

A Perception Analysis on the Determinant Factors for the Selection of an Insurance Company

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Abstract

Insurance industry has provided plethora of policies to suit the various needs of the policyholders in different age groups with different income level in different sectors. A prospective insurance policy purchaser has to select among the varied choices of policies available in the market. The post liberalisation era gives an individual the option of choosing an insurance company among numerous players unlike the olden choice less regime. The choice of a customer for preferring a particular company is affected by numerous factors. The national players and private players with international alliances are able to offer attractive products for the customer. The credibility of an insurance company, its net worth, the reach ability of agents, the past history of settlement of claims, the products offered, the payment options, the infrastructure support, the brand image of the alliance companies plays a vital role in the selection of a particular insurance company for a buyer. This study aims to analyse the main determinants of a customer in selecting a particular insurance company. The sample respondents are confined to policyholders in Chennai city. The proportionate systematic random sampling method has been adopted for the study. The perception of the respondents on the various factors of an insurance company is measured on a five-point scale and analysed. The factors are ranked on the second level of analysis. The study brings to the fore that the top factors in deciding the insurance company is Safety, Product, Service and Price. The management and policy makers of an insurance company can concentrate and formulate appropriate policies by giving more weightage to these main factors to conquer the market.

Keywords: Insurance, Policyholder, Private Players, Factors

Introduction

The overall development of our country in all the sectors increases the standard of living for a vast majority of population. The increase in employment opportunities, the avenues to earn good income, the fulfilment of basic necessities enables an individual to look out for one's safety needs. Insurance provides a tool to an individual to face the contingency of life. Insurance industry has provided plethora of policies to suit the various needs of the policyholders in different age groups with different income level in different sectors. Thus, a prospective insurance policy purchaser has to select among the varied choices of policies available in the market. The post liberalisation era gives an individual the option of choosing an insurance company among numerous players unlike the olden choice less regime.

The choice of a customer for preferring a particular company is affected by numerous factors. The national players and private players with international alliances are able to offer attractive products for the customer. The credibility of an insurance company, its net worth, the reachability of agents, the past history of settlement of claims, the products offered, the payment options, the infrastructure support, the brand image of the alliance companies plays a vital role in the selection of a particular insurance company for a buyer. This study aims to analyse the main determinants of a customer in selecting a particular insurance company.

Insurance Industry in India

India stands as a biggest market for insurance even with its current 36 crore policies. The Indian insurance sector consists of 52 insurance companies, of which 24 are in life insurance business and 28 in non-life. The life insurance industry in the country is projected to increase at a compound annual growth rate (CAGR) of 12-15 per cent in the next five years. The industry plans to hike penetration levels to five per cent by 2020, and has the potential to top the US\$ 1 trillion mark over the next seven years. The Government has taken good efforts in the right direction to project an optimistic outlook of this industry. The total market size of the insurance sector in India was growing at a rapid speed in the geometrical proportion. Hence, it is predominantly important for the management of an insurance company to know about the determinant factor for selecting a particular company. The various factors based on review of literature is analysed through the perception analysis. The selected factors are ranked and it helps the policymakers to concentrate on the top ranking factors for a prospective policy purchaser.

Review of Literature

Rajavardhan Reddy and Jahangir (2015) explored the contribution of ICT and privatization for the exceptional growth of the Indian Insurance Sector. The impact of rural insurance is analysed through their analysis. The authors analysed the perceptions of India's rural masses with regards to life insurance services and the influencing factors of their choice. The study brings to the fore that demographic and economic variables are highly influencing and significant towards insurance services choice.

Ajay Suneya and Kirti Sharma (2009) clearly outline the difficulties involved in choosing an appropriate company by a prospective customer in the regime of cutthroat competition. The analysis was carried down to find out the factors influencing the choice of a life insurance company to purchase a policy. By applying Stratified random sampling design, 12 private sector life insurance companies are analysed through this study. The demographic analysis and factor analysis reveals that promotional activities, image of the company, customer convenience, financial and non-financial facilities and premium and procedural formalities are the main factors influencing the choice of an insurance company.

Dipin Mathur and Ashish Tripathi (2014) highlighted the prominent growth of Indian Insurance sector and points out the competition in this sector. The study identifies and evaluates the factors that influence customer's choice for a customer. The study further explores the factors of high influence of a customer's choice in Ajmer insurance industry along with the demographic analysis of the respondents. Through the factor analysis, the study reveals that computerization and online transactions, connectivity with bank, speed and efficiency in transactions, clear communication are influential for the customer for selection of an insurance company.

Khurana (2008) made an attempt to discover the preferences of a customer for selecting a new insurance company based on insurance plans and nature of the company, the purpose of buying a policy and satisfaction level. The analysis reveals that protection was the prime factor for buying an insurance policy. The problem faced by the respondents towards claim settlement and collection of appropriate information is clearly traced down in the analysis. The percentage wise analysis divulges that public sector insurance companies are preferred by the customers than private sector companies. Rajkumari (2007) analysed the awareness, satisfaction and preferences of customers towards various insurance services. The study examines the various factors and identified the main customer's attitude while purchasing the insurance products. The analysis suggests to banking industry various ways for improving the sales of insurance products.

The review of literature shows that many authors analysed the various factors that influence the choice of a potential investor for selecting a particular insurance company. The analysis was carried down in different parts of places in India. The literature review highlights the fact that there are no specific study highlighting and ranking the choice of the factors for the selecting of an particular insurance company of the potential investor in Chennai city. Hence, this study aims to fill up this research gap by analysing the various factors individually and then ranking them based on their mean values.

Significance of the Study

The Indian Insurance Industry is expected to grow at a robust level in the near future. The employment growth and income growth will make majority of our population to take policies for their varied needs. Hence, an individual should be aware of the way in which one should select an insurance company. On the other hand, the potential growth of this industry necessitates for each player in the insurance sector to transform according to the requirement of the potential policy purchaser. This study will help the individual to look for the vital factor to select a company while at the same time the management of insurance company can design and strengthen them on the necessary front.

Objectives of the Study

- To analyse the various factors influencing the choice of an insurance company
- To rank the factors and highlight the important factor for selecting an insurance company

Data & Methodology

The present study is confined to prospective policyholders residing in Chennai city. The proportionate systematic random sampling method has been adopted for the study to confirm the sample size at 215. The present study is purely based on primary data and it has been collected through a well-structured questionnaire. The perception of the policyholders towards the choice of an insurance company has been found out through ranking analysis, Simple Percentage and Mean score have been utilized to analyse the perception level of the respondents. Besides the responses received on the questionnaire, informal discussions were held with them to get insight on various matters related to the purchase of insurance policy.

Limitations of the Study

- The results of the study cannot be generalized as the perceptions of the respondents vary according to the environment variables.
- The factors that are not included in the study may also impact the decision making of the potential insurance policy buyer in deciding the selection of an insurance company.

Analysis & Interpretations

Table No.1
Demographic Details of the Respondents

Demographic Variables	Categories	No. of Respondents	Percentage
Age	Less than 25	40	18.60
	26-35	71	33.02
	36 – 45	66	30.70
	More than 45	38	17.67
Educational Qualifications	HSC	54	25.12
	UG	96	44.65
	PG & Above	65	30.23
Experience	Less than 5 years	45	20.93
	5 – 10	76	35.35
	11 – 15	66	30.70
	More than 15	28	13.02
Income	Less than Rs. 15,000	53	24.65
	Rs. 15,001 - Rs. 25,000	116	53.95
	Rs. 25,000 & Above	46	21.40

Source: Primary data

Table 1 displays the demographic nature of respondents pertaining to the study. The age group of 26 to 35 is predominant among the respondents. The interest to save and invest is more at this age group. The respondent with UG qualification stands high with 45 per cent than the other two categories. The experience of the investors is spread across all the four categories. Nevertheless more than 65 per cent respondents fall under the category of 5 – 10 years and 11 – 15 years experience. The income earning capacity of the respondents is also analysed through the percentage analysis. It reveals that majority of the investors belongs to the middle income group of Rs.15,001 – Rs.25,000. The desire to go for security and purchase a policy is high in this income band than the other two.

Table No. 2

Perception of Respondents on the Influence of Safety Factor for Selecting An Insurance Company

Particulars	No. of Respondents	No. of Respondents (%)	Total	Mean	S.D.
Highly Significant	97	45.12	215	4.01	0.45
Significant	59	27.44			
Moderately Significant	35	16.28			
Not Significant	13	6.05			
Highly Not Significant	11	5.12			

Source: Primary data

Table No. 2 brings to the fore the perception of respondents towards the safety factor in choosing an insurance company. The basic purpose of purchasing an insurance policy is to provide safety to their family members. This is reflected in the respondents’ opinion. More than 72 per cent of respondents consider safety to be an significant factor for an insurance company. The investor prefers to have safety of their investment as an important factor than others as it gives a sense of security for their investment. Only 16 per cent of investors consider it as a moderately significant factor while 11 per cent considers this as an insignificant factor. The total mean of the respondents comes to 4.01 and standard deviation stands at 0.45.

Table No. 3

Perception of Respondents on the Influence of Product Factor for Selecting An Insurance Company

Particulars	No. of Respondents	No. of Respondents (%)	Total	Mean	S.D.
Highly Significant	115	53.49	215	4.10	0.40
Significant	58	26.98			
Moderately Significant	12	5.58			
Not Significant	14	6.51			
Highly Not Significant	11	5.12			

Source: Primary data

A glance at the table no. 3 indicates the influence of product factor while deciding about the insurance company. The policy, the tax rebate, the insurance coverage, savings and investment perspective of a policy portrays the product features of a policy. 80 percent of investors falls under the category of highly significant and significant shows the importance of the product. They consider product as the main factor in deciding about a policy. High mean value of 4.10 signifies the importance of product factor by the investors.

Table No. 4
Perception of Respondents on the Influence of Service Factor for Selecting An Insurance Company

Particulars	No. of Respondents	No. of Respondents (%)	Total	Mean	S.D.
Highly Significant	33	15.35	215	3.04	0.56
Significant	53	24.65			
Moderately Significant	56	26.05			
Not Significant	36	16.74			
Highly Not Significant	37	17.21			

Source: Primary data

An analysis of table no. 4 makes it clear that the service factor is a widely spread one among the investors in selecting an insurance company. There is a mixed response among the investors regarding this factor. It can be inferred from the response that the service factor is an expected amenity from an insurance company while it is not the only factor in deciding the company. The low mean score of 3.04 also substantiates the views of the respondents in this aspect.

Table No. 5**Perception of Respondents on the Influence of Price Factor for Selecting An Insurance Company**

Particulars	No. of Respondents	No. of Respondents (%)	Total	Mean	S.D.
Highly Significant	82	38.14	215	3.95	0.43
Significant	78	36.28			
Moderately Significant	34	15.81			
Not Significant	4	1.86			
Highly Not Significant	17	7.91			

Source: Primary data

Price means the premium amount of a policy paid to the insurance company. Price is considered to be one of the main factors in deciding about the purchase of a policy. An investor generally compares the premium amount of similar policy of various insurance companies before taking his decision. More than 90 per cent of the investor's perception falls under the category of highly significant, significant and moderately significant. Less than 10 per cent of investors does not consider price to be the main factor. The mean score of 3.95 also substantiates the opinion of investors towards the price factor.

Table No. 6**Perception of Respondents on the Influence of Claim Settlement Factor for Selecting an Insurance Company**

Particulars	No. of Respondents	No. of Respondents (%)	Total	Mean	S.D.
Highly Significant	113	52.56	215	4.28	0.36
Significant	65	30.23			
Moderately Significant	27	12.56			
Not Significant	6	2.79			
Highly Not Significant	4	1.86			

Source: Primary data

The intention of purchasing an insurance policy is claim settlement. The ability of an insurance company is measured through its settlement capacity. Any prospective buyer of an insurance policy will be giving more importance to this factor. A company with a huge fund with a long standing in the market fetches high confidence of an investor. This is very much evident from the table no. 5. More than 95 per cent of respondents (highly significant, significant and moderately significant) are of the opinion that claim settlement capacity of an insurance company is very much significant while selecting an insurance company. A very high mean score of 4.28 also substantiates the importance of this factor. A minuscule investor (1.86 per cent) alone considers this as a highly insignificant factor.

Table No. 7

Perception of Respondents on the Influence of Infrastructure Factor for Selecting An Insurance Company

Particulars	No. of Respondents	No. of Respondents (%)	Total	Mean	S.D.
Highly Significant	45	20.93	215	3.02	0.55
Significant	46	21.40			
Moderately Significant	35	16.28			
Not Significant	48	22.33			
Highly Not Significant	41	19.07			

Source: Primary data

The modern investors are technically sound and more interested about the infrastructure factor of an insurance company. The investor would like to know the infrastructure of the company before making the purchase decision. Table No. 6 manifests the response of the respondents on the infrastructure factor. It is quite interesting to know that 4 out of 5 response category spread out around 20 per cent. Only 16 per cent investors consider this as moderately significant. Hence it can be stated that infrastructure factor neither occupies high significant nor low significant. It occupies an average response in all the levels.

Table No. 8**Perception of Respondents on the Influence of Brand Loyalty Factor for Selecting An Insurance Company**

Particulars	No. of Respondents	No. of Respondents (%)	Total	Mean	S.D.
Highly Significant	48	22.33	215	3.17	0.52
Significant	41	19.07			
Moderately Significant	58	26.98			
Not Significant	38	18.60			
Highly Not Significant	30	13.02			

Source: Primary data

The brand has its own undisputed place while purchasing any product. Whether the same is true in the case of insurance company also is a question to be analysed. Thus, the affinity of an investor towards a brand is analysed through table no. 7. The investors provide a diverse response as far as this factor is concerned. While 22 per cent gives high significant for this factor, 19 per cent considers it as a significant factor and 27 per cent weigh it as a moderately significant factor. More than 31 per cent investors does not give significant importance to it. The table reveals a mixed result as the perception is widely spread among all the categories.

Table No. 9**Perception of Respondents on the Influence of Accessibility Factor for Selecting An Insurance Company**

Particulars	No. of Respondents	No. of Respondents (%)	Total	Mean	S.D.
Highly Significant	42	19.53	215	3.19	0.50
Significant	59	27.44			
Moderately Significant	44	20.47			
Not Significant	37	17.21			
Highly Not Significant	33	15.35			

Source: Primary data

The accessibility of an insurance company for the purpose of payment of premium, change of policy, change of address or other details, enquiries, claim settlement factor is analysed through the table no. 8. The investor with good educational background considers the accessibility of the insurance company on the internet through various modes like system, mobile etc as important. The perception of investors who does not have good educational background is more concerned about the accessibility of an insurance company through direct in person mode. Both the modes are considered to be equally important. The investors also opine differently according to their knowledge of the ICT and give a mixed response. Even though they consider this as one of the important factor but not the main factor which is disclosed by the low mean score of 3.19.

Table No. 10

Perception of Respondents on the Influence of Promotional Factor for Selecting An Insurance Company

Particulars	No. of Respondents	No. of Respondents (%)	Total	Mean	S.D.
Highly Significant	56	26.05	215	3.31	0.42
Significant	31	14.42			
Moderately Significant	34	15.81			
Not Significant	72	33.49			
Highly Not Significant	22	10.23			

Source: Primary data

Table No. 10 brings to the fore the influence of promotional factors while selecting an insurance company. The respondents consider this factor with varied degrees of significance. While 26 per cent considers this factor as highly significant while selecting an insurance company, more than 43 per cent does not signifies its importance for the selection. On an average 15 per cent considers this as only moderately significant. The low mean values of 3.31 also corroborate the results of the respondents.

Table No. 11
Ranking of factors

Sl. No.	Factors	Mean Value	Ranks
1.	Safety	4.01	3
2.	Product	4.10	2
3.	Service	3.04	8
4.	Price	3.95	4
5.	Claim Settlement	4.28	1
6.	Infrastructure	3.02	9
7.	Brand Loyalty	3.17	7
8.	Accessibility	3.19	6
9.	Promotion	3.31	5

Source: Primary data

Table 11 exhibits the ranking of various factors on selecting of an insurance company based on mean scores. It is manifest from the table that Claim settlement, Product, Safety, and Price are the top ranked benefits in the perception of respondents. As for the infrastructure, service or brand loyalty factors, it occupies the low ranking signifying less importance by the respondents. The promotional factor and accessibility factor occupies the mid phase ranking. The analysis of the mean scores and the ranking table based on the mean score brings to the fore that the insurance company has to concentrate on the top factors of claim settlement, product, safety and price as prime factors for boosting their sales. The management and policy makers of the insurance company can frame appropriate strategies to attract the investors and augment their sales.

Conclusion

This study aims to analyse the main determinant factor of a customer in selecting a particular insurance company. The perception of the respondents on the various factors of an insurance company is measured on a five-point scale and analysed. The factors are ranked on the second level of analysis. The study brings to the fore that the top factors in choosing the insurance company is Safety, Product, Service and Price. The promotional factor and accessibility factor occupies the mid phase ranking. As for the infrastructure, service or brand loyalty factors, it occupies the low ranking signifying less importance by the respondents. Hence, the management and policy makers of an insurance company can concentrate and formulate appropriate policies by giving more weightage to these main factors to conquer the prospective market.

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