

## A STUDY ON CUSTOMER SATISFACTION TOWARDS THE SERVICE QUALITY OF PUBLIC AND PRIVATE SECTOR LIFE INSURERS IN TAMIL NADU

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### **Abstract**

*In the present competitive scenario, a key differentiator is the professional customer service in terms of quality of advice on product choice along with policy servicing. Servicing focus is on enhancing the customer's experience and maximizing his convenience. The customers are to be treated with respect and courtesy. In order to keep the customers happy and satisfied, the life insurance companies send the birth day wishes to the policyholders, premium reminder SMS services and the like. Present study examines the satisfaction of customers in various dimensions like Initiatives to create customer awareness, Policy features, Customer confidence, Agent customer relation, Timely service, Customer comfort, Channel effectiveness (Marketing intermediaries), Customization and found the public sector enterprise LIC performing superior in all these dimensions.*

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### **Introduction**

Customer satisfaction determines the success of life Insurance business. In the service industry where intangibles are marketed, the importance of customer satisfaction is all the more significant. Prompt and effective service boosts the morale of the sales force to present a bold form and hold their prospects. Service encompasses the service rendered to clients before the insurance contract, during the policy term and after sales. Insurance is a unique service industry. The key industry drivers are related to life style issues in terms of perceiving insurance as a savings instrument rather than a risk cover, need based selling, quality of service and customers awareness. In the insurance sector itself, there will be demand for marketing specialists, finance experts, human resource professionals, systems professionals, statisticians and even medical professionals. The demand for underwriters', claims managers and actuaries will continue to remain high. Systems professionals especially would be required to generate the MIS (Management Information Systems), to help the organisations in decision making and product pricing. Financial literacy can empower individuals to optimize their spending within specified budgets thereby making room for systematic investments, managing debt, and making strategic investment decisions for their health and retirement planning. Education will also empower them not to become victims of fraud and prevent becoming involved in transactions that are financially destructive.

### **Need for Insurance Education**

Financial knowledge is vital to wealth creation and wealth management. The journey towards improving financial literacy has been a little slow; and awareness about the financial markets remains very low in our country. Within the financial sector, insurance has suffered considerable neglect. It is generally viewed as just a saving instrument and a tax saving device; risk cover to life insurance is purely incidental. The basic understanding on need requirement and assessment are practically not done by many. The Indian market situation requires a high level of literacy among both the buyers and sellers of insurance. Activities associated with marketing of a product, assessing risk and issuing policies, obtaining reinsurance, handling claims, and providing customer service are highly specialized and need a thorough understanding of the subject. Considering the unlimited extent of market potential, there is a need to spread insurance education to general

population advising on the benefits of insurance and guiding them on assessing their need requirements. It is equally important to impart quality insurance education to the personnel of the insurance companies to ensure right selling and quality service deliveries to clients.

### Review of Literature

**Levitt (1981)** stresses the importance of making the intangible aspects in service business more effectively to retain the customers. **Gronroos (1984)** described the perceived service quality as the difference between expected service quality and experienced service quality. Customers will give an institution of higher preference for its service when it meets or exceeds their service desire. **Zeithamal (1984)** identified that while purchasing services, customers' attention is often limited to a small number of tangible inputs. The author suggested that the physical environment like buildings, offices and interior design affects customer belief, attitude and satisfaction and it provides an opportunity to tell the right description about the service delivered. **Berry et.al., (1985)** divided service quality into two types; regular services and handling of exceptions or problems to ensure that appropriate procedures are taken to deal with inevitable failures. They opined that the individual's experience towards a service, forms the basis of an assessment of its quality. **Schneider (1990)** identified that both employees and customers will experience more positive outcomes when the organization operates with customer orientation. **Lehtiness and Lehtiness (1991)** the researchers concluded that the output in the form of quality is what the customer pays for, is to a large extent intangible in nature and may be difficult to quantify. **Gummesson (1992)** studied the effectiveness of humanistic quality approach in indentifying the quality dimensions of services offered by various service organizations. Through his research he observed that at one extreme stressing customers, personnel, leadership and culture, whereas at the other end lies a technical approach concerning operations management, statistics and methods of measurement. **Parasuraman, Zeithaml and Berry (1996)** defined service quality from the customers' view rather than based on internal performance measures. They defined satisfaction as customers' perception of a single service experience, whereas quality is the accumulation of the satisfaction for many customers over many service experiences. **Appi Reddy. V and Narashimha Murthy G (1996)** revealed that the service quality factors play an important role in consumers' decision making process in the insurance market. The study suggests that the insurance companies have to create their own niche market and try to satisfy the customers of the selected segment very effectively. **Narasima Murthy (1999)** in his paper attempted to examined the premium charges of life insurance products and concluded that the rates should be reviewed in view of declining mortality rate. **Ramakrishna Reddy K. and Raghunandaha Reddy, (2000)** the study made an attempt to know about the drawbacks and shortcomings of the LIC and suggested to motivate the unorganized sector workers and rural households to invest in insurance.

### Research Methodology

The primary objective of this research is to identify the customers' perception on the service quality of private and public life insurers and its effectiveness in stimulating the favorable behavioral pattern. Research studies of customer behavior need to be carried-out at regular intervals in order to identify the changes in the preferences among the customers. These changes are mostly required because of the changes in their life style and stage of their life cycle. Such studies enable the business enterprises to take measures proactively and help to retain the existing customers over a long period of time. In the present research, an attempt has been made to study the satisfaction level of customers on various service quality dimensions which helps to improve the service standards of the insurers.

### **Statement of the Problem**

Indian Insurance Industry has been privatized with the objective of increasing the penetration level in the country. Customer satisfaction is the key element in deciding the success of life insurance business. There is an immense need for understanding the customers' satisfaction towards service quality dimensions of life insurance companies. In view of increasing the penetration level, the present study examines the level of satisfaction of customers and the difference in the delivery of services by the public and private sector life insurance companies. The questions that motivates the research to undertake the current research are, Are the customers are aware of the various terms and conditions of life insurance companies? What are the various services rendered by the insurers and how far these services match the expectations of the customers? How to enhance the quality of services offered by the insurance companies? To improve the quality of service standards, what sort of assistance required? These are all but a few questions which need to be answered in an in-depth manner hence, the present study.

### **Objectives of the study**

- To study the satisfaction level of the insured population on the various service quality dimensions.
- To identify the difference in service standards of public and private life insurance companies.
- To study the level of awareness on the various features of life insurance products among the insured population.
- To examine the problems being faced by the insured on different aspects of life insurance contracts.
- To suggest measures to improve the penetration of in life insurance business in the rural areas.

### **Research Design**

The present research is empirical in nature that addresses the research objectives and hypothesis formulated towards the factors that are influencing the purchase of life insurance policies. Also, the research investigates the customers' level of satisfaction and the major problems being faced by the customers. In this research study descriptive interview schedule was administered to collect the data from the insured respondents and to test the hypothesis formulated in this study. The behavioural pattern of the customers was traced by observing the relationship between the socio-economic characteristics and the preferences towards life insurance policies. The research study has selected the rural customers of both private and public sector life insurance companies. Cluster random technique has been used to select the respondents from the rural segments. The villages come under each taluk were randomly selected for the consideration of selecting the sample respondents. Thereby the equal probability was ensured to all the life insurance policy holders, for the inclusion as sample in the present study.

### **Pilot study**

A pilot study was carried out with a minimum of 250 sample respondents in order to test the reliability of the proposed research. The necessary corrective measures were incorporated in the interview schedule and methodology, based on the results of the pilot study. The research is carried out to study the behaviour of customers towards the life insurance products in the rural areas. In order to identify the level of influence that an individual gained through various factors are studied with the help of Likert's five point scale. The reliability statistics of both the scale is shown below. The data were analysed by using relevant statistical techniques including descriptive statistics, ANOVA, and Hentry Garrett ranking method. Statistical Package for Social Sciences (SPSS) was used for analyzing the data to arrive at meaningful inferences.

**Findings**

**Table1 Level of Awareness about Life Insurance among the Rural Customers**

S.N.	Aspects of Awareness	Level of Awareness				
		Unaware	Just Aware	Partly Aware	Aware	Fully Aware
1	Awareness about the risk sharing and other benefits of Life Insurance	183 (26.1)	77 (11.0)	181 (25.9)	154 (22.0)	105 (15.0)
2	Awareness about the Life Insurance Companies and its reputation	259 (37.0)	42 (6.0)	181 (25.9)	178 (25.4)	40 (5.7)
3	Awareness about the Life Insurance Product types and its Terms & conditions	256 (36.6)	175 (25.0)	164 (23.4)	53 (7.6)	52 (7.4)
4	Awareness about the various administrative and other charges involved in the policy	298 (42.6)	117 (16.7)	156 (22.3)	98 (14.0)	31 (4.4)
5	Awareness about the grievance handling mechanism & the procedure to resolve the grievances	312 (44.6)	190 (27.1)	129 (18.4)	59 (8.4)	10 (1.4)
6	Awareness about the rights of the policy holders	193 (27.6)	115 (16.4)	223 (31.9)	128 (18.3)	41 (5.9)
7	Awareness about the role of regulatory body (IRDA) in protecting the policy holder interest	266 (38.0)	158 (22.6)	180 (25.7)	85 (12.1)	11 (1.6)

Source: Primary Data

**Figures in parenthesis are percentages to column total**

It is evident that the awareness about the risk sharing and other benefits of life insurance was very low among the customers as 26.1 per cent opined that they were unaware of the risk sharing methodology of life insurance. And 37.0 per cent of respondents stated that they were not aware about the various life insurance companies and its reputation. It is also observed that 36.6 per cent were unaware about the type of various life insurance products and their terms and conditions. And also 42.6 per cent of the customers were not aware of the various administrative charges involved in their policies. It is noteworthy that 44.6 per cent of the respondents were unaware about the grievance handling mechanism of the life insurance companies and 31.9 per cent of the customers were partly aware about the rights of the policy holders. The awareness about the role of regulatory body, IRDA, in protecting the policy holder interests was also poor and only 1.6 percent of the customers were fully aware about the role of IRDA.

**Awareness about the Terms and Conditions of the Life Insurance Policies among the Insured Respondents Table 2**

Aspects of Life Insurance Policy awareness	Aware/Not aware	Educational Qualification					Total
		Illiterates	up to schooling	Degree level	PG & Professional	Diploma	
Availability of Tax Concession	Not aware	93 (13.3)	51 (7.3)	20 (2.9)	40 (5.7)	3 (0.4)	207 (29.6)
	Aware	77 (11.0)	139 (19.9)	87 (12.4)	173 (24.7)	17 (2.4)	493 (70.4)
Minimum Period for Surrendering	Not aware	112 (16.0)	71 (10.1)	54 (7.7)	96 (13.7)	8 (1.1)	341 (48.7)
	Aware	58 (8.3)	119 (17.0)	53 (7.6)	117 (16.7)	12 (1.7)	359 (51.3)
Minimum Period to obtain Loan	Not aware	117 (16.7)	53 (7.6)	56 (8.0)	136 (19.4)	6 (0.9)	368 (52.6)
	Aware	53 (7.6)	137 (19.6)	51 (7.3)	77 (11.0)	14 (2.0)	332 (47.4)
Claim amount on Natural Death	Not aware	67 (9.6)	66 (9.4)	48 (6.9)	98 (14.0)	5 (0.7)	284 (40.6)
	Aware	103 (14.7)	124 (17.7)	59 (8.4)	115 (16.4)	15 (2.1)	416 (59.4)

Exclusions from the coverage	Not aware	98 (14.0)	79 (11.3)	66 (9.4)	102 (14.6)	2 (0.3)	347 (49.6)
	Aware	72 (10.3)	111 (15.9)	41 (5.9)	111 (15.9)	18 (2.6)	353 (50.4)
Knowledge on Suicide Death	Not aware	120 (17.1)	125 (17.9)	73 (10.4)	140 (20.0)	15 (2.1)	473 (67.6)
	Aware	50 (7.1)	65 (9.3)	34 (4.9)	73 (10.4)	5 (0.7)	227 (32.4)
Knowledge on Policy Lapses	Not aware	110 (15.7)	126 (18.0)	67 (9.6)	136 (19.4)	13 (1.9)	452 (64.6)
	Aware	60 (8.6)	64 (9.1)	40 (5.7)	77 (11.0)	7 (1.0)	248 (35.4)
Knowledge on Policy Revival	Not aware	146 (20.9)	118 (16.9)	75 (10.7)	141 (20.1)	5 (0.7)	485 (69.3)
	Aware	24 (3.4)	72 (10.3)	32 (4.6)	72 (10.3)	15 (2.1)	215 (30.7)
Knowledge about free look period	Not aware	141 (20.1)	144 (20.6)	81 (11.6)	154 (22.0)	16 (2.3)	536 (76.6)
	Aware	29 (4.1)	46 (6.6)	26 (3.7)	59 (8.4)	4 (0.6)	164 (23.4)

Source: Primary Data

**Figures in parenthesis are percentages to column total**

It is observed that 24.7 per cent of the respondents with post graduation and professional qualification were aware about the availability of tax concession for their investments in life insurance. The awareness about the minimum period for surrendering the policy was high (17.0) among the respondents with school level education. And 19.6 per cent respondents with school level qualification were aware about the minimum period to obtain loan. Awareness about claim amount on natural death was high with 59.4 percent. Exclusions from the coverage of the present policy were not aware among the 49.6 per cent of the respondents. Knowledge about the suicide death was very low and 67.6 percent were not aware about the conditions of suicide death. Knowledge about policy lapses, policy revival and free look period were very poor among the customers of rural background.

**Satisfaction among the Customers of LIC**

**Table 3**

S.No.	Aspect of Satisfaction	Level of Satisfaction		
		High	Medium	Low
1	Initiatives to create customer awareness	125(23.81)	396(75.43)	4(0.76)
2	Policy features	345(65.71)	124(23.62)	56(10.67)
3	Customer confidence	497(94.67)	22(4.19)	6(1.14)
4	Agent customer relation	398(75.81)	101(19.24)	26(4.95)
5	Timely service	69(13.14)	387(73.71)	69(13.14)
6	Customer comfort	467(88.95)	22(4.19)	36(6.86)
7	Channel effectiveness (Marketing intermediaries)	412(78.48)	86(16.38)	27(5.14)
8	Customization	246(46.86)	212(40.38)	67(12.76)

Source: Compiled from the Primary Data

**Figures in parenthesis are percentages to column total**

**Level of Satisfaction among the Customers of LIC:**

It is inferred that 75.43 per cent of the respondents were having medium level of satisfaction towards the initiatives taken to create customer awareness, 65.71 per cent of the respondents were highly satisfied towards the features of the policies, 94.67 per cent of the respondents were having high level of satisfaction towards the customer confidence, and 88.95 per cent customers were highly satisfied with the customer comfort measures. The effectiveness of marketing channels has created a high level of satisfaction among 78.48 per cent of customers. Customized services of LIC have created a high level satisfaction among the 46.86 per cent of its customers.

**Satisfaction among the Customers of Private Life Insurers Table 4**

S.No.	Aspect of Satisfaction	Level of Satisfaction		
		High	Medium	Low
1	Initiatives to create customer awareness	112 (64.00)	56 (32.00)	7 (4.00)
2	Policy features	138 (78.86)	22 (12.57)	15 (8.57)
3	Customer confidence	37 (21.14)	42 (24.00)	96 (54.86)
4	Agent customer relation	22 (12.57)	21 (12.00)	132 (75.43)
5	Timely service	117 (66.86)	54 (30.86)	4 (2.29)
6	Customer comfort	87 (49.71)	45 (25.71)	43 (24.57)
7	Channel effectiveness (Marketing intermediaries)	47 (26.86)	86 (49.14)	42 (24.00)
8	Customization	67 (38.29)	49 (28.00)	59 (33.71)

Source: Compiled from the Primary Data

Figures in parenthesis are percentages to column total

**Level of Satisfaction among the Customers of Private Life Insurance Companies:**

It is obvious that 78.86 per cent customers were highly satisfied with the features of life insurance products, 54.86 per cent are having low level of satisfaction towards the confidence over the insurers, 75.43 per cent expressed a low level of satisfaction towards the agent customer relationship, 66.86 per cent customers opined that the timely services of private insurers is good. The level of satisfaction towards the customer comfort is also high with 49.71 per cent. And 49.14 per cent of the customers are having moderate level of satisfaction towards the effectiveness of marketing channels and the 38.29 per cent of customers highly satisfied with the customized service delivery of the private life insurers.

**Problems among the Policy Holders of LIC**

The common problems faced by the life insurance policy holders in the study area were analysed. A list of problems such as Delayed remittance of collected premium to the company by the agents, Failure to remind the due date for premium payment, Delay in settlement of claims, Difficulties in changing the riders associated with the policy, Delay in sanctioning the loan, and investing in policies that are different from the policies demonstrated by the agents and so on. Hentry Garrett ranking method was employed to rank the problems being faced by the insured. The scores obtained by various problems are shown below.

**Table 5**

S.No.	Problems	Total Score	Avg. Score	Rank
1	Delayed remittance of collected premium to the company by the agents	31855	60.68	V
2	Failure to remind the due date for premium payment	31092	59.22	VI
3	Delay in settlement of claims	34870	66.42	I
4	Difficulties in changing riders	32140	61.22	IV
5	Delay in sanctioning the loan	33464	63.74	II
6	Investing in the policies other than demonstrated	32613	62.12	III

Source: Compiled from the Primary Data

Delay in settlement of claims was ranked first with a Garrett score of 34870 points, Delay in sanctioning the loan ranked second with a score of 33464. Investing in the policies other than the demonstrated policy ranked third with a score of 32613, difficulties in changing riders associated with the life insurance policies ranked fourth and the fifth major problem of Delayed remittance

of collected premium to the company by the agent was emerged with a Garrett score of 31855 points. The Failure to remind the due date for premium payment ranked sixth with a score of 31092 points.

### Problems of the Policy Holders of Private Life Insurance Companies

The common problems faced by the Private Life Insurance policy holders in the study area were studied. A list of problems such as convincing by assuring higher rate of return, switching nature of the agents to other professions, delay in settlement of claims, difficulties in changing the riders associated with the policy, delay in sanctioning the loan, investing in policies that are different from the policies demonstrated by the agents. Hentry Garrett ranking method was employed to rank the problems being faced by the insured. The scores obtained by various problems are shown below.

Table No 6

S.No.	Problems	Total Score	Avg. Score	Rank
1	Convincing by assuring higher rate of return	11678	22.24	II
2	Switching nature of the agents to other professions	10505	20.01	IV
3	Delay in settlement of claims	11760	22.40	I
4.	Difficulties in changing riders	9668	18.42	VI
5	Delay in sanctioning the loan	11607	22.11	III
6	Investing in the policies other than demonstrated	10046	19.14	V

Source: Compiled from the Primary Data

Delay in settlement of claims was ranked first with a Garrett score of 11760 points. Convincing by assuring higher rate of return ranked second with a score of 11678. The third problem being faced by the insured respondents was Delay in sanctioning the loan with a score of 11607. The fourth problem was the Switching nature of the agents to other professions with the score of 10505. The fifth major problem of Investing in the policies other than demonstrated was emerged with a Garrett score of 10046points. The Difficulties in changing riders ranked sixth with a score of 9668points.

### Managerial Implications

Hentry Garette Ranking analysis highlights the delay in settlement of claim and sanctioning loan is the major problems among the customers of LIC of India. The ultimate expectation of investing in life insurance is getting financial assistance immediately on the occurrence of the insured event. Sanctioning the assured amount by completing an earliest enquiry will motivate the rural customers to invest in life insurance. Agents are the brand ambassadors of the company and their service standard need to be improved during the claim settlement. While studying the attraction towards the advertisements of LIC, the level of satisfaction among the rural customer is found to be very low. Most of the advertisement copies focus the salaried urban prospects and no appeal to the rural folk. It is suggested to launch advertisement campaigns that are exposing the perils involved in the day-to-day life of the rural residents. The major hurdle in bringing the lower income sections of the rural area into the insurance business is their seasonal income. This can be viewed as an opportunity to the insurer and innovative life insurance products can be designed that are offering minimum returns during the period of unemployment (non-seasonal) after a certain period of time. Establishing a multiple terminals for touching the customer is the need of the hour.

There exists a general attitude among the rural prospects that agents want to sell something for their personal gains. This belief is supported by the periodical visits and reminders of the agents. To reposition the life insurance it is suggested to promote the concept through the various service terminals like ration shops, primary health centers, post offices, panchayat offices. At present the insurance advice is made through banks and post offices. But most of the rural residents have no purpose to access these facilities hence it is suggested to promote the life insurance through ration shop like point of contact where the insurer can find regular visits of almost all families. This will facilitate for the collection of premium at the convenience of the policy holders and also the probability of tangibilizing the service will be high.

## Conclusions

In life insurance industry, ability to create customer confidence and offering attractive returns are the two major aspects that determine the organizations' survival. Creating customer confidence requires 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 synergic effect in raising fund to meet the claim requirements. The study reveals that the service offered by the LIC is superior than the private life insurers.

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