

CUSTOMER PREFERENCE AND PERCEPTIVE ABOUT LIFE INSURANCE POLICY WHILE MAKING PURCHASE DECISION

Ms. Trapti Asava*
Dr. Asha Rathi**

ABSTRACT

People tend to protect them from risk and save them from future events. People can use different forms of ideas to save their income i.e. Gold, properties as well as purchase insurance policies. In this study, an attempt has been made to find out the reasons behind the growing market of Life Insurance through the perception of customers for a life insurance policy. The Major Findings of the study is that different factors are responsible for the growing Life insurance market as per customer perception. The following factors influence the customer perception towards Life Insurance Policy of the Life insurance companies. Factors of Potential Customer 's Perception Towards Insurance Policy At the time of Purchasing are: Risk Covering; Investment Purpose; Security; Tax Saving; Goodwill of Life Insurance Company etc.

KEYWORDS: *Insurance, Life Insurance, Insurable Interest, Customer Perception, Tax Saving.*

Introduction

Insurance is an instrument of distributing the losses of a few among many.

According to Mark S. Dorfman,

"Insurance is a financial arrangement that distributes the costs of unexpected losses."¹ He also added that an insurance system accomplishes the redistribution of the cost of losses by collecting a premium payment from every participant in the system.²

Life Insurance

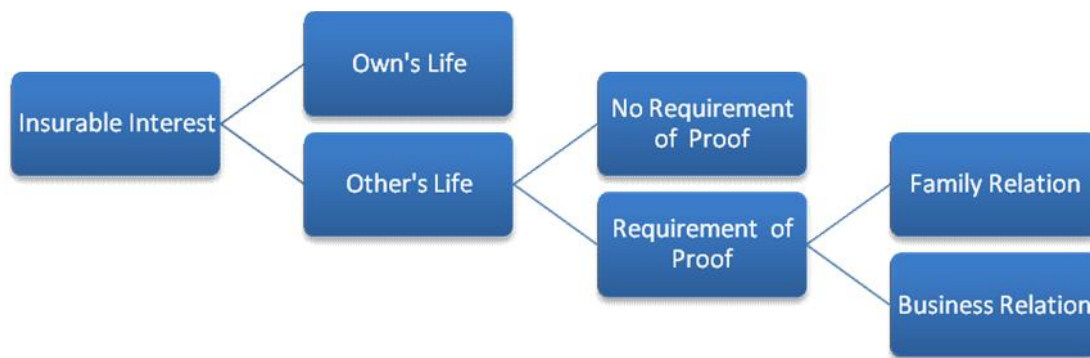
Life Insurance is a contract that is essential to fulfilling legal requirements under the Indian Contract Act, 1872, to provide legality to the contract; it means that all essentials of a legal contract must exist in a life insurance contract. According to section 2(h) and section 10 of the Act, the following essentials are necessary in a valid contract:

- Agreement by proposal and acceptance.
- Contractual capacity in the parties.
- Free consent of the parties.
- Lawful consideration and object.

* Research Scholar, Department of Business Administration, Faculty of Commerce And Management Studies, Jai Narain Vyas University, Jodhpur, Rajasthan, India.

** Assistant Professor, Department of Business Administration, Faculty of Commerce and Management Studies, Jai Narain Vyas University, Jodhpur, Rajasthan, India.

- Agreements should not be declared as void.
- In addition to these elements of an insurance contract; some special elements must exist in a life Insurance contract, which is as follows:
- Uberrima Fidei
- Insurable Interest.
- **The Doctrine of Uberrima Fidei** :- According to Uberrima Fidei, a Life insurance contract is based on mutual trust or Uberrima Fidei between the insurer and assured. It is the responsibility of the assured that he should disclose all those facts honestly which can affect the decision of the insurer to insure him.
- **Insurable Interest**:- Insurable Interest means the interest as inherent in the assured regarding the insurance subject. Insurable Interest in life insurance can be divided into two categories which are as follows:



Note

- **Proof is not required in two cases**
 - Husband has an Insurable Interest in the wife's life
 - The wife has an Insurable Interest in the husband's life
- **Proof is required**
 - In business Relation
 - In Family Relation

Literature Review

Till now, lots of research studies have been undertaken in India and other countries by a number of researchers, government agencies, and world organizations on behavioral, demographic, and economic aspects of customers to understand the demand for life insurance. These earlier research findings provide a view to Different Factors and that boost the demand for life insurance.

Hammond et al (1967) revealed by his studies the first model of life insurance demand focused on two major factors i.e. social and demographic factors such as order of birth, age, level of education, and a number of dependants.

Choudhari P. S. (January 2014), the study indicates that in the age of information technology, customers are not only fully alert of their needs and requirements, expectations, and information technology-enabled services but also conserve day to day communication with the different kinds of the service provider in their life for their own interest and getting their services in various ways. In this paper, the researcher tried to find out whether there exists any cogent service quality gap in between the insurer's perception of customer service expectation and customers' expectations of quality of services provided by the Life Insurance Corporation of India in the Burdwan district.

The research study by Cantiello et al (2015) has revealed that Gender did not play an important role in an individual's decision to purchase health insurance and that young and old adults took buying decisions on the basis of socio-economic status.

Sudhir et al (2015) from their research study in South India discovered that some of the main determinants of being insured were, nuclear family, gender, and higher education status.

As per Sandeep Chaudhary (2016) research study about consumer perception about life insurance policies; it has revealed that Most of policyholders purchase the insurance policy for savings purpose only. 100% respondents are aware about life insurance policies available in market. and majority of respondents are satisfied with the services of their respective life insurers. Of those who are not satisfied with the services the main reason being the huge amount of premiums paid. The study has highlighted six factors that affect the purchasing decision of a consumer are Customised and Timely That are:

Services, Better Company Reputation, Effective Service Quality, Customer convenience, Tangible Benefits and Healthy Customer Client Relationship.

The Objective of the Study

The main objective is to study the different factors that influence the customer perception of lifeinsurance policy during the time of purchase.

Hypothesis

H₀: The policyholders are not aware of the different factors that influence their purchase of a life insurance policy.

H₁: The policyholders are aware of the different factors that influence their purchase of a life insurance policy.

Research Methodology

In this study, A questionnaire was developed for the data collection with the help of the life insurance policyholders. Using convenient sampling fifty responses were collected. the researcher has used a descriptive approach in nature. The research methodology to be used for this proposed research is described in the following subsections:

- The Sample Size,
- The Sampling Unit,
- The Sampling Technique, and
- The Data Collection.

Also, the different analytical tools which are proposed to be used for the analysis of the collected data to reveal the conclusions are also being explained./selected. A non-probability sampling technique (convenience sampling) was used for the survey.

Data Collection

Data collection is significant for building the base for the research work. Data is the premise by which the analysis is done and the knowledge is created. Primary data was collected with the help of a structured questionnaire from 50 respondents of both public and private sector Life Insurance.

Data Analysis

As explained above the study is based on a sample of fifty customers of Life Insurance companies. The demographic profile of the customers is shown in the Table 1 which is as follows:

Table 1: Demographic Characteristics of Sample Customers (n=50)

Demographic Factors		No. of Respondents %	
		F	%
Gender	Male	38	76%
	Female	12	24%
Educational Qualification	Illiterate	0	0%
	High School	8	16%
	Intermediate	4	8%
	Graduation	20	40%
	Post Graduation	13	26%
	Professional	5	10%

There are two important reasons to analyze the demographic factors of the respondents regarding the study. First to understand the life insurance customers and second to analyze customer preference and perception towards life insurance policy purchase decisions based on the demographic factors. The Demographic profile includes Gender, Educational Qualification.

Graphical Presentation of Demographic Factors

Figure 1: Gender and Life Insurance Policyholders

The Figure 1 reveals that In the study, 38 (76%) respondents are Male out of 50 and 12 (24%) is Female. The graphical presentation of policy-holders based on Gender is as follows:

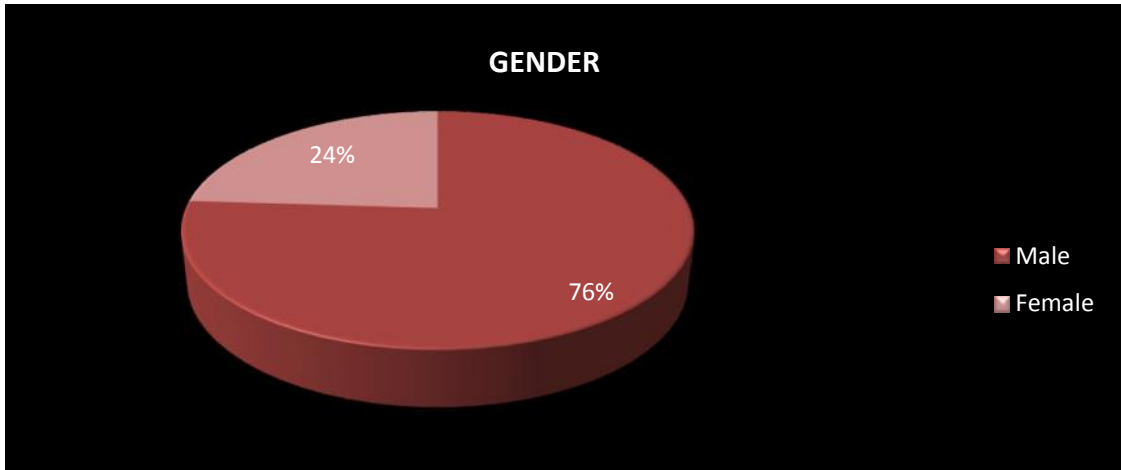


Figure 1

Figure 2: Educational Qualification and Life Insurance Policy-Holders

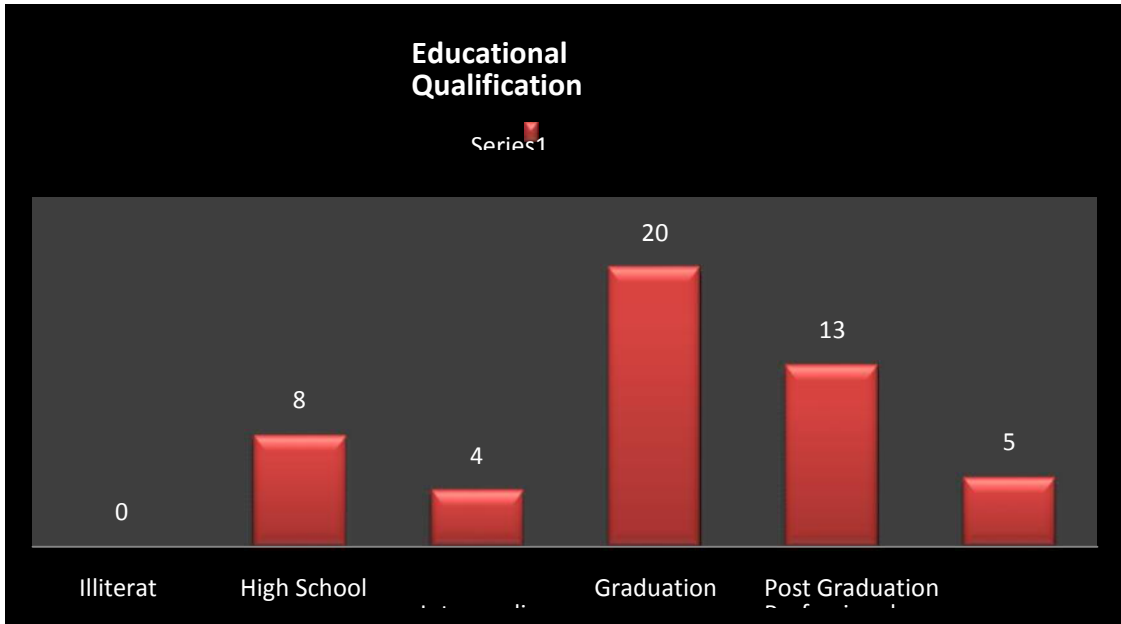


Figure 2

The Figure 2 reveals that Majority of the respondents are Graduate (40%) followed by Post Graduate (26%), Professional (10%), High School (16%), Intermediate (8%) and Illiterate (0%). The graphical presentation of policy-holders based on Educational Qualification is as follows:

Table 2: Life Insurance Policy Holder Preference and Perception on Life Insurance Policy (n=50)

Factors		No. of Respondents %	
		F	%
Sector	Public	26	52%
	Private	16	32%
	Both	8	16%
The reason you have bought life insurance policy?	Risk Covering	15	30%
	Tax Saving	6	12%
	Investment Purpose	12	24%
	Security	3	6%
	All of the Above	14	28%
Reason/Reasons Behind your loyalty towards the respected company?	Goodwill	1	2%
	Service	20	40%
	Premium	8	16%
	Product Quality	5	10%
	All of the Above	16	32%
Reason/Reasons behind your purchase of life insurance policy from particular company?	Review of Previous Customer's Experience (High Claim Settlement Rate and Maturity Rate)	18	36%
	Behaviour of Insurance Agent	12	24%
	Frequency of Advertising in News Papers/Magazines/Direct Mail /Advertising	3	6%
	Self Awareness	17	34%

Graphical Presentation of Life Insurance Policyholder Preference and Perception Factors On Life Insurance Policy

Figure 3: Life Insurance Sectors and Life Insurance Policyholders

Figure 3 reveals that 26 (52%) of the respondents are customers of only the public sector, 16 (32%) of respondents are customers of only the private sector whereas 8 (16%) of the customers have purchased Life Insurance Policy from both the sectors. The graphical presentation of customers based on their sector of purchasing policy are as follows:

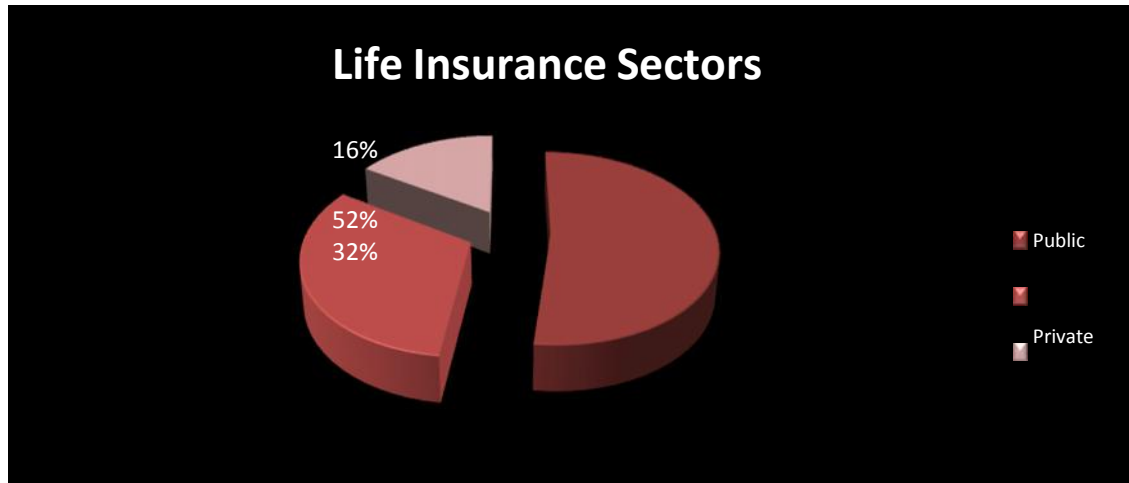


Figure 3

Figure 4: Reasons of Life Insurance Policy Purchase as Life Insurance Policyholders

Figure 4 reveals that 12 (24%) of the respondents have purchased a policy for investment purpose, 6 (12%) of the respondents have purchased a policy for tax saving, 15 (30%) of the respondents have purchased a policy for risk covering, 3 (6%) of the respondents have purchased a policy for security purpose whereas 14 (28%) of the respondents have purchased a policy for all the above purposes. The graphical presentation of customers' based on their reasons of purchasing policy are as follows:

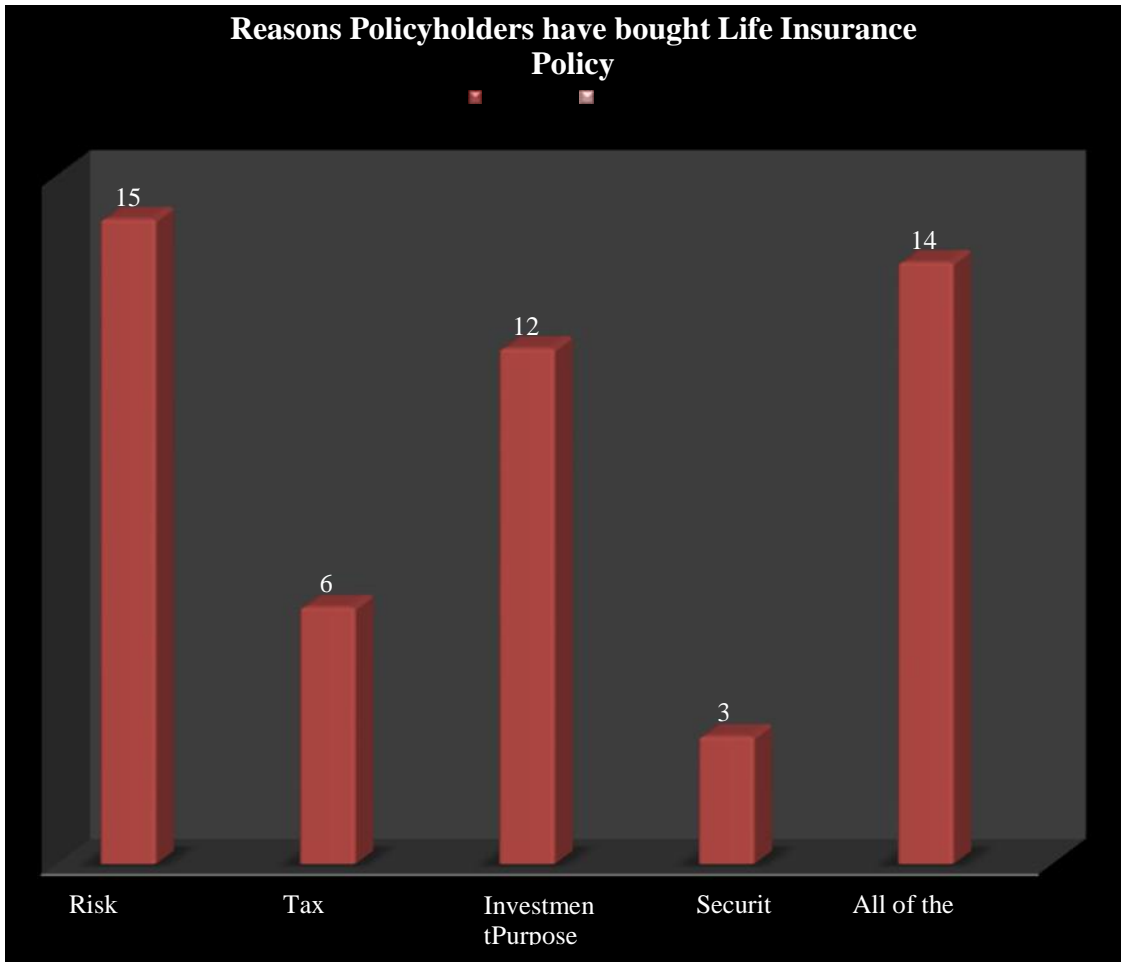


Figure 4

Figure 5: Reasons Behind Life Insurance Policyholder's Loyalty for Particular Life Insurance Company

Figure 5 reveals that the Majority of the respondents i.e. 20 (40%) are loyal customers because of the service factor of the life insurance company; 8(16%) Out of 50 respondents are loyal customers because of a premium factor of an insurance policy; 5 Respondents are loyal customers of the life insurance company because of the Product Quality Factor; Only One (2%) of the respondents is Loyal Policyholder of the insurance company because of Goodwill of the company; and remaining 16 (32%) respondents out of 50 respondents are loyal towards the particular company because of all the factors i.e. Goodwill; service; premium; and product quality of the life insurance company. The graphical presentation of customers' based on their reasons of purchasing policy are as follows:

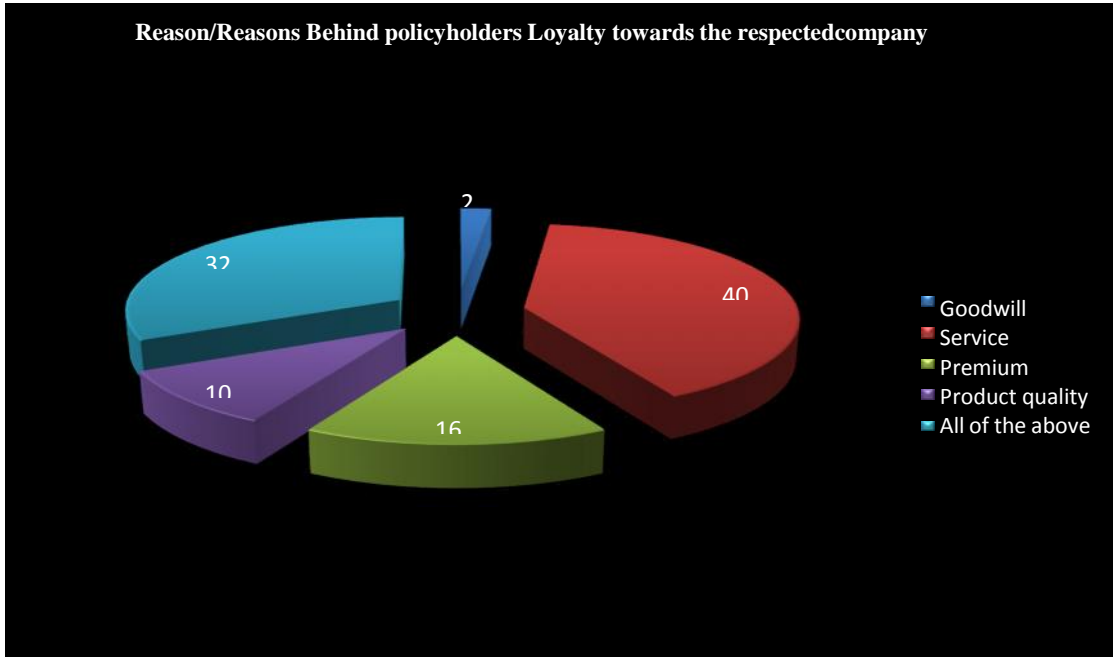


Figure 5

Figure 6: Reasons of Life Insurance Policy Purchase as Life Insurance Policyholder from Particular Company

Figure 6 reveals that 18 (36%) of the respondents have purchased a policy on the basis of Frequency of Advertising in News Papers/Magazines/Direct Mail /Advertising of Life Insurance Policy, 17 (34%) of the respondents have purchased a policy on the basis of their own self-awareness about life insurance policy; 12 (24%) of the respondents have purchased a policy on the basis of Review of Previous Customer’s Experience (High Claim Settlement Rate and Maturity Rate) and 3 (6%) of the respondents have purchased the policy because of the Behaviour of Insurance Agent of Life insurance company. The graphical presentation of customers’ based on their reasons of purchasing policy is as follows:

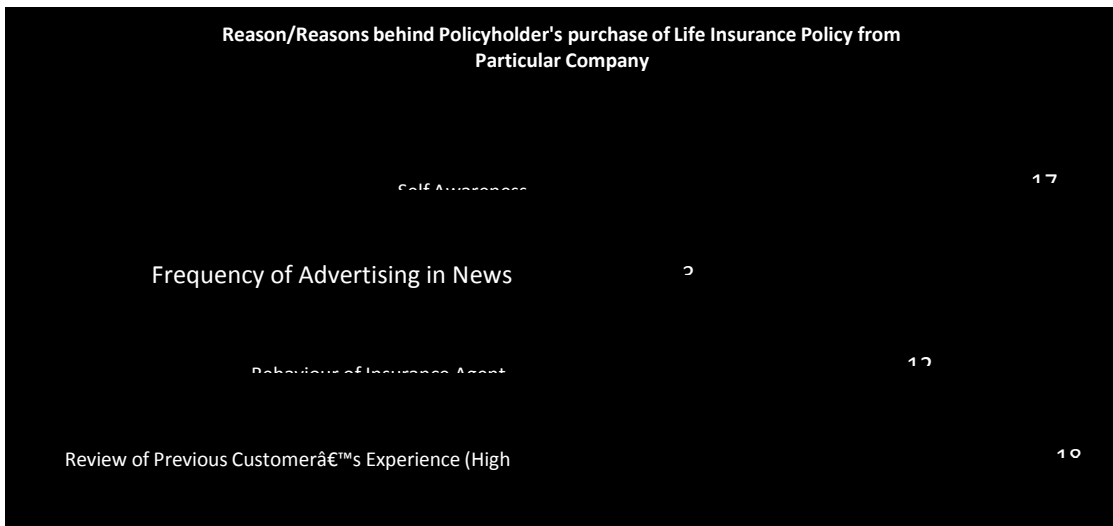


Figure 6

Findings of the Study

- The Table 1 results that 76% of the respondents are Male and 24% are Female.
- Majority of the respondents are Graduate (40%) followed by Post Graduate (26%), Professional (10%), High School (16%), Intermediate (8%) and Illiterate (0%)
- Majority of the respondents are Married (66%).
- It has revealed from the Table 2 that 52% of the respondents are customers of the public sector, 32% of the respondents are customers of the Private Sector whereas 16% are customers of both the sectors.
- Most of the respondents (30%) has purchased the policy for risk covering purpose whereas only (6%) respondents has purchased life insurance policy for the security purpose.
- Majority of the respondents i.e. 20 (40%) are loyal customers because of the service factor of the life insurance company.
- Most of the respondents i.e. 18 (36%) have purchased policy on the basis of Frequency of Advertising in News Papers/Magazines/Direct Mail /Advertising of Life Insurance Policy, whereas 17 (34%) of the respondents have purchased policy on the basis of their Own Self Awareness about life insurance policy.

Limitations

- The study is limited to 50 respondents.
- It may be possible there was biasness in the responses given by the respondent, which ultimately constrains the result of study.

Conclusion

From the above mentioned study it can be concluded that Most of the Customers of life insurance companies give preference to Risk covering factor of life insurance policy.

As Most of the Respondents have mentioned about the purchase reason of life insurance policy is Frequency of Advertising in News Papers/Magazines/Direct Mail

/Advertising of Life Insurance Policy as per this study, Marketing plays a vital role in the sales of life insurance policies.

In current pace, people are aware about the life insurance's Importance factors in their life as the study reveals a good number of respondents have made their purchase decision about policy based on their Own Self Awareness about Life Insurance Policies available in the market. Life insurance companies have to try fulfilling the expectations of policy-holders.

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Annexure
Questionnaire

1. Name
2. Gender: (a) Male [...] (b) Female [...]
3. Educational Qualification
(a) Illiterate [...] (b) High School [...]
(c) Intermediate [...] (d) Gratuation [...]
(e) Post Graduation [...] (f) Professional [...]
4. From which sector you brought a policy?
(a) Public Sector [...] (b) Private Sector [...]
(c) Both [...]
5. What is the reason you have brought Life Insurance Policy ?
(a) Risk Covering [...] (b) Investment Purpose [...]
(c) Security [...] (d) Tax [...]
(e) All of the Above [...]
6. Reason/Reasons behind your loyalty towards the respected company?
(a) Goodwill [...] (b) Service [...]
(c) Product Quality [...] (d) Premium [...]
(e) All of the Above [...]
7. Reason/Reasons behind your purchase of life insurance policy from particular company ?
(a) Review of Previous Customer's Experience (High Claim Settlement rate and Maturity rate) [...]
(b) Behaviour of Insurance Agent [.....]
(c) Frequency of Advertising in News Papers/Magazines/Direct Mail /Advertising [.....]
(d) Self Awareness [.....].

