

CUSTOMER'S SATISFACTION ON ING VYSYA LIFE INSURANCE COMPANY PVT LTD POLICIES IN COIMBATORE CITY- AN EMPIRICAL ANALYSIS

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Abstract

The risks and uncertainties of man have been increasing day by day in the modern world. Along with the changes, the significance of insurance also has increased. Insurance has become an inseparable part of human life. The business strategies of the ING Vysya are innovative products, smart marketing and aggressive distribution which have enabled fledgling the ING vysya company to sign up the customers faster than expected, to retain the positions and to stand competition with other private insurance companies. With this background the study was carried out with the objectives of examining the socio-economic profile of the customers holding ING vysya life insurance policy and to study the satisfaction of the customers regarding the services rendered by the ING vysya life insurance company. The Study was based on primary data collected with the help of well-structured and pre-tested interview schedule, administered to 50 customers in Coimbatore City. The analysis used simple percentage, chi-square test and Garrett ranking techniques. The study found that majority of the customers was satisfied with the service given by the ING vysya. The study suggested that the insurance company should come out with innovative cover to fulfill the insurance needs of each and every person.

Key words: Business, Competition, Insurance, Policy, Risk

Introduction

Life insurance is a contract between a person and life insurance company, which provide a person death cover during the contract term. Buying insurance is extremely useful if the individual is the principal earning member in the family and in case of unfortunate premature demise, the family can remain financially secure because of the life insurance the individual have purchased. Having a family means financial commitments. When a person insures his life, he is in fact insuring his earning capacity so that his dependents will be able to continue living without any financial hardships. Most insurance plans available today come with a savings element built into it. These policies not only ensure financially independent future, but also have a comfortable retirement.

Life insurance is a social necessity and it provides the much-needed security to the individual and the family against the hazards of life, which no other form of savings can provide. Hence, it becomes an essential service. This was the main reason that prompted the government of India to nationalize the life insurance company. Other reasons were: i) in the absence of regulations, the companies were functioning in their own style in which there was an amount of insecurity for the investors and ii) to safeguard against embezzlement (or) misuse of fund of the insurers. The state ownership of the Corporation was supposed to create a sense of confidence in the minds of the people regarding the safety of their funds, which they invest in insurance.

With the advent of liberalization and globalization era, insurance sector in India was opened up for private player (domestically and globally). Consequent to the passing of Insurance Regulatory and Development Authority (IDRA) Act 1999, the entry of global players has to be in the form of joint ventures with domestic companies and the Act used license to regulate business. The Insurance Regulatory and Development Authority were given role to protect the consumer's interest to ensure financial soundness of the insurance industry and to enable healthy growth of the insurance market. Private players are leaving no stone unturned to make significant impact on the insurance market. The insurance industry has entered into a new growth orbit. The new players have introduced a slew of new products; new distribution channels and services with better technology. The success of the business depends on the services perceived by the customers irrespective of the changes that have taken place in the view of globalization.

Life insurance is greatly influenced by changes in the social structure, social thinking and social values, which in turn influence the needs of individuals. The private life insurance company has been continuously taking innovative steps to live up to ever changing expectations of the insuring public. Understanding the customer will enable insurance companies to design appropriate products, determine prize correctly and increase profitability. There should be increase in customer base in semi-urban potential areas. Due to inducement of competition in the business environment insurance industry has started moving out.

Role of Life Insurance

Life insurance as an investment

While most people recognize risk hedging and tax savings potential of insurance, many are not aware of its advantages as an investment option. Insurance products yield more compared to regular investment options.

Life insurance as a risk cover

Insurance provides both risk cover and financial protection that indemnifies life's unpredictable losses. Designed to safeguard against losses suffered on account of any foreseen event insurance provides peace of mind and face any financial demands that would hit the family incase of an untimely demise.

Life insurance as tax planning

Insurance serves as an excellent tax saving mechanism too. The government of India has offered tax incentives for life insurance products in order to facilitate the flow of resources into productive channels.

Principles of life assurances

The life assurances are based on three basic principles namely:

Economic principles

The need for insurance arises where an individual desires to make provision for his dependents after his death. The economic needs of dependents can be met by the insurer by acquiring the suitable plan of insurance.

Legal principles

Life insurance is a contract and therefore provisions of the Contract Act of 1972 are applied to it. Further enhancements like Transfer of Property act, Estate Duty act, Indians Stamp act, Law of Inheritance, Succession act are also applicable.

Actuarial principles

In life assurance the risk is shared by many on payment of small contribution called premium for economic security. Risk of death for all individual is not uniform. It is different for different ages. It also differs from person depending on his health, personal history, family history, habits, etc.; as such it is necessary to measure and predict the risk before arriving at the premium. For this it is necessary to study the Actuarial principles involved.

ING- International Netherlands Group

ING group is known for its philosophy of 'keeping it simple'. This thought is the result of ING group's 150 years of understanding of customer's needs and fulfilling them. ING is a global financial institution of Dutch origin. The company has a customer base of over 4, 50,000 and the head quarters is in Bangalore. It is a premier bank among the Indian private sector banks. Over the past 72 years, the bank has carved a niche for itself, by serving various key segments of the country's economy. Effective from October 2002, ING has taken over the management as the largest stakeholder. As of today, the bank has over 500 outlets across the country with over 200 outlets among them duly networked. In 2005, ING Vysya Life Insurance Company earned a total income in excess of Rs.400 Crores and also has a share capital of uniformity Rs.440 crores.

The company aims to make customers look at life insurance afresh, not just as a tax saving device but also as a means to add protection to life. The one thing to hold in highest esteem is 'life' itself. It is believed to enhance the very quality of life, in addition to safe guarding an individual's security. The core values are therefore defined as professional, entrepreneurial, trustworthy, approachable and caring. The company's portfolio offers products that cater to every financial requirement, at any life stage. It is believed to continuously develop customer driven products and services and value being accessible and responsive to the needs of the customers. ING vysya Life Insurance Company is fully

prepared and committed to guide on insurance products and services through well-trained advisors, backed by competent marketing and customer services, in the best possible way. With this background the study was carried out through the following objectives.

- To study the socio-economic profile of the customers holding ING vysya Life Insurance Policy.
- To study the level of satisfaction of the customers regarding the services rendered by the ING vysya Life Insurance Company.

Literature Studies

Mitra and Nayak, (2001) argued that the traditional life insurance business of LIC has been a little more than a savings policy. Term life (where the insurance company pays a predetermined amount if the policyholder dies within a given time but it pays nothing if the policyholder does not die) has accounted for less than 2% of the insurance premium of the LIC. For the new life insurance companies, term life policies would be the main line of business.

Sabera (2007) studied that the entry of private players helps in spreading and deepening the operations in the Indian insurance sector, which in turn results in the reconstructing and revitalizing of public sector companies. She looks that the business strategy of insurance companies and the further expectation of the insurance industry. The government of India liberalized the insurance sector in March 2000, which lifted the entry restrictions for private insurance players, allowing foreign players to enter into the Indian market and start their operations in India. Currently, 15 life insurance and 11 non life insurance companies are operating in the private sector. However, overall private insurance companies have three times more products than the public companies. The public sector players have seen 20% growth in the second year of liberalization. This has doubled their share from 3.4% in the first year itself.. It has been 8.2% compared with the global average of 3.4% customers are looking for innovative products and are ready to take insurance from private players.

Pradeep Gupta and et al. (2002) discussed the challenges and strategies in the insurance industry in India. An attempt was made to know the market position of different insurance brands and business practices codes given by IRDA to maintain some minimum standard. As per study after liberalization in November 1999 awareness of insurance brand shows 100 percent as against LIC, ICICI Prudential awareness 70 percent next HDFC standard stands 52 percent etc.

Raman N. and et al. (2004) investigate the investor's awareness about the new insurance company and preferences for their investment in future. Samples of 25 customers were collected. The findings of the study that 45 percent of the respondent are aware of new companies through their friends and majority chooses the new companies for a reasonable premium for their investment.

Jha and et al. (2007) analyzed that the de-tariffing in the insurance industry has definitely shaken the industry. The premium income has come down sharply, competition has intensified and the insurers are facing the heat to retain business. The coming days will not be easy, as the insurers will have to move with a strategy to balance the premium with risk and this will require expert risk managers to advise clients for proper insurance coverage.

Methodology

The present study was conducted in Coimbatore city. The total sample consisted of 50 customers in ING vysya Life Insurance Company and the samples were selected by adopting purposive sampling technique. The present study is based on primary data. The interview schedule was first pre-tested to check for clarity and specificity and the necessary modification were made on the basis of the experience gained during pre-testing. The field investigation and data collection for the study were carried out during the period from November 2009- January 2010. Data collection were tabulated and analyzed for the purpose of giving precise and concise information. Besides percentages, Chi-square test, Garrett ranking techniques were applied to analyze the data.

Empirical Findings

Socio- Economic Profile of the Customers

Table 1 Socio- Economic Profile of the Customers

Socio-Economic Profile	Respondents	Percentage
Age		
Below 30	20	40
30-40	13	26
40-50	10	20
50-60	5	10
Above- 60	2	4
Sex		
Male	37	74
Female	13	26
Marital status		
Married	38	76
Unmarried	9	18
Widow	3	6
Educational level		
Primary level	1	2
Higher secondary level	3	6
Under graduate level	28	56
Post graduate level	10	20
Professionals	5	10
Others	3	6
Occupations		
Business	5	10
Govt. Employees	7	14
Professionals	20	40
Others	18	36
Income level		
Rs. 5,000- Rs. 10,000	31	62
Rs. 10,000- Rs. 15,000	10	20
Rs. 15,000- Rs. 20,000	3	6
Rs. 20,000- Rs. 25,000	6	12
Source: Field Survey		

The customer's satisfaction on insurance services mainly depends on. Socio-economic and occupational background. The customer satisfaction may differ with regard to their sex, age, marital status, educational qualification; income level etc. Hence, the present section highlights the general characteristics of the customer of ING vysya Life Insurance Company. Table-1 gives the details regarding socio-economic profile of the customers.

Age

Age is the main factor that determines customer satisfaction about the service of Life Insurance Companies. The above table shows that, 40 percent of the customers are in the age group of below 30 years, 26 percent are in the age group of 30-40 years, 20 percent of customers are in the age group of 40-50 years, 10 percent of customers are in the age group of 50-60 years and remaining 4 percent of the customer are in

the age group of above 60 years. Thus, the customers of the ING vysya Life Insurance Company

Sex : Sex as a personal variable was found to have a significant effect on customer satisfaction. Seventy-four percent of male customers and 26 percent of female customers have taken policies in ING vysya life insurance. Male customers have outnumbered the female customers in taking policies in the company.

Marital Status of the Customers

The study found that, 76 percent of the customers were married, 18 percent of the customers are unmarried and the remaining 6 percent of the customers were widows. The marital status of the surveyed sample units revealed that the married customer constituted a higher percentage of representation in this company.

Educational Status of the Insurers

Educational qualification of the customers has significantly influenced customer satisfaction regarding the benefits of taking policies in any life insurance companies. Among the 50 customers, 56 percent of the customers have completed undergraduate level, 20 percent postgraduate level, and 10 percent were professionals. The educational status of the customers revealed that the most of the customers are under graduates in ING vysya Life Insurance Company.

Occupation of the Customers

Occupation plays an important role in acquisition of insurance. Occupational status of the respondents reveal that 10 percent of customers belong to business, 7 percent of the customers are government employees, 40 percent of the customers are professional and remaining 36 percent of the customers are others (i.e.) self employed and private company employees. Majority of the customers were professionals.

Monthly Income of the Customers

Income is an important factor determining the demand for insurance product. Majority (62 percent) of the customers have an income level of Rs.5,000-Rs. 10,000, 20 percent of the customers have an income level of Rs. 10,000- Rs. 15,000 and 12 percent were in the income bracket of Rs.20,000-25,000. Thus, insurance were mostly demanded by customers belonging to lower income scale.

Policies Taken By The Customers

Table-3 Policies Taken By The Customers

Particulars	Respondents	Percentage
Children's policy	7	14
Endowment policy	12	24
Group insurance policy	-	-
Joint life policy	-	-
Money back policy	9	18
Pension plans	2	4
Special plans	4	8
Term policy	7	14
Women's policy	6	12
Whole life policy	3	6
Total	50	100
Source: Based on the primary data		

This section highlights the number of policies taken by the customers in ING Vysya Life Insurance Company. The above table shows that, 24 percent of the customers in ING vysya Life Insurance Company have taken endowment policy, 6 percent of the customer have taken whole life policy, 18 percent of the customers have taken children's policy, 12 percent of the customers have taken women's policy, 14 percent of the customers

have taken term policy, 8 percent of them have taken special plans, 18 percent of them have taken money back policy, 4 percent of them have taken pension plans and they do not prefer to group insurance policy and joint life policy.

Total Sum Insured by the Customers

Table 4 Total Sum Insured By The Customers

Total Sum Insured (Rs.)	Respondents	Percentage
Below-50,000	25	50
50,000-2,00,000	12	24
2,00,000-4,00,000	7	14
4,00,000-6,00,000	6	12
6,00,000-above		
Total	50	100

Source: Based on the primary data

The following table provides the information on total sum insured by the customers for their whole family. The above table reveals that, 50 percent of customers have insured between Rs.50,000- Rs. 2,00,000. 24 percent of customers have insured between Rs 2,00,000- Rs.

4,00,000, 14 percent of customers have insured between Rs. 4,00,000- Rs. 6,00,000 and the remaining 12 percent of the customers have insured Rs. 6,00,000 and above. Hence, most of customers in ING vysya Life Insurance Company have insured between Rs. 50,000 - Rs. 2,00,000.

Chi-Square Analysis

Table 2 Association between total sum insured with selected socio-economic variables

Variables	Calculated value	Degree of freedom	Table Value	Inference
Age	1.319	2	5.99	Accepted
Sex	0.660	2	5.99	Accepted
Income	8.933	8	15.5	Accepted
Size of family	0.303	2	5.99	Accepted
occupation	6.938	8	15.5	Accepted
Education	13.789	12	21	Accepted
Marital status	4.160	4	9.49	Accepted

Source: Field Survey

The total sum insured in a life insurance company depends upon age, sex, income etc. Hence, Chi-square test was done to examine the association between sum insured and socio-economic factors like age, sex, education etc.

The null hypothesis framed was:

H_0 : There is no association between sum insured and other selected factors

H_a : The variables are associated.

The estimated chi-square value and level of significance is shown in table 2.

It is evident that, all the above-mentioned variables such as age, sex, marital status, education and income are not significantly associated with total sum insured by the selected customers. The desire to protect their family in any contingency may have motivated the respondents to take insurance.

Premium Paid by the Customers

Table 3 Annual Premium Paid by the Customers

Annual Premium	Respondents	Percentage
Below Rs 1,000	15	30
Rs 1,000- Rs 5,000	20	40
Rs 5,000- Rs 10,000	6	12
Rs 10,000-above	9	18
Total	50	100
Source: Based on the primary data		

This table shows the total annual premium paid by the customers of ING vysya Life Insurance Company.

The above table provides the necessary information about the total annual premium paid by the customers in the ING vysya Life Insurance Company. The estimates showed that,

30 percent of customers were paying the premium of below Rs.1,000, 40 percent were paying premium between Rs.1,000-Rs.5,000, 12 percent were paying their premium between Rs 5,000- Rs 10,000 and the remaining 18 percent were paying their premium of Rs 10,000 and above. From this table, the investigator concludes that most of the customers in ING vysya Life Insurance Company were paying premium in the range of Rs 1,000- Rs 5,000 annually.

Mode of Payment

Table 4 Mode of Payment

Mode of payment	Respondents	Percentage
Monthly	18	36
Quarterly	8	16
Half yearly	11	22
Annually	13	26
Total	50	100
Source: Based on the primary data		

The following table provides the information about the mode of payment adopted by the customers in ING vysya Life Insurance Company. The above table shows, 36 percent of the customers are using monthly premium system, 16

percent were paying their premium quarterly, 22 percent were paying premium half-yearly (i.e.) twice a year and the remaining 26 percent were paying premium annually. Thus the customer's preferred mode of payment of premium was monthly.

Purpose of Taking Policies in ING Vysya Life Insurance Company

Table 5 Purpose of Taking Policies by the Insurers

PURPOSE	AVERAGE SCORE	RANK
Savings	53.6	3
Family protection	54.7	2
Tax relief	63.1	1
Housing loans	35.3	4
Provision of old age	33.2	5
Source: Field Survey		

Life Insurance plan is said to be superior to an ordinary savings plan. Unlike any other savings or investment plans, Life Insurance offers three benefits viz, income, protection, savings and investment options depending on the policy chosen. Hence, the purpose of taking policies by the customers was assessed by asking the respondents to rank the purpose for taking the policy. The ranks were converted into scores by

using Garrett's Rating Scale.

From the above table it is evident that the main purpose for taking life insurance was tax relief (1st rank) followed by family protection (2nd rank), savings (3rd rank), housing loans (4th rank) and provision of old age (5th rank).

Discriminant Analysis

Table 6 Means of the Independent Variables in the Two Groups

VARIABLES	GROUP I	GROUP II	GROUP MEAN
Age (x1)	40.9351	38.0000	40.2600
Sex (x2)	1.3377	1.3913	1.3500
Occupation (x3)	1.3247	1.3043	1.3200
Type of the family (x4)	5.8961	6.0435	5.9300
Martial status (x5)	2.8571	3.1304	2.9200
Educational (x6)	17655.844	19000.000	1765.000
Source: Field Survey			

Discriminant analysis was carried out to identify the factors, which has the greater discriminating power under the 2 groups' viz., group 1 and group 2. To identify the factors/ variables that distinguish the customers who desire to take more policies from those who were not interested, a Discriminant function was used. The variables under consideration were age, sex, occupation, type of family, number of dependents and educational level of the respondents. The mean and standard deviation of the selected variables are given in the following table.

Based on the above group means, the standardized canonical discriminate function, which represents a linear composite of the original data that maximizes the ratio of "among group variability to within group variability", was estimated as follows:

$$Z = - 0.87 X_1 + 0.24 X_2 + 0.033 X_3 + 0.341 X_4 + 0.493 X_5 + 0.890 X_6$$

$$\text{Canonical correlation} = 0.652$$

$$\text{Wilks' lambda} = 0.93$$

$$\text{Chi-square} = 23.1^*$$

$$\text{Eigen value} = 0.67$$

(*Significant at 5 percent level)

In the above function the variables such as sex, occupation, type of family, number of dependents and educational level had the positive sign indicating that these variables had higher discriminating power between groups. In short, it was these variables, which distinguished the customers who want to take more policies from those who do not want to take more policies. The remaining variable age had a negative sign implying that this variable acted as a suppressor variable. The Wilks' lambda and Chi-square value indicated that the function was significant at 5 percent level. The canonical correlation associated with the Discriminant function was 0.65 implying that 65 percent of the variation in the dependent variable was accounted by this model.

Conclusion

The ING Vysya is mainly looking for improving its customer base. The company approaches the customers through Internet, Telemarketing and Direct marketing. By using these approaches, the company can effectively market the products and provide better

service to the customer. The study reveals the most of the customers by life insurance policy for the purpose of tax benefits and insuring against and uncertain events seems to be of secondary importance to them. The insurance company should come with innovative schemes to fulfill the varied needs of its customers.

Suggestions

- ING vysya Life Insurance Company to popularize the uses of policies by giving wide publicity in local Media / Television.
- ING vysya Life Insurance Company to undertake road shows for explaining various policies provided by them.
- In ING vysya Life Insurance Company, ULIP premium was very expensive. Its premium should be reduced to attract the customers.

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