CHAPTER- 3
REVIEW OF LITERATURE

The researcher made an attempt to collect information from the prior researches and relevant studies conducted in the area of life insurance and consumer behaviour so that the important variables for the study could be identified and analysed. The review of literature has been presented in a summarised and precise manner.

BOOKS REVIEWED

**Consumer Behaviour by Hawkins, Best, Coney and Mokherjee**: The authors of the book discussed various factors affecting consumer behaviour for buying such as demographic and social influences (family and household), group influence, impact of advertising and internal influences (learning, perception, attitude etc.). The book elucidated the topics such as types of consumer decisions, purchase involvement and product involvement. The book also emphasized on information search process and various ways for providing relevant information to the consumers are recommended in this study. The book also emphasized on individual judgment and proposed that the ability of an individual to distinguish between similar stimuli is called sensory discrimination which could involve many variables related to individual preferences.¹

**Consumer Behaviour by Leslie Lazar and Schiffman**: The authors suggested consumer behaviour as individual differs as from group. The family decision for a purchase decision is entirely different from individual decision making. The authors discussed various variables that affect consumer purchase decision. The book focused on family life cycle and various needs of consumer during different life stages. The family decision making process as a group decision making is elaborated and it is recommended to segment the market according to family need hierarchy.²

**Consumer Behaviour by Bitta and Della**: The authors proposed that consumer behaviour studies play an important role in deciding marketing segments and marketing strategies. The authors recommended that consumer is often studied because certain discussions are significantly affected by their behaviour or expected
actions. For this reason such consumer behaviour is said to be an applied discipline. Such applications can exist at two levels of analysis. Market segmentation, consumer decision making and buying behaviour is considered as core marketing activities in designing effective marketing strategies.

The micro perspective involves understanding consumers for the purpose of helping a firm or organisation to accomplish its objectives. On the other hand macro or societal perspective consumers collectively influence economic and social conditions within an entire society. The authors discussed factors affecting consumer behaviour at micro and macro level for making a purchase decision.³

**Consumer Behavior by Karunik and Schiffman:** The book highlights dynamic business environment is turbulent as never before and the service industry as promising as never before. In this era of intense competition companies understand the customer is the king in the market and success depends a lot on the efficiency of the managers in delivering the promised product or services. The responsibility lies on the organisations to develop a culture, ethics, responsibility, value and quality services should be offered to achieve higher level of customer satisfaction. Dynamic consumer behaviour is required to analyse various factors affecting consumer purchase decision directly or indirectly.⁴

**Consumer Behaviour by Batra, S, K & Kazmi:** The book has described consumer decision making process, buyers black box and importance of consumer behaviour studies for marketers in order to understand what satisfy the ultimate consumer. The book described vital characteristics of Indian consumer and competitive advantages in Indian context for the marketers. The consumer decision process, buying roles and consumer black box are discussed in detail. The various steps evolving consumer decision making are linked with the life stages. Young buyers, women and children considered as uprising consumers groups as a part of competitive market situations.⁵

**Marketing Management by Philip Kotler:** The customer is always considered as a core of business activity. Author discussed in this book that marketing is only one factor in attracting and keeping customers. Peter F. Drucker observed that a company’s first task is “to create customers.” Customer estimate will deliver the most
value. The book highlighted consumer decisions making process and buying roles. The book considered customers as value maximiser within the bounds of search costs, limited knowledge, mobility and income.\(^6\)

**Services Marketing by C. Lovelock and J. Writz:** The book emphasised on services marketing as a broad area and places marketing issues within a broader general management context while offering a balanced focused on close ties that link marketing, operations and human resource marketing. It also relates the understanding of consumer behaviour function to develop appropriate marketing strategy. Service triangle, feature of services and service marketing strategies are discussed in this book with detailed explanation of service quality model.\(^7\)

**Services Marketing by Lovelock:** The book is emphasised on advancements and challenges in services marketing. The book discussed role of consumer in designing services, delivering and performing quality service to the consumers for deriving customer satisfaction. The book focused on complexity of designing service marketing strategies and establishing service standards. Various threats and challenges in designing service marketing strategies have been discussed with required solutions in turbulent marketing situations.\(^8\)

**Services Marketing by Zeithaml and Bitner:** The book emphasised on various ingredients of services marketing such as consumer behaviour in services, services designs and standards, delivering and performing service and managing service promises. The book focused on various challenges and issues of service marketing, the GAPS model of service quality and customer defined service standards. The book discussed service quality models and service preference models in detail. The book also recommended uniformity in quality standards should be implemented.

**Indian Insurance A Profile by Narayanan, H.:** The book highlighted features of Indian insurance markets, development of insurance sector in India, major players in insurance sector and insurance products offered to Indian policyholders. The book also provided detail of growth of life insurance and general insurance in India with appropriate statistics. Various phases of growth and development of insurance sector are presented in an efficient manner. The comparison of life insurance and life insurance is also provided in Indian and global context. The detail of LIC and private
players is given in this book related to number of life insurance policies, growth in life insurance premium, life insurance density and number of agents in life insurance etc.  

**Financial Institutions and Markets by L. M. Bhole and Jitendra Mahakud, Fifth ed.:** The book focused on ‘Financial Institutions and Markets: Structure, Growth and Innovations,’ the book elucidated IRDA policy reforms, Indian Financial System since 2002 and insurance sector reforms. The aggregate view of Indian insurance is presented is three developmental phases since 1818. Policy development, structure and various types of insurance plans are defined with evaluation process. The growth of financial services, financial sector reforms and role of regulators in financial reforms has been discussed in this book.

**CONSUMER BEHAVIOUR AND INSURANCE STUDIES**

The Boston Consulting Group recently conducted a study on consumer perceptions about insurance industry under its major brands entitled “Leveraging Consumer Insight in Insurance”. The study done in mid 2009 focused on four major markets France, Germany, Japan, United States and was based on a survey of more than 1000 people in each market, along with in-depth workshops and interviews.

The consumer attitude towards insurance is the first step in tapping full potential of consumers in a marketplace. The second step was to segment consumers on the basis of their perceptions about insurance, rather just according to income, wealth, life stage etc. This segmentation should then be enriched with insight into purchasing and channel preferences. The various researches are reviewed for the purpose of designing possible constructs and are summarized briefly.

**REVIEW OF LITERATURE ON THE BASIS OF VARIOUS FACTORS INFLUENCING BUYING DECISION**

**Demographic Factors**

**Age and Life Insurance:** Life insurance and age has shown a significant relationship according to the some preliminary studies conducted in seventies and eighties. Berekson (1972), Showers and Shotick (1994), Baek and DeVaney (2005) found that the effect of age was positive and significant, but Ferber and Lee (1980),
Bernheim (1991) and Chen et al. (2001) found a negative significant relationship between age and life insurance demand, whereas Hammond et al. (1967), Duker and Nevin (1975), Burnett and Palmer (1984), Gandolfi and Miners (1996) argued that age was not a significant factor in purchase of life insurance. Bernheim (1991) used Probit, Tobit and Heckman model to investigate the impact of bequest motives on savings based on the estimates of the demand for life insurance, using the 1975 Longitudinal Retirement History Survey data. The youngest respondent was 64 years old and the oldest respondent was 69 years old in the 1975 survey. The effect of age on life insurance holding was also examined in the models. The results of all three models showed that the probability of life insurance holdings fall with age. Bernheim pointed out that this negative relationship reflects dissaving behaviour of the respondents. (Bernheim, 1991)

Using the 1984 LIMRA data, Gandolfi and Miners (1996) found that age was negatively associated with the demand for life insurance for husbands, while the age variable was not significant in the model while studying life insurance demand for wives. (Gandolfi and Miners, 1996)

**Education:** Most researchers such as Hammond et al. (1967), Ferber and Lee (1980), Burnett and Palmer (1984), Gandolfi and Miners (1996) and Baek and DeVaney (2005), agreed in their research that there is a positive relationship between education and life insurance demand. They recognized that those who have a better education will purchase more life insurance. This is due to the fact that households with greater education can expect their incomes to continue to increase at a faster rate and for a longer period of time. Baek and DeVaney (2005) examined the effect of human capital, bequest motives and risk on term and cash value life insurance purchased by households by using 2001 survey of Consumer Finance Data. They explained this positive relationship was due to a greater loss of human capital when the household head dies. Households with a head with greater education have potentially higher incomes. The death of such a household head will bring more financial loss to the family as compared with those with lower education. Hence, the purchase of life insurance for those with greater education increases as the value of the lost human capital increases. (Baek and DeVaney, 2005) Andson and Nevin
(1975), found a negative association between education and the amount of life insurance purchased. The authors explained that higher educated people may believe that inflation often decreases the cash value of life insurance from a savings standpoint and hence declines their need for life insurance. (Nevin, 1975)

**Family size or number of children:** Family size and number of children were found to be significant explanatory variables for determining the demand for life insurance in many studies (Hammond et al. 1967; Ferber and Lee, 1980; Burnett and Palmer, 1991; Showers and Shotick, 1994). In contrast, Anderson and Nevin (1975) obtained the result that there is no significant association between family size and the purchase of life insurance using the data of Consumer Decision Processes 1968-1971. (Anderson and Nevin, 1975)

**Employment:** Previous studies have consistently concluded that, if household heads or husbands are employed, more life insurance will be purchased by individuals or households. These studies’ authors include Hammond et al. (1967), Mantis and Farmer (1968), Duker (1969), Ferber and Lee (1980) and Fitzgerald (1987). Fitzgerald (1987) developed a one period model of the amount of life insurance purchased by a married couple with data from the Wisconsin Assets and Income Survey (1946-1964). The dependent variable in this study was the face amount of life insurance held by the husband. The results showed that occupation of husband had a positive impact on the amount of life insurance purchased. Gandolfi and Miners (1996) found that the wife’s employment status has a negative impact on the husband’s life insurance ownership. They argued that full-time labor force participation by the wife reduces the husband’s life insurance demand. (Gandolfi and Miners, 1996). The analysis of Baek and DeVaney (2005) indicated that labor force participation by the wife enhanced the purchase of both cash value and term life insurance of the household. (Baek and DeVaney, 2005)

**Health and Life expectancy:** Just two research articles have examined the influence of health status and life expectancy on the life insurance purchase. Zhu (2007) studied an individual’s choices on the purchase of life insurance and the purchase of stocks using one-period and two-period models. Zhu argued that when an individual decided
the purchase of life insurance and stocks would consider his personal circumstances, such as wealth, future income, health status and survival probability, attitudes toward risk and bequest. Zhu found that an increased probability of surviving encouraged the individual to hold more life insurance. (Zhu, 2007) Similarly, Baek and DeVaney (2005) showed that a household with a healthy head spends more on life insurance expenditures (Baek and DeVaney, 2005). Kunreuther (1979) said that his product makes good sense, particularly when the protection is purchased against potential losses so large as to be catastrophic, such as total destruction of one's home, a large accident liability judgment, or death of primary family breadwinner. However, it has long been recognized that this sensible product is difficult to sell. There are many papers and research studies that imply that behavioral patterns, purchasing motives and consumption of certain products and services differ significantly in relation to social class affiliation. Jha (1999) commented that improvement in life span and advancement in medical science had changed the customers’ needs for insurance products worldwide. The focus of the insurers in matured market of the west had shifted to pension, health care and protection products.

**Marital status:** Marital status has also been found to strongly affect both household and individual life insurance demand in previous studies (Hammond et al., 1967; Mantis and Farmer, 1968). Mantis and Farmer (1968) were among the first to examine how marital status influences life insurance demand of households. Multiple linear regression analysis was used on data obtained from the Life Insurance Fact Book (1929-1964). Premium expenditures were used as the dependent variable to see if there was an association with six demographic independent variables. They expected that married men would spend more money on life insurance than single men. But the analysis showed a negative association between marriage and life insurance premium expenditures. Gupta Indrani and Trivedi Mayur (2004) conducted a study on the topic Social Health Insurance Development (India Country Assessment Report) and the report is submitted to WHO WPRO in March 2004. According to a research report submitted to Institute of Economic Growth, Delhi, India by Indrani Gupta, Mayur Trivedi, Despite a government policy on health, the health sector is currently changing shape mostly due to market forces. In this set up, change for
greater health coverage takes on a more urgent tone and policymakers need to act now, rather than later, to prevent the high costs of inaction and letting the objective of “Health for All” even more difficult to attain. The health system in India is ripe for moving towards “Coverage for All” system, which would take care of the “Health for All” objective to a great extent. First of all, it has to be understood that mere lip service is not going to make “Health for All” happen.

There has been a tendency to not think beyond the current set up, which admittedly is a good one for a minority of our population. The need of the hour is for the same minority, who are often in the helms of policymaking, to understand that serious changes need to be made to the system if one wants to fulfill the basic objectives outlined in the health policy. While any change is difficult, the one that involves more than one department and organisation is admittedly more so. It is, however, entirely possible to bring about these changes over the next several years, if a beginning is made now. (Gupta Indrani and Trivedi Mayur, 2004) Hasanbanu and Nagajyothi, (2007) concluded that there is significant relationship between age, educational qualification, gender, occupation and income of respondents and their level of investment with taking LIC policies and further concluded that there is no significant relation between marital-status, family type and family size and their level of investment with taking LIC policies.33

**Economic Factors**

**Income:** Income is commonly found to be positively related to the demand for life insurance, holding other factors constant. The effect of current income on life insurance demand is examined in numerous studies (Duker 1969; Ferber and Lee, 1980; Truett and Truett, 1990; Showers and Shotick, 1994; Gandolfi and Miners, 1996). Showers and Shotick (1994) used a Tobit analysis to analyze the effect of household characteristics on the demand for total life insurance with data from the Consumer Expenditure Survey in 1987. The dependent variable used was premium expenditures on life insurance products. They assumed that life insurance was a normal good. The Tobit analysis indicated that a positive relationship existed between income and expenditures on life insurance premiums. They explained that as income
increased the household has a motive to buy more life insurance policies because life insurance is bought as a function of the income replacement needed, in the event of an unexpected death of the major wage earner.

**Net worth or wealth:** There are inconsistent conclusions in previous researches regarding the affects of net worth or wealth on life insurance purchase decisions. Some authors believed that there was a positive relationship between net worth or wealth and the demand for life insurance (Duker, 1969; Anderson and Nevin (1975); Hau, 2000) since life insurance provide protection for households’ wealth. Using the data from the Panel on Consumer Decision Processes (1968-1971), Anderson and Nevin investigated the variables associated with the amount and type of life insurance purchased by a sample of young newly-married couples. The data were analyzed through Multiple Classification Analysis (MCA). The results of MCA showed that net worth was a positive and significant factor in explaining both the amount of life insurance purchased and the purchase of term life insurance.

**The rate of interest and inflation:** Several researchers have examined whether consumers are sensitive to market rates of interest for making life insurance purchases. Headen and Lee (1974) indicated that the interest rate has a different effect on the demand of insurance depending on its short or a long run situation. In the short run, the demand increases with higher interest rates, whereas in the long run, the interest rate has no direct influence on the demand for life insurance. RNCOS (2006) is an agency which collect data for remote areas predicted India as one of the fast emerging economy on the world map as a strong economy and a global power. The country is going through a phase of rapid development and growth. All the vital industries and sectors of the country are registering growth and thus, luring foreign investors. And insurance sector is one of them. To throw light on the Indian insurance sector, RNCOS has launched its report “Emerging Rural Insurance Market in India” that gives an extensive research and in-depth analysis of the insurance sector in India. This report helps clients to analyze the leading-edge opportunities critical to the success of the insurance industry in India. Based on this analysis, the report gives a future forecast of the market that is intended as a rough guide to the direction in which the market is likely to move. Ramesh Bhatt and Nishant Jain from IIM Ahmedabad
have conducted a study on “Factors affecting the demand of health insurance in a micro insurance schemes. The study emphasized on factors effecting demand of health insurance and their purchase decisions. Health insurance schemes are assuming significant importance in reaching large number of peoples. The result indicates that income and healthcare expenditure are significant determinant of health insurance purchase.36

**Homeownership:** It is widely believed that homeownership is positively related to the amount of life insurance purchased (Anderson & Nevin, 1975; Ferber and Lee, 1980; Gandolfi and Miners, 1996). Gandolfi and Miners estimated the influence of income and the value of household production on the amount of life insurance purchased for both husbands and wives. They also investigated whether the influence differed by gender. The data in their study was collected by the American Council of Life Insurance (ACLI) and the Life Insurance Marketing and Research Association (LIMRA) in 1984. Husbands and wives were examined separately and total, group and individual life insurance were used as three separate dependent variables in the Tobit model. They did not separate term policies from cash value policies due to the data limitations. The analysis indicated that home ownership was strongly positive in all the equations for both husbands and wives.

**Psychographic Factors**

**Consumer psychographics:** Marketing practitioner and consumer researchers refer psychographics as lifestyle analysis or AIO (activity, interest and opinions) research. Consumer specific psychographics researches are related to consumer personality, buying motives, interests, attitudes, beliefs and values. Product specific psychographics researches are related to product attributes such as consumer responses about products, brands or a specific consumption situation.

The research on how risk aversion relates to the demand for life insurance is varied. It was expected that the greater a household’s risk aversion, the greater their incentive to buy life insurance. This point is supported in the studies of Burnett & Palmer (1984), Baek and DeVaney (2005) and Zhu (2007). In Baek and DeVaney’s study, attitude toward risk was measured by the question: “Which of these statements comes closest
to the amount of financial risk that people are willing to take when they save or make an investment?" The analysis of Baek and DeVaney showed that above-average risk takers were more likely buy term life insurance than those who preferred taking average risk. Also, those who take average risk hold 10 percent more cash value life insurance than those who take no risk.\(^{37}\) Dev Sena Tripathi and P.T. Salleendran (2007) in a study of Consumer Preference and Comparative Analysis of All Life Insurance Companies discussed rating life insurance companies by analyzing certain variables, the effect of privatization and measuring the policyholder perception, purchase behavior and consumer awareness regarding the life insurance industry. Mehr and Cammack (1976) agrees that Insurance is usually thought of as a product that spreads the risk of serious, but low-probability, losses among a group of individuals, thus providing some financial protection to each individual. Kunreuther, (1979) said that his product makes good sense, particularly when the protection is purchased against potential losses so large as to be catastrophic, such as total destruction of one's home, a large accident liability judgment, or death of primary family breadwinner. However, it has long been recognized that this sensible product is difficult to sell. Kotler, (1973) considers insurance to be in the category of "unsought goods," along with products such as preventive dental services and burial plots. He notes that unsought goods pose special challenges to the marketer.\(^{38}\) Michael L. Smith (1982) said that a typical life insurance contract provides a package of options or rights to the policy owner that is not precisely duplicated by any other combination of commonly available contracts. Viewed from this perspective, life insurance enjoys a unique position in the field of investments and should be judged in this light. The paper shows that an options viewpoint provides a more complete explanation of policy owner behaviour towards life insurance than the conventional savings-and-protection view. Amy Wong, (2004) empirically examined the role of emotional satisfaction in service encounters. This study seeks to investigate the relationship between emotional satisfaction and key concepts, such as service quality, customer loyalty and relationship quality and clarify the role of emotional satisfaction in predicting customer loyalty and relationship quality. In doing so, this study used the relationship between emotional satisfaction, service quality, customer loyalty and relationship quality as a context, as well as data from a sample survey of 1,261
Australian retail customers concerning their evaluation of their shopping experiences to address this issue. The results show that service quality is positively associated with emotional satisfaction, which is positively associated with both customer loyalty and relationship quality. Further investigations showed that customers' feelings of enjoyment serve as the best predictor of customer loyalty, while feelings of happiness serve as the best predictor of relationship quality. The findings imply the need for a service firm to strategically leverage on the key antecedents of customer loyalty and relationship quality in its pursuit of customer retention and long-term profitability.  

Henry Murray (1983) prepared a list of twenty eight psychogenic needs in his research "Types of Human Needs". Maslow (1943) also discussed security need in the context of security of money in the context of investments and insurance.

Michael L. Walden (1985) suggested that the option's package view of the whole life insurance policy suggests that a whole life policy is a package of options, each of which has value and is expected to influence the price of the policy. This viewpoint implies the general hypothesis that price differences between whole life policies can be explained by differences in policy contract provisions and differences in selected company characteristics. The option's package theory was empirically investigated using regression analysis on data from a sample of policies marketed in North Carolina. The results suggest support for the options package theory. Evan Mills (1999) Studied the insurance industry is rarely thought of as having much concern about energy issues. However, the historical involvement by insurers and allied industries in the development and deployment of familiar technologies such as automobile air bags, fire prevention/suppression systems and anti-theft devices, shows that this industry has a long history of utilizing technology to improve safety and otherwise reduce the likelihood of losses for which they would otherwise have to pay. They have identified nearly 80 examples of energy-efficient and renewable energy technologies that offer “loss-prevention” benefits and have mapped these opportunities onto the appropriate segments of the very diverse insurance sector (life, health, property, liability, business interruption, etc.). Some insurers and risk managers are beginning to recognize these previously “hidden” benefits.
Stephen Diacon (2004) presents the results of a detailed comparison of the perceptions by individual consumers and expert financial advisers of the investment risk involved in various UK personal financial services' products. Factor similarity tests show that there are significant differences between expert and lay investors in the way financial risks are perceived. Financial experts are likely to be less loss averse than lay investors, but are prone to affiliation bias (trusting providers and salesmen more than lay investors do), believe that the products are less complex and are less cynical and distrustful about the protection provided by the regulators. The traditional response to the finding that experts and non-experts have different perceptions and understandings about risk is to institute risk communication programmes designed to re-educate consumers. However, this approach is unlikely to be successful in an environment where individual consumers distrust regulators and other experts. The respondents’ attitudes toward risk are measured by few researchers. Browne and Kim (1993) did not find a significant relationship between life expectancy and life insurance purchase, although they expected that life expectancy would be negatively associated with life insurance purchase, which is also the assumption in this study.

Work ethics, community involvement and Other psychographic factors: Using consumer panel data from a mid-sized southwestern city, Burnett and Palmer (1984) explored 14 psychographic factors, such as work ethic, self esteem, community involvement, fatalism, socialization preference, religious salience and so on, as influential in determining life insurance demand. They found that life insurance is related with personality traits of individuals. The results showed that if people are self-sufficient and believe that they are in control of their own well being, they will buy more life insurance. Other interesting results include: people who are more likely to own life insurance purchase are individuals who are not opinion leaders, are not price conscious, are not information seekers and are low in self esteem.

Social class, Culture and Social Groups: Since the late 50’s, the question of superiority of one criterion over another has been a subject of many research studies. Early researchers, for example, argued that social class was a better variable than income as a predictor of consumer behavior (Martineau, 1958; Coleman, 1960 and Wasson, 1969 in
Keiser and Kuehl, 1972; Schaninger, 1981; Shimp and Yokum, 1981). Hammond et al. (1967) also investigated the relationship between life insurance premium expenditures and various demographic characteristics of households. Marital status and race were included among the independent variables. The authors believed that race reflect some cultural differences, such as attitudes toward death, family, individualism and risk aversion. These differences explain some variation about premium expenditures among households. Using the cross-sectional data, they found that marital status was negative and significant and race was not significant in the multiple linear regression analysis where premium expenditure was the dependent variable.

**Gender Identity in Consumer Behaviour Research**

The process of consumption has long been associated with sex and gender, thus, it comes as no surprise that consumer researchers often examine the effects of these variables on consumer behaviours. It also comes as no surprise that much is known about sex and gender and how they impact buying and consuming activities. Yet there is one gender-related variable, gender identity, that has both intrigued and perplexed behaviour researchers for over four decades.

Gender identity, sometimes referred to as an individual's psychological sex, has been defined as the "fundamental, existential sense of one's maleness or femaleness" (Spence 1984, p. 83). Since gender is culturally derived, gender identity is similarly rooted in cultural understandings of what it means to be masculine or feminine (Firat 1991; Lerner 1986). For many years, sex and gender were thought to be inseparable that is, men were masculine and women were feminine. But what consumer behaviour researchers, among others, recognized long ago was that some men were more feminine than masculine while some women were more masculine than feminine. In the postmodern culture in which we now live, this separation of gender from sex is even more apparent in services.

**Social Factors:** Sehrawat and Kundu (2007) have conducted a study on buying behaviour of rural and urban consumers in India. The study aims to establish whether the residential background of consumers has a varying influence on their buying decisions. The study shows that rural and urban policyholders feel that the ease of
carriage, lightness of weight, transparence and consistency, simplicity have a strong influence on buying decision on urban consumer as compared to rural policyholder. Gopalakrishna G (2008) conducted a study on life insurance products and their innovations and development. The research provides details of the benefits given to the insured and different types of offerings available in the market.

OTHER FACTORS

**Regulations and Enactments:** Roger. A. Formisano (1981) examined, via consumer interviews, the impact of the National Association of Insurance Commissioner’s Model Life Insurance Solicitation Regulation as implemented in New Jersey. A substantial portion of the insurance buyers sampled did not become aware of the provisions of the regulation aimed to improve their buying ability. Further, many life insurance buyers were not well informed concerning the nature and operation of life insurance contracts and in particular, the life insurance policies that they had purchased. Gupta, (1996) examined that the insurance sector reforms are a part of the Government’s priorities. A package of reforms is very much in the offering. There is an immediate need of a regulatory framework to open up the insurance industry. Mittal, (1998) analytically examined the global market to observe how the new sense of competition which will come to the market after the liberalization will affect the non-life insurance markets structure and operation in India. Alagiri D and Vellingir (2008) conducted a research on life insurance in India. The research gives an account of the developments and throws light on the present scenario in the field of life insurance. The research discusses various aspects of life insurance services and role of private players, government and regulatory bodies in life insurance sector.

**Service Quality Dimensions:** Parasuraman et al. (1985) proposed the gap model of service quality that operationalised service quality as the gap between expectation and performance perception of the customer. Later on, service quality has also been defined broadly as “consumers’ assessment of the overall excellence or superiority of the service” (Zeithaml et al., 1993). It was viewed as an attitude or global judgment about the overall excellence of a service, with comparison of expectations and performance as the measuring tools. Researchers have tried to operationalize service
quality from different perspectives for different service applications. Based on their conceptual and empirical studies, researchers derived and proposed different service quality dimensions for various service applications. However, the most widely used service quality measurement tools include ‘SERVQUAL’ (Parasuraman et al., 1988; Boulding et al., 1993) and ‘SERVPERF’ (Cronin and Taylor, 1992). ‘SERVQUAL’ scale measures service quality, based on difference between expectation and performance perception of customers using 22 items and five-dimensional structure. In the ‘SERVPERF’ scale, service quality was operationalised through performance only score based on the same 22 items and five dimensional structure of ‘SERVQUAL.’ On service quality modeling, Gronroos (1984) divides the customer’s perceptions of any particular service into two dimensions, namely technical and functional quality.

The outcomes of life insurance purchase are often delayed and thus do not allow immediate post-purchase valuation. As such, the consequences of a purchase do not produce an immediate reaction towards overall satisfaction. This situation was more apparent as the future benefits of the “product” purchased are difficult to foresee and take a long time to “prove” its effects (Crosby and Stephens, 1987).

Infrequent purchase and “usage” of such credence products by consumers would mean an inability or difficulty in forming service expectations due to limited understanding of and familiarity with the service (Johnston et al., 1984). At the same time, because of the amount of money that was typically invested in an insurance policy, customers seek long-term relationships with their insurance companies and respective agents in order to reduce risks and uncertainties (Berry, 1995). An insurance policy was almost always sold by an agent who, in 80 percent of the cases, was the customer’s only contact (Crosby and Cowles, 1986). Customers are, therefore, likely to place a high value on their agent’s integrity and advise (Zeithaml et al., 1993). The quality of the agent’s service and his/her relationship with the customer serves to either mitigate or aggravate the perceived risk in purchasing the life insurance product. Sherden (1987) laments that high quality service (defined as exceeding “customers’ expectations”) was rare in the life insurance industry but increasingly demanded by customers.
Toran (1993) points out that quality should be at the core of what the insurance industry does. Customer surveys by Prudential have identified that customer want more responsive agents with better contact, personalized communications from the insurer, accurate transactions and quickly solved problems.\(^{58}\)

Although service quality structure was found rich in empirical studies on different service sectors, service quality modeling in life insurance services was not adequately investigated. Further, for service quality modeling, a set of dimensions was required, but there seems to be no universal dimension; it needs to be modified as per the service in consideration. Thus, the dimensions issue of service quality requires reexamination in context of life insurance services. Although numerous researchers have made theoretical and empirical contribution to the study of service quality in various industries, (like banking, healthcare, education etc) the area of life insurance was not adequately researched. Some previous studies in this area focused exclusively on relational qualities (Crosby and Stephens, 1987) and on the generic ‘SERVQUAL’ format of quality measurement (Parasuraman \textit{et al.}, 1994).\(^{59}\) J.D. Power and associates (2005) has conducted a study in America on Collision Repair Satisfaction Study. As per the study the insurance providers suggested that Communication is a Key in Achieving Customer Satisfaction with the Collision Repair Process. Maintaining a comprehensive and consistent dialog with the buyer throughout the claims process is critical for insurance providers in achieving customer satisfaction with the collision repair process. Insurance providers meet customer expectations through effective communication generally achieve higher levels of overall satisfaction. According to the study for expanding the insurance business, due weight age is required to be given to innovative marketing practices. This means studying the changing psychology of the prospects and subsequent arrangements to transform them into actual users of the services. The strategy should also consider the possibility of new entrants into the scene making the insurance business more competitive (J.D. Power and associates, 2005). Gumber Anil (2002) has conducted a study on customer equity. The study emphasized on customer equity and customer satisfaction based on critical evaluation of Insurance Companies are showing for the concern for their customers and changing the Customer Relations Management Practices. The study also discussed various problems faced by policy holders in India. This concern is called ‘Customer Equity’ by eminent marketing professors and authors like Valarie
A Zeithami, Prof. Roland T Rust and Katherine N Lemon. To counter new challenges, LIC tied up with the IT giants, IBM and Wipro, to design its Customer Relations Management Programme.

Market watchers feel that ‘Big Brother’ LIC and the Big ‘4’ nationalized insurance companies should redesign and restructure their public relations and publicity activities to inform customer about the good work that is being done by them and measures being initiated to meet the increasing demand of the customer. The prime objective of these activities is to achieve highest possible level of customer satisfaction. (Gumber Anil, 2002)

A model developed by Prasuraman, Berry and others (1985) deals with the nature of service quality and avers that customer satisfaction was the chasm between a customers service quality expectation and the actual service delivery. Customer satisfaction has a positive influence on retaining customers among different variety of services and products. A conceptual model of service quality through empirical research was developed by Parashuraman et al. The model highlights the following five service quality gaps: Buyer expectations- management perceptions about buyer expectations, Management perception of buyer expectations-service quality specifications actually set, Service quality specifications- actual service delivery, Actual service delivery- external communication about services. The final gap- result of four other gaps. ‘SERVQUAL’ method is also known as the RATER model because it prescribes measuring satisfaction in these five dimensions: Reliability: A company’s ability to perform the promised service dependably and accurately. Assurance: The knowledge, competence and courtesy of employees and their ability to convey trust and confidence. Tangibles: Physical facilities, equipment and appearances that impress the customer. Empathy: The level of caring, individualized attention, access, communication and understanding that the customer perceives. Responsiveness: The willingness displayed to help clients and provide prompt service. (Prasuraman, Berry and others, 1985). Kekre, Krishnan and Srinivasan (1995) conducted a study with focus groups and over 2500 responses from a questionnaire to discover what factors customers drive their satisfaction for software products. They analyzed the results to develop seven dimensions of customer satisfaction for product software: Capability, Usability, Performance, Reliability, Installability, Maintainability and Documentation. 60
A study conducted by Dass (2007) in banking industry concluded that service quality is continuously evolving a customer satisfied today may not be satisfied in the near future as their needs are changing with the time span and life cycle stages. Banks should continuously monitor the service quality to avoid erosion of service quality and mitigation by customers to another bank. Dass, M.K, (2007).

R. Wayne Coleman (1989) has discussed a determinance ranking of evaluating criteria used by the bank customers. The determinants are categorized in three broad categories importance rating of bank characteristics, difference rating of bank characteristics and determinance ranking of bank characteristics. Several attributes related to these characteristics are analysed and studied such as speed/efficiency of services, friendly attitude of personnel, availability of credit, hours of operation, full service offerings, recommended by friends, services charges, location, parking and so on. Singh Jagdeep (1990), have proposed a model of consumer complaining behavior (CCB). It illustrated the variety of actions possible. Buyer may not complain to the seller but to formal third parties, bureau or a newspaper. They may engage in private CCB activities such as telling friends and relatives about the bad experiences and changing their own patronage behaviour.

Das and Kumar (2007) conducted a study on customer satisfaction in banking industry with special reference to Service quality model. As per their study the service quality was a construct that was continuously involving a customer satisfied today might not be satisfied in future due to their changing needs and aspirations. Instead of resting on their laurels the bank should continuously monitor the service quality levels to avoid migration and switching of customer to another bank.
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Chapter 3: Consumer Behaviour In Life Insurance


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