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Customer Satisfaction: A Spirited Growth Carter for Indian Life Insurance Industry

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Abstract

Abating life insurance penetration and density in Indian life insurance industry has mounted as a major challenge in the past few years whereas it's supposed to be one of the prime growth drivers for inclusive growth of Indian life insurance sector and economy as well. Continuous dip in customer satisfaction has been the root cause of the issue that has stemmed into "Customer's Disinterest" in purchase of life insurance products. Present paper is an attempt to explore the level of customer satisfaction and its association with respect to different customer segments based upon their demographics. Survey of 100 life insurance customers is conducted in the city of Lucknow during Jan'2016 through well-structured questionnaire based on five point satisfaction scale, responses were tabulated to test the hypothesis that- 'customer satisfaction varies significantly across different customer segments'. Further analysis is done by using analysis of variance (ANOVA) chi-squire, significant results are cross-tabulated using SPSS. Findings "reveal" that 52 percent customers are not much satisfied with insurers and their satisfaction level varies significantly with education and gender, this is the major concern to be addressed well for the overall growth of the industry. Female customers are found more satisfied than males. Insurers should focus more towards satisfying educated customers by providing unpretentious products with committed services while professional customers may be offered value added hybrid products with quality services as committed for driving the growth of Indian life insurance industry and economy at large.

Key Words: Life Insurance, Customer satisfaction, Growth driver, Penetration, Quality Services,

JEL Classification: G220

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1. Introduction

There has been an average GDP growth rate of 5.6 percent throughout the previous decade, even after that life-insurance penetration and density has reported a continuous drop since 2010, (IRDA annual report-2014) whereas there has been a lot of unserved market as reported by Basu, 2006 in a study of world-bank for rural India that- about 40 per cent of households have deposit accounts, 20 per cent have outstanding loans and only 15 per cent have any insurance. Insurers have provided many innovative products in competitive market but customers are still not much interested towards buying life insurance and lack of customer satisfaction is the root cause for the same, Higher transaction costs and increasing number of lapsed policies has made the insurance companies to rethink about their functioning and redesigning of entire value chain.

2. Objective

- To understand the need of customer satisfaction as a growth driver
- To estimate the customer's satisfaction level
- To gauge the variance in satisfaction level with different customers segments
- To explore the focus areas and remedies

3. Scope of the study and limitations- Study would be useful for insurance companies and policy makers while making strategy for product design and sales promotion. Future study could be done to understand different motives of satisfaction in a larger domain. Limited time, resources and small sample size has been the major limitations of the study.

4. Literature Review- Hieber P,et.al (2015), explores analyses the effects of prevailing low

interest rates on investment decision and on risk return profile of participating life insurance policies. Reddy S. M. (2015) explores that life Insurance industry stands as a gigantic financial service organization in the insurance sector and Investment of accumulated resources by the insurer facilitates the overall development of the country for inclusive growth. Yadav R. K.,et.al (2015) emphasizes the need of transparent claim settlement process as an ultimate services for the growth of insurance industry as with the increasing market and increasing number of policies, numbers of claims are rising, therefore it is very much essential to have simple and clear claim settlement process. Martin Eling et., al.(2013) analyses lapse in life insurance and to outline potential new areas of research in this field, Challenges for lapse rate modeling, lapse risk mitigation techniques, and possible trends in future lapse behavior are discussed as they affects life insurance penetration and density to a major extent study reveals that lapses also impacts many actuarial tasks, such as product design, pricing, hedging, and risk management. Siddiqui H., et, al (2010) Proposes a six dimensional service-quality instrument consisting of 'assurance', personalized financial planning', 'competence', 'corporate image', 'tangibles' and 'technology' in life insurance. The proposed framework attempts to provide a blueprint for appropriate course of action (by life insurance service providers) to create a base of satisfied customers through quality services. Yadav B.,et.al (2012) examines that- Market share of private insurers gradually increases with people trust and better services offered by them are some of the main findings of the study. Negii D., et,al (2012) identifies - five important factors influencing the purchase of a life insurance product namely product quality, brand image, service quality, customer friendliness, brand loyalty and commitment. Subir Sen and S Madheswaran(2013) conducted a study based on 4 SAARC countries, 2 countries from Greater China Region and 6 ASEAN Countries. It's found that determinants can be grouped as economic, demographic, legal, socio-political, etc. Crompton,et.al(1989) stated,'Satisfaction is a psychological outcome emerging from an experience, whereas service quality is concerned with the attributes of the service itself'. Faye X. Zhu.,et,al (2002) and Seth., et, al (2008) proposed the service quality model highlighting the information technology-based service options to investigate the relationship between IT-based services and customer's perceptions of service quality. Murfin., et. al (1995) developed the service quality model for medical services. Love lock, et, al (1999) argue that satisfaction is by default experience-dependent as customers evaluate their levels of satisfaction or dissatisfaction after each service encounter. In turn, this information is used to update customer perceptions of quality.

5. Research Methodology- Descriptive and analytical research design is used to portray the existing situation of life insurance industry through analytical modeling. Survey of 100 life insurance customers is conducted in the city of Lucknow during Jan'2016 through well-structured questionnaire; responses were tabulated and analyzed using SPSS statistics. Random sampling was used to select available respondents. Analysis of variance ANOVA, and frequency cross tabulation are used to analyze the data. Findings are tabulated and represented by graphs for better understanding.

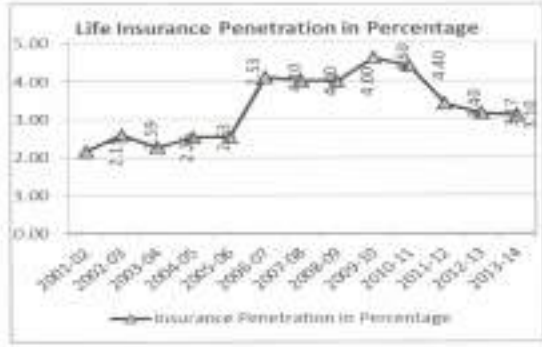
Hypothesis testing- Following hypothesis is to be tested

H0: There is no association of satisfaction level of customers with different customers segments based on their age, gender, income and occupation.

6. Analysis- Following analysis is done:

1. Necessity analysis
2. Level of customer satisfaction analysis
3. Variance analysis of customer satisfaction level with different customers segments
4. Exploratory analysis for the focus areas and remedies

6.1 Necessity Analysis- During the first decade of insurance sector liberalization, the sector has reported consistent increase in insurance penetration from 2.71 percent in 2001 to 5.20 per cent in 2009. However, since then, the level of penetration has been declining "to" 3.3 per cent in 2014, and thus customer satisfaction analysis is the primary step of introspection for improvement.

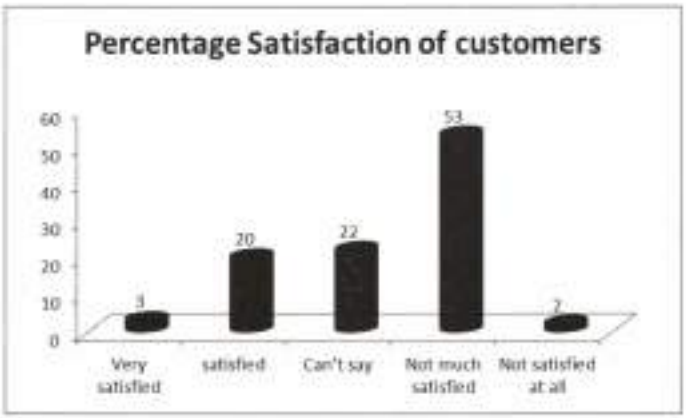


Source: IRDA annual report 2014-2015

6.2 Analysis of level of customer satisfaction- Following table reflects the level of satisfaction which is based upon the finding of five point satisfaction scale.

Table I : Satisfaction level of customers with insurer

		Frequency	Percent	Cumulative Percent
Satisfaction level	**Very satisfied**	3	3.0	3.0
	satisfied Can't say	20	20.0	23.0
		22	22. 0	45.0
	Not much satisfied	53	53.0	98.0
	Not satisfied at all	2	2.0	100.0
	Total	100	100.0	



It reveals 45% customers are either satisfied or neutral, and 53% are not much satisfied which makes insurance companies and policy makers to rethink while strategizing.

6.3 Variance analysis of customer satisfaction level with different customers segments-

ANOVA test is conducted at 95% confidence level to test the following hypothesis-

Hypothesis-

H0: There is no association of satisfaction level of customers with different customers segments based on their age, gender, income and occupation.

Table II- ANOVA (SPSS output)

		Sum of Squares	df	Mean Square	F	Sig.
Age (Binned)	Between Groups	9.425	4	2.356	1.263	.290
	Within Groups	177.165	95	1.865		
	Total	186.590	99			
Education	Between Groups	7.006	4	1.752	2.397	.056
	Within Groups	69.434	95	.731		
	Total	76.440	99			
Income	Between Groups	354795575 471.698	4	886988938 67.925	.344	.848
	Within Groups	245103191 74528.305	95	258003359 731.877		
	Tot al	248651147 50000.004	99			

Gender	Between Groups	3.044	4	.761	3.317	.014
	Within Groups	21.796	95	.229		
	Total	24.840	99			

Anova remains significant for education and gender whereas for income and age it's in-significant. It implies that education and gender are the critical parameters of study while formulating the product strategies by insurers.

Table III- Crosstab - Education * Satisfied with insurer

		Satisfied with insurer					Total
		Very satisfied	satisfied	Can't say	Not much satisfied	Not satisfied at all	
Education	High School(10th)	0	0	1	0	0	1
	Graduation	0	3	2	14	2	21
	Post-Graduation	2	1	3	14	0	20
	Professional	1	16	16	25	0	58
Total		3	20	22	53	2	100

To understand the above more clearly, Chi squire analysis of the above is as following-

Table IV- Chi Square analysis of Satisfaction with education level

	Value	df	Asymp. Sig. (2 - sided)
Pearson Chi-Square	25.179[a]	12	.014
Likelihood Ratio	23.951	12	.021
Linear-by-Linear Association	5.339	1	.021

(Chi-square remains significant for education, to support findings of Anova further.)



-It's clear from the above table that-professionals have got highest percentage of satisfied customers of 32% including neutral customers as compared to other education categories whereas 25% are not much satisfied. In case of post graduates and graduates percentage of satisfied customers is very low which is very crucial for the industry.

Table V-Crosstab -Gender * Satisfied with insurer

Count

		Satisfied with insurer					Total
		Very satisfied	satisfied	Can't say	Not much satis fied	Not satisfied at all	
Gender	MALE	3	8	17	24	2	54
	FEMALE	0	12	5	29	0	46
Total		3	20	22	53	2	100

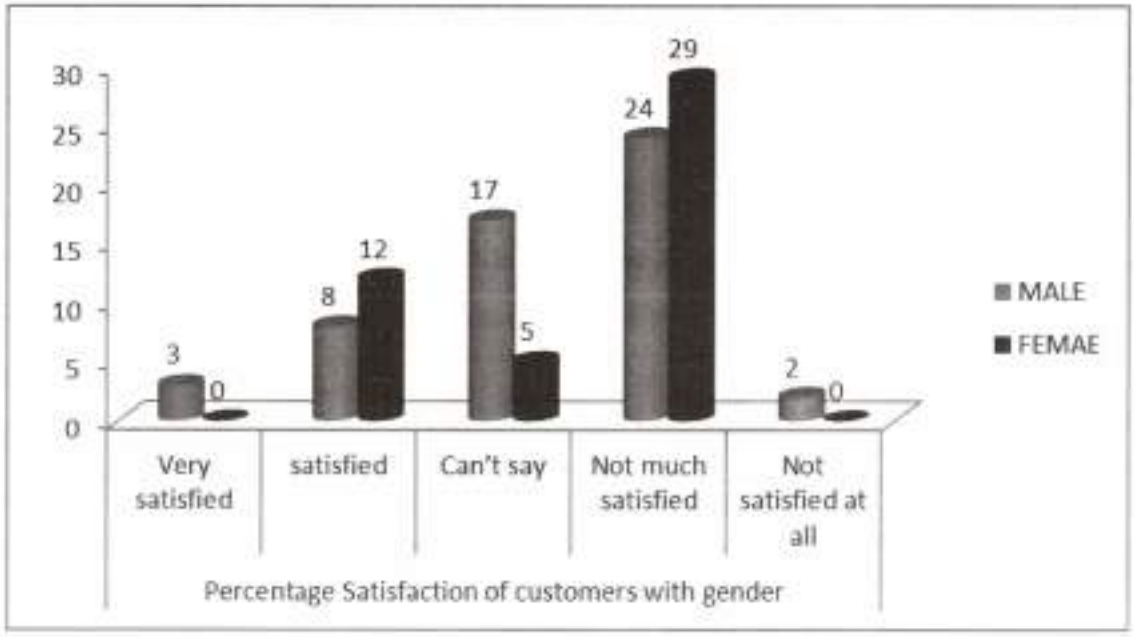
To understand the above more clearly chi square analysis is as following-

Table VI -Chi Square analysis of Satisfaction with Gender

	Val ue	df	Asymp. Sig. (2 -sided)
Pearson Chi -Square	12.256 [a]	4	.016
Likelihood Ratio	14.485	4	.006
Linear -by-Linear Association	.359	1	.549
N of Valid Cases	100		

(Chi square remains significant for gender to support findings of Anova further.)

Figure IV



It's quite evident that female customers appear more satisfied than male customers and are more careful while selecting the new policy for them.

Table VII - Crosstab - Age (Binned) * Satisfied with insurer

Count

		Satisfied with insurer					Total
		Very satisfied	satisfied	Can't say	Not much satisfied	Not satisfied at all	
Age (Binned)	< 25	0	0	2	8	0	10
	25 - 29	2	12	7	8	0	29
	30 - 34	0	2	4	11	0	17
	35 - 39	0	2	5	11	0	18
	40+	1	4	4	15	2	26
Total		3	20	22	53	2	100

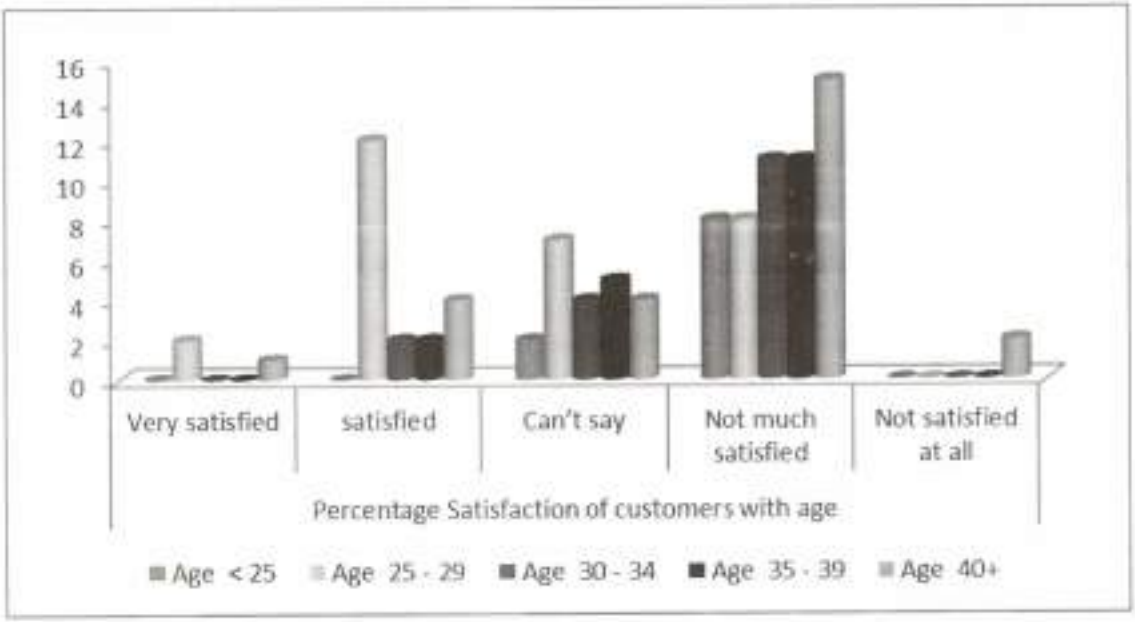
To understand it more clearly Chi Square analysis is as following-

Table VIII - Chi Square analysis of Satisfaction with Age

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	25.331[a]	16	.064
Likelihood Ratio	27.225	16	.039
Linear-by-Linear Association	2.671	1	.102
N of Valid Cases	100		

(Chi Squire remains insignificant for age to support Anova findings further.)

Figure V



Although age has not turned as to be very significant for different level of customer satisfaction but as p values in this case are .064 therefore it can also be a considerable variable after education and gender, while policy making.

Table IX- Crosstab- Income (Binned) * Satisfied with insurer

		Satisfied with insurer					Total
		Very satisfied	satisfied	Can't say	Not much satisfied	Not satisfied at all	
Income (Binned)	< 200000	0	0	0	1	0	1
	200000 - 649999	3	12	16	33	0	64
	650000 - 1099999	0	6	1	11	2	20
	1100000 - 1549999	0	1	0	4	0	5
	1550000+	0	1	5	4	0	10
Total		3	20	22	53	2	100

To understand the above more clearly chi square analysis is done as following-

Table X-Chi Square analysis of Satisfaction with Income level

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	20.674[a]	16	.191
Likelihood Ratio	21.696	16	.153
Linear-by-Linear Association	.274	1	.601
N of Valid Cases	100		

(Chi squire remains insignificant for Income to support findings of Anova further.)

Thus Income is not significant as far as income level of the customers are concerned, therefore insurance companies may consider income as not a considerable moderating variable while promotional policy making.

7. Interpretation, findings and recommendations-

- It's evident from need analysis (Figure I) that in-spite of average rise of 5.7% in GDP level of insurance penetration is slipping. It indicates that rise in insurance premium is relatively lower than rise in GDP and industry growth is below economy growth. Therefore to keep up with the growth customer satisfaction is the foremost factor to be dealt with.
- Customer satisfaction analysis (Table 1, Figure II) reveals that 45% customers are either satisfied or neutral, and 53% are not much satisfied. This situation needs the attention of both the policy makers and insurers to raise the level of customer satisfaction by quality services.
- (Refer table –II) ANOVA (Variance analysis) of level of satisfaction with different customer segment reveals- that level of customer satisfaction varies significantly with their education and gender and remains neutral with respect to age and income. Therefore Null hypothesis, "H0: There is no association of satisfaction level of customers with different customers segments based on their age, gender, income and occupation." is rejected for education and gender but is accepted for income and occupation at 95% confidence level. Therefore Education and gender stands as the most crucial factors while formulating products and marketing strategy.

1. As ANOVA is significant for gender and education of customers therefore further cross tabulation of education and gender reveals the following-

2. (Refer table III and figure III) Professionals have got highest percentage of satisfied customers of 32% including neutral customers as compared to other education categories whereas 25% are not much satisfied this customer segment should be provided value added and hybrid products providing multiple benefits with committed results and services.

3. (Refer table III and figure III) In case of post graduates and graduates percentage of satisfied customers is very low hence this segment should be the foremost priority of the insurers and regulator to be taken care of by understanding their need and providing value via delivery of unpretentious products with committed services.

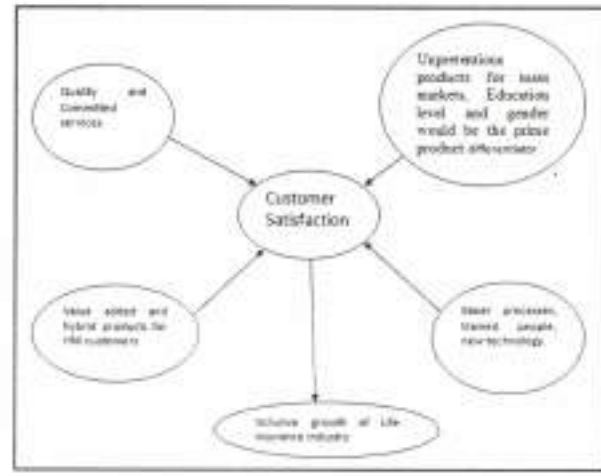
4. (Refer table IV and figure IV) Similarly female customers appear more satisfied than male customers and are more careful while selecting the policy for them. But insurers should try to convert neutral customers both in male and female category to improve upon the insurance penetration.

5. (Refer table V and figure V)Although age has not came out as a significant variable for different level of customer satisfaction but as p values are 0.064 (much closer to critical limits) which makes age as a considerable variable after education and gender. It's quite clear from the Table V that only 16% individuals are either very satisfied or satisfied in the age till 35 years. Which implies satisfaction level increases with the age. Whereas career wise newly settled individuals having good disposable income falls in this category really needs attention of the insurance companies in terms of need based products with value added services.

   Easier processes, trained manpower and use of new technology to reduce transaction cost with no mis-selling practices would result in gaining higher level of customer's satisfaction and confidence leading to inclusive growth of the industry.

6. ***Suggested Model-*** Quality products with value added service especially for professional customers and quality but simpler products for other customers should be the major focus of the insurers primarily to deal with the issue of lower customer satisfaction to increase life insurance penetration and density in India. Following model is suggested based on the above findings-

Figure VI



8. Conclusion-

Mediocre level of customer satisfaction leading to inferior level of insurance penetration and density is the major concern in the growing economy like India. Sophisticated customer satisfaction by way of ethical selling practices, simpler, user friendly and need based products with quality services, would be the key to success for the life insurers at large. Whereas highly educated and professionally qualified segment of the customers would look forward to value added products, quality services and commitment to regain the trust in the insurance industry for sustainability. Current research establishes the significant variations in satisfaction level of customers across different customer segments which opens door for further studies of exploring different motives leading to customer dis-satisfaction in larger domain.

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