

3. Study of Consumer Behavior in Insurance Services

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Abstract:

Various definitions of insurance have been proposed. Customer behaviour analysis looks into the who, what, where, and why of consumer purchasing. Economics, sociology, anthropology, and psychology all find common ground in its comprehensive framework. As a result of monitoring consumer behaviour, marketers can anticipate changes in consumer preferences and adapt their strategies accordingly.

The general insurance sector in India has grown rapidly since the government began allowing private enterprises and foreign direct investment (FDI) in the year 2000. (FDI). After years of work and millions of dollars in investment, many scientists and businesses worry about whether or not consumers would choose their product.

It analyses case studies from the life insurance industry to discover which components of customer satisfaction and associated behaviour are most important to the performance of the sector as a whole. The capacity to meet and anticipate the demands of one's clientele is essential to maintaining a competitive edge. The purpose of this study is to gain insight into how search, experience, and credibility characteristics impact consumer behaviour and life insurance product satisfaction. Businesses exert considerable effort to gather consumer feedback in order to develop strategies that will allow them to provide the same level of service, or even an improved version of that service, as their competitors.

Keywords: *Consumer Behaviour, Insurance, Insurance Policies, economics, insurance industry.*

3.1 Introduction:

Some private enterprises have even formed collaborations with international insurance giants in response to the industry's newly liberalized environment. Until recently, the market was dominated by the government-backed Life Insurance Corporation and General Insurance Company. Since large private companies such as AMP Sanmar Assurance Co. Ltd, ICICI Prudential Life Insurance Co. Ltd, Tata AIG insurance, Bajaj Allianz, and HDFC Standard Life Insurance have entered the market, competition has intensified significantly. As 2018 approaches, the insurance industry in the United States is poised for record growth. [1] The insurance industry is seeing a rise in the number of companies competing for client dollars. Risk management can be applied to a wide variety of situations.

This is crucial for a wide range of financial organizations. Effective management requires the ability to recognize risk, measure it, and assess its consequences. Banks and other financial organizations face a number of risks when handling their customers' money, including market risk, credit risk, counter party risk, and liquidity risk. Reducing the impact of prospective risks is the major objective of risk management. [2]

3.2 Factors Influencing Consumer Behaviour:

- **Social factor:**

A civilization's social structure inevitably results in a stratification of its population. Everybody in the same group is on the same level, but people in different groups are either praised or degraded. Those who share a common ancestor, clan, notable last name, etc. are also counted.

- **Cultural factor:**

Those who are brought up to respect their culture's norms face intense pressure to behave in ways that are generally accepted. Subcultures are distinguished by their members' divergent worldviews, morality, and societal conventions. Subcultures, in this sense, are cultural groups that may be readily recognized within a larger, more diverse community. [3]

- **Personal factor:**

I can't overstate how important this is. People's personalities and values can also play a role in shaping consumer behaviour. Factors include age, income, profession, and lifestyle. Only our public personas are affected by these factors.

3.3 Key Players in the Insurance Industry:

- LIC
- ICICI PRUDENTIAL
- TATA AIG
- BIRLA SUN LIFE INSURANCE
- MAX NEW YORK
- SAHARA LIFE
- SBILIFE INSURANCE
- AXA (AIRTEL, I.E. BHARTI GROUP'S)
- OM KOTAK
- ALLIANZ BAJAJ
- AVIVA
- ING VVSYA
- RELIANCE LIFE INSURANCE
- METLIFE INSURANCE
- SRIRAM SANLAM
- HDFC STANDARD LIFE INSURANCE

Benefits of Life Insurance Policies:

- A life insurance policy is the safest way to save money from the risk of premature death. When a policyholder dies, the insurance company makes a payment to whoever or whatever is designated as the beneficiary in the policy. To put it another way, the sum of all other savings programmes would only amount to that. If the insured's death happens before the funds have grown to more than the sum guaranteed, the family stands to lose a substantial amount of money.

- Savings accounts, on the other hand, encourage and force thrift because it's so easy to get the money. In contrast, the payment of a life insurance premium is regarded with the same reverence as the payment of mortgage interest. In this sense, investing in a life insurance policy is analogous to a sort of required savings. [4]
- Only the proceeds of a life insurance policy can be lawfully assigned without the proceeds being subject to claims by the assured's creditors. Because of this, life insurance is a great option for amicable and speedy financial resolutions.
- Beneficiary Administration: Investing in hunches or making poor decisions can quickly drain the estate's resources. Payments can be spread out over time or split between instalments and a lump sum under a few different plans to cater for this possibility. [5]
- Ready A life insurance policy has liquidity and can be a quick source of credit because its cash value can be withdrawn after a set length of time (often three years). A commercial loan, like a student loan, can use the policy as collateral.
- Ready After a certain period of time (usually three years), the cash value of a life insurance policy can be surrendered, providing liquidity and making the policy suitable collateral for loans. The policy can be used to secure almost any type of commercial loan, including student loans.
- When a policyholder dies as a result of an accident, they may be eligible for further benefits (often the sum assured) [6].

3.4 Review of Literature:

Jama (1997) [7] discusses the needs, barriers, and options for giving the user's perspective more weight in three areas: (1) the conceptualization and definition of quality, (2) the measurement of quality, and (3) routine quality evaluation and improvement.

At the end of this essay, I offer some recommendations for how various organizations can and should react to these issues.

Results from studies by Reagan, Brostoff, and Hofmann (2001) [8] The Indian market for health and life insurance is almost untapped and offers huge potential for new entrants. India is a promising market since more people have disposable income and are spending it.

In order to attract new customers, insurance companies will stoop to any level currently possible. Since many new companies selling comparable products from industries apart than insurance have entered the market, competition has intensified greatly.

According to the empirical research conducted by Ramesh Bhat and Nishant Jain (2007) [9], health insurance systems are rapidly gaining acceptance as a superior means of financing the delivery of health care. In this context, micro health insurance schemes and community-based health insurance schemes are making considerable progress, covering a large and varied population.

The study uses a two-state model to explore this question. To further investigate the factors that affect the magnitude of people's insurance purchases, we first identify the variables that play a role in people's decisions to buy insurance and then apply the Heckman two-stage estimate process.

It is crucial to emphasize the connection between consumer behaviour and marketing actions because this is what will ultimately determine the success or failure of a company's marketing plan (understanding the behaviour that customers demonstrate is especially critical during an economic slump) (Kotler and Caslione, 2009). [10]

3.5 Objectives:

This study aims to determine if and to what extent consumers take advantage of life insurance's many features. In order to accomplish this, a questionnaire was designed in which respondents were asked about their acquaintance with and use of various insurance-related services and resources.

3.6 Research Methodology:

A field of study known as "methodology" delves into the specifics of how research is executed. Analyzing the foundational assumptions, hypotheses, and theories of a discipline is what this term refers to. Paradigm, theoretical model, stages, and quantitative and qualitative approaches are common examples.

Before employing analytical and descriptive methods, it is vital to study and examine secondary materials thoroughly. Reading a select number of secondary sources in depth is essential for developing the textual analysis.

3.7 Result and Discussion:

Table 3.1: Respondents preference of investment due to

Segment	Safety	Liquidity	Tax benefit	Good return	Total
House wife	15	2	2	6	25
Retired/VRS Person	16	1	2	6	25
Unemployed Youth	7	2	8	8	25
Others	9	1	7	8	25
Total	47	6	19	28	100
Percentage	47%	6%	19%	28%	100%

Table 3.1 shows the most common motivations for purchasing insurance: peace of mind (47%), financial return (28%), tax benefits (19%), and cash flow (6%). [11]

Table 3.2: Respondents interest to investment in insurance to other savings avenues in future

Segment	Yes	No	Not Sure	Total
House wife	10	5	10	25
Retired/VRS person	8	4	13	25
Unemployed youth	9	7	9	25
Others	12	8	5	25
Total	39	24	37	100
Percentage	39%	24%	37%	100%

39% of respondents are open to giving insurance investments higher priority than other types of long-term savings, while 37% are unsure and 24% are opposed to this strategy (see Table 3.2).

The general population has a positive impression of life insurance. For this reason, they started doing good things like saving money and buying insurance. [12] The insurance sector still has room for improvement.

A customer's opinion of a life insurance provider mostly depends on the following factors: the quality of service they receive, the simplicity of the process, their degree of satisfaction, their perception of the company, and the relationship between the provider and the customer. The insurance industry needs to develop. [13]

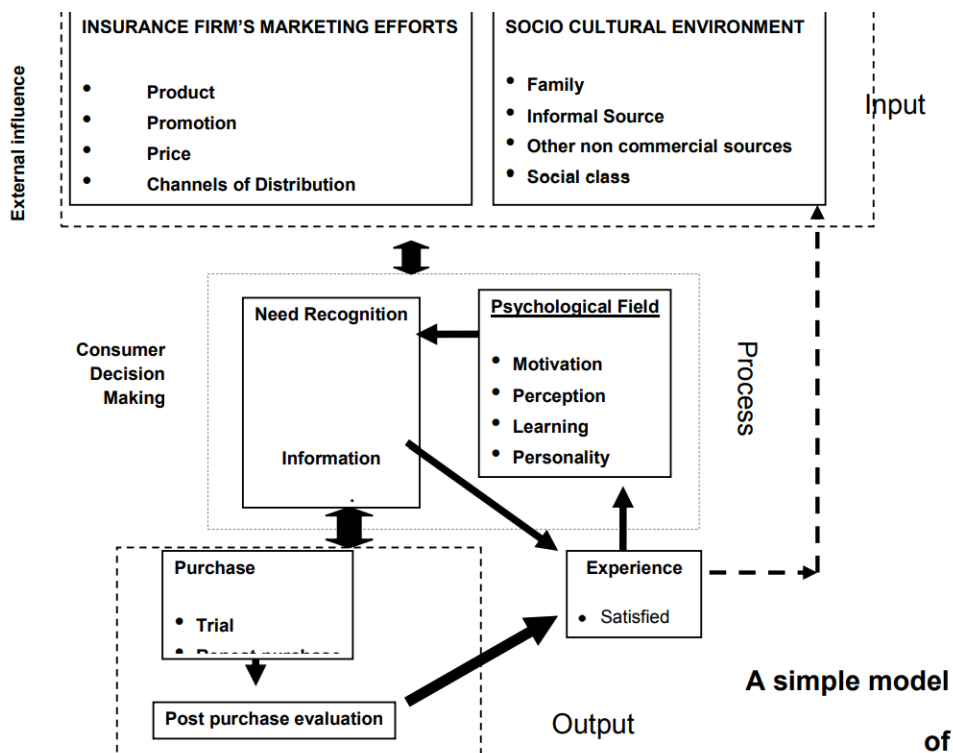


Figure 3.1: A Simple Model of Consumer Decision Making

Table 3.3: Factors Influenced Customers’ In Selection of Insurance Policy

Reasons of choice	Very High	High	Moderate	Very Low	Low	Total Sum	Weighted Mean	Rank
Reference by family/friends	83(41.50)	75(37.50)	37(18.50)	2(1.00)	3(1.50)	830	4.15	1
Regulation of the government	41(20.50)	90(45.00)	36(18.00)	31(15.50)	2(1.00)	738	3.69	8
Reputation/reliability of the service provider	36(18.00)	66(33.00)	80(40.00)	11(5.50)	7(3.50)	708	3.54	10
Low service / processing cost	39(19.50)	79(39.50)	53(26.50)	17(8.50)	12(12(6.00))	711	3.56	9
Influence of the sales people	61(30.50)	90(45.00)	36(18.00)	7(3.50)	6(3.00)	799	4.00	2
Wise options	67(33.50)	64(32.00)	45(22.50)	15(7.50)	9(4.50)	762	3.81	3
High return on investment	54(27.00)	77(38.50)	42(21.00)	16(8.00)	11(5.50)	745	3.73	6
Reference by workplace	54(27.00)	81(40.00)	38(19.00)	18(9.00)	9(4.50)	755	3.78	5
Healthy political and legal situations	54(27.00)	74(37.00)	43(21.50)	21(10.50)	8(4.00)	746	3.73	6
Miscellaneous	68(34.00)	61(30.50)	44(22.00)	18(9.00)	9(4.50)	760	3.80	4

The questions were based on the 10 most influential features of respondents who were deemed to actually have health insurance. [14]

The highest average ratings were given to referrals from friends and family, according to a survey based on a representative sample (4.15 on a 5-point Likert scale). [15]

3.8 Conclusion:

Changes in circumstances call for a corresponding shift in insurance policies. A primary objective of India's insurance sector should be to broaden access to financial security for a variety of people and activities.

The industry's guiding principles should be to charge premiums no higher than are warranted by rigorous actuarial calculations; to invest the money to generate maximum income for the policy holders commensurate with the safety of capital; and to provide efficient and prompt service to policy holders.

Strategic business planning and a constant focus on customer satisfaction can help achieve the goal of increasing people's access to insurance. In response, the insurance industry has stepped up service quality requirements and introduced unique, tailor-made products to the Indian insurance market in a relatively short amount of time.

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