Study of Investors’ Preference for the Selection of an Insurance Product

Pradnya Gugale\(^1\) and Prof. Vedashree Mali\(^2\)

\(^1\)P.G. Student, School of Management(PG), Faculty of Management, MIT World Peace University, Pune, INDIA
\(^2\)Assistant Professor, Department of Management, Under Faculty of Management, MIT World Peace University, Pune, INDIA

ABSTRACT

Human Being’s life is the most significant asset and life-insurance is the most significant sort of insurance which gives financial protection to the individual himself/herself and to his family at the hour of dubious dangers or harm. Life insurance gives both safety and protection to people and furthermore encourages investment funds among individuals. The present exploratory based investigation was chosen with a target to analyze those factors which impact client’s strategy purchasing choice and furthermore examine the inclinations of clients while making decision about insurance policy investment. Different insurance-related factors have been examined in the paper. Also, the said study has been conducted to know the satisfaction level of the clients and also to know the benefit they have been receiving from the company (if any). The information for the research has been gathered from primary data. The study zone is restricted to Maharashtra state and the test sample is 30 investors. The hypotheses have been based on the basis of demographic and the factors related to the insurance-based preference.factors and tested the same with the help of statistical tool T-test. The analyzed data had been produced in the form of a tables and graphs/charts. Insurance agencies should spread more awareness about life insurance, a decrease in the premium amount, and giving more attention to need-based innovative products are a portion of the recommendations which I would suggest. The paper closes with the segment that factors of the individuals play a significant and essential role in choosing the purchase of insurance policies.

Keywords-- Investors’ Perceptions, Insurance Coverage, Satisfaction Level

I. INTRODUCTION

More than a billion people, national and worldwide insurance companies, consider India to be a business opportunity for great opportunities and large businesses. Insurance gives the assurance of money related misfortunes and furthermore gives an investment avenue to the general public. At the point when the Indian insurance industry is compared with the outside nations, it is discovered that the Indian insurance industry is at the nascent stage. Insurance is an intangible product, and thus its success relies on the quality service delivered by the insurance company.

Privatization witnessed a radical change in the insurance business, and most private insurance companies are joint ventures with internationally recognized players around the globe. Clients are the key to insurance. Each organization strives to attract and support existing clients to keep up their high profit. Proper understanding of clients, their requirements, and expectations help insurers with improving their nature of products and services. Compared to developed countries, the insurance business in India is limited because of low consumer awareness, low accessibility, delays in customer service, and lack of favorable products. At the point when the clients' desires are met by the Insurance company in terms of risk coverage, attractive insurance plans, quicker claims settlement and more advantages as low premiums and better yields than the clients are happy with the service quality offered by the insurance firms and eventually it creates client loyalty towards the insurance company. The objective of client maintenance is accomplished when the client is truly satisfied and happy with the execution of insurance services offered by respective insurance firms.

Competitiveness in the area of insurance is to guarantee better client care, awareness-raising, prioritizing innovative products, and affordable prices hence, everybody can take advantage of insurance and protect themselves from future uncertainties.

The study aims to identify the factors influencing the consumer for the selection of insurance product. An attempt has been made to examine client buying behavior with a focus on deciding the variables influencing the consumers’ inclination for Insurance product. The respondents were queried about the elements which firmly impact their decision of a specific product. Findings reveal that product features, accessibility, low premium amount, promoting, proper redressal of complaints, and better claim settlement are some of the variables that definitely impact the choice of a company as well as the insurance product.

II. OBJECTIVES OF THE STUDY

- To assess factors impacting a client's decision towards insurance policies
- To assess the satisfaction level of clients towards insurance policies
• To study the type of the policy they prefer
• To study the most preferred type of insurance product.
• To analyze the feature of the insurance product that attracted customer.
• To analyze the benefit for which they have preferred the insurance product.
• To analyze the satisfaction level on the type of product they have selected.

III. LITERATURE REVIEW

The authors (Reddy & et al., 2015) in their research paper, have evaluated the various factors that are influencing customer’s choice towards the insurance policies. Also, they’ve assessed the satisfaction level of the respondents. They’ve also examined the switching behavior of the policyholders. It has been found that the insurer can keep their customer satisfied by improving the quality services and also by coming up with innovative insurance products. Also, the research concludes that the demographic factors play a major role in the customer’s choice, while purchasing an insurance policy. It has also been found that the satisfaction level and the switching behavior of the customer, both are being affected by the quality of the service, provided by the insurer. And to be very precise, the switching behavior of the clients are majorly due to the popularity of the company. The researcher also conveys that there is need of creation of the awareness of risk coverage aspect among the clients.

In his research paper (Firas Al-Rawashdeh, 2016) the author has worked on the determinants of demand on purchasing insurance policies. On research, it has been found that the companies should promote the insurance services through advertisement campaigns. They ought to improve their services so as to compete effectively and, address customer issues by dealing with changing desires for policyholders. The organizations ought to consistently work on creating new items to gain competitive advantage and increase the quality of its services.

The said authors (Bedi, Singh, 2014) in their research paper have analyzed the overall performance of Life Insurance Industry of India between pre and post economic reform time. They have also measured the current status, volume of rivalries and difficulties faced by the Life Protection Corporation of India. One of their objective was also to measure the change in the effectiveness of the investment strategy of LIC over the period 1980 to 2009. On research, they conclude that it was found that the total business of LIC is in an expanding pattern. The collected information demonstrate that the LPG is fusing a positive impact on LIC of India and its performance. Total investment of LIC rose from Rs. 4587.7 crores in 1979 to Rs. 762891.7 crores in 2009. Proportion of premium taken by LIC out of complete premium collected by life insurance industry is declined from 97% in 2001-02 to 74% in 2007-08. It shows the increasing rivalry from private sector. ICICI prudential is turning into a more grounded and more grounded player by taking over a lot of business of LIC due to aggressive and flexible product range.

Yet there is a scope of advancement in the life insurance sector where private sector will be a challenge in the front of LIC.

In his research paper, the aim tells that (Giri, 2018) the consumer behavior in life insurance market has remained to a great extent unexplored. Given the low degrees of insurance entrance and its basic job in expanding financial wellbeing, it is imperative to comprehend the life insurance purchase practices of Indians. The primary motive of the author is that to evaluate the few issues that are of intrigue, the degree of financial literacy and awareness. The degree of social impact in the buy choice, understanding the motivations behind the purchase and understanding whether the current insurers are addressing the needs of the consumer. On research he finds that the author modelled household behavior in insurance demand in a dynamic framework. That is, it looks at changes in insured status over time. He found out that financial condition has the biggest impact on guaranteed status among both rural and urban families, with wealthier family units being bound to claim protection. In addition to reported income, he uses financial status and neediness pointers as a measure of financial condition. Financial inclusion additionally has a positively effects on a family unit getting insurance. Using the theory of planned behavior, he finds that convictions about insurance and emotional standards are inseparably connected with one another. His outcomes show that convictions and abstract standards influence perspectives towards insurance and mentalities insurance purchase behavior. About 33% of the respondents didn't have the idea about the sort of insurance they possessed highlighting to large scale lack of financial knowledge and awareness. He found that term policies are picked for tax savings purposes, endowment policies are picked for inheritance purposes and numerous policies are purchased for specific savings goals or on account of social impact. The explanation behind lapsation was that the first purpose behind taking the policy had stopped to be significant. Some other expressed reasons of lapsation were inability to pay the premium or forgetting to pay the premium.

The research has been conducted by authors (Yadav, Tiwari, 2012), to investigate the different components impacting client investment decision in life insurance. Also, to study and analyze the impact of different demographic factors on client’s life insurance...
investment decision. To assess inclinations of the clients while taking life insurance investment decision. The research has been conducted to study and rank the factors responsible for the choice life insurance as an investment option. Lastly, to offer proposals for promoting life insurance amongst the public, at large.

Post research, it was found that private insurers should emphasize more on promoting and building brand awareness through various methods of communication. This will help in spreading insurance awareness among the common man. To accomplish more prominent insurance penetration, the healthier rivalry must be increased by both the sectors and they should think of new innovative items to offer more prominent variety or decision to the clients and furthermore make improvement in the quality of services and sell items through suitable channel to win-win situation for both the parties.

Insurance agencies should devise policies which give viable risk coverage instead of concentrating on the tax cuts and furthermore supports them for long term interest in insurance. Life insurance organizations should come up with innovative products with high risk cover, more return and low insurance premium to pull in increasingly number of clients.

IV. RESEARCH METHODOLOGY

Research hypotheses

Hypothesis (a):
H0: There is no significant difference between the gender and the factors affecting the decision in selection of an insurance product.
H1: There is significant difference between the gender and the factors affecting the decision in selection of an insurance product.

Hypothesis (b):
H0: There is no significant difference between the annual income and the factors affecting the decision in selection of an insurance product.
H1: There is significant difference between the annual income and the factors affecting the decision in selection of an insurance product.

Hypothesis (c):
H0: There is no significant difference between the gender and the satisfaction level of the policy they preferred.
H1: There is significant difference between the gender and the satisfaction level of the policy they preferred.

Hypothesis (d):
H0: There is no significant difference between the preferred and the satisfaction level of the policy they preferred of that company.
H1: There is significant difference between the preferred and the satisfaction level of the policy they preferred of that company.

Research Design

The study was exploratory in nature with survey method being utilized to finish the study.

Population

Population included investors in Maharashtra state.

Sample Size

The number of respondents are 30.

Sample Frame

Since the information was gathered through individual contacts, the sample frames were the people who are selecting Insurance policies.

Data Collection

Self-design questionnaire survey was used for the assessment of factors influencing investor's perception towards insurance. Information was gathered on Likert's scale, where 1 represented strongly agree and 5 represented strongly disagree.

V. DATA ANALYSIS

Data has been analyzed and interpreted using various statistical tool graphs and charts for better understanding, data was analyzed using Cronbach’s Alpha Reliability test in excel.

To test the reliability, the following formula of the Cronbach’s Alpha is used as:

$$\alpha = \frac{k}{k-1} \left(1 - \frac{\sum_{i=1}^{k} \sigma^2_{yi}}{\sigma^2_{\text{total}}} \right)$$

Where, k= number of scale items.

$$\sigma^2_{yi}$$ = variance associated with item 1.

$$\sigma^2_{\text{total}}$$ = variance associated with the observed score.

Following is the calculation of Cronbach’s Alpha:
Therefore, as per above table the 0.7 or above is considered to be acceptable and here the Cronbach’s Alpha is 0.76 (rounded off). Therefore, the internal consistency of the scale is highly consistent and acceptable.

To test the hypothesis T-test is used which allows the comparison between the two average values of the two different data sets and determine if they are from the same population. This test is used to calculate the value of ‘P’. This value of ‘P’ is used to determine whether to accept the null hypothesis or reject it.

If the p value is more than the significance value of 0.05 then we will accept the null hypothesis otherwise we will reject it.

In case of:

**Hypothesis (a):**

H0: There is no significant difference between the gender and the factors affecting the decision in selection of an insurance product.

H1: There is significant difference between the gender and the factors affecting the decision in selection of an insurance product.

Here, the value of p is 0.023688 which is less than 0.05, and hence we can reject null hypothesis and we can say that, there is significant difference between the gender and the factors affecting the decision in selection of an insurance product.

**Hypothesis (b):**

H0: There is no significant difference between the annual income and the factors affecting the decision in selection of an insurance product.

H1: There is significant difference between the annual income and the factors affecting the decision in selection of an insurance product.

### Table 1

| Variable       | Figures   |
|----------------|-----------|
| k, no of questions | 13        |
| sum of the variance | 20.59     |
| variance of total score | 68.11222  |
| Cronbach's alpha  | 0.755847  |

(Source-Excel Output)

### Table 2

|                      | Variable 1 | Variable 2 |
|----------------------|------------|------------|
| Mean                 | 15.5       | 22.33333   |
| Variance             | 0.5        | 39.46667   |
| Observations         | 2          | 6          |
| Hypothesized Mean Difference | 0        |            |
| Df                   | 5          |            |
| t Stat               | -2.61513   |            |
| P(T<=t) one-tail     | 0.023688   |            |
| t Critical one-tail  | 2.015048   |            |
| P(T<=t) two-tail     | 0.047376   |            |
| t Critical two-tail  | 2.570582   |            |

(Source-Excel Output)
Table 3

| Variable 1 | Variable 2 |
|------------|------------|
| Mean       | 8          | 22.33333  |
| Variance   | 100.6667   | 39.46667  |
| Observations | 4      | 6          |
| Hypothesized Mean Difference | 0 | 0 |
| Df         | 5          |            |
| t Stat     | -2.54398   |            |
| P(T<=t) one-tail | 0.025822 |            |
| t Critical one-tail | 2.015048 |            |
| P(T<=t) two-tail | 0.051643 |            |
| t Critical two-tail | 2.570582 |            |

(Source-Excel Output)

Here, the value of p is 0.025822 which is less than 0.05, and hence we can reject null hypothesis and we can say that, there is significant difference between the annual income and the factors affecting the decision in selection of an insurance product.

Hypothesis (c):

H0: There is no significant difference between the gender and the satisfaction level of the policy they preferred.
H1: There is significant difference between the gender and the satisfaction level of the policy they preferred.

Table 4

| Variable 1 | Variable 2 |
|------------|------------|
| Mean       | 15.5       | 6.4        |
| Variance   | 0.5        | 14.8       |
| Observations | 2      | 5          |
| Hypothesized Mean Difference | 0 | 0 |
| Df         | 5          |            |
| t Stat     | 5.079125   |            |
| P(T<=t) one-tail | 0.001919 |            |
| t Critical one-tail | 2.015048 |            |
| P(T<=t) two-tail | 0.003837 |            |
| t Critical two-tail | 2.570582 |            |

(Source-Excel Output)

Here, the value of p is 0.001919 which is less than 0.05, and hence we can reject null hypothesis and we can say that, there is significant difference between the gender and the satisfaction level of the policy they preferred.

Hypothesis (d):

H0: There is no significant difference between the preferred and the satisfaction level of the policy they preferred of that company.
H1: There is significant difference between the preferred and the satisfaction level of the policy they preferred of that company.
Table 5

| Variable 1 | Variable 2 |
|------------|------------|
| Mean       | 6.4        |
| Variance   | 14.8       |
| Observations | 5        |
| Hypothesized Mean Difference | 0 |
| Df         | 7          |
| t Stat     | 1.939870639 |
| P(T<=t) one-tail | 0.046776413 |
| t Critical one-tail | 1.894578605 |
| P(T<=t) two-tail | 0.093552826 |
| t Critical two-tail | 2.364624252 |

(Source-Excel Output)

Here, the value of p is 0.04677 which is less than 0.05 and therefore we can conclude that there is significant difference between the preferred and the satisfaction level of the policy they preferred of that company.

VI. RESULTS

Analysis of demographic characteristics of respondents
1) Age: Table 6

| Categories | Frequency | Percentage |
|------------|-----------|------------|
| Below 20   | 1         | 3.333333   |
| 20-30      | 27        | 90         |
| 30-40      | 1         | 3.333333   |
| 40 and above | 1     | 3.333333   |
| Total      | 30        | 100        |

(Source-Created by author)

The above pie chart shows that the majority of age of respondents is between 20-30 i.e 90%. Followed by respondents with age below 20, 30-40, 40 and above, with 4%, 3%, 3%. The above pie chart reveals that the awareness of insurance is at high level amongst the youngsters.

2) Are you and your family insured?

(Graph 1)
Table 7

| Categories | Frequency | Percentage (%) |
|------------|-----------|----------------|
| Yes        | 23        | 77             |
| No         | 7         | 23             |
| Total      | 30        | 100            |

Graph 2

Post survey, it’s good to know that the majority of the people are having insurance policies and they are known to its importance. And, it is been found that most preferred companies for insurance is LIC, But, the 23% people are not insured. It could be claim that they might not know about the importance of insurance or either they must have bad experience or they might have trapped in a fraud.

Table 8

| Name of the company                              | Sector | Level of preference of the investors (according to this survey) |
|--------------------------------------------------|--------|---------------------------------------------------------------|
| Life Insurance Corporation of India              | Public | Very High                                                    |
| Star Health Insurance                            | Private| Very High                                                    |
| Aditya Birla Sunlife Insurance Co. Ltd.          | Private| High                                                          |
| HDFC Standard Life Insurance Co. Ltd.           | Private| High                                                          |
| SBI Life Insurance Co. Ltd.                     | Private| Medium                                                       |
| Apollo Munich Health Insurance Co. Ltd.         | Private| Low                                                          |
| Bajaj Alliance Life Insurance Co. Ltd.          | Private| Low                                                          |
| ICICI Prudential Life Insurance Co. Ltd.        | Private| Low                                                          |
| Indus Health Plus Ltd.                          | Private| Low                                                          |
| Kotak Mahindra Life Insurance Co. Ltd.          | Private| Low                                                          |
| Max Life Insurance Co. Ltd.                     | Private| Low                                                          |
| PNB MetLife India Insurance Co. Ltd.            | Private| Low                                                          |

(Source-Created by author)

As seen above, Life Insurance Corporation of India that is LIC of India is been preferred highly by the respondents. According to respondents, there is a high demand for life insurance and also, some have taken term insurance. This might be because, LIC being a public sector company. Secondly, some respondents chose Star Health insurance. Aditya Birla Sunlife insurance Co. Ltd and HDFC standard Life is been preferred. It is been found...
that health insurance and life insurance, both are been preferred by the investors of Aditya Birla Sunlife insurance Co. Ltd. SBI Life Insurance Co. Ltd is on moderate level. Rest, among the respondents some prefers ICICI, some prefer PNB metlife, so on and so forth.

Also, on analysis, it is been found that respondents who doesn’t have insurance policies, they would prefer the same by buying from either LIC, Aditya Birla and HDFC.

Considering the features that attracted most to the investors are:

Returns, Benefits, Tagline, High Return And Approximately Minimum Premium, Huge, Network Of Tie Up Hospitals, Easy And Efficient Claim System, Service, Image, Unique Policies, Govt Co., On Time Service, Coverage And Financial Safety For The Family After Death Of Earning Member, Services Covered, Life Cover, Brand Value Of SBI, Return Over The Year.

3) Most preferred type of policy

| Categories          | Frequency | Percentage (%) |
|---------------------|-----------|----------------|
| Life insurance policy | 3         | 10             |
| Health insurance policy | 6         | 20             |
| Both                | 21        | 70            |
| Total               | 30        | 100           |

(Source-Created by author)

Both the policies are been preferred by the investors, though health insurance is recently introduced in India and yet health insurance is second most preferred type of policy. Followed by life insurance.

4) Have you received any survival benefits out of those policies?

| Categories | Frequency | Percentage (%) |
|------------|-----------|----------------|
| Yes        | 16        | 53             |
| No         | 14        | 47             |
| Total      | 30        | 100            |

(Source-Created by author)
As it can be seen that the majority of the people have received the survival benefits. On the other hand, one of the reasons for dissatisfaction regarding the services which they have received could be the absence of the survival benefits. People usually, expects some benefits for not using insurance throughout the year.

On analysis, it is also been found that about 72% of the total respondents have received the survival benefits only 1 time, followed by 21% of the investors have received 2 times and only 7% of the total respondents have received survival benefits 3 times.

VII. FINDINGS

- To test the reliability of the research, Cronbach’s Alpha has been used and as stated above the given data and results, its internal consistency is acceptable.
- The investor's choice to buy insurance products from various insurance agencies can be influenced by a few factors like gender and salary level.
- It can also be concluded that there is a relationship between the level of satisfaction and the policy preferred by the investors of their respective companies.
- From the investigation, it is induced that respondents having a place with the age bunch between 20 to 30 years (which contribute 90% to the complete respondents) discovered to be more keener on purchasing a life insurance policy when compared with other age groups. Out of 30 examples drawn, a majority (70%) of investors have indicated inclination towards both life and medical coverage strategies.
- It is clear from the above study that the majority of the respondents have settled on LIC approaches in light of insurance and the rest of the respondents selected private players for more significant yields. Among private insurers star health, SBI life insurance followed by the ICICI prudential and Bajaj Allianz, etc
- The features of policy that attracted policyholders can be ranked as follows: Returns, Benefits, Tagline, High Return And Approximately Minimum Premium, Huge, Network Of Tie Up Hospitals, Easy And Efficient Claim System, Service, Image, Unique Policies, Govt Co., On Time Service, Coverage And Financial Safety For The Family After Death Of Earning Member, Services Covered, Life Cover, Brand Value Of SBI, Return Over The Year.
- It is also evident that most of the respondents have received benefits from their preferred company and most of them have received only 1 time followed by 21% of the respondents received 2 times and rest received 3 times.
- The expectations of the respondents from their preferred company are fast insurance recovery of claim with less formalities, higher return with lower risk and the company must provide more benefits to the people in terms of savings and they should also give high returns.
VIII. CONCLUSION

- In the present Indian market, the investment propensities for Indian customers are evolving frequently. The people have their own observations of different sorts of policies. The study of this research work was engaged over the investor's recognition of Insurance Services. The objectives of the study were to assess the factors underlying consumer observation towards the selection of insurance policies and to determine the satisfaction level of the investors and all the objectives as stated above.
- The tests that were utilized for our research activities were the T-test.
- Next was the Reliability Test to check the dependability of the things. The result was 0.76 (rounded off). Accordingly, the result is profoundly solid.
- The investor's observation of Insurance Policies is positive. It built up a positive mindset for purchasing insurance policies. Still, a few activities are required for developing the insurance market. The insurance industry has to go ahead. Great opportunities are still waiting.

- This research will help in building up the market share of the overall industry, loyalty, and further advancement in the insurance sector.

REFERENCES

[1] https://pdfs.semanticscholar.org/8a0a/7c3e6fb0275aa760fe a464ea15c7ec88a83a.pdf.
[2] https://www.researchgate.net/publication/316634966_Interna
tional_Review_of_Management_and_Marketing_Deter
minates_of_Demand_on_Purchasing_Insurance_Policies_
Case_of_Jordan.
[3] https://www.iitk.ac.in/ime/devlina/data/Manohar%20Giri
%20PhD%20Thesis%20_Final-4-10-19.pdf.
[4] http://indianresearchjournals.com/pdf/IJMFSMR/2012/Jul
y/9.pdf.
[5] https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2450163.