

# A Comparative Study of Customer Perception about Insurance Company with Special Reference to LIC and HDFC Standard Life Policies

T. Nisamudheen

Ph.D Scholar (JRF), Department of Commerce, Bharathiar University, Coimbatore, 641 046, Tamil Nadu, India.

Email: nisam99@gmail.com

(Received on 07 February 2013 and accepted on 10 April 2013)

**Abstract** – Customer service is an integral part of Life insurance organization. It is necessary to identify the key success factors in life insurance industry, in terms of customer satisfaction so as to survive in intense competition and increase the market share. Mainly there are two objectives are involved in this study. Both primary and secondary data's are used in this study. Primary data's are collected through personal interviews in the form of questionnaire from a sample of 100 policyholders selected from the Malappuram district, Kerala. For conducting the study 50 LIC customers and 50 HDFCSL customers are selected at a random. The questionnaire prepared on the basis of various factors which influence the satisfaction of the policy holders. The tools used for this study are percentage analysis, weighted average, Analysis of Variance, Chi-square test.

**Keywords** : Customer perception, Life Insurance Corporation, HDFC Standard Life insurance

## I. INTRODUCTION

Service organizations facing tough competition in the global market because of globalization and liberalization of the Indian economy. Hence, it is helpful for service organizations to know the customer service level perceptions in order to overcome the competitors and attract and retain the customers. Because of the globalization and liberalization of Indian economy, Indian service sector has been opened for multinational companies. Services are defined as the activities, which are involved in producing intangible products as education, entertainment, food and lodging, transportation, insurance, trade, government, financial, real, medical consultancy, repair and maintenance like occupation.

Customer service is an integral part of Life insurance organization. It is necessary to identify the key success factors in life insurance industry, in terms of customer satisfaction so as to survive in intense competition and increase the market share.

Insurance in India is usually understood as a measure to save the tax for an individual. It has not been considered as a medium for investment for a long time. In Indian mentality, savings can be done only in banks in terms of fixed deposits and other investment facilities available to them. Some people also like to invest in gold. After independence, the LIC was nationalized in 1956, and then the general insurance business was nationalized in 1972. LIC of India has monopoly over the Indian life insurance sector. But after the entry of privet insurance players having alliance with foreign insurance experts, Indian insurance market turned into a highly competitive market. The Insurance Regulatory and Development Authority Act 1999 (IRDA Act) was passed by parliament of India and in the year president of India gave his consent to the act.

## II. STATEMENT OF THE PROBLEM

Many difficulties existing in assessing the customer satisfaction in life insurance contracts unlike commodities and other services such as transport and banking. Life insurance customers do not consume product or utilize the service at one point of time, rather they feel the satisfaction of assurance over a period of time, particularly when they give thought about the risk they are exposed had they not insured. Any suffering due to delay in providing a financial help and other services to the beneficiaries creates a negative image of the company among customers and they frequently change their brand preference. So companies would be wise to measure customers satisfaction regularly because one key customer retention is customer satisfaction otherwise, they cannot sustain their business so here the problem is which companies customers is more satisfied whether it is LIC or HDFCSL.

## III. SIGNIFICANCE OF THE STUDY

Now-a-days heavy competition prevails in insurance sector. Several privet insurance companies like HDFC

standard, TATA AIG, ICICI prudential, BAJAJ Allianz, etc are competing with LIC. LIC is only the public insurance company in India. Many companies failed to capture new buyers, retain their existing customers and to build a lasting relationship with its customers.

Due to the growth and development in information and telecommunication technology, even an illiterate customer is quiet knowledgeable about various products and services available in the market. So more efforts being made by all companies to market their products and services to satisfy customers and to maintain good relationship with them. Thus this topic is very relevant today.

**IV. OBJECTIVES OF THE STUDY**

1. To analyse and compare the service level perceptions of customers in public and privet insurance companies;
2. To identify the promotional strategies employed by the companies.

**V. SCOPE OF THE STUDY**

The scope of the study is limited to Malappuram District. The sample size of the survey is 100. The objectives are fixed based on the support of review available and analysis that has been made. In short the study has been conducted within the stipulated framework.

**VI. HYPOTHESIS**

Ho: There is no significant difference in the service level perceptions of public and privet sector insurance companies.

H1: There is significant difference in the service level perceptions of public and privet sector insurance companies.

**VII. RESEARCH METHODOLOGY**

The type of Research Method is adopted was descriptive research. Both primary and secondary data are collected for the completion of this project. Primary data are collected using questionnaires and direct interview. Questionnaires are circulated among the policy holders in Malappuram District, Kerala. The sample size of the survey is 100. The study has taken a period of Three months i.e., 1st January to 31st march 2013.

The customers are selected randomly from the diary of agents the data's were collected through structured questionnaire. Tools used for data analysis are percentage, simple average, weighted average, ANOVA and chi- square test.

**VIII. LIMITATIONS OF THE STUDY**

1. The study is limited only to the customers of LIC and HDFC standard life insurance in Malappuram District, so may not apply findings and suggestions to other areas.
2. The researcher faces some difficulty due to the lack of co-operation from some respondents.
3. The bias of respondents cannot be completely ruled out.

**IX. ANALYSIS AND DISCUSSION**

The number of customers surveyed is 100. For conducting the study 50 LIC customers and 50 HDFCSL customers are selected at a random. The questionnaire prepared on the basis of various factors which influence the satisfaction of the policy holders. The response of the policy holders of LIC and HDFC have given in tables.

TABLE I GENDER WISE DISTRIBUTION OF CUSTOMERS

SL No	Gender	No of customers		Percentage	
		LIC	HDFCSL	LIC	HDFCSL
1	Male	27	36	54	72
2	Female	23	14	46	28
Total		50	50	100	100

Source: primary data

From the above Table 1 showing that gender wise classification of customers. It can be revealed that 54% of LIC customers are from male group and 72% of HDFCSL customers are male group.

TABLE II INCOME LEVEL CLASSIFICATION OF CUSTOMERS

SL No	Annual income	No of customers		Percentage	
		LIC	HDFCSL	LIC	HDFCSL
1	Below 50000	8	5	16	10
2	50000-200000	14	16	28	32
3	200000-400000	18	14	36	28
4	Above 400000	10	15	20	30
Total		50	50	100	100

Table II shows the income level classification of customers. It is revealed that in LIC, 36% of customer earns in between 2 Lakh-4Lakh (36 out of 100) and 16% earn in below 50,000 annually. In the case of HDFCSL, 30% of the customers earn above 4 Lakh and 32% earning between 50,000 - 2,00,000.

Ho: There is no significant difference between the reason for choosing policy from LIC and HDFCSL;

H1: There is significant difference between the reason for choosing policy from LIC and HDFCSL.

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TABLE III REASON FOR CHOOSING INSURANCE POLICY

Attributes	LIC	HDFCSL	Total
Return on investment	6	18	24
Tax benefits	5	12	17
Agent's pressure	20	4	24
Security or safety	10	3	13
Savings	6	11	17
Status	1	1	2
Low premium	2	1	3
Total	50	50	100

$\chi^2$  @ 5% level of significance.

Table value: (1, 6) degree of freedom is 12.592

Calculated value 25.08

The null hypothesis is rejected. The calculated value of  $\chi^2$  is more than the table value; therefore there is a significant difference between the reasons for choosing policy from LIC and HDFCSL.

TABLE IV TYPE OF POLICY TAKEN BY CUSTOMERS

Sl. No	Type of policy	No of customers		Percentage	
		LIC	HDFCSL	LIC	HDFCSL
1	Whole life policy	8	12	16	24
2	Endowment policy	10	7	20	14
3	Annuity policy	2	1	4	2
4	With profit policy	6	3	12	6
5	Without profit policy	0	0	0	0
6	Joint life policy	0	1	0	2
7	Children deferred insurance	8	15	16	30
8	Double accident indemnity policy	7	5	14	10
9	Money back policy	9	6	18	12
	Total	50	50	100	100

From table IV shows that the type of policy taken by the customers. It is revealed that in LIC, 20% of the customers taken the endowment policy are only 14%. It is observed that no customers will take the policy of without profit. In HDFCSL 30% of the customers taken the children deferred insurance.

The influence of insurance agents in buying decision is an important criterion in this study. Table V reveals that the influence of agents is the main customer's sources of information (50% in LIC and 30% in HDFCSL). Notice from the company play less significant role as sources of information (6% in LIC and 4% in HDFCSL).

TABLE VI INVESTMENT DECISION TAKEN BY CUSTOMERS

Sl. No	Investment scheme	Scores						Total weight	Rank
		6	5	4	3	2	1		
1	Equity fund	20	16	22	8	0	32	354	3
2	Balance fund	0	31	29	0	40	0	351	4
3	Mutual fund	18	25	0	40	17	0	387	2
4	Debt fund	0	20	0	40	20	20	280	5
5	Cash fund	20	6	0	10	20	44	264	6
6	Recurrent fund	42	0	49	2	3	4	464	1
7	Total	100	100	100	100	100	100	2100	

Table VI shows the investment decision taken by the customers. It can be identified that recurrent deposit occupies the first rank with a weighted score of 464. Mutual fund goes off second rank with weighted score of each factor are computed through multiplication of each column with reversal order of rank.

$H_0$ : There is no significant difference between the service level perception of customers in LIC and HDFCSL

$H_1$ : There is significant difference between the service level perception of customers in LIC and HDFCSL.

F=24.10

At 5% level of significance table value=2.87

The table value of F at 5% level of significance for (4, 20 degrees of freedom) is 2.87. The calculated value of F (24.10) is more than the table value (2.87). Therefore the null hypothesis is rejected. So there is a significant difference between the service level perception of LIC and HDFCSL customers.

TABLE VII VARIOUS SERVICES OF INSURANCE COMPANY

Sl. No	Services	Highly satisfied	Satisfied	No comments	Dissatisfied	Highly dissatisfied
1	Easy accessibility to deposit centre	18	38	22	15	7
2	Time to time premium collection	20	45	33	2	0
3	Provision in case of dues	22	30	35	10	3
4	Bonus and other schemes	25	50	20	5	0
5	Other services	30	27	42	1	0
	Total	115	190	152	33	10

ANOVA TABLE

Sources of variation	Sum of squares	Degree of freedom	Mean squares
Between samples	4724	4	1181
Within samples	982	20	49
Total	5706	24	

TABLE VIII RATING OF SERVICES OF INSURANCE COMPANY

Sl. No	Rating scale	No of customers		Percentage	
		LIC	HDFCSL	LIC	HDFCSL
1	Poor	6	3	12	6
2	Average	17	22	34	44
3	Good	24	20	48	40
4	Excellent	3	5	6	10
	Total	50	50	10	100

This table shows the rating of services of insurance company. It is clear that in LIC 48% of customers opinion is that it's services is good and 12% of customers opinion is that it's services is poor. In HDFCSL 44% of customers opinion is that its services is average and 40% of customers replied that it is good.

This table shows the promotional strategy employed by the company. It can be interpreted that in LIC, advertising are the main promotional technique employed.10% of the

customers know about LIC through sales promotion. In HDFCSL 50% of the customers knows about through sales promotion and advertising, public relation and direct mail play an equal importance (10%).

$H_0$ : There is no significant difference between the satisfaction level of customers in LIC and HDFCSL

$H_1$ : There is significant difference between the satisfaction level of customers in LIC and HDFCSL

TABLE IX PROMOTIONAL STRATEGIES OF INSURANCE COMPANY

Sl. No	Promotional strategy	No of customers		Percentage	
		LIC	HDFCSL	LIC	HDFCSL
1	Advertising	20	10	40	20
2	Public relation	5	10	10	20
3	Sales promotion	10	15	20	30
4	Direct mail	2	10	4	20
5	Message from media strategy	5	2	10	4
6	Personal contact	8	3	16	6
	Total	50	50	100	100

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TABLE X AN OVERALL SATISFACTION OF THE CUSTOMERS TOWARDS INSURANCE COMPANY

Sl. No	Attributes	Highly satisfied	Satisfied	Neither satisfied nor dissatisfied	Dissatisfied	Highly dissatisfied
1	Risk coverage and financial security	20	41	23	16	0
2	Return or bonus	12	34	54	0	0
3	Premium	15	17	30	20	18
4	Sum assured	121	17	42	15	5
5	Surrender value of the policy	15	22	26	17	20
6	Maturity period	8	20	52	10	10
7	Agent's service	32	58	10	0	0
8	Advertisement /promotional strategy	28	46	25	1	0
9		24	38	22	12	4
	Total	175	293	284	91	57

ANOVA TABLE

Sources of variation	Sum of squares	Degree of freedom	Mean squares
Between samples	5185	4	1297
Within samples	4899	40	122
Total	10084	44	

### X. SUGGESTIONS

1. Give more advertisement about the company and its products to motivate individuals to purchase insurance;
2. Create a positive perception about insurance and speak about good features a plan offers like high returns, life cover, tax benefits, indexation, and accident cover while prospecting customers;
3. Promote insurance in colleges and corporate houses;
4. Diversify product portfolio and make products more straight forward that is reduce complexities;
5. It should provide adequate training to staff of the insurance company for delivering the quality services;
6. Another important suggestion is about the direct contact with customers to give latest services. Both companies should impart special programmes like SMS, E-mail, direct telephone...etc. to have direct contact;
7. Most of the respondents were made know about the service existence and all the terms and conditions of the policy through agents. So agents must update their knowledge and improve their skills by attending guest lectures, seminars and exhibitions organized by insurance company and IRDA.

### XI. CONCLUSION

The study observed that insurance industry is highly competitive one. In the Indian market, insurance is one of the emerging sectors; many privet companies are entering into

this sector for earning profit as well as to provide services to customers, who are living in the rural and urban areas and many other institutions, are entering into the field with innovative services. Both LIC and HDFCSL insurance company play a remarkable role in the development of country. Financial security and risk coverage is one of the major determinants in influencing the policyholder to take the policy. It is observed that among the policy holders with different age groups, the younger groups have a positive attitude with the insurance plans than elders. It is evident from the study that majority of the policyholders were satisfied with the policies and preferred new innovative marketing insurance plans and policies at different times, and most of the respondents came to know about the services through agents. So, the success of the insurance industry is achieved only if the company can create the right environment, good report with agents and evaluate the expectations and perceptions of customers, the culture and attitude of the employees to serve the customers better.

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