

A Comparative Study of Life Insurance Corporation of India and Bajaj Allianz Life Insurance Co. Ltd. on Customer Satisfaction

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Abstract:

The insurance sector has witnessed a paradigm shift in the way of conducting the business after the reforms in the sector, in the year 2000. Liberalization, privatization, and globalization completely changed the concept of marketing. With the entry of private players the competition has become intense. The customer is the king of the market. Dealing in intangible product like life insurance, requires a great faith to be developed in the customers. A greater emphasis is needed to be given on developing innovative products and providing after sale services to the customers. Grievance redressal is another neglected area to be focused upon.

This paper is an attempt to analyze and compare the satisfaction level of the customers of the two eminent life insurance companies i.e. Life Insurance Corporation of India and Bajaj Allianz Life Insurance Co. Ltd. on the basis of responses of the policy holders of both the companies regarding their products and services. The outcome will help in formulating their future strategies and overcoming the weaknesses of the companies.

Key words: Insurance, Customers Satisfaction, Intangible Products, Grievance Redressal

INTRODUCTION

In the current scenario of intense competition in the service sector, rendering high quality service is an important

determinant for obtaining the competitive advantage, which results to satisfied customers. It is essential for customer retention and loyalty.

With the opening up of Indian insurance market for the private players, the whole scenario has been changed. Life insurance industry became more dynamic in their functioning and dealing with customers. LIC of India which had been enjoying monopoly in Indian life insurance market suddenly, brought into a tough competition. Out of many private companies registered under IRDA, Bajaj Allianz Life Insurance Co. Ltd. also started spreading its roots in the market and our countries economy started getting influenced by the impact of privatization on the sector. Now the mission became to spread more awareness of insurance, provide better services, develop need based products at affordable price as to insure the life of maximum individuals against future uncertainties.

CUSTOMER SATISFACTION

Customer satisfaction is an extent at which the customers expectation are satisfied with the product or services supplied by a company. In a competitive market, companies strive for making their customer base strong so, it is seek as a key differentiation and key element for the formulation of business strategy. Satisfaction is a major outcome of marketing activity and serve as a link process culminating in a purchase and consumption with post purchase phenomena such as attitude change, repeat purchase and brand loyalty.

CUSTOMER SATISFACTION IN INSURANCE

Customer satisfaction in insurance is no doubt difficult to understand because here, the product is intangible in nature. It may provide you an assurance for future where customer is

absolutely not sure whether the promise will be fulfilled and when the need arises. But if and when the need occurs, it is already late for him to evaluate the customer service standards in the insurer. Insurance industry works on the principal of “utmost good faith”, where the technical quality of the service depend upon its reliability (Kaur P. and Negi M.).

With the reforms in the insurance sector, customer service has become the focal point of insurance companies. Private companies are bringing new and innovative products to cater the needs of the people but lots of work is required to be done to reduce the delivery time of services like delivery of first policy receipt, policy document, premium notice, survival benefit payment, maturity payment and death claims.

Customer grievance is another segment which is highly neglected by the insurance companies. Grievance arise where customer expectations and reality does not match up, which becomes the major cause of dissatisfaction in the customer. So, companies should come forward with the proactive approach to attract more and more customers, by adding additional elements in their services.

REVIEW OF LITERATURE

Following are some of the work done in the respective field.

1. Anderson et al (1997) examine the link between customer satisfaction and productivity. The authors present a conceptual frame work useful in resolving these contradictory point. The findings indicate that the association between changes in customer satisfaction and changes in productivity is positive for goods but negative for services.
2. Das and Samanta (2005) consider customer satisfaction as a customer survival requirement. The results identify

eight factors which could reflect the customer satisfaction indexing principal component analysis.

3. Yu(2007), analysed in his study that there is a cross-sectional relation between customer satisfaction and customer purchase behavior as well as economic contribution. He also investigates how customer satisfaction effects future customer revenue, cost and profits.
4. Girish Kumar and Eldhose (2008), explained in his paper about the importance of quality service and its significance in raising customers satisfaction, His comparative study helped in understanding the customers perception, satisfaction and awareness on various life insurance services.

NEED OF THE STUDY

This study includes, comparing the customer satisfaction level of two life insurance companies i.e. Life Insurance Corporation of India and Bajaj Allianz Life Insurance Co. Ltd. It makes the study more significant as no work is done on this subject till the date. It will highlight the shortcoming of both the giant companies which in turn, will help them in making their marketing strategies in an effective manner.

OBJECTIVE OF THE STUDY

1. To understand the concept of customer satisfaction in life insurance sector.
2. To compare the satisfaction level of customers of LIC of India and Bajaj Allianz Life Insurance Co. Ltd.
3. To offer suggestions for the betterment of both the companies.

HYPOTHESIS

H0 – There is no significance difference in the satisfaction level of customers of LIC of India and Bajaj Allianz Life Insurance Co. Ltd.

H1 - There is a significance difference in the satisfaction level of customers of LIC of India and Bajaj Allianz Life Insurance Co. Ltd.

LIMITATIONS

1. Only two life insurance companies are taken for study.
2. This study is restricted to Bhopal region only.
3. The results of the study are not applicable at a macro level.
4. The researchers found difficulty in getting the responses of some of the respondents.

RESEARCH METHODOLOGY

Sample Design

All the customers living in Bhopal region constituted the population of the study. Convenience sampling method is used for the purpose of the study.

Sample Size

There is a major difference in the customer base of both the companies. So it is difficult to justify the results of the research without taking equal sample size. Therefore, the sample consist of 300 respondents, out of which 150 respondents are the policyholders of LIC of India and remaining 150 are of Bajaj Allianz Life Insurance Co. Ltd.

Collection of Data

The data collected comprises of both primary and secondary data. Primary data is collected through a well formed questionnaire whereas, secondary data is obtained from sources such as IRDA journals, books and published data.

Tools and Techniques Used

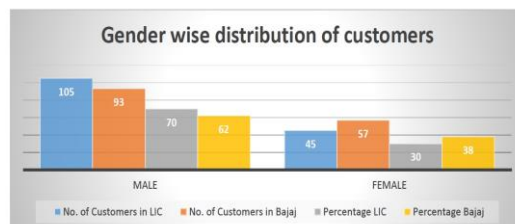
The data collected for the study is analyzed by using different analytical tools and techniques. The data is collected, tabulated and interpreted by using Five-point Linkert scale ranging from highly satisfied(5) to highly dissatisfied (1) where, (3) stands for neither satisfied nor dissatisfied and (1) and (4) for satisfied and dissatisfied respectively. Percentage, Analysis of variance and Graphical presentation are also used for analysis.

DEMOGRAPHIC CHARACTERSTICS OF THE POLICYHOLDERS

The demographic profile of the respondents is analyzed on the basis of age gender, income, and occupation. These factors are equally important in taking decisions regarding life insurance.

Gender wise distribution of customers

S. No.	Gender	No. Of Customers		Percentage	
		LIC	Bajaj	LIC	Bajaj
1	Male	105	93	70	62
2	Female	45	57	30	38
Total		150	150	100	100

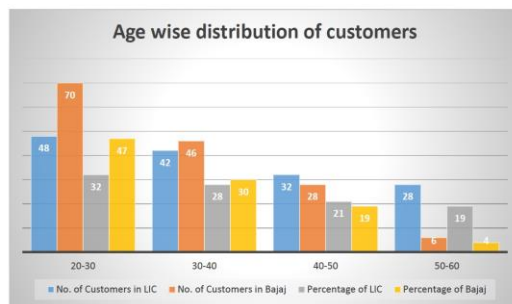


Interpretation

Mostly males are the earning members of the family so, they prefer to get their own life insured. The above table depicts that 70% of males have chosen insurance policy of LIC of India in comparison of 62% of Bajaj Allianz.

Age wise distribution of customers

S. No.	Age Group	No. Of Customers		Percentage	
		LIC	Bajaj	LIC	Bajaj
1	20-30	48	70	32	47
2	30-40	42	46	28	30
3	40-50	32	28	21	19
4	50-60	28	6	19	4
Total		150	150	100	100



Interpretation

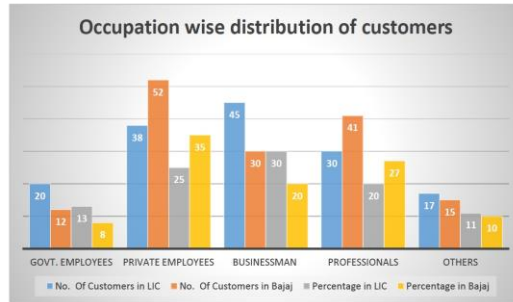
From the above table it is analyzed that the respondents of age group of 20 - 30 of LIC of India are 32% and of Bajaj are 47%. It reflects that youngsters are inclined more towards Bajaj Allianz whereas, the people of 50-60 age group have shown more faith on the old existing trusted brand name i.e. LIC of India.

Occupation wise distribution of customers

S. No.	Status	No. Of Customers		Percentage	
		LIC	Bajaj	LIC	Bajaj
1	Govt. Employees	20	12	13	8
2	Private Employees	38	52	25	35
3	Businessman	45	30	30	20

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4	Professionals	30	41	20	27
5	Others	17	15	11	10
Total		150	150	100	100

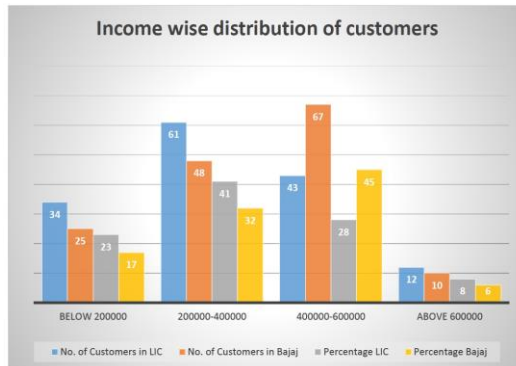


Interpretation

This table shows that government employees and businessman are constituting 43% of the total population have invested in the policies of LIC of india with the view of secured saving with life insurance cover in comparison to 28% of Bajaj Allianz. Whereas, professionals and private employees comprising 72% of population are the customers of Bajaj Allianz in comparison to 45% of LIC of India.

Income wise distribution of customers

S. No.	Annual Income	No. Of Customers		Percentage	
		LIC	Bajaj	LIC	Bajaj
1	Below 200000	34	25	23	17
2	200000-400000	61	48	41	32
3	400000-600000	43	67	28	45
4	Above 600000	12	10	8	6
Total		150	150	100	100

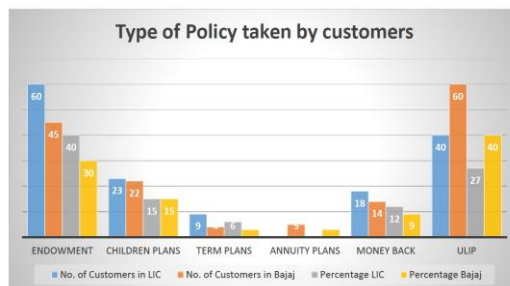


Interpretation

It is observed that 69% of customers of LIC of India and 77% customers of Bajaj Allianz belong to the middle income group of 2 lac-6 lac whereas, 23% of LIC of India and 17% of Bajaj Allianz lies in the limit of below 2 lac, rest are higher income group customer. It also reveals a fact that the region taken by the researcher comprises of middle class population.

Type of Policy taken by customers

S. No.	Type Of Policy	No. Of Customers		Percentage	
		LIC	Bajaj	LIC	Bajaj
1	Endowment	60	45	40	30
2	Children Plans	23	22	15	15
3	Term Plans	9	4	6	3
4	Annuity Plans	0	5	0	3
5	Money Back	18	14	12	9
6	ULIP	40	60	27	40
Total		150	150	100	100



Interpretation

The above table shows that 52% customers of LIC of India and 39% of Bajaj Allianz are having traditional endowment and money back policy. Money back policy provides, a survival benefit at regular intervals without losing insurance cover. Equal ratio is shown in terms of children plans i.e. 15%. People have not taken much interest in opting for term as well as annuity plans but noticeable point is that risk taking capacity of people has increased as they are showing more interest in investing in ULIPs, which are fully share market oriented. The admirable features of ULIPs are high return, tax benefit, insurance cover and critical illness rider with the option of flexible premium payment amount. 27% of LIC of India's and 40% of Bajaj Allianz customers have invested in ULIPs.

Overall Satisfaction of Customers towards Insurance Companies

S. No.	Parameters	Highly Satisfied	Satisfied	Neither Satisfied Nor Unsatisfied	Dissatisfied	Highly Dissatisfied
1	Policy Premium	78	82	57	54	29
2	Brand Goodwill	200	75	21	4	0
3	Constant Communication with Customers	140	100	25	30	5
4	Maturity Returns	90	118	52	22	18
5	Considerate Employees	82	110	78	20	10
6	Agent Service	85	130	57	19	9
7	Risk Coverage & Financial Security	65	120	65	50	0
8	Advertising & Promotional Strategies	82	134	75	9	0
9	Tax Saving Benefit	140	120	30	10	0

Analysis Of Variance Table

S. No.	Source of Variations	Degree of Freedom <i>df</i>	Sum of Squares	Means Squares	F Ratio
1	Between Groups	4	78861	19715.25	30.708
2	Within Groups	40	25681	642.025	
	Total	44	104542		

Assuming the level of significance to be 5%, the table value of F with 4 degree of freedom in numerator and 40 degree of freedom in the denominator equal to 2.61. Since the computed F is more than tabulated F, there is enough evidence to reject the null hypotheses. Therefore, there is a significant difference in the satisfaction level of LIC of India and Bajaj Allianz Life Insurance Co. Ltd.

SUGGESTIONS

1. Mostly people come to know about the service existence and terms and conditions of the plans through agents. So agents must endeavor on enhancing their skills and knowledge.
2. Effective advertisement and promotional events should be encouraged to increase the awareness of the people.
3. Actuarial department should work on managing the premium rates in such a manner that it could become more assessable to the customers.
4. People should be made convinced for opting term assurance as it provides actual life cover to the customer and companies should made effective return oriented annuity plans to provide a solution for people old age need.
5. Adequate training should be provided to the employees, timely for rendering quality service

6. Constant communication and updating the customers with the latest services like SMS, e-mail, e-payment should also be done.

CONCLUSION

It is observed through the study that LIC of India, which has a history of more than half a century is also facing tough competitions from the private sector life insurance company i.e. Bajaj Allianz Life Insurance Co. Ltd. Policy holders of both the companies are quite satisfied with the plans and services offer to them. But it is also evident that agents should update their knowledge and skills to create a positive perception about insurance and the life insurance industry needs to focus on developing quality products, rendering effective after sale services and maintaining direct and healthy relationship with the customers to survive in the intense competition.

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