A DESCRIPTIVE STUDY OF IMPACT OF AFTER SALES SERVICES ON CUSTOMER DECISION MAKING W.S.R.T. LIFE AND HEALTH INSURANCE.

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1. ABSTRACT

This study identifies the determinants of after sales services which are important from the customer's point of view for the life and health insurance products. The study also examines the relationship between customer's expectations about the after sales services and their buying decisions.

In the current study 30 samples were selected by simple random sampling method consisting of 25 male and 5 female respondents. The samples selected for the study were customers of different life and health insurance companies from Nashik city who had purchased life or health insurance for them or for those who had insurable interest. The statistical tool SPSS was used for the analysis of data and different scaling techniques were used for data interpretation.

The findings indicate that the after sales services have prime importance in the customer's priority while purchasing an insurance product and they are ready to loose the good product with bad after sales service. The results showed that in after sales services, claim settlement and policy delivery are top priority services which are expected by the customers.

The results further revealed that most of the customers purchase the product from Insurance agents and they expect the after sales services from the agent himself and not from the company.

This study is the first of its kind about the after sales services and their impact on the customer's decision making. It therefore adds more to literature and opens the debate for more empirical studies in this area of insurance after sales services.

Key Words: life and health insurance, Decision making

2. INTRODUCTION

The principle objective of this research is to unfold certain facts regarding a customer perception regarding the after sales services provided by the organization and its impact on customer decision making. Insurance industry contributes to the financial sector of an economy and also provides an important social security in developing countries. Insurance in India has been viewed as a tax saving instrument. The risk cover and associated benefits of

life insurance were purely incidental. Previously, the Life Insurance Corporation (Arnika Srivastava, 2012) was the only insurance provider, a government subsidiary having a complete control over the market, and which was a niche marketer and only choice available for the customers of India. The mindset continues to be the same, although the unit-linked instruments are becoming popular with the entrance of the different private life insurance corporations in the market.

To make decision regarding a product, information is needed. This critical role of providing information is fulfilled by marketing research could be a clearly defined search for answers to some questions, which if answered would lead a company to make critical marketing decision on a strategic or tactical level. The Cut-throat competition in the life and health insurance market puts pressure on the members to go for the more customized marketing programs and more precise marketing program which will bring more fruitful results to the insurance marketers. The insurance providers must also identify which of the factors of the after sales services are important and which are considered usual by the customers. According to Fredric Herzberg (1974), there are two types of factors. Some are important but they can not lead to the satisfaction to the employee. But their absence can create dissatisfaction among the employees. And there are some other factors which really lead to the satisfaction. Similarly in after sales services also, many services are assumed by the customer that does not lead to the satisfaction. But their absence can create dissatisfaction. The paper also tries to identify the services which actually create a feeling of satisfaction.

For the selection of precise market and to prepare more customized marketing program, relevant and concurrent information will be a primary requirement of the companies. This paper attempts to find out the solutions to the above problem and conduct a primary research for the basic choices of the customers while re-selecting the life or health insurance provider.

3. OBJECTIVES

3.1. To study the various after sales services provided by insurance Companies.

3.2. To study the customers decision making process with respect to the quality of after sales services provided.

4. HYPOTHESIS

H0 ; Good quality of after sales services has a positive impact on customers decision making.

H1 : Customers accepts the quality product with bad after sales services.

5. RESEARCH METHODOLOGY

Research is a systematic and intensive study towards a more complete knowledge of the problem area. The current study is based on the survey method of primary data collection, collected through questionnaire method. For the current study 30 samples were selected by simple random sampling method which consisted of 25 male and 5 female respondents. The samples selected for the study were general people from Nashik city who had purchased life or health insurance. The statistical tool SPSS was used for the analysis of data and different scaling techniques were used for data interpretation. Data was also collected from IRDA book, Insurance magazines, web sites, going through the public records of the various life insurance organizations etc.

6. REVIEW OF LITERATURE

Author	Title of the paper	Methodology	Description
(Zurbruegg, 2002)	Law, politics and Insurance Companies in India	The paper is based on secondary data where researcher investigates the life insurance premium consumption in a total of 37 countries for a period between 1987 to 1998. This paper also utilizes the general method of moments (GMM) Dynamic system investigator developed by Arellano and Bond as a methodology for the study.	This paper investigates the determinants of consumption for one of the fastest growing product in the Asia. In his study the researcher found that the estimated income effect is far higher in Asia than in other countries. They also concluded that future insurance market growth in Asia may not succeed that in rest of the world. This paper is important for the policy makers and for the insurance companies. Researcher concluded that improved provisions of civil rights and political stability leads to an increase in the consumption of life Insurance
(Sen, 2008)	An Analysis of Life Insurance Demand Determinants for Selected Asian Economies and India.	The paper is based on the secondary data. The methodological section is divided into parts explaining briefly the selection of twelve Asian economies and India followed by choice of dependent and independent variables and different sources from where the researcher has collected information on such variables.	According to the researcher our cross-country analysis confirms that if we exogenously consider income to be a crucial factor in explaining insurance consumption, economic variables of importance would be gross domestic savings, level of financial sector development and inflation. The results based on panel of 12 economies over 11 years, supports the fact that demographic variables like life expectancy, young and old dependency ratio, adult literacy rate and rate of urbanization are significant determinants of life insurance demand.
(Arnika Srivastava, 2012)	Indian Life Insurance Industry –The Changing Trends	The paper is purely based on the secondary data sources which are mainly related to different reports of Insurance companies and IRDA reports.	According to the researcher Indian life insurance industry is one of the sectors that is still observing good growth. Researcher also concludes that Indian insurance industry has modified itself with the passage of time by introducing customized products based on customers' need, through innovative distribution channels, Indian life insurance industry searched

			its path to grow. Changing government policy and guideline of the regulatory authority, IRDA have also played a very vital role in the growth of the sector.

7. HISTORY OF LIFE INSURANCE IN INDIA

The origins of insurance business can be traced back to the Lioyd's Coffee House. London Traders, who used to gather in the Lloyd's coffee house in London, agreed to share the losses to their goods while being carried by ships. In India Insurance began in 1818 with life insurance being transacted by an English Company, The oriental Life Insurance Company Ltd. The first Indian insurance company was the Bombay Mutual Assurance Society Ltd. Formed in 1870 in Mumbai. This was followed by the Bharat Insurance Co. in 1896 in Delhi. (S. Kutty)

Though all this companies were operating in India but insuring the life of European living in India only. Later some of the companies started providing insurance to Indians with approximately 20% higher premium than Europeans as Indians were treated as "substandard". Government of India setup a consultative committee and finally first comprehensive 'insurance act' came into existence. In 1956, life insurance business was nationalized and the Life Insurance Corporation of India (LIC) was formed on 1st September 1956. (Arnika Srivastava, 2012)

In oct.2000, IRDA (Insurance Regulatory and Development Authority) issued license paper to different private players also and today total 22 life insurance companies including one public sector are successfully operating in India.

8. TYPES OF INSURANCE

There are certain basic forms of life insurance. The different types of life insurance policies are

8.1.1 TERM LIFE INSURANCE

Term plans are the most basic form of life insurance. They provide life cover with no savings / profits component. They are the most affordable form of life insurance and their premiums are cheaper compared to other life insurance plans.

8.1.2 WHOLE LIFE POLICY

A whole life insurance policy covers a policyholder over his life. The main feature of a whole life policy is that the validity of the policy is not defined so the individual enjoys the life cover throughout his life. The policyholder pays regular premiums until his death, upon which the corpus is paid out to the family. The policy expires only in case of an eventuality as there is no predefined policy tenure. (Sinha, 201**5)**

8.1.3 ENDOWMENT PLANS

An endowment policy is essentially a life insurance policy which, apart from covering the life of the insured, helps the policyholder save regularly over a specific period of time so that he/she is able to get a lump sum amount on the policy maturity in case he/she survives the policy term. This maturity amount can be used to meet various financial needs such as funding one's retirement, children's education and/or marriage or buying a house.

8.1.4 UNIT LINKED INSURANCE PLANS

ULIPs are a variant of the traditional endowment plan. They pay out the sum assured on death/maturity. ULIPs differ from traditional endowment plans in certain areas. As the name suggests, performance of ULIP is linked to markets. Individuals can choose the allocation for investments in stock/debt markets. The value of the investment portfolio is captured by the NAV (net asset value). To that end, there are many similarities between ULIPs and mutual funds. ULIPs differ in one area, they are a combination of investment and insurance, while mutual funds are a pure investment avenue

8.1.5. MONEY BACK POLICY

A money back policy is a variant of the endowment plan. It gives periodic payments over the policy term. To that end, a portion of the sum assured is paid out at regular intervals. If the policy holder survives the term, he gets the balance sum assured. In case of death over the policy term, the beneficiary gets the full sum assured.

8.2 Apart from this classification, insurance products are also classified as (Tripathi, 2014)

1) Pure Insurance Products for Life Cover
2) Pure saving products for savings
3) Products with a combination of Saving and Risk Cover

8.3 ADVANTAGES OF INSURANCE

a) Accident Benefit
b) Life Cover
c) Term Insurance
d) Health Insurance
e) Tax Benefit
f) Flexibility
g) Retirement Planning
h) Wider Options
i) Liquidity
j) Earmarking
k) Shield Against Inflation

9. CONCEPTS

9.1.1 LIFE INSURANCE

Insurance is a social device for spreading the chance of financial loss among a large number of people. By purchasing insurance, a "person" shares risk with a group of others, thereby reducing the individual potential for disastrous financial consequences. Transacting insurance includes soliciting insurance, collecting premiums and handling claims. Insurance is based on the law of large numbers. By combining a large number of homogeneous units, the insurer is able to make predictions of possible loss. Using the law of large numbers, insurers are able to calculate their probable losses and to establish the rates for premiums that will cover their losses and their operating expenses.

9.1.2 HEALTH INSURANCE

These policies provide cover against major health care expenses like hospitalization, surgery, critical illness, etc. The benefits could be in the form of fixed payouts on hospitalization or a lump sum on diagnosis against some specified critical.

9.1.3 DECISION MAKING

Mintzberg, Raisinghani & Theoret (1976) provided a useful general model of the strategic decision process which focuses on the various aspects of decision making process. Buying process represents a problem solving approach and includes following five steps (Sherlekar, 2008)

a. Need recognition
b. Product awareness/ Information search
c. Evolution of alternatives
d. Purchase Decision
e. Post purchase behavior

9.2 REGISTERED INSURERS IN INDIA

As per the Insurance Regularity and Development Authority of India (IRDA) Annual Report 2014-15, there are following companies operating in India

No. of Companies	Life Insurance	Non- Life Insurance
Public Sector	01	6 (Specialized Insurers-2)
Private Sector	23	22 (Standalone Insurers- 5)
Re-Insurance	01	00
Total	25	28

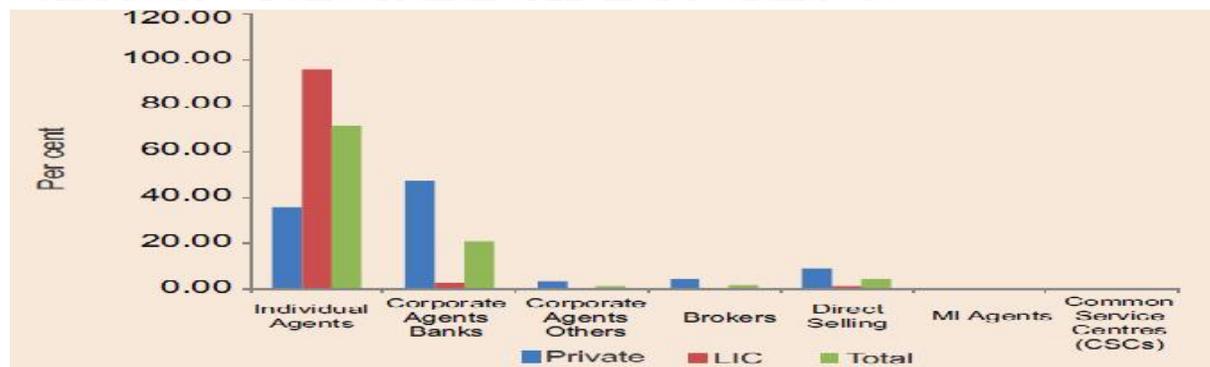(Source : ANNUAL REPORT of IRDA 2014-15, 31st March, 2015)

Note :- Includes five Standalone Health Insurance Companies - Star Health & Allied Insurance Co., Apollo Munich Health Insurance Co., Max Bupa Health Insurance Co., Religare Health Insurance Co., and Cigna TTK Health Insurance Co.

9.3 NUMBER OF PERSONS COVERED UNDER HEALTH INSURANCE

					(In lakh)
Class of Business	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**
Government	1891	1612	1494	1553	2143
Group (other than Govt.)	226	300	343	337	483
Individual	418	206	236	272	254
Total	**2535**	**2118**	**2073**	**2162**	**2880**

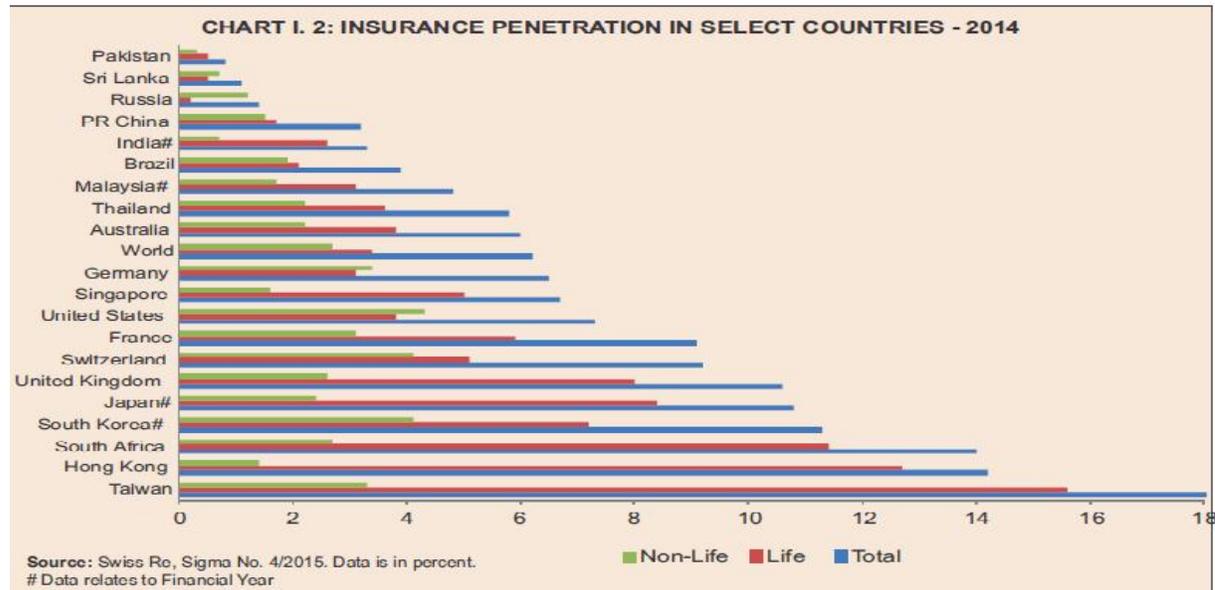(Source :ANNUAL REPORT of IRDA 2014-15, 31st March, 2015)

9.4 Individual New Business Premium Of Life Insurers Channel Wise

(Source :ANNUAL REPORT of IRDA 2014-15, 31st March, 2015)

9.5 INSURANCE PENETRATION IN THE WORLD

CHART I. 2: INSURANCE PENETRATION IN SELECT COUNTRIES - 2014

Source: Swiss Re, Sigma No. 4/2015. Data is in percent.
Data relates to Financial Year

(Source : ANNUAL REPORT of IRDA 2014-15, 31st March, 2015)

Globally, the share of life insurance business in total premium was 55.55 per cent. However, the share of life insurance business for India was very high at 79.12 per cent while the share of non-life insurance business was small at 20.88 per cent.

9.6 GROWTH OF LIFE INSURANCE INDUSTRY IN INDIA

During April 2015 to March 2016 period, the life insurance industry recorded a new premium income of Rs 1.38 trillion (US$ 20.54 billion), indicating a growth rate of 22.5 per cent. The general insurance industry recorded a 12 per cent growth in Gross Direct Premium underwritten in April 2016 at Rs 105.25 billion. (ibef, 2016)

10. DATA ANALYSIS AND INTERPRETATION

10.1 Out of the total respondents 30% respondents had taken Life Insurance where as 70% respondents had taken both life and health insurance.

10.2 Important factors in After Sales Services

Important Factor	Respondents	Percentage
1) Policy Contract Delivery	21	70
2) Reminder for Premium Renewal	11	36.66667
3) Change in Personal Detail	10	33.33333
4) Loan On Policy	8	26.66667
5) Providing Income Tax Assistance	12	40
6) Fund Assistance	5	16.66667
7) Modification in Existing Policy	6	20
8) Gifts	10	33.33333
9) Assistance in Lapsation Policies	8	26.66667
10) Claim Settlement	26	86.66667
11) Other	0	0

(Source :- Primary data)

Descriptive			Statistic	Std. Error
Respondent	Mean		10.6364	2.18787
	95% Confidence Interval for Mean	Lower Bound	5.7615	
		Upper Bound	15.5112	
	5% Trimmed Mean		10.3737	
	Median		10.0000	
	Variance		52.655	
	Std. Deviation		7.25635	
	Minimum		.00	
	Maximum		26.00	
	Range		26.00	
	Interquartile Range		6.00	

10.3 Payment method used by Customers for paying their premium

Payment Method	Respondents	Percentage
1) ECS	8	26.66667
2) Cash/Check Deposit in Branch	8	26.66667
3) Cash/Check deposit to agent	6	20
4) Online Transfer	7	23.33333
5) Other (salary Saving Schemes)	3	10

(Source :- Primary data)

Descriptive			Statistic	Std. Error
Respondent	Mean		6.4000	.92736
	95% Confidence Interval for Mean	Lower Bound	3.8252	
		Upper Bound	8.9748	
	5% Trimmed Mean		6.5000	
	Median		7.0000	
	Variance		4.300	
	Std. Deviation		2.07364	
	Minimum		3.00	
	Maximum		8.00	
	Range		5.00	
	Interquartile Range		3.50	

10.4 Customers taken Insurance from

Insurance Taken From	Respondents	Percentage
1) Insurance Agent	29	96.66667
2) Insurance Broker	0	0
3) Company Website	2	6.666667
4) Branch Office	1	3.333333
5) Alternative Channel	0	0
6) Multi Level Marketing	1	3.333333
7) Bank Assurance	0	0
8) Other	0	0

(Source :- Primary data)

10.5 Customers response when asked about their opinion about good product with bad after sales services

Response	Respondent	Percentage
Yes	02	06.66 %
No	28	93.34%

(Source :- Primary data)

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Response Valid N (listwise)	2 2	2.00	28.00	15.0000	18.38478

11. Testing of Hypothesis

	Decision	
H0	Good quality of after sales services has positive impact on customers decision making.	**H0 is accepted at 5% L.O.S**
H1	Customers accept quality products with bad after sales services.	**H1 is Rejected at 5% L.O.S**

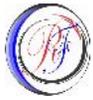**(LOS :-Level of Significance)**

12. CONCLUSIONS

From the responses of the respondents and data analysis it is clear that after sales services has its own significance and customers choose products based on the good after sales services provided by the company or insurance agent. The insurance industry is highly agent driven and customers prefer the products with good after sales services. Customer's response that they will reject the good product with bad after sales services emphasizes that it is not only ancillary but equally important like closing a sales. Insurance rules and regulations are very rigid for a lay man and they expect that the agent should tell them the illegible rules and regulation in exhaustive way. They expect knowledge from the services provider.

13. FUTURE SCOPE FOR STUDY

Not only after sales services but also the various norms, limits along with rules and regulations have an impact on the customer's decision making process. The service issues, premium payment methods, plans, rules and regulation of different companies too may be different. These aspects are not taken into the consideration. Also the study is limited to the urban area. The issues may be different at grass root or rural level. This area is untouchable in the current study.

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15. Annexure
SURVEY FORM FOR CONSUMERS

This survey is conducted as a part of the Research Paper. Details provided by you in the survey will be used for academic purpose only. Information will be strictly confidential. You can provide your comments wherever necessary. In advance I sincerely thank you for your time.

Questionnaire for Customers

1) Name:_____

2) Contact Number_____
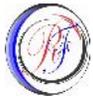
3) Address _____

4) Gender

☐ Male   ☐ Female

5) Have you taken any Insurance?

☐ Yes   ☐ No

If yes, then which type?

☐ Life Insurance

☐ Health Insurance

6) From whom you have taken the insurance?

☐ Insurance Agent

☐ Insurance Broker

☐ Company Website / Online

☐ Branch Office

☐ Alternative Channel

☐ MLM (Multi Level Marketing)

☐ Bank Assurance (From Bank)

☐ Other, if any

7) Are you satisfied with the after sales services provided?

☐ Yes   ☐ No

8) According to you, which factors are important in after sales services?

☐ Policy Contract Delivery

☐ Reminder For Premium Renewal

Change In Personal Detail

☐ Loan on Policy

☐ Providing Income Tax Certificate/Assistance

☐ Fund Assistance (Switching/ Partial Withdrawal/ Fund Transfer)

☐ Modification in existing policy

☐ Gifts

☐ Assistance for lapsation policies

☐ Claim settlement

☐ Other, if any

9) Will you prefer a good product with bad after sales services?

☐ Yes   ☐ No

10)   Which method you normally choose for paying your regular installment?

☐ ECS

☐ Cash / Check deposit in branch

☐ Cash / Check deposit to agent

☐ Online transfer

☐ Other, if any

11) Does regular service from agent motivates to buy a new Insurance Product?

☐ Yes   ☐ No

12) Write your views about after sales services.