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## **A COMPARATIVE STUDY OF SERVICE QUALITY OF LIFE INSURANCE COMPANIES AND OTHER PRIVATE INSURANCE COMPANIES WITH REFERENCE TO CHENNAI DISTRICT**

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### **Abstract**

*The research is primarily concerned with the life insurance industry in India and the privatization of the life insurance sector. LIC had a monopoly in the insurance industry until 2000. The privatization of insurance, competition has increased. The scenario of the insurance industry changed with the entry of a private player. The study aids in comparing the LIC to the new private life insurance companies in terms of service quality, consumer satisfaction, knowledge and understanding, consumer preference, and overall operation. The overall service quality gap (-7.6008) is also significant ( $t = -68.703$ ). Hence, it is concluded that the services of the private insurance companies are not fulfilled the expectations of the customers. The service gap identified from the LIC customers is high for responsiveness than private insurance companies.*

**Key words: Comparative study, Service quality, Customer satisfaction, Insurance sector, LIC customers**

### **Introduction**

In 1999, the Indian insurance market was opened to private players, and the Insurance Regulatory and Development Authority (IRDA) was established to regulate the market. Following its opening, the insurance sector saw the entry of a number of private players, many of whom went on to capture significant market shares in the life insurance market. To give the private sector players a run for their money, public sector companies must capitalize on their strengths. Privatization brought about dynamic changes in the insurance industry, and the majority of private companies are joint ventures with well-known foreign players from around the world. Customers are the foundation of the life insurance industry. To keep profits high, every company strives to attract and retain existing customers.

### **Life Insurance:**

Life insurance is a professional service that is characterized by high consumer involvement. Life insurance, also known as Life Assurance, has recently

evolved from a 'Protection' or 'Legacy' for the family to an important investment vehicle. India's economic development has made it the world's most profitable insurance market.

### **Life Insurance Industry Expansion**

There was no fierce competition in the insurance market when it first opened in India. Until the year 2000, India had only one public-sector life insurance company, the Life Insurance Corporation (LIC). In 1999, the Indian government permitted insurance industry privatization by establishing the Insurance Regulatory Development Authority (IRDA) to regulate and develop the insurance industry. The IRDA has issued licenses' and made the life insurance market available to private companies. As a result, the insurance sector in India has grown rapidly since liberalization in 1999, and private players have been permitted to enter the Indian life insurance market. Since 2000, the Indian life insurance industry has grown dramatically in terms of premium income, new business policies, and the number of offices, agents, products, and riders, among other things. The insurance industry in India

is experiencing rapid growth, which is being driven by players who are attempting to alter market dynamics through modernization and improvement.

**Private companies that are in life insurance sector are as under**

1. Edelweiss Tokio Life Insurance Co. Ltd
2. AEGON Religare Life Insurance
3. Bharti AXA Life Insurance Co Ltd
4. Bajaj Allianz Life Insurance
5. Shriram Life Insurance
6. Aviva India
7. Future Generali Life Insurance Co Ltd
8. DLF Pramerica Life Insurance
9. Star Union Dai-ichi Life Insurance
10. Canara HSBC Oriental Bank of Commerce Life Insurance
11. Birla Sun Life Insurance
12. HDFC Standard Life Insurance Company Limited
13. ICICI Prudential Life Insurance Company Limited
14. India First Life Insurance Company
15. IDBI Federal Life Insurance
16. Reliance Life Insurance Company Limited
17. PNB MetLife India Life Insurance
18. Max Life Insurance
19. Kotak Life Insurance
20. ING Life Insurance
21. SBI Life Insurance Company Limited
22. Sahara Life Insurance
23. TATA AIA Life Insurance

**Review of Literature**

Hymavathi Kumari(2013) made performance evaluation of Indian life insurance industry in post liberalization by using various ratios. The study concluded that since opening up of Indian insurance sector for private players, India has reported increase in both insurance penetration and density. There is huge scope for life insurance in India. The total assets to earned premium ratio, investment income to earned premium ratio and investment income to total investment ratio expresses the financial solidity of an insurer and discloses the efficiency in

investment decisions.

Krishna (2015) conducted a comparative study of India's public and private life insurance companies. Market share, new business premium, number of new policies issued, and total life insurance premium were compared for this purpose. In terms of all parameters, LIC is the clear winner. The study concluded that insurance companies must ensure quality products at a competitive price, and that companies can lower the price of the product by reducing costs and their survival is dependent on their profitability, productivity, efficiency, and service quality.

Parmasivan (2015) conducted a comparative study of India's public and private life insurance companies. To assess financial performance, the solvency ratio, current ratio, and debt equity ratio were computed.. When compared to the LIC, private sector insurance companies used new business channels of marketing. The researcher concluded that selling more unit-linked plans assists private insurers in gaining market share from LIC. Private insurers' solvency ratios were significantly higher than LIC's when compared to private life insurers,.

Vikas Gairola (2016) compared public and private life insurance companies. The study compared life insurance companies in the public and private sectors in terms of new policies issued, total premium income, and market share. The study found out that private life insurers work hard to improve their performance year after year, which has a wide-ranging impact on the LIC. To address and compete with this situation, LIC introduced new and appealing insurance plans, as well as efforts to improve customer relationship management and effective advertising. As India's population is enormous, there is enormous potential in the life insurance sector, and there is still an untapped life insurance market.

**Objectives of the Study**

The objective of the study is to compare the service quality among customers of LIC and other private life insurance companies.

**Methodology**

The study was conducted in Chennai district. Convenient sampling technique was used to select the sample respondents. As the article is indented to compare

the service quality of the LIC and other private sector insurance companies, 100 respondents from each group were selected. The primary data were collected using Google form.

**Findings**

The results of the study are given below.

**i. Demographic variables**

The study is to compare the service quality of the LIC and other private insurance companies in the study area. For which SERVQUAL model is applied. Before discussing the result of the model, details of demographic nature of the respondents are given below.

**Table1: Demographic nature of the sample respondents**

Demographic nature		Number of respondents	Percentage
Age group	Young	55	27.5
	Middle	103	51.5
	Old	42	21.0
Gender	Male	106	53.0
	Female	94	47.0
Insurance company	LIC	100	50.0
	Other Prt. Cos	100	50.0
Educational qualification	School level	29	14.5
	UG	96	48.0
	PG	63	31.5
	Others	12	6.0
Occupational status	Govt. employees	47	23.5
	Prt. Employees	73	36.5
	Business	37	18.5
	Farmers	25	12.5
	Others	18	9.0
Domicile	Urban	52	26.0
	Semi-urban	52	26.0
	rural	96	48.0
Income level	Low	64	32.0
	Middle	66	33.0
	High	70	35.0
Total		200	100.0

It is found from the above table that majority of the respondents (51.5%) are belong to the middle age group, 53.0% of them are male, 48.0% of the respondents have studied upto under graduation. 73 (36.5%) respondents are working in the private organizations. 48.0% of the respondents are from the rural background and 35.0% of the respondents are from the high income group. As stated in the sample design, 50.0% of the respondents have been

selected from the LIC and private insurance companies to compare the service quality.

**ii. Reliability test**

The service quality gap is measured with the help of SERVQUAL model in five dimensions, i.e., tangibility, reliability, responsiveness, assurance and empathy. The service gap is identified by comparing the expected and

perceived service quality of the insurance companies. 5 point Likert scale was used to measure the service quality.

Hence, the reliability test has been applied before measuring the service gap. The result is given below

**Table 2: Reliability test**

Reliability test	Number of item	Expected service quality	Perceived service quality
Cronbach's Alpha	200	0.874	0.869

To measure the reliability, Cronbach's alpha test was applied. The result for the expected service quality is 0.874 and perceived service quality is 0.869. The values are more than 0.7. The result shows that both data observed from the expected service quality and perceived service quality are reliable for further analysis.

The service gap of LIC and other private insurance companies is separately analysed for the purpose of comparison. The gap between the expected service quality and the perceived service quality in the 5 dimensions is measured as below.

*i. LIC*

The opinion of the respondents belong to the LIC customers group, the following service gap is identified.

**iii. Service gap**

**Table 3: Service gap identified with LIC**

Dimensions	Perceived (P)		Expected (E)		Gap (P-E)	t value
	Mean	SD	Mean	SD		
Tangibility	2.7417	0.33783	3.9833	0.34451	-1.2416	-27.090*
Reliability	2.3583	0.29338	3.4217	0.32260	-1.0634	-23.470*
Responsiveness	2.4013	0.24637	4.1463	0.31785	-1.7450	-45.405*
Assurance	2.6533	0.35918	4.1700	0.27465	-1.5167	-33.861*
Empathy	2.4720	0.37121	4.3560	0.38516	-1.8840	-35.933*
Overall	12.5888	0.67896	20.1217	0.80231	-7.5329	-72.361*

The above table shows that the perceived service quality for all five dimensions are not up to the expectations of the customers. The gaps are found negative (perceived values are less than expected level). The gap for tangibility is 1.2416, reliability 1.0634, responsiveness 1.7450, assurance 1.5988 and for empathy is 1.8840. The t test result shows the significance of the gap between expected and perceived service quality. The t values are significant at 1% level (<-

1.96). The overall service quality gap is also found negative (7.5329) and t value is -72.361. Hence, it is concluded that the service of the LIC is not significantly fulfilling the expectations of its customers.

*i. Other private insurance companies*

The service gap of the private insurance companies is also measured using the model. The result is given below.

**Table 4: Service gap identified with private insurance companies**

Dimensions	Perceived (P)		Expected (E)		Gap (P-E)	t value
	Mean	SD	Mean	SD		
Tangibility	2.7167	0.39033	4.0550	0.31963	-1.3383	-29.079*
Reliability	2.2500	0.35415	3.4250	0.27765	-1.1750	-29.517*
Responsiveness	2.4175	0.29313	4.1263	0.32736	-1.7088	-37.407*
Assurance	2.6156	0.32111	4.2144	0.31397	-1.5988	-37.271*
Empathy	2.4820	0.45580	4.3440	0.40907	-1.8620	-30.353*
Overall	12.5195	0.86860	20.1203	0.76955	-7.6008	-68.703*

The expected service quality from the customer of the private sector insurance companies is more than the perceived service quality. The gap in tangibility is 1.3383,

reliability is 1.1750, responsiveness 1.7088, assurance 1.5167 and empathy is 1.8620. the negative gap indicates that the perceived service quality is not upto the mark of the

customers expected service quality. The t values for tangibility (-29.079), reliability (-29.517), responsiveness (-37.407), assurance (-33.861) and empathy (30.353) are significant at 1% level. The overall service quality gap (-7.6008) is also significant (t -68.703). Hence, it is concluded that the services of the private insurance companies are not

fulfilled the expectations of the customers.

i. *Comparative service gap*

Based on the above results the service quality of the LIC and other private insurance companies is compared as below.

**Table 5: Comparison of service gap between the LIC and other private insurance companies**

Dimensions	Service gap	
	LIC	Others
Tangibility	-1.2416	-1.3383
Reliability	-1.0634	-1.1750
Responsiveness	-1.7450	-1.7088
Assurance	-1.5167	-1.5988
Empathy	-1.8840	-1.8620
Overall	-7.5329	-7.6008

The Table 5 reveals that the respondents belong to the both group have shown negative service gap. The gap in tangibility, reliability, assurance and empathy is more comparatively more in the private insurance companies than the LIC. The service gap identified from the LIC customers is high for responsiveness than private insurance companies. The service gap is more with the private insurance companies than the LIC.

**Conclusion**

Life insurance is now a mainstay of any market system because it allows for the accumulation of large sums of money over long periods of time. Despite fears that privatization of the insurance sector will harm the LIC's prospects; the study showed that the LIC continues to lead the sector. Insurance companies in the private sector also attempted to increase its market share. When compared to LIC, private life insurers used new business channels of marketing to a greater extent. Selling more unit-linked plans allows private players to take market share away from LIC. The investment patterns of LICs and private insurers differed as well. Despite large losses, the solvency ratio of private life insurers was much higher than that of LIC. The lapse ratio of private insurers was higher than that of LIC, and the servicing of death claims was better in the case of LIC than in the case of private life insurers. The overall service quality gap (-7.6008) is also significant (t -68.703). Hence, it is concluded that the services of the private insurance companies are not fulfilled the expectations of the customers. The service gap identified from the LIC

customers is high for responsiveness than private insurance companies.

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