

## **A Study on Consumer Preference For Life Insurance Companies in Pune City**

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### **Abstract:**

The insurance industry in India has seen an array of changes in the past one decade. The year saw an upraise in the Indian insurance sector as major structural changes took place with the ending of the government monopoly and the route of the Insurance Regulatory and Development Authority (IRDA) Bill lifting all entry restrictions for private players and allowing foreign players with some entry restriction and limits on direct investment ownership. With the fast changing liberalization, globalization and privatization policies, the changing and growing needs and demands of people have made the insurance industry more competitive. Both public

and private players now offer greater choice in terms of products and services. They also make valuable efforts to create awareness about the benefits and significance of insurance although there is still a blocking point among the people.

This paper analyzes and rates all the life insurance companies by analyzing certain variables, the effect of privatization and measuring the customer perception, purchase behavior and consumer awareness regarding the life insurance industry.

***Key Words: - Consumer Preferences, Life Insurance, customer perception, purchase behavior and consumer awareness, privatization, policy awareness.***

### **1. Introduction**

#### **a) Brief History:**

In 1818, the British government introduced life insurance to India, with the establishment of the Oriental Life Insurance Company at Calcutta. In 1950, non-life insurance made its first appearance with Triton Insurance Company Ltd. The Bombay

Mutual Life Assurance started in 1870 is the first Indian-owned life insurance, and Indian Mercantile, started in 1907, is the first Indian non-life insurer. In 1912, only the Indian Life Assurance Companies Act was enacted to regulate the life insurance business. Most current insurance laws replaced the earlier Act in 1938. In 1956, life insurance became nationalized, and in 1999 LPG policies gave the right solution of privatization of insurance industry and allowed the foreign investors to enter into joint ventures with Indian insurance companies.

### **b) Product Portfolio:**

Based on the objectives, plans offered by insurers can be classified under three categories: (1) Insurance products (term plans); 2) Pure investment products (pension plans) and (3) Investment cum Insurance products (endowment, money back, whole life and unit-linked insurance plans).

### **c) General Climate of Indian Insurance Industry and its Consumers:**

The Indian insurance industry, taking advantage of positive conditions in the economy, has seen a fabulous growth in the recent years after passing LPG policies. It has undergone a significant transformation and emerged with noticeable trends. Conversely, it faces increasingly tremendous challenges because of changing customer demographics, technology know-how regulatory changes and emerging channels of distribution. In addition to that, with the increasing awareness of India's populace about the risks in daily life and importance of insurance policies, the entry of global players and their benefits have positively changed the insurance industry into a dynamic one. As a result of all this, at present, there are 13 major players in India (1 public sector and 12 private players) trying to capture their ranking by fulfilling the needs and wants of the customers. However, they continue to face big challenges in satisfying their customers. This study focuses on comparing these companies in the insurance industry and attempts to assess the consumer response rate for privatization and awareness of life cover and the new and existing policies.

## **2. Objectives of the Study:**

- 1) To compare and rate all the life insurance companies by analyzing certain variables.
- 2) To measure the customer perception, purchase behavior and consumer awareness regarding the life insurance industry.

- 3) To study the privatization, policy awareness and life coverage awareness among the consumers.
- 4) To create a basic awareness about the policies and the other benefits of each life insurance company among the public.

### **3. Methodology:**

This is an exploratory research which deals with the entire life insurance industry in India. The target population is the policy holders, which may be considered as an infinite one. In this research, we adopted stratified sampling. Here the age levels are considered as the strata. In life insurance policies, the most important factor is the age level, the premium, as well as changes according to the age level. Since the stratified sampling method is a probability sampling method may statistical tools and techniques can be used to analyze the data. Sample size was 500 and the research was conducted at Pune. Stratified sampling method focuses on the accuracy of the data, during the time of analysis. Both primary data and secondary data have been analyzed.

### **4. Data Analysis and Results:**

**Table No. 1: Average Premiums of all Life Insurance Companies**

<b>Players</b>	<b>Average Premium in the year</b>
LIC	5,249
ICICI Prudential	13,669
Max New York Life	8,366
HDFC Standard	9,311
Birla Sun Life	17,740
Allianz Bajaj	6,871
Om Kotak Mahindra	11,763
SBI Life	7,661
ING Vysya	5,720
MetLife	7,785
AMP Sanmar	4,665
Aviva Life	6,271
Tata AIG	7,963

Private Players	9,952
<b>Total</b>	<b>5,550</b>

The total average premium is Rs.5, 550 and the average premium Rs.5, 249 is the nearest to this. From Table 1, it is evident that the average premium of the 12 private players is Rs.9, 952, i.e., there is a huge difference from the grand total average premium.

It is evident that LIC has maximum policy holders; and when questioned on the reason for the purchase of insurance products, out of the 500 respondents, 25.4% purchase policy as an investment to get return, as a risk cover of death- as a tax saving scheme (Table 2). Only 5.6% stated that purchases the policy as a risk cover of death only. From this, we can clearly know that consumers expect more benefits than the single benefit offering because customers are now beginning to incorporate insurance plan while drawing up their financial plans, as it now works as a good saving instrument and also it shows source of tax concessions. Hence, companies should plan and offer products which can assist their customers in building complete financial plan. Hence, insurance companies must move from selling insurance to marketing as essential financial products.

**Table No. 2: Purpose of Purchasing a Policy**

<b>Purposes of Purchase</b>	<b>Percentage</b>
(a) As a tax saving scheme only	8.2
(b) As an investment to get return	12.2
(c) As a risk cover of death	05.6
Both (a) and (b)	16.4
Both (b)and (c)	19.6
Both (a) and (c)	12.6
(a), (b) and (c)	25.4
<b>Total</b>	<b>100.0</b>

**Table No. 3: Company Awareness Of customers**

<b>Company</b>	<b>Percentage</b>
LIC	100.0
ICICI Prudential	71.2
HDFC Standard	62.4
Allianz Bajaj	61.6
Birla Sun Life	57.4
Max New York Life	56.2
Om Kotak Mahindra	54.8
AMP Sanmar	53.2
Tata AIG	51.8
SBI Life	50.8
ING Vysya	47.8
Aviva Life	46.8
MetLife	45.6

Table No.3 clearly explains about insurance companies' awareness among Pune city respondents and we observed that out of 500 respondents of both public and private insurance policy holders, 100% of the respondents are aware of LIC and 71.20% of the respondents are aware of ICICI Prudential. This shows that awareness and growth prospects of LIC is considerably better than that of the private players; nevertheless LIC have to face tough competition among ICICI, HDFC, Allianz Bajaj, Birla Sun Life, etc., because across the global, Information Technology has become increasingly popular with consumer these days and low rate of adoption of internet of LIC than the other players on the other hand private players feel that convenience, time savings and money saving schemes is the key factor to the success of business and now they clearly tapped consumers expectation.

The success of every service business depends upon the awareness about the products/service; service rendered by the company and also very important factors is consumer expectation and preference to buy products services.

**Table No. 4: Consumer Preferences Rate a new Policy Purchase**

<b>Company</b>	<b>Percentage</b>
LIC	82.4
Private Players	17.6
<b>Total</b>	<b>100.0</b>

From table No.4, it is observed that 82.4% of the respondents prefer to buy LIC's new policy and very limited (17.6%) customers preferred to purchase private players policy. However, private players like HDFC, ICICI Prudential, Birla Sun Life and Allinaz Bajaj are trying to fill up consumer preference by offering various new innovative plan but they have to think more effective channels of distribution to reach ultimate buyers.

**Table No. 5: Consumer Preference Rate of Private Companies for New Policy Purchase**

<b>Company</b>	<b>Percentage</b>
ICICI Prudential	29.50
HDFC Standard	20.40
Allianz Bajaj	15.90
Tata AIG	05.70
Birla Sun Life	09.10
Max New York Life	02.30
Om Kotak Mahindra	04.60
AMP Sanmar	10.20
ING Vysya	0.00
SBI Life	2.30
Aviva Life	0.00
MetLife	0.00
<b>Total</b>	<b>100.00</b>

Specifically, we analyzed consumers for policy preferability among Pune based 88 (17.6%) respondents (Table-5). Out of the 88 people 29.50% prefer ICICI Prudential, 20.4% preferred HDFC, 15.9% preferred Allinaz Bajaj and rest, i.e., Tata AIG, Om Kotak, AMP Sanmar, SBI Life were preferred by few consumers ranging

between 10.2% to 2.3%. From this table, we observed that Aviva Life and MetLife new policy are not preferred by respondents but it cannot be said that there is no chance of a new policy preference because our study is limited to Pune city and it may vary in another place, depending on the awareness, promotional activities and channels of distribution of private players. Here, information collected about the preference to the distribution of new policy. They clearly reflected that degree preference given to the agent channels than the Internet and other channels of distribution.

**Table No. 6: Reason Behind the Preferability of a Particular Company**

Variables	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>	6 <sup>th</sup>	7 <sup>th</sup>	Mean Value	Rank
More Awareness	31	103	197	74	57	38	0	4.73	3
Less Premium	213	136	95	31	25	0	0	5.06	2
Variety of Policy	20	69	83	189	91	35	13	4.16	4
More Benefits	0	7	32	109	204	84	64	2.96	5
Coverage Network	0	0	0	40	44	105	311	1.63	7
More Returns	236	182	82	0	0	0	0	6.31	1
Advertisement	0	3	11	57	79	238	112	2.25	6

Table No.6 presents the most preferable factors behind the consumer preferring a particular company. Here, consumer response goes to more returns from policy, less premium, more awareness created by companies, variety of policy and advertisement and these are ranked as 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup> and 6<sup>th</sup> respectively, by using mean value calculation.

**Table No. 7: Response Rate Of Privatization & Satisfaction**

Response Rate of Privatization			Response Rate of Satisfaction of Current Policies		
S.No.	Response	Percentage	S.No.	Response	Percentage
1.	Agree	60.8	1.	Satisfied	57.60
2.	Disagree	39.2	2.	Non Satisfied	42.40
	<b>Total</b>	<b>100.0</b>		<b>Total</b>	<b>100.0</b>

Table No.7 is an integrated table, which indicates the response rate of privatization and satisfaction of current policies with them. Out 500 samples, 60.8% of them are accepted and agreed the privatization of life insurance and rest of the

39.2% of the peoples were disagreed. During the survey we observed that only 50 and above age level customers only disagreed about privatization of the life insurance. On the other hand 56.6% of the respondent was satisfied and 42.6 of them not satisfied with current policies and schemes. They are in need of innovative schemes and riders.

**Table No. 8**

**Awareness Rate of Policy and Life cover of the Customers**

Policy Awareness			Life Cover Awareness		
<i>S.No.</i>	<i>Response</i>	<i>Percentage</i>	<i>S.No.</i>	<i>Response</i>	<i>Percentage</i>
1.	Yes	62.80	1.	Yes	35.2
2.	No	37.20	2.	No	64.8
	<b>Total</b>	<b>100.0</b>		<b>Total</b>	<b>100.0</b>

From Table No.8, it is evident that 62.8% and 35.5% of the respondents were well aware about the policies and life cover, how much they need for their life. Nevertheless, 37.2% and 64.8% of the peoples did not have any idea about the policy as well as life coverage. This indicates that they lack in basic knowledge of life insurance policies and life cover. Here, it can be suggested that companies should impart more awareness about policies and life coverage that are required for an individual in detail, than the brand campaign because almost all of them are well aware about companies, brands, function and activities.

**Table No. 9: Rating of Companies based on the Purchase of 500 Policy Holders**

<b>Company</b>	<b>Percentage</b>	<b>Ranking</b>
LIC	78.2	1
ICICI Prudential	3.6	2
HDFC Standard	2.8	3
Allianz Bajaj	2.4	4
Birla Sun Life	2.2	5
Tata AIG	2.2	5
Max New York Life	1.8	6
Om Kotak Mahindra	1.4	7
AMP Sanmar	1.4	7
SBI Life	1.2	8



Aviva Life	1.2	8
ING Vysya	1.0	9
MetLife	0.8	10
<b>Total</b>	<b>100.0</b>	

Table No.9 presents that the well established LIC is dominating with 78.2%, ICICI Prudential with 3.6%, HDFC standard with 2.8%, Allinaz Bajaj with 2.4% of policy holders. And out of the 500 respondents, only 0.8% respondents with MetLife. There are too many factors contributing to the successful purchase of a policy, and in that, the important factor is brand awareness and time of establishment of business. We can judge that LIC has maximum policy holders and ranked as 1<sup>st</sup> among other insurance companies, and ICICI Prudential, HDFC standard and Allianz Bajaj hold the 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup> ranks, respectively, and Birla Sun Life, Tata AIG ranked 5<sup>th</sup>, Max New York Life as 6<sup>th</sup>, Om Kotak Mahindra and AMP Sanmar as 7<sup>th</sup>, and SBI Life and Aviva Life Insurance companies as 8<sup>th</sup> among other private players.

**Table No. 10: Rank Correlation Analysis**

Company	X	Y	di = x-y	di2
LIC	1	1.00	0.0	0.00
ICICI Prudential	2	2.00	0.0	0.00
HDFC Standard	5	4.00	1.0	1.00
Allianz Bajaj	4	3.00	1.0	1.00
Tata AIG	3	9.00	-6.0	36.00
AMP Sanmar	12	6.00	6.0	36.00
Max New York Life	6	7.00	-1.0	1.00
Birla Sun Life	7	5.00	2.0	4.00
Om Kotak Mahindra	11	8.00	3.0	9.00
Aviva Life	8	10.00	-2.0	4.00
SBI Life	10	11.50	-1.5	2.25
ING Vysya	9	11.50	-2.5	6.25
MetLife	13	13.00	0.0	0.00
<b>Total</b>				<b>100.0</b>

**Note :** X: the ranks based on the market share on consumed policies (secondary variables):

Y : the ranks based on consumer rating and mean values (primary variable).

SIB and ING Vysya, both have the same ranks. Hence,  $[(11 + 12)/2] = 11.50$  is the rank for both.

$$\begin{aligned}\text{Rank correlation, R} &= 1 - 6 \sum d_i^2 + 1/2 [\sum m_i (m_i^2 - 1)] / n(n^2 - 1) \\ &= 1 - 6 \times 100.50 + 1/2 [2(22-1)] / 13(13 \times 2 - 1) \\ &= 0.72\end{aligned}$$

Table No. 10 shows Rank correlation has been calculated between the ranks of primary and secondary data by considering the variables of consumed policies and consumer preferences.

## 5. Findings of the Study:

- The total average premium is Rs.5, 5550 and the average premium Rs.5, 249 is the nearest to this. The average premium of the 12 private players is Rs.9, 952 which is a huge difference from the grand total average premium.
- Out of the 500 respondents, 25.40% purchase policy as an investment to get return, as a risk cover of death as a tax saving scheme. Only 5.60% stated that they purchased the policy as a risk cover of death only. From this, we can clearly know that consumers expect more benefits than the single benefit offering.
- Regarding insurance companies' awareness among Pune city respondents, it was observed that out of 500 respondents of both public and private insurance policy holders, 100% of the respondents are aware of LIC and 71.20% of the respondents were aware of ICICI Prudential. This shows that awareness and growth prospects of LIC is considerably good than the private players. Nevertheless, with the increasing use of Information Technology tools like Internet and e-commerce, LIC has to face tough competition among ICICI, HDFC, Allianz Bajaj and Birla Sun Life, as its use of this technology is lower compared to the private players. On the other hand, private players feel that convenience, time savings and money saving schemes are the key factors to the success of a business, and now, they have clearly tapped consumers' expectations.
- 82.4% of the respondents preferred to buy LIC's new policy and very limited (17.6%) customers preferred to purchase private players policy. However,

private players like HDFC, ICICI Prudential, Birla Sun Life and Allinaz Bajaj are trying to fill up consumer preference by offering various new innovative plans, but they have to think of more effective channels of distribution to reach the ultimate buyers.

- Out of 88 people, 29.50% of the consumers preferred ICICI Prudential, 20.4% preferred HDFC, 15.9% preferred Allinaz Bajaj and rest, i.e. Tata AIG, OmKotak, AMP Sanmar, SBI Life were preferred by a few consumers ranging between 10.2% to 2.3%, and it was observed that Aviva Life and MetLife new policy were not preferred by the respondent.
- The reasons behind the preferability of a particular company can be ranked as follows. More returns from policy, less premium, more awareness created by companies, variety of policy and advertisement as 1<sup>st</sup>, 2<sup>nd</sup>, 4<sup>th</sup>, 5<sup>th</sup> and 6<sup>th</sup>, respectively.
- Out of 500 samples, 60.8% accepted and agreed for the privatization of life insurance whereas 39.3% disagreed. During the survey, it was observed that only 50 and above age level customers only disagreed about privatization of life insurance. On the other hand, 56.6% of the respondents were satisfied and 42.4% were not satisfied with the current policies and schemes. They are in need of innovative schemes and riders.
- 62.8% and 35.5% of the respondent well aware about policies, life cover how much they need for their life on the other hand 37.2% and 64.8% of the peoples don't have idea about policy as well as life coverage. This indicates them lacking of basic knowledge of life insurance policies and life cover.
- LIC is well-established and dominates with 78.2%, ICICI Prudential with 3.6%, HDFC Standard with 2.8%, Allinaz Bajaj with 2.4% and out of the 500 respondents' only 0.8% respondents with MetLife. It can thus be inferred that LIC has the maximum policy holders and ranks as 1<sup>st</sup> among other insurance companies, followed by ICICI Prudential, HDFC Standard and Allianz Bajaj, Birla Sun Life and Tata AIG, New York Life, Omkotak Mahindra and AMP Sanmar, and SBI Life and Aviva Life holding the 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup>, 6<sup>th</sup>, 7<sup>th</sup> and 8<sup>th</sup> ranks respectively, among other private players.
- From rank correlation method, the rank correlation coefficient (0.72) was calculated by comparing consumed polices and consumer rating in mean value.

- By using chi-square analysis the association between the type of the company and the satisfaction rate was tested.

$H_0$ : The type of the company and the customer satisfaction rate are independent.

$H_1$ : The type of the company and the customer satisfaction rate are not independent (dependent).

**Findings:** It was found that customer satisfaction rate is strongly associated with the type of the company, hence null hypothesis is rejected.

- By using chi-square analysis the independence between the acceptance of privatization and age level of the respondents was tested.

$H_0$  : The acceptance rate of privatization and the age level of the respondents are independent.

$H_1$  : the acceptance rate of privatization and the age level of the respondents are dependent (not independent).

**Findings:** The acceptance rate of the respondent is not independent of the age level of the respondent, i.e., null hypothesis rejected and alternative hypothesis should be accepted. Hence, the acceptance of privatization depends upon the age level of the respondents.

## **6. Suggestions to the Insurance Companies:**

- The key strategy should be the return maximization and the premium minimization. Mainly private companies should refuse the premium and increase the return.
- Tangibilization strategy should be strictly adopted so as to increase the sales by brand image building, etc. Private players have to build brand image in the minds of public to get established.
- Any type of physical evidence should be used apart from the brochures as the tangibilization strategy. The insurers can put forward any physical evidence like credit card system for the insurance service and options like premium payment through the cards can also be made. It makes the identity for the particular brand or policy.
- In order to ensure the reach of all insurance products and services to the ultimate consumers, private insurance companies should follow the understandable market segment strategy. Insurance companies should also

make more consultancy services, intermediaries or agencies to channelize the distribution perfectly.

- The coverage network should also be increased. More riders and benefits should be provided and awareness should be given. Quick settlement of claims should be provided to the consumers. Advertisements should focus on the features and benefit, and the service should get a tangible feeling of satisfaction from the minds of the consumers.

### **7. Suggestions to the Customers:**

- As far as possible choose the early mode of premium payment.
- Stay buying life insurance during the healthy period.
- Do not pay a markup in premium in temporary illness.
- Attach a level term cover rider to endowment plans to increase the life cover.

### **8. Limitations of the Study:**

- In certain cases, the findings from the survey may contradict the facts. Biases may occur in the case of a Life Insurance Company, which has very good distribution coverage in all the places.
- Some respondents were unwilling to give their address and name. The negative attitude of the respondents might have affected the study. Incorrect information received from the respondents is also considered as a limitation.
- The respondents were from Pune city only.

### **9. Conclusion:**

In many ways the entry of private players has marked a second coming for the sector. Within three years, the sector has undergone a makeover offering the market more choice, better service, quicker settlement, tighter regulations, and greater awareness. Furthermore, from this study, the author strongly believes that the purchasing decision of the consumer depends on quality, accessibility and promptness of services, which may lead a company acquire the top rank with a huge market share.

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