3%
Total	85	100
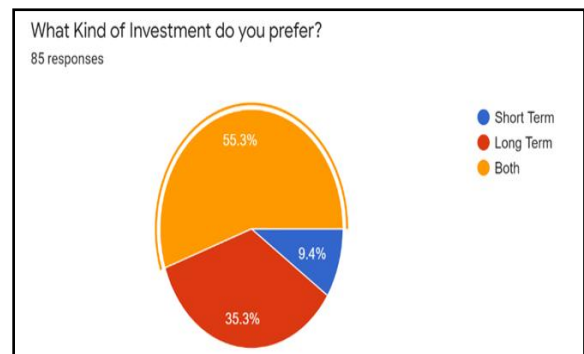
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Select one of the alternative investments according to your preference?

Parameters	No. of Respondents	Percentage
Equity/Shares	23	27.1%
Mutual Fund	31	36.5%
Insurance	7	8.2%
Bank Deposit	24	28.2%
Total	85	100%

Select one of the alternative investment according to your preference?
85 responses
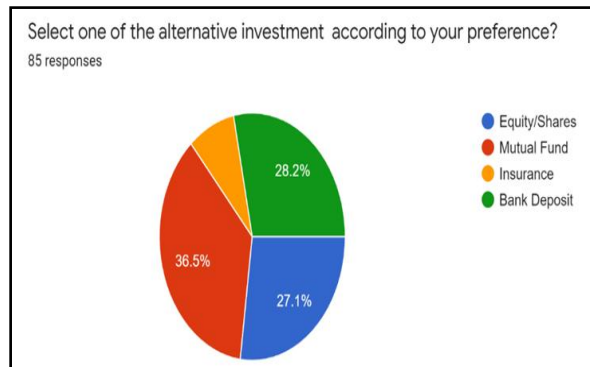
Are you Insured?

Parameters	No. of Respondents	Percentage
Yes	69	81.2%
No	16	18.8%
Total	85	100%

Are you Insured?
85 responses
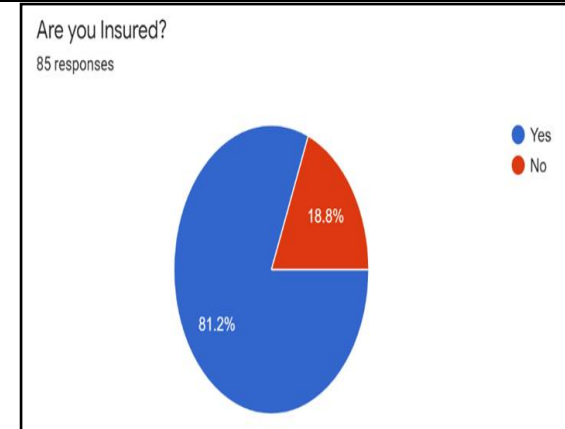
From which Sector are you Insured?

Parameters	No. of Respondents	Percentage
Public	32	46.4%
Private	14	20.3%
Both	23	33.3%
Total	85	100%
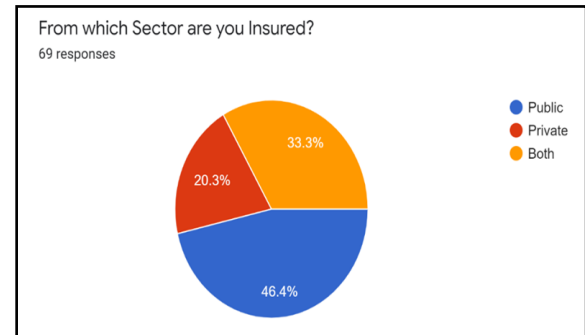
From which Sector are you Insured?
69 responses

From which Private Insurance Company are you Insured?

Parameters	No. of Respondents	Percentage
Icici Prudential	4	28.6%
Bajaj Allianz	0	0
HDFC Life	8	57.1%
Relicare	1	7.1%
Birla Sun Life	1	7.1%
Na	1	7.1%
Total	85	100%

Periodic Research
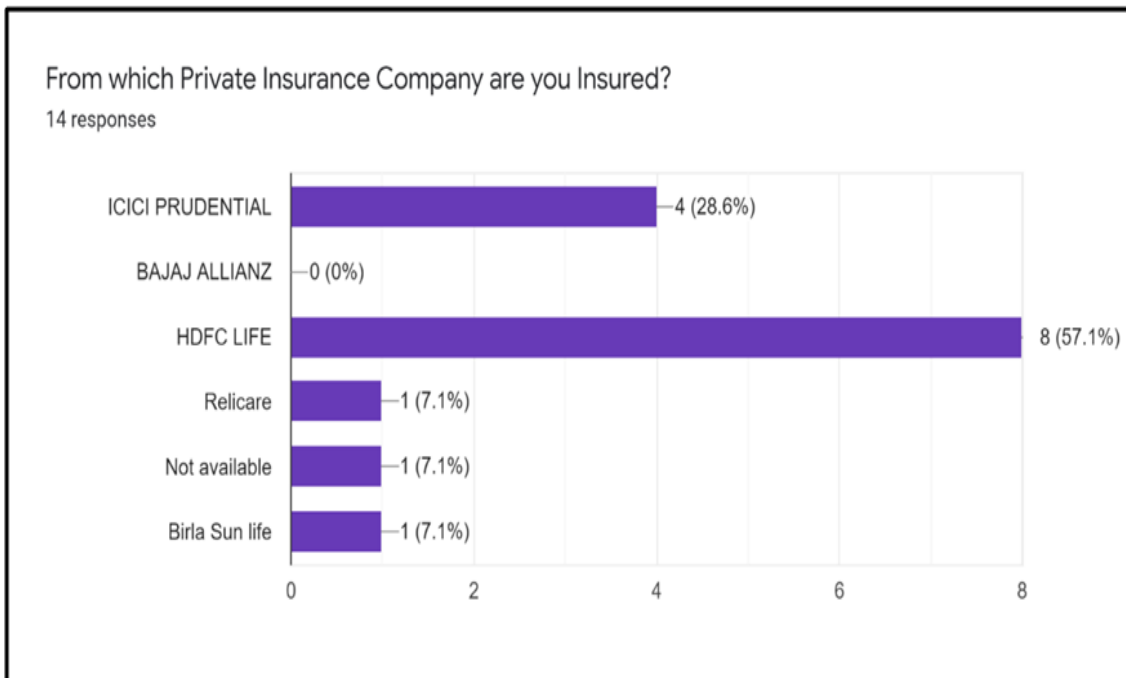
From which Private Insurance Company are you Insured?
14 responses

From which Public Insurance Company are you Insured?

Parameters	No. of Respondents	Percentage
Life Insurance Corporation of India	33	76.7%
The New India Assurance Company Limited	9	20.9%
The Oriental Insurance Company Limited	3	7%
Relicare	1	2.3%
Na	1	2.3%
Total	85	100%
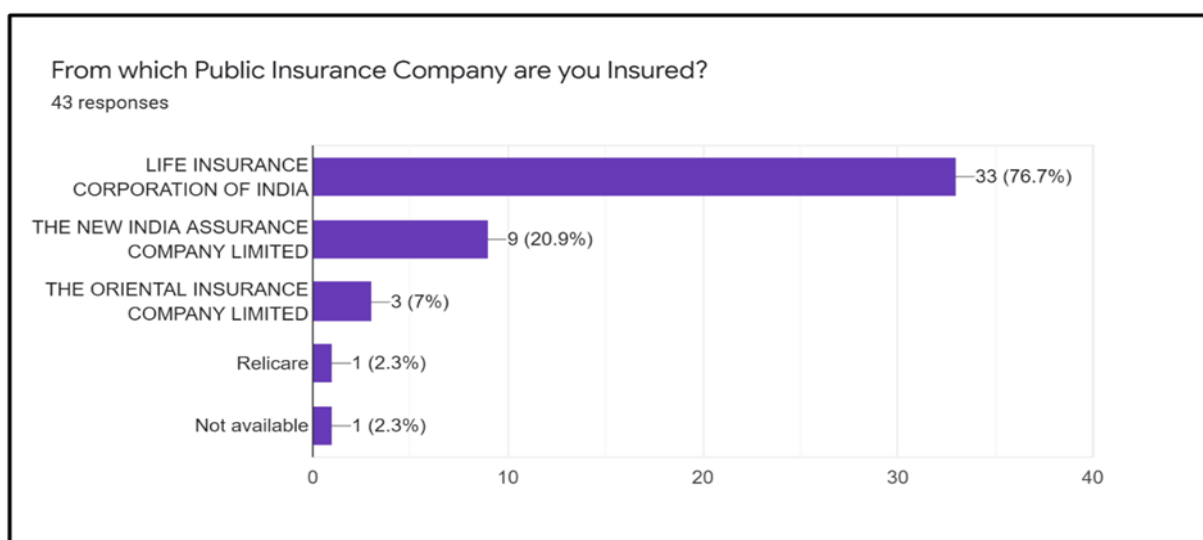
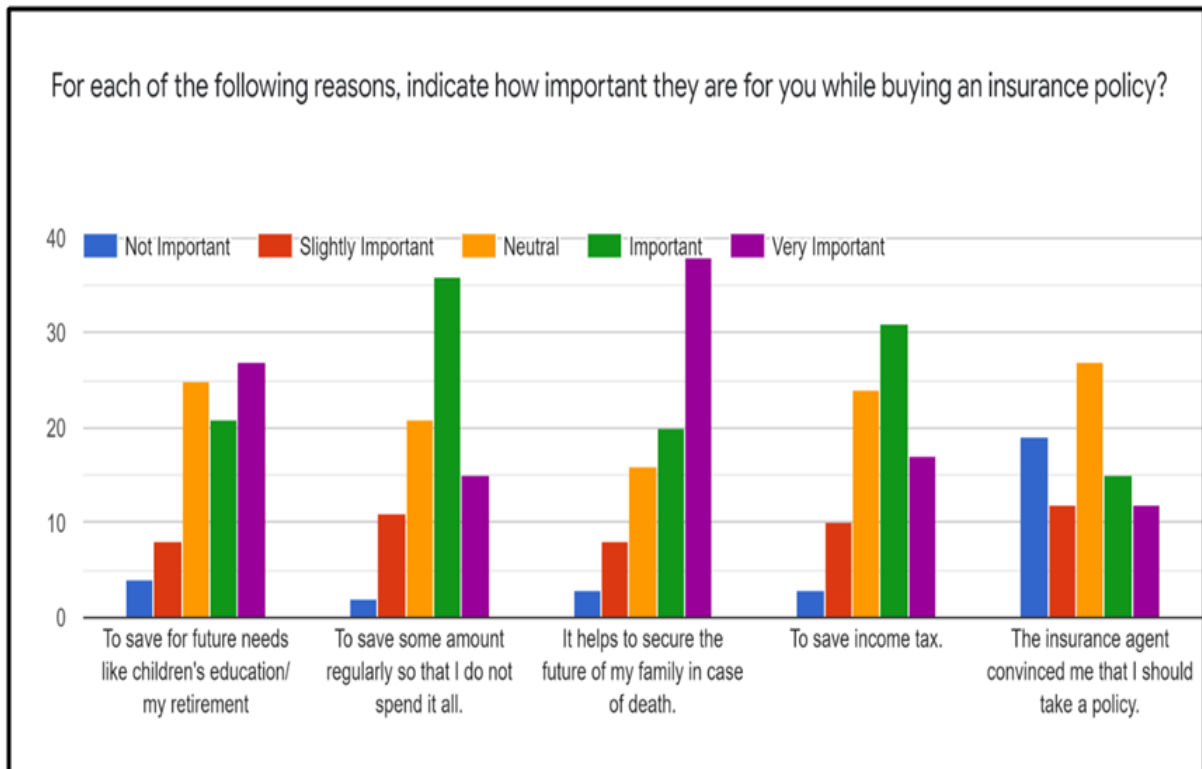From which Public Insurance Company are you Insured?
43 responses

For each of the following reasons, indicate how important they are for you while buying an insurance policy?
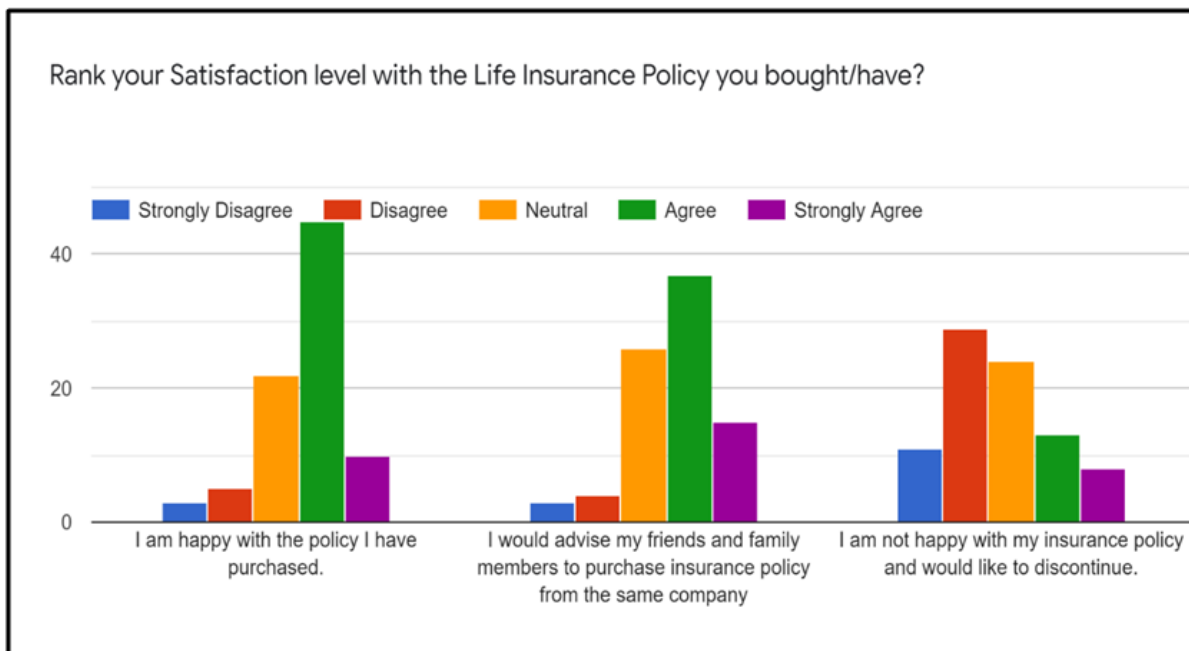
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No of Respondents & Percentage

Parameters	To save for future needs like children's education/my retirement	To save some amount regularly so that I do not spend it all.	It helps to secure the future of my family in case of death	To save income tax	The insurance agent convinced me that I should take a policy.
Very Important	27 (31.8%)	15(17.6%)	38(44.7%)	17(20%)	12(14.1%)
Important	21(36.5%)	36(42.4%)	20(23.5%)	31(36.5%)	15(17.6%)
Neutral	25(29.4%)	21(24.7%)	16(18.8%)	24(28.2%)	27(31.8%)
Slightly Important	8(9.4%)	11(12.9%)	8(9.4%)	10(11.8%)	12(14.1%)
Not Important	4(4.7%)	2(2.4%)	3(3.5%)	3(3.5%)	19(22.4%)
Total	85(100%)	85(100%)	85(100%)	85(100%)	85(100%)

For each of the following reasons, indicate how important they are for you while buying an insurance policy?

Rank your Satisfaction level with the Life Insurance Policy you bought/have?

Parameters	I am happy with the policy I have purchased	I would advise my friends and family members to purchase insurance policy from the same company	I am not happy with my insurance policy and would like to discontinue.
Strongly Agree	10(11.8%)	15(17.6%)	8(9.4%)
Agree	13(15.3%)	37(43.5%)	45(52.9%)
Neutral	24(28.2%)	26(30.6%)	22(25.9%)
Disagree	29(34.1%)	4(4.47%)	5(5.9%)
Strongly Disagree	11(12.9%)	3(3.5%)	3(3.5%)
Total	85(100%)	85(100%)	85(100%)

Periodic Research

Have you changed your mindset towards Insurance during this Pandemic?

Parameters	No. of Respondents	PERCENTAGE
Yes	51	60%
No	34	40%
Total	85	100%
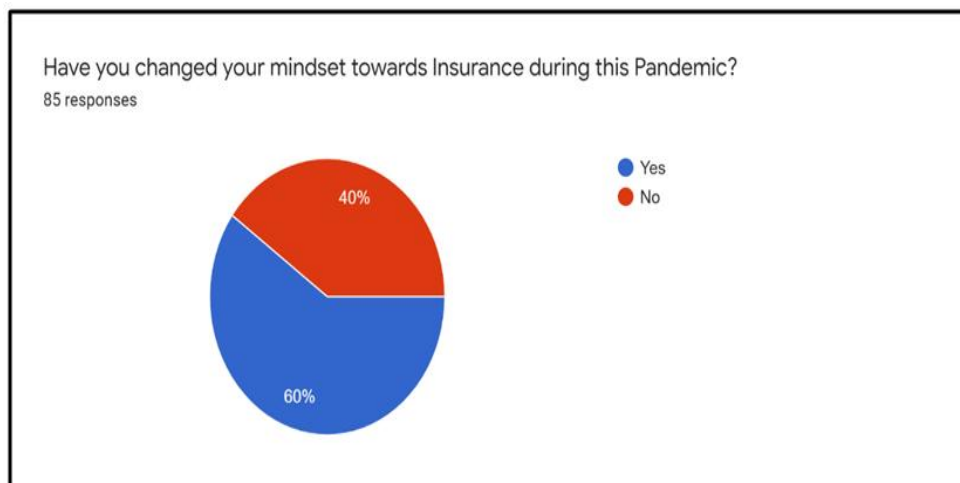
Who influenced you to get Insured?

Parameters	No. of Respondents	Percentage
Insurance Agent	10	19.6%
Electronic Media	6	11.8%
Print Media	1	2%
Friends &Family	34	66.7%
Total	85	100%

Periodic Research
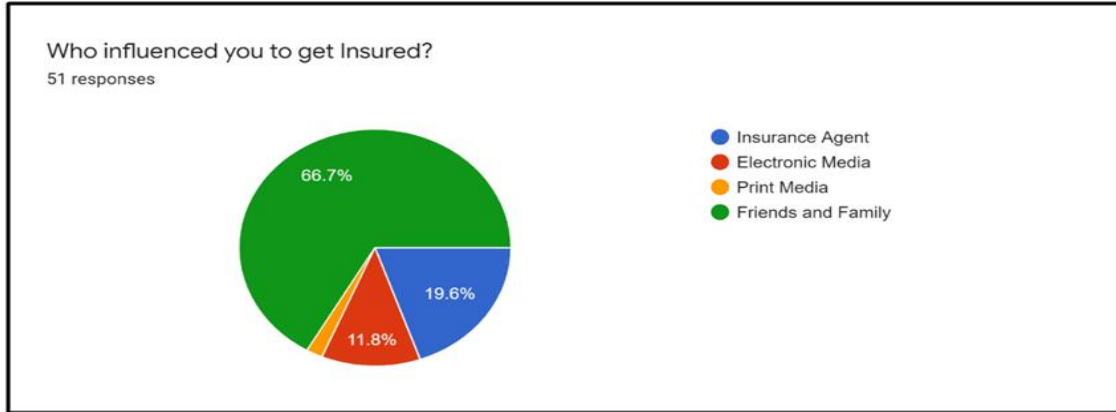
Statistical Analysis
1: t-test

t-Test: Two-Sample Assuming Equal Variances	Variable 1	Variable 2
Mean	1.4	12.29411765
Variance	0.242857143	19.42436975
Observations	85	85
Pooled Variance	9.833613445	
Hypothesized Mean Difference	0	
Df	168	
t Stat	-22.64800539	
P(T<=t) one-tail	3.1157E-53	
t Critical one-tail	1.653974208	
P(T<=t) two-tail	6.2314E-53	
t Critical two-tail	1.974185191	

From the above table we can see that the t-critical value is 1.653 and the level of significanceis 0.05 so we can state that there is no significant relation between Age and the factors whichinfluence while buying insurance. Here Variable 1 = Age and Variable 2 = The Factors which influence while Buying Insurance.

2: ANOVA

ANOVA: Single Factor						
SUMMARY						
Groups	Count	Sum	Average	Variance		
Column 1	78	627	8.038462	5.362138		
Column 2	4	28	7	5.333333		
Column 3	2	15	7.5	4.5		
Column 4	1	6	6	#DIV/0!		
ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	8.427149	3	2.80905	0.525014	0.666328	2.717343
Within Groups	433.3846	81	5.350427			
Total	441.8118	84				

Findings

The above study shows that 40% of the respondents save up to 10% of their salary.More than half of the respondent prefer both i.e. Long term as well as Short term investments.Mainly 36% of the respondent find the best alternative to save their

Periodic Research

investment in Mutual funds.Around 81% of the respondent are insured i.e.they have a Life Insurance Policy.People prefer Public Sector Insurance rather than Private Sector Insurance.Most of the respondents have their Insurance Policy at Life Insurance Corporation of India.In Private Sector People trust more on HDFC Life over other Companies as per the above study.The major motive to invest in insurance is to SAVE TAX.People invest in Insurance for the future safety of the family.Due to this Pandemic People are keener to buy an Insurance rather than going for any Bank Deposit or other investment Plans.

Recommendations & Conclusion

From the brief study about the project the suggestion is to address the grievance of the customers if they have any.To arrange some training programs for the customers regarding the products and services and can taught about the usage.Proper training should be provided to the consultants regarding customer handling ways.

Products should be innovated more to meet the needs of the customers with minimum premium.Information provided to the customers should be completely authentic and there should be more focus on customer relationship building skills.

Proper training should be provided to the financial consultant as most of the people get know about the product and services through them.

The data is collected from the customers through by direct interview method with the use of questionnaire, and questionnaire was circulated among the policy holders of life, the secondary data is collected from internal records of the company such as company information.

The study was started as to know whether the customers are satisfied with life Insurance, the project has been done on the customer's satisfaction with reference to insurance.

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