

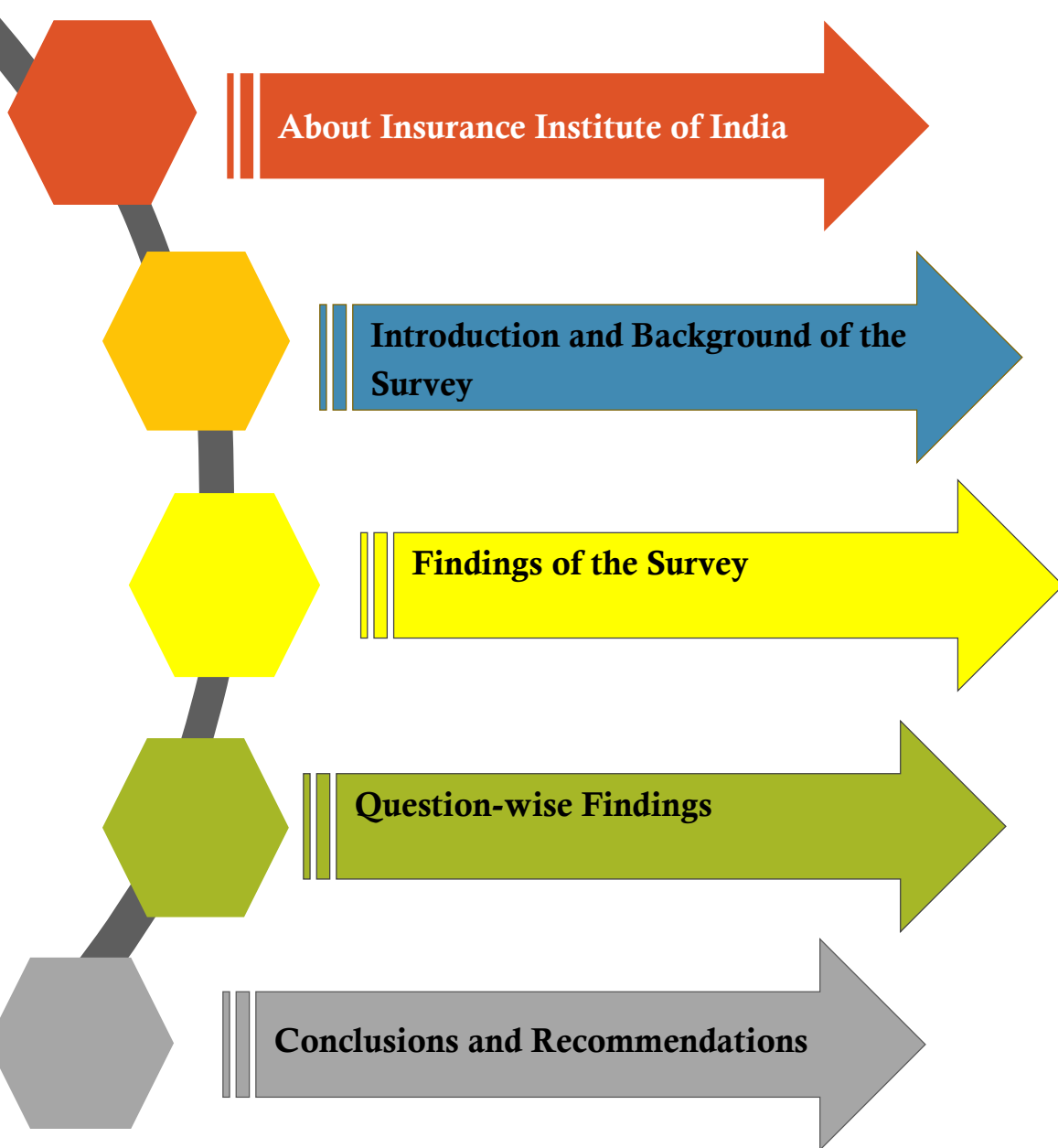


III Survey- *"Customer Behavior in Purchasing Life and Health Insurance"*

June-2021



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About Us

Insurance Institute of India (III) formed in 1955 as a Federation of Insurance Institutes, is recognized by the Indian Insurance Industry, SAARC countries and many other developing insurance markets, as a pioneer in insurance education, responding to the academic needs of the industry as well as addressing the causes of building and developing professionalism. III certifications are internationally recognized.

College of Insurance (COI) the training arm of III, founded in 1966, provides training in all technical and functional domains of Insurance. A large number of private and public sector insurers, brokers, surveyors, purchasers of insurance and others, benefit from COI's classroom sessions, workshops, seminars, industry research and knowledge sharing activities. COI has a fully functional campus in Kolkata, catering to the academic needs of the Eastern and North Eastern Regions of India and those of the neighboring countries.

In view of the current restrictions on travel and need to follow social distancing, COI has begun virtual training from June 2020. (COI Virtual Training calendar is available on - <https://www.coi.org.in/> and on <https://www.insuranceinstituteofindia.com>)

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Research Studies: Indicative

- III Survey – Impact of Covid-19 on Health and Life Insurance (September 2020)
- III Survey - Post Covid-19 Times - Strategic Concerns for the Insurance Industry (June 2020)
- Challenges in Insuring Flood-prone areas of Mumbai – for General Insurance Corporation of India (2019)
- Property Insurance in New and Existing Housing – for National Housing Bank (2019)
- Insurance Requirements of the Indian Logistics & Warehousing Industry and its Customers (In-Country Operations) – for Transport Corporation of India (2017)
- Country Landscape Study on Mutual and Cooperative Insurers in India - Cooperative and Mutual Insurance Federation (2017).
- Design and Product Performance of the Industrial All Risks Policy – for General Insurance Corporation of India (2016)
- Building Financial Resilience of SAARC Countries against Natural Disasters: The Insurance Option - SAARC Disaster Management Center (2015)



Foreword

For over six decades, the Insurance Institute of India has been engaged in various activities as part of its endeavor to spread the message of Insurance and provide knowledge and skills towards supporting the industry to develop along scientific lines. Research forms a part of this endeavor and the institute has from time to time, been conducting various research activities, some of which have been sponsored by insurance industry and other institutions, while others have been developed as in house research.

This survey on Customer Attitudes towards life and health insurance in India forms part of in-house research. It is based on the feedback received from Marketing Officials who were queried about their views and opinions, based on their experiences of customers. Though the sample was limited to 108 respondents and may have some limitations as a representative sample, it nevertheless brings out certain interesting results that one could reflect on and derive useful insights.

We are happy to offer this study to the practitioners of the life and health insurance industry in India.

Deepak Godbole

Secretary General, Insurance Institute of India
Mumbai, India.

Introduction and Background of the Survey:

Life and Health Insurance has made much progress over the last few decades in India. As on March 2020, there were about 333 million life insurance policies in force, which comes to about 241 policies per 1000 people. Health insurance has also come a long way, with the percentage of population covered almost doubling in the last one decade to touch about 35% in 2018-19. A good part of the growth in health insurance has been through government sponsored Group Insurance schemes.

Both life and health insurance have a long way to go towards effectively meeting the needs of the vast sections of the Indian people for insurance protection. The huge protection gap that exists and the vast catch up potential this implies offers great opportunities for the life and health Insurance industry, it also faces significant challenges, in the wake of technological developments and changes in the aspirations and expectations of customers who have been exposed to possibilities arising in the digital era.

In the insurance industry itself, the advent of Insure tech has begun to usher a change in the way insurance products are sold and serviced. Earlier, the industry was mainly dependent on the agency channel and agents were the principal, and in most cases, the sole source of information on insurance. With the advent of technology and e-platforms, a good segment of educated and technology savvy customers has now begun to turn to e - platforms to know more about the products and companies and also to make comparisons between them. In a limited sense, some insurance policies are also being sold directly on the internet.

The unprecedented outbreak of Covid 19 has brought about a significant disruption in the lives and livelihoods of a significant section of people in India. One result is that people have been confined to their homes and have to depend on e platforms for their multiple needs.

This has accelerated the pace of digitization and the use of Information and Communications Technology. Insurance companies have been quick to adapt to this new reality and move to the digital platform with respect to their marketing and operations as well as other areas of activity. Another significant trend is observed in the way the pandemic has forced people to be aware about and come to terms with the vulnerabilities of their lives in the face of mortality and morbidity risks. This has led them to think more seriously about financial protection and then need to for insurance.

It is obvious that the above factors provide new opportunities for life and health insurance. To leverage them, it is also necessary to understand the emerging expectations of the customers and address them effectively.

The Insurance Institute of India has, from time to time, been actively engaged in studying the dynamics of the insurance market and to seeking to ascertain the behavioral aspects of Insuring Customers as also analyzing the measures taken by Insurance Companies and Regulators to satisfy the expectations of the customers. The present study is an attempt to explore the changed expectations and behavior of customers in the context of the technological changes ushered by Insure tech and the alterations affected by the outbreak of the pandemic. It has been done through a survey of the views of the Marketing Officials of Insurance companies, who are the contact points for reaching to the customers.

The Objective of the Study:

The study was conducted with the following objectives:

- To know what were the main drivers for purchase of Insurance Products
- To know the channel preferences exercised for purchases
- To know what were what the customer expectations from Insurance Marketing Officials
- To know about Customers' behaviour towards Marketing Officials

The study was carried out by Dr. Pradip Sarkar, Principal, College of Insurance, Kolkata with the support of III Research Team. A total of 108 respondents were covered, all of whom were marketing officials of the insurance companies.

Limitations:

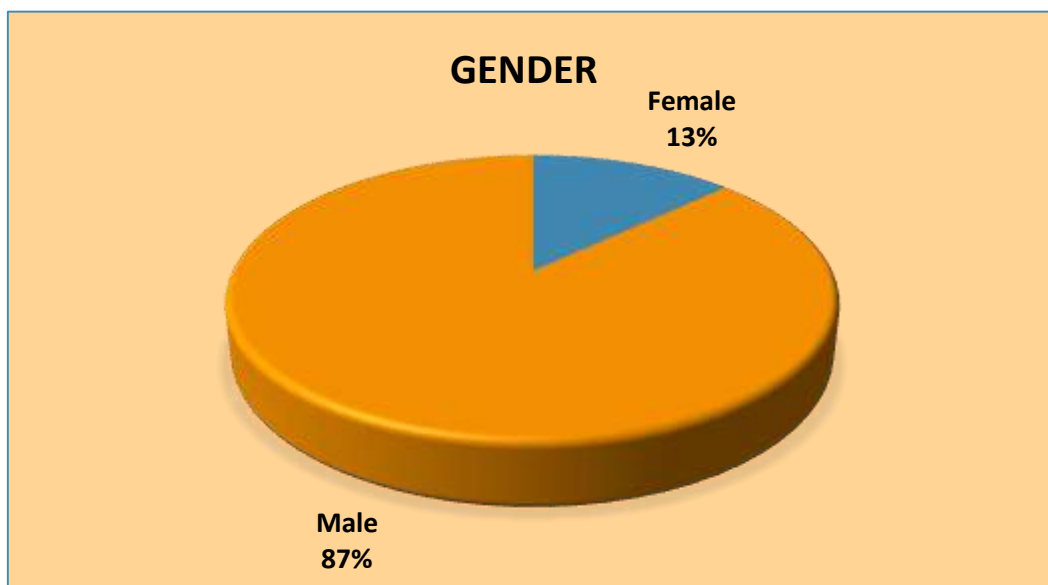
A major limitation of the study is that it has sought to examine customer perceptions and behavior with regard to life and health insurance as seen from the perspective of marketing officials. Further the sample of 108 may not be large enough to completely represent the views of the population of marketing officials of the industry. In spite of these limitations, the study may reveal some new insights and open some possibilities that life and health insurers may consider in future.

Findings of the Study:

Genderwise response

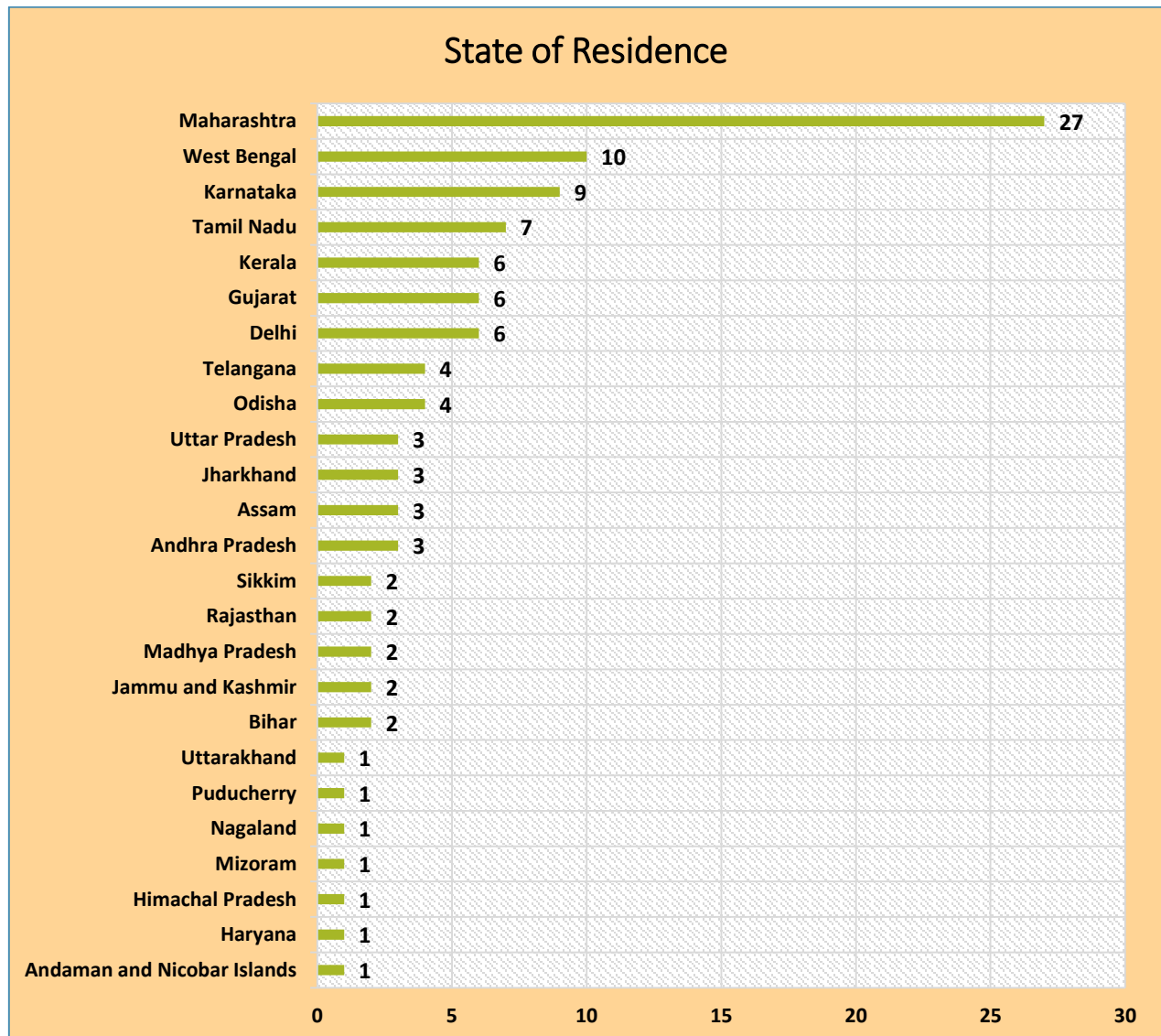
The study covered both male and female respondents. It was observed that 87% of the respondents [94 numbers] were male while 13% [14 respondents] were female. The large proportion of male respondents in the sample is in line with the broad profile of Insurance marketing officials, which is dominated by males.

Female	14	13%
Male	94	87%



State-wise response

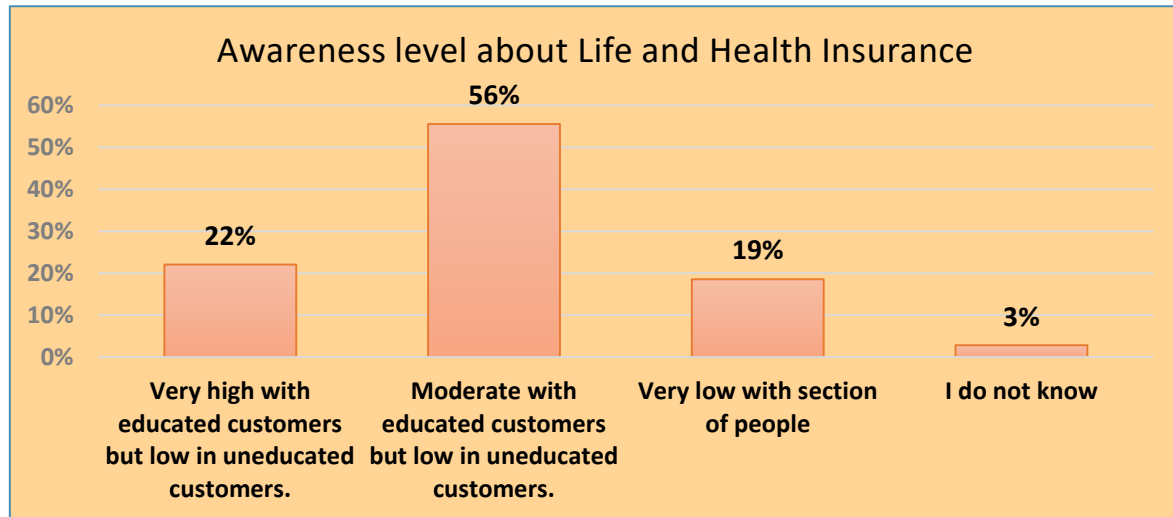
The study was conducted Pan India and covered 25 states. The largest number of responses was from Maharashtra [27] followed by West Bengal [10]. There was varying representations from other states as well, as shown in the graph below



Questionwise- findings:

Awareness about Life and Health Insurances

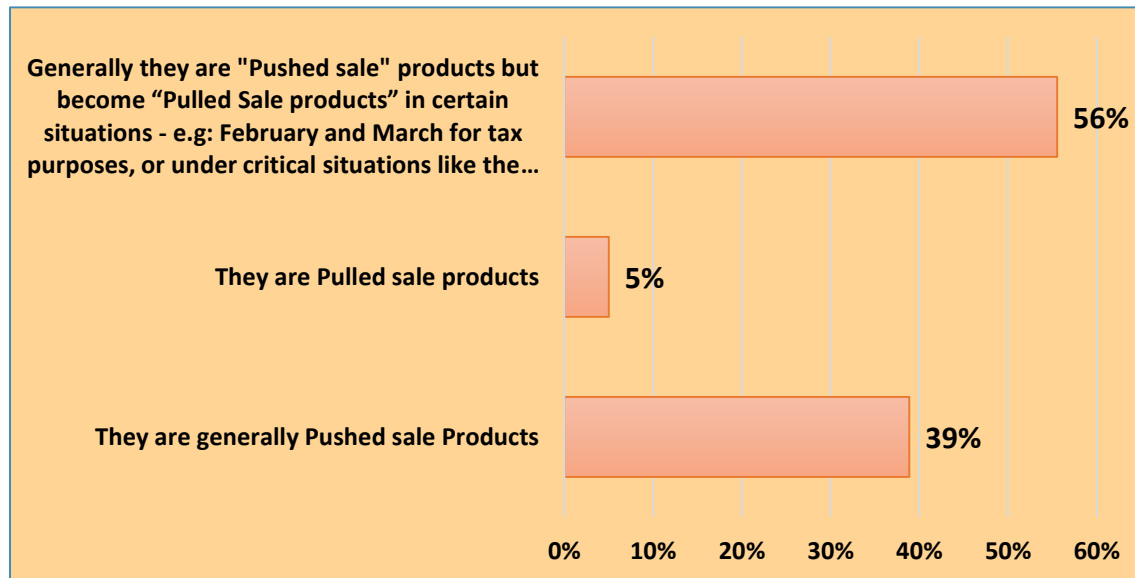
The respondents were asked to give their opinions on the level of awareness about life and health insurance among their customers. The results are shown below



The answers revealed that overall 78% respondents felt that there was some awareness, 56% felt that it was moderate among educated customers while being low among uneducated customers and another 22% felt that it was very high among educated customers while remaining low among uneducated customers. It is obvious from the findings that the stakeholders of the industry need to build mass awareness about Life and Health insurance among the people, particularly among those who are less educated. Such an effort would call for two things: Firstly, it requires that marketing officials and other industry constituents need to reach out to vast segments of the people. Secondly, we must note that insurance is an intangible product and the need for it is also intangible and not obvious. Awareness implies that end consumers of life and health insurance must be conscious about the need for insurance and about insurance as a solution. For this, it is necessary to kindle both their attention and interest. For this to happen, life insurance marketers may need to relate with prospective customers and build trust and rapport, so that they are receptive and ready to become aware.

Life and Health Insurance as Push or Pull Products

Another question that the marketing officials were asked was whether life and health insurance products were push or pull sale products. The results are given below

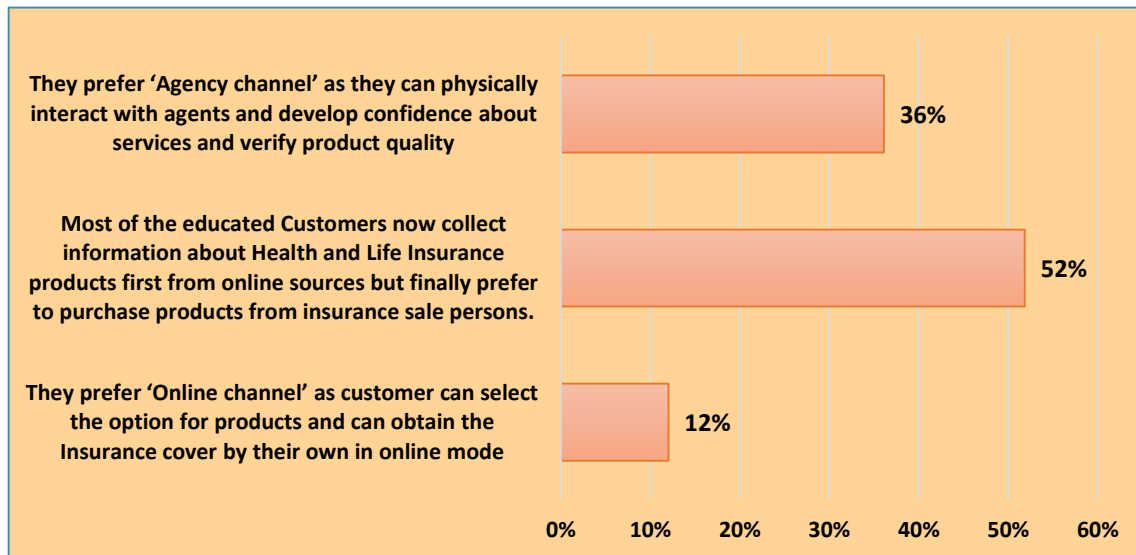


A substantial 95% opined that they were usually pushed sale products. This result is not surprising, given that it is common knowledge in the industry and is borne out by experience. It is interesting to note that 56% of the respondents believed that while these were generally push products, they could also be pulled sale products under certain situations – for example, during the financial year end months of February and March, when they are purchased for tax purposes, or under critical situations like the current pandemic.

Many years ago, Theodore Levitt, the great Marketing Professor of Harvard Business School had quipped that ‘people don’t want to buy a quarter inch drill. They want a quarter inch hole’. The result why people buy any product [life and health insurance are not an exception] is because they are excited and keen to enjoy its end outcomes. Products are just means to an end. Life and Health insurers need to work on making the end outcomes of their products more tangible and real. They need to reflect on how to make the promises they make, more alive and memorable. One critical insight that may be drawn is the need to integrate life and health insurance with risk management and the building of human resilience. It may call for doing much more than just promising a benefit payment at the time of a claim.

Customer Preferences with regard to Marketing Channels

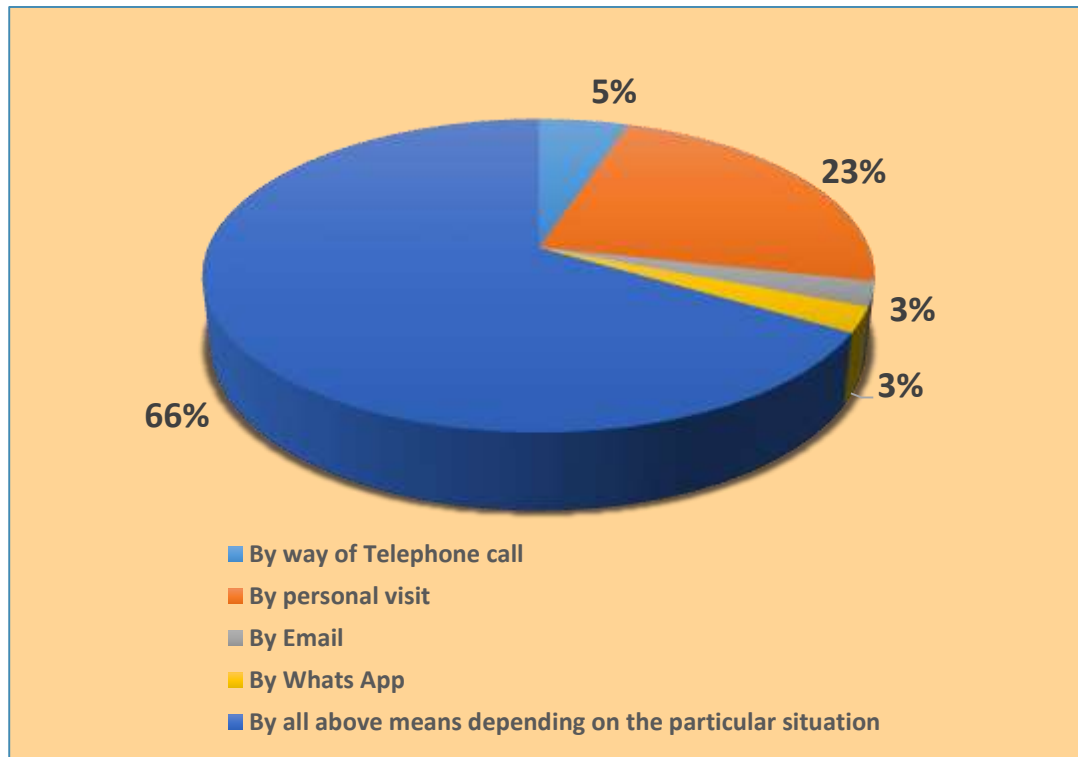
The respondents were also asked how their customers viewed the various marketing channels that were available today. The results are given below:



The answers reveal that a large majority of 88%, preferred to buy through direct contact with a sales person and only 12% preferred then online mode of purchase. It is also interesting to note that 52% felt that educated customers first checked out and compared the products online but finally preferred to buy through contact with a sales person. Another 36% opined that customers prefer the agency channel because they can physically interact with the agents and develop confidence about services and verify product quality. A point to note here is that Banc assurance has replaced the agency channel as the main conduit for life insurance purchase for private life insurers while agency channel continues to be dominant for the Public sector LIC of India. The results suggest a strong case for using Information and Communication Technology as a significant enabler by the sales force [intermediaries or direct] for engaging with customers and driving sales. The winners in the longer run may be those who can use technology more effectively for this purpose.

Connecting with Customers

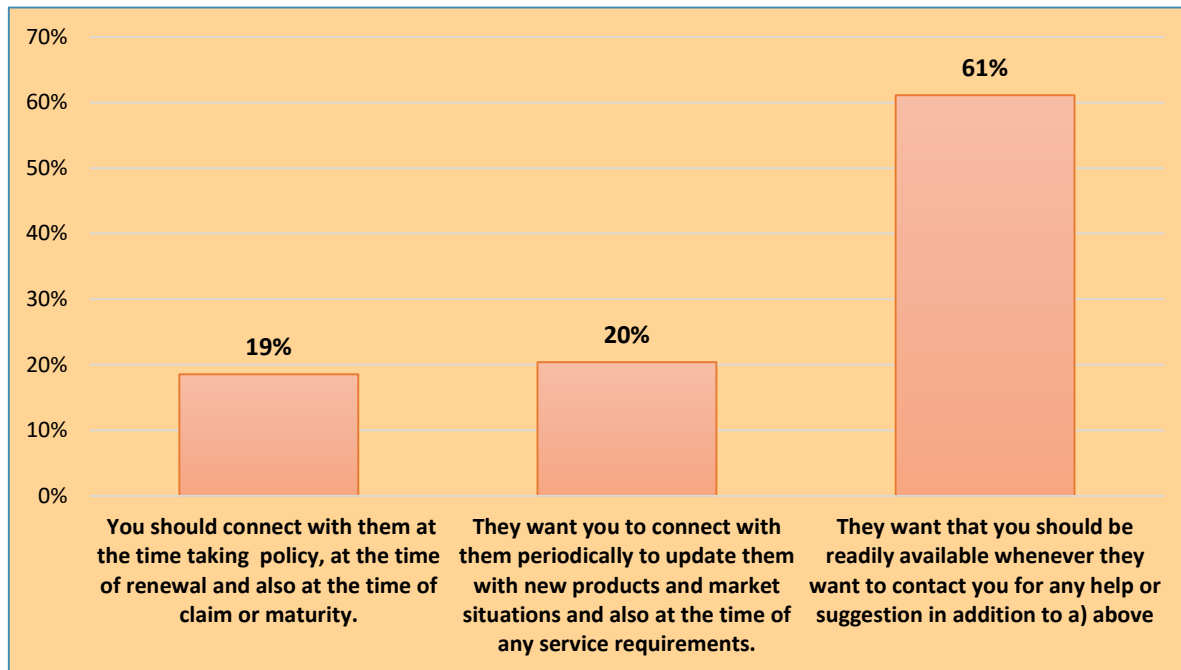
The respondents were asked how their customers wanted the marketing officials to connect with them. The findings are shown below:



While 28% of customers insisted on direct personal contact via phone [5%] or personal visit [23%], a vast majority of 66% wanted to be connected by marketing officials not only through above means but all other means of communication as well, depending on the situation. This clearly reveals the critical role that personal interaction on an informal basis may play in building trust and rapport with customers. It also calls into question an argument that may be sometimes raised that customers want to have only an 'arms - length' transaction with their service providers. This may be true among certain sections of customers in certain markets, but is much less likely to be true in the Indian context.

About Customer Relationships

Participants in the survey were asked about the frequency and nature of the relationships that their customer expected from the marketing officials. The findings are given below:

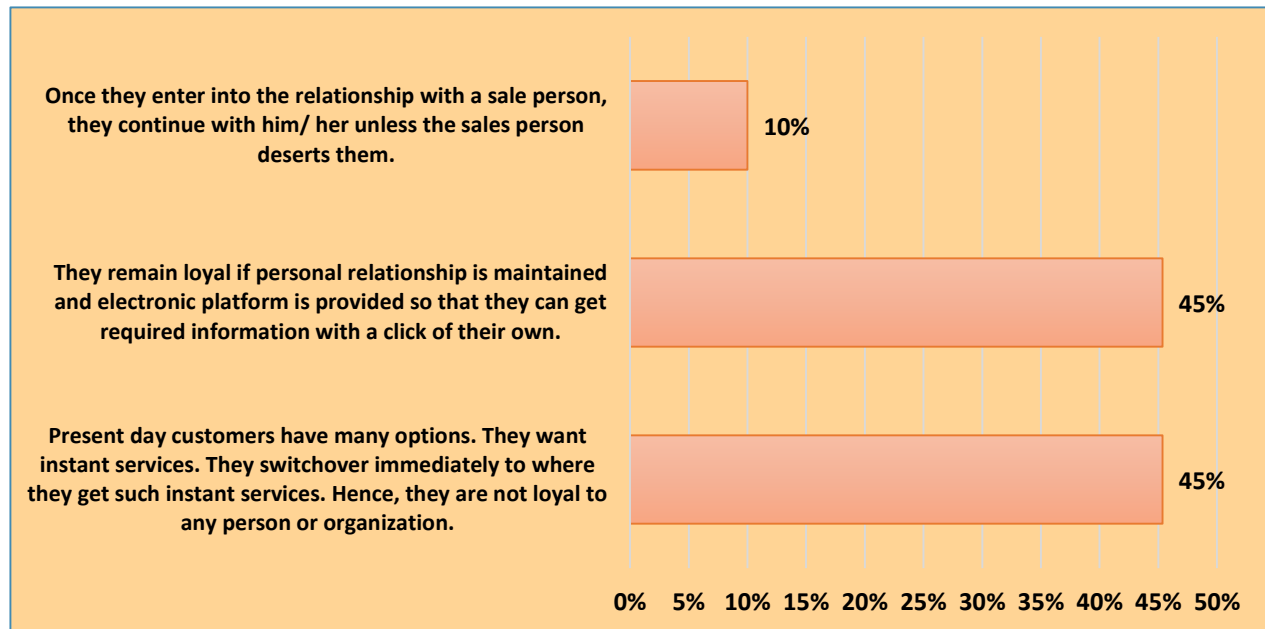


The results suggest that only 19% felt that customers expected to be connected at the time of taking the policy, during renewal and during claim. Another 20% also wanted to be contacted periodically with information on new products and market situations and a huge 61% further sought, in addition to the above, that company personnel should be readily available, when contacted, for any help and support.

The standard practice adopted in many companies has been to leave the task of ‘*maintaining a relationship*’ with customers to their respective agents. Other constituents of the company organization are typically engaged in ‘servicing the policy contract’ [from underwriting to claims]. Most of the communications are inbound and relationships take the form of transactions that are conducted, based on requests for service or information. The findings suggest a clear case for building customer intimacy throughout the customer journey through multiple interventions that call for approaching the customer rather than waiting to be approached.

Loyalty of Customers

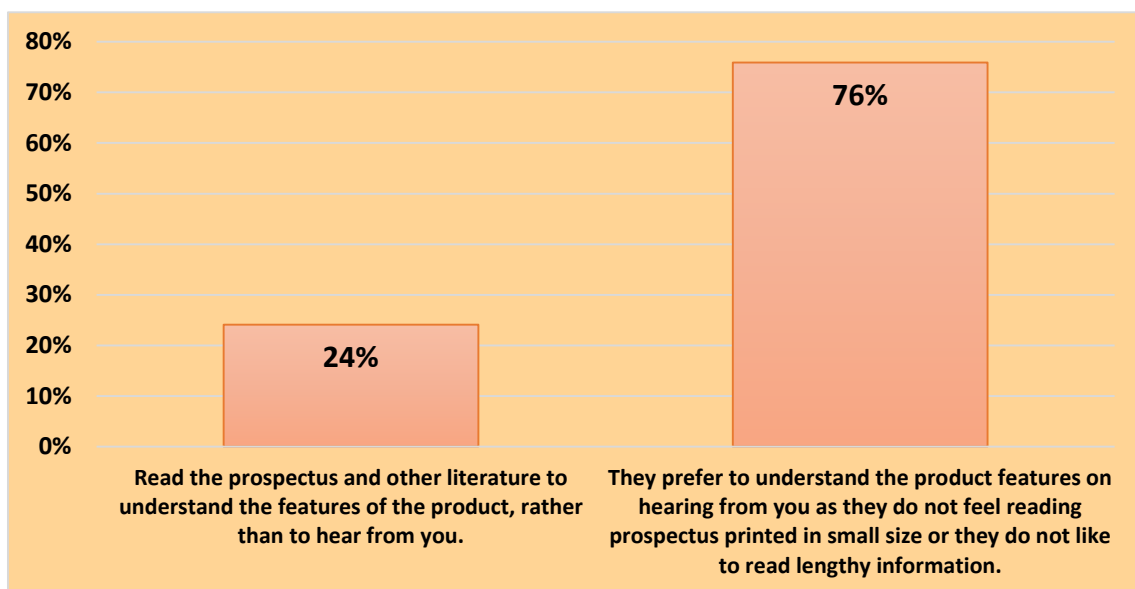
The findings of the previous question derive more significance when we consider the current question where the respondents were asked their opinions about customer loyalty. The findings are given below:



It is significant that a mere 10 % considered that the customer's loyalty depends on his/her relations with a particular sales person. About 45% felt that loyalty depended on personal relationships that are maintained with them by company personnel [may be field or office] in addition to availability of an electronic platform where they could get required information with a click of their own. Another 45% felt that even this was not enough – customers want instant services and have multiple choices. They do not hesitate to switch over immediately if they can get better and more instant services elsewhere. This last observation should be viewed in the light of the massive levels of lapses and surrenders facing the life insurance industry and the very low persistency ratios experienced by most companies. They suggest that each company would need to not only become better but also different from the rest – they would need to develop a cogent and compelling response to the question “why should I buy and continue to buy from you?”

Understanding of Product Features

The marketing officials were asked whether their customers wanted to read the prospectus and other literature to understand the product features or preferred to hear it personally from them. More than three fourths [76%] of the respondents stated that their customers preferred to understand the product features from them instead of understanding the features by reading the prospectus. They avoided reading as they were in very small letters and very lengthy.



The findings put a large onus of responsibility on life and health insurance companies to communicate the features of their products and the company in a way that is easy to understand and also interesting and engaging. A significant insight that arises here is the imperative to develop audio visual content that may be used for communication, whether through direct personal contact or using other channels like the internet. Marketing officials also need to be fully conversant with product knowledge and able to respond to communicate the relevant message as well as answer any queries without misinforming the customers.

Price or Quality of Life Insurance Products

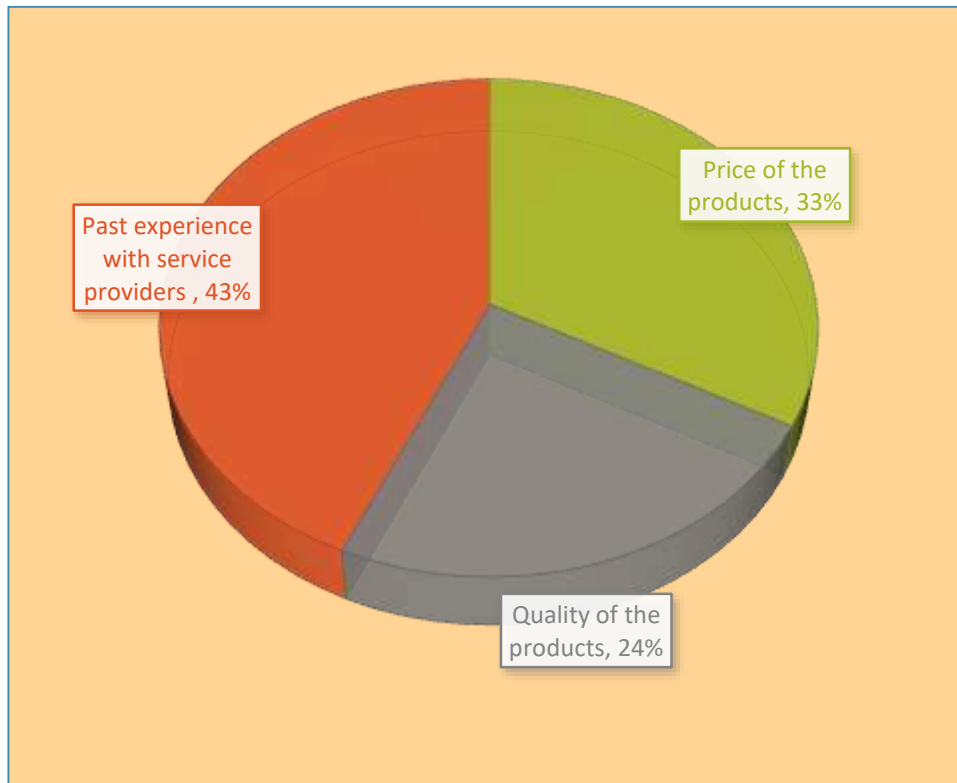
The respondents were asked about what the customers of life insurance were most sensitive to – price or quality of the products. The findings are given below



According to the findings, 52% of the respondents stated that their customers were sensitive to the quality of the products and also riders available with them, while an almost equal proportion of 48% felt that their customers were sensitive to the price of the products. One interpretation that may be made of the findings is that a sizeable number of customers are looking for product quality – it maybe in terms of functionalities and memorable experiences – that make the life insurer's value propositions unique and different from others. They would not mind paying a higher price for the same. Even where it was felt that customers were sensitive to price, one needs to consider that perhaps price may be the only differentiating factor among products are like commodities – look alikes of one another, and there is little to choose from.

Price or Quality of Health Insurance Products

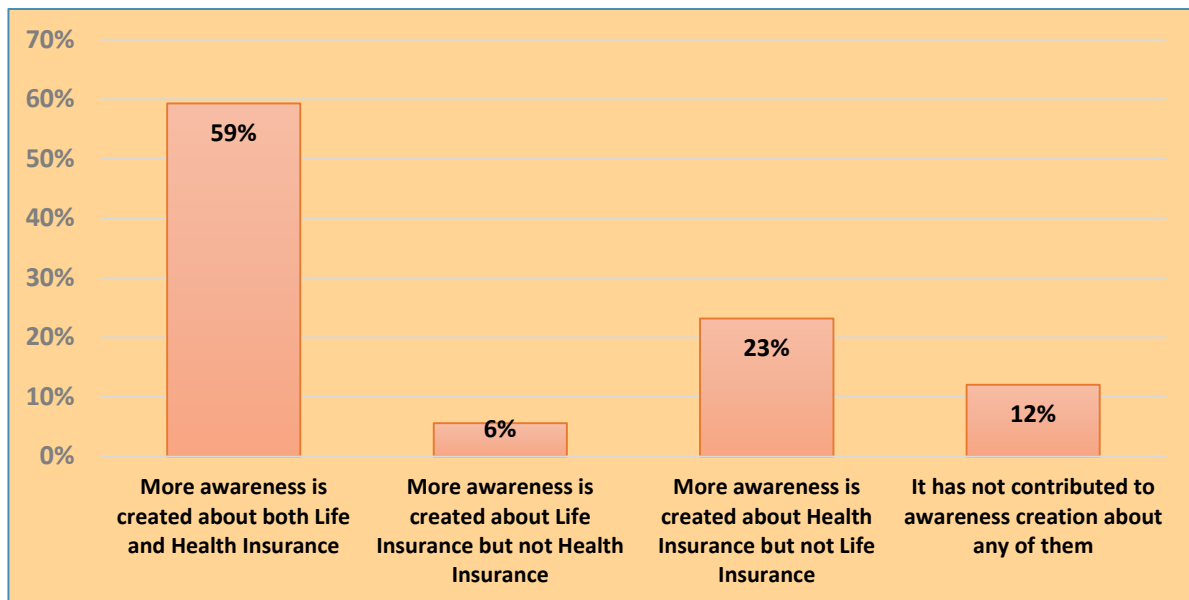
A similar question was asked with regard to health insurance products, the responses to which are shown below:



Here it is interesting to find that 43% of respondents stated that their customers are sensitive to past experience with the service providers. 33% are sensitive to price of the products, and only 24% were sensitive to quality of the products. The reasons seem obvious. As the basic coverage under health policies are almost the same and there is minimum price variation among the similar products of various Insurers, the differentiating factor that remains is the quality of the experience that customers had with their insurer. Given that customers can share their views and experiences widely in a digitally connected world, the results – negative or positive – that can arise from creating a memorable customer experience can be enormous for health insurers.

Effects of the Covid Pandemic on Customer Awareness

The officials were asked whether the Covid Pandemic had contributed to creating greater awareness about life and health insurance among their customers. The findings are given below:

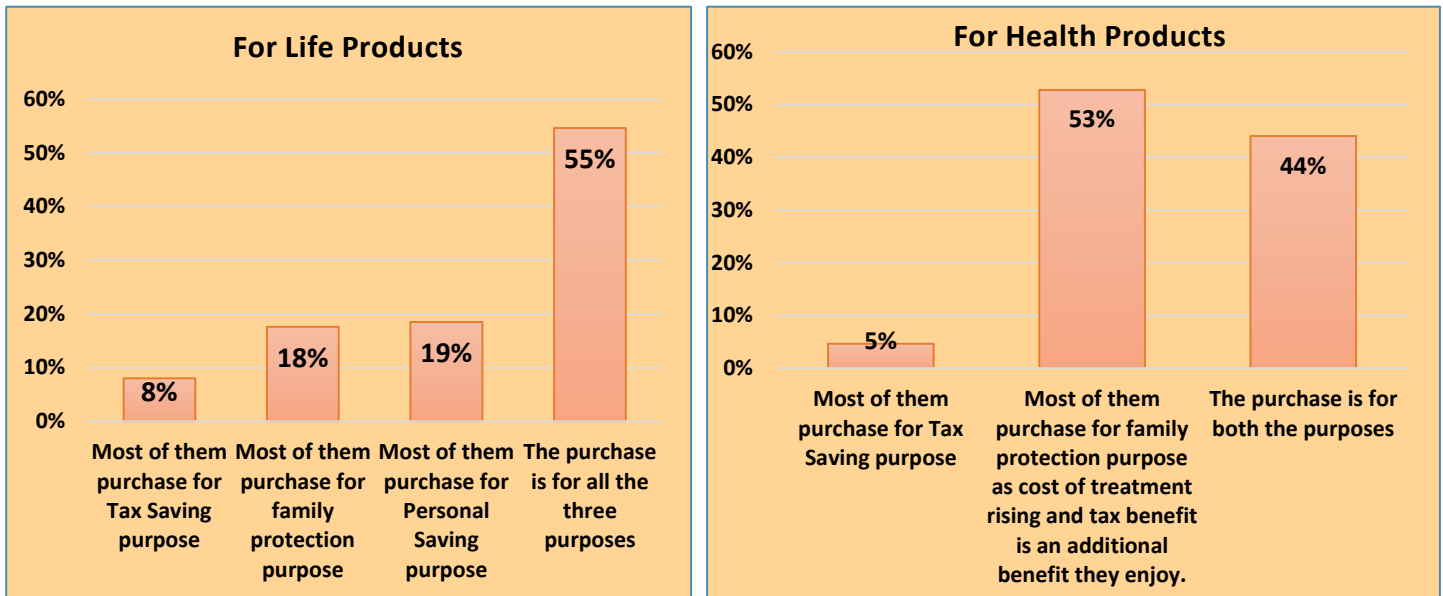


As could be expected, overall 88% felt that the pandemic had increased awareness about insurance. While 59% of the respondents stated that COVID19 pandemic had increased awareness about both health and Life Insurance amongst their customers, another 23% felt that this awareness was created for Health Insurance but not for Life Insurance. One reason may be that the impact of the pandemic is felt to be much more immediate and direct on health, while death is a more extreme and remote outcome.

One reality that has emerged in the wake of the Pandemic is the fact that Acute diseases [caused by microorganisms including viruses] have come back to centre stage as leading causes of mortality and morbidity, after being relegated to the background in the wake of medical advances. This also provides an opportunity to position insurance more effectively as a protection product, whose 'immediate estate' feature becomes a crucial element in providing succor in the event of premature death or crippling disease. The threat posed to life and health as a result of the pandemic and other similar systemic risks is too immediate and potent to be ignored.

Reasons behind purchasing Life and Health Insurance Products.

Finally, the respondents were asked why their customers purchased life and health insurance products. The findings are given below:



It was observed that 55% respondents felt that their customers purchase Life Insurance Products for the purposes of Tax Saving, Family Protection and for personal savings purpose. A smaller number opined that life insurance was purchased solely for family protection [18 %] or savings [19%]. A still smaller segment [8%] was felt to buy only for tax purposes. The results are not surprising. These benefits are what the industry has pitched on for the last many decades and what they have given their customers to understand. The question that one may ask is whether these reasons may be sufficient to excite and engage customers of future generations.

With regard to health insurance, the reasons are much more focused than in case of life insurance. About 97% stated that their customers purchased health insurance for family protection, given the increases in treatment costs, while seeing tax benefits as an additional benefit that they enjoyed. About 44% of these specifically mentioned that they were looking for both the above benefits. Health insurance companies would need to look for ways to improve their offerings and leverage the opportunities that they already enjoy in a buoyant market.

Conclusion and Recommendations:

The present study, though limited in its scope, does have some interesting implications. It has revealed some insight about the customers' expectations, their behavior and drive for purchasing health and life products. It has also revealed the impact of COVID 19 pandemic in creating awareness about Health and Life Insurance Products. It has also

- It firstly revealed that the awareness level of even educated people is, at best moderate, and it is quite low among uneducated segments. This underscores the need to reach out to wider segments of people and also develop strategies that would get their attention and kindle their interest, while also educating them about the need for life and health insurance. Developing awareness is a continuous process and all stakeholders including Regulators need to take continuous measures to increase awareness
- It also revealed that life and health insurance are still largely push products, except in some months like February and March, when they are sought out as tax savings vehicles, or in the wake of specific events like the Covid Pandemic. Creation of exciting value propositions that would make these products more attractive and sought after is very much an imperative for insurers.
- The survey clearly brought out the dominance of Personal sales, with the agency channel as one of its major forms. This is because customers try to collect product information from various sources but finally verify them and purchase through marketing officials. Personal touch still plays an important role for these products selling, but it may be considerably enabled by using Technology.

Conclusion and Recommendations:

- The survey also highlighted the demand by customers for having direct personal contact by marketing officials, using all available channels of communication. The stress is on convenience and responsiveness of the service. Marketing officials need to be trained and equipped as well as possess the right degree of sensitivity and customer orientation to meet this expectation.
- The study also reveals the critical role of personal connect and customer intimacy in building customer loyalty and further contains a note of caution about the consequences of not being ‘a cut above the rest’ in this regard.
- It is also seen that customers prefer to know about product features through direct personal communication by a marketing official than through reading brochures and other written materials. This implies a need for developing strategies to communicate more directly, informally and in a manner that is easy to understand and engaging.
- Both in case of life and health insurance, customers value product quality and are looking for attractive feature, but they also make tradeoffs with costs and discernably expect value for money. For health insurance, past experience with the service provider is a critical ingredient in deciding preferences.
- Family Protection, Tax saving and Personal Savings are the three combined factors which drives most of the customers to purchase Life Insurance Products. For health insurance, it is family protection and tax savings. These features have been pitched by insurers for decades. How future generations of customers would respond needs to be seen.
- Outbreak of COVID 19 has played a definite role in creating awareness for Health and Life Insurance

The Research Team:

The study was carried out by Dr. Pradip Sarkar, Principal, College of Insurance, Kolkata with the support of Mrs. Akshara Nagpal and Ms. Laxmi Joshi of III Research Team.

Mr. Deepak Godbole, Secretary General of III, Mr. Muktesh Chaturvedi, Director of COI, Dr. George E Thomas, Professor, COI, Dr. Shashidharan Kutty, Faculty and Mrs. Archana Vaze, Faculty, have contributed variously to the success of the study.

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The Research Department of III profoundly thanks the respondents of this survey.

We look forward to your feedback on this survey and the outcomes.

Email: research@iii.org.in



The information contained herein is based on survey responses from experts in the field of insurance, conducted during January 2021. Insurance Institute of India (III) and/ or College of Insurance (CoI) carry no obligation to update the Analysis/ Report.

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