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A STUDY ON FACTORS INFLUENCING CUSTOMER LOYALTY IN INSURANCE SECTOR, GOBICHETTIPALAYAM

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Abstract

The Indian insurance industry has moved into a more competitive arena with the arrival of private players in the market. Even though the Life Insurance Corporation of India reigns supreme in terms of market share, private companies are gearing up to woo the consumer. Any new player entering the insurance business would try to differentiate its products offering, but it is the service delivery system which would become the key differentiator. The main is to identify the most influencing factors on customer loyalty concerned in Insurance market. The research design used is descriptive. 200 policy holders are selected from the most populated blocks of Gobichettipalayam Taluk. Appropriate statistical tools are used for analysis.

Keywords: Customer satisfaction, Service Quality, Customer loyalty, Life insurance.

1.1 INTRODUCTION

Life is a roller coaster ride and is full of twists and turns. You cannot take anything for granted in life. Insurance policies are a safeguard against the uncertainties of life Insurance is system by which the losses suffered by a few are spread over many, exposed to similar risks. Insurance is a protection against financial loss arising on the happening of an unexpected event.

Insurance policy helps in not only mitigating risks but also provides a financial cushion against adverse financial burdens suffered.Insurance policies cover the risk of life as well as other assets and valuables such as home, automobiles, jewellery etc.

1.2 CUSTOMER LOYALTY

Guillen et al. (2008) noted that the number of empirical studies on customer loyalty in the insurance sector is low. They contended that it is important to monitor customer loyalty and business risk for the life insurance companies due to reasons such as access to information related to the quality of portfolio, effective handling of customer recruitment and retention strategies, evaluation of market's competitiveness in the insurance sector and company's position in that market. Durvasula et al. (2004); Tsoukatos and Rand (2006) described life insurance services are highly intangible. Crosby et al. (1990) pointed that life insurance is primarily sold by insurance agents, who are the only touch point for the customers in most cases. According to Lombardi (2005), keeping the customers is crucial for life insurers as a long-lasting association with the customers results in greater instances of cross-selling and positive recommendation intentions.

1.3 CUSTOMER SATISFACTION

Oliver (1997)stated that "satisfaction is the consumer fulfilment response. It is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfilment, including levels of under-or over- fulfilment". Over the years, several researchers such as Ganesan (1994), Mittal, Ross, and Baldasare (1998), Mittal and Kamakura (2001) and others have exhibited customer satisfaction to be influencing the factors that signify customer loyalty or in other words, the long-term orientation of a relationship.

1.4 SERVICE QUALITY

Service quality refers to the collective effort of service performance, which determines the degree of satisfaction of users of all the services. The degree of consumer satisfaction bears a direct relation with quality of service where good quality of service gives better customer satisfaction and bad quality of service leads to dissatisfaction of the customers.

1.5 CUSTOMER VALUE

The consumer response patterns obtained by Zeithaml (1988) seem to suggest four definitions of value:a) Value is low price.b) Value is whatever I want in a product.c) Value is the quality I get for the price I pay. d) Value is what I get for what I give.

1.6 REVIEW OF LITERATURE

Mishra (1987) made a study to appraise the marketing strategies of LIC of India. While reviewing, the author expressed the view that, before 1980 LIC did not give much attention to the objective of customer satisfaction: but from 1980 onwards it has taken several remedial measures to provide better customer services and improve the customer satisfaction. However the author expressed the weaknesses of LIC as existence of more number of dormant agents and lack of training and motivation among officials

Shejwalker (1989) in his article "Training in Life Insurance Marketing" discussed the importance of trained agents' force to develop the life insurance business. He stressed that present selection pattern of the agent should be changed. He expressed his opinion that private or independent institute should be invited to impart training to the agents.

Lawler and Edward (1995) explained that companies are successful which possess quality service in the top of their vision list. Protective Life Insurance Company depended on Loma's FOCUS Customer Service Survey to get feedback from customers on how they were being served. They measured customer satisfaction differently and determined the most common causes for customer dissatisfaction and to eliminate them. The Insurance companies basically have similar products, similar services, and similar technology. In fact, everything the company does was tied to its core values which inurn tied with its employee's performance. Employees agree with this continuous improvement process. They conclude as people never like to buy insurance, so service provider must make it as easy and pleasant as possible and that was one focus of continuous improvement in service provided for the benefit of the customer

Vijayavani (1999) " Cost effective distribution channels of life insurance products" suggested that to tap policy holders, insurance tie-ups with banks, mutual funds and benefit consultants and brokerage and benefit consultants, company and fund managers can be introduced.

Holsboer Jan (1999) investigated the link between insurance sector development and economic growth in context with the recent changes in the external environment for insurance companies in Europe. He developed a model based on the interest rate(r), growth of the working population (n), the economic growth rate (g). The benefits of the pay pension system of the funded pension system were analysed in this model.

Mike Adams et.al., (1999) and others examined the dynamic historical relation between banking, insurance and economic growth in Sweden using time- series data from 1830 to 1998.They examined long-run historical trends in the data using econometric tests for co integration. The results arrived indicate that the development of domestic banking, but not insurance, preceded economic growth in Sweden during the nineteenth century. They also found that the development of bank lending in the nineteenth century increased the demand for insurance as well as promoting economic growth. In contrast, the insurance market appears to be driven more by the pace of growth in the economy rather than leading economic development.

Gregory Kuhlemeyer et.al., (1999) conducted a research on consumer satisfaction relevant to the purchase of life insurance products and compares satisfaction in a agent assisted transaction with satisfaction when no agent is used. Benchmarks, identified for consumer satisfaction, are the life insurance product, the agent, and the institution. The hypothesis of the study was that, consumer satisfaction with the life insurance purchase is primarily a function of the trust of a policy holder on his agent or on the insurance company, agent's competence, the product selected by the consumer, the financial safety, and fulfillment of consumer goals. The agent assisted versus direct placement of individual life insurance was compared and found that consumers are highly satisfied with their agents, when they believed that their agent is trustworthy, knowledgeable, selling only the appropriate products . On the other hand, academic background, professional designations, a long business history, age, gender, or marital status of the agents do not influence consumer satisfaction. In the same way, consumers are highly satisfied with their firm, only when they perceive that their life insurance firm provides a portfolio of products that will meet their financial needs, employing competent representatives, and creates a trusting relationship. Purchasers who use the agent alone are more satisfied with their insurance company than purchasers who use both an agent and the direct purchase approach. In the same way, the direct sales method scored the highest level of satisfaction because purchasers trust their life insurance company very highly. They also found that, single premium policies secured the lowest level of consumer satisfaction and term insurance, universal life, and whole life insurance give the higher level of consumer satisfaction, in that order.

Duncan et.al., (1999) described two related quasi-experiments, one in the United States and one in Spain, in which a sophisticated, high-technology firm designed and implemented customer- satisfaction improvement programs. Although the interventions implemented in the two countries are differed in some respects, both interventions were targeted at five targeted customer needs and the same type of business-to-business customers are selected. In each country, the programs were implemented in 'treatment' regions, but not in 'control' regions and the firm collected pre-test and post-test satisfaction measures for targeted and non-targeted needs. The intervention had a significant impact on satisfaction with the targeted needs in both countries. The data collected reveals the fact that the interventions were able to effect significant, enduring improvements in satisfaction with the targeted needs. Several natural assumptions found failed. For example, the firm believed ex-ante that the interventions were similar, seemingly inconsequential differences in empowerment between the Spanish and U.S. interventions appear ex-post to be important. Despite the use of state-of-the- art methods to identify customer needs, overall satisfaction responded significantly to effects that were not captured by the measured needs. There were unobserved ecological impacts on satisfaction which could only be accounted for, with a nonequivalent-dependent-variables design. Such designs are rare in industry. The absence of such controls in typical industry studies explains the growing concern among industry commentators that quality interventions do not yield their anticipated outcomes. In U.S. the results were qualitatively similar, perhaps because there was no competitor because unobserved ecological changes in all customers needs. However, in Spain, where there was likely significant, but unobserved, competitive activity, the results change dramatically. There was still a significant impact on overall satisfaction and residual satisfaction, but there was no significant effect on the targeted needs and on the ancillary needs. Without the nonequivalent-dependent- variable controls, the analysis rejected the ability of the customer-satisfaction intervention to affect the targeted needs. It is also possible that industry would consider an even simpler model, which does not account for the reliability of the measures. One such model might simply examine the differences in the means between the pre-test and post-test measures. When the authors examined such model and estimate a significant increase in the targeted needs in the U.S. and a non-significant decrease in the targeted needs in Spain.

Tom Moormann & Cary Overmeyer (1999) explored how the life insurance industry is addressing the issue of measuring customer satisfaction, as satisfied customers are vitally important to life insurance companies, where retention plays a large role in determining a company's revenue stream, and ultimately its profitability. The LOMA conducted a survey of its member companies. A total of 129 responses were received from 709 companies and the survey itself was divided into three general topics such as company measuring overall customer satisfaction, company measuring satisfaction with specific transactions, and evaluation of customer satisfaction information. Ninety percent of individual life products and seventy percent of disability products of respondent companies measured the customer satisfaction. Companies measure satisfaction with those products which were marketed to individual consumers. Roughly half of the companies measured customer satisfaction in an irregular basis, and substantial number of companies do not measure customer satisfaction at all. The general types of information collected in customer satisfaction surveys are data on overall satisfaction (80% of respondents), satisfaction with product features and benefits (61%), and satisfaction with different aspects of the purchase process (58%). They conclude that customer satisfaction, though an important metric for evaluating business performance, was paid only an insufficient attention by the companies.

Vijay Srinivas (2000) found that lack of understanding among the public, lack of availability of new schemes, low income yielding are the main reasons for low priority for insurance in India and he suggested return linked insurance, for the more successful penetration.

Dr. Michael (2000) examined the condition for compulsory insurance. He also made distinction between first-party insurance and third-party insurance. The major argument in favor of compulsory liability insurance was insolvency of the potential injurer. His insolvency may lead to under deterrence. This can be cured through making the purchase of insurance compulsory. He also accepts the fact that there are few limits and warnings with respect to the introduction of compulsory insurance. If the moral hazard problem cannot be cured or if insurance was not sufficiently available, making insurance compulsory may create more problems than it cures. He also argued that a major disadvantage of compulsory insurance is that it might make governments too dependent on the insurance market. The economists also have warned against the increasing use of liability insurance linked with strict liability regimes and have often pointed out the advantages of first party insurance schemes. In a first-party insurance scheme, the victim insures himself directly with an insurer or a third party takes insurance directly to the benefit of the victim. Indeed, there was often a small line between first-party accident insurance or health insurance and social security systems. But the information deficiency argument should be clearly distinguished from the argument that insurance was beneficial since it generally removes risks from risk-averse persons and thus increases their utility. There is always a danger that the information asymmetry is assumed to quickly justify a regulatory intervention. In the absence of a proof of information deficiency, a generalized duty to insure would amount to mere paternalism and could create inefficiencies, since also persons who have no demand for insurance might be forced to take out insurance coverage. He concludes that compelling all citizens to purchase mandatory accident insurance may thus lead to a negative redistribution.

Outreville (1990) Ward and Zurbruegg (2000) provide empirical evidence for the fact that insurance market development, promotes economic development. As the insurance industry forms a major component of the economy by virtue of the amount of premiums it collects, the increasing contribution it makes to GDP, and the scale of its investments. The literature has confirmed that a sound national insurance market is an essential characteristic of economic growth. As the insurance industry forms a major and essential social and economic role, by covering personal and business risks. Three categories of insurance determinants have been identified such as economic, legal plus political, and social factors. The empirical findings proved that a strong, well functioning legal system and a stable political environment seem to be most crucial for fostering insurance demand. They also emphasized the need to promote sound insurance growth which in turn acts as a tool to aid financial development and thereby also foster economic growth.

Rernat Vera Meister (2001)explained that a lot of feministic studies were concerned with recovering the tremendous inequalities and the shocking lack of equity between the genders in the history and at the present. Research shows that there is a gender inequality in terms of income, respect and leisure time, a distinct greater likelihood for women to be poor, discriminated and marginalised.As a lot of problems are very deeply rooted in ideology, religion, social norms and customs, it is an extremely complex process to achieve any progress. Nevertheless, even if we claim economical equality we thoroughly have to avoid the temptation to walk into the trap of determinism, i.e. to look at economy as a kind of static distribution of resources. So the task of shaping the future have undoubtedly to be based on the analysis of present and past. But we must immediately go beyond it and grasp the future as a dynamic process with risks and uncertainties which causes threats.

Rudra Saibaba (2002) has conducted an enquiry on “Perception and attitude of women towards life insurance policies”. The study revealed that seventy percent of respondents interviewed are satisfied with the services offered by LIC. An attempt was also made to know the reasons for dissatisfaction. The study revealed that intensive advertisement is not given by LIC about new policies with the result the respondents are not in a position to know which policy highly suits their requirement. Many of the respondents opined that agents are not concentrating on the customer’s service. With the result, they are facing some inconvenience regarding the payment of premiums on due date and could not avail other benefits from LIC like policy loan, housing loan, etc. Hence, there is a need to improve customer’s relations by

LIC for the increased satisfaction of the consumers.

Mittal (2002) in his article "Privatisation of life insurance sector in India -impact and perspective" stated that 10 percent of agents procured ninety percent of business and remaining ninety percent of agents procured ten percent of the business. Most of the agents did this as a part time job. As a vast population remains untapped these inactive agents should be encouraged, he suggested.

Abdel Moniem Ahmed (2002) conducted an analysis on 'Customer Satisfaction'. Customer satisfaction is fundamental to the well being of individual consumers, to the profits of firms supported through purchasing and patronization, and to the stability of Economic and political structures The authors introduced a methodology on how to carry out self-assessment in seven levels. The important finding is that, there are three groups of customers which are often neglected in the existing customer satisfaction programmes which are internal customers, channel members in consumer markets, and buying center members in business-to-business markets. They stated that an effective customer satisfaction programme must include management commitment and support, employees involvement and training, information gathering from stakeholders, customer contact and personnel data, warranty cards and service records, face-to-face evaluation, responses sorting, wants formulating and satisfaction and action plans. They found that, many companies seeking business excellence are assessing themselves against these nine criteria of the model and thus they first understand fully their today's position and use this benchmark to pursue continuous improvement. Thus, self- assessment in a regular, comprehensive and systematic way therefore reviews the organisation's activities and gives the best results.

Stephen Diacon et.al., (2002) conducted a study to determine the nature of systematic differences in persistency according to company size, efficiency, and ownership structure. Good persistency was also of vital importance to the financial performance of life insurance companies. Early withdrawal often means that product providers are unable to recoup their business acquisition expenses. They use multivariate techniques to measure the relationship between withdrawal rates and those aspects of service quality that are correlated with variables such as size, growth of new business, the expense ratio, and the mutual /stock distinction. They, therefore, suggest that mutual insurers have a better persistency record than stock insurers, and the offices with lower expense ratios tend to demonstrate significantly higher persistency rates, and persistency seems to be negatively related to insurer size.The results confirm the findings of previous research of Parasuraman (1985) that customer satisfaction with a company's services is determined to a large degree by the quality of service the customer receives. Another important finding was that overall levels of persistency remain low, particularly for pensions business and policies sold by company representatives. It was also clear that poor sales quality leads to low customer satisfaction which again lead to low persistency. The essential idea was that persistency is an indicator of customer satisfaction. Many policyholders have withdrawn from long-term commitments before their contract has expired, and the high initial withdrawal rates associated with these long-term savings contract provides tangible evidence of widespread customer dissatisfaction, and raises questions about the service quality. But the authors were unable to explain why persistency seems to be negatively related to insurer size .They concluded that as the causes of poor persistency tend to be complex and pervade many aspects of an insurer's back-office operations and not just the sales process.

Stephen Avila et.al., (2003) made an intensive study on the relational sales process which develop a long term customer relationship based on trust and value added service. Within the insurance industry, claims representatives and underwriters come in contact with the customers and prospects and are able to incorporate the relational sales process into their interactions with customers so as to strengthen the existing relationships and potentially initiate new ones.

SERVICE QUALITY has been the first and the most popular tool which was proposed by Parasuraman, Zeithaml, and Berry to measure the service quality. It consists of three sections. The first two sections consist of two sets of twenty two statements which determine customer's expectation to service, and the customer's perception to the firm performance. The c ustomer is asked to rate their expectations and perceptions of the company's service performance on a seven-point Likertscale. The gap between expectations and performance perceptions is measured by the difference between the two scores. Positive scores imply that the performance is better than what the customer expects, while negative scores show that the services are of poor quality. The third section measures the level of importance of the five dimensions to the customer namely tangibles, reliability, responsiveness, assurance and empathy. They conclude that, customer's expectations are influenced by several other factors such as informal and formal recommendations, personal need, past experience and lastly the external communications sent out by service providers.

Daleep Pandita (2003) stated the fact that the customer today was demanding quality and then becomes violent in case the expectations were not met. It is found that 68 percent of customers quit because of indifferent attitude, 14 percent were due to product dissatisfaction. 9 per cent for competitive reasons, 5 per cent from friendships and obligations, only 3 percent move away as a margin of chance and one per cent of customers die away. He suggests that for better customer satisfaction the organizations should develop customer needed policies, products and procedures and give customer the most wanted pre and post-sale personalized service.There are cross-effects of other risks on insurance decision against a considered risk. The total effect of both additive and multiplicative risks is not simply the sum of their individual effects. Thus, taking both additive and multiplicative risks into account simultaneously is important. The effect of derivative securities on an individual's insurance decision was analysed. In the framework of a mean-variance utility, it was concluded that derivative securities have an impact on an individual's insurance decision because a farmer using hedging instruments against the price risk, may not buy the full insurance even if the premium is fair. And there was no monotonic relationship between the farmers's degree of risk aversion and his insurance purchase or his hedging ratio. Thus, the effect of a farmer's degree of risk aversion appears differently when the crop insurance and the derivative securities are concerned separately and when they were concerned simultaneously. She concludes that the concept of the variable participation contract, was found to have advantages over a usual insurance contract.

David Weir et.al., (2003) in their study evaluated the risk of un-insurance for divorced and widowed women, who form an important and vulnerable population. Population of women potentially vulnerable to loss of coverage in the event of divorce or a husband's d eath .The incomplete coverage of both men and women in the fifty to sixty-four age groups implies that, for some couples, the illness and medical expenditures that precede death can have a substantial negative impact on the financial security of a widow. Distinguishing between absence of coverage while married and inability to continue coverage after widowhood is important for two reasons. First, it separates the negative impact of husband's death into effects associated with the husband's medical care and effects associated with subsequent needs by the widow. The researchers found that, the un-insurance rates for widows are nearly double than that of married women. Divorced and never-married women are more likely to be uninsured than married, but less so than widows. Non-married women are much less likely to have employer-based coverage and more likely to have public insurance, Medicare. Marital status is clearly associated with health insurance coverage. The authors also explained that, while married women who become divorced have very similar initial coverage rates as women who remain married those who become widowed have substantially lower rates while still married. A likely explanation is that husbands with higher mortality risk are less likely to provide coverage for their spouse. They also stated that, newly divorced women are actually less likely to lose insurance than women who stay married. New widows are more likely to lose insurance than women who stay married and also compared with women who have already been widowed. Widowhood thus seems a more important cause of uninsurance than divorce, perhaps because women who divorce are better prepared to be alone.

Edward Malthouse, et.al., (2003) examined the relationship of overall satisfaction of a service with satisfaction of the service for organizations having multiple units. The customers explain their satisfaction with a product or service in terms of specific aspects such as the product attributes, price, customer service, or a combination of these various features. This study explained how specific types of customer satisfaction affect overall satisfaction, with the help of slopes from regression analysis. Different subunits within an organization show different relationship between specific aspects of satisfaction and overall satisfaction. But, such variation could be important for marketing decisions and the organization need different strategies for different subunits. Moreover, these results indicate the need for theoretical hypotheses with more variables. Hierarchical Linear Models (HLM) were used to evaluate how strongly each specific type of satisfaction is related to overall satisfaction and whether the strength of these relationships varies across subunits. Since the subunits were selected randomly, and the inferences from the HLMs can be extended to the population from which the subunits were sampled. The empirical results of this study shows that some specific type of satisfaction may be a strong predictor of overall satisfaction and for same specific type of satisfaction have no relationship to overall satisfaction.

Stephanie Hussels et.al., (2003) analyse the determinants of insurance demand and how it affects general economic development. From an economic viewpoint, traditional neoclassical growth theory suggests that without technological development, economies can only grow at a fixed rate. But Endogenous growth theory states how investment and growth in one sector of an economy can provide positive externalities for other areas of the economy.

Peter Wakker et.al., (2004) examined the effects of statistical information about risk attitudes. A descriptive purpose was to obtain new insights into risk and ambiguity attitudes of the general public. 476 clients of a Dutch health insurance company were given various forms of statistical information about health expenses.

Stefan Dercon (2004) explained that how villagers with few links to any formal kind of insurance market have established membership based indigenous insurance associations to protect themselves against unexpected expenditures, mainly for funerals and hospitalisation. Many of these institutions tend to co-exist within the same community and are based on well-defined rules and regulations, often offering premium-based insurance for funeral expenses, as well as, in many cases other forms of insurance and credit to help address members. They were locally initiated and have been continually developing through the actions of their own members, without involvement from the government or donors. Historical analysis from some survey areas in Ethiopia and Tanzania has shown that these groups were not "traditional" whereas they are often relatively new creations and have certainly been evolving and changing. Analysis from a survey of these associations, matched with household data on the members and the population at large has shown that these groups manage to insure a sizeable part of the expenditures attached to at least some shocks. When different groups offer different products this leads to the emergence of a localized insurance market and introduces an element of choice for the households. Unfortunately, despite these attractive characteristics, people are still found to be severely affected by different manifestations of risk. He further concluded as the Ethiopian funeral associations are likely to come under increasing pressure in the next few years if HIV/AIDS makes increased premiums necessary.

David Ortiz et.al., (2006) dealt the Component-based Business Modeling (CBM) in their article, "Staying competitive on the life and pensions turf". They explained it as a combination of business transformation connected with IT strategy and sourcing. Industry leaders are using CBM to break down traditional business silos. With CBM, they are able to map business strategy to components and identify key areas of competitive differentiation and understand opportunities to maximize the efficiency of non-strategic components.

The CBM projects involve three phases. The first phase of CBM is 'Insight', which develop a component map for the enterprise by which the building blocks of the firm are defined, and areas of opportunity are identified. The second phase is to 'Reengineer' and 'Rethink' where the business is assessed and gaps are analyzed. Implementation was the third phase of CBM where the opportunities are prioritized and a transformation plan is developed. The authors bring out the fact that some insurance companies follow certain high-cost process which is often repeated and makes a huge shortfall in funds which are needed for new investments. They suggest improvements in three critical areas such as efficiency, strategic planning and flexibility, so that the companies can achieve significant business flexibility along with tremendous operational savings which in turn achieve the target.

David Ortiz et.al., (2006) in his article 'Life Insurance and the Macro economy: Indian Experience', has observed that there is a very significant relationship between the demand for life insurance and various macroeconomic variables. High growth of GDP induces an economic effect through higher per capita and disposable income and savings, which in turn create a favourable market demand for life insurance. On the other hand, life insurance also provides support to the capital market and savings data pertaining to Indian life insurance and macroeconomic variables broadly indicate a close relationship and interdependence between macroeconomic variables and life insurance demand.However, it has also been observed that in India, while the economy in general and disposable income and savings in particular, has registered a significant growth, life insurance demand has not picked up or alternatively the life insurance industry could not capitalize on the growth of income and savings. Therefore, in order to capitalize the growth potential particularly in the post liberalized economy, concerted efforts need to be made to create awareness about personal financial risk management.

Shukla (2008) in his article stressed the need for insurance companies to have structured systems in place of gathering and monitoring information on the customer. According to him, the major challenge is to set the correct standards of product and service. Experience shows that most companies possess product and service standards and measures that are company defined which are established to reach internal company goals for productivity, efficiency, cost and technical quality, but which cannot lead to market orientation.The real standards set by the company must be based on customer requirements and expectations which were visible and measured by the customer. These standards were deliberately chosen to match customer expectations and to be calibrated the way the customer views and expresses them. The rules of engagement between the company and the customer are changing dramatically. Traditionally, customers were viewed as passive demand targets. But migration of customers from company, centric supply chains to the new frontier of customer, centric experience network through sustainable value, and creation of chains was the greatest marketing challenge before the Indian insurance industry. The author concludes by expressing the need for deep understanding of the customer, trends identification, assess customer desires and preferences.

Parimal Vyas (2009) in his research on "Insurance sector in India: A SWOT analysis", observed that in India, out of 80 million insurable individuals, only 20 million have purchased life insurance, which implies that merely 10percent of the household families have access to Insurance. India's Insurance market offers immense growth opportunities considering rising disposable income levels of the middle class. Insurance penetration has doubled to 3.6 percent during 2003-06. According to the authors, insurance has been seen in India as a savings and tax minimization instrument rather that as a financial protection tool. The Malhotra committee suggested that structural changes as a key recommendation to initiate reforms in the insurance sector of India

Prashanta Athama et.al., (2010) in their study identified the factors which the consumers take into consideration before selecting the life insurance products. They classified those factors into product attributes and non-product attributes. They found that urban policy holders and product attributes like product features, risk coverage, product flexibility, surrender of policy, loan against policy, revival of lapsed policy, grace period, and maturity period, are positively associated. So they suggested that insurer should concentrate on improving the product attributes to have more penetration in urban areas. On the other hand, they found that rural policy holders and non- product attributes like agents and company are positively associated. So they suggested that insurer should concentrate on improving the non-product attributes to have more penetration in rural areas.

Mishra (2012) in his article , "Indian Life Insurance Industry – Challenges and Opportunities", explained in essence that insurance will have issue and solution around five risk dimensions like d1 for death risk which is certain but time is uncertain, d2 for disease risk which has a high correlation with timing of death, d3 for dependency risks which will lead to annuity and pension products, d4 for duty risks which centres around education of children, marriage, funeral, acquiring a shelter etc. and d5 for disasters collateral to life like accidents and mass co-variances arising out of failure of coping arrangements in traditional society. He suggested many measures to foster the growth of insurance industry.

Sandeep et.al., (2013) focused their research on the ins and outs of the strategies adopted by the private life insurers to overcome the product-selling challenges in the Indian life insurance market. Low response, lack of knowledge about insurance benefits, lack of trust in private life insurance companies, target oriented business environment, competition from alternative channels of investment, ineffective distribution channels, lack of skilled agents, lack of penetration in rural areas, inadequacy in pay structure of the agents and trade barriers are the problems faced by the private insurance players in India. The authors suggested some strategies like innovative products, user friendly technology, innovative and integrated marketing strategy, and incentives to the high performing agents and alternative distribution channels, to overcome these challenges.

1.7 STATEMENT OF THE PROBLEM

The Indian insurance industry has moved into a more competitive arena with the arrival of private players in the market. Even though the Life Insurance Corporation of India reigns supreme in terms of market share, private companies are gearing up to woo the consumer. Any new player entering the insurance business would try to differentiate its products offering, but it is the service delivery system which would become the key differentiator. One of the most curious aspects of insurance services is that customers expect quality and customization simultaneously. Life insurance should be covered for a large section of Indian population and it should be a social security measures until the introduction of western model of social security scheme by the government of India. Since 1955, establishing Life Insurance Corporation of India as monopoly insurance business has not fulfilled the expectations of the government to popularize life insurance, and hence the Malhotra Committee strongly recommended the privatization of life insurance companies in joint venture with business houses in India and they started doing business with effect from 1.4.2000. The problem is even with introduction of private players, the insurance business has not become popular and private players have concentrated on important cities only. Life insurance industry presents a product market relationship denominated by personalized selling. Therefore, the researcher thinks that it is worth to study the customer satisfaction, service quality and customer loyalty of insurance sector.

1.8 OBJECTIVES OF THE STUDY

- To study the dynamic relationships among service quality, customer value and customer loyalty.
- To identify the most influencing factors on customer loyalty concerned in Insurance market
- To examine the relative importance of factors which determine Customer Loyalty

Table 1: Shows demographic profile of respondents to the survey (n = 200)

Characteristics		Frequency	Percentage
Age	< 20	63	31.5
	20-31	86	43.0
	>31	51	25.5
Gender	Male	98	49.0
	Female	102	51.0
MaritalStatus	Single	92	46
	Married	108	54
Education	Illiterate	18	09
	School Level	39	19.5
	Graduate/ Post-Graduate	94	47
	Others	49	24.5
Profession	Business class	39	19.5
	Salary class	95	47.5
	Agriculture	30	15
	Others	36	18
Income group	< 8000	59	29.5

	8000 to 17750	91	45.5
	> 17750	50	25.5
Company purchased	BIRLA	09	4.5
	HDFC	04	2.0
	ICICI	06	3.0
	INGVYSA	02	1.0
	LIC	161	80.5
	RELIANCE	03	1.5
	SBI	10	5.0
	TATA	05	2.5
	Any other	0	0
Period of holding policy	Below2years	63	31.5
	2-9.5years	87	43.5
	Above9.5years	50	25.0
Motivated to buy	Government & cooperative advices	25	12.5
	Through advertisement	23	11.5
	Through friends, relatives & acquaintance	133	66.5
	Others	19	9.5
Purpose	Life cover	90	45
	Children benefits	55	27.5
	Tax benefits	22	11
	Investment	33	16.5

REGRESSION ANALYSIS

H1: Customer Satisfaction doesn’t have a significant influence on Customer Loyalty.

H2: Service Quality doesn’t have a significant influence on Customer Loyalty.

H3: Perceived value doesn’t have a significant influence on Customer Loyalty.

TABLE NO: 2 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.664[a]	.441	.433	5.877

a. Predictors: (Constant), service quality, customer value, customer satisfaction.

TABLE NO:3 ANOVA

Model	Sum of	Df	Mean Square	F	Sig
Regression	5372.883	3	1790.961	51.854	.000[a]
Residual	6804.142	197	34.539		
Total	12177.025	200			

a. Predictors: (Constant), service quality, customer value, customer satisfaction b. Dependent Variable: customer loyalty

TABLE NO: 4 Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	B	Std. Error	Beta		
(Constant)	28.395	2.967		9.569	0.001
customer satisfaction	0.566	0.161	0.206	3.519	0.001**
customer value	1.250	0.260	0.272	4.817	0.001**
service quality	1.112	0.153	0.418	7.270	0.001**

Dependent Variable: Customer loyalty

INFERENCE:

The above table shows that P value is less than 0.01 which indicates that Null hypothesis is rejected at 1 % level of significance. Hence it is concluded that customer satisfaction is having a positive impact on customer loyalty, service quality is having positive impact on customer loyalty. Perceived value is having a positive impact on customer loyalty.

Summary of Regression analysis

1. Dependent Variable : Customer loyalty (Y)
2. Independent Variable : i). Service Quality (X1)
   ii). Customer value (X2)
   iii). Customer Satisfaction(X3)
3. Multiple R value : 0.664
4. R square value : 0.441
5. Adjusted R square : 0.433
6. F value : 51.854
7. P value : < 0.001**

TABLE NO: 5 Order of importance of factors influencing customers loyalty

Dimensions	Order of Importance
Service quality (X1)	0.418
Customer value (X2)	0.272
Customer satisfaction (X3)	0.206

INFERENCE:

The above table shows that the most contributing factor to customer loyalty is service quality (0.418) followed by customer value and customer satisfaction.

RESULTS AND DISCUSSION

Service quality is the most influencing factor for Customer loyalty (.418) and the least influencing factor for customer satisfaction (.206).Empathy is the most influencing factor for service quality (.336) and the least influencing is tangibility (.246).

1.9 SUGGESTIONS

1) Only few respondents who have taken policy belong to the age group of above 31 years. Respondents who are more than 40 years think that there is no need of policy. But this thought needs to be changed and they should be realized the value of life.

2) The insurance providers should motivate big families whose members are more than four because they don't want to go for an extra expenditure of paying premium.

3) Creating awareness among the illiterate people is very necessary as most of them don't have and know about insurance policies.

4) Insurance providers other than LIC should create trust & confidence so that the customers feel secured while buying private company insurance.

5) Companies increasingly look to quality, satisfaction, and loyalty as keys to achieving market leadership. Perceived value is another key driver of customer loyalty and also significantly influences customer satisfaction. Additionally, firms should provide the product portfolio and value-added free services that are in demand to increase their competitive advantage.

6) According to our research, as to what insurance have been doing, the priority should be given to empathy and convenience since customers in Gobichettipalayam's insurance market perceive these are the key factors to influence their evaluation of customer value, customer satisfaction, or service quality, which drive them to make the actual purchasing decisions.

7) Indian insurance market is experiencing fast growing stage. In such case, convenience dramatically enhances satisfaction while not actually consolidate service quality. The results confirm that service quality is crucial to acquire loyal consumers, as well as the influence of service convenience on consumer loyalty. The result indicates that improved service convenience is successful in turning consumers into loyal consumers. Service providers realize well the positive influence of convenience on consumer value and loyalty.

8) Both perceived quality and customer satisfaction are two central issues in promoting customer loyalty. Many firms allocate substantial resources to measure and monitor quality,

satisfaction, and loyalty in order to retain customers and improve performance.

9) The findings show that overall service quality is a necessary condition for customer loyalty to emerge and to exist. Developing and maintaining a loyal customer base is viewed as the single most important driver of long-term financial performance. Loyalty is a direct result of customer satisfaction. Satisfaction is largely influenced by the value of services provided to customers.

1.10 CONCLUSION

In today's competitive insurance environment, customer satisfaction is the key to gain market share. Improving service quality results in improved customer satisfaction. Although there are twenty four players in India's insurance market, the competition between LIC and ICICI is more intense than ever. However, the market competition in the insurance market will, inevitably, become much more intense in the next few years following since general agreement has been arrived, like other sectors, would allow foreigners to compete freely step and step. Thus, more and more foreign giants will get involved on the one hand. On the other hand, it is expected that the newly restructured insurance service providers will get approval to compete in the insurance market in the near future. Therefore, firms expecting to build and maintain competitive advantage in is market must try their best to improve service quality, deliver superior customer value, achieve higher customer satisfaction and maintain loyal customers.

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