A STUDY OF BUYING BEHAVIOUR OF CONSUMERS TOWARDS LIFE INSURANCE POLICIES

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Abstract: India is a country where the average selling of life insurance policies is still lower than many western and asian countries, with the second largest population in world the Indian insurance market is looking very prospective to many multinational and Indian insurance companies for expanding their business and market share. Before the opening of indian market for Multinational Insurance Companies, Life Insurance Corporation (LIC) was the only company which dealt in Life Insurance and after opening of this sector to other private companies, all the world leaders of life insurance have started their operation in india. With their world market experience and network, these companies have offered many good schemes to lure all type of Indian consumers but unfortunately failed to get the major share of market. Still the LIC is the biggest player in the life insurance market with approx 65% market share. But why Indian counsumers do not trust on many companies and why the major population of india do not have any life insurance policy or what are the factors plays major role in buying behavior of consumers towards life insurance policies.

Key Words: Buying Behaviour, Perception, Consumer’s Preferences, Brand Loyalty

Introduction:

Life is full of risk and uncertainties. Since we are the social human being we have certain responsibilities too. Indian consumers have big influence of emotions and rationality on their buying decisions. They believe in future rather than the present and desire to have a better and secured future, in this direction life insurance services have its own value in terms of minimizing risk and uncertainties. Indian economy is developing and having huge middle class societal status and salaried persons. Their money value for current needs and future desires here the pendulum moves to another side which generate the reasons behind holding a policy. Here the attempt has been made in this research paper to study the buying behavior of consumers towards life insurance services.

Review of Literature

Mehr and Cammack (1976) agrees that Insurance is usually thought of as a product that spreads the risk of serious, but low-probability, losses among a group of individuals, thus providing some financial protection to each individual.

Kunreuther, (1979) said that his product makes good sense, particularly when the protection is purchased against potential losses so large as to be catastrophic, such as total destruction of one's home, a large accident liability judgment, or death of primary family breadwinner. However, it has long been recognized that this sensible product is difficult to sell.v

Kotler, (1973) considers insurance to be in the category of "unsought goods," along with products such as preventive dental services and burial plots.He notes that unsought goods pose special challenges to the marketer.

Slovic, Fischhoff, Lichtenstein, Corrigan, and Combs (1977) found that subjects were more likely to buy insurance against small, high-probability losses than insurance against large, low-probability losses, Hershey and Schoemaker (1980) reported the opposite result.

Kunreuther (1979) “It is not the magnitude of a potential loss that inspires people to buy insurance voluntarily – it is the frequency with which a loss is likely to occur”.

Kahneman & Tversky, (1979) reported a risk-averse individual, therefore, should avoid nearly all types of risk. Empirical evidence, however, suggests most people are risk averse for gains and risk seeking for losses.

Kahneman & Tversky, (1984) stated indeed, repeated demonstrations have shown most people lack an adequate understanding of probability and risk concepts Dhar, (1997) Greenleaf and Lehmann, (1995) Tversky and Shafir, (1992) have shown that offering more options can generate decision conflict and preference uncertainty, leading to decision deferral.

Michael L. Smith (1982) said that a typical life insurance contract provides a package of options or rights to the policy owner that is not precisely duplicated by any other combination of commonly available contracts. Viewed from this perspective, life insurance enjoys a unique position in the field of investments and should be judged in this light. The paper shows that an options viewpoint provides a more complete explanation of policy owner behavior towards life insurance than the conventional savings-and-protection view.

Michael L. Walden (1985) told that the option's package view of the whole life insurance policy suggests that a whole life policy is a package of options, each of which has value and is expected to influence the price of the policy. This viewpoint implies the general hypothesis that price differences between whole life policies can be explained by differences in policy contract provisions and differences in selected company characteristics. The option's package theory was empirically investigated using regression analysis on data from a sample of policies marketed in North Carolina. The results suggest support for the options package theory.

Kirchler and Angela-Christian Hubert (1999) found that the present study aims at describing spouses' relative dominance in decisions concerning different forms of investment. As determinants of spouses' dominance, partnership characteristics, such as partnership role attitudes, marital satisfaction and individual expertise in relation to different investments, were considered. A questionnaire on spouses' dominance in making decisions on various investments, on the characteristics of particular investments and on partnership characteristics was completed by 142 Austrian couples. Basically, wives appeared to adapt to the dominance exerted by their husbands in savings and investment decisions. Wives' dominance was highest in egalitarian partnerships, where autonomic and wife-dominated decisions were reported more frequently than in traditional partnerships. Additionally, spouses' relative expertise in relation to the investments in question showed strong effects on dominance distribution: Spouses with higher expertise than their partners exerted more dominance in decision-making processes.

Amy Wong, (2004) empirically examined the role of emotional satisfaction in service encounters. Specifically, this study seeks to: investigate the relationship between emotional satisfaction and key concepts, such as service quality, customer loyalty, and relationship quality, and clarify the role of emotional satisfaction in predicting customer loyalty and relationship quality. In doing so, this study used the relationship between emotional satisfaction, service quality, customer loyalty, and relationship quality as a context, as well as data from a sample survey of 1,261 Australian retail customers concerning their evaluation of their shopping experiences to address this issue. The results show that service quality is positively associated with emotional satisfaction, which is positively associated with both customer loyalty and relationship quality. Further investigations showed that customers' feelings of enjoyment serve as the best predictor of customer loyalty, while feelings of happiness serve as the best predictor of relationship quality. The findings imply the need for a service firm to strategically leverage on the key antecedents of customer loyalty and relationship quality in its pursuit of customer retention and long-term profitability.

Stephen Diacon (2004) presents the results of a detailed comparison of the perceptions by individual consumers and expert financial advisers of the investment risk involved in various UK personal financial services' products. Factor similarity tests show that there are significant differences between expert and lay investors in the way financial risks are perceived. Financial experts are likely to be less loss averse than lay investors, but are prone to affiliation bias (trusting providers and salesmen more than lay investors do), believe that the products are less complex, and are less cynical and distrustful about the protection provided by the regulators. The traditional response to the finding that experts and non-experts have different perceptions and understandings about risk is to institute risk communication programmes designed to re-educate consumers. However, this approach is unlikely to be successful in an environment where individual consumers distrust regulators and other experts.

Helmut Gründl, Thomas Post, Roman Schulze, (2005) found that demographic risk, i.e., the risk that life tables change in a nondeterministic way, is a serious threat to the financial stability of an insurance company having underwritten life insurance and annuity business. The inverse influence of changes in mortality laws on the market value of life insurance and annuity liabilities creates natural hedging opportunities.

Evan Mills, Ph.D.(1999) Studied the insurance industry is rarely thought of as having much concern about energy issues. However, the historical involvement by insurers and allied industries in the development and deployment of familiar technologies such as automobile air bags, fire prevention/suppression systems, and anti-theft devices, shows that this industry has a long history of utilizing technology to improve safety and otherwise reduce the likelihood of losses for which they would otherwise have to pay. We have identified nearly 80 examples of energy-efficient and renewable energy technologies that offer “loss-prevention” benefits, and have mapped these opportunities onto the appropriate segments of the very diverse insurance sector (life, health, property, liability, business interruption, etc.).

Some insurers and risk managers are beginning to recognize these previously "hidden" benefits.

Roger. A. Formisano (1981) examined, via consumer interviews, the impact of the National Association of Insurance Commissioner's Model Life Insurance Solicitation Regulation as implemented in New Jersey. A substantial portion of the insurance buyers sampled did not become aware of the provisions of the regulation aimed to improve their buying ability. Further, many life insurance buyers were not well informed concerning the nature and operation of life insurance contracts, and in particular, the life insurance policies that they had purchased.

Objectives of the Study

- To develop and standardize a measure to evaluate investment pattern in life insurance services.
- To evaluate the factors underlying consumer perception towards investment in life insurance policies.
- To compare the differences in consumer perception of male and female consumers.
- To open new vistas for further researches.

RESEARCH METHODOLOGY

The Study: The study was exploratory in nature with survey method being used to complete the study.

Sampling Design

Population:

Population included investors in Gwalior region.

Sample frame:
Since the data was collected through personal contacts, the sample frames were the individuals who are investing in life insurance policies.

Sampling elements:
Individual respondents were the sampling elements.

Sampling Techniques:
Purposive sampling technique was used to select the samples.

Sample Size:
Sample size was 150 respondents.

Tools Used for Data Collection

Self designed questionnaire was used for the evaluation of factors affecting consumer’s perception towards insurance. Data was collected on Likert’s type scale, where 1 stood for minimum agreement and 7 stood for maximum agreement.

Tools Used for Data Analysis

Item to total correlation was applied to check the internal consistency of the questionnaire. The measures were standardized through computation of reliability and validity. Factor analysis was applied to identify the underlying factors.

Z-test was applied to find out the significant differences between male and female investors.

Results and Discussions

Consistency Measure

Firstly consistency of all the items in the questionnaire is checked through item to total correlation. Under this correlation of every item with total is measured and the computed value is compared with standard value (i.e. 0.1590). If the computed value is found less than standard value then whole factor/statement is dropped and will be termed as inconsistent.

S. No.	Items	Computed Correlation Value	Consistency	Accepted/ Dropped
1	Awareness about terms and conditions of policy.	0.671575	Consistent	Accepted
2	Provide services on time.	0.651847	Consistent	Accepted
3	Provide satisfactory services.	0.573518	Consistent	Accepted
4	Goodwill of the company.	0.607722	Consistent	Accepted
5	Agent is well informed about policies.	0.640696	Consistent	Accepted
6	Co-operative and friendly agent.	0.598089	Consistent	Accepted
7	Agent respond promptly	0.696914	Consistent	Accepted
8	Proper reminder of installments by agents.	0.531124	Consistent	Accepted
9	Employees responsible towards customers	0.685817	Consistent	Accepted
10	Benefits are met by policy.	0.510702	Consistent	Accepted
11	Selection of highly reputed company.	0.634614	Consistent	Accepted
12	Reputation of the insurance company.	0.582977	Consistent	Accepted
13	Hassle free settlements	0.594282	Consistent	Accepted
14	Personal attention on every costumer.	0.640192	Consistent	Accepted
15	Understand Customer’s financial needs.	0.603133	Consistent	Accepted
16	Fulfill its promise towards policy.	0.613243	Consistent	Accepted
17	Provides the claims on time.	0.474994	Consistent	Accepted
18	Settlement of claims easy and timely.	0.569959	Consistent	Accepted
19	Satisfy with relationship to company.	0.621496	Consistent	Accepted
20	Company able to fulfill expectation.	0.594265	Consistent	Accepted
21	Only company I want to associate myself.	0.519161	Consistent	Accepted
22	Purchase more policies from the same company.	0.502876	Consistent	Accepted
23	Suggest friends and family to purchase policy from the same company.	0.540626	Consistent	Accepted
24	Policy benefits benchmarks.	0.62874	Consistent	Accepted
25	Investment in life insurance is more secure than stock market.	0.376874	Consistent	Accepted
26	Purchase further policies from other companies.	0.091102	Inconsistent	Dropped

Reliability

Reliability test was carried out using SPSS software and the reliability of the items was measured. The result is as follows:

Cronbach’s Alpha	0.919

It can be seen that the reliability value is more than 0.7. So, the questionnaire is highly reliable.

Factor Analysis

Factor Name	Eigen Value		Variable Statements	Loading
	Total	% of Variance		
1. Company Loyalty	8.818	35.273	21. Only company I want to associate myself. 22. Purchase more policies from the same company. 23. Suggest friends and family to purchase policy from the same company. 20. Company able to fulfill expectation. 24. Policy benefits benchmarks.	0.814 0.799 0.790 0.599 0.545
2. Service Quality	2.438	9.753	13. Hassle free settlements 9. Employees responsible towards customers 7. Agent respond promptly 25. Investment in life insurance is more secure than stock market. 19. Satisfy with relationship to company.	0.693 0.631 0.611 0.563 0.537
3. Ease of Procedures	1.458	5.830	17. Provide claims on time. 6. Co-operative and friendly agent. 18. Settlement of claims easy and timely. 5. Agent is well informed about policies.	0.852 0.662 0.651 0.486
4. Satisfaction Level	1.252	5.008	10. Benefits are met by policy. 3. Provide satisfactory services. 16. Fulfill its promise towards policy. 2. Provide services on time. 1. Awareness about terms and conditions of policy.	0.774 0.631 0.575 0.515 0.465
5. Company Image	1.219	4.878	12. Reputation of the insurance company. 4. Goodwill of the company. 11. Selection of highly reputed company.	0.777 0.758 0.428
6. Company- Client Relationship	1.013	4.051	8. Proper reminder of installments by agents. 14. Personal attention on every costumer. 15. Understand Customer's financial needs.	0.778 0.505 0.404

Description of factors

1. Company Loyalty

This factor includes that this is the only company the consumer wants to associate himself with, in future (0.814), himself would purchase more policies from the same company (0.799), suggest friends and family to purchase policy from the same company (0.790), company able to fulfill expectation, (0.599), Policy benefits benchmarks (0.545). The highest Eigen value lies in this factor 35.213. So it is been considered as the highly contributing factor towards study. Therefore it is clear that company loyalty plays an important role in investment decisions of investors.

2. Services Quality

This factor includes hassle free settlements (0.693), employees responsible towards customers (0.631), agents respond promptly (0.611), investment in life insurance is more secure than stock market (0.563) satisfy with relationship to company (0.537). As we can see, that the Eigen value for factor service quality is 9.753 , which is also a contributing factor towards the study, so it can also be considered as an important factor in the study.

3. Ease of Procedures

This factor includes the company provides claims on time (0.852), co-operative and friendly agent (0.662), settlement of claims easy and timely (0.651), agent is well informed about policies (0.486). As we can see, that the Eigen value for factor ease of procedures is 5.830 , which is also a contributing factor towards the study, so it can also be considered as an important factor in the study.

4. Satisfaction Level

This factor includes that the suggested benefits of Insurance Policy should be met to the investors(0.774), Company provides them satisfactory services (0.631), fulfill its promise about life insurance policy (0.575), Services should be provided on time(0.515), and awareness of terms and conditions of policies. As we can see, that the Eigen value for factor satisfaction level is 5.008 , which is also a contributing factor towards the study, so it can also be considered as an important factor in the study.

5. Company Image

This factor includes that the insurance company should be well known in the industry (0.777), insurance provider should have goodwill in market (0.758), and company of high repute (0.428).As we can see, that the Eigen value for factor company image is 4.878, which is also a contributing factor towards the study, so it can also be considered as an important factor in the study.

6. Company-Client Relationship

This factor includes that the agent remind about premium installments (0.778), pay personal attention on every consumer (0.505) and understand consumer's financial needs (0.404). As we can see, that the Eigen value for factor company client relationship is 4.051, which is also a contributing factor towards the study, so it can also be considered as an important factor in the study.

Z-Test

Z-test was applied to find out significant difference between male and female investor's perception towards investment in life insurance policies.

For applying Z-test mean and standard deviation was calculated, then values were put in formula to calculate standard error.

Null Hypothesis H_o: It states that there is no significant difference between the perception of male and female investors towards investment in life insurance policies.

GENDER	**MEAN**	**S.D.**	**SAMPLE SIZE**	**SQUARE OF S.D.**
MALE	141.04	20.078	75	403.146
FEMALE	145.94	17.701	75	313.348

Z = 1.5877

Since the value of Z is less than the standard value 1.96 at 5% level of significance, so the null hypothesis is accepted. Therefore there is no significant difference between the perception of male and female investors towards investment in life insurance policies.

CONCLUSION

In present Indian market, the investment habits of Indian consumers are changing very frequently. The individuals have their own perception towards various types of investment plans. The study of this research work was focused over consumer's perception on investment towards Life Insurance Services. The objectives of the study were to evaluate the factors underlying consumer perception towards investment in life insurance policies; and to compare the differences in consumer perception of male and female consumers. The tests that were used for our research activities were- Item to Total Correlation Test, which we applied on 26 items and only one was dropped out, 25 items being accepted. Next was Reliability Test to check the reliability of the items. The result was 0.915. Therefore the items were highly reliable. Then we applied the Factor Analysis Test, and the six factors that came out were Consumer Loyalty, Service Quality, Ease of Procedures, Satisfaction Level, Company Image, and Company-Client Relationship.

The consumer's perception towards Life Insurance Policies is positive. It developed a positive mind sets for their investment pattern, in insurance policies. Still some actions are needed for developing insurance market. The major factors playing the role in developing consumer's perception towards Life Insurance Policies are Consumer Loyalty, Service Quality, Ease of Procedures, Satisfaction Level, Company Image, and Company-Client Relationship.

Insurance industry has to go ahead. A lot of opportunities are still waiting. This research will help in developing the market share, loyalty and further development in insurance sector.

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