



Buying intentions for life insurance policies with special reference for middle-class families: A cluster analysis approach

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Abstract

This paper investigates the buying intent involved in purchasing Life insurance policies by middle-class families in Noida region. Securing the family and their financial future life insurance acts as an intangible support for future financial assurance. Life Insurance purchase is an act of showing responsibility and care for the family. This paper tries to find out what are the intentions that customer of life insurance considers in purchasing life insurance. Cluster analysis is used for identifying the clusters (groups of customers) and their common intent for purchase in life insurance policies. Multiple responses analysis is used for analyzing a number of and percentages of responses in Likert scale.

Keywords: life insurance, policies, middle class, cluster analysis, multiple response analysis

Introduction

First Indian insurance company under the name “Bombay Life Insurance Society” started its operation in 1870, and started covering Indian lives at standard rates. Later “Oriental Government Security Life Insurance Company”, was established in 1874, with Sir Phirozshah Mehta as one of its founder directors (Rajendran & Natarajan., 2010) [7]. According to (ibef.org.) The insurance industry of India consists of 57 insurance companies of which 24 are in life insurance business and 33 are non-life insurers. Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company. Apart from that, among the non-life insurers, there are six public sector insurers. The life insurance sector recorded a new premium income of Rs. 1.38 trillion in a year, i.e. April 2015 to March 2016. This indicated a dramatic growth rate of 22.5% in the premium income (finsmes.com). According to India spend With 23.6 million people, the Indian middle class holds almost a quarter of the country’s wealth at \$780 billion (Rs 5,070,000 crore).

Literature Review

Life is the greatest gift of the God to human being and family is the soul of human culture on this planet. A human being is an excellent combination of intelligence and emotional genetics synthesis in himself or herself. Care arise from above synthesis and security is the outcome of care, the loving phenomenon of is the action of this blend for family life. Satisfaction is the backbone for attaining mental peace. Life insurance policies are the intangible, financial security and progressive products for catering unseen future. India had the nineteenth largest insurance market in the world in 2003. Strong economic growth in the last decade combined with a population of over a billion makes it one of the potentially largest markets in the future (Sinha. 2005) [1]. Hence, it is essential to obtain reliable information on the amounts that potential clients would be willing to pay, and the major

determinants influencing this choice (Dror, Radermacher & Koren., 2007) [2]. Life insurance may also be defined as a contract for payment of a sum of money to the person assured (or to the person entitled to receive the same / nominee) on the happening of the event for which the insurance cover was taken (Siddiqui, 2009) [3]. IRDA was established in the year 2000 as an exclusive Regulatory Authority for the insurance sector through the enactment of IRDA Act, 1999. A number of amendments were brought in various insurance related statutes viz. Insurance Act 1938, LIC Act 1956 and General Insurance Business Nationalisation Act 1972 (Popli and D.N., 2009) [4]. This declared level of willingness to pay seems surprisingly high in view of the low demand for micro health insurance products in India (Dror. 2007) [5]. Life Insurance in its current form was introduced in 1818 when Oriental Life Insurance Company began its operations in India. General Insurance was, however, a comparatively late entrant in 1850 when Triton Insurance Company set up its base in Kolkata. History of Insurance in India can be broadly bifurcated into three eras: a) Pre Nationalisation b) Nationalisation and c) Post Nationalisation. Life Insurance was the first to be nationalized in 1956 (KANNAN. 2010) [6].

Research Methodology

This study took into account exploratory research. Secondary data and electronic databases are used for understanding the subject in depth. Middle-class families are contacted in Noida region in different societies. For filling the questionnaire and sufficient time is given to every respondent to fill the details. Control measures are introduced switching off the mobile phone, drawing rooms are taken as experimental zones for managing silence and for controlling external noise. 150 respondents are contacted for this research. Likert scale used as follows

1= not important, 2=less important, 3=Neutral, 4=Important, 5=Very important

Data analysis and Interpretation

Analysis of multiple response analysis

Below-mentioned table is suggesting with findings that purchase intentions frequencies of Likert scale and respondents choice criteria with percentages

Table 1

Purchase intents Frequencies				
		Responses		Percent of Cases
		N	Percent	
insurance	not important	43	2.9%	43.0%
	less important	138	9.2%	138.0%
	neutral	76	5.1%	76.0%
	important	641	42.7%	641.0%
	highly important	602	40.1%	602.0%
Total		1500	100.0%	1500.0%
a. Group				

Analysis of Cluster analysis with interpretation and cluster synthesis

Table 2

Final Cluster Centers			
	Cluster		
	1	2	3
1. Policy term should be considered in purchasing life insurance.	5	5	5
2. Premium should be considered in purchasing life insurance	4	4	5
3. Bonus should be considered while purchasing life insurance.	4	4	5
4. Riders should be considered while purchasing life insurance.	4	2	5
5. Companies brand value should be considered while purchasing life insurance.	4	5	4
6. Claim settlement should be considered while purchasing life insurance.	5	5	4
7. Insurance consultants should be considered while purchasing life insurance	5	4	5
8. Friends and peers should be considered while purchasing life insurance	4	2	2
9. The family should be considered while purchasing life insurance	4	4	4
10. Television advertisement should be considered while purchasing life insurance	3	1	1
11. Internet reviews should be considered while purchasing life insurance	5	5	4
12. Print media must be considered while purchasing life insurance.	2	3	2
13. Comparisons between other companies should be considered while purchasing life insurance	4	5	4
14. A tax benefit should be considered while purchasing life insurance.	5	4	5

Cluster Analysis

According to statistics solution, Cluster analysis is an exploratory analysis that tries to identify structures within the data. Cluster analysis is also called segmentation analysis or taxonomy analysis. More specifically, it tries to identify homogenous groups of cases if the grouping is not previously known. Cluster analysis is a convenient method for identifying homogeneous groups of objects called clusters. Objects (or

cases, observations) in a specific cluster share many characteristics but are very dissimilar to objects not belonging to that cluster (Mooi. & Sarstedt, 2011) [11]. K mean clustering is used to when we are having unlabeled data or for unsupervised learning.

Cluster identification and Explanation

Cluster one comprises of (1, 6, 7, 11, 14) customers whose insurance intents signifies (policy term, claim settlement, insurance consultations, internet reviews, tax benefits) considered *to be very important*. Another part of this cluster comprises of variables that are (2, 3, 4, 5, 8, 9, 13) for these variables the intent signifies (premium, bonus, riders, brand value, consultation with family, friends, and others, comparison of policies) that are *important*. This group we can coin them as *Protector intent customers* because they understand insurance as a financial protection tool for the family. Their focus is on the root aspect of insurance as protection or protector.

Marketing Strategies for protector intent customers

1. Identification of suitable STP (segmentation, Targeting & Positioning) as policy is required.
2. High sum assured with charging less premium, these types of policies are advisable for this group.
3. Agents and insurance consultants are to be trained very effectively (classroom and field training with managers are advisable) because selling orientation for this cluster group is depended on the field force technique of selling and persuasion.
4. This cluster group is Internet savvy group that suggests the companies for a better and cheaper way to communicate with them that saves money and time.
5. Wider markets can be covered due to internet usages by this group of customers.

Cluster two comprises of variables (1, 5, 6, 11, and 13) these customers insurance intent focuses on (policy term, the brand value of the company, claim settlement, internet savvy, comparison with other companies) *as very important*. Another part of this cluster comprises of variables that are (2, 3, 7, 9, 4) these variables are reflecting (premium, bonus, consultants, family consultation, tax benefits as important. We can now name the cluster as *comparative intent customers*. Here customers are showing intent for internet usages, comparison, concern for the brand value of companies, claim settlement and policy term as very important that reflect this attitude for *comparative buying behavior*.

Marketing strategies for comparative intent customers

1. Identification for favored life insurance companies in this cluster group is advisable for understanding customer’s intent and pace of competition.
2. What are the basic Comparison factors that these cluster of customers use to compare on the internet, knowledge is a must for those factors?
3. Policy term is very important for these cluster of customers which suggests the companies that the product focus must be on the policy term and claim settlement.
4. Companies can utilize brand strategies for customer

retention and word of mouth publicity for recognizable communication.

5. Brand ambassadors based marketing strategy is advisable for this type of cluster.

Cluster three comprises of variables (1, 2, 3, 4, 7, 14) suggests cluster intent on issues of (policy term, premium, bonus, riders, agent and consultations, tax benefits) *consider as very important* for them. These intent identifies cluster group as result focused customers. Another part of the cluster Showing important variables that are considered by this group are (5, 6, 9, 11, 13) that are brand, claim settlement, internet reviews, the comparison between companies. We can name this cluster as *Result intent customers*.

Marketing strategies for result intent customers

1. Identification of benefits and correlation with premium and policy term is essential for this cluster of the customer.
2. Bonus, riders, and consultation are the tools for product mix decision
3. Past results of companies are advised as marketing strategy tool for pursuing the customer and for sale closure.
4. Senior agents and managers of companies are assigned to attend such calls because experience and age factor for selling and convincing is most advisable for this cluster of customers.
5. Chances of delay in the decision are one of the hidden factors of such group because customers in this cluster are very result oriented so purchasing such products takes time.

Other findings in cluster analysis

1. Advertisements (television) are not important for two clusters 2 and 3, find neutral in 1 cluster number 1. Suggests companies that television advertisements and related expenses are not much required. Advertisements can only be used for attaining market presence rather than market size.
2. Print media is also not important suggested by all the three clusters.
3. Traditional media is not applicable up to some extent in life insurance sector.
4. Friends and peers consultation is less important in 2 and 3 clusters of customers this suggests that people are very less in number about speaking freely on their life insurance aspects.

Conclusion

Life insurance is a product that serves the future security of family in terms of financial areas, so purchasing such product can vary from family need to need. The major focus must be on the consultation and internet viability.

Suggestions

Business development can be attained through consultants, extensive use of the internet is advisable, persuasion is the key to sales, telephonic calling is not required in this sector only personal visits and meetings are suggested as the business

attainment framework. Reference calling is mostly advised for fast sales. Mobile and other digital media presence are suggested.

Limitations

There are limitations of every research this research does not highlight rural customers and general insurance aspects of products and consumer behavior. Research can give some highlights on rural aspects.

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