

Customer Satisfaction Towards Life Insurance Products- A Study Concerning Policyholders of Selected Life Insurers in Chennai City

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ABSTRACT

The purpose of this research is to thoroughly investigate and assess the extent of satisfaction that customers experience with the services offered by the Life Insurance Corporation (LIC) in the bustling city of Chennai. Given the increasing awareness among individuals about the uncertainties of life and the intensifying competition within the insurance industry, insurance companies must gain a deep understanding of their customers' needs and expectations. This study aims to primarily measure and comprehend the level of customer satisfaction with LIC. To achieve this, the research relies on primary data collected through a meticulously designed questionnaire, which was administered to 150 policyholders in Chennai. The acquired data was subjected to rigorous analysis using a variety of statistical tools, including Anova analysis, to derive meaningful insights and conclusions.

Keywords: Customer satisfaction, Service quality, LIC, Gender, Anova.

Introduction

India is characterized as a dynamic country due to the significant transformation of all sectors, particularly the financial markets, which have notably contributed to the national income. The insurance sector in India plays a crucial role in the financial system and also holds significant socio-economic importance by providing risk coverage to the underprivileged population. The opening of the Indian insurance market has led to intensified competition among companies vying for market share. However, the majority of new insurance companies are facing challenges in establishing themselves in the market. Despite this, the importance of insurance in India is still in its early stages, with approximately 80% of the population lacking life insurance coverage, and low penetration rates of health and non-life insurance compared to international standards. With a substantial number of life insurance policies in force globally, insurance holds a key position in India, and the growth rate of Life Insurance Companies is notably higher, ranging from 15% to 25% per annum compared to the banking sector. This growth contributes approximately 7% to the country's GDP.

Life Insurance Companies in India

Among these, the L.I.C. is the sole public sector insurance company, while the rest operate as private entities. Many private companies are established through joint ventures between public or private sector banks and national or international insurance and financial firms.

Private participation in the Indian life insurance sector commenced in 2000, with most private entities forming partnerships with global insurance powerhouses to venture into the life insurance domain.

The main objective of this research paper is to undertake a thorough investigation into customer satisfaction within the realm of a life insurance firm. By pinpointing the crucial elements that influence customer satisfaction, this study aims to offer valuable insights and suggestions that can assist life insurance companies in boosting their levels of customer satisfaction and enhancing overall customer retention. Customer satisfaction in the life insurance sector is affected by a variety of factors. Aspects such as the quality of customer service, transparency, trustworthiness, diversity of products, and the efficiency of the claims process all play pivotal roles in shaping levels of customer satisfaction. However, it is imperative to conduct a deeper analysis of these factors and comprehend their specific impact on customer satisfaction within the framework of a particular life insurance company.

Profile of LIC

The insurance sector substantially expanded in the first two decades of the 20th century. By 1938, there were 176 firms with a total business-in-force of Rs. 298 crores, up from 44 with a total business-in-force of Rs. 22.44 crore. During this time, several financially unstable insurance companies emerged, which inevitably resulted in their failure. To impose strict state supervision over the insurance industry, the Insurance Act of 1938 was passed, becoming the first piece of law to regulate both life and non-life insurance.

The demand for nationalizing the life insurance sector began to gather steam in 1944, and on January 19, 1956, the life insurance industry as a whole was nationalized. There were 154 Indian insurance businesses, 16 foreign companies, and 75 provident fund companies operating in India at the time of nationalization. Two steps made up the nationalization process: first, an ordinance was passed to assume control of the enterprises' management, and then a comprehensive bill was passed to transfer ownership completely. On June 19, 1956, the Life Insurance Corporation Act was passed, and on September 1, 1956, the Life Insurance Corporation of India was founded. The main goal was to grow the life insurance market, focusing especially on rural areas to guarantee inexpensive, all-inclusive coverage for all eligible people in India.

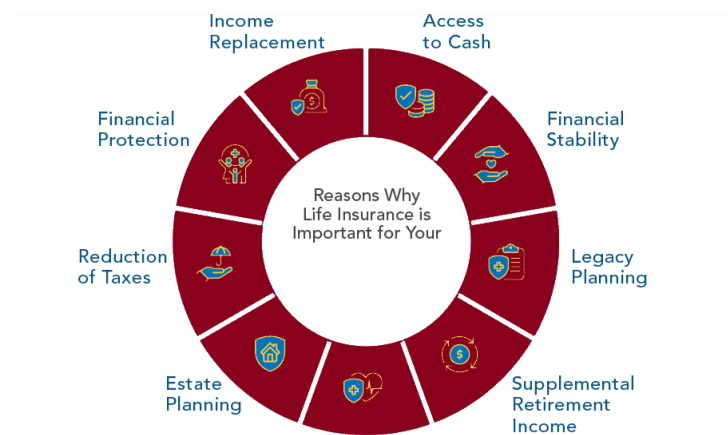


Figure 1: Importance of Life Insurance

Literature Review

Examining prior literature about consumer satisfaction and the Life Insurance Corporation is critical to this study. Previous research provides insight into the various methodologies employed by earlier researchers in this field and helps identify potential research gaps. The following excerpts are selected from the works of esteemed authors.

Ms Mayuri et al (2020) conducted a study on customer satisfaction in the Saurashtra region. They found that overall service quality significantly impacts customer satisfaction. Therefore, it is recommended that LIC focuses on delivering the highest service quality to its customers. Additionally, measures should be put in place to raise awareness about LIC products among customers, and innovative life insurance plans should be introduced to capture consumer interest.

Sarat Borah's study in 2013 concludes that the majority of customers from both Kotak Mahindra Life Insurance Company and Aviva Life Insurance Company are satisfied. However, customers of Kotak Insurance Company exhibit higher satisfaction levels compared to those of Aviva. The research emphasizes that both companies must prioritize Reliability, Assurance, and Empathy factors. It suggests that the companies should adhere to their promises, demonstrate a genuine interest in addressing customer issues, deliver prompt service, ensure that officials possess adequate knowledge to meet customer needs, understand specific customer requirements, and provide personalized attention to satisfy customers fully. In today's competitive environment, private life insurance companies must focus on customer satisfaction to retain existing customers and continually enhance service quality to attract new customers.

In a study conducted by Harshdeep R. Nasre (2023), customer satisfaction within the life insurance sector was examined. The research utilized a mixed-methods approach, incorporating both survey questionnaires and interviews to gather quantitative and qualitative data from clients. The study's findings offer valuable insights into the determinants of customer satisfaction and present suggestions for enhancing satisfaction levels within the life insurance industry.

In the year 2023, Dr Gajraj Singh Ahirwar conducted a study that highlighted the dominance of the LIC in the Indian insurance industry, amidst intense market competition. The study emphasized the paramount importance of client satisfaction in today's competitive landscape, as a means to retain customers through compelling services and high-quality offerings. With an expanding range of regulations, products, and distribution channels, businesses prioritize the satisfaction and profitability of their clientele. The research paper examined customer satisfaction with gender-based demographic profiles of survey participants.

According to Dr P. Kamaraj (2018), in the life insurance industry, the ability to create customer confidence and offer attractive returns are the two major aspects that determine the organisation's survival. Creating customer confidence requires a higher level of service standards in providing timely information, assistance, guidance, and claim settlement. The second dimension, offering attractive returns, involves customized product design, effective fund management, and cost efficiency in all aspects of its operations to provide a synergic effect in raising funds to meet the claim requirements. The study reveals that the service offered by the LIC is superior to that of the private life insurers.

Statement of the Problem

The study delves into the challenges and needs experienced by the Life Insurance Corporation (LIC) policyholders in Chennai.

The major issues identified were

- Insufficient promotion of insurance products
- Competition from other financial institutions
- Inadequate incentives for policyholders
- Poor connectivity with sales channels.

5.1 Objective of the study

- Study the profile of LIC in general and the study unit in particular.
- Identify the functions offered by LIC.
- Identify the issues and problems faced by policyholders in Chennai.
- Determine the benefits derived from the selected policies.
- Examine the factors influencing the customers in selecting a policy.
- Analyze the demographic profile of the policyholders.
- Measure the level of satisfaction of the policyholders towards the functions of LIC.

5.2 Hypothesis of The Study

- H₀: No significant relationship exists between the respondents' age and satisfaction level.
H₁: Significant relationship between the respondents' age and satisfaction level.
- H₀: No significant relationship between the respondents' gender and the functions of insurance.
H₁: Significant relationship between the respondents' gender and the functions of insurance.
- H₀: No significant relationship between the educational qualification of the respondents and the issues and problems the policyholders face.
H₁: Significant relationship between the educational qualification of the respondents and the issues and problems faced by policyholders.

Methodology

Methodology is the overall research strategy that outlines how research will be conducted and specifies the methods to be used. In this research, we collected primary data by creating a questionnaire and gathered secondary data from external sources such as annual reports, articles, and journals.

- **Sample Unit:** The study will focus on customers of LIC.
- **Sampling Size:** A total of 150 respondents will be surveyed.
- **Sampling Method:** Non-probability sampling techniques will be considered.
- **Statistical Tools:** In studying customer satisfaction at a life insurance company, various statistical methods can be used to analyze the collected quantitative data and obtain valuable insights.

6.1 Data Analysis and Interpretation

Table 1 Policies Offered by Insurance

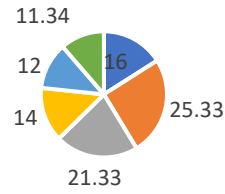
S.no	Policies	Mostly Preferred	Slightly Preferred	Sometimes	Never	Rare
1	Life Insurance	108	27	9	NIL	6
2	Child Plan	46	39	33	9	3
3	Pension plan	72	36	27	12	3
4	Savings plan	78	36	24	3	9
5	Protection Plan	60	39	15	21	15
6	Health plan	93	33	9	9	6
7	Burglary and theft plan	30	60	21	15	9
8	Fire insurance	36	60	21	18	15

Table 2 Issues and problems faced by policyholders in Chennai

S.no	Issues Faced	No. of Respondents	Percentage (%)
1	Lengthy period for policy Surrender	24	16
2	Maintaining the same agent is very hard	38	25.33
3	Penalty for late payment of premium	32	21.33
4	Difficult to contact the agent	21	14
5	No proper clarification of Doubt from the agent	18	12
6	Agent concerned with achieving target without clarification	17	11.34

Diagram 1 Issues and problems faced by policyholders in Chennai

Issues and problems faced by policyholders in Chennai



- Lengthy period for policy Surrender
- Maintaining the same agent is very hard
- Penalty for late payment of premium
- Difficult to contact the agent
- No proper clarification of Doubt from the agent
- Agent concerned with achieving target without clarification

Table 3 Benefits derived from the selected policies

S.no	Benefits	No of Respondents	Percentage (%)
1	Investment	27	18
2	Tax Benefit	12	8
3	Savings	21	14
4	Protection	6	4
5	All of the above	84	56
	Total	150	100

Diagram 2 Benefits derived from selected policies

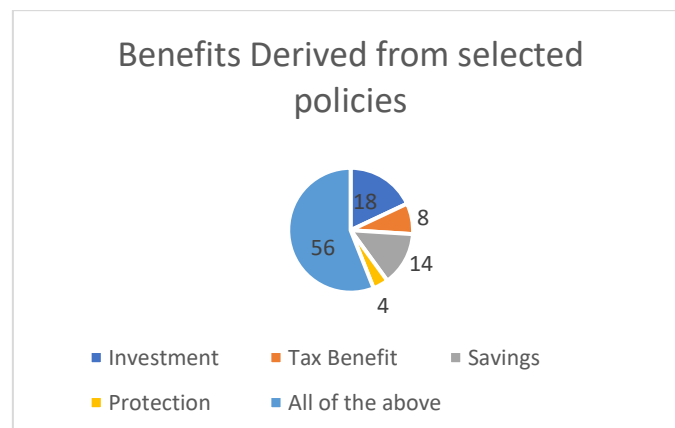


Table 4 Factors influencing the customers in selecting a policy.

S.No	Selection Criteria's	No of Respondents	Percentage (%)
1	Premium outflow	36	24
2	Service quality	25	16.67
3	Company Reputation	24	16
4	Return on investment	25	16.67
5	All of the above	40	26.66
	Total	150	100

Diagram 3 Factors influencing the customers in selecting the policy

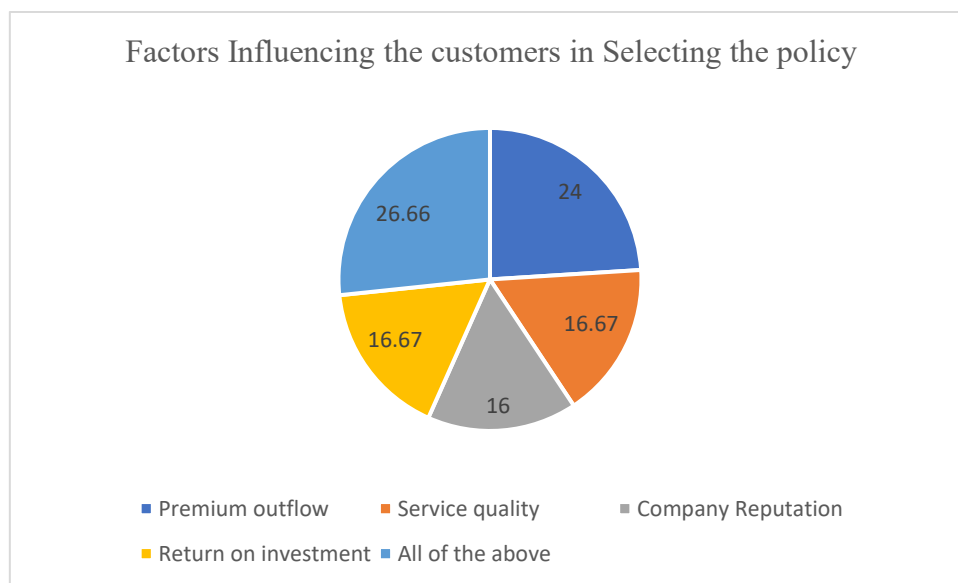


Table 5 Demographic Profile of the Respondents

	Profile	Frequency	Percentage (%)
Gender	Male	85	56.67
	Female	65	43.33
Age	Below 20 years	35	23.33
	25 – 35 years	60	40
	35 – 40 years	40	26.67
	Above 45 years	15	10
Education Qualification	Graduation	40	26.67
	Post-Graduation	60	40
	Professionals	40	26.67
	other	10	6.66

Family	Nuclear family	80	53.33
	Joint Family	70	46.67

Table 6 Consumer Satisfaction towards LIC

Particulars		Frequency	Percentage (%)
Satisfaction towards premium rate	High	40	26.67
	Reasonable	75	50
	Low	35	23.33
Factors Influencing Media Advertisement	Television	50	33.33
	Exhibition	35	23.33
	Trade journals	25	16.67
	others	40	26.67
Tenure of Policy	Less than 3years	36	24
	3-8 years	64	42.67
	8-15 years	30	20
	Above 15 years	20	13.33
Payment method	Monthly	27	18
	Quarterly	43	28.67
	Half-Yearly	50	33.33
	Annually	30	20
Justification for not renewing the policy	Financial problem	65	43.33
	Business problem	34	22.67
	Personal problem	36	24
	Not willing to continue	15	10
Origins of Consciousness	Agents	40	26.67
	Advertisement	55	36.66
	Friends and Relatives	25	16.67
	Marketing executives	30	20

The study found that among the policyholders surveyed, 36.66% were informed about insurance policies through advertisements, while 26.67% learned about them from their agents. Additionally, half of the policyholders expressed satisfaction with the premium rates. A notable 28.68% of respondents

preferred paying premiums every quarter due to income constraints. Furthermore, 43.33% of the respondents reported financial difficulties as the reason for not renewing their policies. It was observed that 42.67% of policyholders kept their policies for 3-8 years. Television advertisements influenced the majority (33.33%) of the respondents.

Results and Discussions

The study sheds light on consumer satisfaction towards Life Insurance Corporation in Chennai, focusing on customer satisfaction, factors influencing the customer in selecting a policy, issues faced and benefits from the insurance policy.

Table 7 Cross Tabulation - Consumer Satisfaction towards LIC Based on Their Gender

Level of Satisfaction	Gender		Total
	Male	Female	
High level of satisfaction	45.4	36.6	82
Low level of satisfaction	34.6	33.4	68
Total	80	70	150

Table 8 Chi-Square -Consumer Satisfaction towards LIC on Their Gender

Chi-Square	Value	Sign
Pearson Chi-Square	0.141	0.380

The calculated Pearson Chi-Square value is 0.141, which is significant at the level of significance .380 with 1 degree of freedom. Since the significance value is greater than 0.05, the null hypothesis is accepted, and the alternate hypothesis is rejected. Therefore, it is concluded that the satisfaction of respondents does not significantly vary according to their gender.

Table 9 Cross Tabulation between Age and Customer Satisfaction

Age	Customer Satisfaction		Total
	Yes %	No%	
20-30	18	17	35
31-40	25	12	37
41-50	20	17	37
51-60	23	18	41
Total	86	64	150

Table 10 Chi-Square -Consumer Satisfaction towards LIC on Their Age

Chi-Square	Value	Sign
Pearson Chi-Square	0.576	7.810

The calculated Pearson chi-square value is 0.576, which exceeds 0.05 ($p > 0.05$). Therefore, the null hypothesis, stating that there is no significant relationship between age and customers' satisfaction with Lic, is accepted. This implies that age and customer satisfaction are independent of each other.

Table 11 Cross Tabulation between Educational Qualification and Customer Satisfaction

Education	Customer Satisfaction		Total
	Yes %	No%	
Secondary Education or Below	10	15	25
Graduates	35	20	55
Post- Graduates	30	20	50
Any other	10	10	20
Total	85	65	150

Table 13 Chi-Square -Consumer Satisfaction Towards LIC on Their Education Qualification

Chi-Square	Value	Sign
Pearson Chi-Square	0.766	7.810

The Pearson chi-square calculated value is 0.766, greater than 0.05 ($p > 0.05$) at the degree of freedom 3. Therefore, the null hypothesis that no significant relationship exists between educational qualification and customers' satisfaction with LIC is accepted. This implies that educational qualification and customer satisfaction are independent of each other.

ANOVA

The Analysis of Variance (ANOVA) is a statistical method used to identify the overall variation in observations. A regression model is employed to determine the impact of independent factors on the dependent variables. ANOVA analysis is conducted to ascertain which variables may influence specific datasets.

Table 14 Enhancing Customer Satisfaction with Their Gender: A One-Way Study

	Sum of Square	Df	Mean Square	F	P-value	F crit
Between Groups	2429.99	2	1214.65	0.559519	0.59233	4.45897
Within Groups	17367.06	8	2170.882			
Total	19796.36	10				

Table 14 The analysis indicates that the effectiveness of the ERP system is linked to customer satisfaction. The F value is 0.5, with 1 degree of freedom. According to the F test, if the significance value is above 0.05, the null hypothesis is accepted and the alternate hypothesis is rejected. Additionally, the study suggests that there is no significant difference in mean satisfaction levels between customers based on gender.

Table 15 Enhancing Customer Satisfaction with Their Age: A One-Way Study

	Sum of Square	Df	Mean Square	F	P-value	F crit
Between Groups	3157.167	2	1578.583	1.003585	0.404158	4.256495
Within Groups	14156.5	9	1572.944			
Total	17313.67	11				

Table 15 The analysis indicates that the effectiveness of the ERP system is linked to customer satisfaction. The F value is 1, with 3 degrees of freedom. According to the F test, if the significance value is above 0.05, the null hypothesis is accepted and the alternate hypothesis is rejected. Additionally, the study suggests that there is no significant difference in mean satisfaction levels between customers based on age.

Table 16 Enhancing Customer Satisfaction with Their Education Qualification: A One-Way Study

	Sum of Square	Df	Mean Square	F	P-value	F crit
Between Groups	3404.167	2	1702.083	1.064726	0.384556	4.256495
Within Groups	14387.5	9	1598.611			
Total	17791.67	11				

Table 16 The analysis indicates that the effectiveness of the ERP system is linked to customer satisfaction. The F value is 1, with 3 degrees of freedom. According to the F test, if the significance value is above 0.05, the null hypothesis is accepted and the alternate hypothesis is rejected. Additionally, the study suggests that there is no significant difference in mean satisfaction levels between customers based on educational qualifications.

7.1 Summary and Suggestions

Customer satisfaction is a significant factor for both customers and companies, as it adds value to their products and services. According to this study, every insurer needs to understand the consumer requirements related to the policies they offer. Some suggestions for LIC in India to expand its client base include increasing coverage through advisers and advertising, creating awareness among illiterate and rural groups, focusing on promotional activities for business growth, and creating economic value for customers. To address concerns about trust and privacy, insurers should prioritize quick repayment and security measures to attract more policyholders.

Conclusion

This study provides insight into the crucial importance of prioritizing the needs of customers in driving the advancement of the Indian life insurance industry. By implementing practical recommendations drawn from this study, firms can enhance the overall customer experience, establish trust, and foster sustainable development. Persistent enhancements through focused research and pioneering technologies can lay the foundation for achieving excellence across the entire industry.

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