

Life Insurance Products with Reference to the Policyholders of Life Insurers in Developed City

¹Mr. K. Lakshmanan, ²Dr. R. Iyappan

¹Research Scholar, Department of Commerce

Bharath Institute of Higher Education and Research, Chennai – 73

²Assistant Professor, Department of Commerce

Bharath Institute of Higher Education and Research, Chennai – 73

ARTICLE INFO

Received: 02 Nov 2024

Accepted: 19 Dec 2024

Published: 28 Dec 2024

ABSTRACT

The primary goal of the study is to investigate how customer perception determinants affect life insurance customers' satisfaction. Chennai City life insurance customers' satisfaction was examined as a case study to assess the impact of customer perception determinants. Both descriptive and explanatory designs were used in this study. Information from primary and secondary sources was gathered through a quantitative and qualitative study. A structured and standardized questionnaire was administered to Chennai's life insurance clients in order to conduct this study. The LIC Marketing Manager was questioned in order to gather information. Cronbach's Alpha was used to analyze the data that was gathered. The study's primary conclusions heavily center on customer satisfaction. Consequently, the researcher suggested that the business prioritize customer loyalty and satisfaction. Future studies ought to concentrate on increasing the number of LIC life insurance clients.

Keywords: Life Insurance, Insurance policy, Customer Satisfaction

Introduction

Life is characterized by various uncertainties and misfortunes, many of which occur unexpectedly. Certain events can profoundly impact an individual's life and leave their loved ones in a state of bereavement. To alleviate the financial burden on those left behind, securing an appropriate life insurance policy is highly advisable. Additionally, life insurance is a critical investment vehicle enabling a family to meet their essential needs without the primary income earner. Upon the claim disbursement of a life insurance policy, the assured sum is transferred to the designated beneficiary or nominee upon the policyholder's death. Furthermore, several life insurance policies also provide investment benefits upon the maturity of the policy term, thus reinforcing the notion that the advantages of these policies are twofold.

Like various financial institutions, the insurance sector is encountering numerous challenges arising from market dynamics, emerging technologies, fluctuating economic conditions, intensified competition, and increasing demands from policyholders. This ever-evolving landscape has presented unprecedented challenges. Like businesses in other sectors, life insurance companies prioritize their customers as a fundamental aspect of their operations. However, a pivotal concern remains whether customer-centric approaches are effectively integrated into their strategies.

A business cannot thrive without its clients, as customers are pivotal to its existence. Therefore, it is imperative to cultivate strong relationships with them; otherwise, neglecting this vital function may lead to detrimental outcomes that jeopardize the organization's viability. The success of insurance

companies is intricately linked to customer satisfaction, and in an environment characterized by heightened competition, profitability is increasingly derived from achieving and maintaining high levels of client satisfaction.

Customer satisfaction is a critical factor that encompasses a customer's perceptions, awareness, and overall willingness regarding a company. It is influenced by various channels, including advertising, social media, personal experiences, and other forms of communication. The success or failure of a business is largely contingent upon client satisfaction.

This phenomenon can be understood as a three-stage process that transforms raw stimuli into meaningful data, specifically through exposure, attention, and interpretation. In other words, it reflects how a customer perceives a particular brand, based on their experiences with the product, its promotional materials, feedback from other customers, and related interactions. Ultimately, it shapes the mental image of that brand within the customer's mind.

Literature Review

C. Balaji (2015), in his paper titled "Client Awareness and Satisfaction of Life Assurance Policy Holders in Mayiladuthurai City," examines the level of awareness among both urban and rural consumers regarding the insurance sector and the various policies available, including differing premium rates. The study was conducted with a sample of approximately one hundred respondents, revealing that 100% of participants were aware of life insurance policies. Notably, 87% of respondents reported gaining their knowledge about insurance policies through agents. However, the study also indicated that the majority of respondents were primarily aware of government entities such as the Life Insurance Corporation (LIC) and private sector companies like HDFC Standard Life Insurance. The analysis concluded that the penetration level of insurance in India is only 2.3%, in comparison to 9-15% in developed nations. Consequently, there exists substantial potential for the growth of insurance products in India.

In a comprehensive study conducted by Venkataramani K., Dr. R. Mohan Kumar, and Dr. G. Brinda in 2015, titled "A Study on the Attitude of Consumers and Insurance Agents Towards Proposed Increase in Foreign Direct Investment (FDI) in the Insurance Sector in India," the researchers undertook a detailed quantitative survey to explore the perceptions of both the public and insurance agents regarding the Indian government's proposal to elevate the FDI limit in the insurance sector from 26% to 49%. This investigation took place in the bustling city of Coimbatore and engaged a diverse sample of two hundred participants, comprising a blend of insurance customers and agents. The research was anchored on four pivotal aspects: the anticipated impact on the overall economy, the potential effects on customer service quality, the overall benefits that may arise from this policy change, as well as the broader implications for the insurance market at large. The study's findings revealed a consensus among respondents, who expressed a strong belief that the proposed increase in the FDI cap would not only significantly improve the service levels provided by insurance firms but also foster a competitive and robust insurance sector capable of better meeting consumer needs.

In their research, Day and Crask (2000) emphasized the importance of not only understanding customer satisfaction as an outcome but also investigating the underlying factors that contribute to this outcome. Consumers consider various elements when evaluating products, including their perceived functionality, potential risks associated with use, feelings of self-efficacy, approval from others, and the investment of time, money, and effort in their choices. Krishnan et al. (1999) focused on the financial services sector and identified that the primary driver of overall customer satisfaction is satisfaction with the product offerings. Additionally, Jackson (1993) pointed out that selling insurance is fundamentally about selling a promise—an intangible concept. Customer satisfaction is achieved by comparing expectations against the experience of service, in addition to offering something beyond the basic

promises. This satisfaction is crucial for fostering repeat business. To enhance customer satisfaction, it is essential to build trust, understand customer needs, uncover their expectations, and respond effectively. These elements are key to achieving a high level of customer satisfaction.

Paposa et al. (2019) identified personalized customer consideration and technology as significant factors influencing satisfaction, loyalty, and brand image among young, educated, married, and high-income customers in the insurance sector. The study by Nivedita and Chaudhary (2018) evaluated customer satisfaction with mutual life insurance agents and policies, revealing a general satisfaction with policy features, premiums, returns, terms, and security. However, it also indicated a need for agents to provide prompt and transparent information. Basak (2021) assessed the impact of service quality, insurance agents, and communication on policyholders' satisfaction in the insurance industry, focusing on the individual contributions of these factors to overall policyholder satisfaction.

According to Kotler & Keller (2006), customer satisfaction is defined as a customer's emotional response to their experience with a product or service. This response is influenced by the perceived performance and expectations regarding the service provided. A segment of scholars suggests that customer satisfaction can arise not only from a single experience but also from a variety of experiences. Therefore, customer satisfaction is characterized as an affective and cognitive response that can result from either a single or a series of service encounters. Different perspectives exist regarding customer satisfaction. A challenge in exploring the causes and effects of customer satisfaction is the lack of agreement on its definition (Zeithaml et al., 1988). Customer satisfaction often involves comparing expectations before and after the purchase of a product or service. Cronin & Taylor (1992) further characterize customer satisfaction as an emotional response from customers regarding their experiences with a product or service.

In a comprehensive study conducted by Gregory, the relationship between consumer or client satisfaction and the purchasing of life insurance policies and products is thoroughly examined. The research establishes specific benchmarks to evaluate consumer satisfaction across three critical dimensions: the life insurance product itself, the agent facilitating the sale, and the institution providing the service. The findings reveal that key factors such as trust, the agent's competence, and the appropriateness of the product significantly contribute to overall consumer satisfaction. Financial planners engaged in this sector can benefit from the insights gleaned from this study, applying the findings to enhance their practices and improve client experiences. Moreover, the research opens avenues for future investigations to assess whether consumer satisfaction levels fluctuate with changes in distribution methods, providing a valuable direction for ongoing inquiry in the field of life insurance (Gregory, 2014).

Fig.1 Overall Customer Satisfaction



1. Objectives of The Study

- To conduct a thorough analysis of the demographic profile of the policyholders.
- To study the Policy Holders’ Level of Satisfaction Towards Services Rendered by Life Insurance Company

Research Methodology

4.1 Type of Research

The researcher has chosen to conduct descriptive research to examine the current topic. The objective of the study is to assess customer satisfaction regarding life insurance products, with a particular focus on Chennai city. This descriptive study aims to identify the associations between variables, which will be analyzed statistically.

1.2 Data Collection

(i). Secondary Data

For the secondary data, the researcher obtained information from relevant textbooks, journals, reports, articles, newspapers, unpublished dissertations, working papers, and online sources.

(ii). Primary Data

The survey strategy enables researchers to gather data that can be analyzed quantitatively through descriptive and inferential statistics. Data obtained via this method is straightforward to explain and interpret. Additionally, it serves as a basis for suggesting potential relationships between variables and developing models that illustrate these relationships.

2. Sampling procedure

Sampling is the procedure of selecting a subset of the population to serve as a representative of the entire population. Sampling methods can be classified into two main categories: probability sampling and non-probability sampling.

Sample size

The target population for this research comprises life insurance customers of LIC in Chennai city. To ascertain the appropriate sample size, a formula specifically designed for finite population sizes was utilized.

$$n = \frac{N}{1 + N(e)^2}$$

Where, n

= required sample size

e= accepted margin of error (+ 5% of precision). N= total number of populations

Table 1. Demographic characteristics of respondents

No.	Variables		Frequency n = 300	Percentage (%)
1.	Gender	Male	166	55.5
		Female	134	44.7

2.	The type of jobs that respondents participated	Full time Part-time Regular Temporary	135 55 70 40	45 18.3 23.3 13.4
3.	Monthly Income	< 20000 20000-40000 40000-70000 >70000	115 90 65 30	38.3 30 21.7 10
4.	Education Qualification	Secondary School and Below Diploma Bachelor Degree Master or Higher	25 45 120 110	8.3 15 40 36.7
5.	Age	Less than 20 21-30 31-40 More than 40	- 140 110 50	46.7 36.7 16.6
6.	Policy Terms (years)	< 1 Year 1-5 Years 5-10 Years 10-20 Years >20 Years	20 120 80 60 20	6.7 40 26.7 20 6.6
7.	Premium Amount	< 1000 1000-10000 10000-50000 >50000	95 115 65 25	31.7 38.3 21.7 8.3
8.	How long have you been Customer of this Insurance	< 1 Year 1-5 Year 5-10 Year >10 Year	65 95 80 60	21.7 31.6 26.7 20
		Total	300	100

The data presented in the table indicates that among the 300 life insurance customers surveyed, 166 individuals (55.5%) identified as male, while 134 respondents (44.5%) identified as female. These findings underscore that a significant proportion of the customer base comprises male clients. Additionally, the age distribution of the respondents reveals that 140 individuals (46.7%) belong to the 21-30-year age group, 110 individuals (36.7%) are within the 31-40-year age group, and the remaining 50 individuals (16.6%) are over 40 years old. This demographic data suggests that the majority of customers are in the 21-30 age range, a period considered highly productive, which may positively influence the company's performance and foster a greater sense of loyalty and ownership among these clients.

Furthermore, the educational background of the respondents reflects a generally high level of education; specifically, 120 individuals (40%) hold bachelor's degrees, 110 individuals (36.7%) have obtained master's degrees, and the remaining respondents include 25 individuals (8.3%) with secondary education or lower and 45 individuals (15%) holding diplomas. This information indicates that a notable segment of the customer base possesses substantial educational qualifications, which may impact their engagement with life insurance products.

The analysis of the additional demographic characteristics presented in Table 4.2 reveals the respondents' employment status. The data indicates that the majority, comprising 135 individuals (45%), are full-time employees. Additionally, 70 respondents (23.3%) are classified as regular employees, while 55 (18.3%) and 40 (13.4%) are identified as part-time and temporary employees, respectively.

Furthermore, this study demonstrates that 95 respondents (31.6%) have been customers of LIC life insurance for 1 to 5 years, with 80 respondents (26.7%) having held their policies for 5 to 10 years. The remaining respondents include 60 (20%) customers for more than 10 years and 65 (21.7%) customers for less than 1 year.

This distribution indicates that a significant proportion of the respondents have tenure with LIC ranging from 1 to 5 years, suggesting they possess a rational understanding and experience concerning LIC's life insurance offerings.

Regarding monthly income, most of the respondents (38.3%) report earnings below 20000. Furthermore, 90 respondents (30%) earn between 20000 and 40,000, while the remaining 65 (21.7%) and 30 (10%) respondents indicate incomes within the ranges of 40000- 70000 and above 70000, respectively. This data suggests that the prevalent income level among corporate customers, particularly those earning less than 20000, aligns with their capacity to sustain the premium payments they undertake.

The above table shows that 120(40%) of the respondents are policyholders ranging from 1-5 years, 80(26.7%) of the respondents are policyholders ranging from 5-10 years and 20 (6.7%), 20(6.7%), 60 (20%) of the respondents are policyholders less than 1 year, greater than 20 years & 10 -20 years respectively. This shows that most of the respondents have rational knowledge and experience regarding LIC's life insurance services. The result of the last demographic characteristics indicates that 115 (38.3%) of the respondents pay a premium ranging from 1000- 10000, 65 (21.7%) pay a premium ranging from 5,000-10,000 and 95 (31.7%) & 25(8.3%) of the respondents pay a premium less than 1000 and more than 50,000 respectively which shows that majority of the corporate customers pay a premium ranging from 1000-10000 which is sustainable with their monthly income.

Customer Satisfaction with the Services Provided by the Insurance Company

Customer service represents a fundamental component of life insurance organizations. It is essential to identify the key success factors within the life insurance industry that pertain to customer satisfaction to thrive amidst intense competition and enhance market share.

Table 2 Policy Holders' Level of Satisfaction Towards Services Rendered by Life Insurance Company(S)

Service Rendered	Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	Mean
Intimation of premium	36	55	4.39	2	1.92	2.98

Bonus	15.25	62.46	17.50	2.58	1.21	3.91
Variety of policies	14	54.13	23	7.25	1.63	4.50
Loan facility	10	47	32.8	9.18	1.03	3.48
Terms of policies	12	37.59	37.28	11.75	1.38	3.98
Convenience	8	45.75	32.33	13.92	0	3.45
Response to enquiry at Office	35	23.54	37.33	1.8	2.32	3.46
Agents response	9	46.01	32	10.83	2.17	3.74
Claims settlement	45	22.14	16	14.41	1.88	3.31
Communication	5.83	26.46	28.83	36.38	2.50	3.58
Customer treatment	8	42.87	33	13	3.13	3.9
Others	4.63	39.83	35.54	18	2	3.50

The following analysis illustrates the level of customer satisfaction among life insurance policyholders concerning various services provided by insurance companies. The analysis reveals that a significant majority of policyholders express a high level of satisfaction with the range of policies offered, as indicated by a mean score of 4.50. Respondents have indicated considerable satisfaction regarding the terms of policies and the bonuses associated with them, with average scores of 3.98 and 3.91, respectively. Additionally, the level of satisfaction related to customer treatment and responsiveness of agents is reflected in average scores of 3.90 and 3.74, respectively. Moreover, respondents reported satisfaction with communication, which received a mean score of 3.58. The data further demonstrates that satisfaction levels concerning loan facilities, convenience, response to inquiries at the office, and claims settlement are represented by average scores of 3.50, 3.48, 3.46, 3.45, and 3.31, respectively. Finally, it is noteworthy that the respondents indicated the least satisfaction regarding the notification of premium offerings by insurance companies, which ranked twelfth with a mean score of 2.98.

Table 3 The result of Reliability Analysis Policy Holders’ Level of Satisfaction Towards Services Rendered by Life Insurance Company(S)

Sl. No	Variables	Mean	SD	Cronbach's Alpha
1	Intimation of premium	1.598	.712	0.793
2	Bonus	1.937	.654	
3	Variety of policies	2.152	.785	
4	Loan facility	2.325	.824	
5	Terms of policies	2.484	.855	
6	Convenience	2.510	.812	
7	Response to enquiry at Office	2.442	.872	
8	Agents response	2.487	.824	
9	Claims settlement	2.528	.836	
10	Communication	3.126	.928	
11	Customer treatment	2.013	.984	
12	Others	2.298	1.12	

Cronbach's alpha serves as a fundamental metric for assessing the internal consistency reliability of a set of data. In this evaluation, a thorough reliability test was conducted to rigorously analyze the data's reliability and to determine whether any random errors might compromise its consistency and overall reliability. The results are presented in a table format, shedding light on the findings. Notably, the minimum coefficient alpha observed in this analysis was .793, which suggests a commendable level of internal consistency reliability. Furthermore, the results derived from Cronbach's alpha indicate a noteworthy correlation among the variables under scrutiny, highlighting the interconnectedness of the data being tested.

Reliability

Reliability refers to the degree to which an instrument produces consistent results. Cronbach's Alpha is a measure of internal consistency that indicates the stability of scores in a test-retest approach. This research employed Cronbach's Alpha to assess the reliability of the Likert-type scale. An alpha value close to 1.0 is generally considered indicative of strong reliability. In this study, the Cronbach's Alpha value was calculated at 0.793 (see Table 3), which is classified as good value and suggests that the data is suitable for further analysis.

A significant dependability between the variables evaluated is established by the Cronbach's dependability Analysis and F-test results (0.793, or 79.30 percent). Consequently, it is determined that policyholders' satisfaction levels with the services provided by their life insurance firm or companies vary depending on their perspective, and the null hypothesis is accepted.

Conclusion

This study elucidates the interrelationships among Customer Satisfaction and Customer Loyalty within the Life Insurance Corporation of India (LIC). The reliability analysis indicates that enhancing Customer Satisfaction at LIC necessitates a focus on the provision of efficient and effective quality services. Notably, the dimension of Personalized Financial Planning exhibited the most significant service quality gap, suggesting that LIC should prioritize the delivery of effective personalized services. Furthermore, the attributes of Assurance and Competence also revealed substantial service quality gaps. Since these dimensions pertain to the performance of agents and employees, LIC must invest in comprehensive training programs aimed at bridging these gaps. Additionally, the study establishes a strong correlation between Customer Satisfaction and Customer Loyalty. Consequently, LIC should not only strive to maintain existing service offerings but also to elevate service standards, given that the Customer Satisfaction mean score slightly exceeds the threshold. It is essential to ensure prompt service delivery and uphold high service standards. To achieve these objectives, LIC must implement thorough training for its agents and employees, thereby effectively addressing customer concerns and enhancing satisfaction. Ultimately, prioritizing customer satisfaction is crucial for fostering customer loyalty.

Limitations and directions for future research:

This study has certain limitations that should be acknowledged. Firstly, the sample size is relatively small, which may not accurately represent the overall population. Secondly, a convenience sampling technique was employed to collect data from Life Insurance Corporation (LIC) customers. Future research should consider utilizing a larger sample size and implementing a random sampling method to enhance the generalizability of the findings. Additionally, data for this study were exclusively gathered from Chennai, and perceptions of customers in other regions of the country may differ significantly. Furthermore, the influence of service quality variables on Customer Satisfaction and

Customer Loyalty has not been examined in this study. Future researchers may explore the mediating effects of Customer Satisfaction on Customer Loyalty.

Recommendations

LIC should implement methods to raise awareness about its policies among the public and current customers.

It should also organize new training programs and adopt a more effective performance appraisal system to enhance the efficiency of its agents and employees.

LIC frequently organizes customer relations programs at each branch to keep existing customers and attract new ones.

LIC should update its traditional working methods and introduce new business concepts.

References:

- [1] Lұc Manh Hien,” Evaluation of Customer Satisfaction toward Life Insurance Claim Settlement Service”, *International Journal of Social Relevance & Concern*, Volume 11 Issue 6 June 2023.
- [2] Sonia Peter et al.,” Study on Buying Behaviour Of Consumers Towards Life Insurance Products at Delhi-Ncr “, *Anusandhan The Research Repository of GIBS*, Volume 4, Number 1, December 2021
- [3] Muhammad Sarmad et al.,” Impact of Customer Satisfaction and Attitude Towards Insurance Company”, *Malaysian E Commerce Journal*, 4(1) (2020) 09-14
- [4] Pranesh Debnath et al., “Customer Satisfaction towards Insurance Policies India: A Study with Special Reference to Dima Hasao, Assam, North East India “.
- [5] Loan, M. T. (2023). Studying Customers’ Satisfaction with Service Quality of Life Insurance in Vietnam. *International Journal of Professional Business Review*, 8(6), e02352. <https://doi.org/10.26668/businessreview/2023.v8i6.2352>
- [6] Jothi, A. (2016). Service quality and customer satisfaction in life insurance business. *Australian Journal of Basic and Applied Sciences*, 10(1), 636-641.
- [7] Pooser, D. M., & Browne, M. J. (2018). The Effects of Customer Satisfaction on Company Profitability: Evidence from the Property and Casualty Insurance Industry. *Risk Management and Insurance Review*, 21(2), 289–308. <https://doi.org/10.1111/rmir.12105>
- [8] Bansal and Bhatia (July 2018). Factors influencing customers satisfaction in Health Insurance Service in India; *International Bulletin of Management and Economics*. Vol. 9 (special issue), 29-37.
- [9] Bidnur (April 2021). A Study on customer satisfaction of LIC policies with special reference to Miraj branch Dist: Sangli (Maharashtra), *International Journal of Creative Research Thoughts (IJCRT)*, 9(4), 2274-2284.
- [10] Gavhale et al., (2021). A Study of Customer Satisfaction Towards LIC Policies with Special Reference of Kopargaon. *IJARIE*, 7(3),1676-1690.
- [11] Ganga Devi T R1 et al., “Customer Attitude and Satisfaction Towards Investment In Life Insurance With Special Reference To Ernakulam City”, *EPRA International Journal of Multidisciplinary Research (IJMR)* - Peer Reviewed Journal Volume: 6, Issue: 8, August 2020
- [12] Awlachev, A. (2015). The Effect of Service Quality on Customer Satisfaction in Selected Insurance Companies in Addis Ababa. AThesis, Graduate School of Addis Ababa University
- [13] Dar, A., Malik, M., & Mir, R. (2012). Customer Satisfaction on Service Quality in Life Insurance. *International Journal of Scientific Research*, 1(6), 118-23.
- [14] Mandeep Kaur & Dalwinder Kaur (2014). Customer Satisfaction Towards Life Insurance in Punjab. *The IUP Journal of Management Research*, 13(4), 27-53.

- [15] Kannan and Rajkumar (Jan-Aprl, 2011). A study on customer satisfaction of life insurance policies with special reference to Max New York Life Insurance Chennai, *International Journal of Financial Management Research and Development*, 11(1), 36-60.
- [16] Dr. Krishna Banana, R. Vijaya Naik (2018) A Study on Customer Perception on Life Insurance Policies in India (with reference to Prakasam district in Andhra Pradesh) *International Journal of Research in Social Sciences* Vol. 8 Issue 1 <http://www.ijmra.us>
- [17] Sureshchandar, G.S., C. Rajendran, R.N. Anantharaman, 2002. The relationship between service quality and customer satisfaction-a factor specific approach. *Journal of services marketing*, 16(4): 363-379.
- [18] Iacobucci, D., A. Ostrom, K. Grayson, 1995. Distinguishing service quality and customer satisfaction: the voice of the consumer. *Journal of consumer psychology*, 4(3): 277-303.
- [19] Shamsuzzaman, M., 2013. Customer Satisfaction Case: National Life Insurance Company Limited.
- [20] Sureshchandar, G.S., C. Rajendran, R.N. Anantharaman, 2002. The relationship between service quality and customer satisfaction-a factor specific approach. *Journal of services marketing*, 16(4): 363-379.