Determinants of Customers Insight of Insurance

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Abstract
The importance of customer service for capturing business in insurance companies has become a vital point in all stages of marketing of insurance services. With the introduction of new policy regulation issued by IRDA, customer satisfaction has acquired new meaning that changed the rules of entire insurance industry. Today the policyholder preferences keep on changing at a rapid pace and their demand are turning insatiable. In the perception of the sample policyholders regarding need, services, transparency and reliability influence by the product and services rendered by insurer. This paper is an attempt to analyze panoramic view of the customers with the help of principal component analysis.
Key Words: Reliability, Transparency, Life Insurance Services, Principal Components and Factor analysis.

1. Introduction
The actual reforms in insurance industry started from 2000 and after that there are various radical changes took place that created ample of business opportunities in this sector. Before the entry of private insurance players in Indian insurance industry, public sector companies had autonomy in the market so at that time service quality was not so important for the insurance service providers because customers had no other choice. Under the IRDA Act 1999, government of India allowed private players to enter in the market.
At the end of Nov.2014 there are 47 insurance companies operating their business in India of which 23 are in life insurance business and another 24 are in general insurance business. Even after entry of private insurance companies in India it seems very low penetration in life insurance i.e. 7.5% in year 2013 so at this nascent stage low penetration is one of the major motivating factors in attracting the more international companies to enter the Indian insurance market. Many people in India use life insurance as a form of investment, whether saving for their child's education, income provision for retirement or adding value to their saving aspects. So for insurer it is necessary to identify the key success factors and insights of customer in terms of satisfaction so as to survive in intense competition and capture the business opportunities (Deepika Upadhyaya 2011)

1.1 Service quality
Many researchers recognize that service quality can bring an organization a lasting competitive advantage. Today is a customer-centered era that is why many organizations are paying increasing attention to improve service quality. As service firms find themselves in an increasingly competitive and complex business environment, they are inevitably driven to examine their service delivery processes critically. In insurance industry quality of service has two important components namely, technical quality and functional quality. Technical quality means the outcome dimension of the service operations processes. Functional quality means the process dimension in terms of the interaction between the customer and the service provider.

These two dimensions of service quality highlight the subject matter of quality assessments (Narsis 2008).

2. Need of the Study

With the growth of the insurance companies, the competitive advantage in quality of services in terms of certain measurable terms has become a distinctive factor. Thus, it is very important for insurers to get useful feedback of their actual performance and to trace-out the area of improvement in terms of quality service. This research is a primary data based study with main objective to study about the different perception and behavior of the customers' insights. Moreover to analyze key factors of improvement in existing insurance industry in order to find out whether these services have met the needs and expectations of customers or not.

3. Review of literature

M Allahyari, S M Davoudi (2013) found that companies should actively understand customers' service requirements and expectations. They should apply computer system which is capable of string, searching and analyzing customers' data and should have flexible measures for customers' urgent requirements, and some other things which help organization to improve the level of CRM which lead to increase in the level of organizational performance.

K Rajeswari, S Kartheswari (2011) suggested that insurance is a social concept and it must be the goal of the insurers to make the customers comfortably happy to achieve their targets. The task for the insurer is not only to satisfy the policyholder but he should also trigger the attitude of the customers towards the insurer.

Bharathi Kamath, (2010) concluded that customer satisfaction helps insures to understand the customers' need and change the strategies of the insurance company accordingly. "If you cannot measure it, you cannot improve it".

Gayathri H, K Lakshmisha (2005) conducted a pilot study on the insurance companies in India to quantitatively study the levels of the dimensions of service quality and its relation to the level of customer satisfaction. The results showed that LIC was scoring lower in all five dimensions of service quality. The study the satisfaction level of four companies concluded that the companies have to focus on service quality in order to differentiate themselves and create a competitive advantage in order to survive the competition in competitive market.

4. Objectives

In the light of above review of literature and the issues raised the following are the objectives of the present study:

1. To analyze the perception of customer towards insurers.
2. To know the policyholders needs, service quality, transparency and reliability with help of associating factors.
3. To identify the factors influencing preference and expectations and to find out principal components.

5. Research Methodology

a. **Collection of data:** The study based on both primary and secondary data. The primary data collected through a structured questionnaire and by holding interview with various categories of convenience sample respondents. The secondary data collected from the published records of concern branch offices of various insurance companies, journals, books etc.
b. **Tools of analysis:** The collected data recorded, analyzed and interpreted in the significant manner with the help of SPSS and excel sheet. The statistical tools used for the study included factor analysis, reliability test, KMO test etc.
c. **Sample size:** For the purpose of study Jaipur and Udaipur districts selected in the state of Rajasthan. A total of 100 respondents were covered by the study but only 81 respondents had attempted all the statements and hence, the analysis was confined to

these respondents only. Due care had been taken to include varying demographic profile to make the sample a truly representative one. The questionnaire consists of two sections. The first part consists of seven questions about demographic information of the respondents in table-1. Second part consists of eighteen statements, to study the perception of the sample i.e. needs, service quality, transparency and reliability. For analyzing each statement, the opinion of the policyholders has been elicited on Likert five point scales ranging from Strongly Agree-5, Agree-4, No Opinion-3, Disagree-2, and Strongly Disagree-1.

d. Period of study: The data was collected during the month of Jan 2015 to April 2015.

6. Data Analysis and Interpretation

Demographic description

Factors	Classification	Frequency	Percent	Cumulative Percent
Gender	Male Female Total	48 33 81	59.3 40.7 100	59.3 100
Age	Under 20 20-30 30-40 Above 40 Total	1 22 37 21 81	1.2 27.2 45.7 25.9 100	1.20 28.4 74.1 100
Education	Below graduate Graduate Post-graduate Professional Others Total	3 16 36 24 2 81	3.7 19.8 44.4 29.6 2.5 100	3.70 23.5 67.9 97.5 100
Marital Status	Married Unmarried Total	69 12 81	85.2 14.8 100	85.2 100
Occupation	Service Business Self Employed Professional Others Total	25 16 10 28 02 81	30.9 19.8 12.3 34.6 2.5 100	30.9 50.6 63.0 97.5 100
Income	Less than 20000 20000-40000 40000-60000 60000-100000 More than 100000 Total	17 29 22 11 02 81	21.0 35.8 27.2 13.6 2.5 100	21.0 56.8 84.0 97.5 100
Number of Policy	01 2-5 Above 5 Total	10 50 21 81	12.4 61.7 25.9 100	12.3 74.1 100

Source: Primary Data

Table-1 shows 81 samples chosen for the study, 48 respondents were males and 33 respondents were females, 1 respondent belonged to the age group of under20, 22 respondents to 20-30, 37 respondents to 30-40, and 21 respondents were above 40. Basis of educational background were below graduate, graduate, PG, Professional, others and correspondent respondents were 03, 16, 36, 24, 02. 69 respondents were married where as 12 were unmarried. Occupation was divided as service, business, self employed, professional and others with number of respondents 25, 16, 10, 28, 02. Household income were <20000, 20001-40000, 40001-60000, 60001-100000, >100000 with correspondent respondents of 17, 29, 22, 11, 02. 10 respondents had 01, 50 had 02-05, 21 had more than five policies.

The study has been conducted to take a panoramic view of selected factors of insurance companies. The total scores secured by the sample of 81 policyholders show the significance of each statement used to measure the need, service quality, transparency and reliability. The total scores for the four categories of impact show the level of significance of each category of impact from the stand point of the sample policyholders of the study.

In this study, 18 items are tested on its reliability. Table-2 shows the components and total reliability of customers' insight scores. The findings shows that the reliability co-efficient for all dimensions are above 0.60. The reliability are consistently high that are 0.883 for need, 0.609 for service quality, .832 for transparency, 0.853 for reliability.

Table-2

Result of reliability analysis for four dimensions

Dimensions	No. of Attributes	Expectation
Need	04	0.883
Service Quality	05	0.609
Transparency	04	0.832
Reliability	05	0.853

Source: Computed data

Table-3

Reliability Statistics (A)

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.833	.831	18

KMO and Bartlett's Test (B)

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.603
Bartlett's Test of Sphericity	Approx. Chi-Square	1365.253
	Df	153
	Sig.	.000

For profiling the respondents on the basis of their behavior, factor analysis was employed on 18 statements. Initially, in order to test the reliability of these statements, Cronbach's Alpha score was computed. The Cronbach Alpha on the statements revealed a score of 0.833 in above table-3(A), showing that the statements were reliable enough for further analysis. Also Kaiser-Mayo-Olkin test was conducted to measure the adequacy of the sample size. The test generated a score of 0.603 in table-3(B). Thus KMO test also proved that the samples were adequate enough to conduct the factor analysis.

Table-4 reveals proportion of the variance due to common factors and shared by several items. Commonalities help estimate the variance that is unique to each variable; this uniqueness is calculated by total variance explained by that variable minus the communality of that variable.

Table-4
Rotated Component Matrix[a]

	Component						Com
	1	2	3	4	5	6	
Public insurance companies are more reliable than private V17	.862						.826
Rely on what agents reveal V15	.799						.865
Satisfied with present insurer V16	.791						.779
Insurance is the best instrument of investment and protection V18	.712						.854
Insurance agents try to make people buy polices which they don't need V14	.694						.834
Ever been misguided by agents V11		.904					.902
Insurance agents unable to clarify or satisfy the customers V10		.806					.801
Ever been Paid hidden or miscellaneous charges V12		.795					.759
Insurance agent conceal the fact of policy V13		.670					.793
Premium should be paid in time V2			.942				.929
Insurance is ever must V1			.927				.898
Insurance caters protection needs of all classes of citizens V3			.701				.875
Insurance is both saving and investment in modern life V4			.655			.548	.998
Insurance agents update about merits and demerits of policy V6				.909			.905
Insurance agent renders his services in time V5				.902			.921
Information system is prompt and advance V8				.886			.835
Every agent provides same level of quality services V9					.594		.668
Satisfaction with claim settlement on maturation and timely payment V7		.546				-.578	.766

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 9 iterations.

In the Rotated Components Matrix, each number represents the partial correlation coefficient between variable and the rotated component. These coefficients help in identifying the variables that have large factor loadings for a given component. In the above table-5 component-1 consists of five variables, component-2 has of four variables, component-3 contains four variables whereas component-4 and 5 comprised of three and one variable each but it is interesting to note that component six has negative and overlapped value that is claim settlement and timely payment of insurers which is quite insignificant to consider.

Table-5

Total Variance Explained

Component	Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.235	29.081	29.081	3.431	19.060	19.060
2	3.001	16.672	45.753	3.373	18.739	37.799
3	2.519	13.996	59.749	3.041	16.894	54.693
4	1.767	9.815	69.564	2.342	13.013	67.706
5	1.509	8.385	77.950	1.537	8.539	76.245
6	1.078	5.988	83.937	1.385	7.693	83.937

Extraction Method: Principal Component Analysis.

On employing factor analysis, six factors (Table-5) that constituted 83.93% of the variance were considered for the study. Furthermore, for authentication, the Scree Plot was also referred to only those factors that constituted the Eigen Value above 1 were considered as Principal Components Analysis was employed. Varimax with Kaiser Normalization rotation was used to extract the factors with factor loadings greater than +/-0.30. As Varimax rotation was utilized, those statements which had a factor loading +/-0.30 and above were assigned to the respective component. It should be noted that the components have been named according to the variable (statements) with higher factor loadings.
The proportion of total variance explained is determined by dividing Eigen value of a factor by the number of variables considered. To decide how many principal components are to be retained we considered principal components having Eigen value equal to or greater than 1 alone are to be retained and those with less than 1 Eigen value are excluded.Component-1 accounts for 19.06 percent of total variance, component-2 for 18.73, component-3 for 16.89, component-4 for 13.01, component-5 for 8.53 and component-6 accounts for 7.69 percent of the total variance in the model.

7. Result and Discussion

One of the main objectives of this study is to analyze the perception of customers towards needs, service quality, transparency and reliability with the help of exploratory factor analysis, 18 items captured in four dimensions are exposed in this study and the following are results:

Factor 1: Reliability
Total variance explained (Table 5) has revealed that this factor has explicated the variance of 29.08% five variables (V13, V15, V16, V17, V18) were loaded on this factor. The research has named this factor as reliability i.e. public insurance companies are more reliable than private, customer has to rely on insurance agents and very often the agents make people to buy policy which they actually don't require, still people satisfied and believe that insurance is the best instrument of protection and investment.

Factor 2: Transparency
Four variables (V10, V11, V12, and V13) were loaded on this factor and together they accounted for 16.67% of the variance. This factor provides the bird eye-views of information about the insurers transparency i.e. insurance agents misguide and conceal the fact of the policy and very often not able to satisfy the customer that's why customers have to pay hidden or miscellaneous charges and this the key area to focus.

Factor 3: Need

This is the third important factor which accounts for 13.99% of variance and four variables (V1, V2, V3, and V4) were loaded on this factor. According to this component insurance is must and premium should be paid in time because it is not only a protective tool but also a mode of saving and investment in modern life.

Factor 4: Service Quality

It has been found that fourth important factor has exposed the variance of 9.80% and three variables (V 5, V6, and V8). As the variables related to quick information system, timely services of insurance agents and it is also expected that agents should update about merits and demerits of insurance policy.

8. Limitations of the study

Firstly, the study was carried out in Jaipur and Udaipur city, therefore the results obtained may not be pertinent to the country as a whole. Secondly the study has been conducted by taking sample of 81 respondents or policy holders of various insurance companies so the results may not be implied conclusively that's why further study is recommended to fill the gap. Thirdly, in the current study exploratory factor analysis using principal component method with varimax rotation has been used, the results of this study may further be validated by employing confirmatory factor analysis on large sample.

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