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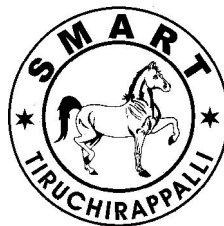
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A STUDY ON THE EXPECTATIONS AND PERCEPTIONS OF THE SERVICES IN PRIVATE LIFE INSURANCE COMPANIES

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Abstract

Customer Service assumes vital importance in the marketing programmes of all modern organizations, including service organisations. The very nature of service marketing requires that service organisation should devote more attention to offering efficient services to the customers. As services are invisible and personalized, they can gain confidence and good will of the customers through efficient and prompt customer services. This survey focuses on the existence of gap between expectations and perceptions of the policy holders towards private life insurance companies.

Introduction to the Study

Life Insurance in India has a long history dating back to 1818. It began when Oriental Life Insurance Company was started by the Europeans in the Bengal Presidency to cater to the needs of the European community. Pre-independent India witnessed discrimination between foreigners and Indians, with higher premia being charged for the latter. It was only in the year 1870, Bombay Mutual Life Assurance Society, the first Indian insurance company, covered the Indian lives at normal rates. Insurance regulations were introduced formally in India through the passing of two Acts, namely, the Life Insurance Companies Act of 1912 and the Provident Fund Act of 1912. However, the first comprehensive legislation was introduced in the form of Insurance Act of 1938 that provided strict state control over insurance business in the country. Though the first legislation was enacted in 1938, it was only on 19th January 1956, that Life insurance in India was completely nationalized, through the Life Insurance Corporation Act, 1956. There were 245 insurance companies of both Indian and foreign origin in 1956. The management of these insurance companies was taken over by the Government of India by way of nationalisation. The result was the emergence of the Life Insurance Corporation of India on 1st September 1956. The corporation has grown to be the largest insurance company in India.

The year 1999 saw a revolution in the Indian insurance sector, as major structural changes took place with the ending of government monopoly in line with the global trend of deregulation and economic reforms in India. Based on the recommendations of the Malhotra Committee, the Government of India passed the Insurance Regulatory and Development Authority Act in 1999. This Act paved the way for the birth of the Insurance Regulatory and Development Authority (IRDA) and the result was the withdrawal of all entry restrictions for private players and foreign players to enter the market with some limits on direct foreign ownership. The industry holds 15 private players with a market share of 18.08 % with respect to premium collection in the year 2006-2007.

Since liberalization, customer awareness has improved. Competition has brought more products, better customer service and has a positive impact on the economy in terms of income generation and employment growth. The success of private players has been attributed to their innovative offers,

customer-centric products, increasing awareness levels of consumers through a need-based, structured approach of selling, sound risk management practices, enhanced service standards, reaching out to the customer through a number of distribution and communication channels and providing advice to the customers.

Statement of the Problem

Customer Service is the ability of an organisation to constantly and consistently give the customer what they want, need and expect. Quality in customer service is critical to success in any liberalized environment. The Indian Insurance Industry has moved into a more competitive arena with the arrival of private players in the market. Any new player entering the insurance business would try to differentiate its product offering, but it is the service delivery system which would become the key differentiator. Against this background, a study about the service quality of selected private insurance companies was undertaken.

Objectives of the Study

l   To measure the significant difference between the expectations and perceptions towards various aspects of service quality in ICICI Prudential, Bajaj Allianz and SBI Life.

l   To offer suggestions on the basis of the study.

Hypothesis

There is no significant difference in the mean scores between the level of perception and the level of expectation on the various factors considered.

Methodology

The following methodology was adopted in the study.

i. Area of the study

The study was restricted to Coimbatore City.

ii. Period of study

The period of study was one year, Sep 2007-Sep 2008

ii.Life insurance companies taken for the study

The life insurance companies taken for the study are the top three private players, ICICI Prudential and Bajaj Allianz and SBI Life. The three private players were taken from the annual report of IRDA, based on the data regarding total life insurance premium during the year 2006-2007.

iii. Sample size

Random Sampling Technique was employed for the purpose of the study. Of the 60 interview schedules distributed to the policyholders of ICICI Prudential, only 52 were usable.50 interview schedules were distributed to the policyholders of Bajaj Allianz and SBI Life each. Only 42 and 32 questionnaires respectively were usable for the application of statistical tools. Thus the total sample amounts to 126.

iv. Instrumentation

The questionnaire was constructed based on the SERVQUAL technique designed by Parasuraman, et.al, to record various factors relating to service quality. It consists of 21 questions relating to expectations and perceptions of the consumers. The responses were measured on a seven point Likert Scale in which indicates complete disagreement and 7 indicates complete agreement.

vi. Data Analysis

The following statistical tools were applied in tune with the objectives.

l   Percentage Analysis, Average Score Analysis, Gap Analysis (Z Test) were carried out at 5% level of significance.

Limitations of the Study

l   The findings of the study depend purely on the response given by the sample respondents.

Results and Discussions

Demographic Profile of the Respondents

The demographic profile of the respondents reveals 64 % males and 36 % females of whom 48 % were married and 52 % were unmarried. For the purpose of analysis, the age of the respondents has been classified into four groups, namely, less than 30yrs-(39%), 30-40yrs-(27%), 40-50yrs -(20%), and more than 50yrs-(14%). Income was measured as monthly income ranging from less than Rs.10, 000 - (19%) to Rs10, 000-20,000-(55%), Rs.20, 000-Rs30, 000 - (18%) and more than Rs.30, 000 - (8%). The education level of the respondents was measured in terms of school level (6%), graduation (40%), post graduation (45%) and professional courses (9%). The occupation status of respondents was grouped as private (49 %), government (17.5 %), professional/ business (25.5 %) and other category (8%) which includes housewives and students.

Expectations of Customers from Life Insurance Companies

Descriptive Statistics were calculated for all the variables comprising service quality in a seven point scale in which 7 indicates complete agreeability and 1 indicates complete disagreeability of the factors considered. In general, the expectations of policyholders towards the life insurance companies are very high on all the issues regarding the service delivery.

Perception about ICICI Prudential

The perception of all aspects of ICICI was high, especially in the delivering of prompt service by employees (64.7%), active response to the request made by policyholders (60.8%), the sense of safe transaction (64.7%), the knowledge of employees to answer the queries of customers (66.7%) and the convenient working hours of ICICI Prudential (70.6%). Thus it is concluded that the respondents' perception was high with regard to most of the services provided by the ICICI Prudential.

Perception about Bajaj Allianz

Based on the opinion of respondents, the perception level of respondents was high on various factors such as modern equipments (76.2%), visually appealing physical facilities (81%), safe transactions with Bajaj Allianz (73.8%) and creating confidence in the minds of customers (73.8%). On the factors relating to quality service, the perception levels are moderately high. Therefore it is concluded that the perception levels are very high on few features like the use of modern equipments, visually appealing physical facilities, safe transaction and creating confidence in the minds of customers.

Perception about SBI Life

The perception levels are high on most of the aspects that are considered to determine the quality in services offered by SBI life. With respect to modern / updated equipments, it scored 71.9%, the operating hours being convenient at 59.4 % and the feeling that they get personal attention from the employees at 16 %. Thus it is concluded that the perception level of policyholders on most of the aspects relating to quality of service offered by SBI Life Insurance was very high.

Gap Analysis

Results : Table 1

In the case of ICICI Prudential, the hypothesis is accepted (not significant) for six variables, namely updated equipments, the premises, the employees' willingness to help customers, the individual attention and operating hours. Hence the hypothesis that there is no significant difference in the mean scores of expectation and perception is proved. In the case of other variables, the hypothesis is rejected (significant) because there exists significant differences.

There is no significant gap between the level of perception and the level of expectation with regard to the appearance of physical facilities, the behaviour of employees in cultivating confidence and the convenient operating hours of Bajaj Allianz and hence the null hypothesis is accepted. But in other factors, the hypothesis is rejected because there exists significant difference.

In the case of SBI life, the hypothesis is accepted (not significant) in the case of fifteen variables because there is no significant difference between the mean scores of expectations and perception of the policy holders. In other factors like the appearance of physical facilities, employees' willingness to help, the knowledge of employees to answer and the individual attention given, the hypothesis is rejected (significant) because there exists significant difference between the expectations and perceptions of the policy holders.

Suggestions

The following are the suggestions.

In life insurance sector, the role of human resource is vital to deliver quality service towards a policyholder. Hence the agents and employees in these organisations must be properly trained and imparted with knowledge skills so that they become professional in delivering the services.

In order to enhance the customer satisfaction, insurance companies must look into all the factors relating to services and frequently inform the policyholders about the current status of policies, launch of new policies through mobile alerts, e-mail initiation or directly through telephone. This will have direct impact on the customer satisfaction.

Conclusion

The study revealed that in the life insurance companies taken for study, the policy holders' expectations are well met in the case of certain factors relating to service quality. But in the case of other variables, there exists a significant gap which means that policy holders have experienced low levels of service as against their expectations. The degree of competition among the private players has increased in the present years. Equipped with the choice of selecting the insurance provider, customers today are more demanding and expecting high standards of service and value satisfaction. If all the players in the life insurance industry focus on the effective delivery of services, they can win the hearts of customers and anticipate their increased market share.

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Table - 1 Results of Gap Analysis

Factors	Gap			t-values			p-values		
	ICICI	Bajaj	SBI	ICICI	Bajaj	SBI	ICICI	Bajaj	SBI
up-to-date equipments	784 E-02	-0.38	0.31	0.645	-3.543	1.717	0.522	0.001	0.096
physical facilities	- 0.31	0.26	0.5	-2.605	1.567	2.43	0.012	0.125	0.021
Neatness of Employees	1.37	-0.33	0.81	14.803	-1.534	2.919	0.000	0.133	0.006
Communication materials	-0.73	0.6	0.34	-5.392	4.11	1.938	0.000	0.000	0.062
Promises to do something by a certain time	-0.2	-0.76	-0.28	-1.218	-3.636	-1.555	0.229	0.001	0.130
Sincere interest in solving it.	-0.24	-0.74	-0.13	-1.808	-4.326	-0.892	0.077	0.000	0.379
Performing things right the first time	-0.8	-0.6	-0.25	-5.739	-5.252	-1.277	0.000	0.000	0.211
Providing services at the promised time	-0.86	-0.43	-9.38E-02	-8.228	-2.46	-0.475	0.000	0.018	0.638
Telling customers exactly when services will be performed	-1.29	-0.43	0.13	-12.674	-2.371	0.626	0.000	0.023	0.536
Employees' providing prompt service to customers	-0.27	-0.74	0.13	-2.82	-4.243	0.502	0.007	0.000	0.619
Employees willingness to help customers	-1.96E-02	-1	-0.31	-0.207	-8.138	-2.154	0.837	0.000	0.039
Employees who are never too busy to respond to the requests	0.55	-0.79	0.19	3.976	-6.267	1.063	0.000	0.000	0.296
Employees who are trustworthy	-1.45	-0.14	0.16	-14.199	-1.03	0.818	0.000	0.309	0.420
Feeling safe in transactions	-0.49	-0.36	0.19	-4.786	-3.048	1.099	0.000	0.004	0.280
Employees who are consistently courteous	-1.22	-0.38	-3.13E-02	-10.747	-4.582	-0.144	0.000	0.000	0.887
Employees who have knowledge to answer customers questions	-0.35	-0.29	-0.38	-4.825	-2.496	-2.104	0.000	0.017	0.044
Convenient operating hours	7.84E-02	-0.31	-0.44	0.704	-2.386	-2.301	0.485	0.022	0.028
Insurance company that gives individual attention	-9.80E-02	-0.21	-3.13E-02	-0.896	-1.851	-0.162	0.374	0.071	0.872
Employees who give personal attention	-0.51	-0.5	-0.13	-3.061	-4.031	-0.643	0.004	0.000	0.525
Insurance company that has best interests at heart	-0.43	-0.43	-0.22	-3.944	-3.767	-1.097	0.000	0.001	0.281
Employees who understand specific needs	-1	-0.36	-0.41	-9.543	-2.482	-2.523	0.000	0.017	0.017

S : p-value £ 0.5; NS : p-value ³ 0.5