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An Empirical Study on the factors Influencing Customers' Choice of Life Insurance Companies in Chennai City

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Abstract

This study examines the factors influencing customers' choice of life insurance companies in Chennai City in an increasingly competitive insurance market. Following the liberalization of the Indian insurance sector, customers have been offered a wide range of life insurance products by both public and private insurers, making it essential to understand the determinants of their selection decisions. The study is based on primary data collected from 500 policyholders, comprising 250 customers each from public and private sector life insurance companies, using a structured questionnaire. Eighteen variables representing customers' preferences were measured using a five-point Likert scale. Stratified random sampling was adopted for data collection, and the responses were analyzed using Principal Component Factor Analysis to identify the underlying dimensions influencing customers' choice of life insurers. The Kaiser-Meyer-Olkin (KMO) value of 0.701 and the significant Bartlett's Test of Sphericity confirmed the adequacy of the data for factor analysis. The results extracted five predominant factors explaining 65.20% of the total variance. These factors were identified as Reliability and Reputation of the Company, Quality Customer Service, Advantages of Insurance Products, Promotional Activities, and Financial Facilities. Among these, reliability and reputation emerged as the most influential determinant, followed by customer service quality. The findings suggest that customers primarily prefer insurers that possess a strong corporate image, trustworthy operations, efficient service delivery, attractive product benefits, effective promotional initiatives, and flexible financial facilities. The study provides valuable insights for life insurance companies in designing customer-centric strategies to enhance customer acquisition and retention in a competitive environment.

Keywords: Life Insurance Companies; Customer Choice, Customer Preference and Service Quality

I.INTRODUCTION

Insurance is primarily a social device adopted by civilized society for mitigating the incidence of loss of income to families by unforeseen contingencies. In India, when life insurance companies started operating in the middle of the 20th century, the evil play natural to all business had its sway. There was a lot of cut-throat competition as well as profiteering. The confirmed social objective of insurance had been totally relegated to the background. As a result, Life Insurance Corporation of India (LIC) came into existence on 1st September, 1956, after the nationalization of all the 245 companies engaged in the life insurance business. From its very inception, the Corporation has made impressive growth, always striving for further improvement. However, the Government made a paradigm shift in the economic policy by adopting the process of liberalization, privatization, and globalization at the end of the previous decade. Consequently, a committee was set up under the chairmanship of Mr. Malholtra, Ex-governor of RBI, to undertake various reforms in the insurance sector in light of the new economic policy. The Committee, which submitted its report in 1993, recommended the establishment of a special regulatory agency along the lines of SEBI and opening of the insurance industry for the private sector. This was aggressively opposed by the various trade unions of the operating insurance companies, which led to some delay in implementation of Malhotra Committee's recommendations. However, the Government passed the Insurance Regulatory and Development Authority (IRDA) Act in 1999 and established IRDA to regulate the insurance business in the country. As a result, the private sector was allowed entry in both the general and life insurance sectors in India. IRDA also allowed foreign participation up to 26 percent in the equity shareholding of private companies. As a result, many companies (both in general and life insurance) got themselves registered with IRDA to operate in India. Presently, twenty-three life insurance companies are operating in India. Out of which, one is a public sector insurance company, and twenty-two are private sector insurance companies. This has provided the customers of insurance companies with a wide range of choice. To maintain the customer base, Insurance companies now have to focus on service quality so that customers remain satisfied. With the phenomenal increase in the country's population and the increased demand for insurance services, speed, service quality, and customer satisfaction are going to be key differentiators for each company's success. Good business growth is achievable only with good customer service and with a good image of insurers. Various committees have gone into the problems in great detail and made recommendations, many of which have been implemented. Despite so many measures initiated at various levels to improve the standard of customer service, the level of satisfaction perceived by various segments of customers has been low, and they feel private banks render better service than public insurers. Measuring customer service is a prerequisite for improving customer satisfaction. Hence, a descriptive study has been conducted by the researcher to find the factors influencing customers to prefer life Insurers: A Study with Special Reference to Chennai City.

Review Of Literature

Namasivayam et al. (2006) found that socio-economic factors, such as age, educational qualification, and gender of the policyholders, are insignificant. Still, income level, occupation, and family size are significant factors influencing policyholders' preferences for various types of policies of LIC of India. Devasenathipathi et.al. (2007) established that customers expect multiple benefits rather than a single benefit from the policy. The reasons behind the preference for a particular company included: more returns from policy, less premium, more awareness created by companies, variety in policies, and advertisement. Ray and Ali (2008) observed that life insurance has become an attractive investment channel along with providing risk coverage against death/accident, tax savings, and meeting post-retirement needs, etc. People like to receive quarterly statements; companies should also inform people about premium payments, new products, and fund switching. The preferred media of communication are SMS, phone call, and e-mail, at least for the urban population. Ajay Suneja and Kirti Sharma identified five factors influencing the customer's choice of life insurance company: promotional activities, image of the company, customer convenience, financial and non-financial facilities, and premium and procedural formalities.

Objective Of the Study

The Present study objective is to find out the factors influencing customers to prefer life insurers in Chennai city.

Research Methodology

To fulfill the objective of the present study, primary data have been collected from life insurance customers in Chennai city. In this regard, a structured questionnaire was developed. To prevent misinterpretations, the questionnaire was pre-tested on a pilot group selected from the population. For the pilot study, a survey of 50 respondents was conducted. After the pilot study, necessary modifications were incorporated in the questionnaire, and the same was administered for the final study. 18 statements were used to identify the factors influencing customers to prefer life insurers in Chennai city. A five (5)- point Likert scale (where least important = 1 and very important = 5) was used to measure the customer perception about each statement. A stratified random sampling design has been adopted. The total sample size was 500 respondents. Out of which, 250 respondents from Public sector insurance company(LIC) and 250 from private sector life insurance companies The ten private sector life insurance companies namely SBI Life insurance, ICICI Prudential Life insurance company, HDFC standard life insurance company, Bajaj Allianz life insurance company, Reliance life insurance company, Birla sun life insurance company, Tata AIG life insurance company and Max Newyork life insurance company has been selected based on their market share. To reduce the number of variables, the factor analysis technique was adopted to identify the predominant factors. The data has been collected during the period from 1st October 2013 to 28th February 2014. The study was restricted to Chennai city.

Table :1
Characteristics of Respondents

Gender	**Frequency**	**Percentage**
Male	300	60.00
Female	200	40.00
Total	**500**	**100.00**
Age		
Below 25 years	147	29.40
26 – 35 years	175	35.00
36 – 45 years	125	25.00
Above 46 years	53	10.60
Total	**500**	**100.00**
Educational Qualification		
Up to HSC	100	20.00
UG	200	40.00
PG	125	25.00
Professional	75	15.00
Total	**500**	**100.00**
Occupation		
Professional	72	14.40
Salaried	329	65.80
Businessman	99	19.80
Total	**500**	**100.00**
Monthly Income		
Below Rs.20,000	25	5.00
Rs.20,001 –Rs.40,000	275	55.00
Rs.40,001 – Rs.60,000	125	25.00
Above Rs.60,000	75	15.00

Total	**500**	**100.00**
Sector		
Public	250	50.00
Private	250	50.00
Total	**500**	**100.00**

Source: Computed data

Table 1 highlights the characteristics of the respondents. The total number of respondents was 500, out of which 300 (60%) were male and 200 (40%) were female. Majority 175(35%), were in the age group of 26-35 years, followed by 147(29.40%) in the age group of up to 25 years, 125(25%) in the group of 36-45 years, and 53(10.60%) in the age group of above 46 years. In connection with educational qualification of respondents, 200(40%) of respondents were undergraduates, 125(25%) respondents were post graduates, 100(25%) respondents were up to HSC qualified and 75(15%) respondents were professionals. Occupations wise, 329(65.80%) of respondents were salaried, 99(19.80%) respondents were business and 72(14.40%) of the respondents were professionals. Total monthly income wise, majority 275(55%) of the respondents were in the income group of Rs.20, 001 – 40,000, 125(25%) of the respondents were in the income group of below Rs. 40, 001 -60,000, 75(15%) were in the income group of above Rs.60, 000.

Factors Influencing the Customer to Prefer the Life Insurers in Chennai City

The present study's ultimate objective is to find out the factors influencing the customers to prefer the life insurers in Chennai city. The consumers respond to these factors on a 5-point Likert scale. The factors influencing consumers to prefer the life insurers are numerous. So, it is necessary to analyze the situation for data reduction. Therefore, factor analysis and principal component methods are applied, and the variables are reduced into predominant factors.

Factors influencing consumers to prefer life insurers are identified through 18 variables on a Likert 5-point scale. Factor analysis is applied to these 18 variables, and the following results are obtained.

Table: 1

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.701
Bartlett's Test of Sphericity	Approx. Chi-Square	3725.795
	df	153

	Sig.	0.000

Source: Computed data

From the above table, it is observed that the KMO measure of sampling adequacy is 0.701. Bartlett's Test of Sphericity, Chi-square value is 3725.795 and is statistically significant at the 5% level. This shows that the sample size is adequate to reduce the 18 variables into major factors with a considerable amount of variance.

Table :2

Communalities For Factors Influencing the Customers to Prefer the Life Insurers in Chennai City

Communalities		
	Initial	Extraction
V 1	1.000	0.659
V 2	1.000	0.706
V 3	1.000	0.634
V 4	1.000	0.657
V 5	1.000	0.768
V 6	1.000	0.680
V 7	1.000	0.614
V 8	1.000	0.649
V 9	1.000	0.684
V 10	1.000	0.556
V 11	1.000	0.666
V 12	1.000	0.524
V 13	1.000	0.786
V 14	1.000	0.479
V 15	1.000	0.857
V 16	1.000	0.477
V 17	1.000	0.588
V 18	1.000	0.752

Source: Computed data

Extraction Method: Principal Component Analysis

It is observed from the above table that the variance ranges from 0.477 to 0.857. It implies that 18 variables exhibited variations from 47.7% to 85.7%. This is statistically significant for the factor derivation.

Table :3
Total Variance explained for Factors Influencing the Customers to Prefer the Life Insurers

Total Variance Explained						
Component	Initial Eigen values			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.866	21.479	21.479	3.176	17.643	17.643
2	3.219	17.881	39.360	2.449	13.605	31.248
3	1.706	9.475	48.835	2.351	13.060	44.309
4	1.564	8.687	57.523	2.093	11.630	55.938
5	1.381	7.673	65.195	1.666	9.257	65.195
6	.916	5.089	70.285			
7	.828	4.598	74.883			
8	.748	4.154	79.036			
9	.655	3.641	82.677			
10	.585	3.251	85.928			
11	.485	2.696	88.624			
12	.426	2.367	90.991			
13	.402	2.236	93.227			
14	.357	1.983	95.210			
15	.298	1.657	96.867			
16	.253	1.408	98.275			
17	.188	1.044	99.318			
18	.123	.682	100.000			

Source: Computed data
Extraction Method: Principal Component Analysis

The above table highlights the total variance explained by factors influencing customers to prefer life insurers in Chennai city. There are 18 variables reduced into 5 predominant factors with individual variances (17.643, 13.605, 13.060, 11.630, and 9.257). A considerable number of underlying variables respond to these five factors.

Table :4
Rotated Component Matrix for Factors Influencing the Customers to Prefer the Life Insurers in Chennai City

Rotated Component Matrix[a]					
	Component				
	1	2	3	4	5
V 15	0.915				
V 13	0.860				
V 1	0.758				
V 6	0.639				
V 5	0.566				
V 18		0.798			
V 4		0.704			
V 3		0.606			
V 14		0.573			
V 12		0.480			
V 7			0.765		
V 2			0.762		
V 10				0.697	
V 11				0.682	
V 16				0.539	
V 17				0.502	
V 9					0.794
V 8					0.748

Source: Computed data
Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
Rotation converged in 9 iterations

The above table highlights the five prime components that played a very significant role among the customers in preferring life insurers in Chennai city. The rotated component helps in making a broad interpretation of the five parameters identified. The first factor is the most vital, explaining 21.479% of the total variance. In total, five statements load on this factor. The highest loading is "sound solvency position" (0.915), followed by "Variety of Insurance products and its features" (0.860), "Reputation of the company" (0.758), "Image of the company" (0.639), and "Trust of the company" (0.566). It is named "Reliability and reputation of the company".

The second factor explains 17.881% of the total variance and comprises five statements. The highest loading among the statement is "Renewal premium notice sent to customers through notice, SMS, and Direct call regularly" (0.798) followed by "Multiple premium payment channels available (debit card, credit card and e-payment)" (0.704), "Prompt settlement of money back policy, claims and settlement" (0.606)," Easy change of premium payment mode" (0.573) and "convenient office working hours"(0.480). It is named as "Quality customer service".

The third factor explains 9.475% of the total variance, which comprises two statements. The highest loading in the third factor is "Availability of income tax benefit" (0.765) and "Maturity is non-taxable income" (0.762). It is named as "Advantages"

The fourth factor explains 8.687% of the total variance and comprises four statements. Among the statements, the highest loading is "Awareness program conducted" (0.697), followed by "Regularly conducting lapsed policy revival campaigning" (0.682), "Insurance consultant and staff have good relationship with customers" (0.539), and "Celebrity advertisement" (0.502). It is named as "Promotional Activities".

The fifth factor explains 7.673% of the total variance and comprises two statements. The highest loading among the two statements is "Loan facility against policy" 0.794) and "Partial withdrawal facility" (0.748). It is named as "Financial facilities".

Summary of Findings

- The total number of respondents was 500, out of which 300 (60%) were male and 200 (40%) were female.
- Majority 175(35%), were in the age group of 26-35 years, followed by 147(29.40%) in the age group of up to 25 years, 125(25%) in the group of 36-45 years and 53(10.60%) in the age group of above 46 years.
- In connection with the educational qualification of respondents, 200 (40%) of respondents were undergraduates, 125 (25%) respondents were postgraduates, 100 (25%) respondents were up to HSC qualified, and 75 (15%) respondents were professionals.
- Occupations wise, 329(65.80%) of respondents were salaried, 99(19.80%) respondents were business and 72(14.40%) of the respondents were professionals. Total monthly income-wise, majority, 275(55%) of the

respondents were in the income group of Rs.20, 001 – 40,000, 125(25%) of the respondents were in the income group of below Rs. 40, 001 - 60,000, 75(15%) were in the income group of above Rs.60, 000.

- The most significant five factors have been identified through factor analysis, namely Reliability and Reputation of the company, Quality customer service, Advantages, promotional activities, and financial facilities.

II.CONCLUSION

The study has been framed with eighteen variables regarding factors influencing customers to prefer life insurers, which are grouped into five predominant factors. The majority of policyholders become policyholders because of the company's reliability and reputation. The second important factor is customer service, will influence to become a policy holder of the company, the third factor is advantages of insurance product will motivate the customers to become a policy holder of insurance company, the fourth factor is promotional activities will encourage the customers and the fifth factor is financial facilities also motivate the respondents to become a policy holder.

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