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FACTOR OF DEFICIENCIES IN INSURANCE SECTOR

Factor of Deficiencies in Insurance Sector

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Abstract – Gender, marital status, education, income and periodicity of premium exerted significant impact on the level of satisfaction of policy holders in insurance sector. Female and married policy holders were found be more satisfied than male and unmarried policy holders on the performance of a company. Enhancement in education and income raise the expectations of policy holders, hence lowering down their level of satisfaction. Longer periodicity results in enhanced level of satisfaction. Therefore, it is advisable that the insurance companies should evolve suitable policies to raise the satisfaction level of their customers.

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INTRODUCTION

FACTOR 1: DEFICIENCIES IN INSURANCE SECTOR

The most important factor of policy holders' attitude to insurance sector was identified as 'Deficiencies in Insurance Sector'. This factor explained 14.59 per cent variance with 5 aspects. Highest coefficient was 0.621 for the aspect 'periodical amounts of money back policies when fall dues are not paid in many cases by insurance companies', followed by 0.618 for 'life insurance companies send notices for payment of premium afterwards when premium becomes due so that premium is not paid by consumer in time and penalty be imposed'. Other aspects of this factor came to be 'insurance sector is prone to deficiencies in services like other service areas' (0.554), 'agents or insurance officials do not tell or disclose the negative points of the scheme/policy to the consumer while selling the same' (0.489) and 'claims of pre-mature payment in case of death or disability not decided for months' (0.529). Overall Factor 1 deals with deficiencies in the insurance sector.

FACTOR 2: COMPARISON BETWEEN PRIVATE AND PUBLIC SECTOR INSURANCE COMPANIES

Factor 2 highlights comparison between private and public sector insurance companies. This factor explains 12.26 per cent of variance with 4 aspects. The aspect secured the highest score was 'entry of private companies has widened the scope of insurance sector in India' (0.606), followed by 'entry of private companies has affected business of public sector companies' (0.571). The other aspects of factor 2 were 'marketing strategies of private companies have improved the strategies of public sector companies also' (0.556) and 'quality of products of public sector insurance

companies has improved a lot with the entry of private sector companies' (0.489).

FACTOR 3: PROTECTION TO CONSUMERS' INTERESTS

The aspects related to protection of consumers' interests are concentrated through Factor 3. This factor explained 10.95 per cent of the variance with 3 aspects. The highest varimax coefficient was secured by the aspect, 'in spite of so much of awareness by CPA and strictness by IDRA, customers are entrapped by false promises by the insurance companies' (0.589), followed by 'private companies do not bother about CPA while giving insurance services' (0.564) and 'consumers feel that CPA, 1986 is sufficient to protect the interests of policy holders' (0.509).

FACTOR 4: SUGGESTIONS TO MAKE IMPROVEMENTS IN INSURANCE SECTOR

This factor explained 8.74 per cent of the variance with 3 aspects. This factor features that improvements in insurance sector can be made by implementing the suggestions given by the policy holders. The most important aspect in this factor came to be 'it is generally believed that insurance facilities should be availed from one insurance company only' (0.619), followed by 'if the negative features are intentionally kept secret by an agent/sub-agent, he/she should be penalized' (0.567) and 'language of the brochure should be regional, simple and easy understandable' (0.554).

FACTOR 5: QUALITIES IN THE INSURANCE SECTORS

Fifth factor explained 6.13 per cent of variance with 4 aspects. This factor highlighted that there are qualities also in the insurance sector. The aspect

'death claims are promptly settled by insurance companies' secured the higher magnitude of coefficient (0.622), followed by 'nature of the product of life insurance companies is easily understandable' (0.547). Other aspects highlighting the qualities of the insurance sector included 'terms and conditions of a contract are explained to the consumers by life insurance companies at the time of taking policy' (0.530) and 'final payment on expiry of the term of policy is made to the policy holder/nominee immediately without delay' (0.468).

FACTOR 6: IMPORTANCE OF LIFE INSURANCE SECTOR

The sixth factor explained 5.82 per cent of the variance with only one aspect. This factor highlights the importance of life insurance in life. The only aspect clubbed in this factor secured the coefficient of 0.568. This aspect was 'life needs protection due to uncertainties and as such long period policy is normal'.

Therefore, 6 contents/themes emerged from 20 aspects of insurance sector. These contents include

1. Deficiencies in insurance sector
2. Competition between public and private sector insurance companies
3. Protection of consumers' interests in insurance sector
4. Suggestions for the improvements in the insurance sector
5. Qualities in the insurance sector and
6. Importance of insurance in life due to uncertainties

Table 15 : Factors affecting level of satisfaction of policy holders from the performance of the company

| | 1ST | | 2ND | | 3RD | | Total | | | |
|-------------|-------------|------|---------|------|-------------|------|---------|------|-------------|------|
| Factors | Regression | | t-value | | Regression | | t-value | | Regression | t |
| | Coefficient | | | | Coefficient | | | | Coefficient | |
| Constant | 1.09 | | 1.3761 | | 1.4152 | | 1.2641 | | 1.0987 | |
| | 87 | | | | | | | | | |
| Age | 0.28 | 1.21 | 0.3413 | 1.42 | 0.4864 | 2.27 | 0.3112 | 1.37 | 0.2844 | 1.21 |
| | 44 | | | | | * | | | | |
| Gender:M= | - | 2.56 | 0.2467 | 1. | -0.3561 | 2.55 | - | 2.41 | -0.4851 | 2.56 |
| 2:F=1 | 0.48 | * | | 3 | | * | 0.5732 | * | | * |
| | 51 | | | 6 | | | | | | |
| Marital | 0.35 | 1.14 | 0.8742 | 2.51 | 0.2267 | 1.13 | 1.1498 | 2.34 | 0.3574 | 1.14 |
| Status: | | | | * | | | | * | | |
| M=1,UM= | 74 | | | | | | | | | |
| 0 | | | | | | | | | | |
| Education | - | 3.57 | - | 2.54 | - | 3.27 | - | 3.19 | -1.6287 | 3.57 |
| | 1.62 | ** | 1.1 | * | 1.4 | ** | 1.5 | ** | | ** |
| | 87 | | 832 | | 10 | | 98 | | | |
| | | | | | 9 | | 7 | | | |
| Family Size | 2.15 | 1.61 | 1.3479 | 1.46 | 0.1674 | 1.22 | 0.2897 | 1.37 | 2.1587 | 1.61 |
| | 87 | | | | | | | | | |
| Income | - | 2.37 | 0.8473 | 2.48 | -0.1857 | 1.54 | - | 1.28 | -0.6547 | 2.37 |
| | 0.65 | * | | * | | | 0.7587 | | | * |
| | 47 | | | | | | | | | |
| Duration of | 0.12 | 0.97 | 0.3964 | 1.13 | -0.5874 | 2.27 | 0.2117 | 1.13 | 0.1264 | 0.97 |
| dealing | | | | | | * | | | | |
| with co. | 64 | | | | | | | | | |

| | | | | | | | | | | |
|-------------|------|------|--------|------|--------|------|--------|------|--------|------|
| Periodicity | 2.31 | 4.16 | 1.9723 | 2.55 | 0.2384 | 1.64 | 2.1897 | 3.72 | 2.3154 | 4.16 |
| of premium | 54 | ** | | * | | | | ** | | ** |
| R-square | 0.71 | | 0.6684 | | 0.6911 | | 0.6879 | 0.71 | | 0.66 |
| | 82 | | | | | | | 82 | | 84 |

FACTORS AFFECTING LEVEL OF SATISFACTION OF POLICY HOLDERS

Some factors were identified, which affected the level of satisfaction of policy holders on the performance of insurance companies through employing multiple regression analysis. The results of regression analysis are given in Tables

1ST Region: The analysis given in Table 15 showed that 71.82 percent of the variation in the level of satisfaction of policy holders was explained by the independent factors included in the regression equation. The regression coefficient of gender came to significantly negative (-0.4851), indicating that females were found to be more satisfied than the males by purchasing an insurance policy. This may be due to lessening of fear of uncertainty in life by taking a policy by the females. Similarly, the significantly negative coefficient of education indicated that with an increase in educational level, the level of satisfaction diminishes as the more educated people have higher expectations in comparison to others. Similar behaviour was found in case of higher

income group as an increase in income led to decline in the level of satisfaction. The significant positive coefficient of periodicity of premium (0.7182) revealed that longer the periodicity of premium, higher was the level of satisfaction of the policy holders in 1ST region. Age, marital status, family size and duration of dealing with the company could not influence the level of satisfaction of policy holders in 3RD region.

2ND Region: The explanatory variables included in the equation explained 66.84 percent of the variation in the level of satisfaction of policy holders in 2ND region. The positive and significant coefficient of marital status (0.8742) revealed that married persons were more satisfied than the unmarried ones as married persons have to meet more liabilities as compared to the unmarried persons. Education again affected adversely the satisfaction level of policy holders in 2ND region too, while increased income exerted positive effect on satisfaction level. This may be due to the fact that in 2ND region, income level was higher than other regions because of heavy foreign remittances. The behaviour of periodicity of premium was again positive, which showed that longer periodicity caused to enhance the level of satisfaction of policy holders in 2ND region. Age, gender, family size and duration of dealing with a company were found to be non-significant.

3RD Region: In 3RD region, as much as 69.11 percent of the variation in the satisfaction level of policy holders was explained by the independent variables included in the equation. The positive and significant coefficient of age (0.4864) indicated that older people enjoyed higher level of satisfaction as compared to the younger ones as the younger policy holders are always over-ambitious.

The significantly negative coefficient of gender (-0.3561) indicated that females were more satisfied than the male policy holders as in 3RD, females are badly dependent upon males in economic terms. The behaviour of education was similar as found in 1ST. The analysis further revealed that longer the duration of dealing with the company, higher was the level of satisfaction among 3RD policy holders. This may be due to the cordial relationship and better understanding of the policies of the company in a long period. Marital status, family size, income and periodicity of premium could not make any significant effect on level of satisfaction of policy holders in 3RD region.

Total Policy Holders: In case of total policy holders, the independent variables explained 68.79 percent of the variation in the level of satisfaction on the performance of a company. The negative and significant coefficient of gender (-0.5732) revealed that the satisfaction level of male policy holders was lower than that of female ones. Similarly, the satisfaction

level of married policy holders was higher than the unmarried ones due to higher level of liabilities with the married persons to which insurance policy helps. Higher education led towards decline in the satisfaction level of policy holders as their expectations increase with the increase in the educational level. The longer periodicity of premium caused to enhance the satisfaction level of insurance policy holders. Age, family size, income and duration of dealing with an insurance company could not make significant effect of satisfaction level of policy holders.

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